West Lindsey District Council

Guildhall Gainsborough
Lincolnshire DN21 2NA
Tel: 01427 676676 Fax: 01427 675170

AGENDA

This meeting will be webcast live and the video archive published on our website

Governance and Audit Committee
Tuesday, 29th November, 2022 at 10.00 am
Council Chamber - The Guildhall, Marshall's Yard, Gainsborough, DN21 2NA

Members: Councillor John McNeill (Chairman)
Councillor Mrs Jackie Brockway (Vice-Chairman)
Councillor Stephen Bunney
Councillor Mrs Tracey Coulson
Councillor Christopher Darcel
Councillor Mrs Caralyne Grimble
Councillor Mrs Angela White
Alison Adams
Andrew Morriss

1. **Apologies for Absence**

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 - 13)
To confirm and sign as a correct record Minutes of the Meeting of the Governance and Audit Committee held on Tuesday 11 October 2022, and reconvened on Friday 21 October 2022.

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 14)
Matters Arising schedule setting out current position of previously agreed actions as at 21 November 2022.

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

Large Clear Print: Braille: Audio: Native Language

Ian Knowles
Head of Paid Service
The Guildhall
Gainsborough

Monday, 21 November 2022

WEST LINDSEY DISTRICT COUNCIL

MINUTES of the Meeting of the Governance and Audit Committee held in the Council Chamber - The Guildhall on 11 October 2022 commencing at 10.00 am.

Present:	Councillor John McNeill (Chairman)
	Councillor Stephen Bunney
	Councillor Mrs Angela White
In Attendance:	
Emma Redwood	Assistant Director People and Democratic Services
Emma Bee	Audit Manager
Alastair Simson	Principal Auditor, Lincolnshire County Council
Katie Storr	Democratic Services & Elections Team Manager
Natalie Kostiuk	Customer Experience Officer
Andrew Warnes	Democratic and Civic Officer
Apologies:	Councillor Mrs Tracey Coulson
	Alison Adams

18 CHAIRMAN'S ANNOUCEMENT

The Chairman opened the meeting and informed the Chamber that the Committee was not quorate.

Note: The meeting was adjourned for 10 minutes at 10.00 AM.

After waiting for 10 minutes to allow for any late arrivals, the Chairman announced that due to continued in-quoracy, the Committee was unable to legally transact business and therefore he adjourned the meeting.

Note: The meeting was adjourned at 10.11 AM to a future date to be advised.

The meeting adjourned at 10.11 am.

Chairman

WEST LINDSEY DISTRICT COUNCIL

MINUTES of the Meeting of the Governance and Audit Committee held in the Council Chamber - The Guildhall, Marshall's Yard, Gainsborough, DN21 2NA on 21 October 2022 commencing at 10.00 am.

Present:	Councillor John McNeill (Chairman)
	Councillor Mrs Jackie Brockway (Vice-Chairman)
	Councillor Stephen Bunney
	Councillor Christopher Darcel
	Councillor Mrs Caralyne Grimble
	Councillor Mrs Angela White
	Alison Adams
	Andrew Morriss

In Attendance:

Emma Foy	Director of Corporate Services and Section 151
Emma Bee	Audit Manager – Lincolnshire Audit
Tony Maycock	Auditor – Lincolnshire Audit
Natalie Kostiuk	Customer Experience Officer
Katie Storr	Democratic Services & Elections Team Manager

Apologies: Councillor Mrs Tracey Coulson

19 CHAIRMAN'S WELCOME AND TO VARY THE ORDER OF THE AGENDA

The Chairman welcomed all Members to the reconvened meeting of the Governance and Audit Committee, adjourned from 11 October 2022.

Due to the rescheduling, Lincolnshire Audit, were due at another Authority later that morning, and as such it was proposed and seconded that agenda item 7 (b) - Internal Audit Quarter 2 Report 2022/23, be the first public report considered as opposed to Strategic Risks. On being put to the vote it was: -

RESOLVED that the order of the agenda be varied as detailed above.

20 PUBLIC PARTICIPATION PERIOD

There was no public participation.

Note: Councillor C Grimble arrived at this point in the meeting.

21 MINUTES OF PREVIOUS MEETING

RESOLVED that the Minutes of the previous Meeting of the Governance and Audit Committee held on 19 July 2022 be approved and signed as a correct record.

22 MEMBERS' DECLARATIONS OF INTEREST

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

23 MATTERS ARISING SCHEDULE

Reference the green action entitled, “Member Training for Statement of Accounts” it was confirmed that training was to be held via MS Teams on 25 November. Officers would ensure invitations were in all Members’ diaries, including Independent Members of the Committee.

With no further comment, the Matters Arising Schedule was duly **NOTED.**

24 COMMITTEE UPDATE ON THE DELAY IN ISSUING THE AUDITOR’S ANNUAL REPORT 2021/22

The Director of Corporate Services and Section 151 Officer provided context to the update item. The target date for the audited statement of accounts had been moved to the 30th of November, but statute had not been amended to reflect such an allowance. Therefore, Auditors had provided a letter for display on local authorities’ websites, if the Audit would not be completed by the 30th of September, in order to clarify the position. West Lindsey District Council’s Audit would not be completed, having only commenced mid-September, and this was the formal notification of such, which would be displayed on the website.

The accounts were expected at the Committee’s next meeting on 29 November.

