

Guildhall Gainsborough
Lincolnshire DN21 2NA
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AGENDA

This meeting will be streamed live (at the website address below), recorded and the video archive published on our website

Governance and Audit Committee
Tuesday, 21st July, 2020 at 2.00 pm
Virtual - MS Teams

<https://west-lindsey.public-i.tv/core/portal/home>

Members: Councillor John McNeill (Chairman)
Councillor Mrs Jackie Brockway (Vice-Chairman)

Councillor Stephen Bunney
Councillor Mrs Tracey Coulson
Councillor David Dobbie
Councillor Mrs Caralyne Grimble
Councillor Mrs Angela White
Alison Adams
Andrew Morriss
Peter Walton

1. **Register of Attendance**
2. **Public Participation Period**
Up to 15 minutes are allowed for public participation.
Participants are restricted to 3 minutes each.
3. **Minutes of Previous Meeting** (PAGES 3 - 10)
Held on 16 June 2020
4. **Members Declarations of Interest**
Members may make any declarations of interest at this point but may also make them at any point during the meeting.
5. **Matters Arising Schedule** (PAGE 11)
Matters Arising schedule setting out current position of previously agreed actions as at 21 July 2020.

Agendas, Reports and Minutes will be provided upon request in the following formats:

Large Clear Print: Braille: Audio: Native Language

6. Public Reports for Consideration

- i) Unaudited Statement of Accounts 2019/20 (PAGES 12 - 163)
- ii) Annual Voice of the Customer Report 2019/20 (PAGES 164 - 188)
- iii) Internal Audit Quarter 1 Progress Report 2020/2021 (PAGES 189 - 208)
- iv) Annual Fraud Report 2019/20 (PAGES 209 - 217)
- v) Fourth Tier Governance Review (PAGES 218 - 224)
- vi) Results of Governance & Audit Committee Effectiveness Survey (PAGES 225 - 242)

7. Workplan

(PAGES 243 - 245)

Ian Knowles
Head of Paid Service
The Guildhall
Gainsborough

Monday, 13 July 2020

WEST LINDSEY DISTRICT COUNCIL

MINUTES of the Meeting of the Governance and Audit Committee held in the Virtual Meeting - MS Teams <https://west-lindsey.public-i.tv/core/portal/home> on 16 June 2020 commencing at 2.00 pm.

Present: Councillor John McNeill (Chairman)
Councillor Mrs Jackie Brockway (Vice-Chairman)

Councillor Mrs Tracey Coulson
Councillor David Dobbie
Councillor Mrs Caralyne Grimble
Councillor Mrs Angela White
Alison Adams
Andrew Morriss
Peter Walton

In Attendance:

Alan Robinson	Director of Corporate Services and Monitoring Officer
Tracey Bircumshaw	Assistant Director of Finance and Property Services and Section 151 Officer
James O'Shaughnessy	Corporate Policy Manager & Deputy Monitoring Officer
Lucy Pledge	Internal Audit
Stacey Richardson	Principal Auditor
Katie Storr	Senior Democratic & Civic Officer
Ele Snow	Democratic and Civic Officer
James Welbourn	Democratic and Civic Officer

1 REGISTER OF ATTENDANCE

The Chairman undertook the register of attendance for Members and each Councillor confirmed their attendance individually.

The Democratic Services Officer completed the register of attendance for Officers and, as with Members, each Officer confirmed their attendance individually.

2 PUBLIC PARTICIPATION PERIOD

The Democratic and Civic Officer confirmed there was no public participation for the meeting.

3 MINUTES OF PREVIOUS MEETING

A Member of Committee raised concerns regarding the discussion detailed in the Work Plan

section of the minutes as he felt points raised during the meeting had not been reflected in the minutes. After some discussion, it was agreed that the minutes would be amended as follows:

A Member expressed concerns about the possibility of the risks with regard to covid-19, which, at the time the officer responded, were thought to be operational rather than strategic and would not form part of the six month review of strategic risks.

With this amendment agreed, the minutes of the meeting held on 10 March 2020 were agreed as an accurate record.

4 MEMBERS DECLARATIONS OF INTEREST

There were no declarations of interest at this point in the meeting.

5 MATTERS ARISING SCHEDULE

The matters arising schedule setting out the current position of previously agreed actions as at 8 June 2020 was noted.

6 REVIEW OF MEMBER DEVELOPMENT PROGRAMME

The Democratic and Civic Officer introduced the delayed report regarding Member Development. She explained that it had been due to be heard at the cancelled April meeting however, the restrictions introduced as a result of the global pandemic had meant that the proposals suggested in the report would not have been possible at that time. She explained the work of the Member Development Group had been focussed on two main strands of work, those being, the introduction of online development options and the introduction of a By-Election Induction Programme template. The purpose of the report was to seek agreement for the proposed online training platform along with the template for the induction process following a by-election.

Members of the Committee indicated support for both options, although it was questioned whether anything further could be done to encourage higher attendance rates. It was explained that, unless a session was mandatory, such as the committee specific sessions, there was little that could be done in terms of further encouragement or using penalties for those who chose not to attend. This would be the same with the online options. It was agreed that the use of online options would ensure flexibility for Councillors as well supporting time and financial efficiencies.

The Chairman explained to the Committee that he had tested the online platform and, as it had been designed for use by council officers, it could be seen as slightly clunky for Members to use. The Democratic and Civic Officer explained that she had held conversations with the Officer responsible for the council's use of the platform and it had been confirmed that the opening page could be amended for Members meaning it would be easier access for them.

There was further discussion regarding the Planning specific development sessions which had been scheduled to take place during lockdown. Members were assured that these sessions would still be offered to Members and Parish Council representatives although it was not yet clear how they would run. There would be communications sent out once these were rearranged.

RESOLVED that

- a) the introduction of online training, via Learning Pool, as an additional development tool for Councillors be approved; and
- b) the By-Election Induction Programme template be agreed.

7 REVIEW OF WHISTLEBLOWING ACTIVITY

The Monitoring Officer introduced the annual whistleblowing report. He stated that, owing to a review of how such reports were communicated to Members, there had been no report seen by the Committee in 2019 however he could confirm that, as with the current report, there had been no whistleblowing activity during that period. He explained that the purpose of whistleblowing was to give officers a route of complaint outside of their line management, however, there had been no instances of this on which to report. He added that there were several procedures in place at the council which gave employees to opportunity to raise concerns before there would be any need to use the whistleblowing policy.

Members of the Committee praised the council for a cultural attitude of honesty, as had been noted in the recent Peer Review, although concerns were raised about the negative connotations of 'whistleblowing'. It was acknowledged that there could be negative associations however, the terminology was widely used across all sectors of employment and the ethos of transparency at the council was credited with the lack of whistleblowing activity.

A Member of Committee noted that the need to share information could be more clearly identified, to ensure there was no expectation of confidentiality, and it was agreed this could be included at the next review of the policy.

RESOLVED that Members be assured that the Whistleblowing Policy in place was working effectively.

8 INTERNAL AUDIT ANNUAL REPORT 2019/20

Members were asked to consider the Internal Audit Report for 2019/2020. They heard from the Head Audit & Risk Management (Lincolnshire County Council) that this gave the Head of Internal Audit's opinion on the adequacy of the Council's governance, risk and control environment and the delivery of the Internal Audit Plan for 2019/2020. She explained that as the global pandemic had started to have an affect prior to the close of the financial year, the report did make reference to this. She highlighted several areas of the report for Members, including the 91% delivery rate of the internal audit plan and areas of improvement within the council.

Members thanked the Internal Audit team for an open and accessible report and questioned whether the delivery of the audit plan had been impacted by the global pandemic. This was confirmed to be the case and explained that officers for the outstanding are had been involved with frontline work relating to covid-19 and therefore it had not been possible to complete the audit. It was highlighted that the quarter one audit report would be seen at Committee in July and it would update the delivery plan accordingly.

A Member of the Committee also enquired about the dates covered by the report and it was confirmed that the report covered from April 2019 to March 2020.

RESOLVED that

- a) the Committee had considered the Head of Audit's Annual Report and Opinion for 2019/2020 and no further actions had been identified; and
- b) the Committee would take into account this Annual Report and the Head of Internal Audit's opinion when considering the Council's Annual Governance Statement 2019.

9 INTERNAL AUDIT DRAFT ANNUAL PLAN REPORT 2020/2021

Members gave consideration to a report regarding the internal audit draft annual plan for 2020/2021/ They heard that although the plan had previously been approved, it had been reviewed as a result of the global pandemic. Three audit streams had been deferred and other risks had been identified. It was agreed that the deferment of those audit streams was understandable. The Chairman enquired about the Equality and Diversity audit and it was explained that the associated policy had been reviewed and therefore it was considered sensible to allow time for the policy to become established before undertaking an audit.

It was also questioned what impact a second spike in covid-19 might have on the fulfilment of the audit plan. The Committee heard that there were resources in place to be able to adapt to changing circumstances but it was also important to consider the resilience of services during such times. The key point was to ensure processes were flexible and adaptive.

A Member of Committee raised concerns regarding income loss and additional expenditures as a result of the pandemic and enquired what role there was for the Committee. It was explained that the Corporate Policy and Resources Committee would receive a report regarding the estimated financial risks and that the role of this Committee was to looking at the governance, the 'how' of proceedings rather than the policy decisions themselves.

There was considerable discussion regarding the impact of the pandemic on not only the District Council, but also the wider community such as education and health services. The Monitoring Officer highlighted the frequent communications from the Chief Executive, which were aimed at keeping Members informed as to the recovery from lockdown and also noted there would be a wider report considered at Council at the end of June. Members were advised there was also the option for a further workshop for Members in relation to the impact of, and recovery from, the global pandemic and associated restrictions.

RESOLVED that the contents of the report be noted and agreed and Members be assured that the plan provides robust coverage of the Council's critical areas and services.

10 COMPLETION OF 2018/19 ANNUAL GOVERNANCE STATEMENT ACTION PLAN

The Corporate Governance and Policy Manager introduced a report to present to Members the Annual Governance Statement action plan for 2018/19. He explained that over the course of the year, work had been undertaken against the action plan, with Members receiving a six-month progress report in January 2020. Since that date, further work had been completed to the point where all matters contained within the action plan had been completed.

Having been moved and seconded, it was

RESOLVED that closure of the action plan be approved as all actions had been completed satisfactorily.

11 DRAFT ANNUAL GOVERNANCE STATEMENT 2019/20.

The Committee again heard from the Corporate Governance & Policy Manager regarding the draft Annual Governance Statement for 2019/2020. He explained there had been six areas identified for possible inclusion in the action plan, those being:

- To implement the Senior Management restructure
- The production of the Council's Climate and Sustainability Strategy
- To address issues arising out of effectiveness of G&A Committee survey
- Post-Pandemic recovery response & plans
- A review of the effectiveness and understanding of corporate procurement procedures
- To maintain oversight and assurance of progress of the Peer Review action plan

He added there was an extended date for sign off of the action plan as a result of the pandemic.

There was discussion regarding both the feedback from the Peer Review and whether there would be a governance review of the council's partners in light of the potential financial changes due to covid-19. The Committee heard that the action plan from the Peer Review would be under the remit of this Committee to maintain oversight of progress. Regarding a review of the key partnerships, it was explained that these were reviewed biennially however in such unusual times, partnerships were being constantly reviewed in some manner as action continued to be recovery focussed.

A Member of the Committee queried the period covered by the draft statement, in particular why there was reference to covid-19 if the period covered ended in March 2020. It was explained that, as the final statement would be published after the outbreak of the virus, likely in July, it was important for the report to be contemporary. The full impact would be

picked up next year but it was still important for it to be referenced at this point.

There was further discussion regarding partnership working and whether there had been any new partnerships created or any cross-boundary working. Members heard that although there were no new partnerships, there had been increased and improved working with existing partners as well as close national communications. In terms of cross-boundary working, there had been detailed communications with North Lincolnshire, North East Lincolnshire and Humberside although most work had been closely linked within Lincolnshire.

RESOLVED that

- a) No additional governance related matters be identified for inclusion in the draft statement; and
- b) The proposed set of issues that had arisen during the year that were intended to form the Action Plan for 2019/20 be reviewed and agreed.

12 ANNUAL CONSTITUTION REVIEW 19/20 AND MONITORING OFFICER'S ANNUAL REPORT

The Senior Democratic and Civic Officer introduced the report and explained the purpose of the report was for the Governance and Audit Committee to recommend to Council the proposed amendments to the Constitution. For the second year running, the report also included an Annual Report from the Monitoring Officer. The report aimed to provide an holistic view of all governance associated matters. The Governance and Audit Committee were also asked to approve the amendment(s) made to the Financial and Contract Procedure Rules, which would subsequently be noted by Council as part of the Annual Review.

She detailed the amendments that had been recommended and also identified the areas that were highlighted for further review in the coming year. She explained that the majority of amendments were considered to be housekeeping however there were more significant changes in relation to planning applications and how to facilitate improved call-in functions for Parish Councils. It was proposed that through the coming year there would be further attention placed on the planning processes in terms of engagement with the local communities, such as workshops and further training sessions and any recommendations from these would be incorporated in the Constitution Review next year.

The Chairman proposed an amendment to the report that the fourth recommendation contained within the 'Table of Proposed Amendments for Inclusion', relating to the footnote regarding membership of the Overview and Scrutiny Committee be removed and that Section 5.3.6 of the report similarly be amended to explain it was not being taken forward. This proposal was seconded and voted upon and

RESOLVED that the amendments as detailed above be approved.

There was further discussion regarding the level of detail contained both within the report and within the Constitution itself and it was suggested that Members may find it useful to

receive training on the content of the Constitution. The Monitoring Officer confirmed this was something that had been provided in the past and it would be possible to run workshops or sessions focussing on specific areas of the Constitution.

Members of Committee expressed their support for the focus on planning applications and greater communications with Parish Councils. It was acknowledged that the cancelled training sessions would have been a great resource for Members and Parish Council representatives but it was highlighted that these sessions would still be provided, albeit perhaps in a different format considering current circumstances.

RESOLVED that the Governance and Audit Committee **APPROVE** the following recommendations:

a) Subject to (i) below, the amendment(s) made to the Contract and Procurement Procedure Rules and Financial Procedure Rules detailed at Section 3 of the report (the full set of Procedure rules are attached at Appendix 3 and 4 for completeness).

(i) delegated authority be granted to the Head of Paid Service, in consultation with the Chairman of the Governance and Audit Committee, to make any necessary housekeeping amendments to both sets of procedure rules, arising from the on-going re-structure, and the final versions be noted by Council as part of the Annual Review in due course

b) that delegated authority be granted to the Head of Paid, in consultation with the Chairman of the Governance and Audit Committee, to confirm the final version of the Officer scheme of delegation, in light of the on-going re-structure, and the final version be included within the report, for approval at Annual Council

c) That Members agree the governance outlined in this report, in respect of managing Commercial and Economic Growth, provides assurance that the council is taking appropriate mitigating measures against the risks identified in its commercial approach and note the updated position provided at Section 7 of the report

The Governance and Audit Committee **RECOMMEND** to Council the following recommendations:

d) that the outcome of the annual review be noted.

e) that amendments detailed throughout Section 2 of the report, including those detailed in Appendix 2 relating to the Planning Delegation scheme be adopted and implemented with immediate effect;

f) that the proposed amendments, raised through the review process, but which are not being progressed, detailed at Section 2.8 be agreed for non-inclusion.

g) The appointments of Parish Councillors Elizabeth Hillman and Bruce Allison to the Standards Sub-Committee (Section 9)

h) That the progress made with regards to:-

- the areas of work agreed for further development in the 2019/20 review

(Section 5);

- the further planned work for 2020/21 (Section 6)
- the statistical data provided within the report in respect of the number, nature and outcome of Code of Conduct Complaints (Section 8); and
- the support offered to Parish Councils (Section 11) be noted

i) That the interim decision making process(es) that have been in place during the COVID -19 Pandemic be acknowledged.

13 WORKPLAN

It was highlighted that the workplan had been amended as a result of the global pandemic.

The current workplan was noted.

The meeting concluded at 4.01 pm.

Chairman

Governance & Audit Committee Matters Arising Schedule

Purpose:

To consider progress on the matters arising from previous Governance & Audit Committee meetings.

Recommendation: That members note progress on the matters arising and request corrective action if necessary.

Matters arising Schedule

Meeting	Governance and Audit Committee
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Status	Title	Action Required	Comments	Due Date	Allocated To
Black	Leisure Contract	The Chairman of CPR committee at its meeting on 7 November asked Governance and Audit committee to 'send a note' on how the leisure contract is overseen from a Member perspective.	Briefing note to be prepared for Members on the Leisure Contract by the Monitoring Officer and relayed to Members of CPR by being added to his annual report.	10/03/20	Alan Robinson
Black	Member Development - training	to be noted by Member Development Group that a type of 'decision-making' training should be included for new cllrs.	Ele has taken note of this request.	21/07/20	Ele Snow
Black	Covid 19	There is the potential for a Covid 19 workshop in July - to be confirmed.	This was confirmed by Council on 29 June.	21/07/20	Alan Robinson

Agenda Item 6a



**Governance and Audit
Committee**

Tuesday, 21 July 2020

Subject: Unaudited Statement of Accounts 2019/20

Report by:

Chief Executive/Section 151 Officer

Contact Officer:

Caroline Capon
Corporate Finance Team Leader

caroline.capon@west-lindsey.gov.uk

Purpose / Summary:

The 2019/20 Unaudited Statement of Accounts
is presented for scrutiny

RECOMMENDATION(S):

- 1) That Members have the opportunity to review the attached Unaudited Statement of Accounts. Any comments of this Committee will be referred to the Section 151 Officer for subsequent discussion with the Council's External Auditors, Mazars;**
- 2) That Members accept the uncertainty around the Pension Fund Valuations which may result in amendments to the Statement of Accounts;**
- 3) That Members note the scale fee for the External Audit of the Statement of Accounts for 2020/21.**

IMPLICATIONS

Legal: The Statement of Accounts is prepared in accordance with the Accounts and Audit Regulations 2015

Financial : FIN/38/21/CC

The Unaudited Statements of Accounts 2019/20 has been prepared in accordance with proper accounting practices and the requirements of International Financial Reporting Standards (IFRS). This is intended to provide for comparable accounts across all accounting boundaries, public and private, national and international.

The Actual overall Outturn has realised a surplus of £2.2m, of which £0.815m relates to one off budget provision for projects funded from reserves and which have approval for carry forward as they span financial years.

This leaves a £1.385m surplus (9.36% of the approved budget) of which £0.568m will be transferred to the Valuation Volatility Reserve and £0.817m to the General Fund Balance.

Capital Investment totalled £18.029m.

In respect of Usable Reserves, we remain in a healthy position with balances detailed below;

- General Fund working balance totals £4.233m, (£3.849m 2018/19)
- General Fund Earmarked reserves total £15.787m, (£15.833m 2018/19)
- Capital receipts total £3.463m (£3.362m 2018/19)
- Capital Grants unapplied £0.538m (£0.587m 2018/19)

A number of financial performance ratios are contained within the report which illustrate that the Council remains in a healthy financial position.

Staffing :

None arising from this report

Equality and Diversity including Human Rights :

None arising from this report

Data Protection Implications :

None arising from this report

Climate Related Risks and Opportunities:

None arising from this report

Section 17 Crime and Disorder Considerations:

None Arising from this report

Health Implications:

None Arising from this report

Title and Location of any Background Papers used in the preparation of this report :

Code of Practice on local authority accounting in the United Kingdom 2019/20.
Code of Practice on Local Authority Accounting in the United Kingdom – Guidance notes for practitioners 2019/20 Accounts.
The Accounts and Audit (England) Regulations 2015
Papers are located in the Financial Services section, Guildhall

Risk Assessment :

Should the auditors find any material errors this may result in a qualification of the accounts:

Mitigation: The auditors have been consulted on any material issues identified during the closedown process and agreement has been made on the treatment of such items.

Mitigation: A robust quality check has been undertaken and working papers prepared and reviewed.

Call in and Urgency:

Is the decision one which Rule 14.7 of the Scrutiny Procedure Rules apply?

i.e. is the report exempt from being called in due to urgency (in consultation with C&I chairman)

Yes

No

Key Decision:

A matter which affects two or more wards, or has significant financial implications

Yes

No

1 Introduction

- 1.1 The Unaudited Statement of Accounts for 2019/20 (Appendix A) has been prepared under the International Financial Reporting Standards based Code of Practice on Local Authority Accounting (the Code).
- 1.2 Following the Accounts and Audit Regulations 2015 the Council's Statement of Accounts, subject to audit, must be certified by the Chief Finance Officer and published before the 31 May. Following completion of the external audit the Council must formally approve the accounts before 31 July. However, due to the current situation regarding Covid-19, these deadlines have been extended. The unaudited accounts must therefore be published on, or before 31 August 2020. Audited accounts must be published by 30 November 2020.
- 1.3 The Committee is presented with the Unaudited Statement of Accounts, which was approved for issue by the Chief Executive (S151 Chief Finance Officer) on 12 June 2020 to the auditor, Mazars which is prior to the statutory deadline of 31 August 2020, for consideration and review.
- 1.4 This Committee is responsible for the approval of the Statement of Accounts and any material amendments of the accounts recommended by the external auditors. The Audited Statement Accounts will therefore be presented to this Committee on 29 September 2020 after the audit process.
- 1.5 Members of the Governance and Audit Committee will be provided with specific training on the Statement of Accounts to enable them to meet these requirements
- 1.6 The Statement of Accounts has been combined with the Annual Governance Statement (AGS) as in previous years whereby the Council publishes one document, clearly identifying that these are separate statements.
- 1.7 This Committee will review the Draft Annual Governance Statement alongside the Unaudited Statement of Accounts.
- 1.8 The External Auditor (Mazars) commenced their audit 15 June 2020 and pending information and guidance on Pensions and Property Valuations, are due to finish in August 2020. This may result in some changes to the Statement of Accounts that were originally certified by the Chief Finance Officer published. The impact of any significant changes made on the main statements and associated notes will be highlighted in the September report.
- 1.9 The Statement of Accounts, and all supporting documentation is available for inspection by the electorate from 15 June 2020 to 26 July 2020 by appointment only. From 15 June 2020 to 26 July

2020, any local elector may make written representations and/or objections to the external auditor to anything about which the Auditor could take action under section 7 of the Local Audit and Accountability Act 2014. Those sections deal with expenditure made by the District Council which is unlawful, and any matter in respect of which the auditor could make a report under section 7 of the Act. An elector must send a copy of any such objection to the Chief Executive (S151).

2 Financial Performance Indicators 2019/20

2.1 Taking information from the main Statements within the Accounts i.e. the Income and Expenditure Account, the Movement in Reserves and the Balance Sheet, the following financial performance indicators have been derived and are provided in the table below, providing a view of the Council's financial stability and health.

RATIOS		
PERFORMANCE INDICATORS	2018/19	2019/20
Liquidity Ratio	2.92%	1.15%
<i>A ratio of above 1 reflect the Council can meet its short term obligations</i>		
Working Capital (net current assets)	10,139	1,685
<i>The difference between Current Assets and Current Liabilities. Illustrating the Council has current assets to meet its current liabilities</i>		
Working capital as a % of Actual Net Revenue Expenditure	65.62%	13.74%
<i>Working capital as a % of Net Revenue Expenditure showing if we have adequate net current assets to enable continued operations should the need arise</i>		
General Fund Reserves as % of Actual Net Revenue Expenditure	127.39%	163.24%
<i>This indicator measures the period over which the Council could continue to operate without using grant and tax income by utilising its reserves. It should be noted that reserves are set aside to mitigate risks and to fund investments. If the use of reserves were to be used to support the revenue budget this would impact greatly on the achievement of the Council's Corporate Plan priorities.</i>		
Total Liabilities as % of Total Assets	89.57%	92.04%
<i>The indicator provides assurance that the Council can meet all its liabilities from its assets</i>		
% Movement In Pension Liability	16.16%	(11.30%)
<i>The ratio reflects the increase/ (decrease) in pension liability. The movement reflects changes in the actuarial assumptions of such factors as expected rate of return on investments, mortality, future inflation (including pay awards and pension increases), this can have a significant impact on the balance sheet.</i>		
Pension Fund Liabilities as a % of Net Revenue Expenditure	(275.79%)	(308.18%)
<i>Whilst the Pension Liability may not be an immediate concern it does have an impact on the level of contributions the Council is required to make to repay the Pension deficit.</i>		
% Change in Council Tax Base	0.92%	1.06%
<i>1% growth on the Tax Base generates £60k p.a. of additional Council Tax revenue.</i>		

2.2 The Council remains in a healthy position with good levels of reserves and the ability to meet its liabilities. The pension fund is not an immediate concern, however it does have an impact on the level of finances in the future, as shown by the movement over the last two years.

3 The Statement of Accounts

The Unaudited Statement of Accounts 2019/20 is attached at Appendix A. The main elements of which are detailed below;

3.1 Expenditure Funding and Analysis (Note 8 to the accounts)

This is a statement which details the net expenditure utilised by our service Clusters which (chargeable to the General Fund) when added to the statutory accounting adjustments i.e. capital charges, pensions. This then reconciles to the Comprehensive Income and Expenditure Account.

3.2 Comprehensive Income and Expenditure Statement (CIES)

This Statement records the day-to-day expenditure incurred in providing services and includes salaries and wages, other running costs and financing costs and income due from fees and charges and government grants. This statement also shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, but such "accounting costs" do not form part of the amount required to be raised through Council Tax. In 2019/20 there was a deficit on the Provision of Services totalling £8.007m (£2.055m surplus 2018/19 Restated).

3.3 Movement in Reserves Statement (MIRS)

This Statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The (Surplus) or Deficit on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the CIES. These are different from the statutory amounts required to be charged to the General Fund Balance for Council Tax setting.

The Councils usable reserves total £24.021m (£23.631m 2018/19).

3.4 **Balance Sheet**

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 of reserves are usable reserves, i.e. those reserves 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 that may only be used to fund capital expenditure or repay debt). Usable Reserves total £24.021m (£23.631m 2018/19). The second category of reserves is those that the Council is not able to use to provide services. This category of reserves 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 MIRS Statement line 'Adjustments between accounting basis and funding basis under regulations'. Unusable Reserves total a deficit of £18.163m (£16.615m 2018/19 Restated) thus giving a net balance sheet position of £5.858m, (usable reserves exceed unusable reserves)

3.5 **Cash Flow Statement**

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. There has been an overall decrease in cash of £2.678m (increase of £2.113m 2018/19).

3.6 **Notes to the Accounts**

The Notes to the Accounts include additional information including the accounting policies, material items of income and expense and explanations of elements contained within the Comprehensive Income and Expenditure Account and the Balance Sheet.

3.7 **Other Financial Statements**

The Collection Fund is a statutory fund set up under the provisions of the Local Government Finance Act 1988. It includes the transactions of the charging Authority in relation to Non-Domestic Rates and Council Tax and illustrates the way in which the fund balance is distributed to preceptors and the General Fund.

4 **Other Matters:**

4.1 **Pension Fund Account**

There is a potential material uncertainty re the Pension Fund in respect of the valuations for unquoted investment assets due to the impact of Covid-19. Lincolnshire County Council does not start to receive 31 March valuations until July which gives two issues:

1. the audit of the asset valuations cannot be done until the LCC Pensions Team have worked through the valuations and amended the accounts,
2. If there is a material difference then a new actuarial IAS19 valuation for the pension figure may be required.

There may be some areas of the accounts that will change and the audit opinion cannot be finalised until this work is concluded.

4.2 **Scale Fee for the External Audit of the Accounts 2020/21**

The Council received notification from the Public Sector Audit Appointments (PSAA) on the 1 May 2020 that the scale fee for the Audit of the 2020/21 Statement of Accounts would remain unchanged at £33,420

5 **Summary**

5.1 The Unaudited Statement of Accounts 2019/20 attached at Appendix A is currently being audited by the Authority's external auditors. The final Audited Statement of Accounts will be presented to Governance and Audit Committee on 29 September 2020.

5.2 It is recommended that Members, having considered the Unaudited Statement of Accounts refer any comments to the Chief Finance Officer for subsequent discussion with the Council's External Auditors, Mazars prior to issue 29 September 2020.

5.3 Members note the scale fee for the External Audit of the Statement of Accounts for 2020/21.

Unaudited Statement of Accounts and Annual Governance Statement 2019/20



CONTENTS

ACCOUNTS AND STATEMENTS	PAGE
Narrative Report	3
Statement of Responsibilities for the Statement of Accounts	33
Core Financial Statements	
Movement in Reserves Statement	34
Comprehensive Income and Expenditure Statement	35
Balance Sheet	36
Cash Flow Statement	37
Explanatory Notes to the Core Financial Statements	38
Supplementary Statements	
Collection Fund Account	105
Explanatory Notes to the Collection Fund	107
Independent Auditors Report to West Lindsey District Council	110
Glossary of Terms	114
Annual Governance Statement	121



INTRODUCTION

Message from the Leader of the Council, Councillor Giles McNeill

This is my first opportunity as Leader of the Council to provide an introduction to West Lindsey District Council's Financial Statements for 2020/21.

Following the elections last year I was pleased to take up the responsibility of the role of Leader of the Council and this document provides me an opportunity to highlight some of our successes and achievements over the past year, delivering our Corporate Plan and how we are building a brighter future for everyone in West Lindsey.

Our vision is for West Lindsey to be a great place to be where people, businesses and communities can thrive and reach their potential.

The health and wellbeing of our residents is paramount, our first priority is putting Our People first.

The construction of a new West Lindsey Leisure Centre in Market Rasen is underway and the facility is on track to open in summer 2020. In addition since the improvement works at the West Lindsey Leisure Centre in Gainsborough there has been growth in participation. Both facilities support the wellbeing and health of our residents and have been achieved through our Leisure Management Contract with SLM Ltd.

We continue to work with students, education establishments and businesses, through our mentoring programme, funding engineering machinery for training purposes, and having now created 40 apprenticeships. This brings more opportunities for our young people who will learn the appropriate skills for a future in our local industries.

We continue to support our communities and have distributed 101 grants totalling £121k to local groups, generating £665k in external match funding for the District, achieving £5.49 for every £1 invested.

Our commitment to ensuring the future sustainability of Our Place for our residents requires us to meet the need for homes and jobs. We have identified several sites and engaged with developers to create 589 new homes in Gainsborough. Works are due to commence on these two significant sites in the near future. This has only been achieved through successful funding bids to Homes England and partnership working between the Council and private sector.

We continue to play an active role within the Central Lincolnshire Local Planning Partnership and support the development of local neighbourhood plans.



In relation to Our Council, our residents are at the centre of all our efforts. We know you expect us to provide public services that are efficient and effective; and that we have spent public money, your money, wisely. We are investing in new technologies, redesigning services and moving more of our services online to improve people's customer experience.

As the Council's financial year came to an end, we entered lockdown, in response to Covid-19, caused by the coronavirus. This global pandemic will leave a lasting effect on our economy, our communities, on individuals and their families and friends, for years to come. As a Council, we have led the response, through organising Community Hubs to ensure that the lone, elderly and most vulnerable are supported. We have provided vital support and advice, issued grant funding on behalf of the government to local businesses who have seen financial hardship through being instructed to close their doors to protect their staff, the public and our NHS.

The impact on the Council's finances of this pandemic is significant, with reduced income and additional costs. I have been enormously proud of my team of officers at the Guildhall, who have changed their ways of working, changed the work they are doing, and the overwhelming majority have decamped to their homes to work remotely. These changes were handled with considerable agility and in a way that minimised disruption to our residents.

We are now faced with increased financial uncertainty from the long term effects of Covid-19 in addition to the impact of the again delayed Fairer Funding Review and Business Rates Retention Review and whilst we are deeply concerned at a reduction in overall funding levels, I am dedicated to ensuring we can continue with delivery of our plans to build a brighter future for everyone in West Lindsey through effective and efficient delivery of our services and ensuring that every penny of public money is spent wisely.

I would like to thank my colleague councillors, our staff, particularly our Finance Team, and Chief Executive, Ian Knowles, in contributing to our continued success.



Beckside, Nettleham

Message from the Chief Executive – Ian Knowles

As the Council's Chief Finance Officer I am pleased to present the 2019/20 Statement of Accounts.

This Narrative Report provides a summary of our performance in year and provides an overview of the purpose of each of the Financial Statements within the accounts; summarises the material items within them and gives a holistic overview of the year in terms of both financial and non-financial performance.

This year has seen significant progress against our Executive Business Plan which detailed the actions that we will take to support delivery of the Corporate Plan objectives.

We have seen the opening of our Crematorium, a project delivering a modern, environmentally friendly building which is a much needed facility for the residents of West Lindsey and which will generate additional income for the Council.

West Lindsey District Council has continued its commercial approach in managing the reduced government funding whilst maintaining quality services, supporting communities and maintaining financial sustainability. Over the last year a number of services have been supported with additional resources.

Within these statements you will also find reference to our subsidiary organisations and Joint Ventures which are part of our commercial and innovative approach to delivery of outcomes through commercial opportunities and working in partnership.

We have again shown good financial stewardship over the year as reflected in these accounts and delivered a surplus from services of £1.46m which included £0.815 which will be carried forward to support ongoing projects. In addition to corporate savings and additional income from Business Rates (NNDR) the overall surplus for the year was £2.2m.

This compares with the accounting deficit of £8.007m shown in the Comprehensive Income and Expenditure Statement on page 35. These two numbers are reconciled on page 18 of the narrative report, with the movement reflecting the legislative exemption from certain financial accounting practices that ensures the tax payer is not funding non cash transactions.

Our Balance Sheet position remains strong with useable reserves of £24.021m, of which £15.788m has been earmarked for being set aside for significant investment and service improvement



initiatives. The General Fund balance stands at £4.234m which is above our minimum requirement of £2.5m, and will provide some resilience to future financial uncertainties and give increased opportunities for investment and development across the district and within the Authority. This position has been supported by achieving tax collection rates above the national average.

Our financial strategy is reliant on significant capital investment some of which is supported by borrowing. The Capital Investment Strategy and Treasury Management Strategy are both aligned with the latest guidance and regulation from CIPFA and MHCLG. During this year the Authority increased its borrowing from £11m to £20m and is anticipated to increase in future years to £44m. Our borrowing costs are fully supported by the income generated from the schemes being implemented and at this time reduce the charge to Council Tax payers.

In terms of future financial risks, during the year the government has delayed the implementation of The Fairer Funding Review which seeks to revise the funding arrangements for Local Authorities for the financial year 2021/22, in addition to undertaking a review of the Business Rates Retention Scheme. We have engaged fully with consultations and will continue to seek to influence the outcome in the best interests of West Lindsey residents.

As these statements are published we are still in 'Lockdown' due to the Covid 19 virus. We are working on the full financial impact of the 'Lockdown' and at this time believe we are able to manage the financial impact with assistance from Central Government. As these accounts show, we have a resilient balance sheet position with appropriate levels of reserves. There will be a full assessment of the impact as the year progresses and as the Lockdown is lifted.

As we recover from the Covid 19 emergency, we see it as important we continue to build on the relationships with our residents, communities and our businesses to support each other through the next few years. The national economy has stalled due to the need to close down much of the consumer services. We will need to work together for everyone to recover from this setback and achieve our aspirations.



Marshall's Yard, Gainsborough

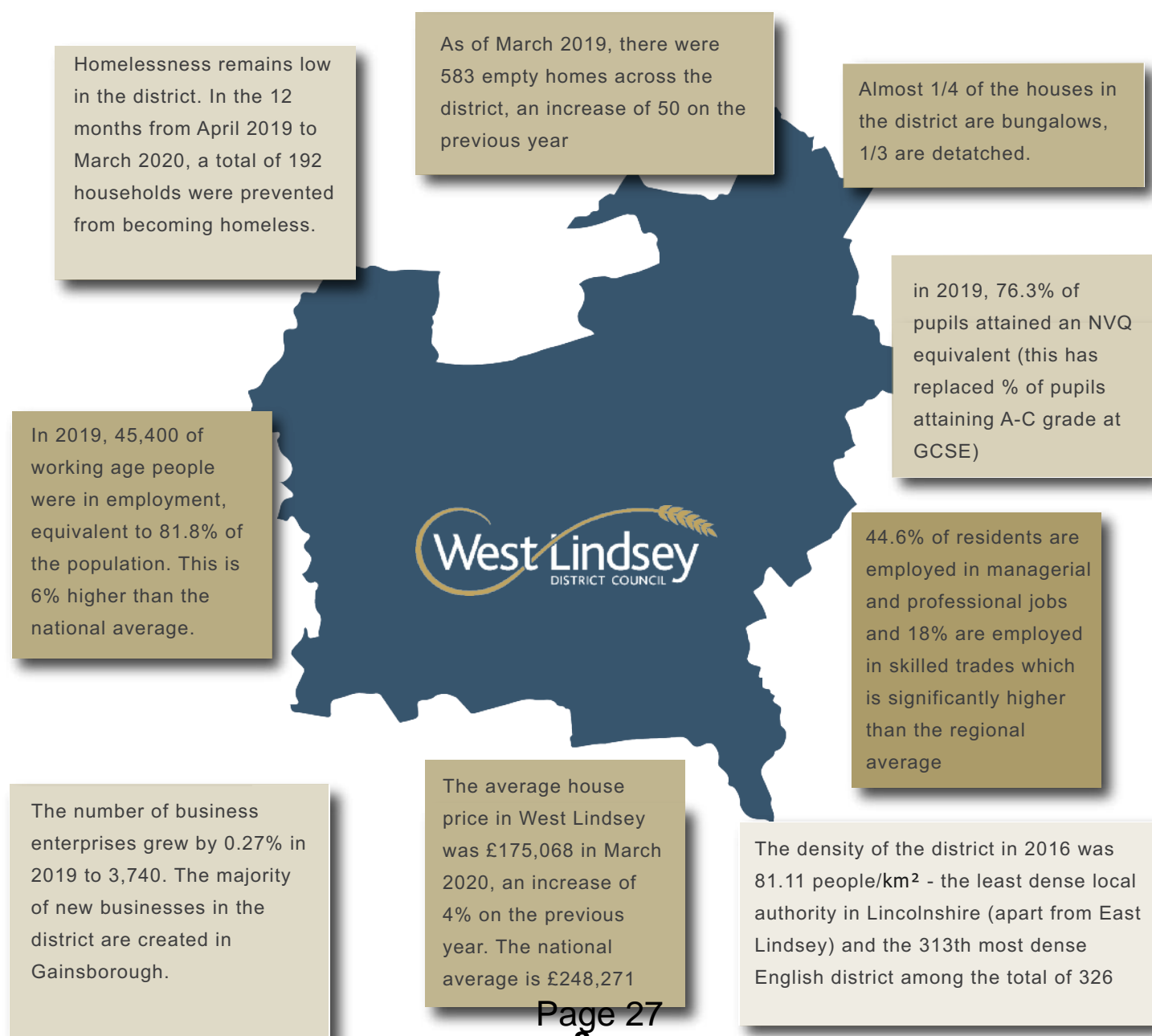
ORGANISATIONAL OVERVIEW AND EXTERNAL ENVIRONMENT

1. THE DISTRICT OF WEST LINDSEY

The District covers 1,156km² (447 square miles), with the administrative centre in Gainsborough on the River Trent to the west, and the market towns of Caistor and Market Rasen to the east.

The topography of the District varies from the low Trent Valley to the west to the rolling hills in the Lincolnshire Wolds Area of Outstanding Natural Beauty in the east. There were 20 wards in the district made up of 97 parishes, of which 72 have Parish Councils and 19 smaller ones who have parish meetings. One of the main features of the district is that the population is spread across a large area. The mid-year estimates for 2017 give the district a population of 94,300 at a density of 81.11 people/km².

The information provided below is based on the latest available. The full State of the District report can be found at www.west-lindsey.gov.uk/my-business/growth-and-regeneration/stateofthedistrict



2. WEST LINDSEY DISTRICT COUNCIL

West Lindsey District Council has a vision;

West Lindsey is a great place to be, where people, businesses and communities can thrive and reach their potential

To achieve this vision Our Corporate Plan Priorities for 2019/20 are;

Health & Wellbeing

to reduce health inequalities and promote wellbeing across the District through the promotion of healthy lifestyles

Economy

to ensure that economic regeneration in West Lindsey is sustainable and benefits all of our communities

Finances

to remain financially sustainable

Vulnerable Groups & Communities

to create strong and self-reliant communities and promote positive life choices for disadvantaged residents

Customer

to put the customer at the centre of everything we do

Housing Growth

to facilitate quality, choice and diversity in the housing market, assist in meeting housing need and demand and deliver high quality housing related services to support growth

Education & Skills

to facilitate the creation of a highly educated and skilled workforce, that meets the present and future needs of the local and wider economy

Public Safety & Environment

to create a safer, cleaner District in which to live, work and socialise

Staff & Members

to maintain our position as a well-managed and well-governed Council

The Corporate Plan can be found at www.west-lindsey.gov.uk

OUR SERVICES

Our services have been reported to management and Committees in the following clusters during 2019/20;

- **Our People** – Front facing customer services – i.e. Benefits, Council Tax, Operational Services, Homelessness and Housing, Licensing, Customer Services, Food Safety
- **Our Place** - Area based services, i.e. Development Management, Economic Development, Car Parking, Asset Management, Leisure
- **Our Council** - Corporate services, i.e. Finance, Human Resources, Committee Administration, ICT, Business Improvement, Elections, Corporate Fraud

Each Theme also sets out its strategic aims and the desired outcomes to be achieved for each area of focus.

OUR COMPANIES

The Council holds share equity in the following companies;

WLDC Trading Ltd, Surestaff (Lincs) Ltd, WLDC Staffing Services Ltd, a group of companies created to enable trading commercially. The companies supply agency workers to both West Lindsey District Council (WLDC) and local businesses, supporting the creation of local jobs for local people.

Market Street Renewal – a joint venture company with Dransfield Properties Ltd, each holding 50% share equity. The company aims to act as a delivery vehicle capable of attracting investment to Gainsborough that might not otherwise have been available to the Council alone. The purpose of the company is to support regeneration of the Town Centre through the redevelopment of properties.

Further information can be found at Note 31.

OUR CULTURE

Our vision is complemented by a set of values that cut across the whole organisation. We make our values real by demonstrating them in how we behave every day. Our values are central to achieving our behaviours which underpin effective performance in the workplace. Our values are;

OUR VALUES

Customer First – to put the customer at the centre of everything we do

One Council – to act as one council, working together to achieve our aims and deliver excellent Council services.

Business Smart – in getting things done to the highest standard

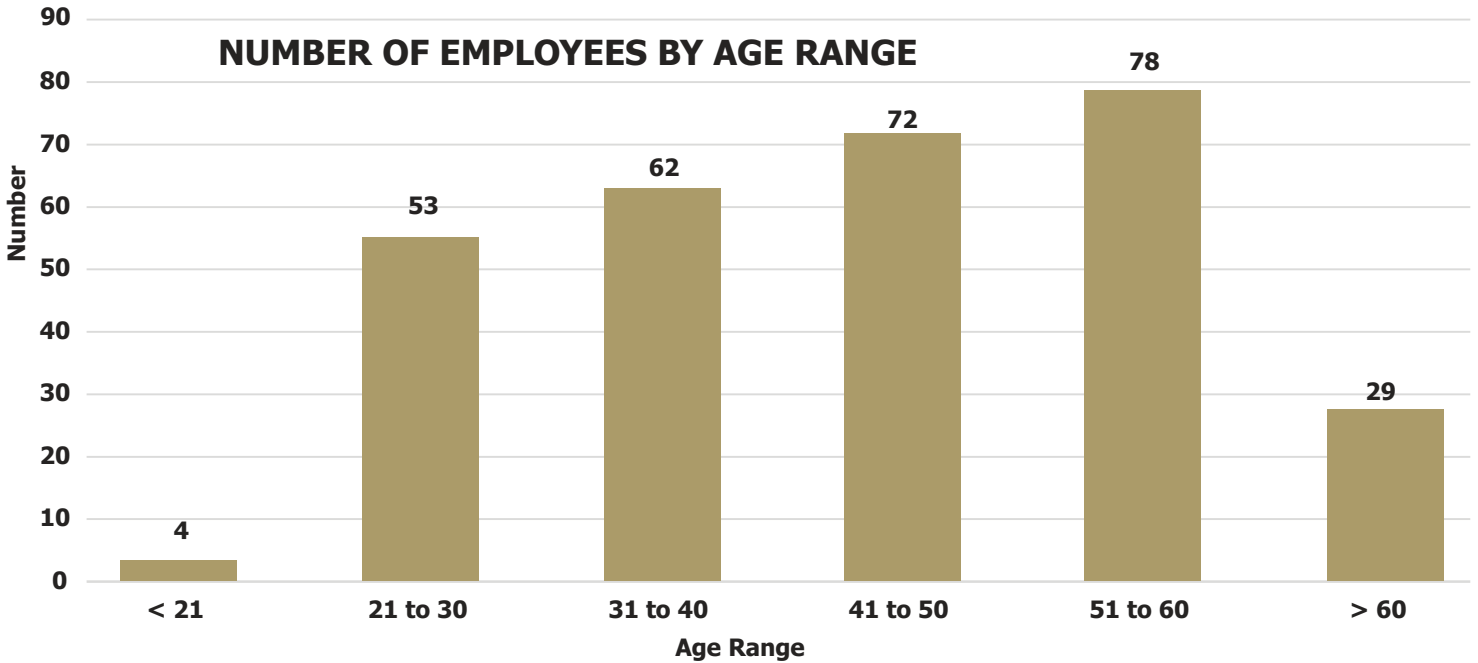
Communicating Effectively – simply, clearly and concisely ensuring message is understood

Integrity in Everything we do – accountable for our decisions and actions, open, fair, honest and trustworthy

OUR RESOURCES

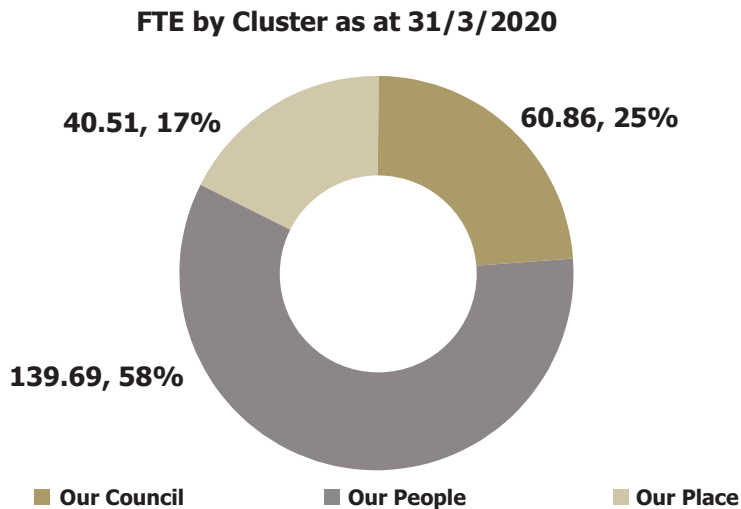
The Council is conscious of the demographic of its employees and is keen to ensure business continuity by establishing a workforce development and training plan that will explore and support the organisational need for succession planning.

Staffing numbers as at 31 March 2020 totalled 298 and are analysed below;



Gender	Total	Percentage
Male	133	45%
Female	165	55%

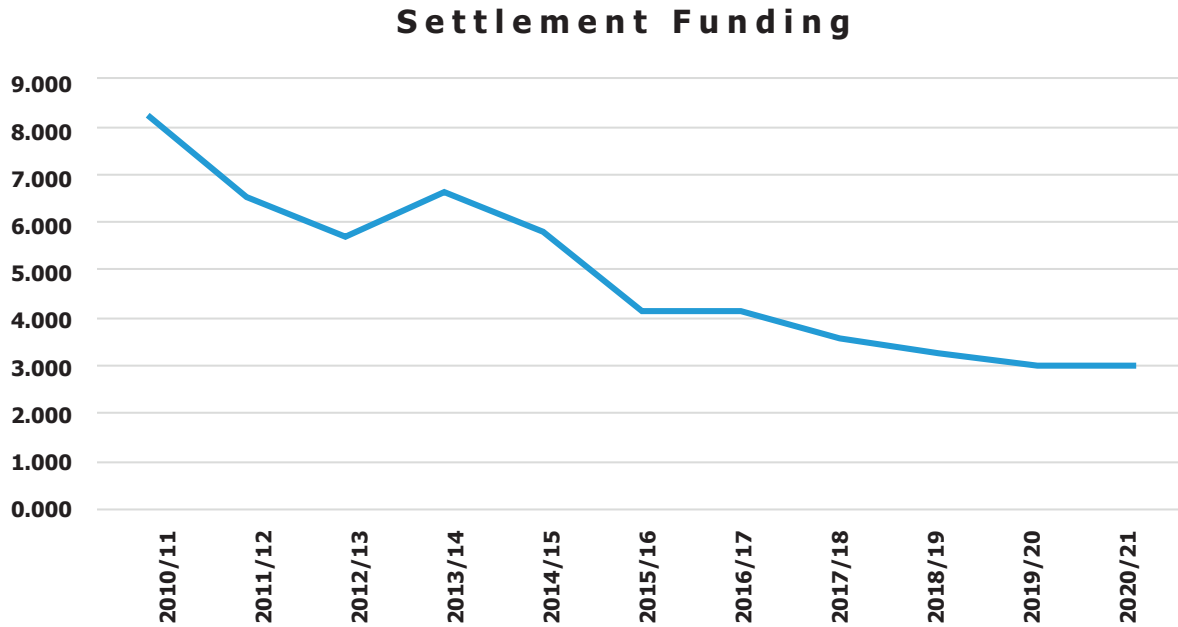
Full time equivalents engaged in cluster areas are as detailed below;



OUR FUNDING

West Lindsey District Council Settlement Funding Government Grant

Since the commencement of government funding cuts in 2010/11 the Council has effectively managed a reduction of £4.8m in Settlement Funding. This has been achieved through sound financial management and financial strategy initiatives to reduce expenditure and increase income streams.



OUR EXTERNAL ECONOMIC OUTLOOK

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

A further challenge to the economy is the impact of Covid-19, declared by the World Health Organisation as a Global Pandemic on 11 March 2020 has impacted on global financial markets and market activity is being impacted in many sectors worldwide. On the 23 March 2020 the UK was placed in lockdown, businesses in the retail, hospitality and leisure industries were instructed to close and people asked Stay Home, Protect the NHS and Save Lives. With no determined end date the impact of the virus presents uncertainty for the UK and its economy and Local Government as a sector. A number of funding initiatives were also announced; supporting businesses, workers and local authorities, which commenced in April 2020. It is anticipated that there will be an unprecedented level of job losses nationally and the likelihood of a recession to follow.

For some time the Government has been consulting on a number of proposals as part of the reform of local government funding, including a Fairer Funding Methodology, Business Rates Retention of 75% and a Business Rates Rest. This has once again been deferred and proposed to be implemented in 2022/23, mainly due to the Covid-19 response taking precedent of all government activity.

We will continue to lobby for additional funding and try to influence the outcome of proposals for the benefit of West Lindsey and its residents through responses to consultations and through our networks; Local

Government Association (LGA), Rural Services Network (RSN), District Council Network (DCN) etc. West Lindsey District Council are a key partner in the public, private, third sector partnership established by the Greater Lincolnshire LEP to deliver a Local Industrial Strategy for our region.

The aim of the Industrial Strategy is to boost productivity by backing businesses to create jobs and increase the earning power of people throughout the UK with investment in skills, industries and infrastructure.

Importantly for West Lindsey District Council, the Local Industrial Strategy will help to guide the strategic use of local funding streams and act as a gateway to future local growth funding deployed through the LEP. To this effect we have worked hard to ensure that issues of strategic economic importance to our district, as set out in the Corporate Plan, are well represented in early drafts of the Local Industrial Strategy.

The Council have a number of key projects in delivery, utilising a blend of funding mechanisms to leverage maximum possible internal and external investment in order to achieve our priorities.



3. HOW THE COUNCIL IS GOVERNED

Political Structure

West Lindsey District Council has 20 wards within its area represented by 36 elected Members (Councillors) who sit on the Council.

During 2019/20 the Council Leader was Councillor Giles McNeill and the political make up was as detailed below;

- Conservatives – 18
- Liberal Democrat - 12
- Labour – 0
- Independent – 2
- Lincolnshire Independent – 2
- Gainsborough Independent - 2

The Council is managed by the Chief Executive;

Further information of our Senior Officers are contained in Note 28.

The Council's Constitution sets out the governance arrangements of the Council. The rules, procedures and guidance should provide assurance to our citizens that decisions made in their name have been taken correctly.

The Constitution can be found on our website;

<https://democracy.west-lindsey.gov.uk/ieListMeetings.aspx?CIId=277&info=1&MD=Constitution&bcr=1>

The Annual Governance Statement 2019/20 (included with this publication) provides details of the annual review of the effectiveness of its governance framework including the system of internal control. There are a number of significant governance issues which will be addressed during 2020/21

- Implement a Senior Management Review
- Produce an Environmental and Climate Change Strategy
- Address issues out of the effectiveness of Governance and Audit Committee Survey
- Post-pandemic recovery response and Plans

The Annual Audit Opinion 2019/20, provided by our independent Internal Auditors, Assurance Lincolnshire, had assessed the organisation as performing well in all areas of Governance, Risk, Internal Control and Financial Controls, however due to the uncertainties around the impact of Covid - 19 the overall assessment is that the Council is performing adequately.

4. HOW WE OPERATE

The Council operates to achieve our objectives through utilising our resources (inputs) to achieve effective, efficient and economical outputs.

The Council's key services include;

Operational Services – keeping communities clean and healthy

Leisure and Well Being Services – supporting the health and well-being of our residents

Home Choices – providing housing and support to the vulnerable

Environmental Services – keeping our people safe through enforcement and inspection activities

Economic Regeneration and Planning – keeping our communities sustainable, encouraging housing regeneration and economic growth,

Revenues and Benefits Services – Collecting taxes and debts and administering housing benefits

Our resources include employees, money, partners, contractors, assets etc. which are used to their best effect to deliver the desired outcomes.

The table below illustrates Government funding during this period and our future estimates as detailed within the Medium Term Financial Plan 2020/21-2024/25.

	Actual 2019/20 £	Budget 2020/21 £	Forecast Budget 2021/22 £	Forecast Budget 2022/23 £	Forecast Budget 2023/24 £	Forecast Budget 2024/25 £
Amount to be met from Government Grant or Council Tax	14,464,275	14,357,000	13,815,700	14,054,800	14,361,200	14,721,800
Revenue Support Grant	0	(65,000)	(65,000)	(65,000)	(65,000)	(65,000)
Business Rate Retention Scheme	4,292,073	4,186,000	3,160,000	3,207,000	3,268,000	3,327,000
Collection Fund Surplus - Council	207,875	215,400	100,000	100,000	100,000	100,000
Parish Council Tax Requirement	2,019,774	2,134,100	2,134,100	2,134,100	2,134,100	2,134,100
New Homes Bonus	923,818	736,300	221,000	83,000	0	0
Other Government Grants	716,361	620,900	616,600	612,400	608,400	609,400
Council Tax Requirement	6,304,374	6,529,300	6,755,800	7,010,700	7,275,200	7,549,600
Total Funding	14,464,275	14,357,000	12,922,500	13,082,200	13,320,700	13,655,100
Funding Gap	0	0	893,200	972,600	1,040,500	1,066,700

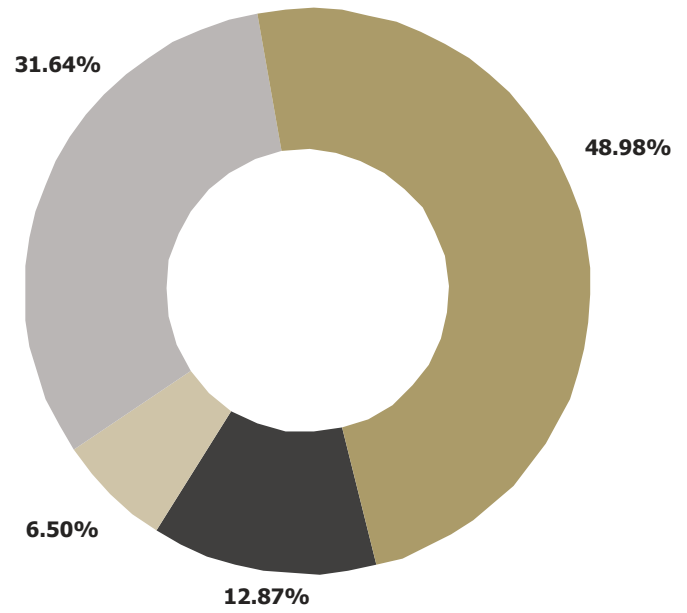
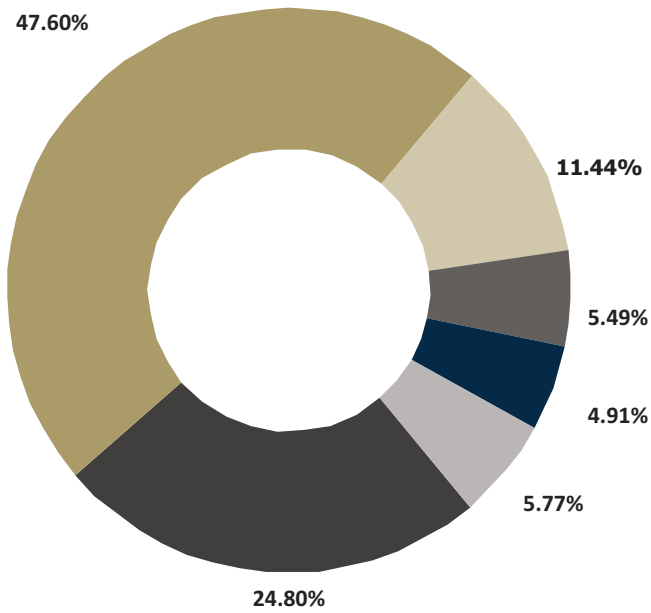
In addition to Government Settlement Funding, the Council sets its Council Tax annually and for 2019/20 the equivalent Band D rate was £213.47 (£207.27 2018/19) generating £6.304m (£6.057m 2018/19) – this excludes income from Parish Precepts. Further information is provided in the Notes to the Collection Fund.

Fees and charges for services generates income of £5.217m, interest and investment income totals £2.634m and other Grants, including Housing Benefit grants totals £19.848m

Income and expenditure analysed by their nature (see Note 10) and is shown in the graphs below;

GROSS EXPENDITURE 2019/20

GROSS INCOME 2019/20



- Employee benefits expenses £12.035m
- Other services expenses £23.098m (including Benefits)
- Depreciation, amortisation, impairment £5.551m
- Interest payments £2.663m
- Precepts and levies £2.382m
- Disposal of Assets £2.800m

- Fees, charges and other service income £5.217m
- Interest and investment £2.634m
- Council Tax, Non-Domestic Rates £12.823m
- Government grants and contributions £19.848m

5. PERFORMANCE

The Council has established a portfolio of programmes to deliver the Corporate Plan 2019 – 2023 The Financial Strategy 2019/20 has been developed to ensure the Council has adequate resources to deliver both services and the Corporate Plan objectives whilst aiming to achieve future financial sustainability and non-reliance on government grant. This will be achieved through activities to maximise income generation, improve efficiency and customer services and develop the economy of the District increasing taxation growth.

Southern Urban Extension Gainsborough, following the allocation of £2.12m of funding from the Housing Infrastructure Fund, 245 homes are expected to be delivered by 2022. Planning consent has been granted for 2,500 homes in total. Work will start on site in 2020/21 with Keepmoat as the developer for Phase 1.



Northern Urban Extension Gainsborough Planning consent is imminent for the development of approx. 750 new homes with supporting local facilities.



Bowling Green Road works on site are imminent for the production of 135, primarily affordable homes and a riverside walkway, a development of £19m by ACIS, with £2.2m of funding from the Greater Lincolnshire Local Enterprise Partnership and in partnership with WLDC who are contributing £428k of S106 funds.



Market Rasen Leisure Centre, A £6.7m investment in a new dry-side leisure centre is progressing well and nearing completion with handover to WLDC expected by June with an anticipated opening in July. Facilities will include an all-weather full size football pitch, indoor sports hall, gymnasium and dance / multi use room.



Made in Gainsborough Project, A further co-investment of around £60k from WLDC has increased the Welding and Machining capacity at Gainsborough College and sees the completion of Phase 2 of the project. As a result a further 20 learners have started their Apprenticeship with a number of local employers. Meanwhile the Year 1 learners are now progressing onto Level 3 qualifications.



Central Station, Gainsborough, from May 2019 Gainsborough Central Station now has an hourly, weekday service between Sheffield and Gainsborough by Northern. This will open up commuting, business and leisure opportunities.



Financial Performance 2019/20

Revenue

The Council approved a revenue budget, including Council Tax charges, for 2019/20 of £14.783m. There was no requirement to utilise the General Fund Balance to provide a balanced budget. The Actual out-turn has realised a surplus of £2.200m, £0.815m of which relates to one-off budget provision for the delivery of projects which span financial years and will therefore be carried forward. In addition the Corporate Policy and Resources Committee approved that any savings on borrowing, as a result of effective Treasury Management would be contributed to the Valuation Volatility Reserve, £0,568m to mitigate any financial risks associated with our Commercial Investment Portfolio. This leaves a remaining surplus balance of £0.817m (5.52%) which has been transferred to the General Fund Working Balance and which now stands at £4.234m. The total amount of General Fund Reserves is £20.020m (£19.682m 2018/19).

The following table reports the revenue actuals against a revised budget for 2019/20 as reported to Corporate Policy and Resources Committee and based on controllable costs/income. This is before any adjustments required by accounting standards that are subsequently reversed under statute, which are included in the Comprehensive Income and Expenditure Account. Note 11 provides details of the accounting adjustments;

SERVICE CLUSTER	2019/20			
	Budget £	Actual £	Accounting Adjustments £	CIES £
People	5,201,200	4,790,247	4,699,629	4,288,675
Place	1,308,700	1,053,027	1,273,500	1,017,827
Policy and Resources	5,513,100	4,719,114	(175,545)	(969,531)
Controllable Total	12,023,000	10,562,388	5,797,583	4,336,971
Corporate Accounting Total	1,807,500	1,174,942	4,036,903	3,404,346
Statutory Accounting Total	3,463,800	2,638,555	(2,638,555)	(3,463,800)
Movement in Reserves Total	(2,495,500)	(2,111,705)	2,111,705	2,495,500
Net Revenue Expenditure	14,798,800	12,264,181	9,307,636	6,773,017
Funding Total	(14,798,800)	(14,464,275)	899,533	1,234,058
(SURPLUS)/DEFICIT FOR THE YEAR	0	(2,200,094)	10,207,169	8,007,075
Approved Carry Forwards		815,100		
Approved (Surplus) to Valuation Volatility Reserve		568,000		
(SURPLUS)/DEFICIT TO GENERAL FUND		(818,994)		

In 2015 the Council set a commercial income target of £1m by 2020. This has been achieved for the last two financial years with net contributions (after direct costs only) of £1.994m from the following;

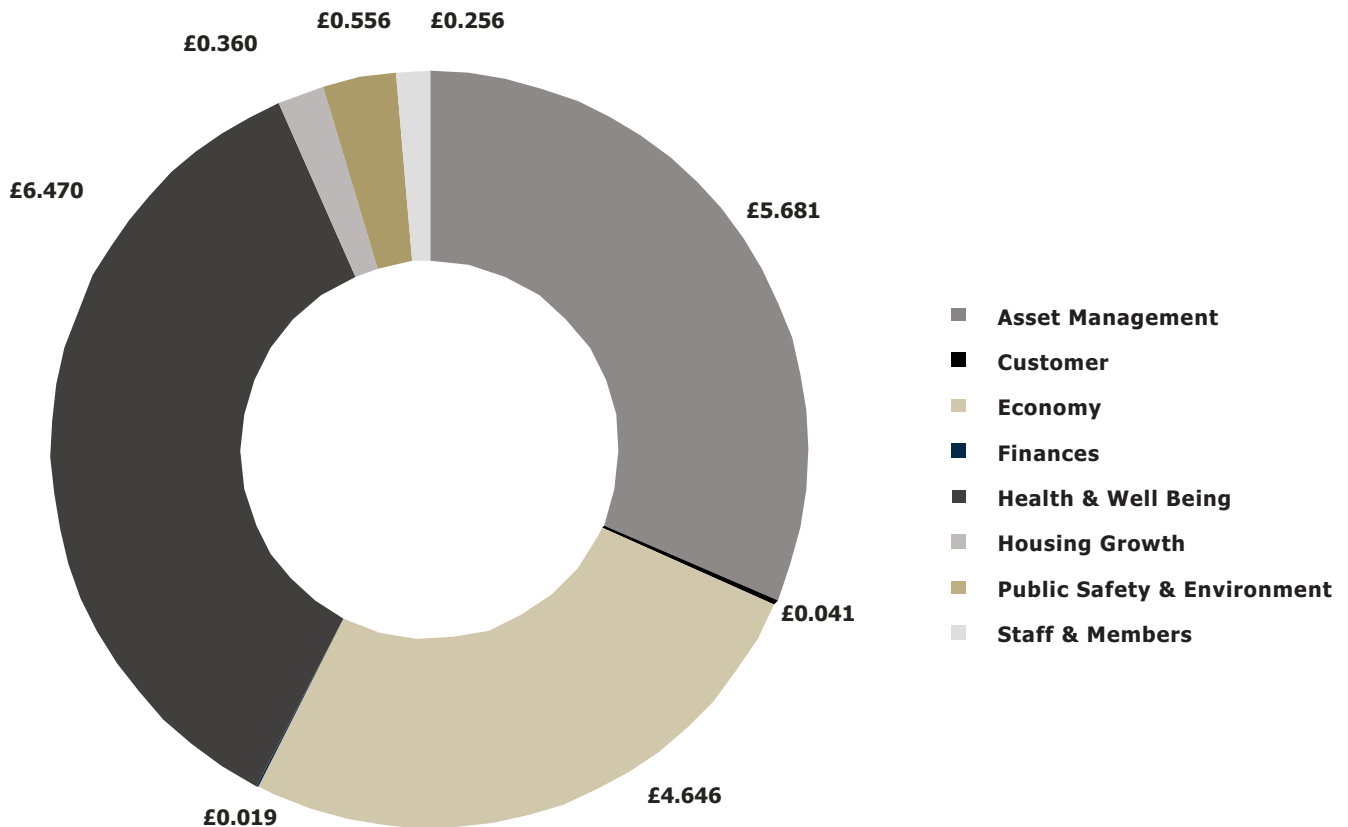
- Investment Properties £0.721m (Net of borrowing costs)
- Trade Waste £0.158m
- Green Waste £0.854m
- Pre-Application planning advice £0.074m
- Council owned companies £0.014m
- Commercial loan income £0.039m
- Leisure Contract £0.134m

Total Contribution 2019/20 £1.994m

Capital Investment

Capital expenditure represents money spent by the Council to purchase, upgrade or improve assets such as buildings and vehicles, in addition to providing grant funding for regeneration and growth projects. The distinction between capital and revenue expenditure is that the Council and its communities receive the benefit from capital expenditure over a number of years. The Council spent £18.029m (£21.079m in 2018/19) during the year. The Corporate Policy & Resources Committee monitors the capital budget on a quarterly basis as part of its performance monitoring processes. The following chart shows the capital investment for 2019/20 into each of the Corporate Plan key theme areas.

Capital Investment in New Key Priorities 2019/20 £'m



Against a reducing grant, increasing costs the Council approved investment of up to £30m investment in Commercial Investment Properties, funded from prudential borrowing. Having now invested over £21.67m in 7 properties, and achieving a gross yield of 6.53%, generating a net contribution to funding of our services of £0.721m p.a.

The Council held 6 investment properties as at 31 March 2019. An additional property was purchased during 2019/20 costing £5.682m as detailed in the table below. Investments Properties are held on the Balance Sheet at their fair value of £20.949m. Further information is included in Note 17.

6. SERVICE PERFORMANCE

CORPORATE HEATH PERFORMANCE			
	Actual	Target	Actual
	2019/20	2019/20	2019/20
Perspective: Customer			
Volume of received complaints	146	174	187
Volume of received compliments	595	213	675
Employee satisfaction	93%	75%	94%
Perspective: Financial			
Position against budget	4%	5%	6%
Cost of Waste Collection per household	£28.28	£29.00	£28.15
Perspective: Process			
Percentage of service requests received through digital channels	38%	35%	39%
Licensing Applications	960	720	982
Perspective: Quality			
Service and system availability	100%	98%	100%
Percentage of calls answered within 21 seconds	83%	80%	82%
Staff absenteeism	0.6 days	0.6 days	0.57 days

The Council recognises the revenue impact of capital investment and monitors this closely as part of corporate monitoring processes. Business cases supporting capital investment proposals include all revenue impacts and these are assessed as part of the budget setting process to ensure that they are affordable.

Balance Sheet

Significant movements on the balance sheet relate to

- the impact of £16.350m of capital investment in Long Term Assets, disposals (£3.308m) and revaluations (£3.595m) are reflected in the increase of £8.924m to £60.756m (£51.832m 2018/19).
- total Liabilities, have increased by £7.505m mainly relating to new external borrowing of £8.5m, additional Grants received in advance £2.094m and an increase in short term creditors £1.656m netted off by the £4.814m decrease in Pension Liability.

Resulting in a Net Assets total £5.858m (£7.016m 2018/19).

The useable reserves of £24.021m (£23.631m 2018/19) held by the Council include £15.787m of earmarked

reserves, £3.462m of Capital Receipts and £0.538m of Capital Grants Unapplied all of which will support the ongoing investment in the capital programme, development of services and management of financial risks. Also included is the General Fund Working Balance of £4.234m which provides resilience against future budget risks.

Debt and Investments

The Council undertook Public Works Loan Board and other Local Authority borrowing to support its cash flows and significant capital investments (further information can be found at Note 19 and 37).

At the end of the year the Council had £11.814m of treasury investments (£14.772m 2018/19). In addition non-treasury investments (commercial properties) and long term debtors (loans) totalled £21.927m (£16.307m 2018/19).

Material Liabilities Incurred

The majority of the employees of the Council are members of the Local Government Pension Scheme (LGPS). The liability for both statutory and discretionary pension benefits, measured on an IAS19 basis has increased over the year. At 31st March 2020 the Council's net liability reported by the Actuary to the LGPS was £37.795m (£42.609m in 18/19), a decrease of £4.814m. This is mainly due to the decrease in actuarial financial assumptions.

At the last formal review in 2019 the Actuary assessed that the West Lindsey District Council Pension Scheme was 77% funded, payments are made annually to aim to achieve a fully funded scheme within 20 years.

More details of the IAS19 valuation are set out in Note 34 to the Financial Statements.

Significant provisions, contingencies and material write-offs

No significant contingencies or material write offs were recognised in 2019/20.

Staffing Trends

The Council continues to put considerable effort into its drive to become more efficient whilst maintaining quality award winning services. This has been achieved by introducing a range of measures such as more flexible working, restructuring management and streamlining back office activities by the use of new technology.

The Council utilises full time or part time temporary/fixed term contract staff who provide additional resource for specific projects or service delivery.

Carbon Management Plan

The Council is committed to reducing energy usage and carbon emissions and has in place within its Carbon Management Plan carbon reducing projects and action plans to deliver this objective. Since 2008/09 CO2 emissions have been reduced by over 20%. A new Environmental and Climate Strategy will be developed during 2020/21 which aims to build on this success in order to achieve an ambitious Central Government target reduction of 100% by 2050.

7. RISKS AND OPPORTUNITIES

The Council manages all risks via a formal Approved Code of Practice. As part of the process, comprehensive strategic and service risk registers are maintained and processes are in place for risks identification and review. In addition to risk identification, mitigating actions are agreed to either terminate the risk or reduce its potential impact.

Financial risks are specifically identified and considered within the MTFP report as part of the budget setting

process. These risks are then monitored by a number of methods depending upon the type of risk. For example, the risk of income targets not being achieved is monitored through monthly income monitoring and reporting is undertaken with a full review of fees and charges annually which incorporates trend analysis, benchmarking and future demand estimations.

Business Cases for projects within wider Programmes of work, also identify risks and mitigations, these are monitored through a robust process of reporting.

Key Strategic Risks

Our People

- Inability to raise local educational attainment and skills levels
- Inadequate support is provided for vulnerable groups and communities
- Health and wellbeing of the District's residents does not improve

Our Place

- Insufficient action taken to create a cleaner and safer district
- The local housing market and the Council's housing related services do not meet demand
- The local economy does not grow sufficiently

Our Council

- Inability to set a sustainable budget
- The quality of services does not meet customer expectations
- Inability for the Councils governance to support quality decision making



Key Future Risks

- Future Financial Resilience: there is an unknown risk of the impact of any Local Government Funding Reform and changes to the Business Rates Retention Scheme due for 2021/22, in addition to Brexit where the impacts are difficult to assess and Covid - 19 where financial implications are increasing. The Council has developed a Financial Strategy which aims for a sustainable future reliant on local tax revenues.
- Covid-19: The impact on the local economy and jobs.

Further information on risk governance is contained in the Annual Governance Statement

Covid-19 Pandemic

The outbreak of the Novel Coronavirus (Covid-19), declared by the World Health Organisation as a Global Pandemic on 11 March 2020 and subsequent measures put in place by the UK Central Government to stay at home, protect the NHS and save lives has had a significant impact on our communities, businesses, residents and our staff.

In response, the Government, Local Council's and other public services have worked collectively in response and have introduced a number of measures to support the vulnerable, businesses and employees.


At WLDC our response plan has included the following actions;







- Working from home where possible
- Safety measures introduced in buildings and vehicles
- Redeployment of staff to areas of need
- Closure to the public of customer hub
- New Initiatives to support the vulnerable in the community ie Community Hub
- Administering and distributing Government Business Support Grants
- Supporting businesses
- Suspending car park charges
- Closing public conveniences, theatre, leisure centre
- Supporting tenants
- Partnership working with other Public Services, Local Authorities and volunteers
- Assessed our supply chain and key supplier risks, no gaps identified

Our achievements over the past few weeks are illustrated below;

Coronavirus

Working together to support our communities



<p>Approximately 53,000 waste collections carried out every week</p> 	<p>100% of requests for support have been met through the Community Hub</p>	<p>12 community groups have been supported by the covid-19 community grant scheme totalling £29,480</p> 	
<p>Paid over £14.19m to support 1,260 West Lindsey business during COVID-19.</p>	<p>Our waste team have collected an additional 100 tonnes of general waste a week during the 'lockdown'. That is an extra 25% on our normal collection level</p> 	<p>Facilitated business rates holidays for 9 businesses who have deferred their instalments for April and May, a total value of £29,854</p>	<p>76% of staff working from home</p>
<p>89 Building Control inspections have been undertaken remotely and in person if safe to do so.</p> 	<p>We have investigated 71 Environmental Protection complaints</p>	<p>Carried out daily vehicle based patrols during the lockdown period to respond to complaints and monitor compliance with the business restrictions</p>	<p>45 instances of homeless prevention between January and March</p>
<p>Our customer services team have dealt with 8,225 customer enquiries since the beginning of lockdown through to 1 May</p>	<p>Served 1 prohibition notice to a non-essential business & 1 planning enforcement temporary stop notice</p>	<p>37 colleagues have been redeployed to assist with delivering essential services</p>	<p>Provided Covid-19 operating advice and guidance to 60 businesses across the district.</p> 
<p>The Planning Service determined 109 applications and received 104 new applications overall during April.</p> 			

Values correct as of 7 May 2020

Financial Impacts

All this has come at a cost to the Council as we undertake activities to support our residents, businesses and staff in the response to Covid-19. We are also experiencing significant reductions in our income, for which no financial support is currently being provided by Government.

The Council has been lobbying for financial support from government through various associations and networks with other Lincolnshire Districts.

The Government have recognised the financial impact the response to Covid-19 is having and have issued £3.2bn of funding thus far to support the sector. West Lindsey District Council have received £1.001m, however, our estimated impact including income loss is £3.048m the table below shows our anticipated funding shortfall.

	£
Income at Risk	
Realistic - Annual Impact	2,426,386
INCOME RISK	2,426,386
EXPENDITURE	
Additional Costs Expected for year	622,442
TOTAL Est. IMPACT 12 MONTHS	3,048,829
Covid Grant Funding Received	1,000,731
Variance	2,048,098
% variance	67.17%

Whilst we continue to lobby for more funding, any shortfall would have to be met from our own reserves. Our policy of maintaining a minimum General Fund Working Balance of £2.5m and would have the following impact on our available funds. Available Earmarked Reserves include only those which support volatility or contingencies at this time.

	£	12 Month impact £	Closing Balance £
Reserve Available	Balance Available	Realistic	Realistic
GF Working Balance	3,976,428	(1,476,000)	2,500,428
Available Earmarked Reserves	4,479,000	(1,572,829)	2,906,171
BALANCES	8,455,428	(3,048,829)	5,406,599

There are likely to be longer term financial impacts from the Covid-19 pandemic as unfortunately some businesses and residents will be unable to meet financial demands in addition the cost of goods are likely to increase, our liabilities i.e. Pension Fund liability and our fixed assets may see significant valuation changes by the end of 2020/21 as the economy is likely to see a significant recession.

We are expecting ongoing reductions in Business Rate and Council Tax income as businesses and home owners become under more financial pressure.

In addition there may be increased costs of capital schemes as prices for supplies increase, resulting in ongoing increased borrowing costs. Some projects have been put on hold and all projects and capital schemes will be reviewed for any financial and resourcing impacts.

Future Business Rates income projections

Projections and sensitivity analysis on the longer term impact on Business Rates has been undertaken by LG Futures on behalf of the Lincolnshire Pool authorities.

It is estimated that the Council will experience ongoing risk on its business rates income of between £0.2m and £0.8m per annum.

Government initiatives

The Council received £18.664m to support small businesses in the district who were eligible for the Governments Business Support Grant Scheme. As at 31 May 2020 we have issued 1394 grants totalling £15.635m

£927,500 has been announced as an Expanded Business Support Grant Scheme which supports those small businesses who were ineligible for the original scheme, this was launched in early June.

We received £793,388 for the Council Tax Hardship Fund. Awards of £150 have been made to 1,815 households, with the remainder to be distributed on a case by case basis.

A High Street Recovery Grant £84,598 support communities to bring the public back safely providing guidance and advice to both the public and businesses.

Financial Recovery

We are managing and monitoring both our cash flows, the financial impact of covid on income and expenditure and other pressures and savings, which will be reported on a quarterly basis. We will be proposing a revised budget for 2020/21 in November 2020 along with a mid year review of our Medium Term Financial Plan will also be reported.



8. FUTURE OUTLOOK

The new Corporate Plan 2019 - 2023 sets out the strategic objectives of the Council for the next four years. It reflects the opportunities and challenges facing the district and what our residents have told us is important to them. We also express our desired outcomes for the next four years, which will provide our officers with clear direction. It is our aim to ensure that attention is paid to all of our communities, residents and businesses; lives are improved and our district prospers.

The following vision has been adopted by the Council:

“West Lindsey is a great place to be where people, businesses and communities can thrive and reach their potential”

In order to deliver against this vision, the Council will focus on three themes as illustrated below:



The Plan is a strategic document, which is supported by our Medium Term Financial Plan (MTFP) and the annual Executive Business Plan (EBP). The EBP sets out the environment in which the Council will deliver the objectives set out in this Corporate Plan. It will consider the national, regional and local context for delivery and identifies the 'deliverables' for the next three years.

- **Customer First Programme**

As Customers remain our priority focus the Council is committed to ensuring they receive the best possible experience and service from the resources available. The programme will include reviewing organisation structures, systems, processes, information and enabling technologies, creating a 'modern digital-led business' that meets the customer's needs and expectations, through an excellent customer experience. It is anticipated that future savings and efficiencies will be delivered through this programme of work

- **Economic Development and Housing Regeneration**

The Council has procured a Development Partner and is committed to an investment program of regeneration for Gainsborough to rejuvenate the town centre and riverside areas in addition to delivery of a leisure complex.

The service continues to achieve success with significant grant bids in support of regeneration and growth projects with circa £10m being approved to support housing regeneration and economic growth, including the development of a Food Enterprise Zone within the district, and in addition to developing innovative ways in which to attract inward investment.

- **Commercial Property Acquisition**

The Council will continue to invest in commercial property with the aim of generating a revenue return to support future sustainability in line with our Financial Strategy. This will be on a risk based approach and proportionate to the size of the organisation.

- **Future Financial Resilience**

Whilst we revise our 5 year Medium Term Financial Plan on an annual basis, we also estimate a 10 year horizon, which takes account of long term projects which are expected to grow income over a longer period. This forecast includes expenditure pressures (income/savings) and is detailed below;

Assumptions	2025/26	2026/27	2027/28	2028/29	2029/30
	£'000	£'000	£'000	£'000	£'000
FUNDING GAP B/FWD	1,067	1,100	1,226	1,285	1,335
Annual Pay Award 2%	202	291	215	222	310
Council Tax @ 3%	-285	-296	-307	-318	-330
NNDR @ 2.9%	1	1	1	1	1
Pension Deficit Payment	120	130	142	155	168
Impact of Cyclical Budgets	-5	0		-10	6
MTFP - FUNDING GAP	1,100	1,226	1,277	1,335	1,490

There has been much publicity around the resilience of Local Government and increasingly so as Councils try to manage the impact of Covid-19 and future funding risk.

The Council's own resilience indicators over the medium term are detailed in the table below;

RESILIENCE INDICATORS	2018/19	2019/20	2024/25
Usable Reserves as % of Net Revenue Expenditure	164.50%	195.86%	82.32%
Council Tax as a % of Net Revenue Expenditure	42.17%	51.40%	51.25%
Business Rates as a % of Net Revenue Expenditure	43.60%	37.99%	22.59%
Borrowing as a % of Fixed Assets	23.63%	35.33%	62.33%
Investments as a % of Usable Reserves	47.60%	48.29%	69.68%
Exposure of Customer and Client Receipts as % of Net Revenue Expenditure	39.86%	53.26%	44.25%

The indicators suggest that we are in a good position in relation to the ability to manage financial risk and future sustainability.

Our useable reserves exceeds our net revenue expenditure and therefore adequate to fund over a years worth of net expenditure should the need arise.

In addition Risk contingency reserves total some £2.242m and our General Fund Working Balance of £4.234m supports our view that we are well placed to deal with any in year financial risks and the balancing of the budget in future years if necessary.

Taxation is likely to be our main funding stream of the future and whilst Council Tax is expected to increase, the impact of the new Business Rates Retention scheme is currently assumed to result in less income from 2021/22, this has been delayed from 2020/21. The impacts of Covid-19 will also adversely affect taxation income in the medium term. As detailed within the Executive Business Plan there are a number of activities being undertaken which will drive growth in these income streams.

Our projected borrowing level is around 70% of our asset values at 31 March 2020, should we consider selling at some point in the future, the costs of borrowing could be met.

Whilst cash investments are likely to diminish as earmarked reserves are utilised for capital investment projects, this will be managed through the Treasury Management function along with the levels of internal borrowing. This will be informed by cash flow need and prevailing/forecast market rates.

Future capital expenditure plans

The Council has approved the following capital programme totalling £37.767m funding plans for the period 1 April 2020 to 31 March 2025.

Corporate Plan Themes	Estimate 2020/21 £	Estimate 2021/22 £	Estimate 2022/23 £	Estimate 2023/24 £	Estimate 2024/25 £	Total Capital Programme £
Our People	1,300,631	693,547	595,000	595,000	595,000	3,779,178
Our Places	14,990,588	7,889,559	1,180,775	509,775	402,000	24,972,697
Our Council	826,400	300,000	485,000	129,000	275,000	2,015,400
Investment Properties	7,000,000	0	0	0	0	7,000,000
	24,117,619	8,883,106	2,260,775	1,233,775	1,272,000	37,767,275

Funding	£
Grants & Contributions	13,300,288
Revenue Financing	10,214,747
Useable Capital Receipts	2,152,300
Prudential Borrowing	12,100,000
Total	37,767,275

For information regarding our plans for 2020/21, please refer to our Executive Business Plan and Medium Term Financial Plan 2020/21 – 2024/25 contained in the Budget Book which can be found on our website at www.west-lindsey.gov.uk/my-council/contacts-facts-and-figures/council-spending/budget-book/

THE FINANCIAL STATEMENTS

As required by the Code the financial statements which follow consist of the following;

Comprehensive Income and Expenditure Statement (CIES)

Consolidates the total gains and losses experienced during the year and the total income and expenditure. The deficit on the Provision of Services totalled £8.007m (surplus of £2.055m 2018/19).

Movement in Reserves Statement (MIRS)

Shows the movement in the year on the different reserves held by the Council, which are split between those that are available for the Council to spend (usable reserves) and those that have been created to reconcile the technical and statutory accounting (unusable reserves). The Council's useable reserves total £24.021m (£23.631m 2018/19).

Balance Sheet

The Balance Sheet shows the Council's financial position at 31 March 2018. Showing assets and liabilities in the top part and below the Council's reserves (Net Worth) that match them. Our Net Worth is £5.858m (£7.016m 2018/19), with the movement between years mainly affected by the following;

Long Term property assets

Property assets have increased from £47.558m to £56.615m due to acquisitions and enhancements, changes in valuations, and disposals. Further details are contained within Note 16 to the Statement of Accounts.

Liabilities

A major liabilities included within long term liabilities relates the deficit on the pension fund which amounts to £37.795m (£42.609m 2018/19) a decrease of £4.814m, this can be attributed to changes to actuarial financial assumptions. In 2019/20 additional borrowing of £5.5m of Public Works Loans Board borrowing has been undertaken, along with £3.5m short term other Local Authority Borrowing. Total borrowing is now £20m. Further information on the pension's position is contained within Note 34 to the Statement of Accounts.

Reserves

Not all reserves can be used to deliver services and this is reflected by reporting reserves in two groups – 'usable' and 'unusable' reserves.

Unusable reserves are determined by technical accounting rules and are not available for use by the Council. These have increased by £1.548m to £18.163mm (£16.615m 2018/19)

Usable reserves have increased by £0.390m to £24.021m (£23.631m 2018/19)

The Council has adequate revenue balances to provide financial security and a safety mechanism for unforeseen events, with the General Fund Balance being 34% of Net Operating Expenditure for 2019/20, which compares to our strategy minimum of 10%. The need for adequate reserves becomes even more important in view of the financial challenges faced by Councils. Reserves mitigate risks the Council is facing in any one year and which will depend upon the robustness of the estimates within the budgets, the adequacy of budgetary control and external factors such as inflation and interest rates. Such risks may also include changes in Government policy, further funding reductions and market factors.

Capital Reserves

Capital Receipts Reserve increases as a result of receipts from asset disposals and reduces as capital receipts are used to finance further capital investment. The reserve increased from £3.362m in 2018/19 to £3.462m 2019/20. In addition Capital Grants Unapplied Reserve is £0.538m (£0.587m 2018/19) and relates to grant received for specific capital schemes

Cash Flow Statement

The Cash Flow Statement represents the Council's movement in cash (and cash equivalents) during the year. It shows that there has been a decrease in cash of £2.678m to £11.493m (£11.493m 2018/19) as cash is expended on capital investments.

Expenditure and Funding Analysis (EFA)

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, 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 clusters.

Supplementary financial statements

The Collection Fund represents the council taxes and business rates collected by West Lindsey District Council on behalf of those authorities responsible for services within the district, and Central Government, and the way in which these monies have been distributed among the authorities and Central Government to finance their expenditure.

Ian Knowles (S151 Officer)
Chief Executive

MOVEMENT IN RESERVES STATEMENT

This statement shows the movement from the start of the year to the end on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be used to fund expenditure or reduce local taxation) and other 'unusable' reserves, those created for statutory accounting purposes only. The Movement in Reserves statement shows how the movements in year of the Council's reserves 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 movements in the year following those adjustments. The Council's usable reserves total £24,021m in 2019/20 (£23.631m in 2018/19). Further information can be found in Note 8,11 and Note 12. Unusable reserves total £18.163m in 2019/20 (£16.615m in 2018/19) as detailed in Note 26.

Movement in Reserves during 2019/20

	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Council Reserves £'000
Balance at 31 March 2019 carried forward	(19,682)	(3,362)	(587)	(23,631)	16,615	(7,016)
Total Comprehensive Income and Expenditure	8,007	0	0	8,007	(6,849)	1,158
Adjustment between accounting basis and funding basis under regulations (Note 11)	(8,347)	(101)	51	(8,397)	(8,397)	0
Net Adjustment	2		(2)	0	0	0
Net (Increase)/Decrease in 2019/20	(338)	(101)	49	(390)	1,548	1,158
Balance at 31 March 2020 carried forward	(20,020)	(3,463)	(538)	(24,021)	18,163	(5,858)

The net adjustment of £2,000 is due to prior year grant funding adjustment and is not an adjustment between accounting basis and funding basis under regulation.

Movement in Reserves during 2018/19 Restated

	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Council Reserves £'000
Balance at 31 March 2018 carried forward	(16,549)	(3,016)	(368)	(19,933)	11,924	(8,009)
Total Comprehensive Income and Expenditure	(2,055)	0	0	(2,055)	3,048	993
Adjustment between accounting basis and funding under regulations (Note 11)	(1,078)	(346)	(219)	(1,643)	1,643	0
Net (Increase)/Decrease in 2018/19	(3,133)	(346)	(219)	(3,698)	4,691	993
Balance at 31 March 2019 carried forward	(19,682)	(3,362)	(587)	(23,631)	16,615	(7,016)

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown both in the Expenditure and Funding Analysis (EFA)(Note 8) and the Movement in Reserves Statement (MIRS). There is a deficit on the Provision of Services totalling £8.007m (surplus of £2.055m in 2018/19).

Restated 2018/19				Notes	2019/20		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000			Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
29,706	(24,444)	5,262	Our People		30,792	(21,302)	9,490
4,713	(2,474)	2,239	Our Place		5,153	(2,827)	2,326
4,196	(150)	4,046	Our Council		4,739	(195)	4,544
38,615	(27,068)	11,547	Cost of Services		40,684	(24,324)	16,360
		2,499	Other Operating Expenditure	13			5,182
		992	Financing and Investment Income and Expenditure	14			29
		(17,093)	Taxation and Non Specific Grant income and Expenditure	15			(13,564)
		(2,055)	(Surplus) or Deficit on Provision of Services				8,007
		(1,128)	Items that will not be reclassified to the (Surplus) or Deficit on the Provision of Services (Surplus) or Deficit on Revaluation of Property, Plant & Equipment Assets	16			248
		4,176	Remeasurements of the net defined benefit liability/(asset)	26			(7,097)
		3,048	Items that may be reclassified to (Surplus) or Deficit on the Provision of Services (Surplus) or deficit on revaluation of available for sale financial assets	26			(6,849)
		0					0
		3,048	Other Comprehensive Income and Expenditure				(6,849)
		993	Total Comprehensive Income and Expenditure				1,158

Note: In 2019/20 the Council renamed its Service Clusters from People, Places and Policy and Resources to Our People, Our Place, Our Council. There was no movement of business units between clusters.

BALANCE SHEET

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 of reserves are usable reserves, i.e. those reserves 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 that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the authority is not able to use to provide services. This category of reserves 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'.

Restated 31st March 2019 £'000		Notes	31st March 2020 £'000
32,020	Property, Plant & Equipment	16	35,489
15,342	Investment Properties	17	20,949
182	Intangible Assets	18	133
44	Heritage Assets		44
3,279	Long Term Investments	19	3,164
965	Long Term Debtors	19	977
51,832	TOTAL LONG TERM ASSETS		60,756
0	Short Term Investments	19	0
100	Assets Held for Sale		50
98	Inventories		67
3,736	Short Term Debtors	20 & 21	3,918
11,493	Cash and Cash Equivalents	22	8,815
15,427	TOTAL CURRENT ASSETS		12,850
(32)	Short Term borrowing	19	(3,581)
(3,862)	Short Term Creditors	23	(5,518)
(1,163)	Short Term Provisions	24	(922)
(231)	Grants Receipts in Advance - Revenue	30	(1,144)
(5,288)	TOTAL CURRENT LIABILITIES		(11,165)
(33)	Long Term Provisions	24	(25)
(11,000)	Long term borrowing	19	(16,500)
(42,609)	Pensions Liability	34	(37,795)
(1,313)	Grants Receipts in Advance - Capital	30	(2,263)
(54,955)	TOTAL LONG TERM LIABILITIES		(56,583)
7,016	TOTAL NET ASSETS/(LIABILITIES)		5,858
(23,631)	Usable Reserves	12	(24,021)
16,615	Unusable Reserves	26	18,163
(7,016)	TOTAL RESERVES		(5,858)

CASH FLOW STATEMENT

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 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. Cashflows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council. The movement in overall cash is a decrease of £2.678m (increase of £2.113m 2018/19).

Restated 2018/19 £'000		2019/20 £'000
2,055	Net Surplus or (Deficit) on the Provision of Services	(8,007)
756	Depreciation of Property, Plant and Equipment	831
(700)	Impairment and downward valuations	3,057
37	Amortisation of Intangible Assets	49
0	Increase/Decrease in Impairment provision for Bad Debts	0
453	(Increase)/Decrease in Creditors	1,199
1,356	Increase/(Decrease) in Debtors	(205)
1	Increase/(Decrease) in Inventories (Stock)	31
1,751	Movement in Pension Liability	2,283
342	Carrying amount for non-current assets and non-current Assets Held For Sale, sold or derecognised	3,112
955	Other non cash items charged to the net surplus or deficit on the Provision of Services	(5)
4,951	Adjustments to net surplus or deficit on the Provision of Services for non-cash movements	10,352
866	Adjust for items included in the net surplus or deficit on the Provision of Services that are investing or financing activities	(1,339)
7,872	Net Cash Flows from Operating Activities	1,006
(19,191)	Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	(14,757)
0	Purchase of short-term (not considered to be cash equivalents) and long-term Investments	(3,000)
(166)	Other payments for investing activities	(71)
104	Proceeds from the sale of Property, Plant and Equipment, Investment Property and Intangible Assets	324
0	Proceeds from short-term (not considered to be cash equivalents) and long-term Investments	3,000
2,508	Other receipts from investing activities	1,935
(16,745)	Net Cash Flows from Investing Activities	(12,569)
16,000	Cash receipts of short and long term borrowing	9,000
(22)	Other receipts from financing activities	19
39	Other payments from financing activities	0
(5,000)	Repayments of short and long term borrowing	0
(31)	Cash payments for the reduction of the outstanding liabilities relating to Finance Leases	(134)
10,986	Net Cash Flows from Financing Activities	8,885
2,113	Net increase or (decrease) in cash and cash equivalents	(2,678)
9,380	Cash and cash equivalents at the beginning of the reporting period	11,493
11,493	Cash and cash equivalents at the end of the reporting period (Note 22)	8,815

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

i General Principles

The Statement of Accounts summarises the Council's transactions for the 2019/20 financial year and its position at the year-end of 31 March 2020. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which require them to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (The Code) and the Service Reporting Code of Practice 2019/20, supported by the International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 12 of the Local Government Act 2003.

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.

ii Accruals of Income and Expenditure

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

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

iii Acquisitions

All operations acquired in year will be treated in line with the Council's accounting policies and if material disclosed separately on the face of the Comprehensive Income and Expenditure Statement.

iv 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 highly liquid investments that mature in 3 months or less from the date of acquisition or as at the balance sheet date and that are readily convertible to

known amounts of cash with insignificant risk of change in value.

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

v Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

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

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

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

vi Charges to Revenue for Non-Current Assets

Services and support services are debited with the following amounts to record the cost of holding fixed assets during the year:

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

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance.

Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

vii Council Tax and National Non-Domestic Rates (Business Rates)

Billing authorities act as agents, collecting council tax and non-domestic rates (NNDR) on behalf of the major preceptors (including government for NNDR) and, as principals, collecting council tax and NNDR for themselves. Billing authorities are required by statute to maintain a separate fund (the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NNDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NNDR collected could be less or more than predicted.

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

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

appeals.

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

viii Employee Benefits

The Council accounts for employment and post-employment benefits when employees earn them and the Council is committed to providing them, even if the actual provision might be many years into the future. Employee benefits are accounted for in the following four categories:

a) Benefits Payable During Employment

Short-term employee benefits are those due to be settled payable within twelve months of the Balance Sheet date and include, wages, salaries, social security contributions, paid annual leave and paid sick leave, bonuses and non-monetary benefits, and similar payments and are recognised as an expense for services in the year in which employees render service to the Council.

An accrual is made for the holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

b) Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the relevant service line (or in discontinued operations) in the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to 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.

c) Post – Employment Benefits

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

d) The Local Government Pension Scheme

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

- 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 projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 2.3% determined

by reference to market yields at the end of the reporting period on high quality corporate bonds (iBoxx AA over 15 year index).

- The assets of the Lincolnshire Pension Fund attributable to the Council are included in the Balance Sheet at fair value:

- quoted securities – current bid price
- unquoted securities – professional estimate
- unitised securities – current bid price
- property – market value

The assessment process takes the most recent triennial actuarial valuation and updates it to reflect current conditions.

The change in the net pensions liability is analysed into seven 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 Costs – the increase in liabilities as a result of a scheme amendment or a decision whose effect relates to years of service earned in earlier years (curtailment) – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.

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.

Re-measurement comprising:

Return on scheme 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.

Actuarial gains and losses - changes in net pension 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 Pension 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 Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pension 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.

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

Further information can be found in the Lincolnshire Local Government Pension Fund Annual Report which is available at the following link;

<https://www.lincolnshire.gov.uk/local-democracy/finances-and-budget/>

Option: Lincolnshire Pension Fund.

or the following address;

**Treasury and Financial Strategy,
Lincolnshire County Council,
County Offices
Newland,
Lincoln, LN1 1YG**

ix Events after the Reporting Period

Events after the balance sheet date are those events, favourable and unfavourable, that occur between the balance sheet date and the date when the financial statements are authorised for issue. Two types of events can be identified:

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

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

x 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 are 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.

Financial liabilities are classified into two types:

- amortised cost – liabilities that are not held for trading, such as operational creditors and borrowings; and
- fair value through profit or loss – liabilities held for trading.

The Council currently only has liabilities carried at amortised cost relating to Finance Leases and borrowing,

this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the lease or loan agreement.

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 cashflow characteristics. There are three main classes of financial assets measured at:

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

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument 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 (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the financial 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 CIES is the amount receivable for the year in the loan agreement.

The Council has made no soft loans (loans at less than Market Rate) as at 31/03/2020.

Expected Credit Loss Model

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

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

The Council has a portfolio of loans to measure lifetime expected losses, this will be assessed on each individual instrument basis. This will take into account materiality, history of default, and impact sensitivity of amendments such as interest rate changes.

Financial Assets Measured at Fair Value through Profit of Loss (FVPL)

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

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

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

Any gains and losses that arise on 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.

Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)

The Council currently holds no financial instruments at fair value through Other Comprehensive Income.

xi Government Grants and Contributions

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

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

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

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

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

Community Infrastructure Levy

The Council has elected to charge a Community Infrastructure Levy (CIL). The levy will be charged on new builds (chargeable developments for the Council) with appropriate planning consent. The Council charges for and collects the levy, which is a planning charge. The income from the levy will be utilised for infrastructure projects to support the development of the area. As a collecting and charging authority an element of the charge is credited to the Comprehensive Income and Expenditure Statement for administration costs, the income is shared with Parish Councils and Lincolnshire County Council to support

agreed infrastructure schemes. Amounts will be held on the Balance Sheet until paid over to the relevant bodies.

xii Heritage Assets – General

The Council holds Civic Regalia as a Heritage Asset

Heritage assets are recognised and measured (including the treatment of valuation gains and losses) in accordance with the Council's policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below.