The Chairman took the opportunity to highlight to Members that West Lindsey had received notification that from 2023/24 its newly appointed auditors – through the Public Sector appointments process, would be KPMG. Consultation was currently underway on the fees for financial audits, a major reset was expected, and from Autumn 2023 it could see costs / fees payable at least double, noting that the actual fees applied would be dependent on the amount of work required. The S151 Officer confirmed this to be the case indicating a doubling in fees was to be expected.

With no further comments the update was **NOTED**.

25 INTERNAL AUDIT QUARTER 2 REPORT 2022/23

Members considered a report which provided an update of progress, by the Audit partner, as at 30 September 2022, against the 2022/2023 annual programme, which had been agreed by the Audit Committee in April 2022. During the period, six assurance audits had been completed and four audits were currently in progress.

The completed audits being:-

Value For Money - High Assurance
Flood Management - High Assurance
Key Control and ERP - Substantial Assurance
ICT Disaster Recovery - Substantial Assurance
ICT Helpdesk follow up - Substantial Assurance
ICT Cloud Services - Substantial Assurance

Audits in progress/draft stage were -

Contract Management- draft report
Staff Resilience – fieldwork
Levelling Up Fund part 1 (part 2 due to commence in Q4) – fieldwork
Housing Subsidy - draft report

Information on each was included within the body of the report.

Other work undertaken during the period was highlighted to the Committee, including work on the Combined Assurance Process due to be presented to Committee in March 2023 and grant work related to Covid Funding. Again, further information on each was set out in the report.

Members noted there were 12 actions due for completion by the 31st August 2022; 1 High Priority action and 11 Medium Priority actions. The High Priority action had now been completed and 5 of the 11 Medium Priority actions had been completed (45%). Appendix 3 provided details of those actions and indicated where extended implementation dates had been agreed.

The Full Audit Plan was set out within the report and the matters of interest included within the report were also highlighted to the Committee.

Finally, Members were advised of staffing changes at Lincolnshire Audit seeing both Emma Bee, Audit Team Leader, and the Head of Internal Audit, Lucy Pledge leaving their positions. Assurance was offered that a successful recruitment drive had been undertaken along with a “grow your own” mentality.

The Chairman, echoed by Members of the Committee expressed sorrow at the departure of the two Officers, thanking them for their work over the years, but wished them well for their future endeavours.

Debate ensued and in respect of the Flood Management Audit, Members were pleased to see the positive result, however reference was made to the link between partners, which had previously been of concern, and sought indication as to whether this had been within the scope of the Audit.

The Audit Team Leader confirmed that inter-partnership working and communication between agencies was not within the scope of the audit. However similar audits had been planned across all Lincolnshire Councils to coincide with each other, so that all aspects of flood management and response could be audited. District Council Audits had been completed however the County Council had postponed their Audit. The Committee were encouraged to continue to influence and raise the message with the County Council.

Having heard the response from the Auditor, it was suggested that the Chairman of the Committee write to the Chairman of Lincolnshire County Council's Audit Committee stressing the need for the Flood Management Audit to be undertaken. With general consensus from Members the Chairman undertook to write as requested.

In seeking a general understanding and to avoid the risk of complacency, with this being her final meeting, the Auditor was asked what was the greatest area of concern or risk for West Lindsey. Absolute assurance was provided, given the quality of the relationship with West Lindsey, which had previously been praised, and due to senior leaders of the organisation, being very open, very transparent and very collaborative there was nothing of concern.

In the context of the planned audit, in respect of staff resilience, Members sought indication as to whether "quiet quitting" was affecting the organisation, something which was very topical in media outlets. In responding, Members were advised that the Audit would provide assurance around such matters and until such time it was difficult to assess. However, through the combined assurance work, referred to earlier, time was spent assessing such factors as succession planning, recruitment, and retention. These were key risks for all for all councils, and all organisations, acknowledging that the current recruitment industry was challenging. The planned Audit and the Combined Assurance Report would provide a full picture in due course.

Referring back to the Flood Management Audit, and in response to a Member questioning how a high assurance rating could be given, when the Authority had no control nor responsibility over flooding, Officers again clarified the scope of the audit. Whilst acknowledging WLDC was not the flooding authority it did have its own emergency response actions, communications, clean up and recovery responsibilities etc. The Audit scope had been limited to what was in West Lindsey's control and that's what had received high assurance. The Audit did not give assurance on the county's arrangements for flooding or how West Lindsey works with the county for flooding.

With Members having generally discussed their experiences both historic and present it was suggested that it would be useful to include information, in a future Members' Newsletter, regarding what were WLDC's responsibilities in respect of flooding and what support can be expected from West Lindsey, regardless of whether the situation was classified as an emergency by the County Council.

> **RESOLVED** that having considered the content of the report, further actions as identified during the debate and detailed above be undertaken; namely
>
> (a) Chairman to write to the Chairman of Lincolnshire County Council's Audit

Committee regarding the need for the Flood Management Audit to be completed; and

(b) Information be included in a future Members' Newsletter regarding West Lindsey's role, responsibilities and direct support offered in respect of Flooding.

Note : Officers from Lincolnshire Audit left the meeting at this point

26 REVIEW OF STRATEGIC RISKS

The Committee gave consideration to a report which reviewed the strategic risks facing the Council as at September 2022.

The report identified 13 strategic risks to the Council, and Members were reminded of the definition of a Strategic Risk, as detailed at Section 1.1 of the report, a risk that if materialised would adversely impact the delivery of corporate priorities.