The carrying amount of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment – (see Accounting Policy xviv Property Plant and Equipment) in this summary of significant accounting policies.

xiii Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences, rights to use land) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council. All such expenditure is accounted for on an accruals basis and capitalised as a non-current asset.

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

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

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

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

xiv Interests in Companies and Other Entities

The Council has interests in companies and other entities that have the nature of subsidiaries, associates and joint ventures and require it to prepare group accounts. In the Council's own single-entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses. The judgement by the S151 Officer is that there is no material impact on the Statement of Accounts. Group Accounts are therefore not required for 2019/20.

xv Inventories and long-term contracts

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

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

xvi Investment Properties

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

Investment properties are measured initially at cost and subsequently 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. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

xvii Joint Operations

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

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

xviii Leases

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

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

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

The Council as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

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

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The Council as Lessor

Finance Leases

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

Lease rentals receivable are apportioned between:

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

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by

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

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

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

xvii Property Plant and Equipment

Assets that have 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 that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is possible that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an assets potential to deliver future economic benefits or service potential (e.g. repairs and maintenance) is charged as an expense when it is incurred. Assets acquired above a de-minimis of £10,000 are capitalised.

Measurement

Assets are initially measured at cost, comprising;

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

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

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

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the

gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

- infrastructure assets, community assets and assets under construction – depreciated historical cost
- surplus assets - the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective
- all other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV)

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

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

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair 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 CIES 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 in the Comprehensive Income and Expenditure Statement.

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

Impairment

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

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 in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

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

Depreciation

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

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight line allocation over the life of the property as estimated by the valuer with the exception of a number of leased shops, where the remaining term of the lease has been used
- Vehicles, plant and equipment – straight line allocation over the life of the asset, as advised by a suitably qualified officer
- Infrastructure – straight line allocation.

Asset Useful Economic Lives assumed

Assets	Useful Life Range (years)
Office/Leisure Centre	25 to 60
Depots & Stores	52
Shops	54 -60
Public Conveniences	49
CCTV Systems/IT equipment/Wheeled Bins/Office Equipment	1 to 13
Vehicles/Bin lifters	1 to 7
Infrastructure Assets	17 to 29
Dwellings	54

Where an item of PPE asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. Materiality levels have been assessed and a materiality level of £0.5m for major components has been applied.

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.

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 previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

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

When an asset is disposed of or decommissioned the carrying amount of the asset in the Balance Sheet

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts and credited to the Capital Receipts Reserve. The balance on the Capital Receipts Reserve can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the Capital Financing Requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written off value of disposals is not a charge against council tax, as the cost of fixed 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.

xx Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required or a lower settlement than anticipated is made, the provision is reversed and credited back to the relevant service.

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

Contingent liabilities

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

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

Contingent assets

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

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

xxi Reserves

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

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

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

xxiii Value Added Tax (VAT)

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

xxiv Fair Value Measurement

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

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

The Council measures the fair value of an asset or liability using assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities that the Council 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

2. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED

Under the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, the Council is required to disclose information setting out the impact of an accounting change required by a new accounting standard that has been issued but not yet adopted by the code.

The following Accounting Standards and amendments have been issued but will not be adopted until the 2020/21 financial year.

- a) **Amendments to IAS 28 Investments in Associates and Joint Ventures** - This clarifies that an entity applies IFRS9 including its impairment requirements, to long term interest in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. There is no anticipated impact for West Lindsey District Council.

- b) **Annual Improvements to IFRS Standards 2015-17 Cycle** - amendments to IFRS 3 Business Combinations and IFRS11 Joint Arrangements which details how a company accounts for increasing its interest. IAS 12 Income Taxes which clarifies accounting for income tax consequences of dividend payments. IAS23 Borrowing Costs which clarifies which borrowing costs are eligible for capitalisation. There is no anticipated impact for West Lindsey District Council as a result of these amendments.

- c) **Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment of Settlement** - These amendments require the use of updated actuarial assumptions to determine pension expenses following changes to a defined benefit pension plan. West Lindsey District Council Pension Fund is administered by Lincolnshire County Council and West Yorkshire Pension Fund, any required amendments will be assessed by these bodies on behalf of West Lindsey District Council.

- d) **IFRS 16 Leases:** This is will require the Council as Lessee to recognise most leases on the balance sheet as right of use assets with corresponding lease liabilities (there is recognition for low value and short term leases). The implementation of this standard has been delayed to 2021/22.

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

Future Government Funding

There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision. The provisions in the Code on the going concern requirements reflect the economic and statutory environment in which local authorities operate. As the Council cannot be dissolved without statutory prescription, the accounts will be prepared on a going concern basis.

Leases

The Council has examined the leases and classified them as either operational or finance leases. In some cases the lease transaction is not always conclusive and the Council uses judgement in determining whether the lease is a financial lease arrangement that transfers substantially all the risks and rewards incidental to ownership. In reassessing the lease the Council has estimated the implied interest rate within the lease to calculate the interest and principal repayments.

Brexit

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

4. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

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

Items in the Council's Balance Sheet at 31 March 2020 for which there is a significant risk of material adjustment in the forthcoming financial year are:

Revenue Costs and Reserves

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a Global Pandemic on 11 March 2020 has impacted on global financial markets and market activity is being impacted in many sectors. On the 23 March 2020 the UK was placed in lockdown to try and reduce the impact of the virus. This has significantly impacted the Council's ability to generate income. The Council has had to perform additional duties due to the demands placed on Local Government to deliver Community Hubs and Business Rate Grant Support. This has resulted in additional costs, which in turn could have an adverse affect on the Council's reserves.

Business Rates

Since the introduction of the Business Rates Retention Scheme effective from 1 April 2013, Local Authorities are liable for successful appeals against business rates charged to businesses in 2019/20 and

earlier financial years in their proportionate share. Therefore, a provision has been recognised for the best estimate of the amount that businesses may have been overcharged up to March 2020. The estimate has been calculated using the analysis of successful appeals to date against the 2010 and 2017 rating lists.

Property Plant and Equipment

Property assets are included on the basis of a full valuation and assessed useful lives undertaken on 31 March 2020. Where possible the valuer has avoided applying indices to calculate the 31 March valuation.

The assessment of useful lives is subject to revision and the valuation would therefore be expected to change accordingly. The carrying value of these long term assets at the end of the reporting period was £35.489m (£32,020m 2018/19).

The impact of a change in valuation or useful life as at 31 March 2020 would affect the carrying value of the asset in the balance sheet and the subsequent charge for depreciation or impairment in the CIES.

Due to many economic factors that impact the property investment and letting markets and the uncertainty around Britain leaving the EU, there is the potential for significant change in value in the retail property market. This has resulted in increased scrutiny of the retail sector and the properties that the Council holds within this property category.

In addition, the Novel Coronavirus has impacted in global financial markets and market activity is being impacted in many sectors. This has resulted in difficulties in attaching weight to previous market evidence for comparison purposes, to inform opinions of value. The property valuations have therefore been reported by our valuers on the basis of 'material valuation uncertainty' as per VPS3 and VPGA 10 of the RICS Red Book Global. The valuations therefore have less certainty and should be viewed with a higher degree of caution than what would normally be the case.

Investments

The Council currently invests in a property fund with CCLA Investment Management Ltd. The pervasive effects of Novel Coronavirus have resulted in a sharp fall in economic activity and in significant declines in the value of assets, including property valuations. The pace of change in the investment environment and infrequency of transactions in the sector means that it is not possible to achieve certainty in the valuation of the property fund. This uncertainty has resulted in the suspension of transactions on the fund until a level of certainty is re-established.

Pensions Liability

The estimation of the net liability to pay pensions depends on a number of judgements relating to the discounts used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting Actuaries is engaged by Lincolnshire County Council, the administering authority for the Local Government Pension Scheme, to provide expert advice about the assumptions to be applied. During 2019/20 the Council Actuaries advised that the net pension liability had decreased by £4.814m to £37.795m. The table below illustrates the potential financial impact of changes in the specific assumptions applied by the Actuary in future years:

Pensions Liability Sensitivity to changes in assumptions

Sensitivity Analysis Change in Assumptions at 31 March 2020	Approx. % increase to Employer Liability	Approx. monetary amount £'000
Longevity (increase or decrease in 1 year)	3-5%	4,273
Rate of inflation (increase or decrease by 1%)	1%	99
0.5% decrease in Real Discount Rate	9%	7,883
0.5% increase in Salary Increase Rate	1%	862
0.5% in the Pension Increase Rate	8%	6,949

The principal demographic assumption is the longevity assumption (i.e. member life expectancy). For sensitivity purposes the Actuary has estimated that a one year increase in life expectancy would approximately increase the Employer Liability by around 3-5%.

A full valuation of the Pension Scheme was undertaken during 2019/20, as at 31st March 2019.

Arrears

At 31st March 2020 the Council had arrears of £5.678m outstanding mainly in respect of sundry debtors, Business Rates and housing benefit overpayments debtors. A review of balances outstanding, recovery performance and future looking review has resulted in an impairment allowance of £1.761m. However, if circumstances were to deteriorate then an additional loss allowance would be required and an assessment made if a lifetime credit allowance should be applied.

Fair Value

When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (Level 1 inputs), their fair value is measured using valuation techniques (eg quoted prices for similar assets or liabilities in active markets or the discounted cashflow model). Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However changes in the assumptions used could affect the fair value of the Council's assets and liabilities.

With regard to fair value estimates of Surplus and Investment Properties, where Level 1 inputs are not available, the Council employs RICS qualified valuers (Wilks, Head & Eve) to identify the most appropriate valuation techniques to determine fair value. All valuations are carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The Council's valuation experts work closely with finance officers on a regular basis regarding all valuation matters. Information about the valuation techniques and inputs used in determining the fair value of the Council's assets and liabilities is disclosed in Note 16, 17 and 18.

With regards to assets valued at fair value, no assets are classed as level 1 in the Fair Value Hierarchy. The majority are Level 2 which utilises quoted market place prices with adjustments for location and condition. The Council has four assets valued at Level 3 of the Fair Value Hierarchy, a Pavillion, Aggregate Site and two oil wells. The significant unobservable inputs used in the fair value measurement include estimated cashflows from the assets and assumptions regarding rental values. Significant changes in any of the unobservable inputs or the level two assumptions would result in a significantly higher or lower fair value measurement for these assets.

5. MATERIAL ITEMS OF INCOME AND EXPENDITURE

For the purpose of this disclosure note the Council considers material items to be those greater than £750k. In 2019/20 the Council had no material items of income and expenditure that are not already disclosed elsewhere within the accounts.

6. RESTATEMENT OF A MATERIAL ERROR IN 2018/2019

A material prior period adjustment has been made to the Council's 2018/19 published financial statements. The Valuations provided by our external valuers omitted a part of the main council office building thus understating the Council's assets, the Revaluation Reserve and the Capital Adjustment Account. As a consequence the surplus on the Provision of Services was understated and the total expenditure in the Comprehensive Income and Expenditure Statement was overstated.

Under the requirements of the CIPFA code of Practice all adjustments to the Comprehensive Income and Expenditure Statement that relate to asset valuations are reversed out of the Capital Adjustment Account. As such, the correction of this error has no impact on the year-end General Fund Balance, the impact is limited to changing two unusable reserves (Capital Adjustment Account and Revaluation Reserve).

The error was found to affect 2017/18 and 2018/19, however no adjustment has been made for 2017/18 as this was not material. As a result of the discovery of this error, a full review of the valuation of land and buildings has being carried out with the Council's external valuer, Wilks Head and Eve.

The Council has restated it's 2018/19 balances as shown in the table below.

	Property Plant and Equipment	Capital Adjustment Account	Revaluation Reserve	General Fund	CIES	MiRs (Unusable Reserves)
	£'000	£'000	£'000	£'000	£'000	£'000
Original Statement of Accounts 2018/19	30,975	(12,176)	(12,362)	(19,682)	2,038	17,660
Adjustment	1,045	(196)	(849)		(1,045)	(1,045)
Restated Opening Position 2018/19	32,020	(12,372)	(13,211)	(19,682)	993	16,615

The Cashflow statement has been restated but the overall cash amount remains unchanged. Notes 8, 8a, 10, 11, 16, 26 to remain consistent with the restated opening balances

7. EVENTS AFTER THE REPORTING PERIOD

The Statement of Accounts was authorised for issue by the Director of Resources (S151 Officer) on 12 June 2020. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing as at 31 March 2020, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

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

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a Global Pandemic on 11 March 2020 has impacted on global financial markets and market activity is being impacted in many sectors. On the 23 March 2020 the UK was placed in lockdown to try and reduce the impact of the virus with no determined end date. The impact of the virus presents uncertainty for the UK and it's economy and Local Government as a sector. On the 1 April 2020, the Government provided the council with £18.8m grant funding for business support packages to be delivered by the council. The council will receive a further £7m in respect of NNDR reliefs.

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

8. EXPENDITURE AND FUNDING ANALYSIS

The objective of the expenditure and funding analysis is to demonstrate to council tax payers how the funding available to the Council (for example, government grants, council tax and business rates) for the year has been used in providing services 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 service clusters. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

Restated 2018/19				2019/20		
Net Expenditure Chargeable to General Fund	Adjustments (See Note 8a)	Net Expenditure in the Comprehensive Income & Expenditure statement		Net Expenditure Chargeable to General Fund	Adjustments (See Note 8a)	Net Expenditure in the Comprehensive Income & Expenditure statement
£'000	£'000	£'000		£'000	£'000	£'000
4,270	992	5,262	Our People	4,790	4,700	9,490
1,251	988	2,239	Our Place	1,052	1,274	2,326
4,427	(381)	4,046	Our Council	4,719	(175)	4,544
9,948	1,599	11,547	Net Cost of Services	10,561	5,799	16,360
(13,081)	(521)	(13,602)	Other Income and Expenditure	(10,901)	2,548	(8,353)
(3,133)	1,078	(2,055)	(Surplus) or Deficit	(340)	8,347	8,007
(16,549)			Opening General Fund Balance 31 March	(19,682)		
0			Less/Plus			
(3,133)			Net Adjustment	2		
			(Surplus) or Deficit in Year	(340)		
(19,682)			Closing General Fund Balance 31 March	(20,020)		

The net adjustment of £2,000 is due to prior year grant funding adjustment and is not an adjustment between accounting basis and funding basis under regulations.

8(a).

NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

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

ADJUSTMENTS BETWEEN FUNDING AND ACCOUNTING BASIS								
Restated 2018/19				Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement accounts	2019/20			
Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Statutory Differences	Total Adjustments		Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Statutory Differences	Total Adjustments
(Note 1) £'000	(Note 2) £'000	(Note 3) £'000	£'000		(Note 1) £'000	(Note 2) £'000	(Note 3) £'000	£'000
125	847	20	992	Our People	3,608	1,100	(8)	4,700
664	322	2	988	Our Place	884	391	(1)	1,274
44	(425)	0	(381)	Our Council	84	(254)	(5)	(175)
833	744	22	1,599	Net Cost of Services	4,576	1,237	(14)	5,799
(1,240)	1,007	(288)	(521)	Other income and expenditure from the Expenditure and Funding Analysis	936	1,046	566	2,548
(407)	1,751	(266)	1,078	Difference between General Fund Surplus or Deficit and Comprehen- sive Income and Expenditure State- ment Surplus or Deficit on the Provision of Services	5,512	2,283	552	8,347

NOTES TO THE EXPENDITURE AND FUNDING ANALYSIS

1) Adjustments for Capital Purposes

The adjustments for capital purposes column 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.

2) Net change for the pensions' adjustments

Net change for the removal of pension contributions and 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 Comprehensive Income and Expenditure Statement.

3) Other Statutory Adjustments

Other statutory adjustments between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

- For **Financing and investment income and expenditure** the other statutory adjustments column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
- The charge under **Taxation and non-specific grants income and expenditure** represents the difference between what is chargeable under statutory regulations for Council Tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

9. SEGMENTAL INCOME

Income received on a segmental basis is analysed below:

2018/19 Income from Services £'000		2019/20 Income from Services £'000
(3,002)	Our People	(2,910)
(2,078)	Our Place	(2,169)
(135)	Our Council	(138)
(5,215)	Total Income analysed on a segmental basis	(5,217)

Included within the Segmental Income note for 2019/20 is the following material income for services provided in 2019/20

People Service: £0.919m of income relating to Green Waste Service Charges (£0.884 in 2018/19)

Places: £0.949m Development Control Application Fees (£0.961m in 2018/19)

In 2019/20 The Council also received £0.797m of income in relation to Green Waste for services to be provided in 2020/21 this is held as a Short Term Creditor on the Balance Sheet. This income will not be recognised in the Comprehensive Income and Expenditure Statement or Segmental Income Note until 2020/21.

10. EXPENDITURE AND INCOME ANALYSED BY NATURE

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

2019/20					
Expenditure/Income	Our People	Our Place	Our Council	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000
Expenditure					
Employee benefits expenses	6,586	2,078	3,371	0	12,035
Other services expenses	19,837	1,977	1,284	0	23,098
Depreciation, amortisation, impairment	4,369	1,098	84	0	5,551
Interest payments	0	0	0	2,663	2,663
Precepts and levies	0	0	0	2,382	2,382
Disposal of assets	0	0	0	2,800	2,800
Total Expenditure	30,792	5,153	4,739	7,845	48,529
Income					
Fees, charges and other service income	(2,910)	(2,169)	(138)	0	(5,217)
Interest & investment income	0	0	0	(2,634)	(2,634)
Income from Council Tax and Non-Domestic Rates	0	0	0	(12,823)	(12,823)
Government grants & contributions	(18,392)	(658)	(57)	(741)	(19,848)
Total Income	(21,302)	(2,827)	(195)	(16,198)	(40,522)
(Surplus) or Deficit on the Provision of Services	9,490	2,326	4,544	(8,353)	8,007

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

Restated 2018/19					
Expenditure/Income	Our People	Our Place	Our Council	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000
Expenditure					
Employee benefits expenses	5,934	2,066	2,999	0	10,999
Other services expenses	22,739	1,982	1,156	0	25,877
Depreciation, amortisation, impairment	1,033	665	42	0	1,740
Interest payments	0	0	0	2,547	2,547
Precepts and levies	0	0	0	2,261	2,261
Disposal of assets	0	0	0	238	238
Total Expenditure	29,706	4,713	4,197	5,046	43,662
Income					
Fees, charges and other service income	(3,002)	(2,078)	(136)	0	(5,216)
Interest & investment income	0	0	0	(1,555)	(1,555)
Income from Council Tax, Non-Domestic Rates	0	0	0	(14,395)	(14,395)
Government grants & contributions	(21,442)	(396)	(15)	(2,698)	(24,551)
Total Income	(24,444)	(2,474)	(151)	(18,648)	(45,717)
(Surplus) or Deficit on the Provision of Services	262	2,239	4,046	(13,602)	(2,055)

11. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

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

General Fund Balance

The General Fund is the statutory fund into which all the receipts of 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 the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year.

Capital Receipts Reserve

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

Capital Grants Unapplied

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

	Usable reserves			Movement in Unusable Reserves £'000
	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Account £'000	
2019/20 Adjustments between accounting basis & funding basis under regulations				
Adjustments to Revenue Resources				
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements				
Pension Costs (transferred to (or from) the Pensions Reserve)	(2,283)	0	0	2,283
Council Tax and NNDR (transfers to or from Collection Fund Adjustment Account)	(450)	0	0	450
Holiday pay transferred to the Accumulated Absences Reserve	15	0	0	(15)
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(7,886)	0	0	7,886
Amount by which finance costs/income in the CIES are different from finance costs/income for the year in accordance with statutory requirements	(116)	0	0	116
Total Adjustments to Revenue Resources	(10,720)	0	0	10,720
Adjustments between Revenue and Capital Resources				
Transfer of non current asset sale proceeds from revenue to Capital Receipts Reserve	455	(455)	0	0
Repayment of Loan Principal	0	(23)	0	23
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	91	0	0	(91)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	2,638	0	0	(2,638)
Total Adjustments between Revenue and Capital Resources	3,184	(478)	0	(2,706)
Adjustments to Capital Resources				
Use of Capital Receipts Reserve to finance capital expenditure	0	359	0	(359)
Capital grants and contributions unapplied credited to the CIES	27	0	(27)	0
Reversal of previous year grant applied to Capital Financing	(838)	0	0	838
Use of Capital Receipts Reserve to finance statutory provision on loans funded by borrowing	0	18	0	(18)
Application of capital grants to finance capital expenditure	0	0	78	(78)
Total Adjustments to Capital Resources	(811)	377	51	383
Total Adjustments	(8,347)	(101)	51	8,397

Restated 2018/19 Adjustments between accounting basis & funding basis under regulations	Usable reserves			Movement in unusable Reserves £'000
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied Account	
	£'000	£'000	£'000	
IFRS 9 Transition				
Adjustments to Revenue Resources				
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements				
Pension Costs (transferred to (or from) the Pensions Reserve)	(1,751)	0	0	1,751
Council Tax and NNDR (transfers to or from Collection Fund Adjustment Account)	240	0	0	(240)
Holiday pay transferred to the Accumulated Absences Reserve	(23)	0	0	23
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(1,273)	0	0	1,273
Amount by which finance costs/income in the CIES are different from finance costs/income for the year in accordance with statutory requirements	49	0	0	(49)
Total Adjustments to Revenue Resources	(2,758)	0	0	2,758
Adjustments between Revenue and Capital Resources				
Transfer of non current asset sale proceeds from revenue to Capital Receipts Reserve	338	(338)	0	0
Repayment of Loan Principal	0	(11)	0	11
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	33	0	0	(33)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	1,053	0	0	(1,053)
Total Adjustments between Revenue and Capital Resources	1,424	(349)	0	(1,075)
Adjustments to Capital Resources				
Use of Capital Receipts Reserve to finance capital expenditure	0	0	0	0
Capital grants and contributions unapplied credited to the CIES	256	0	(256)	0
Use of Capital Receipts Reserve to finance statutory provision on loans funded by borrowing	0	3	0	(3)
Application of capital grants to finance capital expenditure	0	0	37	(37)
Total Adjustments to Capital Resources	256	3	(219)	(40)
Total Adjustments	(1,078)	(346)	(219)	1,643

12. MOVEMENT IN EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund balance in Earmarked Reserves to provide financing for future expenditure plans and the amounts posted back from Earmarked Reserves to meet General Fund expenditure in 2019/20.

	Balance at 31 March 2018	Transfer out 2018/19	Transfer in 2018/19	Balance at 31 March 2019	Transfer out 2019/20	Transfer in 2019/20	Balance at 31 March 2020
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Project Investment Reserve	1,033	(162)	576	1,447	(125)	200	1,522
Budget Smoothing	154	(87)	557	624	(309)	777	1092
Capital Programme Financing	319	(319)	0	0	0	0	0
Community Grant/ Support Schemes	238	(203)	520	555	(167)	90	478
Contingencies Fund	709	(64)	869	1,514	(56)	784	2,242
Investment for Growth Fund and feasibility	5,979	(197)	2,764	8,546	(2,261)	1,035	7,320
Invest to Earn	514	(514)	0	0	0	0	0
Invest to Save	222	(183)	22	61	(61)	0	0
Maintenance of Facilities	504	(107)	75	472	(129)	165	508
Members Initiative Fund	41	(41)	144	144	(144)	0	0
Property Asset Fund	825	0	0	825	(82)	0	743
Regeneration and Growth Fund	264	(85)	0	179	(105)	0	74
Revenue Grants Unapplied	564	(151)	108	521	(102)	156	575
Service Investment	431	(233)	215	413	(297)	584	700
Waste Management Fund	838	(586)	281	533	(376)	377	534
Total	12,635	(2,932)	6,131	15,834	(4,214)	4,168	15,788

Reserve Name	Purpose
Project Investment Reserve	To fund projects in support of the Corporate Plan and Financial Strategy
Budget Smoothing	To effectively manage cyclical budget issues i.e. Elections, Local Development Framework etc.
Capital Programme Financing	Resources and Capital Grants set aside to support the financing of the capital programme
Community Grants/Support Schemes	To support vulnerable communities, area management, community engagement and support communities by providing funding to leverage external funding.
Contingencies Fund	To support areas of volatility i.e. Business Rate appeals, valuations of investment properties, insurance etc.
Investment for Growth and Feasibility Fund	To support housing regeneration and economic growth schemes
Invest to Earn	To fund commercial projects
invest to Save	To fund transformation projects
Maintenance of Facilities	To meet future Asset Management Plan requirements
Members Initiative Fund	To provide Members with funding to issue small grants to community projects
Property Assets Fund	To support strategic property related projects
Regeneration and Growth Fund	To support local business growth through grant funding
Revenue Grants Unapplied	Revenue grants which have yet to be expended
Service Investment	To support service development initiatives, including IT upgrades and replacement programmes
Waste Management Fund	To support service development and replacement vehicle programme

13. OTHER OPERATING EXPENDITURE

2018/19 £'000		2019/20 £'000
1,909	Parish Council Precepts	2,020
352	Drainage Board Levies	362
238	(Gains)/Losses on the disposal of non-current assets	2,800
2,499	Total	5,182

14. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2018/19 £'000		2019/20 £'000
238	Interest payable and similar charges	369
1,000	Net interest on the net defined benefit liability/(asset)	1,038
(327)	Interest receivable and similar income	(193)
81	Income and Expenditure in relation to investment properties and changes in their fair value	(1,185)
992	Total	29

15. TAXATION AND NON SPECIFIC GRANT INCOME AND EXPENDITURE

2018/19 £'000		2019/20 £'000
(8,131)	Council Tax income	(8,532)
(6,264)	Non Domestic Rates Income and Expenditure	(4,291)
(1,554)	Non ring-fenced Government Grants	(1,667)
(1,144)	Capital grants and contributions	926
(17,093)	Total	(13,564)

The positive figure of £926k in Capital Grants and contributions is made up of £837,500 which is due to the amendment of a grant funding agreement and the residual is the recognition of grants received in prior years which require unwinding.

16. PROPERTY PLANT AND EQUIPMENT

Movements in 2019/20	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation at April 2019	18,802	4,335	377	106	7,183	3,281	34,084
Additions	0	1,128	0	0	0	9,540	10,668
Revaluation increase/(decrease) recognised in the Revaluation Reserve	(238)	0	0	0	(255)	0	(493)
Revaluation increase/(decrease) recognised in the (Surplus)/Deficit on the Provision of Services	(3,208)	0	0	0	106	0	(3,102)
Derecognition - Disposals	0	(268)	0	0	(3,040)	0	(3,308)
Derecognition - Other	0	(377)	0	(1)	(4)	0	(382)
Assets reclassified (to)/from held for Sale	0	0	0	0	0	0	0
Other movements in cost or valuation	7,361	219	0	0	(893)	(6,687)	0
At 31 March 2020	22,717	5,037	377	105	3,097	6,134	37,467
Accumulated Depreciation & Impairment At April 2019	0	(1,947)	(117)	0	0	0	(2,064)
Depreciation charge	(277)	(531)	(10)	0	(13)	0	(831)
Depreciation written out to the Revaluation Reserve	242	0	0	0	3	0	245
Depreciation written out to the (Surplus)/Deficit on the Provision of Services	44	0	0	0	1	0	45
Derecognition - Disposals	0	251	0	0	0	0	251
Derecognition - Other	0	376	0	0	0	0	376
Other Movements in Cost or Valuation	(9)	0	0	0	9	0	0
At 31 March 2020	0	(1,851)	(127)	0	0	0	(1,978)
Net Book value							
At 31 March 2020	22,717	3,186	250	105	3,097	6,134	35,489
At 31 March 2019	18,802	2,388	260	106	7,183	3,281	32,020

Restated Comparative Movements in 2018/19	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation at April 2018	15,448	5,069	377	106	7,472	286	28,758
Additions	1,469	1,255	0	0	0	2,995	5,719
Donated Assets	22	0	0	0	0	0	22
Revaluation increase/(decrease) recognised in the Revaluation Reserve	1,111	0	0	0	(179)	0	932
Revaluation increase/(decrease) recognised in the (Surplus)/Deficit on the Provision of Services	840	0	0	0	(221)	0	619
Derecognition - Disposals	0	(381)	0	0	0	0	(381)
Derecognition - Other	(227)	(1,608)	0	0	0	0	(1,835)
Assets reclassified to/(from) held for Sale	0	0	0	0	250	0	250
Other movements in cost or valuation	139	0	0	0	(139)	0	0
At 31 March 2018	18,802	4,335	377	106	7,183	3,281	34,084
Accumulated Depreciation & Impairment At April 2018	(1)	(3,444)	(107)	0	0	0	(3,552)
Depreciation charge	(262)	(464)	(10)	0	(20)	0	(756)
Depreciation written out to the Revaluation Reserve	181	0	0	0	15	0	196
Depreciation written out to the (Surplus)/Deficit on the Provision of Services	75	0	0	0	6	0	81
Derecognition - Disposals	0	381	0	0	0	0	381
Derecognition - Other	6	1,580	0	0	0	0	1,586
Other Movements in Cost or Valuation	1	0	0	0	(1)	0	0
At 31 March 2019	0	(1,947)	(117)	0	0	0	(2,064)
Net Book value							
At 31 March 2019	18,802	2,388	260	106	7,183	3,281	32,020
At 31 March 2018	15,447	1,625	270	106	7,472	286	25,206

Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

- Other Land and Buildings: 25 - 60 years
- Vehicles, Plant, Furniture and Equipment: 1 - 13 years
- Infrastructure: 17 - 29 years
- Surplus: 49 - 54 years

Capital Commitments

At 31 March 2020, the Council had entered into one contract for the construction or enhancement of property, plant and equipment in 2019/20 was still ongoing, and future years budgeted to cost £1.047m. Similar commitments at 31 March 2019 were almost £10m. The commitment remaining is:

- Market Rasen Leisure Centre £148,540.12

Effects of Changes in Estimates

There have been no major changes, other than the restatement described in note 6, in relation to estimated asset life, residual asset values, depreciation method or disposal costs in 2019/20 that would have a material effect.

Revaluations

The Council carries out a full revaluation of its property portfolio every five years. The last full revaluation was carried out on 31 March 2019. In the intervening years a valuation review is carried out. Valuations were carried out as at 31 March 2020 by appointed valuers, Wilks, Head and Eve LLP in accordance with the methodologies and basis for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors (RICS). Valuations of vehicles, plant, furniture and equipment are based on depreciated replacement cost with an annual impairment review.

	Other Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Surplus Assets £'000	Other PPE Assets £'000	Total £'000
Carried at Historical Cost	0	3,142	0	6,489	9,631
Valued at Current Value as at 31 March 2020	22,717	44	3,097	0	25,858
Total Cost or Valuation	22,717	3,186	3,097	6,489	35,489

The significant assumptions applied in estimating the current values are:

- no allowance has been made for liability of taxation upon disposal;
- the instant build approach has been used for Depreciated Replacement Cost valuations;
- valuations have been provided at gross cost and do not include an allowance for purchasers cost;
- that good title can be shown and all valid planning permissions and statutory approvals are in place;
- that the property is connected and has a right to use mains services and that sewers, main services and roads giving access to it have been adopted;
- that an inspection of those parts not inspected would not reveal defects that would affect the valuation;
- that the testing of electrical or other services would not reveal defects that would cause the valuation to alter;
- that there are no deleterious or hazardous materials or existing or potential environmental factors that would affect the valuation.

Economic uncertainty and difficulties in attaching weight to previous market evidence for comparison has impacted on the valuers being able to inform opinions of value. The property valuations have therefore been reported by our valuers on the basis of 'material valuation uncertainty' as per VPS3 and VPGA 10 of the RICS Red Book Global. The valuations therefore have less certainty and should be viewed with a higher degree of caution than what would normally be the case.

Assets Valued at Fair Value

With regard to assets valued at fair value, no assets within the portfolio are classed at Level 1 in the fair value hierarchy i.e. unadjusted prices in active markets for identical assets.

For the remaining assets the majority are classed at Level 2 i.e. quoted prices that are observable for the asset with adjustments being made based on perhaps location and condition.

2018/19 £'000	Level 2 Significant Observable Inputs	2019/20 £'000
6,535	Surplus Assets	2,835
6,535	Fair Value as at 31 March	2,835

The valuations have been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local authority area. Market conditions for these asset types are such that the level of observable inputs is significant leading to the properties being categorised at Level 2 in the fair value hierarchy.

Level 3 inputs comprise unobservable inputs for an asset used to measure fair value in circumstances where market data is not available as there is little, if any, market activity for the asset at the measurement date.

There are four assets that are assessed at Level 3 i.e. where unobservable inputs have been used to measure fair value.

Pavilion at Sandsfield Lane, Gainsborough (Balance Sheet value £0.013m) has been based on a comparable approach either by estimated market rental values as the majority of these assets are let at sub-market or subsidised passing rents. The valuer has had to draw on a number of his own assumptions and utilised third party resources in order to value these assets.

Two oil well sites plus an aggregate site (total Balance Sheet Value £0.248m) have been based on known and estimated cash flows from the properties. These assets are therefore categorised as Level 3 in the fair value hierarchy as the measurement technique uses significant unobservable inputs to determine the fair value measurements (and there is no reasonably available information that indicates that market participants would use different assumptions).

For level 3 assets the following quantitative data shows the effect on their fair value measurement.

Asset	Valuation technique used to measure fair value	Unobservable Inputs	Range	Sensitivity
Oil Well Site	Adopting the expected cash flows from the properties	Yields	4% - 9%	Changes in income, yields, term length will result in a lower or higher fair value
Aggregate Site	Adopting the expected cash flows from the properties	Yields	4% - 9%	Changes in income, yields, term length will result in a lower or higher fair value
Pavillions	Comparative based on limited rental evidence	Rental Value	£10 - £50 p/sq m	Changes in rental growth, yields, occupancy will result in a lower or higher fair value
		Yields	10% - 14%	

17. INVESTMENT PROPERTIES

The following table summarises the movement in the fair value of investment properties over the year:

2018/19 £'000		2019/20 £'000
2,591	Balance at start of year:	15,342
13,494	Purchases	5,682
0	subsequent expenditure	0
(743)	Net gain/(Loss) from fair value adjustments	(75)
15,342	Balance at End of the year	20,949

Gains or losses arising from changes in the fair value of the investment property are recognised in the Surplus or Deficit on the Provision of Services – Financing and Investment Income and Expenditure line.

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

2018/19 £'000	Income & Expenditure	2019/20 £'000
(721)	Rental income from investment property	(1,300)
59	Direct operating expenses arising from Investment property	41
(662)	Net (Gain)/Loss	(1,259)

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

Fair Value Hierarchy

The fair value of the Council's investment property is measured annually at each reporting date.

All valuations are carried out by the Council's external valuers Wilks, Head & Eve in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The Council's valuation experts work closely with finance officers reporting directly to the chief financial officer on a regular basis regarding all valuation matters.

As at 31 March 2020 the Council holds seven properties classed as investment properties. All seven properties are categorised within Level 2 of the fair value hierarchy i.e. based on observable inputs for the asset. There have been no transfers from or to any of the other hierarchy groups during the year. Accounting policy xvi includes details of how assets based on fair value are valued. For assets within Level 2 observable inputs for the asset either directly or indirectly are used.

Details of the Council's investment properties and information about the fair value hierarchy as at 31 March are as follows:

2018/19 £'000	Level 2 Significant Observable Inputs	2019/20 £'000
1,230	Retail	1,155
2,527	Hotel	2,551
2,524	Leisure	2,523
9,061	Manufacturing	9,301
0	Commercial Unit	5,419
15,342	Fair Value as at 31 March	20,949

18.**INTANGIBLE ASSETS**

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include purchased licenses. The Council has no internally generated software.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The useful life assigned to the major software suites used by the Council is seven years.

The carrying amount of intangible assets is amortised on a straight-line basis. Amortisation has been charged on Intangible Assets in both 2018/19 and 2019/20. The movement on Intangible Asset balances during the year is as follows:

2018/19 £'000		2019/20 £'000
	Balance at start of year:	
413	Gross carrying amounts	444
(253)	Accumulated amortisation	(262)
160	Net carrying amount at start of year	182
	Movements:	
60	Purchases	0
0	Other disposals	0
(38)	Amortisation for the period	(49)
0	Other changes	0
182	Net carrying amount at end of year	133
	Comprising:	
444	Gross carrying amounts	444
(262)	Accumulated amortisation	(311)
182	Total	133

19. FINANCIAL INSTRUMENTS

The following categories of financial instrument are carried in the Balance Sheet:

Financial Assets	Non-Current				Current				2018/19	2019/20
	Investments		Debtors		Investments		Debtors		Total	Total
	31 March 2019	31 March 2020	31 March 2019	31 March 2020	31 March 2019	31 March 2020	31 March 2019	31 March 2020	31 March 2019	31 March 2020
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fair Value through profit or loss	3,231	3,116	0	0	40	40	0	0	3,271	3,156
Amortised Cost	48	48	965	977	11,453	8,775	2,495	2,747	14,961	12,547
Total Financial Assets	3,279	3,164	965	977	11,493	8,815	2,495	2,747	18,232	15,703
Non-Financial Assets	15,342	20,949	0	0	0	0	1,241	1,171	16,583	22,120
Total	18,621	24,113	965	977	11,493	8,815	3,736	3,918	34,815	37,823

Financial Liabilities	Non-Current				Current				2018/19	2019/20
	Borrowings		Creditors		Borrowings		Creditors		Total	Total
	31 March 2019	31 March 2020	31 March 2019	31 March 2020	31 March 2019	31 March 2020	31 March 2019	31 March 2020	31 March 2019	31 March 2020
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Amortised Cost	11,000	16,500	0	0	32	3,581	3,862	5,518	14,894	25,599
Total Financial Liabilities	11,000	16,500	0	0	32	3,581	3,862	5,518	14,894	25,599
Non-Financial Liabilities	0	0	0	0	0	0	0	0	0	0
Total	11,000	16,500	0	0	32	3,581	3,862	5,518	14,894	25,599

Material Soft Loans Made by the Council

The Council has not made any soft loans, employee car loans, or reclassifications during the financial year.

Financial Instruments Designated at Fair Value through Profit or Loss

The Council has invested £3m in Pooled Investment Property Funds (CCLA Property Fund) which are measured at Fair Value on the Balance Sheet at £3.116m (£3.231m 2018/19) based on their quoted price in an active market for identical shares. Gains and Losses are reflected in the CIES in Financing Income and Expenditure and due to a statutory override (the Ministry of Communities, Housing and Local Government (MCHLG) agreed a temporary statutory override commencing in 2019/20 to allow Local Authorities a period of 5 years to adjust their portfolio holdings) in year gains and losses are transferred via the MIRS to the Pooled Investment Adjustment Account. The cumulative gains held total £0.116m. As an investment fund, prices can go up as well as down.

Fair Value of Equity Instruments designated at Fair Value through Other Comprehensive Income

The Council does not have any Equity Instruments designated at fair value through Other Comprehensive Income

Income, Expense, Gains and Losses

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

2018/19 £'000	2018/19 £'000		2019/20 £'000	2019/20 £'000
Surplus or Deficit on the Provision of Services	Other Comprehensive Income and Expenditure		Surplus or Deficit on the Provision of Services	Other Comprehensive Income and Expenditure
		Net (Gains)/Losses on:		
(49)	0	Financial assets measured at fair value through the profit or loss	116	0
129	0	Financial assets measured at amortised cost	11	0
80	0	Total Net (Gains)/Losses	127	0
		Interest Income		
(157)	0	Financial assets measured at fair value through the profit or loss	(160)	0
(121)	0	Financial assets measured at amortised cost	(149)	0
(278)	0	Total Interest Revenue	(309)	0
		Interest Expense		
108	0	Financial Liabilities measured at amortised cost	355	0
108	0	Total Fee Income	355	0
		Fee Expense		
20	0	Financial assets measured at fair value through the profit or loss	20	0
9	0	Financial liabilities measured at amortised cost	3	0
29	0	Total Fee Expense	23	0

Fair Values of Financial Assets

Some of the Councils financial assets are measured at fair value on a recurring basis and are described in the following table, including valuation technique use to measure them.

Recurring fair value measurements	Input Level in fair value hierarchy	Valuation Technique Used to measure fair value	As at 31/03/2019 £'000	As at 31/03/2020 £'000
Fair Value through Profit or Loss CCLA Property Fund	Level 1	Unadjusted quoted prices in active markets for indentical shares	3,231	3,116
Total			3,231	3,116

Transfers between Levels of the Fair Value Hierarchy

There has been no transfers between input levels during the year.

Changes in Valuation Technique

There has been no change in the valuation technique used during the year for financial instruments.

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

Except for the financial assets carried at fair value (described in the above table), all other financial liabilities and financial assets held by the Council are carried in the Balance Sheet at amortised cost and have been assessed as Level 2. The fair values are calculated as follows:

2018/19 £'000	2018/19 £'000		2019/20 £'000	2019/20 £'000
Carrying Amount	Fair Value		Carrying Amount	Fair Value
965	978	Loans and Receivables (Long Term Debtors)	978	1,029
0	0	Non PWLB Borrowing	(3,507)	(3,507)
(11,032)	(14,412)	PWLB Borrowing	(16,575)	(25,010)

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 receivable and leases - agreed at market rates. Fair Value is therefore calculated on the net present value of future cashflows over their remaining term and assuming no early repayment or impairment is recognised.

For loans borrowed from the PWLB fair value is calculated under PWLB debt redemption procedures by applying the premature repayment calculation. The PWLB would raise a penalty charge for early redemption (a premium) for additional interest that will not now be paid which would result in an exit price being £25.010m.

The authority has a continuing ability to borrow at concessionary rates (0.2 base points below standard rate) from the PWLB rather than from the markets. A supplementary measure of the additional interest that the authority will pay as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB. If a value is calculated on this basis, the carrying amount of £16.500m would be valued at £16.461m.

Short-term debtors and creditors are carried at cost (invoiced or billed amount) as this is a fair approximation of their value.

20. DEBTORS

2018/19 £'000		2019/20 £'000
479	Central Government Bodies	565
512	Other Local Authorities	287
0	NHS Bodies	0
1,166	Other Entities and Individuals	1,158
135	Trade	208
202	Prepayments	530
2,494	Total	2,748

21. DEBTORS FOR LOCAL TAXATION

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

2018/19 £'000		2019/20 £'000
15	Less than three months	14
37	Three to six months	32
447	Six months to one year	400
743	More than one year	724
1,242	Total	1,170

22. CASH AND CASH EQUIVALENTS

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

2018/19 £'000		2019/20 £'000
1	Cash held by the Council	1
244	Bank Current Accounts	164
11,248	Short-term Deposits	8,650
11,493	Total	8,815

23. CREDITORS

2018/19 £'000		2019/20 £'000
31	Central Government Bodies	860
1,371	Other Local Authorities	681
0	NHS Bodies	0
2,460	Other Entities and Individuals	3,977
3,862	Total	5,518

24.**PROVISIONS**

	Outstanding Legal Cases	Injury & damage Compensation Claims	Business Rates	Other Provisions	Total
	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2019	0	(33)	(995)	(168)	(1,196)
Adjustment to 40% Share as no longer in NNDR Pilot	0	0	332	0	332
Additional provisions made in year	0	(25)	(140)	(153)	(318)
Unused amounts reversed in year	0	8	22	168	198
Amounts used in year	0	25	12	0	37
Balance at 31 March 2020	0	(25)	(769)	(153)	(947)

Long term provisions total £0.025m and relate to injury compensation claims. A settlement date for these claims is unknown at this stage. Short term provisions total £0.922m and relate to the cost of employee's accrued leave and Business Rates rating appeals. All of these provisions should be settled within the next financial year. In 2018/19 the Council and other Lincolnshire authorities were successful in being part of 100% Business Rates retention pilot. With WLDC share being 60%. In 2019/20 the Council is no longer in the Business Rates retention pilot and the opening provision has been adjusted back to the 40% share.

25.**USABLE RESERVES**

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and also in Note 11 & 12.

26.**UNUSABLE RESERVES**

Restated 2018/19 £'000	SUMMARY	2019/20 £'000
(13,211)	Revaluation Reserve	(10,350)
(12,372)	Capital Adjustment Account	(9,423)
(231)	Pooled Investment Funds (statutory override)	(115)
42,609	Pensions Reserve	37,795
(348)	Collection Fund Adjustment Account	102
168	Accumulated Absences Account	154
16,615	Total Unusable Reserves	18,163

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:

- re-valued 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.

Restated 2018/19 £'000	Revaluation Reserve	2019/20 £'000
(12,310)	Balance at 1 April	(13,211)
(2,569)	Upward revaluations of assets	(1,263)
1,441	Downward revaluation of assets and impairment losses not charged to Surplus/Deficit on the Provision of Services	1,511
(1,128)	(Surplus) or Deficit on revaluation of non-current assets not posted to the (Surplus) or Deficit on the Provision of Services	248
96	Difference between fair value depreciation and historical cost depreciation	82
131	Accumulated gains on assets sold or scrapped	2,531
227	Amount written off to the Capital Adjustment Account	2,613
(13,211)	Balance at 31 March	(10,350)

Capital Adjustment Account

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

The account also contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the authority.

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

Note 11 provides details of the source of all the transactions posted to the account, apart from those involving the Revaluation Reserve.

Restated 2018/19 £'000	Capital Adjustment Account	2019/20 £'000	2019/20 £'000
(12,303)	Balance at 1 April		(12,372)
	Reversal of items relating to capital expenditure debited or credited to the CIES		
756	Charges for depreciation and impairment of non-current assets	831	
(699)	Revaluation losses on Property, Plant and Equipment	3,058	
37	Amortisation of intangible assets	49	
1,648	Revenue expenditure funded from capital under statute	1,613	
9	Credit loss on Loans funded by Capital	6	
342	Amounts of non-current assets written off on disposal or sale as part of the (gain)/loss on disposal to the CIES	3,112	
2,093			8,669
(227)	Adjusting amounts written out of the Revaluation Reserve		(2,613)
1,866	Net written out amount of the cost of non-current assets consumed in the year		6,056
	Capital Financing Applied in the year:		
0	Use of Capital Receipts Reserve to finance new capital expenditure	(359)	
(1,563)	Capital grants and contributions credited to the CIES that have been applied to capital Financing	(858)	
0		837	
(37)	Reversal of previous year grant applied capital financing	(78)	
(33)	Applications of grants to capital financing from the Capital Grant Unapplied Account	(91)	
(3)	Statutory provision for the financing of capital investment charged against the General Fund balance	(18)	
11	Statutory provision charged against Capital Receipts Reserve for the repayment of loans funded by borrowing	23	
(1,053)	Loan Principal Repaid	(2,638)	
(2,678)	Capital expenditure charged against the General Fund balance		
743	Movement in market value of investment properties debited or credited to the Comprehensive Income & Expenditure Statement		75
(12,372)	Balance at 31 March		(9,423)

The reversal of Grant Financing in 2019/20 for £837,000 relates to GLLEP Grant which was applied in 2018/19 and is included in the £-1,563,000 figure in 2018/19 Capital grants and contributions credited to the CIES that have been applied to capital financing. This is not a correction but an amendment due to the reconfiguration of the Gainsborough Growth Scheme Grant Funding Agreement.

Pooled Investment Funds Adjustment Account

The Pooled Investment Funds Adjustment Account holds the Fair Value adjustments of Investments re-classified as Fair Value through the Profit and Loss (IFRS 9). There is a 5 year statutory override in place to prevent the fair value movement having an adverse effect on the CIES and General Fund. This unusable reserve will hold the fair value gains and losses until the investment is no longer held or the statutory override ends (Financial Year 2022/23).

2018/19 £'000	Pooled Investment Funds Adjustment Account	2019/20 £'000
0	Balance at 1 April	(231)
(182)	IFRS9 Adjustment - Transfer of Investment Fair Value Gain previously held in Available for Sale Financial Instruments Reserves	0
(49)	Fair Value adjustment	116
(231)	Balance at 31 March	(115)

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. The debit 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.

2018/19 £'000	Pensions Reserve	2019/20 £'000
36,682	Balance at 1 April	42,609
4,176	Remeasurement of the net defined benefit liability/(asset)	(7,097)
3,547	Reversal of items relating to retirement benefits debited or credited to the (Surplus) or Deficit on the Provision of services in the CIES	4,196
(1,796)	Employee pensions contributions and direct payments to pensioners payable in year	(1,913)
42,609	Balance at 31 March	37,795

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax income in the Comprehensive Income and Expenditure Statement as it falls due from Council Tax payers and Non Domestic Rate payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2018/19 £'000	Collection Fund Adjustment Account	2019/20 £'000
(108)	Balance at 1 April	(348)
(240)	Amount by which Council Tax and Non-Domestic rating income credited to the CIES is different from Council Tax and Non-Domestic rating income calculated for the year in accordance with statutory requirements	450
(348)	Balance at 31 March	102

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.

2018/19 £'000	Accumulated Absences Account	2019/20 £'000
144	Balance at 1 April	168
(144)	Settlement or cancellation of accrual made at the end of the preceding year	(168)
168	Amounts accrued at the end of the current year	154
24	Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in year in accordance with statutory requirements	(14)
168	Balance at 31 March	154

27. MEMBERS' ALLOWANCES

The following amounts were paid to Members of the Council during the year.