Members had last considered the Strategic Risks in April 2022. The Risks and associated actions were due to be reviewed again, with Risk owners, over the coming months, and were reported to the Committee on a six-monthly basis. No additional risks had been added to the register since Members had last considered it.

Members were asked to identify any additional risks and to be assured that the current controls and proposed actions were sufficiently robust.

Debate ensued with the Chairman recollecting that Committee had previously requested consideration be given to the inclusion of a climate related strategic risk and sought indication as to whether it had.

Whilst initial consideration had been given this would be addressed in the full review of strategic risks aligned to the new 2023-27 Corporate Plan. For a matter to be a considered a strategic risk it had to be an explicit key objective within the Corporate Plan.

Referencing partnership working, Members sought an understanding as to what extent WLDC were responsible for ensuring partners followed the same standards as the Council in respect of such matters as environmental credentials, and living wage commitments and whether partnerships / contracts could and would be terminated if similar standards were not maintained.

In responding Members were advised such matters were dealt with by Contract and Procurement Procedure Rules. Each contract would have both a price scope and quality scope, the quality scope primarily dealing with such matters.

Members were next due to consider such Procedure rules in March/April 2022, it was also noted that an Audit in respect of Contract Management was within the Audit Plan, with field work having commenced in July 2022.

Referring to the Risk "ICT Security and Information Governance arrangements are ineffective" and its current score of 12 and red RAG rating, Members sought assurance as to whether the target score of 8 was likely to be achieved by the next review. In responding Officers concurred that an IT failure as described on the register could be one of the most harmful to Council, and it was a matter the Council took very seriously.

A raft of new IT Security policies were due to be approved by the Corporate Policy and Resources Committee, internal audit colleagues were carrying out a range of IT controls audits over the next few months, expected to be reported to Members in January 2023, cybersecurity monies had been received from Central Government to enable the Council to invest in penetration testing, and Officers were regularly attending Cybersecurity Training and Conferences.

The risk would always remain a high "impact" but work would always be undertaken to reduce the likelihood. The Council were fully aware of the challenges Cybersecurity threats posed and given the nature of the work could not always fully publish what measures were in place.

In response to comments around Committee oversight and the report having previously been delayed, Members were reminded that quarterly reviews were undertaken by Management Team, the next being December, with Members seeing the register every six months, next due in April.

Assurance was sought and given that the Authority had plans in place, for matters it could directly affect, to deal with any escalation of war in the East, given its implications to fuel supplies and the economy.

Officers advised a bigger concern was the change in tone from the newly appointed Chancellor. The previous Chancellor had made a declaration that there would be no spending cuts this had now changed to "foresee eye-watering spending cuts". The Authority would have to await the announcement to know for certain what its 23/24 settlement would be and what impacts that would have.

Members were also reminded that decision making had received a high assurance rating.

In responding to concluding comments regarding climate modelling and longer-term risks, but not of a Strategic nature, Members were reminded that a position statement on the Authority's work in respect of sustainability and climate change was being submitted to the Prosperous Communities Committee and such questions would be pertinent for that arena.

> **RESOLVED** that, having reviewed the Strategic Risk register, noting the comments made, no additional strategic risks be included; and current controls and proposed actions are sufficiently robust.

27 LOCAL GOVERNMENT AND SOCIAL CARE OMBUDSMAN (LGSCO) ANNUAL REVIEW LETTER REPORT 2021/22

Members considered a report on the Local Government and Social Care Ombudsman (LGSCO) Annual Review letter 2021/22. This report examined the Annual Review Letter which covered complaints that were either received or decided by the LGSCO during the 2021/22 period.

Section 2 of the report included the annual review figures, these were summarised to the Committee and highlighted in the Executive Summary, noting the number of complaints referred to the Ombudsman had decreased compared to previous years, with 12 complaints referred, 8 were investigated and 2 were upheld.

Section 3 of the report provided further information of those complaints upheld, two in total, with sections 4 and 5 setting out how the authority had complied with any recommendations from the LGSCO and any learning it had implemented as a result.

Finally, the report compared how West Lindsey District Council had performed overall nationally and in comparison to 20 other similar local authorities in terms of the number of complaints referred, investigated and upheld by the LGSCO.

The Chairman, in advance of the meeting, had requested a statement of assurance in regards to the issues identified in the two upheld complaints and the Committee received a submission from Enforcement Team Manager as follows: -

> "During the pandemic the planning enforcement service experienced unprecedented demand, which meant that the number of cases open for investigations doubled within a three month period. This in turn had a significant impact upon our ability to progress cases at a formal stage. Within this specific case there were delays in getting the case to the formal notice phase and subsequently in determining how to proceed with formal enforcement. The complainant was kept up-to-date with the Council's position, just not to an extent that the LGO felt satisfied with and the delays did not affect the overall outcome. The LGO felt that the delays were not acceptable and a formal apology was offered.
>
> During the period of delay the Council took steps to bring an additional temporary resource into the work area to ease the burden and this resource is due to come to an end at the end of December 2022. The overall performance within the service area since then, as per progress and delivery reporting, should give Councillors confidence that these delays are no longer being experienced. The demand within the work area has reduced, however it is still generally at a level that is higher than pre-covid. These demand levels are monitored regularly and a policy review is due at Prosperous Communities Committee in early 2023.
>
> Officer error: (Community Safety Complaint)
> The issues relating to Officer error within this report have been addresses through the revised procedure for Community Protection Notices. Each Officer utilising this power will ensure that it is checked by the Senior Officer within the work area and that legal advice is sought to ensure that wording is appropriate and that the overall intention of the notice is realistically enforceable. Legal advice is not sought in all cases, but where there may be a requirement for it due to the nature of the notice.
> Each work area now has a Senior Officer and this has resulted in a greater

> level of communication and joint working to ensure that cases that could fall within multiple work areas or which may require multiple powers to be used, are discussed at an early stage to determine who the Lead Officer will be.
>
> Given the volume of the work undertaken across the Regulatory work areas, there will be occasions where we do not get it 100% right. The intention is to learn from examples such as this and ensure that processes are improved so they do not occur again."