2018/19 £'000	Members' Allowances	2019/20 £'000
197	Basic Allowance	201
64	Special Responsibility Allowances	66
30	Expenses	29
291	Total expenditure	296

28. OFFICERS' REMUNERATION

The remuneration paid to the Council's senior employees is as follows:

Post Title		Salary, Fees, Allowances & Compensation for Loss of Office £'000	Pensions Contributions £'000	TOTAL £'000
Chief Executive (Post commenced 16/12/2019 - Previously Executive Director of Resources)	2019/20	101,752	27,457	129,208
	2018/19	93,240	24,441	117,681
Executive Director of Operations (left 30/09/2019)	2019/20	46,349	12,718	59,067
	2018/19	93,240	24,441	117,681
Executive Director Economic & Commercial Growth	2019/20	95,105	25,663	120,768
	2018/19	93,240	24,441	117,681
Acting Director of Governance (Previously Strategic Lead - Governance & People)	2019/20	76,845	19,072	95,916
	2018/19	71,661	18,185	89,846
Interim Assistant Director Operations (Previously Strategic Manager - Services)	2019/20	66,798	17,555	84,353
	2018/19	61,812	16,203	78,015
Strategic Lead - Customer First	2019/20	67,893	18,320	86,213
	2018/19	66,629	17,448	84,077
Finance Business and Support Manager	2019/20	63,924	16,409	80,333
	2018/19	62,479	15,627	78,106
Assistant Director Planning and Regeneration (started 05/12/2019)	2019/20	16,739	4,517	21,256

The Council is in the process of structuring its Senior Management Team following the change from a 3 Director Model to a Chief Executive model. Post titles have been updated to reflect this change in the management structure. Following this review there has been a change in the posts that report direct to the Head of Paid Service (Chief Executive). The Housing and Enforcement Manager and the Planning and Development Manager declared in the 2018/19 Accounts no longer report directly to the Head of Paid Service and are removed for 2019/20. The Finance & Business Support Manager and Strategic Lead for Customer First now report direct to the Head of Paid Service and are now included.

There were no taxable expenses allowances, other payments or bonus payments made to senior members of staff in 2018/19 or 2019/20.

The number of Council's employees (including senior officers) receiving more than £50,000 remuneration for the year (excluding employer's pension contributions but including redundancy payments for loss of office) were paid the following amounts:

Number of Employees 2018/19	Remuneration Band	Number of Employees 2019/20
5	£50,000 to £54,999	5
1	£55,000 to £59,999	1
2	£60,000 to £64,999	1
1	£65,000 to £69,999	2
2	£70,000 to £74,999	1
0	£75,000 to £79,999	1
0	£80,000 to £84,999	0
0	£85,000 to £89,999	0
3	£90,000 to £94,999	0
0	£95,000 to £99,999	2
0	£100,000 to £104,999	1
14	Total	14

The number of exit packages with total cost per band and total cost of the compulsory and other redundancies for the Council in 2019/20 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	
	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20
£0- £20,000	2	0	4	2	6	2	60,347	10,860
£20,001 - £40,000	0	0	0	0	0	0	0	0
£40,001 - £60,000	0	0	0	0	0	0	0	0
£60,001 - £80,000	0	0	0	0	0	0	0	0
£80,001 - £100,000	0	0	0	0	0	0	0	0
Total	2	0	4	2	6	2	60,347	10,860

29. EXTERNAL AUDIT COSTS

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and for non-audit services provided by the Council's external auditors. The appointed auditors are Mazars Ltd.

2018/19 £'000	External Audit Costs	2019/20 £'000
33	Fees payable to the External Audit with regard to external audit services carried out by the appointed auditor for the year	34
6	Fees payable to the External Audit for the certification of grant claims and returns for the year	6
0	Fees payable in respect of other services provided by the External Audit during the year	3
39	Total	43

30. GRANT INCOME

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement

2018/19 £'000		2019/20 £'000
	Credited to Taxation and non Specific Grant Income:	
6,054	Business rate Retention Scheme	4,387
1,278	Ministry of Housing, Communities and Local Government - New Homes Bonus	924
1,053	Capital Grants & Contributions - GLLEP Funding	25
91	Capital Grants & Contributions - Other	0
0	Capital Grants & Contributions prior year adjustments	(951)
276	Other Grants & Contributions	743
8,752	Total Non Specific Grant Income	5,128
	Credited to Services, Revenue Related:	
20,120	Department of Work & Pensions - Housing Benefit Allowance	17,055
718	Ministry of Housing, Communities and Local Government - Disabled Facilities Grants	700
263	Department of Work & Pensions - Housing Benefits Administration Grants	237
310	Lincolnshire County Council - GLLEP Funding	46
594	Other Grants & Contributions	1,088
22,005	Total Credited to Service	19,126

Included in Non Specific Grant income are prior year adjustments for Capital Grants and Contributions of £0.951m, £0.881m relates to GLLEP and reflects the amendment in the funding agreement in 2019/20 requiring a reversal to capital grant received in 2018/19. £0.070m relates to S106 which was received in 2016/17 and was initially credited to the General Fund Balance, the adjustment removes it from the General Fund to Capital Grants Received in Advance.

Liabilities

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that require the monies or property to be returned to the giver. The balances are included as liabilities on the Balance Sheet and at year end are as follows.

2018/19 £'000		2019/20 £'000
	Capital grants receipts in advance:	
1,313	S106 Agreements	1,605
0	HIF Southern SUE Funding	483
0	Lincolnshire County Council -GLLEP LOTS	175
	Revenue grants receipts in advance:	
24	Portas Pilot (Mr Big)	0
207	Lincolnshire County Council - GLLEP Funding	0
0	DCLG - Business Rate Relief	1,091
0	DCLG - Covid-19 Support Grant	53
1,544	Total	3,407

31. RELATED PARTIES

The Council is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers of the accounts to assess the extent to which there exists the possibility that the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

All Members and senior officers have been required to complete a related party declaration identifying the organisations with which they (and/or their closest family members) have influence and/or control, and which may have a related party interest with the Council.

UK Central Government

The UK Central Government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework, within which the Council operates, provides 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 and Housing Benefits). Grants received from Government Departments are set out in the analysis in Note 30.

Councillors

Councillors have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2019/20 is shown in Note 27.

During 2019/20, 15 Councillors and 5 spouses/family members declared a related party interest with regard to being either a director or partner or having an interest in a company or organisations. A Councillor declared an interest in Hillcrest Park Properties Limited where a commercial loan of £0.2m has been agreed, the final drawdown of £0.067m was made in the year. The loan was provided after following the Council's loan procedures. The Council paid levies and additional drainage costs of £0.325m to four Internal Drainage Boards where Councillors represented the Council, specifically; Witham 3rd IDB (3 councillors, £0.200m), Scunthorpe and Gainsborough Water Management Board (3 councillors, £0.057m), Upper Witham IDB (1 councillor, £0.049m), Ancholme IDB (1 councillor, £0.019m). In addition, the Council paid grants totalling £0.266m to voluntary organisations in which councillors have a position on the governing body. The relevant councillors did not take part in any discussion or decision relating to the grants. The Register of Members' Interest is available to be viewed on the Council's website.

<https://www.west-lindsey.gov.uk/>

Senior Officers

All senior officers of the Council and the closest members of their families have the potential to significantly influence the policies of the Council although this is limited by the Council's scheme of delegation. One officer, who left the Council in September 2019 is a trustee of Community Lincolnshire and a payment of £0.034m was made by the Council to the organisation. One Officer is a trustee of Urban Challenge Ltd and a payment of £0.025m was made by the Council to the organisation. The Council's Communities and Commercial Programme Manager resigned as the Director for WLDC Staffing Services Ltd, Surestaff Limited and WLDC Trading Limited on the 19/09/2019. From the 20/09/2019 the Council's Interim Assistant Director of Operations became the Director for WLDC Staffing Services Ltd, Surestaff Limited and WLDC Trading Limited. The Executive Director of Economic and Commercial Growth continues as a Director to Market Street Renewal Ltd part owned by WLDC.

Other Public Bodies (Subject to Common Control by UK Central Government)

The Council has determined that material transactions have occurred with the following parties:

Lincolnshire County Council

Pension Fund as disclosed in Note 34

Preceptor as disclosed in the Collection Fund.

A number of Members of the Council are also elected Members of Lincolnshire County Council.

Lincolnshire Police & Crime Commissioner – preceptors as disclosed in the Collection Fund Note.

Parish Councils – a number of Members of the Council have been elected as Parish Councillors - Parish Precepts are disclosed in Note 13.

The Council has representation on the Central Lincolnshire Joint Strategic Planning Committee. Voting rights on the Committee are shared equally with the Council holding a 25% share. During 2019/20 the Council contributed £98,900 (£98,900 2018/19).

Entities Controlled or Significantly Influenced by the Council

In 2016/17 the Council acquired Surestaff (Lincs) Ltd and created a Teckal Company (WLDC Staffing Services Ltd that provides services solely to the Council) along with a holding company WLDC Trading Ltd all classed as subsidiaries in relation to the Council under group accounts, the Council being 100% shareholder of this group of companies. Surestaff (Lincs) Ltd and WLDC Staffing Services Ltd were established to provide temporary operational workers but not key management personnel to the Council. The director of the companies is Ady Selby, who is also the Interim Assistant Director of Operations for the Council. The Company secretary is Tracey Bircumshaw who is also the Finance and Business Support Manager for the Council.

Surestaff Lincs Ltd	2018/19 £	2019/20 £
Council Received	12,870	13,049
Council Paid Out	2,000	4,500
Loans Balance Brought Forward	30,000	32,000
Loans Issued in the financial year	2,000	4,500
Less Loans Repaid in the financial year	0	4,500
Loans Outstanding 31 March	32,000	32,000

WLDC Staffing Services Ltd	2018/19 £	2019/20 £
Council Received	4,785	8,869
Council Paid Out	502,801	620,250
Loans Balance Brought Forward	15,000	22,000
Loans Issued in the financial year	7,000	0
Loans Repaid in the financial year	0	0
Loans Outstanding 31 March	22,000	22,000

WLDC Trading Ltd was created as a holding company for the purpose of governance. West Lindsey District Council is the sole shareholder and WLDC Trading Ltd holds 1 share in WLDC Staffing Services Ltd and 200 shares in Surestaff Lincs Ltd.

Group Accounts have not been produced for 2019/20 incorporating the financial position of Surestaff (Lincs) Ltd and WLDC Staffing Services Ltd.

In 2016/17 West Lindsey District Council became a 50% shareholder of Market Street Renewal Limited. Eve Fawcett-Moralee (Executive Director of Economic and Commercial Growth for WLDC) is a Director. The company was primarily set up for the development and renovation of properties in Market Street in Gainsborough.

The Council had the following transactions with Market Street Renewal Ltd:

Market Street Renewal Limited (MSRL)	2018/19 £	2019/20 £
Council Received	0	20,114
Council Paid Out	90,000	0
MSRL Share Capital	200	200
Loans balance brought forward	375,000	375,000
Loans issued in the financial year	0	0
Loans repaid in the financial year	0	0
Loans Outstanding 31 March	375,000	375,000
Grants issued	90,000	0

Group Accounts for this Joint Venture would be incorporated into the accounts using the equity method which means a proportionate share of the balance sheet for the company along with the profit and loss would be brought into the Council Accounts. The Council judged that the preparation of Group Accounts is not necessary under the Code of Practice and is of no material benefit to the users of the Statements of Accounts in understanding the Council position.

32. CAPITAL EXPENDITURE AND FINANCING

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

2018/19 £'000		2019/20 £'000
4,714	Opening Capital Financing Requirement Capital Investment	23,081
2,746	Property, Plant and Equipment	1,128
2,995	Assets Under Construction	9,540
60	Intangible Assets	0
13,494	Investment Properties	5,682
0	Long Term Shares Investment	0
158	Long Term Loan	66
(45)	Adjustment for non-capital loans	0
1,648	Revenue Expenditure Funded from Capital Under Statute	1,613
	Sources of Finance	
0	Capital Receipts	(359)
(1,600)	Government Grants and Contributions	(936)
0	Reversal of previous year grant applied capital financing	837
	<i>Sums set aside from Revenue:</i>	
(1,053)	Direct revenue contributions	(2,638)
(36)	Minimum Revenue Provision	(109)
23,081	Closing Capital Financing Requirements	37,905
	Explanation of Movements in Year	
18,367	Increase/(Decrease) in underlying need to borrow (unsupported by Government financial assistance)	14,824
0	Assets Acquired under Finance Leases	0
18,367	Increase/(Decrease) in Capital Financing Requirement	14,824

The reversal of £837,000 relates to a change to a grant funding agreement where financing had been applied against capital spend in 2018/19.

33.**LEASES****WEST LINDSEY DISTRICT COUNCIL AS LESSEE****Finance Leases**

The Council acquired eight shops in 1989 on long term leases (125 years) with all rents payable at minimal/nominal amount.

The Council acquired an administrative building in 2013 on a long term lease (83 years) with rent payable at minimal/nominal amount.

The Council acquired an Investment Property during 2017/18 for £2.49m on long term lease (219 years) with future lease payments at minimal/nominal amount. This property is sub-let under an operating lease for a period of 25 years (with 16 years remaining).

The Council acquired a further Investment Property in 2018/19 for £2.52m - the overflow car park element of the purchase acquired on long term lease (135 years) with future lease payments at minimal/nominal amount. This property is sub-let under an operating lease for a period of 35 years (with 19 years remaining).

The assets acquired under these leases are carried as Property and Investment Properties in the Balance Sheet at the following carrying amounts:

2018/19 £'000		2019/20 £'000
812	Other Land and Buildings	731
5,051	Investment Properties	2,672
0	Vehicles, Plant, Furniture and Equipment	0
5,863	Total	3,403

Following a full lease review only the overflow car park element of the Bettergym acquisition is leased in under a finance lease, and as such the investment property figure for 19/20 has been amended on this basis.

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2019/20 no contingent rents were payable by the Council (2018/19 £0).

The Council has sub-let the properties held under these finance leases. At 31 March 2020 the minimum payments expected to be received under non-cancellable sub-leases was £5.91m (£6.22m at 31 March 2019).

Operating Leases

The Council has entered into operating leases for two investment properties, a depot and car park space.

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

2018/19 £'000		2019/20 £'000
20	Not later than one year	30
13	Later than one year and not later than five years	32
4	Later than five years	4
37	Total	66

The expenditure charged to the Our Place and Our Council Cluster lines in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

2018/19 £'000		2019/20 £'000
23	Minimum lease payments	31
1	Contingent rents	(2)
0	Sublease Payments Receivable	4
24	Total	33

WEST LINDSEY DISTRICT COUNCIL AS LESSOR

Finance Leases

The Council leased out three properties on finance leases in the 1980's with remaining terms in excess of 60 years. A premium was paid on commencement of the lease term, for each property with annual rents payable on a peppercorn basis. The total existing use value of the three properties at 31 March 2020 was £0.29m (£0.32m as at 31 March 2019). The properties are themselves held by the Council on long leases. Based on the materiality of the values, the peppercorn rents and the length of the lease terms the Council has not assessed any gross investment in the leases.

Operating Leases

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

For the provision of community services, such as sports facilities.

For economic development purposes to provide suitable affordable accommodation for local businesses and to bring empty properties back into use.

The net book value of these assets is £38.3m (2018/19 £30.5m)

The future minimum lease payments receivable in future years are:

2018/19 £'000		2019/20 £'000
1,372	Not later than one year	1,570
4,671	Later than one year and not later than five years	5,593
6,452	Later than five years	8,433
12,495	Total	15,596

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2019/20 there were no contingent rents receivable by the Council (2018/19 £0).

34. DEFINED BENEFIT PENSION SCHEME

The Local Government Pension Scheme (LGPS) is a defined benefit statutory scheme, administered in accordance with the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007, the Local Government Pension Scheme (Administration) Regulations 2008 and the Local Government Pension Scheme (Transitional Provisions) Regulations 2008. It is contracted out of the State Second Pension.

The Pension Fund is administered by Lincolnshire County Council who contracted the day to day administration of the fund to West Yorkshire Pension Fund (WYPF). Lincolnshire County Council continue to undertake the investment of the pension fund assets.

The key risk to the Council is the future payments that need to be made to pensioners under the defined benefit scheme and making sure these are adequately funded. Therefore, a professional Actuary is engaged by the County Council to assess the likely asset returns and future liabilities of the Council's sub fund within the overall Lincolnshire Pension Fund. The current Actuary is Hymans Robertson LLP. The following notes are based on the assumptions and reports received from the Actuary as at 31 March 2020. A full revaluation exercise is undertaken every 3 years, and this exercise was undertaken as at 31 March 2019, the next triennial review being due 31 March 2022. The 2019 Valuation assessed that the Council has a 77% funded scheme.

The Council can also make discretionary enhancements in accordance with its agreed policies. The additional costs resulting from historically awarding such discretions are included in the tables below.

Participation in Pension Schemes

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

The Local Government Pension Scheme, administered locally by Lincolnshire County Council – this is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

Arrangements for the award of discretionary post-retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

The Lincolnshire Pension Fund is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the Pensions Committee of Lincolnshire County Council. Policy is determined in accordance with the Pension Fund Regulations. The investment managers of the Fund are appointed by the Committee and are detailed in Pension Fund Annual Report and Accounts, which can be found on the Pension Fund website at www.lincolnshire.gov.uk/pensions.

The principal risks to the Council of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and performance of the equity investments held by the scheme.

These are mitigated to a certain extent by the statutory requirements to charge to the General Fund the amounts required by statute as described in the accounting policies note.

Discretionary Post-retirement Benefits

Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no plan assets built up to meet these pension liabilities, therefore the Council is required to meet the costs of any early retirements awarded.

Transactions Relating to Post-employment Benefits

The Council recognises 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 the Council is 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 following transactions have been made in the CIES and the General Fund Balance via the Movement in Reserves Statement (MIRS) during the year:

2018/19 £'000	LOCAL GOVERNMENT PENSION SCHEME	2019/20 £'000
	<i>Comprehensive Income and Expenditure Statement</i>	
	Cost of Services	
2,547	Current Service Cost	3,055
0	Past Service Cost/(Gain)	103
	Financing and Investment Income and Expenditure	
1,000	Net Interest Expense	1,038
3,547	Total Post-employment Benefits charged to the (Surplus) or Deficit on the Provision of Services	4,196
	Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	
	Remeasurement of the net defined benefit liability comprising:	
2,675	Return on plan assets (excluding the amount included in the net interest expense)	(5,608)
0	Actuarial Gains/(Losses) arising on changes in demographic assumptions	3,378
(6,807)	Actuarial Gains/(Losses) arising on changes in financial assumptions	8,086
(44)	Other actuarial Gains/(Losses) on assets	1,241
(629)	Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	11,293
	Movement in Reserves Statement	
(3,547)	Reversal of net charges made to the (Surplus) or Deficit for the Provision of Services for post-employment benefits in accordance with the Code.	(4,196)
	Actual amount charged against the General Fund Balance for the pensions in the year	
1,707	Employers' contributions payable to the scheme	1,825
89	Retirement benefits payable to pensioners	88
(1,751)	Net Movement in Reverses Statement (Note 11)	(2,283)

Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Councils obligation in respect of its defined benefit scheme is as follows:

2018/19 £'000	Balance Sheet	2019/20 £'000
(95,028)	Present value of the defined benefit obligation	(85,453)
52,419	Fair value of plan assets	47,658
(42,609)	Net liability arising from the defined benefit obligation	(37,795)

Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets

2018/19 £'000	Reconciliation of Fair Value of Scheme (Plan) Assets	2019/20 £'000
48,675	Opening fair value of scheme assets at 1 April	52,419
1,310	Interest Income	1,256
	Remeasurement Gains/(Losses)	
2,675	The return on plan assets, excluding the amount included in the net interest expense	(5,608)
1,707	Employer Contributions	1,825
432	Contributions paid by scheme participants	450
(2,380)	Benefits paid	(2,684)
52,419	Closing fair value of scheme assets at 31 March	47,658

Reconciliation of present value of the scheme liabilities (defined benefit obligation)

Funded Liabilities 2018/19 £'000	Reconciliation of present value of the scheme liabilities (defined benefit obligation)	Funded Liabilities 2019/20 £'000
85,357	Opening balance at 1 April	95,028
2,547	Current service cost	3,055
2,310	Interest cost	2,294
432	Contributions from scheme participants	450
	Remeasurement (Gains)/Losses	
0	Actuarial Gains/(Losses) arising on changes in demographic assumptions	(3,378)
6,807	Actuarial Gains/(Losses) arising on changes in financial assumptions	(8,086)
44	Other	(1,241)
0	Past service costs	103
(2,469)	Benefits paid	(2,772)
95,028	Closing present value of scheme liabilities at 31 March	85,453

Local Government Pension Scheme assets comprised:

2018/19	2018/19	Local Government Pension Scheme Asset Categories	2019/20	2019/20
Fair Value of Scheme Assets	% of Total Assets		Fair Value of Scheme Assets	% of Total Assets
£'000	%		£'000	%
		Equity Instruments		
5,911	11	Consumer	2,081	4
2,134	4	Manufacturing	1,397	3
1,195	2	Energy & Utilities	565	1
3,110	6	Financial Institutions	1,334	3
2,323	4	Health & Care	1,667	3
3,530	7	Information Technology	3,263	7
0	0	Other	486	1
		Private Equity		
550	1	All	413	1
		Real Estate		
4,192	8	UK Property	3,980	8
330	1	Overseas Property	313	1
		Investment Funds & Unit Trusts		
14,469	28	Equities	14,920	31
6,308	12	Bonds	8,907	19
990	2	Infrastructure	1,064	2
6,799	13	Other	6,983	15
		Cash & Cash Equivalents		
578	1	All	285	1
52,419	100	Total Assets	47,658	100

All scheme assets have quoted prices in open markets.

Basis for Estimating Assets and Liabilities

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

Both the Local Government Pension Scheme and discretionary benefits liabilities have been provided by Hymans Robertson LLP, an independent firm of actuaries, estimates for the Lincolnshire County Council Fund being based on the latest formal valuation of the scheme as at 31 March 2019.

Significant Assumptions used by the Actuary

The significant assumptions used by the actuary have been:

Local Government Pension Scheme		
2018/19		2019/20
%	Long Term Expected Rate of Return on Assets in the Scheme	%
2.4	Equity Investments	2.3
2.4	Bonds	2.3
2.4	Property	2.3
2.4	Cash	2.3
Years	Mortality Assumptions	Years
	Longevity at 65 for current pensioners	
22.1	Men	21.4
24.4	Women	23.7
	Longevity at 65 for future pensioners	
24.1	Men	22.4
26.6	Women	25.2
%	Financial Assumptions	%
2.5	Rate of Inflation	1.9
2.9	Rate of increase in salaries	2.2
2.5	Rate of increase in pensions	1.9
2.4	Rate for discounting scheme liabilities	2.3
%	Take up option to convert pension into maximum retirement lump sum - within HMRC limits	%
50	Pre April 2008 service - Maximum additional tax-free cash	50
75	Post April 2008 service - Maximum tax-free cash	75

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below has been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that only 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 estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Sensitivity Analysis	Approx. Increase to Employer Liability %	Approx. Monetary Amount £'000
Change in Assumptions at 31 March 2020		
Longevity (increase or decrease in 1 year)	3-5	4,273
Rate of inflation (increase or decrease by 1%)	1	99
0.5% decrease in Real Discount Rate	9	7,883
0.5% increase in Salary Increase Rate	1	862
0.5% in the Pension Increase Rate	8	6,949

The Lincolnshire County Council fund has approved a Funding Strategy Statement (FSS), the purpose of the FSS is:

- to establish a **clear and transparent fund-specific strategy** which will identify how employers' pension liabilities are best met going forward;
- to support the regulatory framework to maintain **as nearly constant employer contribution rates as possible**; and
- to take a **prudent longer-term view** of funding those liabilities

The objectives of the Fund's funding policy include the following:

- to ensure the long-term solvency of the Fund using a prudent long term view. This will ensure that sufficient funds are available to meet all members'/dependants' benefits as they fall due for payment;
- to ensure that employer contribution rates are reasonably stable where appropriate;
- to minimise the long-term cash contributions which employers need to pay to the Fund, by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return (NB this will also minimise the costs to be borne by Council Tax payers);
- to reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and
- to use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations.

Impact on the Council's Cash Flows

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

The scheme will need to take account of the national changes to the scheme under the Public Pensions 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 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The Council expects to pay £2.17m in contributions in 2020/21.

The weighted average duration of the defined benefit obligation for scheme members is 16.8 years as at 31 March 2020, and are as they stood at the most recent actuarial valuation as at 31 March 2019.

35.

CONTINGENT LIABILITIES

Grant Claims

The Council submits grant claims for substantial amounts each year. From time to time interpretation of legislation may be a matter of professional and technical judgement. In this context it may lead to possible grant qualifications by external auditors. It is not possible to produce a reliable forecast for the cost of any grant qualifications.

The Council also acts as the Accountable Body for a range of grant funding that is or has been paid for the benefit of third parties. In the role of Accountable Body, the Council has to agree to the repayment of grants should there be a breach of the terms and conditions of the grant. Whilst every effort is taken to administer the grants to minimise any risk of financial loss to the Council, this risk cannot be eliminated. However, it is not possible to make a reliable forecast of any grant claw back arising from Accountable Body status.

Business Rates Appeals

The Council has made a provision for Business Rates appeals based upon its best estimates of the actual liability as at the year-end in known appeals. Whilst it is not possible to quantify appeals that have not yet been lodged with the Valuation Office the Council has made a provision based on historic trends however, there is a risk that national and local appeals may have a future impact on the accounts in excess of that provision.

There is an ongoing NHS Foundation Trust High Court Case with regards application for mandatory relief on the grounds of Trusts being charitable organisations. This case was not granted and is currently at appeal stage. If the appeal is successful the potential impact on business rates would be circa £0.9m

Historic Planning Fees

The Council may be required to refund some historic planning fees under the refund guarantee scheme in accordance with the Planning Guarantee, as denoted by Regulation 9A of the Town and Country Planning Regulations 2013.

It is not possible to quantify the number of requests yet to be lodged so there is a risk to the Council that further requests may have a future impact on the accounts.

36.**CONTINGENT ASSETS****Right to Buy Sharing Agreement**

As with other agreed stock transfers, the Council has entered into an agreement with ACIS relating to any future sales of the transferred housing stock to existing tenants.

The Council will receive capital receipts each year up to 2028 for any properties sold. The value of the receipt is calculated using a formula that takes the net income forgone from the total proceeds from the sale of dwellings. It is difficult to ascertain how much the Council might receive but an average amount of circa £0.182m over the last 2 financial years has been received.

VAT on Postages

Historically Royal Mail postal services have been VAT exempt. Following a case by TNT against Royal Mail in April 2009 it was found that Royal Mail were too loose on their interpretation of public/universal postal services. Therefore Councils should have had the ability to recover input tax on business postal services going back to 1973.

The Councils VAT advisors are now involved in a high court Claim for Damages restitution against Royal Mail through the legal firm Mishcon De Reya. Currently over 180 Councils stand behind this claim.

In addition, a claim is being made to the HMRC for output tax on exempt charges over the past 4 years.

It is difficult to determine how much the Council might receive should the claims prove to be successful but it could be in the region of £0.220m.

Greater Lincolnshire Local Enterprise Partnership (GLLEP)

On 09 March 2017 it was confirmed that the Greater Lincolnshire Enterprise Partnership had been successful in securing £29.45m from Single Local Growth Fund. The Council has been successful in bidding for funds to support projects and have been awarded £4m towards the Gainsborough Growth Programme. Funds will be drawn down in accordance with Grant Funding Agreements and phased project delivery.

Truck Cartel

In April 2017 the European Commission published a decision on a truck cartel case in that truck manufacturers had colluded on price and emission technologies for a period of 14 years from 1997 to 2011. This decision could have an impact for the Council in that a claim may be due relating to any trucks (mainly larger trucks such as waste collection vehicles) that the Council either purchased or leased during those years. At this stage the claim is in its infancy and it could take quite a while before the size of the claim or an outcome is known.

HIF Grant

A Grant Funding agreement exists between the Council and Homes England for a Housing Infrastructure Fund £2.193m. The grant will assist in the delivery of 796 homes in the Southern Neighbourhood by Keepmoat Homes. The HIF Grant must be fully recovered by the Council and a legal charge has therefore been placed on the land. A roof tax of £2,755.25 per property will be payable, due when blocks of 45 properties are completed. As the roof tax is dependent on completion of properties, it is uncertain how quickly this money will be repaid to the Council.

Grant and Contributions

The Council is in the process of embarking on an ambitious programme of regeneration works within Gainsborough covering commercial, housing and leisure development. Funding of this investment will come not only from the Councils own resources but also via grants and contributions secured from external sources. Until these are 100% confirmed it is not possible to estimate the amount of expected future grants and contributions.

37. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

Overall procedures for managing risk

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services.

Risk management is carried out by officers in the Financial Services team, under policies approved by the Council in the annual Treasury Management Strategy. The Council provides written principles for overall risk management, as well as written policies (Treasury Management Practices – TMPs) covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as any credit exposures to the Council's customers. This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poors Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits with a financial institution located in each category.

The credit criteria in respect of financial assets held by the Council are detailed below:

The Council uses creditworthiness service provided by Link Asset Services. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moody's and Standard and Poor's, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- credit watches and credit outlooks from credit rating agencies
- CDS spreads to give early warning of likely changes in credit ratings
- sovereign ratings to select counterparties from only the most creditworthy countries
- Banks 1 – good credit quality – the Council will only use banks which :-
 - are UK banks: and/or
 - are non-UK and domiciled in a country which has a minimum sovereign Long Term rating of AA and have, as a minimum, the following Fitch, Moody's and Standard and Poors credit ratings (where rated):
 - Short Term F1
 - Long term A
- Banks 2 – Part nationalised UK banks – Royal Bank of Scotland. (These banks can be included if it continues to be part nationalised or it meets the ratings in Banks 1 above).

- Banks 3 – The Councils own banker for transactional purposes. If the bank falls below the above criteria, although in this case balances will be minimised in both monetary size and time.
- Bank subsidiary and treasury operation – The Council will use these where the parent bank has provided an appropriate guarantee or has the necessary ratings outlined above.
- Building Societies – The Council will use all societies which meet the ratings for banks outlined above.
- Money Market Funds – AAA
- Enhanced Money Market Funds - AAA
- UK Government (including gilts, treasury bonds and the DMADF)
- Local authorities, parish Councils etc.
- Supranational institutions
- Local Authority Property Asset Fund
- Corporate Bond Funds
- Covered Bonds

A limit of £2m per counterparty will be applied to the use of Non-Specified investments largely determined by the long term investment limits.

Except for Local Authority Property Asset Fund which will have a limit of £4m.

The full Investment Strategy for 2019/20 was approved by Full Council on 4 March 2019 and is available on the Council's website.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Council.

The Council's maximum exposure to credit risk in relation to its investments in financial institutions of £3m (£3m 2018/19) cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits. However, given the current unprecedented Covid-19 situation and the policy of containment; there is an impact on movement, economic activity and property markets (occupational and investment), the scale of the uncertainty surrounding property pricing and valuations means valuation estimates of the Property Fund should be viewed as less reliable than normal and therefore carry an uncertainty warning on value and performance. Such will only even out over time as greater evidence emerges from more efficient markets. The fund has been frozen for investments and redemptions at this time until the markets stabilise.

Amounts Arising from Expected Credit Loss

The changes in the loss allowance for each class of financial instrument i.e. investments at amortised cost, trade receivables etc)

Asset Class (amortised cost)	12 Month expected credit loss	Lifetime expected credit losses - not credit impaired	Lifetime expected credit losses - credit impaired	Lifetime credit losses - simplified approach	Total
	£'000	£'000	£'000	£'000	£'000
Opening Balance as at 1 April 2019	0	(23)	(20)	(1,380)	(1,423)
Transfers:					
Individual financial assets transferred to lifetime expected credit losses credit impaired	0	0	(4)	4	0
Amounts Written off	0	0	15	6	21
Changes in models/risk parameters	0	(14)	5	3	(6)
Other Changes				(20)	(20)
At 31 March 2020	0	(37)	(4)	(1,387)	(1,428)

Credit risk exposure

The Council has the following exposure to credit risk at 31 March 2020:

	Credit Risk Rating	Gross Carrying amount £'000
12-Month expected credit losses	AAA - Very Low AA - Very Low Very Low	2,800 1,809 3,116
Significant increase in credit risk since initial recognition	Very High High Medium Low Very Low	32 0 26 397 578
Credit-impaired at 31 March	Standard Debtors High Risk	4
Simplified Approach	Standard Debtors - Medium Risk Benefit Debtors - Medium Risk	376 1,908
At 31 March 2020		11,046

Excludes statutory debtors Council Tax and NNDR

The Council initiates a legal charge on property where, for instance, clients can not afford to pay immediately, usually in cases where the Council has carried out works to buildings in default of the owner. The total collateral at 31 March 2020 was £0.041m (£0.042m 31 March 2019)

Liquidity Risk

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

The Council has ready access to borrowings from the money markets to cover any day to day cash flow need, and the PWLB and money markets for access to longer term funds. 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. Therefore, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the authority will be bound to replenish a proportion of its borrowing at a time of unfavourable interest rates.

The Maturity analysis of financial liabilities is as follows:

31 March 2019 £'000	Maturity Analysis of Financial Assets	31 March 2020 £'000
13,988	Less than 1 year	11,562
9	Between 1 and 2 years	8
0	Between 2 and 3 years	0
4,235	More than 3 years	4,133
18,232	Total	15,703

Refinancing and Maturity Risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer-term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

- 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 the spread of longer-term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

31 March 2019 £'000	Maturity Analysis of Financial Liabilities	31 March 2020 £'000
3,894	Less than 1 year	9,099
0	Between 1 and 2 years	0
2,500	Between 2 and 5 years	2,500
2,500	Between 5 and 25 years	5,500
6,000	Between 25 and 50 years	8,500
14,894	Total	25,599

Market Risk

Interest Rate Risk

The Council is exposed to risk in terms of its exposure 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 the Provision of Services will rise
- Borrowing at fixed rates - the fair value of the liabilities borrowings will fall
- Investments at variable rates - the interest income credited to the Surplus or Defecit on the Provision of Services will rise
- Investments at fixed rates - the fair value of the assets will fall

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the 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 the Provision of Services and affect the General Fund Balances. Movements in the fair value of fixed rate investments that have quoted market price will be reflected in Other Comprehensive Income and Expenditure.

The approved treasury indicator limits for the maturity structure of debt and the limits placed on 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 strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the

spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

At 31 March 2020, if all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

	£'000
Increase in interest receivable on variable rate investments	3
Impact on Surplus or Deficit on the Provision of Service	3
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	5,157

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed. These assumptions are based on the same methodology as used in the Note 19 – Fair Value of Assets and Liabilities carried at Amortised Cost.

Price Risk

The Council, excluding the Pension Fund, does not generally invest in equity shares or marketable bonds.

However, the Council holds £3m in the CCLA property fund that has a carrying value as at 31 March 2020 of £3.116m. However, any movements in price will not impact on the General Fund Balance as regulations are currently in force to remove the impact of the fair value movements on the tax payer.

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.

38. CASH FLOW STATEMENT - OPERATING ACTIVITIES

The cash flow for operating activities include the following items:

2018/19		2019/20
£'000		£'000
278	Interest received	311
(74)	Interest paid	(306)
204	Total	5

39. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

Reconciliation 2019/20	As at 1 April	Financing cash flows	Non-cash changes		As at 31 March
			Acquisition	Other	
	£'000	£'000	£'000	£'000	£'000
Long-term borrowings	11,000	5,500	0	0	16,500
Short-term borrowings:					
Lease Liabilities	0	0	0	0	0
Other Short Term borrowing	32	3,500	0	49	3,581
Total liabilities from financing activities	11,032	9,000	0	49	20,081

Reconciliation 2018/19	As at 1 April	Financing cash flows	Non-cash changes		As at 31 March
			Acquisition	Other	
	£'000	£'000	£'000	£'000	£'000
Long-term borrowings	0	11,000	0	0	11,000
Short-term borrowings:					
Lease Liabilities	31	(31)	0	0	0
Other Short Term borrowing	0	0	0	32	32
Total liabilities from financing activities	31	10,969	0	32	11,032

40. AGENCY SERVICES

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

41. GROUP ACCOUNTS

The Council judged that the preparation of Group Accounts is not necessary under the Code of Practice and is of no material benefit to users of the Statement of Accounts in understanding the Council's financial position. Details of entities controlled or significantly influenced by the Council can be found in Note 31.

42. TRUST FUNDS

The Council acts as a custodian for funds of Hemswell Resident Company Ltd who's purpose is to supply estate management and other services to a private estate at Hemswell Cliff. The funds are held as a bare trust known as the Reserve Account with West Lindsey District Council acting as Trustee and Hemswell Resident Company Ltd as Beneficiary. The Council takes no decision on the funds use, however is contracted to provide services to the Company. The fund is currently £0.073m which is held as cash with a corresponding creditor liability on our balance sheet.

COLLECTION FUND ACCOUNT

Supplementary Financial Statements and Explanatory Notes

The Collection Fund

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

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

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

The scheme allows the Council to retain a proportion of the total Business Rates received. In 2019/20 The Council's Share was 40%, Lincolnshire County Council 10% and Central Government 50%. This differs to the previous year when the Council was part of the Lincolnshire Business Rates 100% Retention Pool Pilot. The Council's share was 60% with the remainder paid to Lincolnshire County Council 40%.

Business Rates Surpluses and Deficits declared by West Lindsey District Council in relation to Collection Fund are apportioned to the relevant bodies in the subsequent financial year in their respective proportions.

The Code of Practice followed by Local Authorities in England stipulates that the Collection Fund Income and Expenditure Account is included in the Council's accounts. The Collection Fund Balance Sheet meanwhile is incorporated into the Council's Balance Sheet.

2018/19			COLLECTION FUND ACCOUNT		2019/20		
Council Tax £'000	Business Rates £'000	Total £'000	Income / Expenditure	Note	Council Tax £'000	Business Rates £'000	Total £'000
51,503	0	51,503	Income				
0	17,511	17,511	Net Council Tax Receivable	1	55,174	0	55,174
0	431	431	Net Business Rates Receivable	2	0	17,637	17,637
			Transitional Protection Payments receivable		0	376	376
51,503	17,942	69,445	Total Income		55,174	18,013	73,187
			Expenditure				
			<i>West Lindsey District Council</i>				
7,967	10,431	18,398	Precepts, Demands & Shares		8,324	6,966	15,290
105	0	105	Distributed Surplus/(Deficit)		220	344	564
			<i>Lincolnshire County Council</i>				
35,989	6,954	42,943	Precepts, Demands & Shares		38,168	1,742	39,910
464	0	464	Distributed Surplus/(Deficit)		995	290	1,285
			<i>Lincolnshire Police & Crime Commissioner</i>				
6,354	0	6,354	Precepts, Demands & Shares		7,129	0	7,129
81	0	81	Distributed Surplus/(Deficit)		176	0	176
			<i>Central Government</i>				
0	0	0	Precepts, Demands & Shares		0	8,708	8,708
0	0	0	Distributed Surplus/(Deficit)		0	(181)	(181)
0	105	105	Cost of Collection Allowance		0	105	105
2	0	2	Write offs of uncollectable amounts		1	0	1
168	190	358	Increase/(Decrease) in Impairment Allowance		208	208	416
0	(282)	(282)	Increase/(Decrease) in Provision for Appeals		0	263	263
0	0	0	Transitional Protection Payments		0	0	0
0	195	195	Disregarded Amounts		0	197	197
0	0	0	Prior Year Adjustment		0	62	62
51,130	17,593	68,723	Total Expenditure		55,221	18,704	73,925
1,435	(362)	1,073	Surplus or (Deficit) b/fwd 1 April		1,808	(13)	1,795
373	349	722	Surplus or (Deficit) arising during the year	3	(47)	(691)	(738)
1,808	(13)	1,795	Surplus or (Deficit) c/fwd 31 March		1,761	(704)	1,057

NOTES TO THE COLLECTION FUND ACCOUNT

1. COUNCIL TAX

Council tax income derives from charges raised according to the value of residential properties that have been classified into eight Valuation Bands (A to H). Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Lincolnshire County Council, Lincolnshire Police and Crime Commissioner and West Lindsey District Council together with each Parish requirement. This is then divided by the Council Tax base i.e. the number of properties in each valuation band for 2019/20 this was converted to an equivalent number of Band D dwellings and adjusted for discounts. The basic amount of Council Tax for a Band D property including an average parish charge is £1,747.25 (£1,721.51, 2018/19) and is multiplied by the ratio specified for the particular band to give an individual amount due.

The Council Tax Base for 2019/20 was 29,532.83 (29,224.12 2018/19). This increase between financial years is as a result of the reduction in long term empty properties, and new properties added to the rating list. The tax base for 2019/20 was approved by the Council meeting in January 2019 and was calculated as follows:

Valuation Band	No of Dwellings on Valuation List		Equivalent Dwellings after discounts, exemptions and reliefs and Local Council Tax Support Scheme		Ratio to Band D	Number of Band D Equivalent Dwellings	
	2018/19	2019/20	2018/19	2019/20		2018/19	2019/20
Disabled	0	0	18	22	5/9	10	13
Band A	16,106	16,214	10,081	10,239	6/9	6,721	6,826
Band B	8,008	8,055	6,519	6,585	7/9	5,071	5,121
Band C	7,610	7,647	6,579	6,635	8/9	5,848	5,898
Band D	5,708	5,758	5,245	5,285	9/9	5,245	5,285
Band E	3,419	3,452	3,188	3,220	11/9	3,896	3,936
Band F	1,420	1,433	1,332	1,340	13/9	1,924	1,935
Band G	513	521	484	492	15/9	806	820
Band H	67	67	46	48	18/9	91	95
Total	42,851	43,147	33,492	33,866		29,612	29,929
Deduction for non-collection, new build, demolition and other adjustments						(503)	(508)
Band D Equivalent for Council Tax Base						29,109	29,421
Band D Equivalent for Contributions in Lieu						115	112
Council Tax Base (Band D equivalent)						29,224	29,533

2. BUSINESS RATES

Business Rates (NNDR) are determined on a national basis by Central Government which sets an annual non-domestic rating multiplier amounting to 50.4p in 2019/20 (49.3p in 2018/19). The non-domestic rate multiplier for small businesses is 49.1p in 2019/20 (48.0p in 2018/19). Subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by this multiplier. Local rateable values totalled £48.836m at 31 December 2018 and were used to calculate the Business Rates Retention scheme amounts for 2019/20 (£48.527m in 2018/19). The Local rateable values totalled £48.373m at 31 March 2020. (£48.151m at 31 March 2019).

The introduction of the Business Rates Retention Scheme in 2013/14 resulted in local authorities retaining a proportion of the total collectible rates due rather than paying the whole Business Rates to the central pool (WLDC 40%, Lincolnshire County Council 10% and Central Government 50%. (2018/19 WLDC were part of the Lincolnshire 100% Business Rates Retention Pool Pilot where WLDC retained 60% and LCC 40%)

The business rates shares payable for 2019/20 were estimated before the start of the financial year as £1.742m to Lincolnshire County Council, £8.708m to Central Government with £6.966m retained by West Lindsey District Council. These sums have been paid in 2019/20 and charged to the Collection Fund in year.

When the scheme was introduced, Central Government set a baseline level for each authority identifying the expected level of retained business rates and a top up or tariff amount to ensure that all Authorities receive their baseline amount. Tariffs due from Authorities are payable to Central Government or if the authority is part of a Business Rates Pool, to the administering authority. The tariff is used to finance the top ups to those authorities who do not achieve their targeted baseline funding. In this respect the Council paid a tariff of £3.525m in 2019/20. (£5.778mm 2018/19) to the Lincolnshire Business Rates Pool.

The total income from business rate payers collected in 2018/19 was £17.637m (£17.511m 2018/19).

In addition to the tariff, a 'safety net' figure is calculated at 92.5% for 2019/20 (97% for 2018/19 due to The Council being part of the 100% retention pool pilot) of baseline amount which ensures that authorities are protected to this level of Business Rates income. The safety net figure for the Council is £2.751m (£3.640m 2018/19). The comparison of business rate income to the safety net uses the total income collected from business rate payers and adjusts for losses in collection, losses on appeal, transitional protection payments, the cost of collection and the revision to Small Business Rate Relief.

3. COLLECTION FUND SURPLUSES AND DEFICITS

The year-end surplus or deficit on the Collection Fund is to be distributed between billing and precepting authorities on the basis of estimates made on the year end balance. The calculation is made on the 15 January each year and taken into consideration when setting the Council Tax 2019/20. In 2019/20 the Council received £0.220m, (£0.105m in 2018/19), its share of the 2018/19 Council Tax estimated surplus and this amount is reflected in the CIES, Taxation and Other Grant Income.

The actual cumulative Collection Fund surplus of £1.057m at 31 March 2020 includes the Business Rates deficit of £0.704m. There has been an increase in the provision for appeals in 2019/20 with the total provision at £1.921m. (£1.658m 2018/19).

For the purpose of these accounts the accumulated surplus/(deficit) is attributed in relevant amounts for both Council Tax and Business Rates to the precepting bodies' (debtor)/creditor accounts and the billing authority (WLDC) as follows:

2018/19			2019/20		
CTAX	Business Rates		CTAX	Business Rates	Total
£'000	£'000		£'000	£'000	£'000
285	65	West Lindsey District Council	273	(375)	(102)
1,292	103	Lincolnshire County Council	1,254	(210)	1,044
231	0	Lincolnshire Police and Crime Commissioner	234	0	234
0	(181)	Central Government	0	(119)	(119)
1,808	(13)	Balance at 31 March	1,761	(704)	1,057

**INDEPENDENT AUDITOR'S
REPORT TO WEST LINDSEY
DISTRICT COUNCIL**

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GLOSSARY OF TERMS

ACCOUNTING POLICIES

Those principles, basis, conventions, rules and practices applied by an entity that specify how the effects of transactions and other events are to be reflected in its financial statements through:

- Recognising
- Selecting measurement bases for, and
- Presenting assets, liabilities, gains, losses and changes to reserves.

Accounting policies do not include estimation techniques.

Accounting policies define the process whereby transactions and other events are reflected in financial statements. For example, an accounting policy for a particular type of expenditure may specify whether an asset or loss is to be recognised, the basis on which it is to be measured, and where in the revenue account or Balance Sheet it is to be presented.

ACCRUALS

Sums included in the final accounts of the Council to cover income or expenditure attributable to the accounting period for which payments have not been received/made in the financial year. Local authorities accrue for both revenue and capital expenditure.

AMORTISATION

The measure of the consumption or other reduction in the useful life of an intangible asset, charged annually to service revenue accounts.

AUTHORISED LIMIT

This represents the legislative limit on the Council's external debt under the Local Government Act 2003.

BALANCES

Surplus of income over expenditure that may be used to finance expenditure. Balances can be earmarked in the accounts for specific purposes. Those that are not, represent resources set aside for such purposes as general contingencies and cash flow management.

BALANCE SHEET

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

BILLING AUTHORITIES

Those authorities that set the Council Tax and collect the Council Tax and Non-Domestic Rates.

BUSINESS RATES/NATIONAL NON DOMESTIC RATES (NNDR)

See National Non Domestic Rates (NNDR).

CAPITAL ADJUSTMENT ACCOUNT

The Capital Adjustment Account contains the amounts which are required by statute to be set aside from capital receipts and revenue for the repayment of external loans, as well as amounts of revenue, usable capital receipts and contributions which have been used to fund capital expenditure and to repay borrowing (Minimum Revenue Provision). It also accumulates depreciation impairment and write off of fixed assets on

disposal.

CAPITAL CHARGES

Annual charges to service revenue accounts to reflect the cost of fixed assets used in the provision of services, an example being depreciation.

CAPITAL EXPENDITURE

Spending that produces or enhances an asset, like land, buildings, roads, vehicles, plant and machinery. Definitions are set out in Section 40 of the Local Government and Housing Act 1989. Any expenditure that does not fall within the definition must be charged to a revenue account.

CAPITAL PROGRAMME

The capital projects a Council proposes to undertake over a set period of time. The usual period covered by a capital programme is five years.

CAPITAL RECEIPTS

The proceeds from the sale of fixed assets such as land and buildings. Capital receipts can be used to repay any outstanding debt on fixed assets or to finance new capital expenditure within rules set down by Government. Capital receipts cannot, however, be used to finance revenue expenditure.

CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTANCY (CIPFA)

The professional accountancy body concerned with local authorities and the public sector.

COLLECTION FUND

The Collection Fund is a statutory fund set up under the provisions of the National Local Government Finance Act 1988. It includes the transactions of the charging Council in relation to Non-Domestic Rates and Council Tax and illustrates the way in which the fund balance is distributed to Central Government, preceptors and the General Fund.

COMMUNITY ASSETS

These are fixed assets that the Council intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings not used in the direct provision of services

CONTINGENT LIABILITIES

Potential losses for which a future event will establish whether a liability exists and for which it is inappropriate to set up a provision in the accounts.

CONSTRUCTION CONTRACTS

A contractual obligation for the construction or enhancement of Property, Plant and Equipment.

COUNCIL TAX

The main source of local taxation to local authorities. Council Tax is levied on households within its area by the billing Council and the proceeds are paid into its Collection Fund for distribution to precepting authorities and for use by its own General Fund.

COUNCIL TAX BASE

The Council Tax Base of an area is equal to the number of band "D" equivalent properties. It is calculated by counting the number of properties in each of the eight Council Tax bands and then converting this into an equivalent number of band "D" properties (e.g. a band "H" property pays twice as much Council Tax as a band "D" property and therefore is equivalent to two band "D" properties). For the purpose of calculating Formula Grant, the Government assumes a 100% collection rate. For the purpose of calculations made by a

local Council of the basic amount of Council Tax for its area for each financial year, the Council makes an estimate of its collection rate and reflects this in the tax base.

CREDIT RISK EXPOSURE

The value of the position exposed to default. Credit Risk is the risk that a financial loss will be incurred if a counterparty to a transaction does not fulfil its financial obligations in a timely manner.