Debate ensued and the Chairman welcomed the assurance statement, and hoped such information could be included in future reports, where necessary, commenting on the ever-improving format of this annual report.

It was questioned in respect of some enforcement whether the Council appeared to be "soft" and the reputational impact this could have. There was lengthy debate with some specific examples. Members were reminded of the statutory process that must be applied and of how formal action did not necessarily produce results any quicker and was at considerable cost to the Council which had to be a consideration. Enforcement was taken in accordance with the Council's approved Policy, which was being reviewed shortly.

In relation specifically to planning condition breaches, assurance was offered that there was much greater liaison between Planning Officers and Enforcement Officers to ensure any conditions imposed were recorded in an enforceable manner. Reference was made to the previous question to Council regarding this subject.

Officers confirmed initial trends for the 2022/23 year were looking positive and referred Members to Section 6 which set out how WLDC compared to others.

> **RESOLVED** that the Local Government and Social Care Ombudsman Annual Review letter 2021/22 and report be welcomed, and having scrutinised its content the Committee have assurance that the current complaint handling procedures are functioning adequately.

28 MEMBER DEVELOPMENT ANNUAL REPORT 2021/2022

Members gave consideration to the Member Development Annual Report 2021/22 which reviewed Member Development activity for the past 12 months and set out relevant actions for the remainder of the year and into the Civic Year 2023/24, with the primary focus being the all Member Induction.

Key points highlighted to the Committee included, the continued trend of increased attendance at development sessions, with attendance being consistently over 30%, with some sessions as high as 55% attendance, attributed to the prevalence of virtual sessions, with Members content to travel to in-person sessions when necessary. Members also noted the wide variety of sessions offered over the 12 month period, with a combination of external training providers and Officer-led sessions.

The use of external providers would be a focus for the arrangements for the Full Induction Programme following the success of those sessions both at the 2019 Induction and in the intervening years.

The Learning Pool roll-out continued to be an ongoing action, with Officers having recognised areas of improvement for how to manage this following the 2023 elections. It was still intended to launch the system during the current election cycle with communications anticipated in coming weeks and offers of individual support, if required.

Finally, Members were advised preparation for the Member Induction Programme, following all-out elections in May 2023 had begun. The programme in 2019 was a success, with positive feedback from Councillors and Officers alike. Where there had been suggested improvements, or requests over intervening years for additional sessions, these had been incorporated into the proposals for 2023. A table detailing the suggested improvements was detailed at section 3.2 of the report.

In the ensuing debate numerous suggestions were made regarding the need to balance virtual learning, with face to face learning, to accommodate different learning styles and to consider alternative venues, whilst also acknowledging the need to reduce emissions and travelling.

In responding, assurance was offered that the organisation had recognised that relationship building and setting the right environment for learning was really important, over the course of the next four years there would be virtual sessions, but those first induction sessions, those first times Members met Officers that would primarily be held in person due to the importance of relationship building at the outset. Different formats were considered for each session, and a one size fits all approach was not being adopted, if appropriate alternative venues could be considered, but this did have additional cost and available equipment implications.

The Committee felt it important that seasoned Councillors attended the induction sessions noting the invaluable information they held. The notion of buddying was championed and had been in place for the 2019 in-take and Members suggested it should be again.

A process by which to assess the quality of on-line training, going forward was suggested as a future topic for the Member Development Group.

In response to comments regarding attendance levels and Councillors' commitment to training, Members were reminded that there was no statutory power to mandate Councillors to training, training records were not currently published and the rationale for this was outlined, attendance was a matter for Group Leaders and it relied upon those Groups dealing with the attendance of their Members, or not, as they saw fit.

Officers also confirmed that the outline timetable was available from February and included in candidates' packs, in order that expectations and commitments were raised early on. The information was also sent to Political Agents.

In responding to further comments, Officers indicated that they could not force a Councillor to attend, they would make the programme as open as possible, as inviting as possible, repeating sessions at different times of the day, responding to feedback from previous years, all of which was being built into this year's plan, but ultimately there was a reliance on Group Leaders to set the tone and for Members to challenge one another in a professional manner on their commitment. Members needed to meet Officers half way, they needed to feedback whether a session was helpful or not but ultimately, they needed to take personal responsibility to commit to a Training Plan that had been developed to cater for a variety of needs based on comments made by Members throughout the previous four years.

It was stressed however that attendance levels were comparable, and whilst there was always room for improvement, it would never be feasible for all Councillors to engage in all training, for a variety of reasons and it also needed to be recognised that people sought public office for a variety of reasons. Officers were confident they were doing all they could to ensure Councillors appropriate opportunity.

Having heard the response, Members felt from a governance perspective appropriately trained Members was of vital importance to decision making and it was suggested that the Chairman of the Committee write to current Group Leaders to try and establish an upfront commitment for their Members to attend induction sessions.