CURRENT EXPENDITURE

Expenditure on running costs such as that in respect of employees, premises and supplies and services.

DEFERRED CREDITS

This is the term applied to deferred capital receipts. These transactions arise when fixed assets are sold and the amounts owed by the purchasers are repaid over a number of years, e.g. mortgages. The balance is reduced by the amount repayable in any financial year.

DEPRECIATION

Charges reflecting the wearing out, consumption or other reduction in the useful life of a fixed asset.

EARMARKED RESERVES

These are reserves set aside for a specific purpose or a particular service or type of expenditure.

EMOLUMENTS

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

EXPECTED CREDIT LOSS

The utilisation of historic, current and forward-looking information to assess the expected impairment of a financial instrument that are possible with 12 months of the reporting date or lifetime of the financial instrument.

EXTERNAL AUDIT

The independent examination of the activities and accounts of local authorities to ensure that the accounts have been prepared in accordance with legislative requirements and proper practices and to ensure that the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

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 as the measurement date.

FEES AND CHARGES

Income raised by charging users of services for the facilities. For example, Councils usually make charges for the use of leisure facilities, car parks and the collection of trade refuse etc.

FINANCE LEASE

Arrangement whereby the lessee is treated as owner of the leased asset and is required to include such assets within fixed assets on the Balance Sheet.

FINANCIAL INSTRUMENT

Contracts which give rise to a financial asset of one organisation and a financial liability.

FINANCIAL INSTRUMENT ADJUSTMENT ACCOUNT

An account that holds the accumulated difference between the financing costs included in the Comprehensive

Income and Expenditure Account and the accumulated financing costs required in accordance with regulations to be charged to the General Fund Balance.

FINANCIAL REPORTING STANDARDS (FRS)

A statement of accounting practice issued by the Accounting Standards Board.

FINANCIAL YEAR

The Council's financial year commences on 1 April and ends on 31 March the following year.

FIXED ASSET

Tangible asset that yields benefits to the Council and the services it provides for a period of more than one year.

GENERAL FUND

The main revenue fund of a billing Council. Day to day spending on services is met from this Fund.

GROSS EXPENDITURE

The total cost of providing Council services before taking into account income from government grants and fees and charges for services.

HERITAGE ASSETS

A tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

IMPAIRMENT

Impairment occurs when that value of an asset has reduced. This can be either as a result of a general fall in prices or by a clear consumption of economic benefits such as by physical damage to the asset. Examples of factors which may cause such a reduction in value include evidence of obsolescence or physical damage to the asset.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

Accounting standards adopted from 1 April 2010 for Local Government entities.

INFRASTRUCTURE ASSETS

Expenditure on works of construction or improvement but which have no tangible value, such as construction of or improvement to highways.

INTERNAL AUDIT

An independent appraisal function established by the management of an organisation for the review of the internal control system as a service to the organisation. It objectively examines, evaluates and reports on the adequacy of internal control as a contribution to the proper economic, efficient and effective use of resources. Every Council is required to maintain an adequate and efficient internal audit. A review of the effectiveness of the internal audit function of a Council has to be considered and approved by the Council's Members each year.

INTANGIBLE ASSETS

Capital expenditure which does not result in the creation of a tangible fixed asset but which gives the Council a controllable access to future economic benefits, e.g. software licences.

INVESTMENTS

Deposits with approved institutions.

LONG TERM DEBTORS

Amounts due to the Council more than one year after the Balance Sheet date.

MINIMUM REVENUE PROVISION (MRP)

The minimum annual provision from revenue towards a reduction in a Council's overall borrowing requirement.

MAIN ACCOUNT STATEMENTS

- Comprehensive Income and Expenditure Statement (CIES)

A financial statement which records the day to day activity of the Council

- Movement in Reserves Statement (MIRS)

This statement shows the movement in the year on the different reserves held by the Council

- The Balance Sheet

This statement shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council

- Cash Flow Statement

This statement shows the changes in cash and cash equivalents of the Council during the reporting period

NATIONAL NON-DOMESTIC RATE (NNDR)/BUSINESS RATES

Business rates is the common term used for national non domestic rates (NNDR) which is the levy on business property. It is based on a national rate in the pound applied to the 'rateable value' of the property. The Government determines a national rate poundage each year which is applicable to all Local Authorities. Local Authorities collect the non-domestic rate but the proceeds are apportioned on a % basis (currently 50% Central Government, 40% Council, 10% County Council).

NET EXPENDITURE

Gross expenditure less gross income.

NON-OPERATIONAL ASSET

Fixed assets held by the Council but not directly used or consumed in the delivery of its services. This would include properties and land that are Held For Sale or Surplus.

OPERATIONAL ASSET

Fixed assets held by the Council and used or consumed in the delivery of its services.

OPERATING LEASE

An arrangement whereby the risks and rewards of ownership of the leased asset remain with the leasing company, or lessor.

OPERATIONAL BOUNDARY

This reflects the maximum anticipated level of external debt consistent with budgets and forecast cash flows.

PENSION FUND

An employees' pension fund maintained by a Council, or a group of authorities, in order to make pension payments on retirement of participants. It is financed from contributions from the employing Council, the employee and investment income.

PRECEPT

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

PRECEPTING AUTHORITIES

Those authorities that are not billing authorities (i.e. do not collect Council Tax or NDR) and precept upon the billing Council, which then collects it on their behalf. Lincolnshire County Council, Lincolnshire Police Authority/Police and Crime Commissioner, Lincolnshire Fire and Rescue Authority and Parish Councils all precept upon West Lindsey District Council.

PROVISIONS

Sums set aside to meet future expenditure where a specific liability is known to exist but that cannot be measured accurately.

RELATED PARTIES

Two or more parties are related parties when at any one time in the financial period:

- One party has direct or indirect control of the other party;
- The parties are subject to common control from the same source;
- One party has influence over the financial or operational policies of the other party to an extent that the other party might be inhibited from pursuing at all times its own separate interests;
- The parties, in entering a transaction are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interests.

Examples of related parties of a Council include:

- UK Central Government;
- Local authorities and other bodies precepting or levying demands on the Council Tax;
- Its subsidiary and associated companies;
- Its joint ventures and joint venture partners;
- Its Members;
- Its Senior Officers.

For individuals identified as related parties, the following are also presumed to be related parties:

- Members of close family, or the same household;
- Partnerships, companies, trusts and other entities in which the individual, or a member of their close family or the same household, has a controlling interest.

REPORTING STANDARDS

The Code of Practice prescribes the accounting treatment and disclosures for all normal transactions of a local authority. It is based on International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), International Public Sector Accounting Standards (IPSAS) and International Financial Reporting Interpretations Committee (IFRIC) plus UK Generally Accepted Accounting Practice (GAAP) and Financial Reporting Standards (FRS) including Statements of Standard Accounting Practice (SSAP).

REVALUATION RESERVE

This records unrealised revaluation gains arising since 1st April 2007 from holding assets. It also records any reductions in the value of assets subject to the limit of any previous increases in the value of the same asset. It should be noted that this reserve and the Capital Adjustment Account are matched by fixed assets within the Balance Sheet. They are not resources available to the Council and are therefore termed 'Unusable'.

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)

Expenditure of a capital nature for which there is no tangible asset acquired by the Council. This would include capital grants or renovation grants to private persons.

REVENUE SUPPORT GRANT (RSG)

This funding is the Government Grant provided by the Department of Communities and Local Government (DCLG) that is based on the Government's assessment as to what should be spent on local services. The amount provided by the DCLG is fixed at the beginning of each financial year, and is announced as part of the Comprehensive Spending Review.

SEGMENTAL

An analysis of income or expenditure over the Council's reporting service clusters.

SOFT LOANS

A "soft loan" is where a loan has been made for policy reasons, rather than as a financial instrument. These loans may be interest free or at rates below prevailing market rates. Commonly, such loans are made to local organisations that undertake activities that the Council considers will have benefit to the local population.

STATEMENT OF ACCOUNTS

Local authorities are required to prepare, in accordance with proper practices, a Statement of Accounts in respect of each financial year, which contains prescribed financial statements and associated notes. Members of the Council must publish and issue the Statements for Audit by 31 May and approve the Statements by 31 July following the end of the financial year.

STATEMENT OF RECOMMENDED PRACTICE (CODE)

The accounts have been produced in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice.

TOTAL COST

The total cost of a service or activity includes all costs that relate to the provision of the service (directly or bought in) or to the undertaking of the activity. Gross total cost includes employee costs, expenditure relating to premises and transport, supplies and services, third party payments, transfer payments, support services and depreciation charges. This includes an appropriate share of all support services and overheads that need to be apportioned.

TRADING OPERATIONS

Services provided to users on a basis such as quoted price or schedule of rates and within a competitive environment.

USABLE CAPITAL RECEIPTS

Amounts available to finance capital expenditure in future years.

USABLE RESERVES

Amounts set aside in the accounts for future purposes that fall outside the definition of provisions. They include general balances and reserves that have been earmarked for specific purposes. Expenditure is not charged directly to a reserve, but to the appropriate service revenue account.

UNUSABLE RESERVES

Represent gains and losses yet to be realised and which are not available to support services.

ANNUAL GOVERNANCE STATEMENT 2019/20

SCOPE OF RESPONSIBILITY

West Lindsey District Council is responsible for ensuring that its business is conducted in accordance with the law and proper accounting standards, and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. West Lindsey District Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, West Lindsey District Council has put in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

During 2019/20, West Lindsey District Council has worked to its code of corporate governance. This follows the principles set out in guidance provided by CIPFA/SOLACE in 2016 within their Delivering Good Governance in Local Government Framework. The purpose of the Framework is to assist local government to take responsibility for developing and shaping an informed approach to governance, aimed at achieving the highest standards in a measured and proportionate way. A copy of the authority's framework is on the Council's website contained within the Codes and Protocols section of The Constitution.

This Annual Governance Statement explains how West Lindsey District Council has complied with the code and also meets the requirements of Accounts and Audit (England) Regulations 2015, regulations 4(3) and 4(4), which requires all relevant bodies to prepare and publish an annual governance statement.

THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems and processes, culture and values by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services that represent value for money. The framework has been reviewed during the year and is deemed to be relevant and robust.

The system of internal control is an important part of that framework and is 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 reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of West Lindsey District Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised and to manage them efficiently, effectively and economically.

The governance framework has been in place at West Lindsey District Council for the year ended 31st March 2020 and up to the date of approval of the statement of accounts at a meeting of the Governance and Audit Committee on 29th September 2020.

THE GOVERNANCE FRAMEWORK AND REVIEW OF EFFECTIVENESS

The Governance Framework is presented in detail at Appendix One with commentary about improvements made during the year and improvements still required. Some of the key features of the Governance

Framework are set out below.

The Council's governance arrangements have been tested by the Covid-19 Pandemic. This has caused severe disruption to the manner in which the Council usually progresses its decision making and wider operations. Governance procedures and protocols concerning the holding of Committee meetings, the functioning of internal Programme Boards, performance reporting, information governance, business continuity and emergency planning and consideration of risk, have all been tested with revised arrangements put in place and regular advisory messages relayed to staff.

The Council's Constitution has been used as a basis from which delegations and matters relating to the ability to meet legislative and statutory requirements have been considered. It is pleasing to report that for matters that did not require new legislation e.g the ability to hold virtual meetings, the Constitution provided a robust framework from which revised arrangements were drawn up following delegated decisions.

Throughout the statement, where the Pandemic has impinged on governance related matters, specific reference has been made to the impact and the Council's response is detailed.

Other significant activity during the year which has involved third party scrutiny of governance includes the follow-up audit related to culture and values (this reported a high level of assurance) and also a Peer Review which was held in the first quarter of 2020; the findings of which were extremely positive. Reference is made within the Statement to relevant findings emanating from both of these reports.

In 2018/19 the Council launched its new Corporate Plan covering the period 2019-2023. It sets out the Council's vision for the District and sets out key strategic objectives which will deliver desired outcomes for communities. The Corporate Plan is explicitly aligned to the Medium Term Financial Plan (MTFP) and Executive Business Plan which details key corporate activity over a three year time frame which will support the achievement of the Council's aims and objectives. This ensures that the aspirations in the Corporate Plan are realistic within the context of the funding constraints placed on the Council. Progress against the priorities detailed within the Corporate Plan is reported annually, as is the on-going relevance of the Plan which takes into account feedback from surveys conducted with the citizens of West Lindsey.

The Constitution of West Lindsey District Council establishes the roles and responsibilities of the Full Council, Policy Committees, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication in respect of the authority and partnership arrangements.

The Constitution is reviewed annually to ensure it continues to be fit for purpose.

The Constitution also contains rules of procedures (standing orders and financial regulations) that define clearly how decisions are taken and where authority lies for decisions. The statutory roles of Head of the Paid Service, Monitoring Officer and Chief Financial Officer are described, together with their contributions to provide robust assurance on governance and to ensure that expenditure is lawful and in line with approved budgets and procedures. The influence and oversight exerted by these posts is backed by the post-holders' membership of the Council's Management Team.

West Lindsey District Council has developed, communicated and embedded codes of conduct, defining the standards of behaviour for both Members and staff. In addition, training needs are identified through development appraisals and reviews, enabling individuals to undertake their present roles effectively and have the opportunity to develop to meet their own and the Council's current and future needs.

West Lindsey District Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review is informed by:

1. The Combined Assurance Report – made up from:
 - a) Feedback from senior managers within the Authority who have responsibility for the development and maintenance of the governance environment and its effectiveness within their areas

- b) An independent review by the Corporate Governance Team
- c) The findings of the Annual Audit Work Plan
- d) Third Party assessment e.g. peer review, external consultancy
- 2. The Annual Review of Comments, Compliments and Complaints
- 3. The Annual Monitoring Officer Report and Review of The Constitution
- 4. The Annual Review of the Effectiveness of Internal Audit
- 5. Reviews of Whistleblowing
- 6. The Annual Review of Fraud
- 7. The Head of Internal Audit's Annual Report
- 8. Comments made by the external auditors and other review agencies and inspectorates

These reviews have been considered by the Governance and Audit Committee as well as a draft version of this governance statement. As a result the arrangements are deemed as being fit for purpose.

The areas already addressed and those to be specifically addressed via an action plan to be developed in the coming year are outlined below.

SIGNIFICANT GOVERNANCE ISSUES

Over the last year the Council has consolidated its progress made over previous years in embedding its corporate governance arrangements and procedures and to consistently communicate the message across the organisation that governance is an essential component of corporate activity. However, as major projects have developed and commercial initiatives have been pursued, the Council has been cognisant of the need to ensure governance and decision making processes do not inhibit the successful achievement of desired outcomes. Hence, the Council's attitude to risk and governance have been the subject of much discussion to determine the right balance between probity and the taking of opportunities.

This work has been recognised by the Head of Internal Audit. Taking account of the activity and changes within the Council during 2019/20 and the audit and consultancy work the audit team have undertaken, she has concluded that the Council's internal control environment (comprising of governance; risk; internal control and financial control) is performing adequately. Some improvements have been identified and attention should be paid to reviewing lessons learned from the Council's response to the Covid-19 pandemic.

The capacity and capability of the Council to deliver its objectives is regularly reviewed. This ensures that staffing requirements are appropriate to support both operational and programme delivery. Where appropriate, expert subject matter advice has been externally sourced to provide expertise and objective thinking in support of a number of the Council's key projects.

We also continue to review and refresh where appropriate, the main processes which constitute the Council's performance and governance framework. This includes considerations relating to project management, partnership arrangements, risk management, procurement and contract management. We aim to provide clear guidance and support and regularly undertake workshops with staff to ensure that procedures are fully understood and are routinely applied. Work has also been undertaken to review the Council's Portfolio Board structure to provide appropriate support and scrutiny in relation to project development and to realise effective delivery.

The Council continues to work closely with a combination of colleagues from Lincolnshire Procurement and Lincolnshire Legal Shared Services to ensure that governance arrangements supporting the Council's growth and commercial agendas are robust. Where appropriate, additional relevant external professional advice is

sought to review particular proposals and help steer decision making. Additionally, to expedite efficient decision making, arrangements are in place to hold concurrent policy and resourcing committee meetings, to secure policy/project and resourcing approvals within the same session.

Training for staff and Members has also taken place during 2019/20, as have workshop sessions and regular feedback to Members and the Management Team on governance related matters and a number of other subject areas.

A refresh of measures to be incorporated into the Council's Progress and Delivery reporting has been undertaken to ensure that we report against meaningful aspects of service delivery and also track and record progress against the ambitions detailed within the Council's Corporate Plan.

During 2019/20 West Lindsey District Council has also regularly reviewed progress against the significant issues identified in the previous year's AGS (2018/19). Six-monthly update reports have been presented to the Council's Management Team and the Governance and Audit Committee. Issues that have been sufficiently progressed and so are now removed from the AGS (2018/19) action plan are:

1. Risk Management – Assess the Council's overall 'risk appetite' and subsequently undertake a review of Strategic Risks and develop a means of ensuring that project related risks are consistently recorded and managed
2. Peer Review - Prepare for and hold a Peer Review to set improvement targets and seek third party accreditation against a nationally recognised framework
3. Governance Review - Work on the findings of the Governance Review, undertaken by Internal Audit, to ensure the Council's culture and values are consistently understood and exhibited
4. Member Induction & Training - Induct new and returning Councillors and implement the Member Development Training Plan

SIGNIFICANT CURRENT ISSUES TO BE A FOCUS IN 2020/21.

During 2020/21, the Council will pay attention to a number of issues as described below and will continue to stress the message across the organisation that governance is a core component of corporate activity. Hence all officers are required to play a part in ensuring that our processes and systems are robust and adhered to. On-going 'testing' of our processes will be undertaken and we will continue to work in a collaborative manner with colleagues from both Internal and External Audit.

Those issues that have been identified as requiring particular attention during 2020/21 are reproduced below. These were identified by Management Team; via reference to Internal Audit opinion and through the work undertaken to complete the Council's Combined Assurance Report for 2019/20. Progress will be made in 2020/21; monitored by the Management Team and the Governance and Audit Committee.

The significant issues identified are:

1. Implement senior management restructure
2. The production of the Council's Climate and Sustainability Strategy
3. Address issues arising out of effectiveness of Governance & Audit Committee survey
4. Post-pandemic recovery response & plans
5. Review of the effectiveness and understanding of corporate procurement procedures
6. Maintain oversight and assurance on progress of the Peer Review action plan

We propose over the coming year to take steps to address the above matters via an action plan to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review. There have been no significant events or developments relating to the governance system between the year-end and the date on which the Statement of Accounts were signed by the responsible financial officer.

Signed:  Date:

Councillor Giles McNeill, Leader of the Council on behalf of West Lindsey District Council

Signed:  Date:

Ian Knowles, Head of Paid Service on behalf of West Lindsey District Council

APPENDIX 1 - THE GOVERNANCE FRAMEWORK AND REVIEW OF EFFECTIVENESS

1. The Council's Vision

Objective: Developing, communicating, operationalising and reviewing the Council's vision

This section incorporates information relating to:

- identifying and communicating the Council's vision
- reviewing the Council's vision and its implications for the Council's governance arrangements
- translating the vision into objectives for the Council and its partnerships

To help identify priorities, the Council analyses information from external sources, internal statistics, engagement events, working with partners and horizon scanning reports. It produces an annual State of the District Report for review by Members, the public and other stakeholders alike.

Priorities are tested further through public consultation with both the Citizen's Panel (an established representative group of approximately 1600 local residents) and residents more generally. This is supplemented by engagement with a range of businesses and third sector organisations and Member workshops, which build on the identified community priorities.

In 2019 the Council launched a new Corporate Plan to cover the period 2019-2023. This timeframe complements the period of the current administration following elections in May 2019. The overall vision for the Council is:

“West Lindsey is a great place to be where people, businesses and communities can thrive and reach their potential.”

The Plan, which was approved by Council in March 2019, contains the following strategic priorities within the themes of Our People, Our Place, Our Council

OUR PEOPLE

Priorities

Health & Wellbeing Vulnerable Groups & Communities Education & Skills

OUR PLACE

Priorities

Economy Housing Growth Public Safety & Environment

OUR COUNCIL

Priorities

Finances Customer Staff & Members

The Corporate Plan is explicitly linked to the MTFP through to 2024 and the Council’s annual Executive Business Plan.

The Council works hard to ensure that the concept of the ‘Golden Thread’ is evidenced; meaning that all staff can identify their service area’s and own individual contributions to the achievement of the Corporate Plan’s strategic outcomes. The identification of, and reporting on, relevant service level activity that contributes to the achievement of outcomes strengthens this. The findings of the Peer Review conducted at the Council during the year commented that:

The Council brings together many of these sources to produce its annual State of the District report, which provides a focused yet comprehensive understanding and picture of the district. All this information enables the council to decide its corporate and service-level aspirations, priorities, strategies and plans in a robust, informed and intelligent way.

And ...There are clear linkages between the Council’s priorities, strategies and plans, which are also highlighted within and between the Council’s key wider partnership plans, eg the Greater Lincolnshire Local Enterprise Partnership Strategic Economic Plan and the Central Lincolnshire Local Plan. These linkages at both council and partnership level clarify who is doing what, in which area, and why. These linkages also evidence the council’s understanding and influence within the area, ensuring that West Lindsey district plays its fullest part within the wider Lincolnshire area, eg in terms of economic growth and housing.”

The Council publishes its Corporate Plan on its website in accordance with requirements for transparency and making information available for local people. Reviews of progress against its objectives are carried out annually and presented at Full Council to Members for review and endorsement. An annual summary publication detailing progress is also produced and shared with stakeholders and published on the Council’s website.

The Corporate Plan is delivered in the main through the Council’s Portfolio Board. It has a clear terms of reference outlining responsibilities for delivery and the board’s delivery plan is further translated into business and service plans, team plans and personal actions (through the appraisal process), which contain specific key objectives, desired outcomes, responsibilities and targets. This ensures that the necessary resources, both staff and financial, are allocated to deliver the service plans and informs the MTFP and

annual Executive Business Plan.

The financial management of the Council is organised through robust processes and procedures which deliver strong financial control arrangements which are supported by comprehensive Financial Regulations. Overall financial management activities regularly receive high assurance ratings from Internal Auditors.

Budget and performance monitoring is undertaken monthly with quarterly reporting to the Corporate Policy and Resources Committee. These reports capture forecast variances at out turn and identify any areas where performance is under or over achieving. Where overspends are forecast, actions are taken to reduce the forecast, where possible. To mitigate pressures on commercial income the Council has a £200k contingency budget which offsets any impacts of reductions in demand or non-payment.

The Council holds budget consultation events to inform residents, communities and businesses on how it intends to allocate resources and support investment projects in future years and also to obtain feedback on emerging priorities and Council Tax increases.

The Annual Budget, Financial Strategy, Executive Business Plan and Medium Term Financial Plan are approved by Council at its meeting in March, as are the Council's Treasury Management and Capital Investment Strategies. Budget scrutiny is provided by the Corporate Policy and Resources Committee and in respect of Treasury Management, the Governance and Audit Committee. The Medium Term Financial Plan is subject to a mid-year review and is presented to the Corporate Policy and Resources Committee

To ensure that staff possess the necessary financial knowledge and skills and are supported in financial management matters, Finance Business Partners play a key role. By working closely with Team Managers they ensure that budgets are closely monitored and that any business cases for new projects are critically appraised. The Portfolio Board monitors programmes of project work which deliver corporate plan objectives.

Staff are supported in understanding their financial management responsibilities through a number of mediums; e-learning, training events/workshops and one to one support.

The Council continues to meet the financial challenges it faces and has received a high assurance rating from a recent audit of its financial resilience and sustainability.

However, there a number of financial uncertainties ahead. The review of local government financing will see a Fairer Funding Review, Business Rates Retention to 75% (from 50%) Scheme, a Business Rates reset and the amount of overall funding available for Local Government. We have taken a prudent approach in estimating the impact this will have on the Council and have increased our General Fund Working Balance to ensure a balanced budget whilst our investment programmes deliver efficiencies.

In addition we are expecting to see a significant impact on our income streams as the recent Covid-19 Pandemic initiatives taken by the government have included the closure of all retail, hospitality and leisure facilities, in addition to additional costs to support our economy and communities. Whilst government have issued grant funding support, we will be monitoring the impact of our finances closely over the next few months and will be reporting to Members with a revised budget alongside a mid-year review of the Medium Term Financial Plan.

2. Measuring the Quality of Services

Objective: Measuring the quality of services for users, ensuring they are delivered in accordance with the authority's objectives and ensuring that they represent the best use of resources and value for money

Performance Management and Value for Money

During 2019/20, the Council has monitored the effectiveness of the Progress and Delivery report in monitoring and reporting on performance. Quarterly reports are provided for both policy committees with the Overview & Scrutiny Committee retaining oversight. A sub-group of this Committee has met once again to discuss the need for a refresh of measures for 2020/21 and to review the periodicity of reporting to ensure

that progress against the achievement of corporate priorities can be adequately tracked. This has led to a decision that from 2020/21 the Committee will receive six-monthly reports rather than quarterly. We are keen to stress the message that any measures adopted should be able to help the Council learn and improve. The Head of Paid Service is responsible for performance management and provides:

1. Quarterly Progress and Delivery reports to the policy committees and the scrutiny committee
2. Assurance that the reports provide quality and contextual data for Members

The Peer Review highlighted a known weakness in performance reporting in that it is not automated and therefore requires significant resource to produce and analyse reports. This could be better used in using performance information to actively consider what is and is not working, why, and deciding who needs to take what action, and when, to improve outcomes. The Review found that generally most teams are recognised as high-performers as a result of their successful approaches to performance management but there are inconsistencies between services. Some opportunities are therefore being lost to deploy resources and staff to best effect to deliver the Council's priorities.

Individual performance is discussed via one to ones and the appraisal system for employees, which continues to be monitored to ensure that it is applied consistently.

The Council has adhered to the transparency agenda by publishing spend over £250 on the Council's web site on a monthly basis and continues to meet the legal requirements to publish equality objectives.

Commissioning Partnerships

To achieve value for money and the best use of resources, the Council has adopted a positive approach to partnership working and has retained a number of shared working arrangements, mainly with North Kesteven District Council (NKDC). Other key partnerships include the Lincolnshire Waste Partnership; Lincolnshire Legal Shared Services; Procurement Lincolnshire; the creation of a formal statutory body to consider planning policy across Central Lincolnshire, the West Lindsey Employment & Skills Partnership and the Wellbeing Service provided in partnership with a number of neighbouring District Councils and Lincolnshire County Council. Additionally, key contractual partnerships incorporating performance management aspects are in place for a range of services such as leisure provision.

The Council's ambitious growth plans for the District are beginning to crystallise with the formation of a key strategic outcome focused partnership (in the form of a joint venture) established to achieve regeneration in the retail sector in Gainsborough. Additional work has secured a further development partner to focus on delivering comprehensive regeneration of Gainsborough town centre. Both arrangements conspire to ensure that the Council can deliver the Central Lincolnshire Local Plan housing growth target. Further, the Council continues to be engaged in a meaningful manner with partners from the business sector to promote West Lindsey in general and Gainsborough specifically. These partnerships are key to jointly addressing issues such as skills and ultimately promote the District as a place to invest in and grow.

Further examples of partnership working are provided by the work the Council has conducted with the Greater Lincolnshire Local Enterprise Partnership (GLLEP) and the Homes and Communities Agency (HCA). As the Council moves its growth plans into delivery, this has attracted significant support and funding from these bodies, providing revenue funds to continue the intensive planning and development work to support land assembly and provide significant capital for site acquisition, infra-structure and in effect, provide gap funding to bridge viability gaps.

To ensure that the Council considers the appropriateness of partnership working prior to entering into arrangements, an Approved Code of Practice (ACoP) is in place to offer guidance and workshops have been held with staff to discuss the topic. As stressed above, it is essential that officers involved in partnership

working consider value for money by assessing the on-going importance of any partnership and its effectiveness in meeting intended outcomes.

Value for Money

Specific reference has been made to our approach to achieving value for money in both the Council's Corporate Plan and also the MTFP. Additionally, our approach received a positive outcome when audited by External Audit.

One of the main objectives of the Council is to deliver excellent, value for money services. To assist in achieving this goal, the Council has produced a Value for Money Strategy and action plan. This was approved by the Corporate Policy & Resources Committee in January 2019 and has been shared with External Audit. To support our work in this regard the Council subscribes to a database of metrics which provide the ability to benchmark service related costs and performance, triangulated where possible with outcomes. We continue to assess the usefulness of this resource to achieve best effect and produce value for money assessments across a range of services. These assessments provide services with the basis for achieving greater value for money via improvement plans.

Procurement & Contract Management

Effective procurement and contract management is key to ensuring that value for money is achieved. When last audited, our procurement processes received a substantial assurance rating. However, during 2019/20 issues have arisen in connection with a number of key procurements leading to delays in procuring key items and services. Therefore, work is required to understand more fully the causes and to identify actions required to address matters. The Council's Contract and Procedure Rules and ACoP are regularly reviewed to ensure they keep in line with changes in legislation. Working closely with Procurement Lincs, the Council has worked with service areas to ensure best value is achieved from procurement and contract renewal exercises. Over the last 18 months, savings of approximately £130k have been achieved on like-for-like contract renewals.

Service Reviews

Reviews of service provision, structural arrangements and performance are key components in assessing the value for money of service delivery. During 2019/20 reviews of a number of service areas have been conducted to establish the effectiveness of the way in which work is processed and to identify and implement any potential improvements. For example work has been undertaken in Operational Services to review work flows and remove any inefficiencies.

Customer Feedback

The Council recognises the important role that customer feedback plays in assessing the quality and range of the services delivered. Public consultation plays an integral role in informing budget proposals. Customer satisfaction is a key component of the Council's performance measurement metrics and an annual review of compliments, complaints and comments is reported to Management Team, wider management and Members via a report to the Governance & Audit and the Overview and Scrutiny Committees. The report details the type and volumes of complaints, provides comparative analysis with previous years and contextual information. To support improvements and consistency in approach, the Council has appointed a Customer Experience Officer to work closely with service areas.

In addition, a pro-active stance is taken across a number of services in the form of customer satisfaction surveys. The consistent application of this across the Council is a key aim in support of effective performance management.

3. Roles, Responsibilities and Delegations

Objective: Defining and documenting the roles and responsibilities of the Full Council, Policy Committees, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication in respect of the authority and partnerships arrangements

As a 'fourth option council' the Council is not legally required to have a scrutiny function. However, in the interests of good governance The Council does have an overview and scrutiny function in the form of the Overview & Scrutiny Committee (formally Challenge & Improvement Committee) and there is a clear split between policy and scrutiny. The function of overview and scrutiny contributes to the decision making process. However, the Peer Review reported mixed views and questions about the function generally, including its effectiveness and purpose and recommended a further review (to the one conducted 18 months previously) to identify the function's value and how it can be most effective; in particular how it can engage all Members constructively.

The Council's policy and decision-making process is defined in detail in The Constitution but can be summarised as follows:

- a) The Budget and Policy Framework is decided by Council and has significant links to the Corporate Plan
- b) The Corporate Policy and Resources Committee formulates policy, plans and strategies which do not form part of the Council's Policy Framework. They are responsible for the effective use of all council resources, whether land finances, property or personnel
- c) The Prosperous Communities Committee deals with economic development, leisure and cultural, environmental and community issues. They formulate policy, plans and strategies other than those identified for adoption by the Council or the Corporate Policy and Resources Committee
- d) Arrangements for concurrent meetings of the Prosperous Communities and Corporate Policy & Resources Committees to consider policy and funding decisions during the same session
- e) The scrutiny function is provided by the Overview & Scrutiny Committee which examines the activity of the policy committees to ensure they deliver Council policy and can call the policy committees to account for aspects of poor/deteriorating performance in areas under their jurisdiction
- f) The Overview & Scrutiny Committee works to an individual work programme of matters to be considered for the year ahead and there is a monitoring role for the Committee to ensure delivery of the programme. Additionally the Committee invites and raises questions and discussion with strategic partners responsible for service delivery across the District
- g) The Overview & Scrutiny Committee can also establish time limited groups to carry out in depth reviews
- h) Quasi-judicial matters such as Planning and Licensing are dealt with through separate Planning and Licensing Committees

The scheme of delegated and reserved powers is set out within The Constitution, including a formal schedule of those matters specifically reserved for collective decision of the Council, taking account of relevant legislation.

The robustness of The Constitution has been tested due to the Covid-19 situation, in particular the need to operate on delegated powers in the absence initially of formal committee meetings and then moving to arrangements to hold virtual meetings. All in all The Constitution has stood up to this test extremely well without the need for any changes, as it allows for such situations and gives the appropriate delegations to the Head of Paid Service in consultation with key elected members. This is in accordance with paragraph 4 of the Head of Paid Service duties which are contained in part IV of the Constitution. To keep Members abreast of the interim arrangements, a flow chart was produced giving details of the process of decision making

during the emergency situation.

The Annual Council meeting each year considers a report from the Monitoring Officer which reviews The Constitution to ensure it remains robust and effective. This allows for appropriate amendments to be made.

There are protocols for effective communication which include:

- a) Member/Officer Relations Protocol
- b) Leaders Panel regularly meet with designated officers and Chief Officers
- c) Group Leaders meetings with Key Officers
- d) Briefings for Committee Chairs
- e) Six-weekly Members information bulletin
- f) 'Call-in' protocol which enables a decision of the Policy Committees to be questioned by Overview and Scrutiny before it is finally approved

The Management Team and Leader of the Council have established a communication process and they have mechanisms in place to set and manage the delivery of objectives.

4. Standards of Behaviour

Objective: Developing, communicating and embedding codes of conduct, defining the standards of behavior for Members and staff

It is vital that there is a constructive working relationship between elected Members and Officers and that the respective roles are carried out to a high standard. The Council's leadership is responsible for setting the tone for the organisation and it is tasked with creating a climate of openness, support and respect. To support the Council's new Corporate Plan, work was undertaken in 2018/19 to review the values which both Officers and Members are expected to uphold. The values (set out below) provide the ethical base to drive our business and deliver our vision.

- a) To put the customer at the centre of everything we do
- b) To act as One Council
- c) To be business smart, act on evidence and take advantage of opportunities, thinking creatively and getting things done
- d) To communicate effectively with all stakeholders
- e) To have integrity in everything we do

Lead Member positions also have clear role descriptions set out within The Constitution and these make reference to the behaviours expected when undertaking their duties.

Internal Audit conducted a review of the culture and values of the Council during 2018/19. It was designed to ascertain the extent to which the Council has a culture that places the public and integrity at the heart of its business. Participants were drawn from both Officers and Members. The findings reported that a good culture and ethical framework is working for the Council and its key partners and provided a number of recommendations to help sustain a culture of integrity and to enhance and embed good governance across the Council. During the last year a follow-up audit was conducted. This found that further progress had been made in embedding certain practices which support the Council's culture and ethical framework and a high assurance rating was provided.

Standards of conduct and personal behaviour expected of Members and staff, of work between Members and staff and between the Council, its partners and the community are defined and communicated through codes

of conduct and protocols. These are reviewed on a regular basis and when circumstances dictate. For instance during 2017/18, the subject of Member/Officer working protocols was re-visited, with workshops between both parties taking place. These sessions helped to revisit and update the Operational Conventions Protocol within the Council's Constitution. Additionally, officers received training on working in a political environment. This included:

- a. Members and Co-opted Members Code of Conduct
- b. Guidance when dealing with Planning Matters
- c. Protocol on Member/Officer Relations (Operational Conventions protocol)
- d. Officer Code of Conduct
- e. Whistleblowing Policy
- f. Complaints Procedure
- g. Anti-Fraud and Corruption Policy
- h. Local Code of Corporate Governance

The Council has in place a Member related Code of Conduct and a Local Code of Corporate Governance. An agreed process is in place to deal with standards matters should they arise. The Standards Sub-Committee plays a significant role in promoting and maintaining high standards of conduct between elected and co-opted Members and hearing complaints where standards of behaviour fall short of what is expected. In particular the role of the Committee is:

- a) promoting and maintaining high standards of conduct by councillors and co-opted Members
- b) assisting the councillors and co-opted Members to observe the Members' Code of Conduct
- c) advising the Council on the adoption or revision of the Members' Code of Conduct
- d) monitoring the operation of the Members' Code of Conduct
- e) advising, training or arranging to train councillors and co-opted Members on matters relating to the Members' Code of Conduct
- f) granting dispensations to councillors and co-opted Members from requirements relating to interests set out in the Members' Code of Conduct
- g) to hear complaints locally regarding alleged breaches of the Code
- h) exercising such other functions as the Council considers appropriate; and
- i) the exercise of (a) to (g) above in relation to the town/parish councils/meetings and their Members in the Council's area

The Monitoring Officer reported to the Committee in 2019/20 on the number and types of complaints received in the previous 12 months.

The Council works to a recently revised Code of Conduct which now incorporates aspects such as bullying, confidentiality and respect. The new Code has been adopted by a significant number of Parish and Town Councils across the district. The remainder have opted to continue with the code provided by the National Association of Local Councils (NALC).

Over the last year, the Council has participated in a consultation exercise led by The Local Government Association on a revised Model Member Code of Conduct. This is in draft format and when reviewed, it was

established that the vast majority of proposals (barring those requiring legislative change) were already included within the Council's current code. On receipt of a final version of the new Model Member Code of Conduct, the Council will act to ensure its own procedures are fully aligned.

The Code of Conduct and the Standards regime form part of the Members' induction arrangements and all Members (new and returning) are required to sign the Code of Conduct and provide a new register of interest return.

There is a Code of Conduct for employees and there is also an induction process in place which includes conduct matters. There is an appraisal process in place for Officers which allows a personal development plan to be put in place.

The Council has an Anti-fraud and anti-corruption policy and also a whistleblowing policy in place. Reports on fraud and whistleblowing incidents are presented to Members and are made available for review via the Council's web site.

There are registers of gifts and hospitality, interests, and secondary employment. During the year (and especially around Christmas and holiday periods) Members and staff are reminded of the procedure for registering gifts and hospitality and more senior staff are regularly reminded of the need to do this. Procedures for dealing with conflicts of interest are in place. Arrangements are in place to ensure that Members and employees of the Council are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders. The follow-up culture and values audit re-examined these arrangements and found that they were effective and adhered to.

Rules and procedures are set out in The Constitution including Members' Code of Conduct, Operation of the Standards Sub-Committee, Procedure Rules for Committees, Financial and Contract and Procurement Procedure Rules (updated during 2018/19) and Scheme of Delegation.

The Monitoring Officer and Chief Finance Officer also have clear supporting roles.

Awareness of probity issues amongst managers is raised through regular reminders that are sent out to all staff.

The Council has an investigation and disciplinary process for conduct issues and action is taken against employees where conduct falls below that which is expected. At a Chief Officer level this function is undertaken by elected Members and there are clear rules of procedure defined within The Constitution.

5. The Decision Making Framework

Objective: Reviewing the effectiveness of the authority's decision-making framework, including delegation arrangements, decision making in partnerships and robustness of data quality

The scheme of delegated and reserved powers is set out within The Constitution, including a formal schedule of those matters specifically reserved for collective decision of the Council, taking account of relevant legislation. Attention is paid to ensure that arrangements reflect current structures and roles and support appropriate good decision making. As detailed above, a series of delegated powers have been enacted to allow the progress of Council business during the Covid-19 situation.

A Scrutiny Committee (Overview & Scrutiny) is in place and has clear terms of reference. Their operation is covered in The Constitution which allows them to exercise their powers to 'Call In' decisions made by the policy committees and if necessary ask them to reconsider their earlier decisions. During 2017/18, Members received training on the Effectiveness of Scrutiny and undertook an exercise in self-evaluation. During 2018/19, a review of the on-going requirement for this Committee was undertaken, with progress monitored via the 2017/18 AGS action plan. The review recommended that the name of the Committee be changed from Challenge & Improvement to Overview & Scrutiny, its meeting dates should be more flexible so as to ensure a

more effective work plan and there ought to be a change in the criteria for membership of the Committee. In January 2019 the Governance & Audit Committee approved the recommendations and the Constitution has been updated to reflect the changes. However, as the Peer Review indicated, further work is required to make this Committee and its purpose fully justified and its operations more effective.

To support joined-up and efficient decision making, particularly in respect of time critical decisions, where appropriate, the Council has implemented concurrent meetings of the Prosperous Communities and the Corporate Policy & Resources Committees within one session. This entails the policy position being debated with recommendations made for resourcing decisions to be determined immediately afterwards. This has worked well to date, to support the expedient progress of key growth and commercial initiatives.

Work has also been completed to ensure that the focus of Committee reports is placed on key decision making. Hence the Council has reduced the number of reports placed before Members by no longer using Committees for the provision of update and information only reports. Alternative arrangements operate to oversee such matters.

The Council has a robust reporting process in place. There is a committee timetable and Democratic Services identify agendas with the services. The committee report template requires report authors to seek professional comment on financial, human resources, data protection and legal matters. It also prompts officers, where appropriate, to detail at least three options for consideration with a recommended option highlighted and to also consider matters pertaining to risk and equalities.

To help the Council to raise the profile of the climate and environment agenda and as it commences work on its commitment to reduce the impact of its activities to net-zero carbon by 2050, a range of work is required to so that relevant decisions fully detail the related climate related aspects and that they are understood.

The meetings of the Council have appropriate agendas, reports and minutes which demonstrate data quality. All Committees are web cast with the Planning Committee and Full Council meetings webcast live. Additional arrangements have been put in place to ensure continuity of the provision, while adhering to relevant guidance and legislation, during the period of the pandemic crisis.

The Council uses training, workshops, ACoPs and manuals to help staff operate systems.

The Council has a Risk Management Strategy (revised during 2019/20) which sets clear policy and guidance on managing risk and Members receive risk management training.

The Council's Portfolio Board oversees the key programmes which have been instigated to support delivery of the Corporate Plan. The most recent audit of the workings of the Portfolio Board provided a substantial assurance rating. Below this Board a number of themed programme boards exist which manage the delivery of individual projects. Each board has specific terms of reference and is chaired by the relevant programme sponsor. A key component to assist in decision making and delivery is the role of sponsor. The role is accountable for putting in place the appropriate governance arrangements (including the formation of a board if necessary) to avoid the creation of a transactional approach and to ensure that due proportionality is applied to risk. The sponsor is also responsible for reporting progress/issues back to the Portfolio Board.

The step change we are making on the growth and commercial agendas (specifically the Commercial Investment Portfolio) requires pace, ability to take a commercial view and responsive governance. Progress has been maintained during 2019/20 to ensure these notions are addressed. The joint sessions of the Prosperous Communities and Corporate Policy & Resources Committees represent examples in this regard. Culturally, much progress has been made with staff and Members to ensure that the key foci in discussions remain on programme direction and the commercial imperatives and opportunities.

Data quality contributes to the achievement of and underpins the Council's priorities. The Council is committed to high standards of data quality and must take care to ensure that the data and information used throughout the organisation and particularly in relation to performance management is fit for purpose. In the recent past, the Council recognised the need to ensure a consistent approach to data quality and has

therefore produced and communicated via workshops and meetings a Data Quality Policy. In addition, agreement has been reached with Internal Audit for them to explicitly assess and reference data quality (where relevant) as part of their audit work.

6. Risk Management

Objective: Reviewing the effectiveness of the framework for identifying and managing risks and demonstrating clear accountability

The Council revised its Risk Management Strategy during 2019/20 which now covers the period 2019-2023. There is also an accompanying risk management ACoP, which supports the strategy to outline operational procedures and roles and responsibilities.

The most recent Internal Audit review of the Council's risk management arrangements provided a substantial assurance finding. Service risk management is a standing item of the Service Leadership Team (SLT) meeting agenda whereby any issues can be raised and service areas undertake on-going assessment of service related risks. They are supported in doing this by governance colleagues. A number of workshops with staff and Management Team have been held during the year to discuss risk and the Council has attended Lincolnshire Risk Management Group meetings.

All risks are maintained on a central system which enables risk owners to record risks at both service and strategic levels. If any service risk escalates in nature there is a process in place by which it can be brought to the attention of Management Team.

Following the production of the Council's new Corporate Plan, work has been completed to review the Council's strategic risks so as to ensure that the risks to the achievement of its strategic objectives are identified and understood. This aligns the Council's approach to the consideration of strategic risks to that advocated by the Association of Local Authority Risk Managers (ALARM). Strategic risks are owned and reviewed regularly by Management Team and are presented for scrutiny by the Governance and Audit Committee on a six-monthly basis. This Committee has a responsibility as part of their terms of reference for approving the Risk Strategy and maintain an overview of risks. The committee has also appointed a Risk Champion who has clear terms of reference.

7. Counter-Fraud and Anti-Corruption

Objective: Ensuring effective counter-fraud and anti-corruption arrangements are developed and maintained

The Council has an Anti-Fraud, Corruption and Money Laundering Strategy which stresses a zero tolerance approach and is part of a suite of policies covering:

- Whistleblowing Policy
- Disciplinary Policy
- Covert Surveillance Policy
- Codes of Conduct for Members and Officers
- Risk Management Policy and Strategy
- Gifts and Hospitality
- Standing Orders

The policy applies to:

- All West Lindsey District Council Employees.

- Councillors and Independent Members
- Staff and members of Council funded voluntary organisations
- Partners
- Suppliers, contractors and consultants
- Residents

Members of staff, partners and contractors have all been reminded of the policy and how to raise any concerns, or report suspected fraud or corruption, through a series of leaflets and posters and a 'Fighting Fraud' leaflet is distributed annually to all staff. An anti-fraud presentation forms part of the corporate induction process. The Council also maintains a specific fraud related risk register.

The Governance and Audit Committee receive a yearly report on anti-fraud and corruption arrangements and the action that has been taken to investigate and prosecute cases. No instances were reported during 2019/20.

To monitor and manage the risk of fraud, the Council is a member of the Lincolnshire Fraud Partnership. The Council also takes part in the Housing Benefit Matching Service (HBMS) work and the National Fraud Initiative (NFI); a bi-annual exercise that matches electronic data within and between public sector bodies to prevent and detect fraud.

All matters relating to the Council's approach for communicating to staff the seriousness by which it takes this subject matter and the processes it has in place to prevent, detect and act where malpractice occurs, formed part of the follow-up culture and ethics audit. All arrangements were reviewed favourably.

8. Management of Change

Objective: Ensuring effective management of change and transformation

Governance arrangements are in place to ensure change is effectively managed in the form of Board scrutiny, effective project management and Progress and Delivery reporting against projects and programme development. Members are also part of this process and regular reports are produced to keep them updated.

To support change, the Council works to an agreed project management methodology. Assistance for staff and adherence to the methodology is overseen by a Senior Programme Officer. Processes are working well as exemplified by an audit conducted during the year which reviewed Programme and Project Management arrangements. It concluded that effective processes are in place and provided a rating of substantial assurance.

Boards are assigned a Programme Sponsor responsible for delivery. In this regard their remit is to direct and provide support to project managers and also ensure a high quality of project development and adherence to the Council's project management methodology. Effective communication is regarded as crucial to delivering change. Strong links have been forged between the relevant Boards and the Communications Team to ensure developments are relayed across the Council and further afield.

To support colleagues involved in change initiatives, a high level change management strategy has been implemented and a number of key staff have undertaken specific training in the subject matter. It is important that colleagues are coached and supported through any change programme.

To provide strategic capacity and capability concerned with change and transformation, particularly in support of the delivery of key programmes and projects, the Council continues with an approach of sourcing professional subject related expertise on a needs basis. This is intended to deliver better value for money and provide objectivity.

9. Role of the Chief Financial Officer

Objective: Ensuring the authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010) and, where they do not, explain why and how they deliver the same impact

Following the retirement of two of the three Executive Directors during 2019/20, the former Executive Director of Resources was appointed Head of Paid Service and currently retains the role of Chief Financial Officer under Section 151 of the Local Government Act 1972. Pending the implementation of a senior management restructure, this remains the position. However, the re-structure will address this and also address a point raised by the Peer Review that recommended separating these roles to reduce any potential conflicts of interest and associated risks.

This officer has statutory responsibility for the proper planning, administration and monitoring of the Council's financial affairs. The Council's financial management arrangements also conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).

The financial management of the Council is conducted in accordance with the Financial Procedure Rules set out in The Constitution. The financial management system includes:

- A five year MTFP which is reviewed and updated annually to support the delivery of the Council's strategic priorities.
- An annual budget cycle incorporating Council approval for revenue and capital budgets as well as treasury management strategies.
- Financial Procedure Rules that are reviewed at intervals of not more than three years. Relevant amendments are made when required.
- Process and procedure guidance manuals.
- Regular budget monitoring by budget holders through monthly financial monitoring meetings and reports.
- Four reports per year to Management Team and Members relating to the Council's financial position stating financial and performance information.
- Annual accounts supporting stewardship responsibilities which are subjected to external audit and which follow the Code of Practice on Local Authority Accounting in the UK in line with International Financial Reporting Standards.

10. Role of the Head of Internal Audit

Objective: Ensuring the authority's assurance arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010) and, where they do not, explain why and how they deliver the same impact

The CIPFA statement on the Role of the Head of Internal Audit (2010) states that the Head of Internal Audit in a public service organisation plays a critical role in delivering the organisation's strategic objectives by:

1. Championing best practice in governance, objectively assessing the adequacy of governance and management of existing risks, commenting on responses to emerging risks and proposed developments

2. Giving an objective and evidence based opinion on all aspects of governance, risk management and internal control

To perform this role the Head of Internal Audit:

3. Must be a senior manager with regular and open engagement across the organisation, particularly with the Management Team and with the Audit Committee
4. Must lead and direct an internal audit service that is resourced to be fit for purpose; and
5. Must be professionally qualified and suitably experienced

A review of the CIPFA statement has taken place and no matters of concern were identified. The Head of Internal Audit reports to the Management Team and the Governance & Audit Committee on a regular basis in relation to audit and governance related matters.

The Council has in place an Internal Audit Charter which defines the terms of reference for Internal Audit by setting out the nature, role, responsibilities and authority of the Internal Audit service within the Council.

The Constitution identifies that the Chief Finance Officer is responsible for providing an efficient and effective Internal Audit service, which will comply with relevant legislation and best auditing practice. The Council reports annually on the effectiveness of the service it receives from Internal Audit.

11. Role of the Monitoring Officer

Objective: Ensuring effective arrangements are in place for the discharge of the monitoring officer function

The Constitution covers the key statutory role and functions of the Monitoring Officer. It also includes the requirement for the Council to ensure that the Monitoring Officer has access to sufficient skills and resources to undertake the role. The Monitoring Officer has confirmed that this is the case and he continues to review this. Appropriate training is delivered where needs are identified and the Officer has attended a number of training courses during 2019/20.

There is a specific job role which reflects the Monitoring Officer duties. The Monitoring Officer is line-managed by the Head of Paid Service. No conflict of interest in this line management structure has been identified.

12. Role of the Head of Paid Service

Objective: Ensuring effective arrangements are in place for the discharge of the Head of Paid Service function

The statutory provisions are included in The Constitution. As a result of the retirement of two of the Executive Directors during 2019/20, the Council has reverted to a Chief Executive led model who also fulfils the role of the Head of Paid Service.

The Leader and the Chief Executive have agreed corporate objectives and key priorities for the year. Monitoring against progress is achieved via regular liaison between the relevant parties.

13. The Audit Committee

Objective: Undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committees: Practical Guidance for Local Authorities

The Council maintains and operates a Governance & Audit Committee which is independent of the Policy Committees and the scrutiny function. Membership includes up to three Independent Members and the Committee is currently quorate in this regard. The Committee receives training and has a defined work plan. Substitutes are not permitted unless the substitute has undertaken specific audit committee training.

The core functions of the Governance and Audit Committee are set out in The Constitution. Its terms of reference are in line with CIPFA guidance and the Committee operates to these.

Some Governance & Audit Committee members are also members of the Overview & Scrutiny Committee. This arrangement has been agreed by Full Council.

During 2019/20, the Committee has reviewed CIPFA's most recent guidance (Audit Committees: Practical Guidance for Local Authorities and Police – 2018). As a result a self-evaluation review of its effectiveness has been undertaken by members of the Committee; the results of which are being analysed and will be used to identify any aspects that require attention. Furthermore, the Chair of the Committee has prepared a report for Council on its work during 2019/20. This is the first report of this kind in recent years and will be presented to Full Council once this forum reconvenes.

14. Compliance with Laws and Regulations

Objective: Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful

The Constitution and relevant job descriptions outline Officer, Member, Committee and Council responsibilities. The Council's statutory officers are the Head of Paid Service (Chief Executive), the Section 151 Officer (Chief Executive) and the Monitoring Officer (Acting Director of Governance). These officers are responsible for ensuring that the Council acts within the law and in accordance with established policies and procedures. Counsel opinion may be obtained in certain circumstances and unusual transactions are referred to the External Auditor for consideration.

The Section 151 Officer is specifically responsible for the proper discharge of the Council's financial arrangements and must advise elected Members where expenditure is likely to exceed resources. Where any proposal is unlawful, the Section 151 Officer, jointly with the Monitoring Officer, have a duty (should such a scenario arise) to produce a 'Section Five' report and inform the Head of Paid Service and External Audit.

The Management Team carry responsibility for ensuring that legislation and policy relating to service delivery and health and safety are implemented. A disciplinary process is in place for both staff and Members for any breaches.

The subject of compliance with legislation (including Health and Safety matters) is detailed within the Council's strategic risk register. This demonstrates the importance the Council places on the requirement to comply with and/or correctly implement relevant statutory legislation.

To ensure legal advice is available to the Council, it is part of the Lincolnshire Legal Shared Services Partnership. They hold a central library of all relevant legislation and are consulted when required. In certain cases, expert or specialised legal advice is also obtained from other sources. Departments take responsibility for receiving and operating to new legislative responsibilities as they arise, with service and business planning providing opportunities to consider the implications and plan for legislative change.

Legislation and Statutory Instruments are dealt with and assessed as they are received (from a range of sources including national email alert systems). Changes in legislation have been implemented successfully with no major issues arising.

The communication of local policies and procedures is embedded in a number of different ways such as SLT meetings and workshops, team briefings and local training. Officers ensure that they are aware of and comply with laws and regulations which are relevant to their roles. During 2019/20 refresher training on the Regulation of Investigatory Powers Act (RIPA) was again provided for relevant staff.

The Council pays close attention to requirements relating to Information Governance and close working arrangements are in place with neighbouring authorities. Training packages have been provided for staff during the year via the Council's on-line training platform. A work plan is in place to 'test' on-going compliance and assess the robustness of the Council's information governance arrangements. Best practice has been followed with the nomination of officers to the roles of Senior Information Risk Officer (SIRO) and Senior Information Governance Officer (SIGO) and Data Protection Officer (DPO). The Corporate Information Governance Group meets regularly to review information governance related matters and developments.

The Governance and Audit Committee receive reports by Internal Audit which include review of compliance with legislation. This provides the Committee with an overview of compliance with policy and procedures and it can request attendance of managers to provide further assurance.

15. Whistleblowing Arrangements

Objective: Arrangements for whistleblowing and for receiving and investigating complaints from the public

The Council has in place a Whistleblowing Policy which was refreshed during 2019/20. It is available for reference via the Council's web site and internal intranet and its existence and content is regularly communicated to staff. The Council also works in partnership with Lincolnshire County Council and fellow Lincolnshire authorities to develop and produce a county-wide 'Fighting Fraud' leaflet which is distributed to staff. Reports are presented to the Governance & Audit Committee on whistleblowing and more general customer feedback. A review of these arrangements formed part of the culture and values follow-up audit and they were deemed to be operating effectively.

The Council also has in place a customer complaints, compliments and comments procedure. The procedure is available for view on the intranet and web site. When complaints are received an internal independent officer (Customer Experience Officer) is appointed to investigate and in certain circumstances an external appointment may be made. One of the key aspects of the policy is our desire to learn from complaints to rectify matters if required. Where appropriate, complaints that have been referred to the Ombudsman are brought to the attention of the Management Team.

16. Member and Officer Development

Objective: Identifying the development needs of Members and senior officers in relation to their strategic roles, supported by appropriate training

A Member Development Plan is in place, having been put into operation as part of the induction and on-going training arrangements for new and returning Members following elections in 2019. The plan will oversee the training and development requirements of the current administration and is compiled with the Governance & Audit Committee providing input and feedback. The contents of the plan are compiled from a number of sources:

- Requirements from The Constitution
- Areas for development recommended for each committee
- Feedback from Members
- Areas of interest
- Changes to the local government environment including legislation

Member training is also recorded to keep track of the training delivered, details of Member attendance and feedback on the quality and usefulness of the training. During the year, Members have received training on such matters as Treasury Management Strategy Scrutiny; Statement of Accounts Scrutiny; Code of Conduct,

Data Protection, Licensing and Development Management related topics. Satisfaction levels among Members with the training provided remains extremely high and attendance rates at training events has increased during 2019/20.

Initial steps were taken during the last year to provide training to Members via an on-line platform. A pilot project has been run and evaluated by the Governance & Audit Committee. Arrangements are now in place to roll this facility out to all Members and expand the training packages available via the platform.

Staff surveys are undertaken on an annual basis and the content is used to develop appropriate training and to address any issues identified. Recent results of the staff survey were positive and reported improvements in all areas including, communication, motivation and general job satisfaction. It was also pleasing to report that absence due to sickness was at an all-time low. The Council is working to a recently refreshed and approved Workforce Development Plan and also has a Staff Engagement Group, drawn from staff across the Council. A Joint Staff Consultative Committee (JSCC) is in place consisting of staff members and Councillors and part of its remit is to review and approve staff related policies.

To improve the ability of managers with line management responsibility to fulfil their roles more effectively, the HR team hold a series of drop-in workshops where staff can raise issues and seek advice and guidance.

The Corporate Plan is communicated to staff and forms the golden thread for staff appraisals and work objectives for the forthcoming year and associated training/development needs. During 2019/20 much of the Council's training was again delivered via an on-line learning and development tool.

17. Community and Stakeholder Engagement

Objective: Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation

The Council meets its statutory responsibilities with regard to engagement on budget setting by holding events with residents, parishes and businesses. The Council uses a variety of channels to communicate with the community and stakeholders; for example:

- West Lindsey Citizen Panel through surveys and focus groups
- West Lindsey District Council website
- Focus groups with residents and local businesses; including budget consultation events
- Parish Charter*
- E-surveys
- Local press
- Summits
- Social media

The Council uses social media as a communication tool and updates the website on a regular basis with relevant content. Use of social media as a communication tool has rapidly increased. Presently the Council has over 8,000 social media followers.

During 2019/20, the Council refreshed its Consultation & Engagement Strategy. The objectives of the strategy are twofold. Firstly to support strong, active and inclusive communities who can influence and shape the District and secondly, to create a more transparent and accountable council.

* A draft Parish Charter was written during 2019/20 and is currently out for consultation. The purpose of the Charter is to set out clearly the expectations Parish and Town Councils can have of the Council, and also

what is expected of them; a two-way process. It also details plans for greater communication and engagement between all parties. It is intended to launch the Charter during 2020/21.

The Council consults on key service changes and issues that may affect residents of the District. Topics consulted on during 2019/20 included:

- Budget consultation 2019
- Later life housing survey
- Public Space Protection Order on Gainsborough Town Cemetery
- Waste Service satisfaction
- Communication with WLDC
- Trinity Arts Centre satisfaction

During the year surveys with service users were held (whether they are internal or external to the Council) to ascertain the levels of satisfaction with services. Results are used to develop services to ensure they are delivering the level of service expected by users.

The Council continues to actively support the Community Right to Bid initiative. During the year a number of applications from community groups have been received and considered with decisions fed back. Furthermore, the Council places great importance on Neighbourhood Planning. Active support and encouragement is provided for communities to produce Neighbourhood Plans, so as to take an active role in determining the future development needs of their communities.

18. Partnership Governance

Objective: Enhancing the accountability for service delivery and effectiveness of other public service providers incorporating good governance arrangements in respect of partnerships and other joint working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the authority's overall governance arrangements

To enhance the accountability for service delivery and effectiveness of other public service providers, the Overview & Scrutiny Committee have continued with their programme of holding meetings with strategic partners to discuss their approach to addressing the strategic needs of the residents of the District. During 2019/20 the Committee heard from the Environment Agency and Lincolnshire Police also provided the Committee with bi-annual reports on crime, disorder and public safety in West Lindsey.

Strategic partnership working is recognised by the Council as being integral to the achievement of its ambitions. Key partnerships have been formed in the areas of employment and skills, economic development and regeneration to deliver growth and support business across the District. Partnership working is also evident in the form of the Joint Planning Unit (created to devise and oversee delivery of the Central Lincolnshire Local Plan) and the Council's participation in Local Enterprise Partnerships.

The Council's Management Team sponsored a review of all current partnership arrangements in place across the Council to ensure on-going relevance and effectiveness. In conducting this work, reference was made to the Audit Commission's 'Governing Partnerships' Report. The work involved the identification of the Council's key partnerships; their effectiveness and on-going relevance and put in place measures for the provision of regular reporting by the respective officer lead on the achievements, issues and future intentions of the relevant partnership. This assists in gauging whether any partnership is providing value for money. A summary report was presented to the Corporate Policy and Resources Committee which endorsed the approach taken by the Council. To provide guidance for staff a Partnership ACoP is in place. The Council's Partnership Register has been cleansed and populated with up to date information.

The Council's current Contract Procedure Rules cover contract monitoring procedures and management of delivery. The accountability of service providers is managed through contract management and work has been undertaken to ensure The Council has robust contract management procedures in place.

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Agenda Item 6b



**Governance and Audit
Committee**

Tuesday 21st July 2020

Annual Voice of the Customer Report 2019/2020

Report by:

Chief Executive Officer, Mr Ian Knowles

Contact Officer:

Natalie Kostiuk
Customer Experience Officer
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Purpose / Summary:

To summarise customer feedback from the year 2019/20 and analyse customer contact and demand data to provide a clear view of the voice of the customer.

RECOMMENDATION(S):

- **Members welcome the Annual Voice of the Customer report;**
- **Members to provide feedback on the content of the report and suggest any improvements that may be made**

IMPLICATIONS

Legal:

None arising directly from this report.

Financial : FIN/32/21/SL

None arising directly from this report.

Staffing :

None arising directly from this report.

Equality and Diversity including Human Rights :

By understanding, in more detail about how customers interact with the Council means we will be able to address issues that are preventing them from access services in an equal manner.

Data Protection Implications :

None arising directly from this report.

Climate Related Risks and Opportunities:

None arising directly from this report.

Section 17 Crime and Disorder Considerations:

None arising directly from this report.

Health Implications:

None arising directly from this report.

Title and Location of any Background Papers used in the preparation of this report :

West Lindsey District Council Customer Experience Policy

2019/20 Quarterly Voice of the Customer Reports x 4

<https://www.west-lindsey.gov.uk/my-council/have-your-say/comments-compliments-and-complaints/>

Risk Assessment :

N/A

Call in and Urgency:

Is the decision one which Rule 14.7 of the Scrutiny Procedure Rules apply?

i.e. is the report exempt from being called in due to urgency (in consultation with C&I chairman)

Yes

No

Key Decision:

A matter which affects two or more wards, or has significant financial implications

Yes

No

Annual Voice of the Customer Report April 2019 to March 2020

Contents

1.0 Introduction	6
What is the Voice of the Customer?	6
2.0 Customer Feedback	6
Customer Experience Policy and Customer Feedback	6
Compliments	7
Comments	7
Complaints	7
Overall Customer Feedback Statistics	9
Customer Feedback Governance and Reporting	9
Local Government Ombudsman Complaints (LGO)	10
Insights into Action	11
3.0 Customer Satisfaction Measurement	12
Satisfaction Surveys	12
Satisfaction Levels	13
4.0 Demand Analysis	13
Service Requests and Customer Contact Methods	14
Face to Face Demand	14
Telephone Demand	15
Online Demand	15
Payment Methods	18
5.0 Conclusion	19
Appendices	20
Appendix A – Compliments received per Service 2019/20 vs 2018/19	20
Appendix B – Comments received per Service 2019/20 vs 2018/19	21
Appendix C - Complaints received per Service 2019/20 vs 2018/19	22
Appendix D – Upheld Complaints per Service 2019/20	24
Appendix E – Complaints referred to the LGO by service 2019/20	25

1.0 Introduction

What is the Voice of the Customer?

- 1.1 The Voice of the Customer Report doesn't just examine customer feedback but also takes into account a wider scope of customer views, expectations and opinions which are collected from a number of customer contact channels. These points include the data collected from day-to-day interactions as well as the compliments, comments and complaints received (customer feedback) and customer satisfaction survey responses. The focus is to turn these insights into actionable solutions to drive improvements and deliver a better service for our customers.

2.0 Customer Feedback

Customer Experience Policy and Customer Feedback

- 2.1 A new process for dealing with customer feedback was implemented in January 2018.
- 2.2 This is the second Voice of the Customer Report to include a full year's worth of data under the new process.
- 2.3 All customer feedback is logged on one central system allowing for easier and more specific reporting and comparison to take place, this allows customer feedback to be recorded and categorised. All customer feedback is logged by specific service and can be reported on by subject and issue. This makes it easier to identify trends and potential improvement actions.
- 2.4 Customer Satisfaction Surveys have been sent on a weekly basis to our customers who have received a service from us during the previous week. More services are being included in these surveys as time goes on and the responses are being used to improve the services we provide.
- 2.5 An improvement actions log has been created to feed back to the relevant teams the suggestions and required actions to be taken following analysis. Team Managers then report back to advise of the outcomes and improvements they have achieved once the actions have been implemented. This log also identifies wider areas for improvement which can potentially be built into service redesign work and projects that affect the Council as a whole.

Compliments

- 2.6 Compliments received allow us to identify what is working well and which aspects of our services our customers appreciate the most. These compliments are used to embed good practice across all Council services. Compliments received also encourage our officers to be the best they can be and provide the highest standard of service possible.
- 2.7 The Council received a total of 675 compliments between April 2019 and March 2020, this is an increase compared to the previous year where 505 compliments were received. More compliments have been recorded due to the proactive work undertaken by the Customer Experience Officer to promote to all staff the importance of capturing and recording customer feedback. The table in **Appendix A** illustrates how many compliments were received by each individual service.
- 2.8 Compliments received are generally regarding the speed, quality and the efficiency of the service received or regarding officer professionalism including politeness, patience, knowledge and willingness to help.

Comments

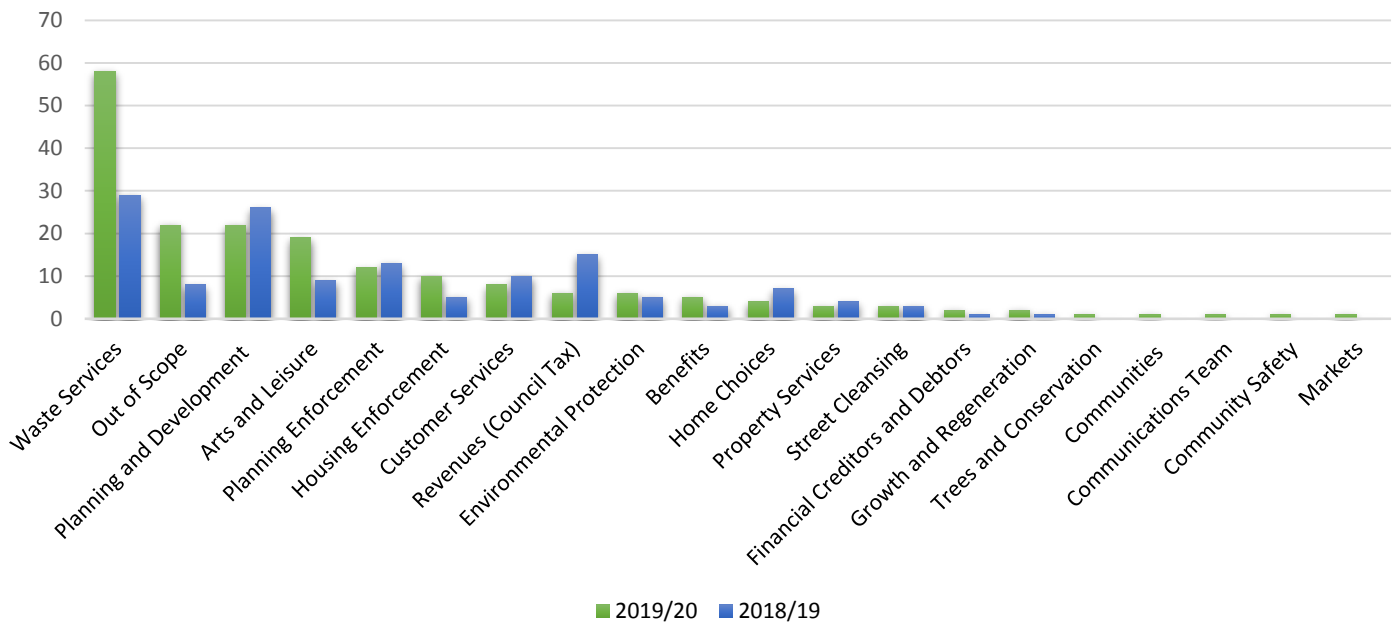
- 2.9 Comments are important feedback, whilst they may not be praising our services or making a complaint they provide useful insight and suggestions that may help to improve the services and experiences we provide.
- 2.10 The Council received a total of 73 comments between April 2019 and March 2020, this is a decrease compared to the previous year where 139 comments were received. The table in **Appendix B** illustrates how many comments were received by each individual service.
- 2.11 The nature of comments received can vary, this year has seen a rise in comments relating to the Trinity Arts Centre in particular following changes and improvements that have been made over the last year. Waste Services continue to receive the highest number of comments, these are usually in relation to waste fees and charges and waste policies and procedures.

Complaints

- 2.12 Whilst complaints are negative feedback, the Council still encourages customers to make them as this feedback could help to improve our services and customer experience in the future. The number of complaints has been growing in both the private and public sectors. In part, this reflects rising expectations and new technologies making it easier to complain, and is not necessarily due to decreasing service quality. However, where complaints provide an early-warning signal that something has gone wrong, they can be a useful way to stimulating innovation, and a powerful form of knowledge.
- 2.13 A total of 187 complaints have been received between April 2019 and March 2020. This is an increase of more than 40 complaints compared to the previous year where 146

complaints had been received. The table in **Appendix C** illustrates how many complaints were received by each individual service in 2019/20 compared to 2018/19.

2.14 The graph below illustrates the number of complaints received per service between April 2019 and March 2020 compared to 2018/19;



2.15 Waste Services have historically always received the highest number of complaints, this is relative to the volume of service requests they receive as this service has contact with the largest number of households and customers in the district. It is pleasing to note that Waste Services also receive a lot of positive feedback in the form of compliments recorded. During the 2019/20 period complaints received for waste services have almost doubled.

2.16 The topic or reason for the complaints received is now recorded and reported on in order of frequency (highest to lowest) the topics/reasons for complaints are as follows: Quality of Service, Decision Made, Staff Behaviour and Lack of Contact or Communication, Process and Repeated Missed Bin Collections. The table in **Appendix C** illustrates how many complaints were received overall categorised by topic/reason.

2.17 Under the new process the response time for complaints is 21 days. The average time to respond to complaints in 2019/20 was 6.6 days compared to 7.3 days the previous year and is still well below our 21 day target. The majority of waste complaints are usually resolved quickly and some on the day they have been received which brings the average response time down.

2.18 It has been identified that some complaints received are becoming more and more complex requiring in-depth information gathering and investigation. This factor has had an impact on the length of time taken to respond to some complaints. During 2019/20 a number of complex complaints have been received which have required an extension of time for response due to legal and other professional advice being sought.

2.19 Of the 187 complaints received, 71 (37%) were upheld with the Council being found at fault by the independent officer following investigation. This is an increase compared to

the previous year where 52 (35%) of the complaints received were upheld. Waste complaints have a big effect on the overall upheld percentage.

- 2.20 The full breakdown of the number of complaints upheld per service can be found in the table in **Appendix D**.
- 2.21 Further and more detailed information on all compliments, comments and complaints received and upheld throughout the year can be found in the previously published Quarterly Voice of the Customer Reports for 2019/20. These reports also include specific detail on the improvement actions that were made following complaints being upheld.

Overall Customer Feedback Statistics

- 2.22 The table below illustrates the overall reporting data for all customer feedback received compared to the previous year. All of which is detailed within the sections above.

Overall Figures	Direction of Travel	TOTALS/AVERAGES		
		2019/2020	2018/2019	2017/2018
Complaints	↑	187	146	168
Compliments	↑	675	505	402
Comments	↓	73	139	79
Average number of days to respond	↓	6.6 days	7.3 days	5.8 days
WLDC at Fault	↑	71	52	84
% WLDC at Fault	↑	37%	35%	50%

Customer Feedback Governance and Reporting

- 2.23 Customer Feedback is governed by a set of regular reports.
 - Monthly Progress and Delivery reports monitor customer feedback levels including feedback received, days to respond to complaints and information on how many complaints are upheld in each period.
 - Monthly reports on feedback received are shared with each service.
 - Quarterly Customer Feedback and demand reports are produced for the Management Team, Service Team Managers and the Customer First Board.
- 2.24 Regular reports are submitted to the Management Team and the Customer First Board.
- 2.25 The Quality Monitoring Board discusses and oversees decisions on complex and sensitive complaints where high risk or reputational issues are involved. The QMB will agree any resolution or action required.

- 2.26 Quarterly Voice of Customer Reports are published to all Team Managers and Officers and via the regular Members newsletter to our Councillors.
- 2.27 This Annual Voice of the Customer Report is presented to the Management Team, the Overview and Scrutiny and Governance and Audit Committees and the Customer First Board.
- 2.28 A report on the Annual Local Government Ombudsman letter is presented to the Management Team and Governance and Audit Committee at a later date in the year.

Local Government Ombudsman Complaints (LGO)

- 2.29 Between April 2019 and March 2020 internal records indicate that a total of 10 enquiries have been made to the Local Government Ombudsman (LGO), this will be confirmed once the Annual LGO letter is received later this year. This is a decrease compared to the previous period where 16 enquiries were made.
- 2.30 All of the enquiries made have now been closed with final decisions being received.
- 2.31 When a complaint is referred to the LGO they decide whether or not to investigate further. The table below shows the outcome of the complaints referred compared to the previous year. A report will follow later this year when the Annual LGO letter has been received which will detail the whole 2019/20 period of complaints to the LGO. This report will include benchmarking data to illustrate how we compare to other District Councils in terms of referrals and instances where councils are found to be at fault. This report will be presented to the Governance and Audit Committee later in 2020.

LGO Outcome	2019/20	2018/19
Not investigated	7	8
Not found to be at fault	3	4
Fault identified	0	3
Still under investigation	0	1

- 2.32 The number of complaints referred to the LGO where they decided not to investigate has remained similar this year. Half of the complaints referred to the LGO this year have been in relation to Planning and Development, the LGO have investigated two of these but no fault was found, the other three complaints were not investigated.
- 2.33 It is encouraging to note that the LGO did not identify any fault in the new complaints referred to them during the 2019/20 period. This is an excellent outcome and provides some reassurance that our current complaints process and investigations are working well.
- 2.34 The table in **Appendix E** illustrates which services the complaints referred to the LGO relate to.
- 2.35 Further and more detailed information on the complaints referred to the LGO throughout the year can be found in the previously published Quarterly Voice of the Customer

Reports for 2019/20 and in the forthcoming Annual LGO Report.

- 2.36 Where fault is identified by the LGO a suitable remedy is recommended which usually includes an apology and on occasions a compensation payment for the time and trouble the customer has had to go to in order to make their complaint and escalate it to the LGO. No fault has been identified during the 2019/20 period.
- 2.37 When a complaint is referred to the LGO there is no financial cost to the authority, unless the LGO find fault recommends that compensation is awarded which has not occurred during 2019/20.

Insights into Action

- 2.38 Gathering feedback from customers enables the Council to use these insights to shape the way it improves and develops. Customer insights relating to teams are sent to the relevant Team Managers stating the actions required and a deadline implementation date, this is escalated to the Management Team if failing to implement within the set timescale. Over time all suggested improvements are gathered into reports which are prioritised and fed into relevant projects and service redesign work.
- 2.39 When feedback is received and complaints are investigated the outcome is examined in order to identify any learning opportunities that can be gained from the issues raised. During the 2019/20 period many improvement actions have been implemented including changes in processes, procedure reviews, updates to the website, external systems and the continued monitoring of customer standards. Further and more detailed information on the improvement actions made throughout the year can be found in the previously published Quarterly Voice of the Customer Reports for 2019/20.
- 2.40 A focus during 2019/20 has been improving the information we provide to our customers and making it easier for them to connect and interact with us.

Improvements have been made to the Trinity Arts website and booking system following comments and complaints received.

For children's shows adults do not need to purchase a ticket, there was some confusion over how this works on the website leading to calls being made to us. Wording on the website was amended to make it more clear to customer how to book tickets and that adults do not need to pay.

Following a complaint received regarding the information provided when booking tickets online as to where they should be collected from the website information was updated to explain to customers what they should do next. Information was also added to the ticket booking system to advise customers of the pick-up location at the time of booking to avoid further confusion and complaints.

Complaints received regarding waste services have led to improvements being made to the phone lines and the information provided on our website.

A customer had problems getting through on the phone to pay for their GGW subscription, the options menu didn't make sense as normal payments came up before GGW payments options. Following this feedback the telephone line menu options were altered to make it simpler for the customer to access the GGW payment line.

Comments received regarding the lack of information (leading to confusion) over the cost of bulky waste collections online led to improvements being made. More information was added to the first page about the charges, as well as to the 'Items for collection' section. Information on 'how-to' was moved to a more prevalent location making it clearer for our customers and to avoid further confusion.

A complaint received regarding information provided when a customer called with a pest service enquiry led to the information on our website and the script for these types of calls being updated to better reflect the number of visits and charges that may be incurred.

A further improvement that has been made following feedback received when customers call us to make payments is the implementation of a new payment system. The new system is more secure and gives customers the confidence and assurance that their information is being handled in an appropriate and secure manner.

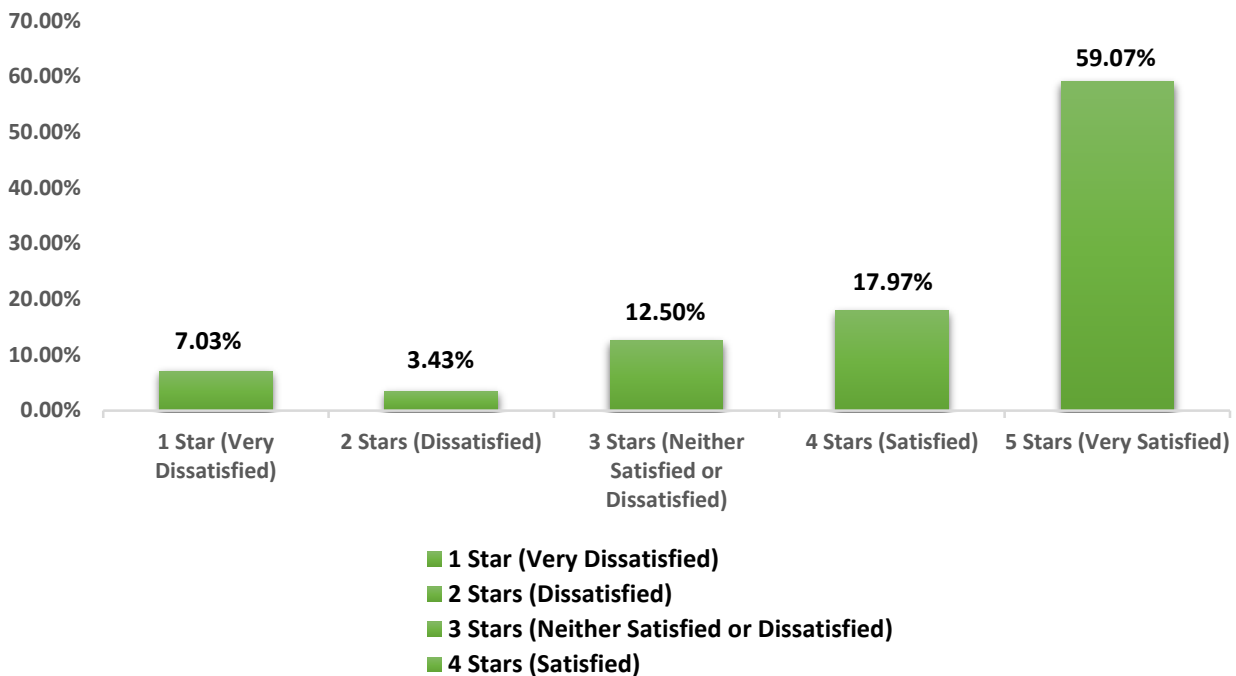
3.0 Customer Satisfaction Measurement

Satisfaction Surveys

- 3.1 The Council has been using an e-survey platform over the last year which enables to sending and analysis of customer satisfaction surveys from one place with real time results.
- 3.2 Surveys are sent to customers on a weekly basis to customers that have contacted the Council or have received a Council service in the previous week.
- 3.3 Currently surveys are only being sent via email but other methods are being investigated including channels such as SMS (to a mobile phone).
- 3.4 The insights gained from surveys are fed into the customer feedback system in order to collate all feedback in one central place. Identifying issues that customers report in survey responses allows the Council to act on and solve those issues before they potentially escalate into a formal complaint.
- 3.5 Not all services customers are sent satisfaction surveys, currently the services that are surveyed are; Anti-Social Behaviour, Environmental Protection, Food Health and Safety, Food Inspections, Housing Enforcement, Planning and Development, Planning Enforcement, Public Protection, Street Cleansing, Waste Services and Street Naming and Numbering. Work is underway to enable surveys across all Council services in the future. Since October 2019 a bespoke survey has been sent to Trinity Art Centre users to gain feedback on their experiences of the TAC and the performances and shows they have recently attended.

Satisfaction Levels

- 3.6 During the past year a total of 6,738 satisfaction surveys have been sent out and 1,239 responses have been received, giving a response rate of 18% which is an increase compared to the previous year where the response rate was 14%. The overall satisfaction rating for 2019/20 is 77.04%. This is a slight increase compared the previous year where overall satisfaction was 75.93%.
- 3.7 The majority of surveys are sent to waste services customers as they have the highest number of service requests recorded each week. Once response rates increase a satisfaction score will be provided for individual services.
- 3.8 The chart below illustrates the breakdown of all customer satisfaction scores received between April 2019 and March 2020.



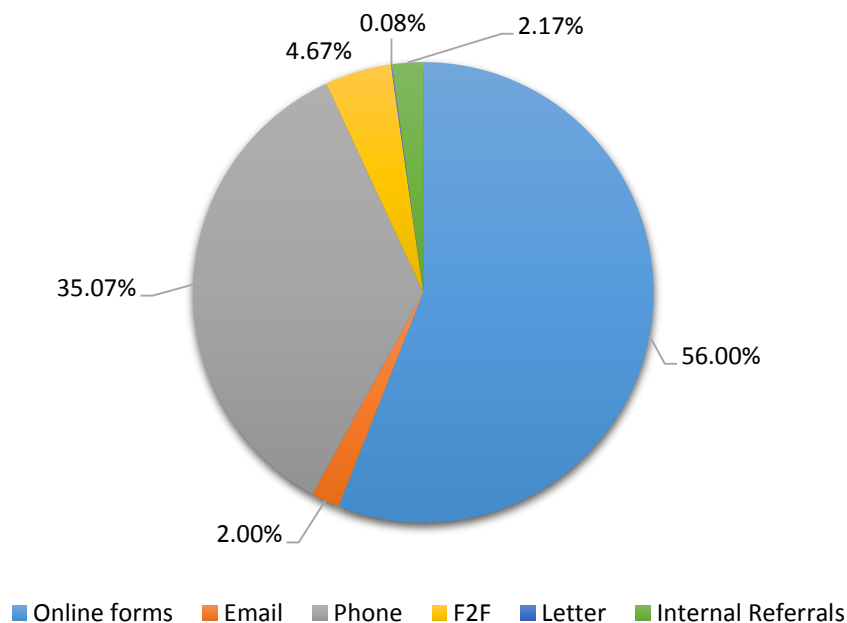
- 3.9 Customers are asked to rate the service they received out of 5 stars (ranging from very satisfied to very dissatisfied) ratings of 4 stars and 5 stars are used to calculate the overall customer satisfaction score of **77.04%**.

4.0 Demand Analysis

- 4.1 The demand analysis part of this report focuses the data available surrounding customer contact points. This includes data collected around telephony, face to face interactions, the website, payments and how service requests are received. Analysing this information can show how customers are choosing to interact with the council and through which channels.

Service Requests and Customer Contact Methods

- 4.2 Service requests can be made by customers through various channels. For example telephone, online forms, at the Guildhall and email. It is important to understand how customers are making requests so the receipt of these can be resourced adequately and appropriately.
- 4.3 Currently the method of receipt of service requests are only recorded by the following teams: Anti-Social Behaviour, Planning Enforcement, Housing Enforcement, Food Health and Safety, Public and Environmental Protection, Street Naming and Numbering (SNN) and Waste Services. Future investments in technology will allow for improved recording of future service request enabling a better understanding of our demands in this area.
- 4.4 The overall breakdown of the main contact channels used for the teams mentioned above is: 35.07% from phone, 56% from online forms, 2% from email and 4.67% from face to face. These figures are the same as the previous year with the majority of customers making contact with us via the phone and online forms. The chart below illustrates the full breakdown of all contact channels used:



Face to Face Demand

- 4.5 The total number of customers that choose to come into reception is relatively low as many now choose to request services through other means. The footfall for the Guildhall is made up of Council customers as well as Job centre plus (JCP), Lincolnshire County Council (LCC) Voluntary centre services (VCS) and Citizens Advice Bureau (CAB). While these are not our direct customers this still has a direct impact on demand and traffic in reception. On average just under 60% of reception footfall is for our tenants, leaving just over 40% of footfall visiting for the Council's services.
- 4.6 Reception footfall reduces in the summer and Christmas holidays, however demand remains consistent across other months. The volume of visitors to the Guildhall has increased overall compared to the previous year for both WLDC and tenant services. The

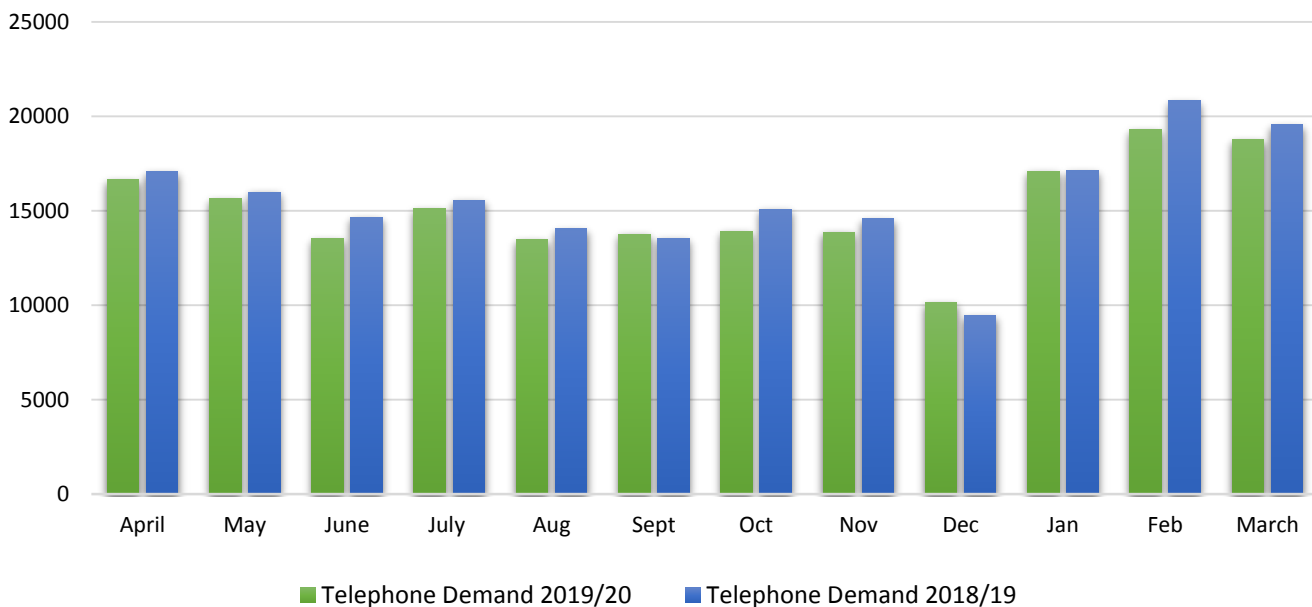
percentage of customers visiting for West Lindsey District Council services between April 2019 and March 2020 is 59.01% and for Tenants is 40.99% this breakdown is the same as the previous year.

A decrease in footfall has been recorded in quarter 4 due to customer access to the building for both WLDC and tenant services being restricted from mid-March 2020, due to Covid 19 restrictions.

	QU1	QU2	QU3	QU4	Totals	%
Total Footfall	14366	14737	13564	12341	55008	
WLDC	6706	5732	5208	4903	22549	40.99%
Tenants	7660	9005	8356	7438	32459	59.01%

Telephone Demand

4.7 The graph below illustrates telephone demand each month for 2019/20 compared to the previous year. Telephone demand in 2019/20 has decreased slightly compared to 2018/19.



4.8 Telephone demand increases dramatically during January, February and March during the Green Garden Waste Service sign up period.

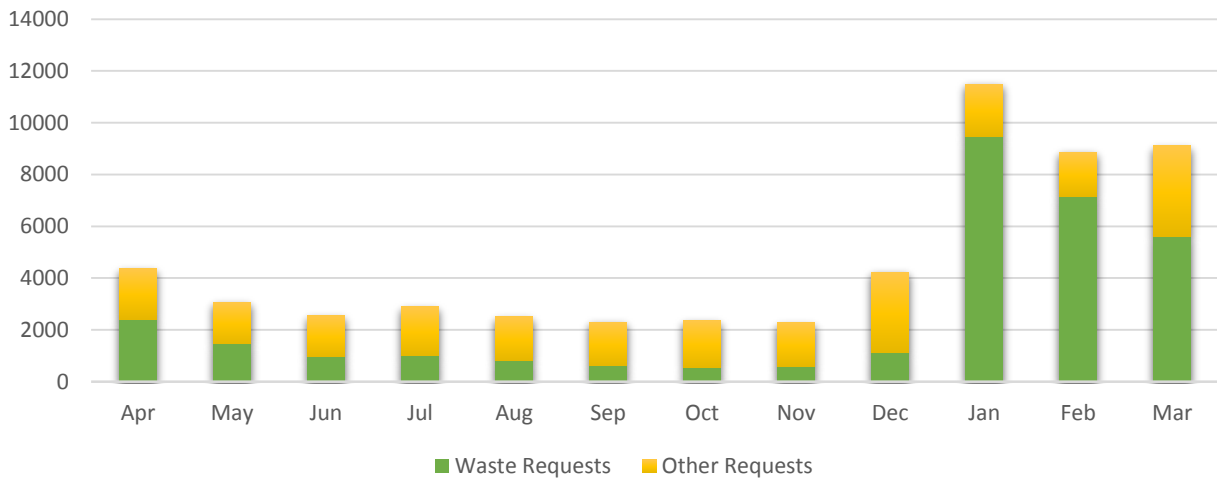
4.9 On average 82% of all calls received across the council are answered and handled, this remains consistent with the percentage of calls handled during the previous year.

Online Demand

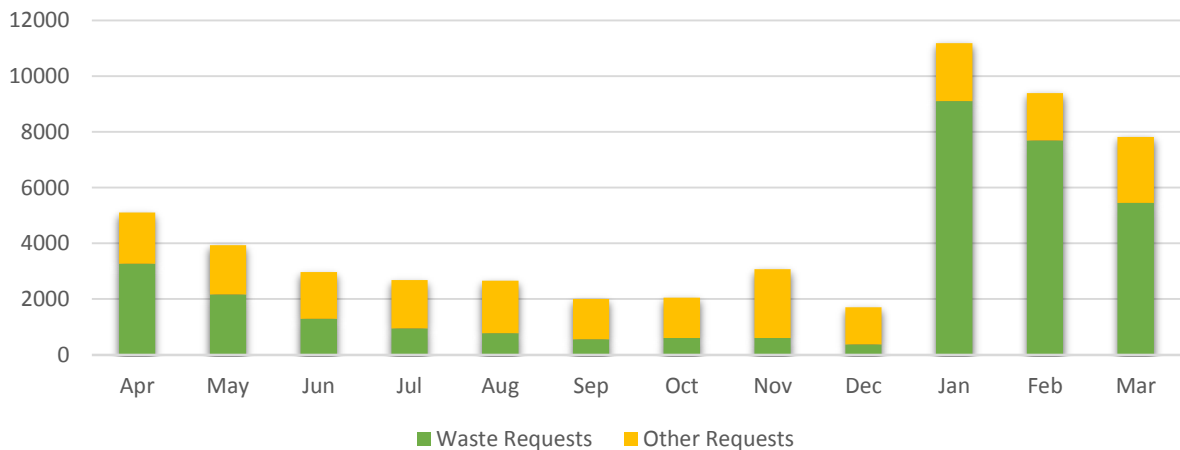
4.10 Customers can request or subscribe to a service via the Council website. The most visited pages on the website include the Green Garden Waste Service pages during the subscription period and the second most popular pages are relating to Planning and Development.

4.11 There has been an increase in the number of service requests made via online forms during the 2018/19 period. In total 55,969 online requests were received compared to 55,418 the previous year. The two graphs below illustrate how many online requests were received each month during 2019/20 and 2018/19 broken down by waste requests and other requests. The increases in January, February and March are due to Green Garden Waste Subscriptions.

Online Service Requests 2019-2020

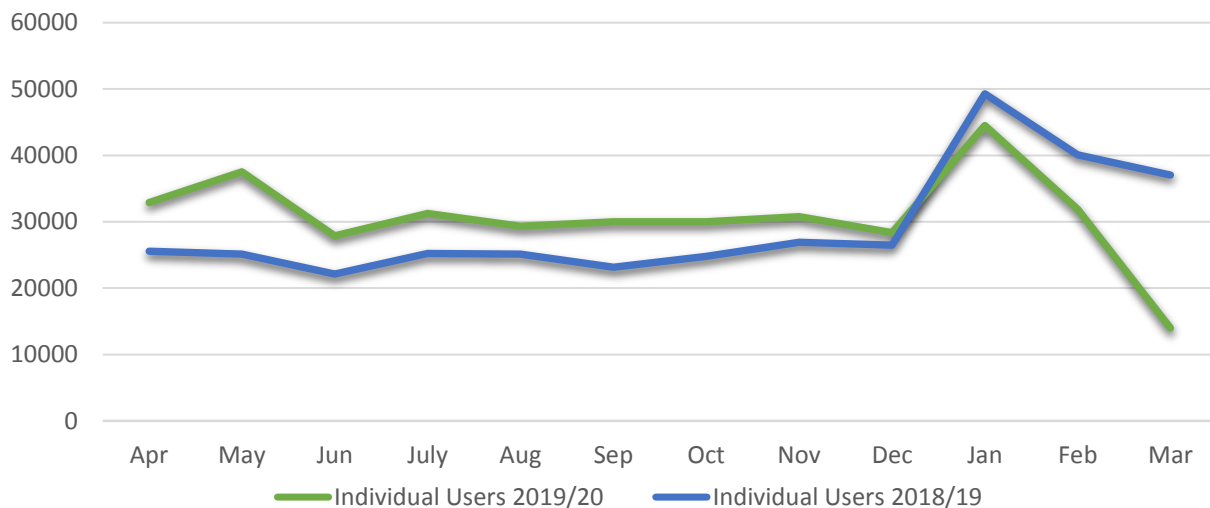


Online Service Requests 2018-2019

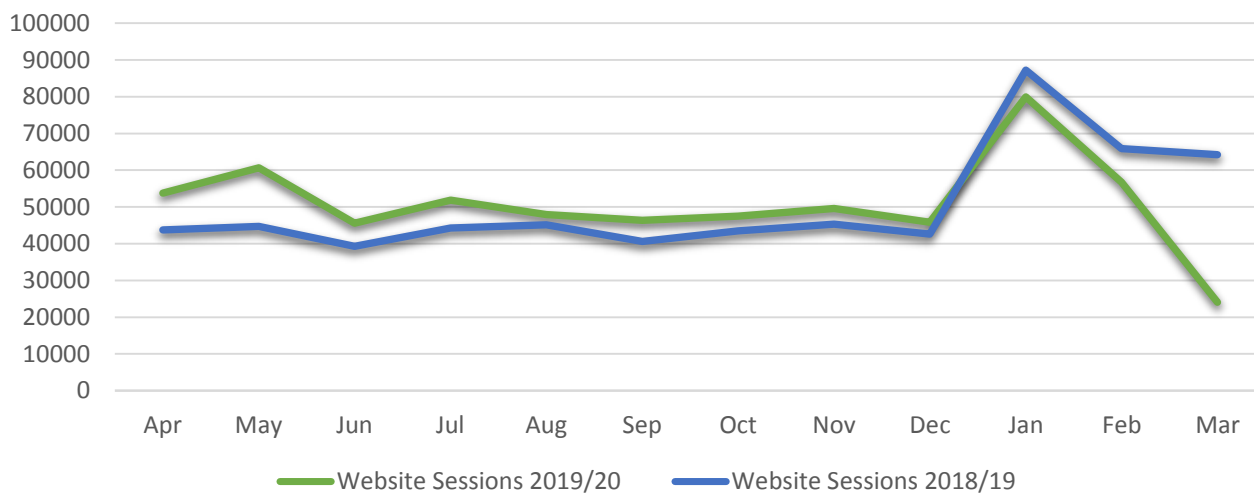


4.12 The graph below illustrates the number of individual website users each month compared to the previous year. As you can see there has been an overall increase in the number of users each month and a dramatic increase in users during the Green Garden Waste subscription period.

4.13 When both telephone and online demand is compared it is evident that during 2019/20 more customers decided to sign up to the Green Garden Waste Service online as there has been a decrease in calls compared to the previous year with an increase in online activity.



4.14 The graph below illustrates the number of website session per month. During 2019/20 there has been an increase overall, this indicates that customers are becoming more confident in using the Council website to access our information and services and that the information provided is more informative and helpful. It is important that our customers' needs can be met via our website, Customer First is about putting the Customer at the centre of everything we do, through excellent customer service, a great experience, and a value-for-money, effective service delivery which is designed around our Customer's needs.