Some Members commented on the supporting Induction Pack created in 2019 and its usefulness and sought and received indication that a similar but improved pack would be provided. Responding to comments regarding over-training and a suggestion that everyone was expected to have the same view, it was stressed that was not the purpose and the Council was legally required to provide training in some areas particularly on statutory matters such as data protection and safeguarding for example.

Following lengthy debate and an acknowledgement that every effort was made to accommodate Members' desires and differences, it was: -

RESOLVED that: -

(a) the report be accepted as an accurate reflection of Member Development activity for the period October 2021 to September 2022;

(b) the outline proposals for the 2023 Full Member Induction Programme be supported; and

(c) a further report be submitted to the Committee, in January 2023, to consider, and approve, the 2023 Full Member Induction Programme

29 WORKPLAN

The Workplan as set out in the report was **NOTED.**

The meeting concluded at 11.27 am.

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				
Status	**Title**	**Action Required**	**Comments**	**Due Date**	**Allocated To**
Green	Chairman to write to LCC re Flood Management Audit Progression	Arising at Mtg on 21/10/22 - Committee requested the Chairman to write to the Chairman of LCCs Audit commit to express the need for urgency in them conducting their Audit in respect of Flood Management		29/11/22	Cllr John McNeill
Green	Item for Members Bulletin/New - WLDC Role Responsibilities and Response to Flooding	Arising from cttee 21/10/22 Members requested information be included in a future Member Bulletin Clearly setting out WLDCs role responsibilities and response to flooding. The information to also highlight the existence of the flooding Group and how members can feed into in etc	Ady please feed article through to demo when ready for inclusion in the next available bulletin. -- scheduled 28 Nov	31/12/22	Ady Selby
Green	Commitment from Group Leaders regarding training at Induction and beyond	Minutes from 21/10/22 - It was suggested the Chair of the Committee could maybe take something back to other group leaders groups/reps to see whether or not they will make more of a commitment for people to attend the training.		29/11/22	Cllr John McNeill

Governance and Audit Committee

Tuesday, 29 November 2022

Subject: Report to those charged with Governance - EXTERNAL AUDIT COMPLETION REPORT - ISA 260

Report by:	Presented by: Michael Norman, Mazars
Contact Officer:	Peter Davy Financial Services Manager peter.davy@west-lindsey.gov.uk
Purpose / Summary:	To present to those charged with governance, the External Audit report on the quality of the Statement of Accounts and Annual Governance Statement 2021/22.

RECOMMENDATION(S):

1. **That members accept the content of this report.**

IMPLICATIONS

Legal: None from this report

Financial: FIN/113/23/PD

Our External Auditor, Mazars has been appointed from 1 April 2019 as part of the Public Sector Audit Appointments (PSAA) contract awards.

The fee for the audit was £48k in 2021/22.

(N.B.) All committee reports MUST have a Fin Ref

Staffing: None from this report

Equality and Diversity including Human Rights:

None from this report

Data Protection Implications:

Data is shared for audit purposes

Climate Related Risks and Opportunities:

None from this report

Section 17 Crime and Disorder Considerations:

None from this report

Health Implications:

None from this report

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

Risk Assessment:

None from this report

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**	**X**

Key Decision:

A matter which affects two or more wards, or has significant financial implications	**Yes**	**x**	**No**	

1. <u>Background</u>

The Report to those charged with Governance is attached at Appendix A, the headlines of which include:

- An unqualified audit opinion on the 2021/22 Statement of Accounts.

- There was one material misstatement identified during the audit that has now been corrected by officers. This is in relation to the accounting for the payment to HMRC for the VAT partial exemption threshold being breached in 2019/20.

- There are two unadjusted misstatements to note in the following areas in relation to the Statement of Accounts:

1) Pension Scheme – Net Pension Liability
   The Pension Fund advised that there has been an increase in the pension fund asset value in the time between the Actuary preparing the original IAS19 pension figures and the audit of the Council's accounts (September/October 2022). A new IAS19 report was therefore requested by the Council in October 2022 and the amount of the valuation increase to the asset value is £439k. The impact of this is to reduce the Council's net pension liability by the same sum.

2) Valuation of Property, Plant and Equipment
   During the audit a small number of errors were identified in asset data used by the Valuer. Updated valuations for the affected assets were requested which has resulted in a net increase in the asset values of £88k.

   Officers do not propose to adjust the financial statement for these two items on the grounds of materiality.

The report will be presented by Michael Norman, Audit Manager, Mazars.

The ISA260 report is attached at Appendix A

Audit Completion Report

West Lindsey District Council– Year ended 31 March 2022

November 2022

mazars

Contents

Our reports are prepared in the context of the 'Statement of Responsibilities of auditors and audited bodies' and the 'Appointing Person Terms of Appointment' issued by Public Sector Audit Appointments Limited.
Reports and letters prepared by appointed auditors and addressed to the Council are prepared for the sole use of the Council and we take no responsibility to any member or officer in their individual capacity or to any third party.
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West Lindsey District Council
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DN21 2NA

Mazars LLP

5th Floor
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Leeds
LS1 4AP

14 November 2022

Dear Committee Members

Audit Completion Report – Year ended 31 March 2022

We are pleased to present our Audit Completion Report for the year ended 31 March 2022 for the Committee's 29 November 2022 meeting. The purpose of this document is to summarise our audit findings and conclusions from the audit work to date.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum which we presented earlier in the year. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate.