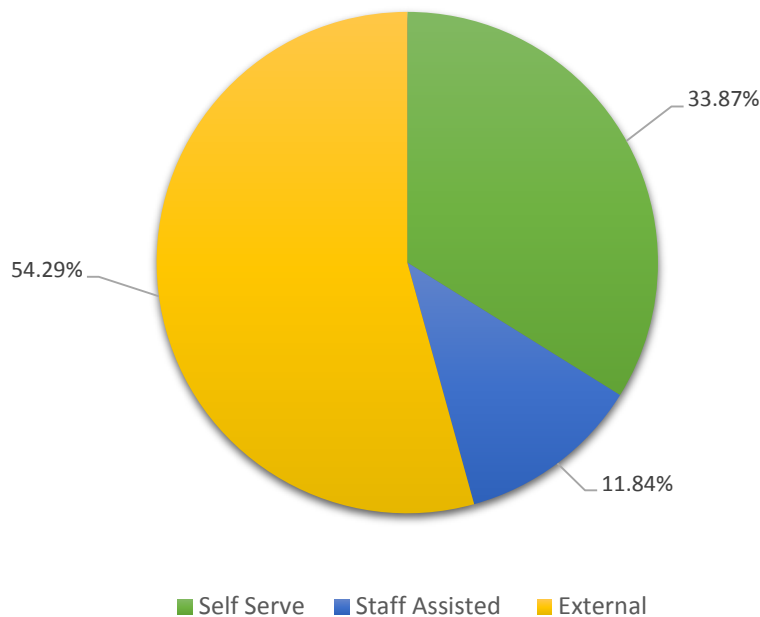
4.15 The dramatic decrease seen in March 2019/20 on both the charts above is due to new cookie settings that were implemented on our website at the beginning of March 2020 meaning that if a website visitor does not accept the cookie message their activity is not logged or recorded, although they are able to continue to use the website as normal. These cookie settings were put in place as part of GDPR regulations being implemented on the website regarding cookies.

Payment Methods

4.16 The methods in which customers make payments to the Council can be classified into three categories; Self-Serve, Staff Assisted Payments and External Payments.

4.17 Self-Serve payments include payments taken over the website, the kiosk in reception and the automated telephone payment line. Staff Assisted payments include payments over the phone, postal cheques, cheques and small amounts of cash taken face to face. External Payments include bank account payments (but not direct debit payments), Post Office payments and PayPal.

4.18 In the 2019/20 period the payments have consisted of 33.87% Self-Serve Payments, this is a slight decrease compared to last year. 11.84% of payments were Staff-Assisted, this has decreased compared to the previous period due to more people paying online and supporting customers to move to not paying by cash or cheque payments at reception. The volume of External Payments has increased compared to the previous period at 54.29%. The breakdown of payment methods is illustrated in the chart below.



4.19 Going forward it is anticipated that more customers will use the automated payment facility or make payments online as they become more confident and satisfied that it is a secure method to use.

5.0 Conclusion

- 5.1 Overall we are receiving more feedback from our customers, in particular in the form of compliments and complaints. Under the new process all customer feedback is recorded, historically not as much emphasis was put into recognising all compliments and comments received. There has been a particular rise in positive feedback for individual officers which is encouraging to see.

The 2019/20 period has seen an increase in overall customer contact and service requests received. The methods in which customers contact us has remained the same as the previous year with more online self-service methods being utilised by customers which means that we need to ensure that the information on our website is accurate, informative and up to date. When reviewing feedback received it is evident that website failure and down time leads to an increase in telephone calls and email contact to our Customer Services Team which increases pressure on the service.

Our customers live, work, or conduct business within our district usually for extended periods of time; and therefore the Council needs to build a positive relationship with customers for long term success. We need to make it as easy as possible for our customers to interact with us seven days and week and 24 hours a day.

The information within this report provides important input into the delivery of the Customer First Strategy, providing baseline data, enabling the Council to look through the customer's eyes at the services provided and to think, act and plan from the customer viewpoint which will be essential in making service improvements.

A customer wants to be seen as an individual, and wants to find or obtain what they need quickly and easily. The Council's role is to help customers do what they need to do, with the least possible friction. The data in this report will allow the use of customer analytics to predict customer behaviour, personalised services and continually evaluate the customer journey leading to an improved customer experience overall.

This will enable the Council to deliver excellent customer services, ensuring that it is operating and using its resources in the best way possible to provide a 'right first time' speedy, efficient and effective services.

Appendices

Appendix A – Compliments received per Service 2019/20 vs 2018/19

Compliments	2019/20	Compliments	2018/19
Planning and Development	159	Customer Services	113
Customer Services	145	Planning and Development	103
Waste Services	81	Street Cleansing	60
Street Cleansing	47	Waste Services	59
Member and Support Services	36	Building Control	32
Building Control	21	Revenues	19
Food, Health and Safety	19	Arts and Leisure	16
Arts and Leisure	17	Home Choices	15
Revenues (Council Tax)	15	Benefits	11
Trees and Conservation	12	Housing Enforcement	9
Growth and Regeneration	12	Licensing	8
Licensing	11	Local Land Charges	7
Benefits	11	Environmental Protection	6
Environmental Protection	11	Property Services	6
Communities	10	Growth and Regeneration	6
Home Choices	10	Food, Health and Safety	6
Property Services	8	System Development	5
Customer Experience	7	Planning Enforcement	4
Community Safety	7	Community Safety	4
Planning Enforcement	6	Customer Experience	3
System Development	6	Communities	3
Local Land Charges	5	Member and Support Services	3
Public Health Funerals	3	Wellbeing and Health	1
Crematorium	3	Financial Creditors and Debtors	1
Housing Enforcement	3	Energy	1
Cemetery	2	Public Health Funerals	1
DFG's	2	Trees and Conservation	1
Electoral Services	1	Communications Team	1
Financial Creditors and Debtors	1	Cemetery	1
Management Team	1	Crematorium	0
Tourism	1	Tourism	0
Projects and Performance	1	Stray Dogs (Customer Services)	0
Council Overall	1	Electoral Services	0
Communications Team	0	HR	0
Energy	0	Management Team	0
HR	0	Internal Confidential Issues	0
Internal Confidential Issues	0		
Stray Dogs (Customer Services)	0		
Wellbeing and Health	0		

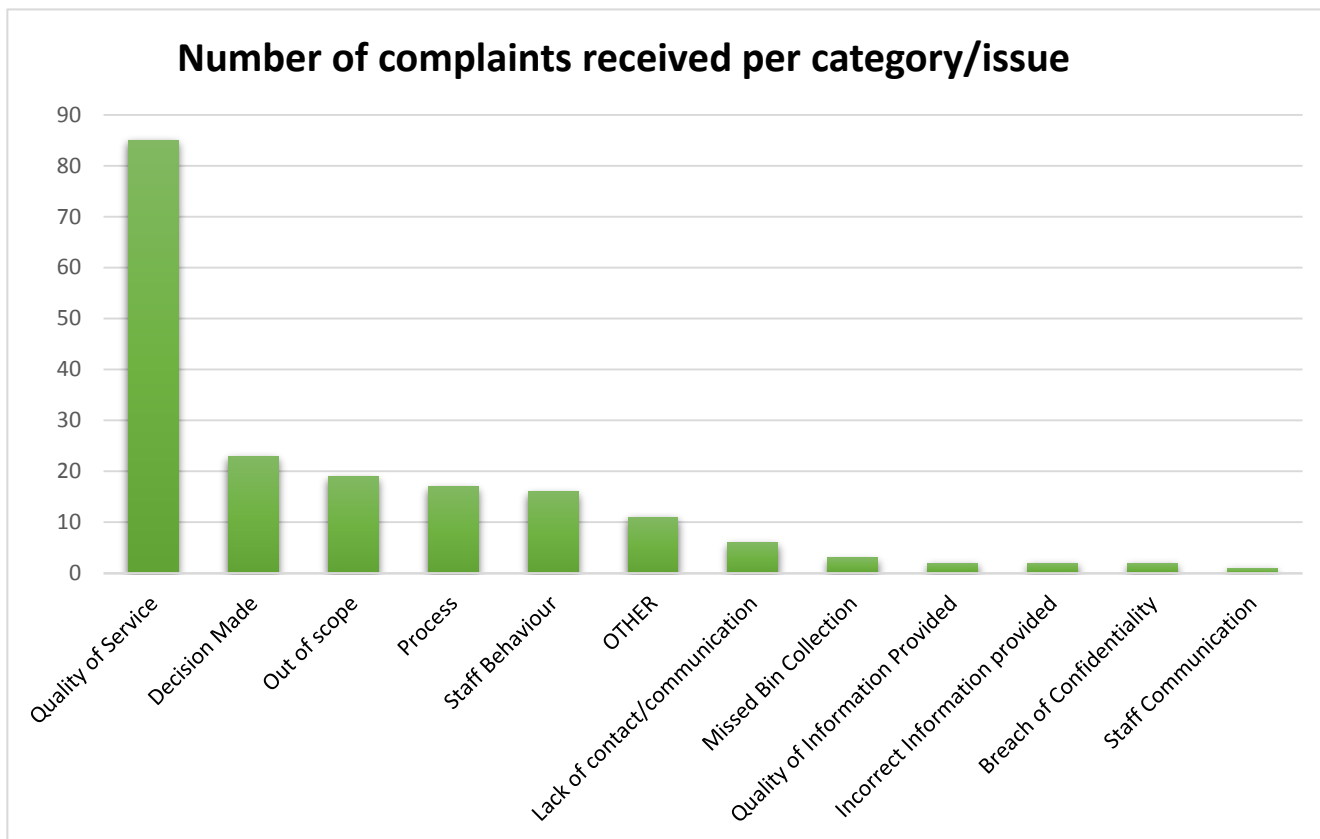
Appendix B – Comments received per Service 2019/20 vs 2018/19

Comments	2019/20	Comments	2018/19
Waste Services	33	Waste Services	42
Arts and Leisure	14	System Development	37
Revenues (Council Tax)	4	Street Cleansing	12
System Development	4	Property Services	7
Out of Scope	3	Arts and Leisure	6
Customer Services	2	Environmental Protection	6
Growth and Regeneration	2	Customer Services	6
Planning and Development	2	Housing and Planning Enforcement	5
Property Services	2	Revenues	4
Benefits	1	Planning and Development	4
Communities	1	Building Control	2
Energy	1	Member and Support Services	2
Environmental Protection	1	Out of scope	2
Housing Enforcement	1	Growth and Regeneration	1
Management Team	1	Electoral Services	1
Building Control	0	Communities	1
Cemetery	0	Management Team	1

Appendix C - Complaints received per Service 2019/20 vs 2018/19

Complaints	2019/20	2018/19	Difference
Waste Services	58	29	up 29
Out of Scope	22	8	up 14
Planning and Development	22	26	down 2
Arts and Leisure	19	9	up 10
Planning Enforcement	12	13	down 1
Housing Enforcement	10	5	up 5
Customer Services	8	10	down 2
Revenues (Council Tax)	6	15	down 9
Environmental Protection	6	5	up 1
Benefits	5	3	up 2
Home Choices	4	7	down 3
Property Services	3	4	up 1
Street Cleansing	3	3	=
Financial Creditors and Debtors	2	1	up 1
Growth and Regeneration	2	1	up 1
Trees and Conservation	1	0	down 1
Communities	1	0	down 1
Communications Team	1	0	down 1
Community Safety	1	0	down 1
Markets	1	0	down 1
System Development	0	3	down 3
Building Control	0	1	down 1
Local Land Charges	0	1	down 1
Electoral Services	0	0	-
Crematorium	0	0	-
Tourism	0	0	-
Energy	0	0	-
Wellbeing and Health	0	0	-
Customer Experience	0	0	-
Stray Dogs (Customer Services)	0	0	-
Public Health Funerals	0	0	-
Licencing	0	0	-
Cemetery	0	0	-
HR	0	0	-
Food, Health and Safety	0	0	-
Member and Support Services	0	0	-
Management Team	0	0	-
Internal Confidential Issues	0	0	-

Appendix C Continued - Complaint Categories (topics/reasons) 2019/20



Appendix D – Upheld Complaints per Service 2019/20

Service	Number of Complaints received	Number of Partially upheld complaints	Number of Fully upheld complaints	Number of complaints where some fault identified
Waste Services	58	2	31	33
Out of Scope	22	N/A	N/A	N/A
Planning and Development	22	0	2	2
Arts and Leisure	19	7	6	13
Planning Enforcement	12	3	1	4
Housing Enforcement	10	1	1	2
Customer Services	8	4	2	6
Revenues (Council Tax)	6	1	2	3
Environmental Protection	6	0	1	1
Benefits	5	0	1	1
Home Choices	4	2	0	2
Property Services	3	1	0	1
Street Cleansing	3	0	1	1
Financial Creditors and Debtors	2	0	0	0
Growth and Regeneration	2	1	0	1
Trees and Conservation	1	0	0	0
Communities	1	1	0	1
Communications Team	1	0	1	1
Community Safety	1	0	0	0
Markets	1	0	0	0

Appendix E – Complaints referred to the LGO by service 2019/20

Service	Number of complaints referred to the LGO	Decision Made
Planning and Development	5	Two complaints Investigated - No fault found and the LGO would not investigate the other three complaints
Planning Enforcement	1	LGO would not investigate
Housing Enforcement	1	Investigated - No fault found
Housing Enforcement and Council Tax	1	LGO would not investigate
Benefits	1	LGO would not investigate
Council Tax	1	LGO would not investigate



**Governance & Audit
Committee**

21 July 2020

Subject: Internal Audit Quarter 1 Progress Report 2020/2021

Report by:	Lucy Pledge (Head of Service – Corporate Audit & Risk Management – Lincolnshire County Council)
Contact Officer:	Alan Robinson – Monitoring Officer alan.robinson@west-lindsey.gov.uk
Purpose / Summary:	The report gives members an update of progress, by the Audit partner, against the 2020/2021 annual programmes agreed by the Audit Committee in March 2020, and amended in June 2020.

RECOMMENDATION(S):	1) Members consider the content of the report and identify any actions required.
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IMPLICATIONS

Legal: None directly arising from the report

Financial: None directly arises from the report.

Staffing: None.

Equality and Diversity including Human Rights:

NB: A full impact assessment **HAS TO BE** attached if the report relates to any new or revised policy or revision to service delivery/introduction of new services.

None arising from this report

Risk Assessment: N/A

Climate Related Risks and Opportunities: None arising from this report

Background Papers: No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

Call in and Urgency:

Is the decision one to which Rule 14 of the Scrutiny Procedure Rules apply?

Yes

No

Key Decision:

Yes

No

Internal Audit Progress Report



West Lindsey District Council June 2020

Contents

Key Messages

Page 2

Introduction
Summary
Assurances

Internal Audit work completed

Page 3

Overview of Assurances
Audit Reports at Draft
Work in Progress

Benchmarking

Page 6

Key Performance Indicators

Other Matters of Interest

Page 8

Cabinet Office Public Sector Risk update

Appendices

Page 9

-
- 1 - Assurance Definitions
 - 2 – Audits with Limited Assurance
 - 3 - Details of Overdue Actions
 - 4 - Internal Audit Plan 2020/21 – Progress to Date
 - 5 – Record of changes to the Internal Audit plan

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The matters raised in this report are only those that came to our attention during the course of our work – there may be weaknesses in governance, risk management and the system of internal control that we are not aware of because they did not form part of our work programme, were excluded from the scope of individual audit engagements or were not brought to our attention. The opinion is based solely the work undertaken as part of the agreed internal audit plan.

Introduction

The purpose of this report is to:

- Provide details of the audit work during the period February 2020 to June 2020
- Advise on progress of the 2019/20 and 2020/21 plan
- Raise any other matters that may be relevant to the Audit Committee role

Key Messages

During the period we have issued three reports and we have four audits at draft report stage.

The onset of Covid-19 and subsequent lockdown has had a significant impact on all areas of the public sector. Operationally, the Council has had to react quickly to rapidly changing circumstances. This has had an impact on the pace of progression for some of our audits, however we continue to work closely with the Council in order to finalise the 2019/20 audit work.

Given the current situation, it was agreed with management that no new Internal Audit work would be completed during Quarter 1.

We are currently in the process of reviewing our resources and the logistics around the delivery of the remainder of the plan. We will continue to focus on the areas of greatest priority during Q 2-4 and we will continue to discuss all issues with Management & Members.

In order to ensure that our work continues to focus on the areas of greatest risk to the Council, we have prioritised our Internal Audit plan and identified three areas which have been approved for deferral by the Governance & Audit Committee. These details can be found at Appendix 5. We will look to work with senior management to identify where our independent assurance will add the most value.

Work completed

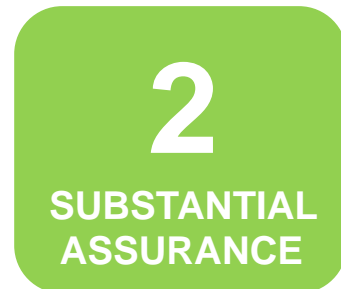
The following audit work has been completed and a final report issued:

Assurances

- Good Governance Follow up – High Assurance
- Programme & Project Management – Substantial Assurance
- Golden Thread & Corporate Plan

Split opinion –

- Golden Thread - Limited Assurance
- Corporate Plan - Substantial Assurance



High Assurance

The original 2018 review, based on detailed testing, interviews and a workshop resulted in an agreed level three out of five maturity rating when assessed against our maturity model. Twenty Two actions to further strengthen governance were agreed with management.

The follow up audit confirmed that all agreed actions have been implemented by the Council. Evidence of implementation was provided by the Director of Governance and the Corporate Governance & Policy Manager. As such the assessment of maturity has been reviewed and all the strands have achieved level 4 as outlined in the table below:

Revised Strand Assessment of Maturity

Strand	Assessment of Maturity	
	Score	
Leadership and Management	4	Embedded and integrated
People	4	Embedded and integrated
Culture, Values and Consistency	4	Embedded and integrated
Process and Procedures	4	Embedded and integrated
Assurance and Accountability	4	Embedded and integrated

The impact of these actions having been implemented has enabled us to provide assurance that good culture and values continues to be applied to Council work and that it is embedded in Council thinking and decision making.

Values, behaviors and culture are a key foundation for the Council and further work should be planned through internal review and independent audit to provide management with ongoing assurance and overview of this area.

**Good
Governance
Follow up**

Substantial Assurance

Our review has provided a substantial assurance opinion that project managers understand the definitions of projects and programmes as well as the way to progress, develop, monitor and manage these for effective delivery for the Council.

We found that there is a robust project management framework in place which was last updated July 2019. Strategies to manage programmes have also been developed.

Each strategy also has a board overseeing the decision for the relevant projects which provides another layer of governance. Further to that there is a Portfolio board which is responsible for managing programmes and high level projects as well as co-ordination of the interdependencies between key projects and programmes. There are also regular progress reports to Portfolio and programme boards.

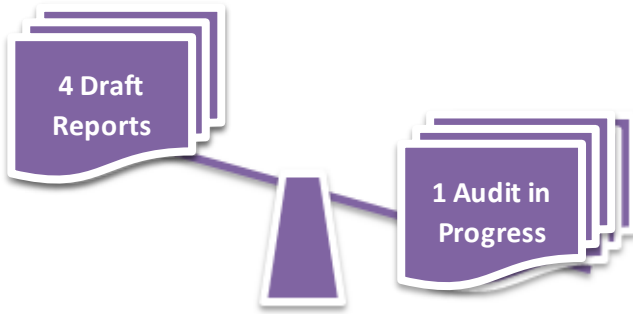
The Council also conducts annual Portfolio, Programme, and Project Management Maturity Model (P3M3) assessment of its programmes. P3M3 assessment is an industry standard for assessing levels of maturity in an organisation's approach to portfolio, programme and project management processes.

We identified the following areas where improvement will further strengthen the governance of projects and programmes:

- Some of the programme boards have missing or out of date terms of reference
- Some of the programme progress reports are incomplete

We found that overall there is a good level of governance over projects and programmes and management overview on delivery in place.

Programme & Project Management



Audits reports at draft

We have four audits at draft report stage:

- ICT Cyber Security (Joint with NK)
- Food Safety and Environmental Protection & Enforcement Follow up review
- Key Controls – Debtors
- Key Controls - Creditors

Work in Progress

We have the following audit in progress from the 2020/21 plan:

- Housing Benefit Subsidy testing preparation

Other Significant work

Internal Audit have developed a Covid-19 Impact questionnaire which has been designed to capture some of the key data around the Council's response to the virus. The questionnaire has been completed by the Strategic Lead- Governance & People and we will use this data to help focus our work in supporting the Council in the most effective way.





Internal Audit's performance is measured against a range of indicators. The statistics below show our performance on key indicators year to date.

Performance on Key Indicators as at 12 June 2020

At the time of writing this report we have not issued any further audit reports in quarter 1 that have not already been reflected within the Annual report.

The delivery of 20/21 audit plan will commence in quarter 2 as agreed with management and performance will be reported in the quarter 2 progress report.

**No
overdue
audit
actions**



Other Matters of Interest

A summary of matters that will be of particular interest to Audit Committee Members

Cabinet Office Public Sector risk update

The Government Counter Fraud Function has confirmed the key fraud risks during Quarter 1 of 2020/21 across the public sector:

Fraudulent claims	We have received reports of a detected fraud that involves over 20 Small Business Grant Fund (SBGF) payments and is worth approximately £250,000
Impersonation of officials	We have received intelligence to suggest the risk of scammers spoofing email addresses to pretend to be employers, seeking personal details as part of the return to work process
Government grants	Fraudsters are attempting to use the closure of premises or homeworking to justify the enquiry for information relating to premises, reference numbers and/or Extended Retail Discount in order to obtain business information for fraudulent applications for the retail & hospitality and leisure grant.
Cyber fraud	We are beginning to see phishing attempts by online fraudsters impersonating senior staff in well-known retail and food chains targeting loans and grants administered by Local Authorities. The emails target the authorities using open source data such as logo and head office addresses, to obtain genuine business rates details of branches in the area and submit fraudulent claims which are then paid into fraudsters accounts.

High

Our critical review or assessment on the activity gives us a high level of confidence on service delivery arrangements, management of risks, and the operation of controls and / or performance.

The risk of the activity not achieving its objectives or outcomes is low. Controls have been evaluated as adequate, appropriate and are operating effectively.

Substantial

Our critical review or assessment on the activity gives us a substantial level of confidence (assurance) on service delivery arrangements, management of risks, and operation of controls and / or performance.

There are some improvements needed in the application of controls to manage risks. However, the controls have been evaluated as adequate, appropriate and operating sufficiently so that the risk of the activity not achieving its objectives is medium to low.

Limited

Our critical review or assessment on the activity gives us a limited level of confidence on service delivery arrangements, management of risks, and operation of controls and/or performance.

The controls to manage the key risks were found not always to be operating or are inadequate. Therefore, the controls evaluated are unlikely to give a reasonable level of confidence (assurance) that the risks are being managed effectively. It is unlikely that the activity will achieve its objectives.

Low

Our critical review or assessment on the activity identified significant concerns on service delivery arrangements, management of risks, and operation of controls and / or performance.

There are either gaps in the control framework managing the key risks or the controls have been evaluated as not adequate, appropriate or are not being effectively operated. Therefore the risk of the activity not achieving its objectives is high.

Risk	Rating (R-A-G)	Recommendations	
		High	Medium
Risk 1 – Corporate Plan up-to-date and relevant	G	0	0
Risk 2 – Shared Purpose across the Council	A	0	1
Risk 3 – Communications from the top down	A	0	1
Risk 4 – Service Plans and Appraisals	A	0	1
Risk 5 – Celebrating Success of all teams	A	0	1

Substantial Assurance – Corporate Plan

Limited Assurance – Golden Thread

Background and Context

The Council has refreshed its Corporate Plan to run from 2019 to 2023. The Corporate Plan underpins all that the Council does and has a 3-way focus; Our Council, Our People and Our Place.

The Golden Thread is the alignment of individual performance metrics with organisational objectives. Having this mechanism in the Council allows staff to see their contribution towards corporate goals and how they work together towards a shared purpose.

To promote a strong Golden Thread within an organisation, there needs to be strong communication, a clear understanding of the corporate objectives and acknowledgement of the shared purpose that every staff member has.

Scope

The purpose of this audit review was to provide management with assurance that the Golden Thread does exist and that managers, services and individuals understand their contribution to corporate objectives.

Executive Summary

In 2019 the Council published a new Corporate Plan for the period 2019-23. We found that the Plan has been well accepted by Managers who generally remarked how much an improvement it is on the previous plan. The plan is easier to read, is more understandable, clearly states the Council's objectives, and is more deliverable. A review of individual service contributions to the plan is planned.

An effective Golden Thread is created when the Corporate Plan feeds into everything that everyone does in the organisation, creating a shared purpose, and performance is related back to the Corporate Plan, and these links are explicitly and comprehensively made. In our opinion the Council has not achieved this state yet.

The Golden Thread concept is not about just making the links across an organisation, but knowing how to use these links in the right way, to unlock the potential that it has to offer and to improve the performance of the organisation as a whole and further work is required to achieve this.

We got no feeling that there is a shared purpose or a shared understanding amongst managers and that will surely be the same for staff. We noted in a recent audit of the Vulnerable Communities Strategy that different teams are contributing to the outcomes of the strategy but with no overall shared purpose, this is the same for the Corporate Plan.

The Golden Thread is acknowledged at varying levels across the Council's teams. Staff who work on the frontline, or deliver services and projects that contribute directly to Corporate Plan outcomes, are far more likely to recognise their impact on local communities and the Corporate Plan. Staff who undertake what one manager described as "low profile" work, find it harder to visualise how they contribute to the Plan's outcomes.

A number of managers noted that the Plan has little or no relevance for their staff, and is not necessarily motivational. We also noticed that managers and teams that are physically located near to the Corporate Core have a greater awareness, and understanding, of the plan.

Several managers stated that there is a necessity for better communication between senior management and managers and staff. This was also identified in the recent Peer Review. This is needed to develop the shared purpose and identify the links from the Plan to team performance. Communication between teams needs strengthening also so that teams support each other. This can allow staff to view the support and data that they provide to others as a contribution to Council targets.

There was an example of a manager being unaware that there was an up to date Corporate Plan, instead working from the 2016 version, this emphasises the compulsion for the improvement of communication across the Council.

Executive Summary

We noted that there are posters around the Guildhall showing the main elements of the Plan. In our opinion, these could be more meaningful if used to make the link from individual members of staff to the Plan outcomes more associative and accessible on a personal level.

Managers also revealed that there is very little appreciation and acknowledgement of the successes of particularly “low profile” teams. This is an opportunity to strengthen the Golden Thread that is lost. It is also associated with the absence of shared understanding; staff are unaware of how other teams work contributes, and vice versa, through lack of recognition of achievements.

Areas of Good Practice

The refreshed Corporate Plan is a significant improvement on the previous plan. The review of individual service contributions to the plan will be an important step in creating stronger ties between the Plan and individual service plans in the future. This suggests a positive direction of travel.

Some managers have made the link between their own Service Plan and Corporate Plan and have shared this with staff, however in some cases this seemed a little forced. Some, but not all, have attempted to reflect the Corporate Plan in individual appraisals this is a useful technique, which could be used on a wider scale.

Management Response

The findings of the audit reflect the significant and inclusive nature of the work that was undertaken to produce the Council's Corporate Plan 2019-2023 which is regarded as a meaningful document that has been well received by colleagues and Members alike. The Plan has clearly set out the key outcomes it wants to achieve over the four year period and the rationale is understood. Awareness of its existence is generally high among service areas, with one or two exceptions.

However, while it appears that at Team Manager level the concept of the Golden Thread exists in the main, further work is required to support Team Managers to ensure that they have the ability to cascade into their teams the relevance of service level activity to the achievement of corporate outcomes. Key vehicles for this would seem to be one to ones, the appraisal system and business planning, whereby the linking of individual/team work objectives to key outcomes should be strengthened and managers provided with additional support and guidance to achieve this. Thought is also required on how to ensure on-going awareness and communication of the relevance of day to day service and individual activity to corporate objectives and how this can be widely shared.

At the time of the audit, further work was underway with service areas to determine key activity and projects they are involved in; the product of which supports and contributes to the achievement of the Corporate Plan. This work has completed and as the Corporate Plan's first anniversary has been reached, teams will be asked for information and data to be used form a Corporate Plan progress report. Teams will be actively involved in this and this will strengthen the concept of the Golden Thread as service level contributions will be highlighted and reported.

There has been significant discussion with the Audit Team in the production of the report and their willingness to review additional supporting evidence and amend the structure of the report before providing their concluding remarks is really appreciated.

- James O'Shaughnessy Corporate Policy Manager

Outstanding Audit Actions at 12 June 2020

Activity	Issue Date	Assurance	Total recs	Recs Imp	Priority of Overdue Recommendations			Recs not due
					High	Medium	Low	

There are no overdue actions to report

Audit	Scope of Work	Start Planned Date	Start Actual Date	End Actual Date	Rating
Strategic Risk – Inability to raise local educational attainment and skills levels	To review the controls and planned controls the Council has to mitigate and manage this key strategic risk.	Q2 July – Sept 2020			
Homelessness	The homelessness strategy is delivered to achieve targets on prevention and that statutory obligations are fulfilled.	Q2 July – Sept 2020			
Treasury Management	Provide Assurance on the Councils Treasury Management processes and controls around borrowing, investment and cash flow.	Q2 July- Sept 2020			
Housing Benefit Subsidy	Test a sample of benefit cases on behalf of the external auditor to provide assurance on the subsidy claimed by the Council.	Q2 July- Sept 2020			
Combined Assurance	Completing the integrated assurance mapping process for the Council by helping to map assurance against critical activities and key risks. Helping coordinate the development of the annual status report.	Q2/ Q3 July- Dec 2020			
Key Project – Waste Depot	Provide assurance over the management and delivery of the Council's key project	Q3 Oct- Dec 2020			
Key Project – CRM (Customer Relationship Management System)	Provide assurance over the management and delivery of the Council's key project	Q3 Oct- Dec 2020			
Crematorium	Provide assurance that the operational arrangements for the Crematorium are robust effective and efficient.	Q3 Oct- Dec 2020			

Audit	Scope of Work	Start Planned Date	Start Actual Date	End Actual Date	Rating
ICT – PSN Compliance	Joint review with NKDC to review the Council's compliance with standards and best practice	Q3 Oct- Dec 20			
ICT – Email Security (2019/20)	To review the Councils compliance with standards and best practice	Q3 Oct- Dec 20			
ICT – Other area to be agreed	To be confirmed	Q3 Oct- Dec 20			
Key Controls Testing – General Ledger	To provide assurance that key controls are in place and operating effectively	Q4 Jan – Mar 20			
Key Controls Testing – Council Tax	To provide assurance that key controls are in place and operating effectively	Q4 Jan – Mar 20			
Key Controls Testing - VAT	To provide assurance that key controls are in place and operating effectively	Q4 Jan – Mar 20			
ICT Helpdesk	Joint review with NKDC to review the effectiveness and efficiency of the helpdesk	Q4 Jan – Mar 20			
Audit Follow up work	Follow up 2019/20 limited assurance areas to provide assurances that improvements have been implemented	Q4 Jan – Mar 20			
Contingency	Areas to be confirmed and agreed but may include Post Covid-19 assurance work	Q4 Jan- Mar 20			

Audit	Rationale	Change	Approval
Key Project – Enterprise Resource Planning System (ERP) (10 days)	The Council was due to sign a contract for the implementation of an ERP finance system on 31.3.2020, however, due to the Covid-19 pandemic and the uncertainty around the financial impacts, Management Team made the decision to put the project on hold.	Deferred until 2021/22. Days will be allocated to other areas of focus – to be agreed	Governance & Audit Committee - 16 th June 2020
ICT – ERP system (10 days)	The Council was due to sign a contract for the implementation of an ERP finance system on 31.3.2020, however, due to the Covid-19 pandemic and the uncertainty around the financial impacts, Management Team made the decision to put the project on hold.	Deferred until 2021/22. Days will be allocated to other areas of focus – to be agreed	Governance & Audit Committee - 16 th June 2020
Wellbeing Lincs (8 days)	Joint review with NKDC and ELDC. Both ELDC & NKDC have also agreed to postpone this review. Wellbeing Lincs has been and remains pivotal during the Covid-19 pandemic and continues to work very closely with the community and other partners. Consideration to defer this review to 21/22 will allow the service to focus on the recovery phase and our audit can then review the effectiveness of the Council's elements of the contract during and post Covid-19.	Deferred until 2021/22. Days will be allocated to other areas of focus – to be agreed	Governance & Audit Committee - 16 th June 2020



**Governance and Audit
Committee**

Tuesday, 21 July 2020

Subject: Annual Fraud Report 2019/20

Report by:	Strategic Finance and Business Support Manager
Contact Officer:	Tracey Bircumshaw Strategic Finance and Business Support Manager tracey.bircumshaw@west-lindsey.gov.uk
Purpose / Summary:	To appraise Members with details of identified fraud and counter fraud activity during the year 2019/20 and to provide assurance that policies, procedures and mitigations are in place to counter fraud activity.

RECOMMENDATION(S):

1. That members be assured that policies, procedures and mitigations are in place to counter fraudulent activity

IMPLICATIONS

Legal:

None from this report

Financial : FIN/36/21/TJB

The Council contributes £3,000 per annum to the Lincolnshire Fraud Partnership and £1,290 per annum for participating in the National Fraud Initiative.

During the year Council Tax overpayment penalties have totalled £1,120

There was a proven Housing Benefit Fraud of £9,482.76

One overpayment of Housing Benefit totalling £2,571 and identified claimant errors of £26,827.21.

Staffing :

Staff receive mandatory e-learning on fraud awareness, cyber-crime and money laundering.

Equality and Diversity including Human Rights :

None from this report

Data Protection Implications :

The Council has infrastructure in place to protect the Council's data.

Climate Related Risks and Opportunities:

Section 17 Crime and Disorder Considerations:

Fraud is a crime. The Council has a zero tolerance policy

Health Implications:

None from this report.

Title and Location of any Background Papers used in the preparation of this report :

Risk Assessment :

The Council maintains a Fraud Risk Register. The occurrence of fraud is considered low risk due to the mitigations in place.

Call in and Urgency:

Is the decision one which Rule 14.7 of the Scrutiny Procedure Rules apply?

i.e. is the report exempt from being called in due to urgency (in consultation with C&I chairman)

Yes

No

Key Decision:

A matter which affects two or more wards, or has significant financial implications

Yes

No

1. Purpose of this report

- 1.1 The report provides an overview of fraudulent activity during 2019/20
- 1.2 It seeks to inform Members of counter fraud activity and to provide assurance and demonstrate that the Authority continues to have a robust counter-fraud culture and effective counter-fraud arrangements in place to ensure fraud risks are managed effectively.
- 1.3 Whilst the Authority, through its policies, procedures and internal controls makes efforts to protect itself, fraud is considered a growing concern, therefore vigilance is required at all times.

2 Background

- 2.1 Fraud is defined as a deception deliberately practiced in order to secure a gain (or cause a loss).

The areas particularly considered in the context of risks from financial crime are in relation to fraud, corruption, theft, bribery, and money laundering.

Fraud – ‘the intentional distortion of financial statements or other records by persons internal or external to the authority which is carried out to conceal the misappropriation (misuse) of assets or otherwise for gain’. Through false representation, failing to disclose information or abuse of power

Corruption – ‘the offering, giving, soliciting, or acceptance of an inducement or reward which may influence any person to act inappropriately’.

Theft – ‘appropriating property belonging to another with the intention of permanently depriving the other of it’.

Bribery – ‘is an inducement or reward offered, promised or provided to gain personal, commercial, regulatory or contractual advantage’.

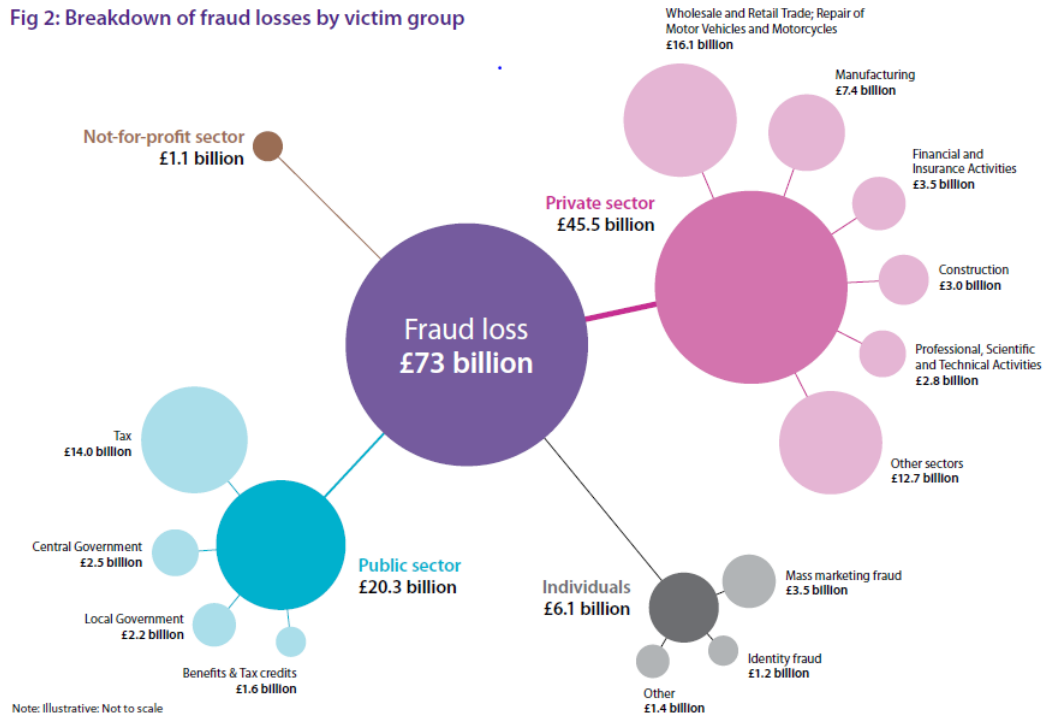
Money laundering – ‘an activity which falls within the Proceeds of Crime Act 2002, (as amended by the Serious Crime Act 2015 and new regulations 2017) whereby criminally obtained money or other assets are exchanged for clean money or assets with no link to their origins’.

Whistleblowing – ‘when a person reports suspected wrongdoing at work. Officially this is called ‘making a disclosure in the public interest’.

- 2.2 In 2012, before its closure, the National Fraud Authority published an Annual Fraud Indicator, showing a loss to the UK economy of £73bn this was analysed by victim group (as illustrated below). Latest estimates published in the Financial Cost of Fraud Report 2019 (Crowe

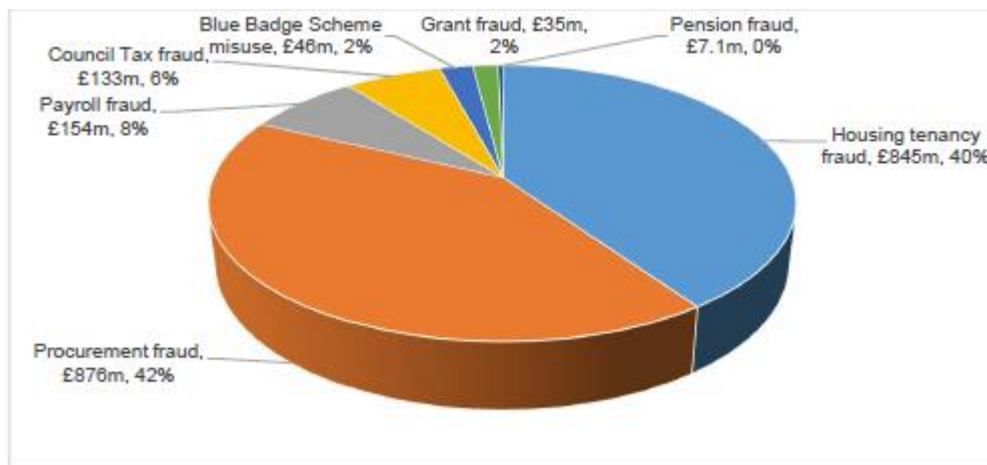
Forensic Services) suggest a figure of £190bn per year, an increase of 163%.

Fig 2: Breakdown of fraud losses by victim group



2.3 The cost of fraud to local government is estimated at £2.2bn (money which could be used for local services).

The illustration below breaks down these estimated losses;



3. Fraud Activity 2019/20

3.1 There have been no instances of fraud identified during the year in relation to Authority activities.

3.2 However activity in relation to Revenue and Benefits fraud is detailed below;

- Council Tax Fraud overpayments
 - 16 cases where sanctions were placed each with a £70 penalty charge totalling £1,120.
- Housing Benefit Fraud
 - 1 case of proven fraud identified through a Department for Work and Pensions (DWP) investigation totalling £9,428.76.
 - 1 overpayment of £2,571. The claimant failed to inform us they were working whilst in receipt of Job Seekers Allowance
- Housing Benefit Matching Service
 - Identified Claimant errors totalling £26,827.21
 - Local Authority errors totalling - NIL
 - Government Error (DWP) - NIL

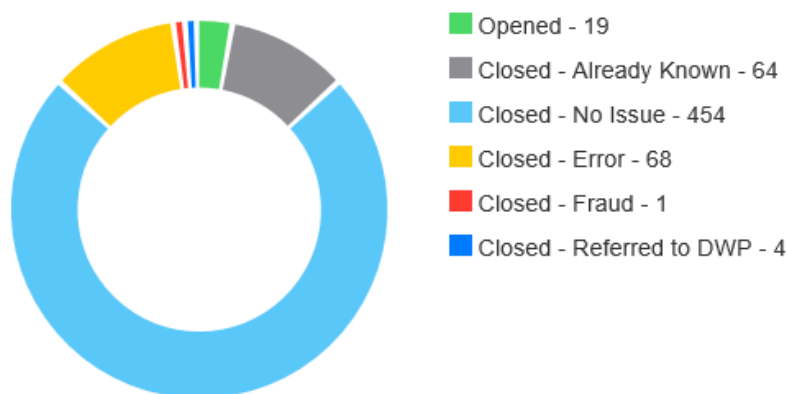
3.3 Data matching - National Fraud Initiative (NFI)

The Authority subscribes to the National Fraud Initiative which matches data held in public and private sector bodies to prevent and detect fraud. This is a bi-annual exercise with a variety of services included in each exercise as prescribed by NFI.

The 2018/19 exercise and subsequent investigations are an ongoing process.

As at 31 March 2020 the status of NFI matches is detailed below;

The number of matches processed aggregated by status - Displayed as a doughnut chart.



This compares to the previous year report as follows;

Opened – 21
 Closed - Already known – 52
 Closed – No issue – 426
 Closed – Error – 66
 Closed – Referred to DWP – 4

One instance of fraud has been identified during the year from this process, which was referred to the DWP for investigation and as detailed above at 3.2

The overall outcomes of the bi-annual 2018/19 exercise now stands at £37,709.61 (£33,273.81 as at 2018/19 Annual Audit Report).

In addition to the National Exercise, the Authority participated in the Council Tax Single Persons Discount exercise, which matches data held within the Electoral Register. This has identified 1288 matches requiring investigation. The report was released in February 2020, therefore these cases will be reviewed during 2020/21.

The graphs below display the counts of individuals with potential fraud risk factors identified. Broken down into dataset types, individuals are assigned a cumulative score based on the number of matches identified and then grouped into categories. Individual matches are then investigated.

In relation to Payroll all were expected matches where individuals, mainly Councillors where on other payrolls. In relation to Waiting Lists these mainly related to individuals being on other authorities' lists.

Council Tax Reduction Scheme		Housing Benefit Claimants	
→ High	17	→ High	44
→ Medium	13	→ Medium	4
→ Low	346	→ Low	212
→ Nil	15	→ Nil	6
Total	391	Total	266

Payroll		Waiting List	
→ High	1	→ High	67
→ Medium	3	→ Medium	2
→ Low	0	→ Low	0
→ Nil	4	→ Nil	0
Total	8	Total	69

3.4 Fraud Partnership

The Authority is a member of the Lincolnshire Fraud Partnership and as such meet on a regular basis. We work together to create a Fraud Plan and to share knowledge and expertise and to identify new fraud risks.

During the year we had a number of notifications from the Lincolnshire Fraud partnership informing us of attempted frauds experienced in other partner authorities, these included, attempts to change a creditors bank details, telephone scams where caller purporting to be from HMRC or Police with the objective to get the victim to pay money. False creditor invoices with incorrect bank details. Emails requesting transfer of funds etc.

There has been a significant increase in notifications of attempted fraud in relation to the grants being issued by local authorities to support businesses through Covid-19.

The finance team and relevant other officers are notified upon receipt however are vigilant in their roles.

The Partnership supported the Fraud Awareness Week 18-22 November 2019, with posters and social media communications.

3.5 A number of Internal Audits were undertaken during the year which are relevant to countering fraud;

- Creditors – Substantial Assurance
- Debtors – In Progress

4. Counter Fraud Policies

The following policies were reviewed during 2019/20 and changes approved by this Committee

- Anti-Money Laundering Policy;
- Prevention of Financial Crime Policy;
- Anti-Fraud and Corruption Policy;
- Anti-Bribery Policy.

5. Proactive Work Programme 2020/20

Risk Area	Planned For	Current Status	Responsible Officer
Various fraud areas	2020/21	NFI bi-annual exercise	T. Bircumshaw
Fraud Awareness Training - Members	Ongoing	Delivered as part of Member inductions	A. Robinson

Fraud Awareness Training - Staff	Ongoing	Now part of onboarding and induction.	T.Bircumshaw/ A.Robinson
Mandatory Training – Cyber Crime Fraud Awareness Anti Money Laundering	Nov 2020	E-learning available on training platform Now part of on boarding requirements. Annual completion	T Bircumshaw
Annual Policy Review	Jan 2021	Commences November 2020	T. Bircumshaw
Joint procurement of Single Persons Discount Review 2020	Mar 2021	Currently on hold due to Covid-19 response priorities	T. Bircumshaw
New Counter Fraud Leaflet New Counter Fraud Posters	Nov 2020	Lincolnshire Fraud Partnership initiative for International Fraud Awareness Week 19-23 November 2020	Lincolnshire Fraud Partnership

Agenda Item 6e



**Governance and Audit
Committee**

Tuesday, 21st July 2020

Subject: Fourth Tier Governance Review

Report by:	Corporate Governance & Policy Manager/ Deputy Monitoring Officer
Contact Officer:	Corporate Governance & Policy Manager/ Deputy Monitoring Officer
Purpose / Summary:	To provide background, local context and set out options for the undertaking of a review of the 4 th tier of local government across West Lindsey

RECOMMENDATION(S):

- 1. For the Governance & Audit Committee to undertake to follow the guidance provided by (the then) Department for Communities and Local Government (DCLG) and the Local Government Boundary Commission (LGBC) for England and conduct a governance review every ten to fifteen years.**
- 2. Approve the proposal to undertake a survey of Parish/Town Councils and District Council Members to gauge the level of necessity for change and for Committee Members to receive a draft of the survey at a subsequent meeting of the Committee within this civic year.**
- 3. Delegate authority to the Monitoring Officer in consultation with the Chairman of the Governance and Audit Committee to engage with the Boundary Commission should the need arise.**

IMPLICATIONS

Legal:

None.

Financial:

(N.B.) All committee reports **MUST** have a Fin Ref

Staffing: Staffing resources required has yet to be determined and would be dependent on the scale of intervention required

Equality and Diversity including Human Rights: None

Data Protection Implications: None

Climate Related Risks and Opportunities: None

Section 17 Crime and Disorder Considerations: None

Health Implications: None

Title and Location of any Background Papers used in the preparation of this report :

None.

Risk Assessment: N/A

Call in and Urgency:

Is the decision one which Rule 14.7 of the Scrutiny Procedure Rules apply?

i.e. is the report exempt from being called in due to urgency (in consultation with C&I chairman)

Yes

No

Key Decision:

A matter which affects two or more wards, or has significant financial implications

Yes

No

1 Introduction

- 1.1 In forming the work plan for the Governance & Audit Committee, consideration was paid to the undertaking of a review of the fourth tier of local government operating across the District.
- 1.2 Local Government in the UK is divided into four tiers as follows:
- 1) Unitary Authorities
 - 2) Upper Tier (Counties)
 - 3) Lower Tier (District/Boroughs)
 - 4) Fourth Tier (Parish/Town Councils)
- 1.3 Parishes are the smallest areas of civil administration in England. Parish and town councils are the closest level of government to the community they represent. The powers of parishes vary depending on how large and how active they are. Some meet infrequently and are responsible for very few matters. Other, larger, parishes undertake many duties such as street lighting, managing cemeteries, allotments, commons, village halls, war memorials and markets, etc.
- 1.4 Across West Lindsey there are 128 Parishes, of which 78 are served by parish or town councils who can be contacted through a parish or town clerk. Some of the remaining parishes have formed parish meetings.

2. Governance Reviews

- 2.1 Governance Reviews vary considerably, depending on the nature of the changes being considered and on local circumstances.
- 2.2 Guidance on Community Governance Reviews was published by the Department for Communities & Local Government and the Local Government Boundary Commission for England in 2010. Aimed largely at principal authorities, it offers advice about undertaking a review and implementing its recommendations. The advice includes that it would be good practice for a principal council to consider conducting a review every 10-15 years.
<http://www.communities.gov.uk/publications/localgovernment/guidancecommunitygovernance2010>
- 2.3 The Act requires principal authorities to take account of certain criteria when conducting a review, namely:
- The identities and interests of the community in an area; and
 - The effective and convenient governance of the area.
- 2.4 They are also advised to consider factors such as:
- What impact proposed community governance arrangements might have on community cohesion; and
 - Whether the size (area), population and boundaries proposed for local governance make sense on the ground and contribute to the above criteria.

2.5 Overall, local council arrangements should lead to improved local democracy; greater community engagement and better local service delivery.

2.6 The process required to adhere to is set out as follows. Typically this can take up to 12 months to complete.

Trigger for a review	<ul style="list-style-type: none"> • A valid community petition; or • A principal authority's decision
Decision to hold a review	<ul style="list-style-type: none"> • A principal authority takes a formal decision; • Which can be to review all or a part of its area; • Though it must have valid grounds for refusal if there has been a petition.
Terms of reference	<ul style="list-style-type: none"> • A principal authority must draw up and publish terms; • Stating the matters and the geographic area to be covered; • Notifying other local authorities which have an interest.
Undertaking a review	<ul style="list-style-type: none"> • A principal authority must consult electors in affected area(s); • It should consult other bodies with an interest, including any affected local councils; • It must then consider any representations received.
Making recommendations	<ul style="list-style-type: none"> • Bearing in mind representations, the criteria and other factors; • Including alternative forms of governance in the area e.g. residents associations, neighbourhood forums; The principal authority formally recommends an outcome from the review; • It must publish its recommendations and the reasons for them, informing those with an interest.
Implementing a review	<ul style="list-style-type: none"> • A principal authority makes a Reorganisation Order to put into effect any changes; • Which must include a detailed map of the boundaries; • It publishes the Order and map for public inspection; It must inform specified bodies e.g. Ordnance Survey; • It should include in the Order any agreed incidental issues e.g. the transfer of assets.
Next steps	<ul style="list-style-type: none"> • An Order is often written to come into force the following April; • Typically a new local council is then elected in May.