We would like to express our thanks for the assistance of your team during our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me at mark.dalton@mazars.co.uk

Yours faithfully

Mark Dalton, Director
Mazars LLP

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Section 01:
Executive summary

1. Executive summary

Principal conclusions and significant findings

The detailed scope of our work as your appointed auditor for 2021/22 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 and, as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards on Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

In section 4 of this report we have set out our conclusions and significant findings from our audit. This section includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum, which include:

- Management override of controls;
- Net Defined Benefit Pension Liability valuation;
- Valuation of Land and Buildings and Investment Properties;
- Minimum Revenue Provision; and
- Group Accounts

Misstatements and internal control recommendations

Section 5 sets out internal control recommendations and section 6 sets out audit misstatements;, which include a small number of unadjusted misstatements.

Status and audit opinion

We have substantially completed our audit in respect of the financial statements for the year ended 31 March 2022. At the time of writing this report there are areas where work is still in progress and these are summarised at Section 2.

We will provide an update to you in relation to any significant matters identified at Section 2 as outstanding through our normal follow up letter.

1. Executive summary

Subject to the satisfactory conclusion of the remaining audit work, we have the following conclusions:

Audit opinion
We anticipate issuing an unqualified opinion on the financial statements. Our proposed audit opinion is included in the draft auditor's report in Appendix B.

Whole of Government Accounts (WGA)
We have not yet received group instructions from the National Audit Office in respect of our work on the Council's WGA submission. We are unable to commence our work in this area until such instructions have been received.

Value for Money
Our Value for Money work remains in progress and the results of this will be reported within our Auditor's Annual Report later in the year. At this stage we have no significant weaknesses in arrangements to report in relation to the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources. Further detail on our Value for Money work is provided in section 7 of this report.

Wider powers
The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and to consider any objection made to the accounts. No such correspondence from electors has been received.

02

Section 02:

Status of the audit

Page 25

2. Status of the audit

Our work is substantially complete and there are currently no matters of which we are aware that would require modification of our audit opinion, subject to the outstanding matters detailed below.

Audit area	Status	Description of the outstanding matters
Net Defined Benefit Pension Liability valuation		We are awaiting the final assurances from the Pension Fund auditor before we can complete our testing in this area. No material issues have been identified so far.
Income, expenditure, debtors and creditors sample testing		We are clearing the small number of remaining queries relating to our transaction testing,
Whole of Government Accounts (WGA)		NAO Group Instructions for local authority audits are not yet available and WGA returns and audit certificates cannot be issued at the present time. This is a national issue affecting all audit clients and we provide more information on this matter at page 21.
Audit Quality Control and Completion Procedures		Our audit work is undergoing final stages of review by the Engagement Lead and further quality and compliance checks. In addition, there are residual procedures to complete, including updating post balance sheet event considerations to the point of issuing the opinion and obtaining final management representations.

We will provide the Governance and Audit Committee with an update in relation to these outstanding matters and any additional matters in a follow-up letter, prior to signing the auditor's report.

Likely to result in material adjustment or significant change to disclosures within the financial statements.

Potential to result in material adjustment or significant change to disclosures within the financial statements.

Not considered likely to result in material adjustment or change to disclosures within the financial statements.

03

Section 03:

Audit approach

3. Audit approach

Changes to our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum in March 2022. We have not made any changes to our audit approach since we presented our Audit Strategy Memorandum.

Materiality

Our provisional materiality at the planning stage of the audit was set at £990k using a benchmark of 2% of gross operating expenditure. Our final assessment of materiality, based on the final financial statements is £935k using the same benchmark.

Use of experts

In our Audit Strategy Memorandum we identified the following experts planned to be used by management in preparing the financial statements, and by ourselves in carrying out our audit. There are no changes to the planned approach or other matters to highlight in this report from our consideration of the work of experts

Item of account	Management's expert	Our expert
Defined benefit liability	Barnett Waddingham *Actuary for Lincolnshire Pension Fund*	PWC *Consulting actuary appointed by the NAO*
Property, plant and equipment valuation	Wilks, Head and Eve LLP *External valuation specialist*	Not applicable
Business Rates Appeals valuation	Inform CPI Ltd *Analyse LOCAL Valuation System*	Not applicable
Financial instrument disclosures	Link Asset Services *Treasury management advisors*	Not applicable

3. Audit approach

Service organisations

In our Audit Strategy Memorandum we identified the following relevant service organisations used by the Council and our planned audit approach. There are no changes to the planned approach or other matters to highlight in this report from our consideration of the service organisations in place.

Items of account	Service organisation	Audit approach
Payroll Expenditure	North Kesteven District Council *The payroll entries that form part of the Council's financial statements are material and are derived from the processing of monthly payrolls. The payroll processing is undertaken and administered by North Kesteven District Council on behalf of the Council.*	We planned to review the controls at the Council over these transactions and gain an understanding of the work of the service organisations. We planned to conclude whether the Council had sufficient controls in place over the services provided by the payroll and business rates service and whether we could audit these items of account based on the records held at the entity.
Business Rates Income	City of Lincoln Council *The Business Rates system is administered by City of Lincoln Council on the Council's behalf*	

04

Section 04:

Significant findings

4. Significant findings

In this section we outline the significant findings from our audit. These findings include:

- our audit conclusions regarding other significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 20 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year;
- any further significant matters discussed with management;
- any significant difficulties we experienced during the audit; and
- modifications required to our audit report.

As part of our planning procedures we considered the risks of material misstatement in the Council's financial statements that required special audit consideration. Although we report identified significant risks at the planning stage of the audit in our Audit Strategy Memorandum, our risk assessment is a continuous process and we regularly consider whether new significant risks have arisen and how we intend to respond to these risks. No new risks have been identified since we issued our Audit Strategy Memorandum.

4. Significant findings

Management override of controls	**Description of the risk** Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.
	How we addressed this risk We addressed this risk through performing audit work over: • Accounting estimates impacting amounts included in the financial statements; • Consideration of identified significant transactions outside the normal course of business; and • Journals recorded in the general ledger and other adjustments made in preparation of the financial statements.
	Audit conclusion Our audit procedures have not identified any material errors or uncertainties in the financial statements, or other matters that we wish to bring to Members' attention in relation to management override of controls.

Page 32

4. Significant findings

Net Defined Benefit Liability valuation	**Description of the risk** The Council's accounts contain material liabilities relating to the local government pension scheme. The Council uses an actuary to provide an annual valuation of these liabilities in line with the requirements of IAS 19 Employee Benefits. Due to the high degree of estimation uncertainty associated with this valuation, we have determined there is a significant risk in this area.
	How we addressed this risk • Critically assessed the competency, objectivity and independence of the Lincolnshire Pension Fund's Actuary; • Liaised with the auditors of the Lincolnshire Pension Fund to gain assurance that the controls in place at the Pension Fund are operating effectively. This included confirming that the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS 19 valuation is complete and accurate; • Tested payroll transactions at the Council to provide assurance over the pension contributions which are deducted and paid to the Pension Fund by the Council; • Reviewed the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuary, and the key assumptions included within the valuation. This included comparing them to expected ranges, utilising information provided by PWC, the consulting actuary engaged by the National Audit Office; and • Agreeing the data in the IAS 19 valuation report provided by the Fund Actuary for accounting purposes to the pension accounting entries and disclosures in the Council's financial statements.
	Audit conclusion Our audit procedures have not, to date, identified any material errors or uncertainties in the financial statements, or other matters that we wish to bring to Members' attention in relation to the valuation of the net Defined Benefit Liability. As mentioned at page 8 we are working with the Pension Fund auditor and management to complete the remaining work in this area.

4. Significant findings

Valuation of Land and Buildings and Investment Properties	
	Valuation of Land and Buildings and Investment Properties The Council's accounts contain material balances and disclosures relating to its holding of land, buildings and investment properties which are required to be carried at valuation. Due to high degree of estimation uncertainty associated with those held at valuation, we have determined there is a significant risk in this area.
	How we addressed this risk In relation to the valuation of land and buildings, and investment properties we: • Critically assessed the Council's valuer's scope of work, qualifications, objectivity and independence to carry out the required programme of revaluations; • Considered whether the overall revaluation methodologies used by the Council's valuer were in line with industry practice, the CIPFA Code of Practice and the Council's accounting policies; • Critically assessed the treatment of the upward and downward revaluations in the Council's financial statements with regards to the requirements of the CIPFA Code of Practice; • Critically assessed the approach that the Council adopts to ensure that any assets not subject to revaluation in 2021/22 are materially correct, including considering the robustness of that approach in light of the valuation information reported by the Council's valuer's; and • Considered the movement in market indices between revaluation dates and the year end in order to determine whether these indicate that values have moved materially over that time.
Page 34	**Audit conclusion** Our audit procedures have not to date identified any material errors or uncertainties in the financial statements in relation to the valuation of land, buildings and investment property assets. We have reported non-material misstatements at Section 6 which management are not proposing to adjust in the final Statement of Accounts.

4. Significant findings

Minimum Revenue Provision (MRP)	**Description of the management judgement** Under its current policy the Council does not commit to set aside a MRP for commercial investment properties where the asset is expected to be held for a set period, at the end of which a capital receipt is expected to be realised and therefore funds will be available to repay borrowing. The policy does state that the Council may chose to make a voluntary MRP and we understand that, as in the previous year, such a payment is proposed for 2021/22. In our 2020/21 Audit Completion Report we stressed that it was important that the Council continues to ensure that, in departing from Statutory Guidance, it is able to demonstrate that it is continuing to act reasonably, that Members understand the implications, and that its approach is prudent.
	How our audit addressed this area of management judgement We addressed this judgement by: • Reviewing the Council's MRP policy to ensure that it has been developed with regard to the statutory guidance; • Assessing whether the provision has been calculated and recorded in accordance with the Council's policy; • Assessing whether the amount provided for the period is appropriate, taking into account the Council's Capital Financing Requirement; and • Challenging management's justification for the policy in the context of the Statutory Guidance and the Council's expenditure and borrowing.
	Audit conclusion Our audit procedures have not identified any material errors or uncertainties in the financial statements, or other matters that we wish to bring to Members' attention in relation to the application of its MRP policy in 2021/22.

Page 35

4. Significant findings

Group Accounts	
	Description of the management judgement The Council has interests in companies and other entities that have the nature of joint ventures. Management's judgement in 2020/21 was that there was no material impact on the Statement of Accounts and Group Accounts were not prepared. It is expected that a similar line is to be followed for the Council's 2021/22 accounts.
	How our audit addressed this area of management judgement We reviewed the assessment carried out by management for 2021/22 and challenged the reasonableness of judgments management has made.
	Audit conclusion Our audit procedures have not identified any material errors or uncertainties in the financial statements, or other matters that we wish to bring to Members' attention in relation to the need for Group Accounts and the accounting for the Council's companies and joint ventures.