2.7 In the absence of the receipt of a formal petition from any particular Parish/Town Council the proposed review is at the behest of the Council.

3. West Lindsey Context

3.1 Over recent years it has become apparent that a number of common issues have begun to impact on Town and Parish Councils across the District. These issues include:

- Struggle to attract and retain new Councillors
- Lack of appropriate skill sets among Councillors
- Virtual de-lineation of traditional boundaries due to growth of development*
- Loss of local identity
- Feeling of loss of democracy and effective local representation
- Financial sustainability
- Lack of medium to long-term planning
- Parish Meetings suffering from a lack of transparency

* An over-riding matter potentially contributing further to this matter is the review of the Central Lincolnshire Local Plan. Potential development land is not based on traditional parish boundaries but rather on the existing continuous built-up area. This may result in adjoining Parishes, where the built environment between both is bordering, regarded as collective rather than individual entities.

3.2 These concerns have been expressed and have resulted in the:

- Co-option of Ward Members and Officers onto Parish Councils to achieve quorate position
- Mutings of merging/demerging current Parish arrangements
- Suggestions to change boundaries
- Training provided on Standards and financial matters
- Where requested, financial reviews undertaken

4. Potential Actions to Review Effectiveness of 4th Tier of Local Government

4.1 While the Council is aware of issues currently, or previously affecting a number of Parish/Town Councils across the District, we do not have a total overview of the current situation. We hear only from those Parish/Town Councils that raise the issues they face. However, we should not necessarily conclude that the remaining Parish/Town Councils are operating in a fully effective manner.

4.2 It is suggested that a survey be produced for issue to all Parish/Town Councils and Parish Meetings (where contact details can be established) to gauge their current levels of effectiveness. This could be established via questioning relating to:

- On-going viability
 - Recruitment of new/replacement Councillors
 - Financial sustainability
 - Considerations re merging/demerging
 - Considerations re boundary changes
 - The fulfilment of democratic ideals
- 4.3 On a more macro scale, The Boundary Commission are the body charged with undertaking boundary reviews. They review the boundaries of Parliamentary constituencies in England; while the Local Government Boundary Commission for England is responsible for conducting reviews of local authority electoral arrangements and the external boundaries of local authorities.
- 4.4 Each year the Boundary Commission contacts each local authority to see if there are any issues requiring their assistance. It is a number of years since West Lindsey made a submission to them. Based on responses received to the survey and the indication of a requirement to explore boundary changes, an approach could be made to the Commission to instigate such work.

5. Timescales & Resources

- 5.1 It is apparent that an approach to the Boundary Commission and the undertaking of the survey and analysis of responses would, in themselves, be significant programmes of work. Factoring in remedial actions required to work through particular arising issues and changes proposed by the Boundary Commission would also require further dedicated time and resource.
- 5.2 A priority weighting could be applied to address the most pressing collective matters, with subsequent attention focused on more nuanced aspects.
- 5.3 It is suggested that a survey be drafted for consideration by the Committee and it be presented before the end of this civic year. Once approved, the survey could take place during the 2021/22 civic year. Adequate time would be required to dedicate to analysis and the production of an outline action plan. Hence, it is likely that the presentation of a draft action plan for consideration by Committee would take place towards the end of the 2021/22 civic year. If responses to the survey suggest the need for a submission to the Boundary Commission they could be contacted either pro-actively, or in response to their annual approach.
- 5.4 Further timescales are difficult to fully detail beyond this point, until the scale and level of required intervention is established. However, it is estimated that work would progress over at least two civic years; 2021/22 and 2022/23. Similarly an estimate of any financial resources required to support the work cannot be given at this stage.



**Governance and Audit
Committee**

Tuesday 21st July 2020

**Subject: Results of Governance & Audit Committee Effectiveness
Survey**

Report by:

Corporate Policy Manager & Deputy Monitoring
Officer

Contact Officer:

Corporate Policy Manager & Deputy Monitoring
Officer

Purpose / Summary:

To present to the Committee the results of the
survey on its effectiveness which Members
completed previously.

RECOMMENDATION(S):

- 1. Committee approves the appointment of a working group to develop an improvement plan to address the identified issues and agrees its terms of reference.**
- 2. Committee will monitor the progress of the improvement plan and seek assurance that measures put in place are proportionate and effective.**

IMPLICATIONS

Legal: None

Financial: FIN/42/21/TJB

None from this report.

Staffing: None

Equality and Diversity including Human Rights: None

Data Protection Implications: None

Climate Related Risks and Opportunities: None

Section 17 Crime and Disorder Considerations: None

Health Implications: None

Title and Location of any Background Papers used in the preparation of this report:

None.

Risk Assessment: None

Call in and Urgency:

Is the decision one which Rule 14.7 of the Scrutiny Procedure Rules apply?

i.e. is the report exempt from being called in due to urgency (in consultation with C&I chairman)

Yes

No

Key Decision:

A matter which affects two or more wards, or has significant financial implications

Yes

No

1 Introduction

1.1 In March 2020, Members of the Governance & Audit Committee completed a survey to establish the effectiveness of the Committee. This was based on advice offered by the Chartered Institute of Public Finance and Accountancy (CIPFA) (2018) suggesting that it is useful for audit committees to undertake a self-assessment of its effectiveness, the results of which would help audit committee members to consider where it is most effective and where there may be scope to do more. To be considered effective, the audit committee should be able to identify evidence of its impact or influence linked to specific improvements.

1.2 The survey contained the following sections:

- Audit Committee purpose and governance
- Functions of the Committee
- Membership and support
- Effectiveness of the Committee
- Evaluation the effectiveness of the Committee

A number of supplementary considerations were posed under each main heading.

1.3 Eight members of the Committee completed the survey; a response rate of 80%.

2. Summary of Survey Results

2.1 Appendix One contains the full results of the survey.

2.2 In general terms, the findings suggest that Members feel that the Committee is operating in an effective manner. An overview of the thoughts of Members, grouped under the headings set out at 1.2 is provided thus:

2.3 Audit Committee Purpose and Governance

A number of statements were considered under this heading. Responses were positive across all of them bar the statement relating to *Is the role and purpose of the audit committee understood and accepted across the authority?* Three respondents felt that it was not.

2.4 Functions of the Committee

Questioning under this section was split across two topics:

Firstly, *do the Committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement?* The only aspect within this section that suggests some work is required related to whether the Committee effectively supports the Council's ethical

framework. Two respondents felt that this was partly effective while one felt that this was not at all reflected in the work of the Committee.

The second section under the heading of Functions of the Committee asked *whether a number of core functions were undertaken by the Committee?* Five respondents considered that the Committee had not considered the wider areas identified in CIPFA's Position Statement and whether it would be appropriate for the Committee to undertake them. Four respondents felt that where coverage of core areas has been found to be limited, plans were not in place to address this.

2.5 Membership and Support

Within this section of the survey, the one statement that elicited a negative response related to *whether the membership of the committee has been assessed against the core knowledge and skills framework and found to be satisfactory.* Two Members indicated that it had; five felt it had partly been achieved and the remaining Member believed that it had not.

2.6 Effectiveness of Committee

This aspect of the survey contained the highest level of negative responses. A majority of respondents felt that the Committee only partly or does not at all:

Obtain feedback on its performance from those interacting with the committee or relying on its work.

Conduct effective meetings with a good level of discussion and engagement from all the members.

Evaluate whether and how it is adding value to the organisation.

Has an action plan to improve any areas of weakness.

2.7 Evaluating the Effectiveness of the Committee

The final section of the survey asked a number of questions across nine areas. By undertaking a self-evaluation and providing areas of strength and weakness and then scoring the assessment out of five using the key below, respondents were asked to look at each area where the audit committee can add value by supporting improvement:

Assessment Key:

5 - Clear evidence is available from a number of sources that the committee is actively supporting improvements across all aspects of this area. The improvements made are clearly identifiable.

4 - Clear evidence from some sources that the committee is actively and effectively supporting improvement across some aspects of this area.

3 - The committee has had mixed experience in supporting improvement in this area. There is some evidence that demonstrates their impact but there are also significant gaps.

2 - There is some evidence that the committee has supported improvements, but the impact of this support is limited.

1 - No evidence can be found that the audit committee has supported improvements in this area.

2.8 The nine topic areas and the evaluation scores are set out in the table below. From an initial analysis of these results, based on the number of respondents providing a rating of three to the questions posed, focus may be required on the areas highlighted in the table.

Topic Area	Scoring				
	1	2	3	4	5
Promoting the principles of good governance and their application to decision making			1	5	2
Contributing to the development of an effective control environment				3	5
Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks				2	6
Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively			2	1	5
Supporting the quality of the internal audit activity, particularly by underpinning its organisational independence				4	4
Aiding the achievement of the authority's goals and objectives through helping to ensure appropriate governance, risk, control and assurance arrangements			2	3	3
Supporting the development of robust arrangements for ensuring value for money			4	3	1
Helping the authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risks				6	2
Promoting effective public reporting to the authority's stakeholders and local community and measures to improve transparency and accountability			4	3	1

2.9 Taking account of the overall findings of the survey, the potential areas where room for improvement has been expressed by Members of the Committee are those highlighted in the table above plus the previously mentioned matters related to:

- Is the role and purpose of the audit committee understood and accepted across the authority?
- Does the Committee effectively support the Council's ethical framework?

- Have the wider areas identified in CIPFA's Position Statement been considered and whether it would be appropriate for the committee to undertake them?
- Has the membership of the committee been assessed against the core knowledge and skills framework and found to be satisfactory?
- Does the Committee obtain feedback on its performance from those interacting with the committee or relying on its work?
- Does the Committee conduct effective meetings with a good level of discussion and engagement from all the members?
- Does the Committee evaluate whether and how it is adding value to the organisation?
- Has an action plan been developed by the Committee to improve any areas of weakness?

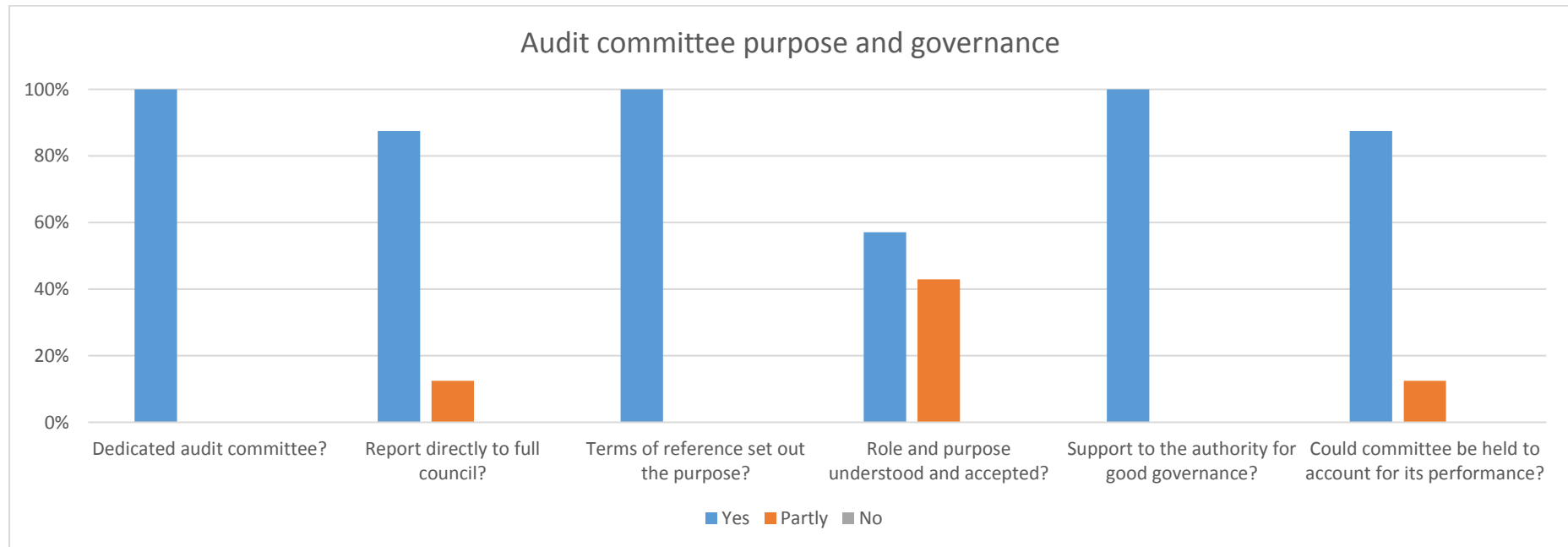
3. Next Steps

- 3.1 To make progress against the issues raised, it is proposed that the Committee forms a working group of at least three members to further review the findings and devise an improvement plan which the Committee will oversee.
- 3.2 A draft terms of reference of the group is attached as Appendix Two.
- 3.3 The Governance & Audit Committee is already committed to the inclusion of its improvement plan among the issues detailed within the Annual Governance Statement Action Plan for 2019/20. Progress will be tracked and reported.

Eight responses received during March 2020

Section 1: Audit committee purpose and governance

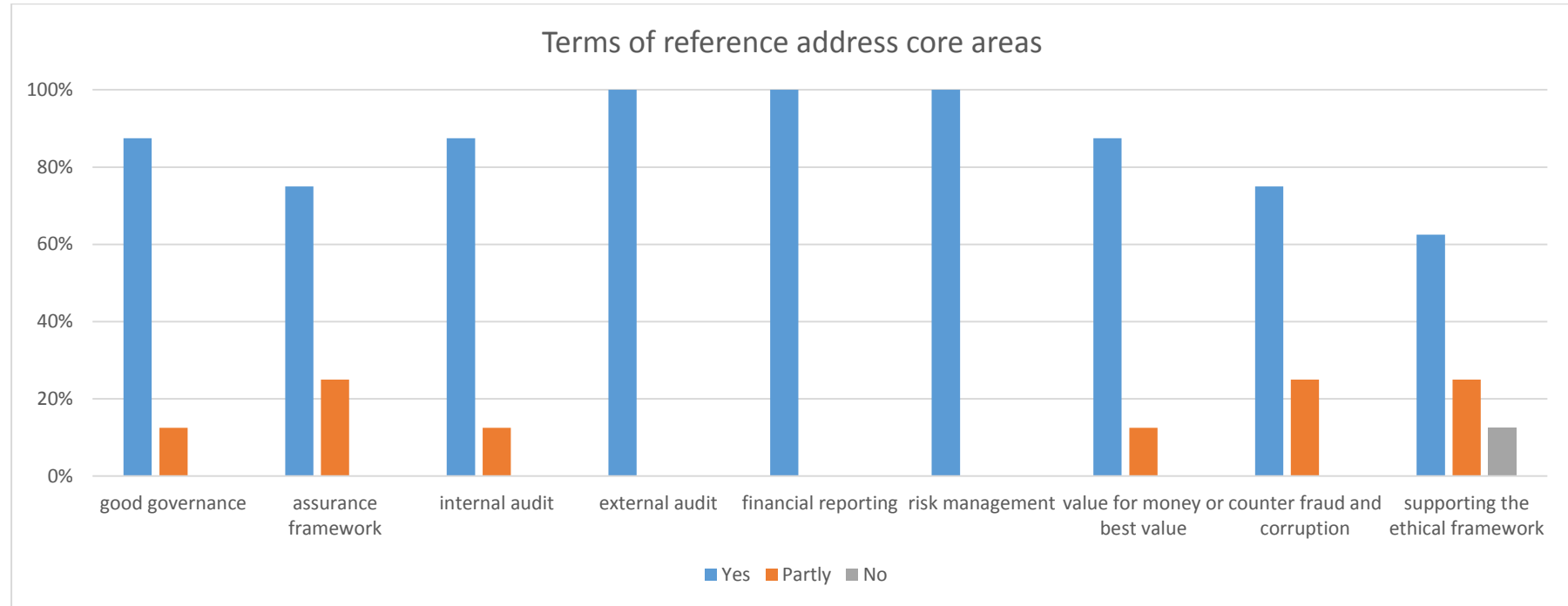
1. Do you agree with the following statements?



Appendix 1

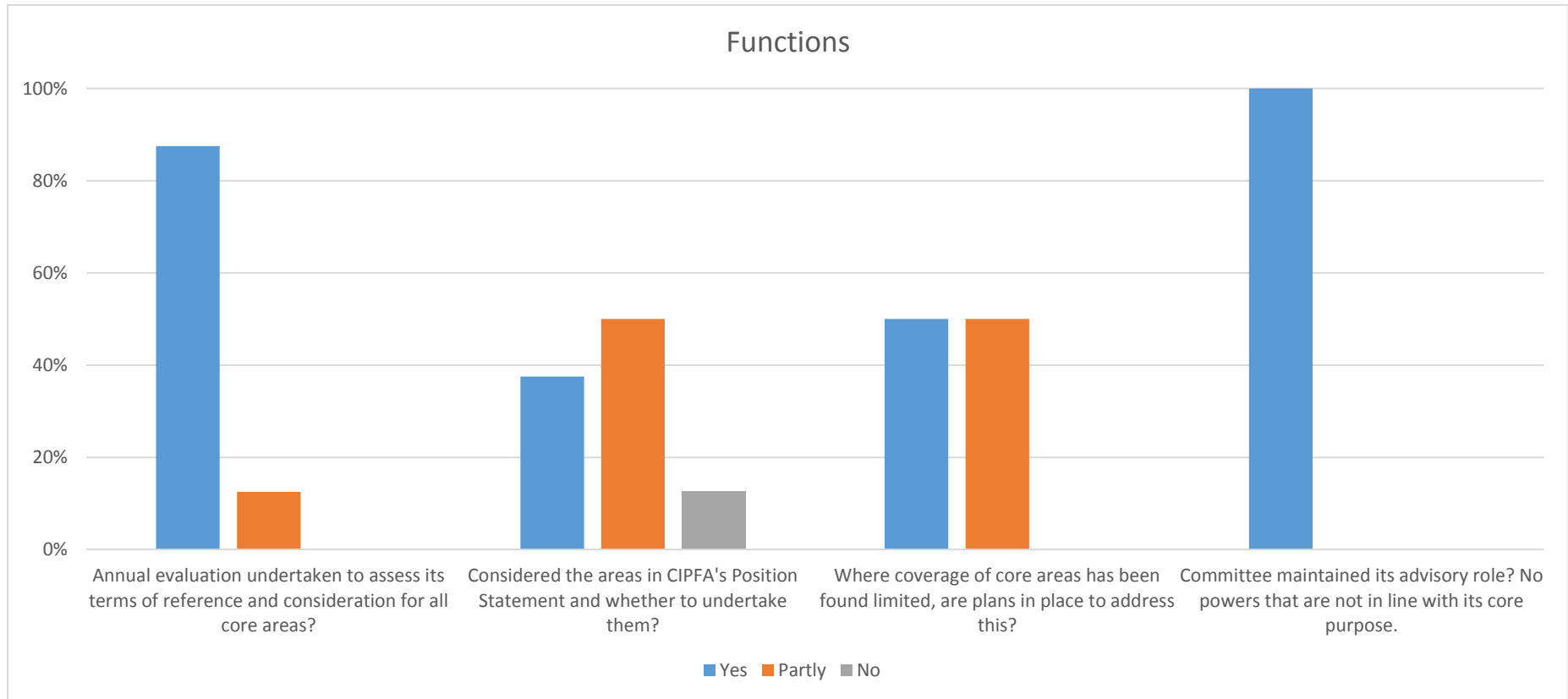
Section 2: Functions of the committee

2. Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement?



Appendix 1

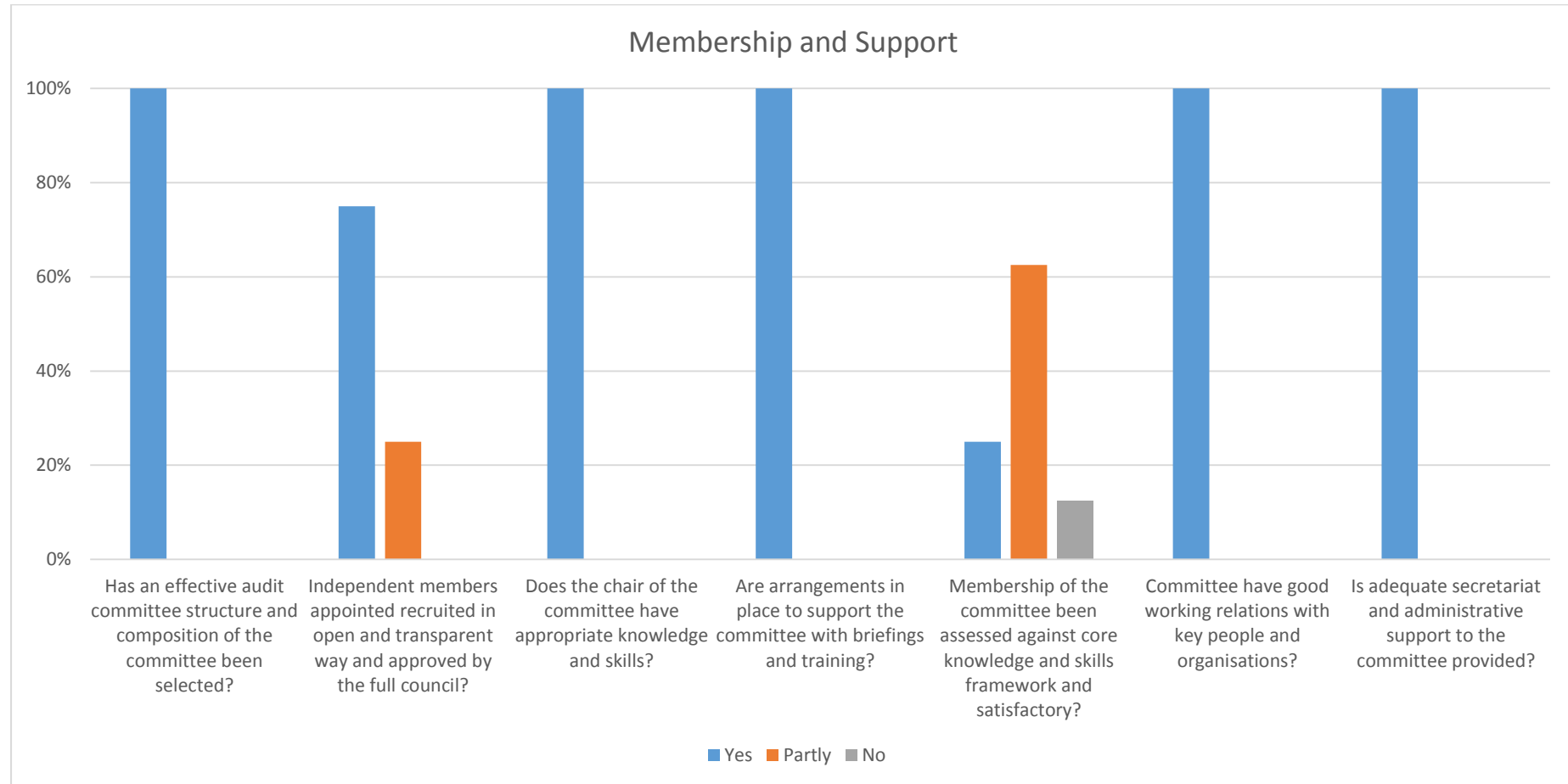
3. Do you agree with the following statements?



Appendix 1

Section 3: Membership and support

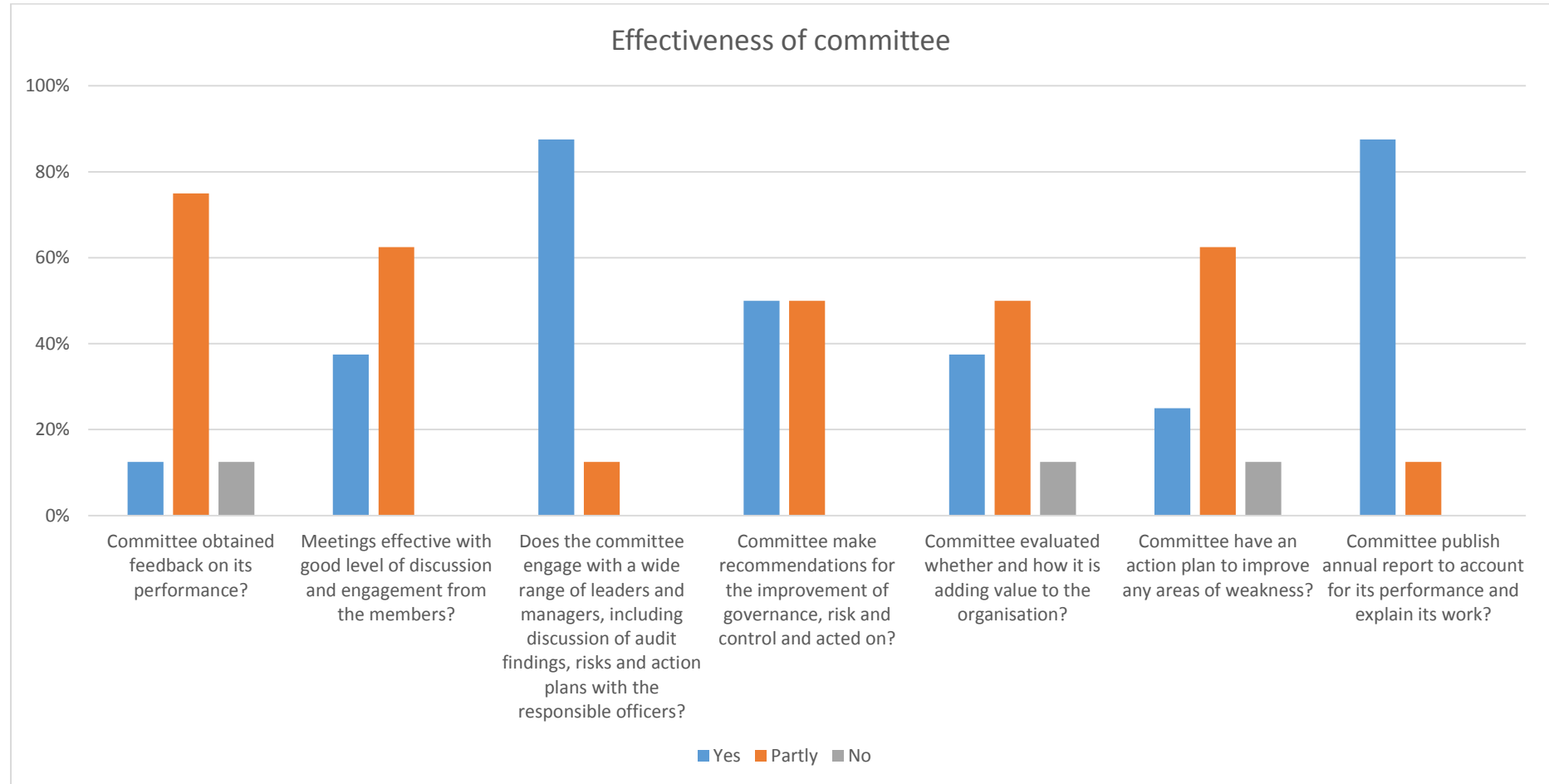
4. Do you agree with the following statements?



Appendix 1

Section 4: Effectiveness of the committee

5. Do you agree with the following statements?



Appendix 1

Section 5: Evaluating the effectiveness of the audit committee

Assessment Key:

5 - Clear evidence is available from a number of sources that the committee is actively supporting improvements across all aspects of this area. The improvements made are clearly identifiable.

4 - Clear evidence from some sources that the committee is actively and effectively supporting improvement across some aspects of this area.

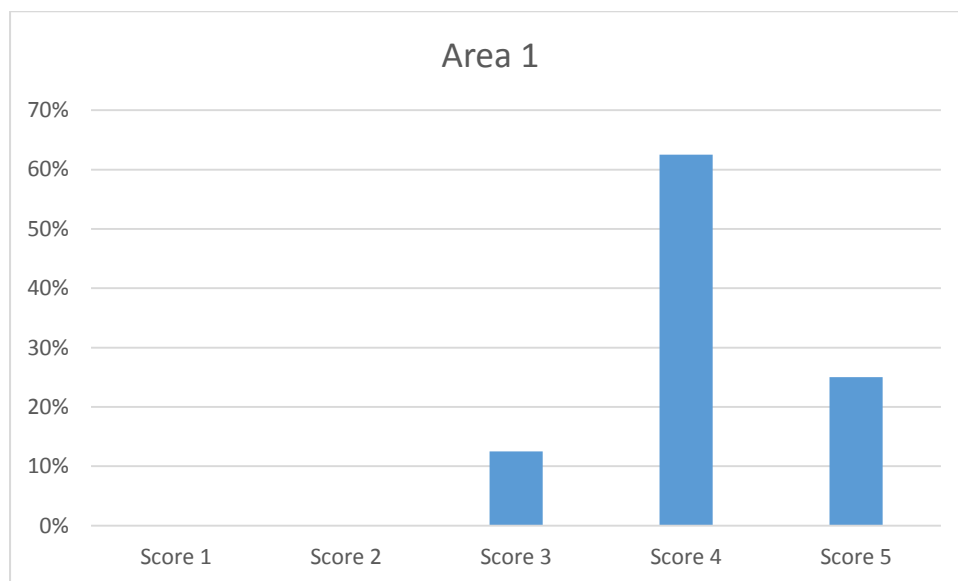
3 - The committee has had mixed experience in supporting improvement in this area. There is some evidence that demonstrates their impact but there are also significant gaps.

2 - There is some evidence that the committee has supported improvements, but the impact of this support is limited.

1 - No evidence can be found that the audit committee has supported improvements in this area.

In this section we asked that you look at each area where audit committee can add value by supporting improvement by undertaking a self-evaluation and giving areas of strength and weakness and then scoring the assessment out of 5 using the key above.

Area 1: Promoting the principles of good governance and their application to decision making



Examples of Strengths:

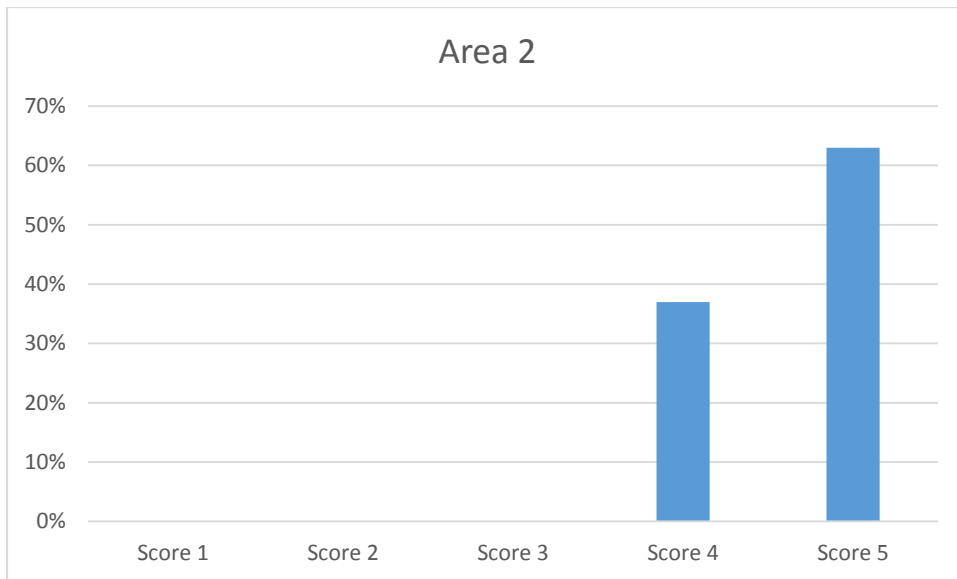
- Under constant review
- Discussion held on new code

Examples of weaknesses:

- No partner audit committees
- Not enough done working with key members

Appendix 1

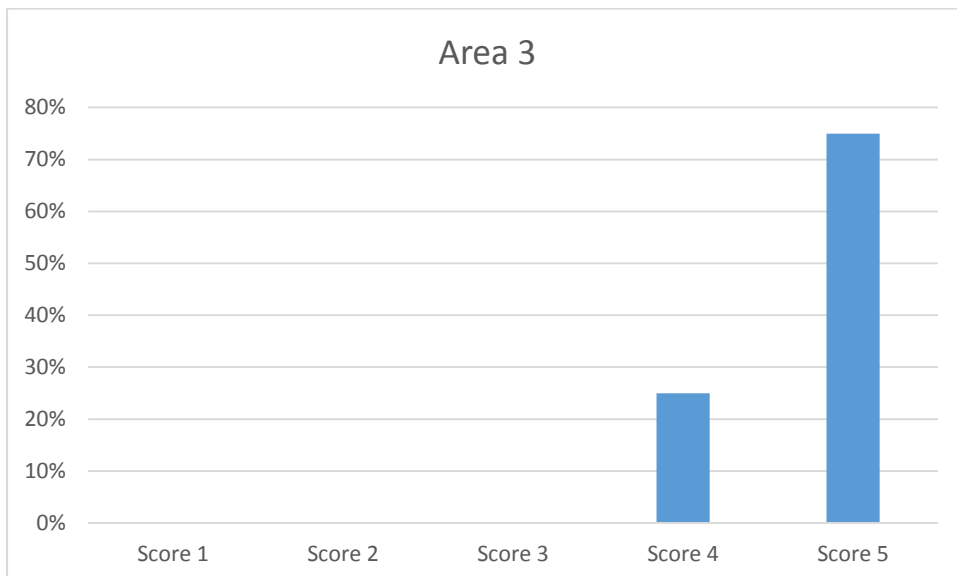
Area 2: Contributing to the development of an effective control environment



Examples of Strengths:

- Members active in leading and questioning control arrangements

Area 3: Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks



Examples of Strengths:

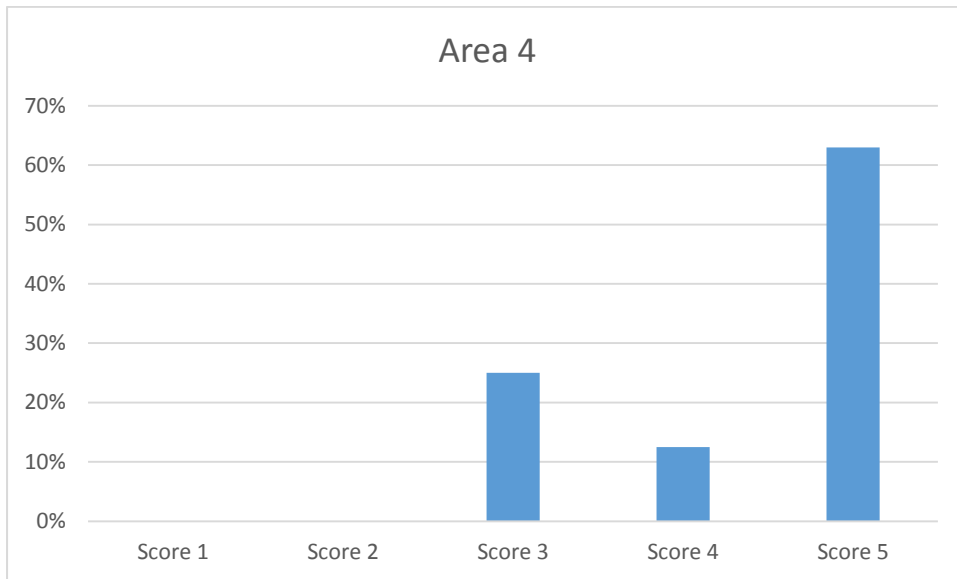
- Members active in leading and questioning control arrangements

Examples of weaknesses:

- Do not hold risk owners to account

Appendix 1

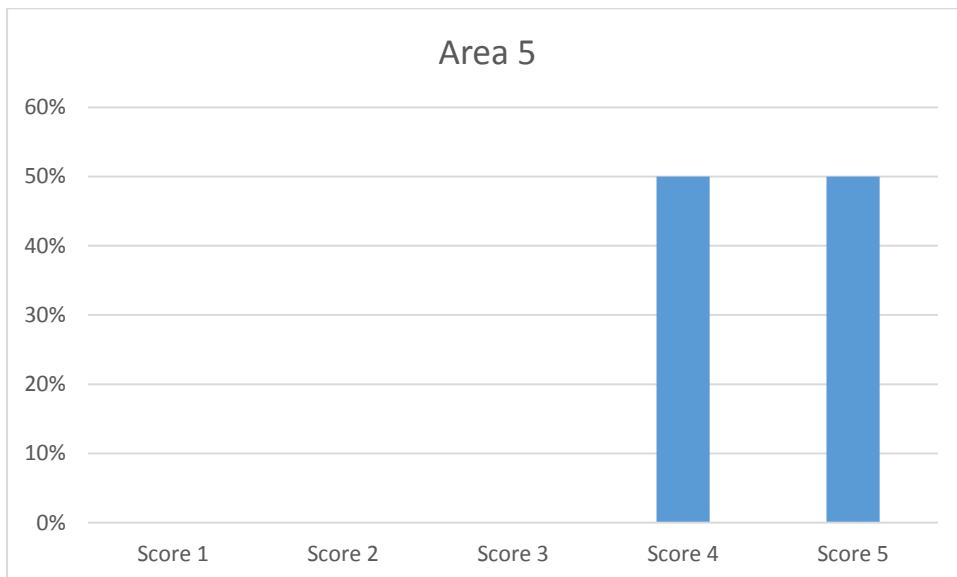
Area 4: Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively



Examples of weaknesses:

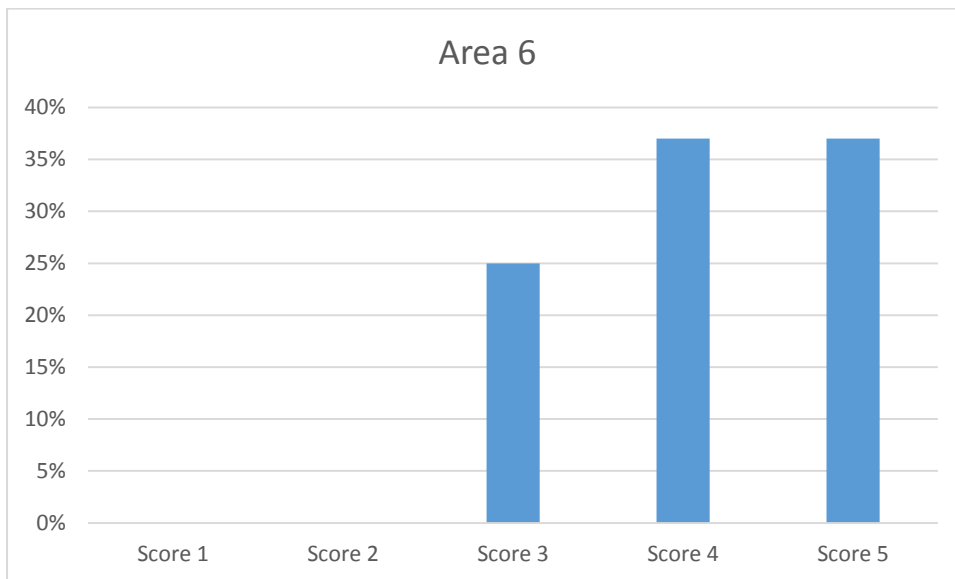
- Receive rather than initiate

Area 5: Supporting the quality of the internal audit activity, particularly by underpinning its organisational independence



Appendix 1

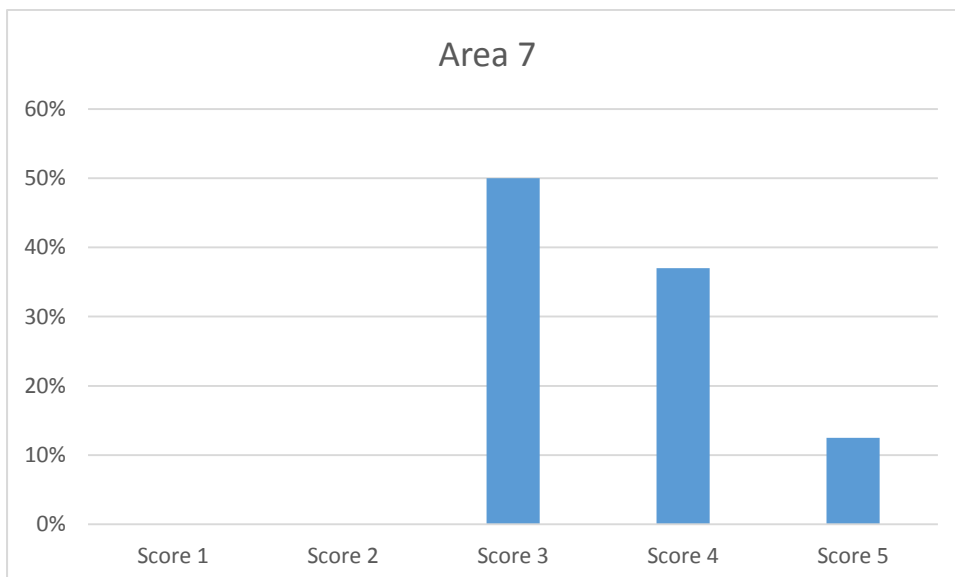
Area 6: Aiding the achievement of the authority's goals and objectives through helping to ensure appropriate governance, risk, control and assurance arrangements



Examples of weaknesses:

- No to all areas
- Not enough drilling down on major projects

Area 7: Supporting the development of robust arrangements for ensuring value for money



Examples of Strengths:

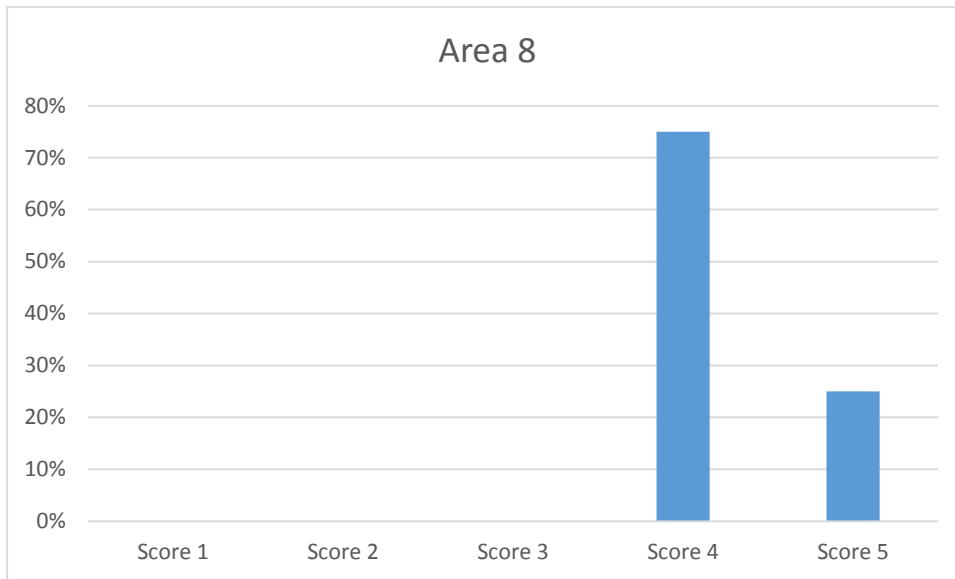
- Only partly

Examples of weaknesses:

- Weak – doesn't feature enough in discussion

Appendix 1

Area 8: Helping the authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risks



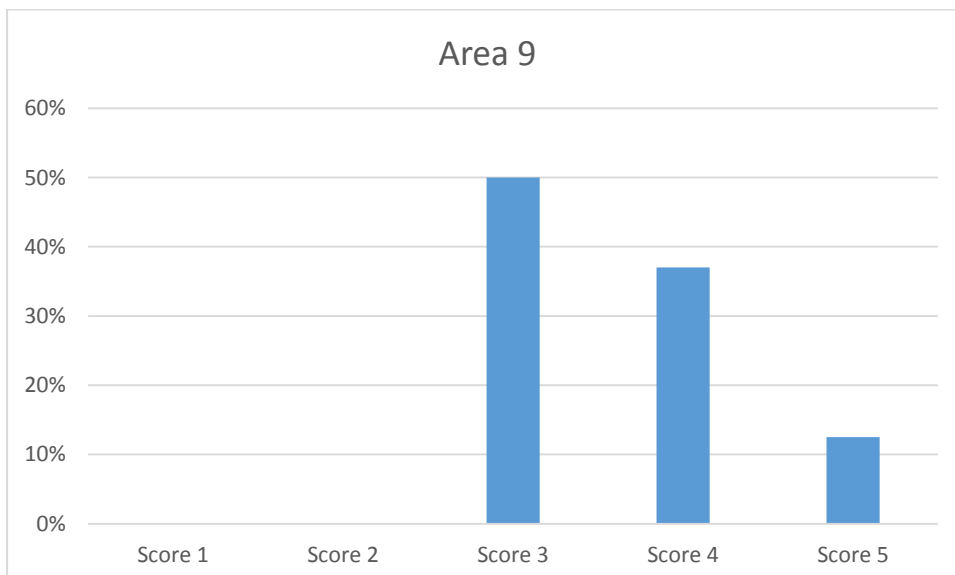
Examples of Strengths:

- Only partly for ethical governance

Examples of weaknesses:

- Less prominent for ethical governance

Area 9: Promoting effective public reporting to the authority's stakeholders and local community and measures to improve transparency and accountability



Examples of weaknesses:

- Weak or poor practice for improving discharge of responsibility
- Not enough done

Appendix 2

Effectiveness of Governance & Audit Committee: Working Group Draft Terms of Reference

1. Membership: The working group shall comprise of at least three members. Membership will comprise cross-party representation and will also include one Independent Member. Other elected Members may attend the working group, but their level of contribution will be at the discretion of the Chairman of the group (to be appointed at first meeting of the group).
2. Function: To use findings of the survey of effectiveness to develop an action plan for approval by the Committee.
3. Reporting lines & accountability: The working group is directly responsible to the Governance & audit Committee. The working group has no direct decision making powers and will make recommendations to the Governance & Audit Committee.
4. Frequency of Meetings & Quorum: The Working Group shall determine its own meeting frequency dependent upon need. Meetings will be called with at least 7 days' notice. The quorum for a meeting shall be two members.
5. Resources: The working group does not have a supporting budget. Officers will support the working group and provide advice, information, guidance and logistical support.
6. Duration: Time limited – October 2020 at which point an action plan will be presented back to the Governance & Audit Committee.

Governance and Audit Workplan for 2020/21 as at 13 July 2020

Purpose:

This report provides an overview of reports coming to Governance and Audit Committee over the next municipal year.

Recommendation:

1. That members note the report.

Date	Title	Lead Officer	Purpose of the report	Date First Published
29 SEPTEMBER 2020				
29 Sep 2020	Annual Governance Statement 2019/20	James O'Shaughnessy, Corporate Policy Manager & Deputy Monitoring Officer	To present the Council's Annual Governance Statement for 2019/20. To update progress against the Annual Governance Statement 2018/19 Action Plan.	28 February 2020
29 Sep 2020	Six Month Review of Strategic Risks	James O'Shaughnessy, Corporate Policy Manager & Deputy Monitoring Officer	To undertake and present the six- monthly review of the Council's strategic risks.	28 February 2020
29 Sep 2020	EXTERNAL AUDIT REPORT - ISA 260	Tracey Bircumshaw, Assistant Director of Finance and Property Services and Section 151 Officer	External Auditor, Mazars will present their ISA260 report relating to our Statement of Accounts 2018/19	10 June 2019
29 Sep 2020	Audited Statement of Accounts 2019/20	Caroline Capon, Corporate Finance Team Leader	To review and sign off the 2019/20 Statement of Accounts	19 December 2019
13 OCTOBER 2020				
13 Oct 2020	Internal Audit Report Quarter 2 20/21	James Welbourn, Democratic and Civic Officer	From Assurance Lincolnshire	19 December 2019

13 Oct 2020	Governance and Audit Effectiveness	James O'Shaughnessy, Corporate Policy Manager & Deputy Monitoring Officer		24 June 2020
13 Oct 2020	Member Development Annual Report	Ele Snow, Democratic and Civic Officer	To provide a summary of Member Development over the previous 12 months, including progress made with the actions agreed by the Member Development Group. To review and approve the priorities for Member Development for the coming year.	28 February 2020
12 JANUARY 2021				
12 Jan 2021	Internal Audit Quarter 3 20/21 report	James Welbourn, Democratic and Civic Officer	Assurance Lincolnshire	08 June 2020
12 Jan 2021	External Audit Strategy Memorandum (Plan) 2020/21	Caroline Capon, Corporate Finance Team Leader	Review of External Audit plan for the Closure of the 2020/21 Accounts	08 June 2020
12 Jan 2021	Certification of Grants & Returns	Caroline Capon, Corporate Finance Team Leader	Review of the Certification of Grants and Returns	08 June 2020
12 Jan 2021	Draft Treasury Management Strategy 2020/21	Caroline Capon, Corporate Finance Team Leader	Review of the Draft Treasury Management Strategy	08 June 2020
9 MARCH 2021				
9 Mar 2021	Accounts Closedown 2020/21 Accounting Matters	Caroline Capon, Corporate Finance Team Leader	Review of Accounting Policies, Key Dates and Risk	08 June 2020
13 APRIL 2021				
13 Apr 2021	Internal Audit Quarter 4 Report	James Welbourn,	Assurance Lincolnshire	08 June 2020