4. Significant findings

Changes to the Council's accounting systems	**Description of the issue** The Council has changed its core financial accounting systems in the year.. The Council needs to have effective arrangements in place for managing the changeover and completely and accurately transferring information between the old and new systems.
	How our audit addressed this area of area of audit focus We reviewed the steps taken by management to ensure the changeover was carried out effectively and tested the reconciliations carried out on the systems' data transfer. We engaged our IT audit specialists to support the local audit team in this work. Our financial systems controls walkthroughs covered the pre and post changeover periods.
	Audit conclusion Our audit procedures have not identified any material errors or other matters that we wish to bring to Members' attention.

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4. Significant findings

Qualitative aspects of the Council's accounting practices

We have reviewed the Council's accounting policies and disclosures and concluded they comply with the 2021/22 Code of Practice on Local Authority Accounting, appropriately tailored to the Council's circumstances.

The draft Statement of Accounts were approved for issue by the 31 July 2022 deadline and were of a good quality.

Significant matters discussed with management

Significant matters discussed with management during the year include the on-going impact of Covid-19 and the challenging economic situation on the Council's business, including any potential impact on risks of material misstatement. There are no specific matters that we are required to highlight in this report.

Significant difficulties during the audit

During the course of the audit we have had the full co-operation of management. The audit was again carried out remotely but there were no significant difficulties in carrying out our normal audit procedures and obtaining the audit evidence required to complete the audit. We continue to work with management to complete any remaining audit work and resolve audit queries and are grateful for the co-operation and support provided.

Modifications required to our audit report

We have not identified any matters which require modifications to our audit report. Our draft audit report, in full, is set out in Appendix B.

4. Significant findings

Wider responsibilities

Our powers and responsibilities under the 2014 Act are broad and include the ability to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these powers as part of our 2021/22 audit.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. No such questions or objections have been raised

Audit fees

As set out in our Audit Strategy Memorandum, we identified the need for a variation to the published scale fee to take account of several matters. Our current estimate is set out below:

- Additional testing as a result of changes arising from increased audit quality expectations involving the work on the valuation of land and buildings and on the local government pension scheme - £7,067.
- Additional work, not reflected in the published scale fee, as a result of the 2020 Code of Audit Practice and VFM reporting – £8,000.
- Additional work arising from the changes to the Council's core accounting systems - £3,000

We will agree the final fee, and any further variations, with management prior to reporting to the Governance and Audit Committee.

Delay in the audit certificate

The issue of the Audit Certificate confirms that we have discharged all of our audit responsibilities and that the audit is formally 'closed'. The Audit Certificate would normally be published in our Auditor's Report on the Statement of Accounts.

The 2020/21 Audit Certificate is still outstanding as the National Audit Office has not finalised its auditor reporting requirements in respect of that year's Whole of Government Accounts (WGA) return. The NAO has also not issued its auditor instructions for the 2021/22 return. This is a national issue affecting all audit clients.

We expect to issue the 2021/22 audit report but delay the issue of the 2021/22 Audit Certificate until:

- the 2020/21 WGA auditor procedures are completed and that year's Audit Certificate has been issued;
- the 2021/22 WGA auditor procedures have been completed; and
- the 2021/22 Auditor's Annual Report has been issued.

We will update the Governance and Audit Committee when more information is known.

05

Section 05:

Internal control recommendations

5. Internal control recommendations

The purpose of our audit is to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place relevant to the preparation of the financial statements. We do this in order to design audit procedures to allow us to express an opinion on the financial statement and not for the purpose of expressing an opinion on the effectiveness of internal control, nor to identify any significant deficiencies in their design or operation.

The matters we report are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and that we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control we might have identified more deficiencies to be reported or concluded that some of the reported deficiencies need not in fact have been reported. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

Based the audit work carried out this year, we have not identified any significant control deficiencies in 2021/22 that we are required to report to you and there were none reported in 2020/21 which we were required to follow up.

06

Section 06:

Summary of misstatements

6. Summary of misstatements

Corrected Material misstatements

The table below summarises the material adjustments made to the draft financial statements during our audit work to date.

Details	Assets £000s	Liabilities £000s	Reserves £000s	Comprehensive Income and Expenditure Statement £000s	Commentary
Balance Sheet: Dr Provisions Cr Creditors		742 (742)			The 2020/21 financial statements identified a material contingent liability relating to a potential £742k pay-over due to HMRC for a breach of the VAT Partial Exemption rules. The Council was contesting HMRC's claim and believed its appeal would be successful. The Council was unsuccessful in its appeal and the amount due to HMRC was included in the 2021/22 draft financial statements as a Provision, with a corresponding value recorded under Assets Under Construction. The £742k was paid to HMRC in the early part of 2022/23, and the asset which the VAT related to was mainly the newly built Crematorium which was operational and not under construction. The Council is continuing to challenge HMRC on this matter but the accounts adjustments are required at this stage, and on the basis of the latest information, to record the liability and assets under the correct balance sheet headings.
Note 15: Cr Plant, property and Equipment – Assets under Construction Dr Plant, property and Equipment – Other Land and Buildings	(742) 742				

6. Summary of misstatements

Unadjusted non-material misstatements

We have identified the following misstatements during the course of the audit work to date which are above the trivial reporting threshold of £28k. Management do not propose to adjust the financial statements for these matters on the grounds of materiality and we ask the Committee to confirm their agreement to this in the Letter of Representation at Appendix A. We will update the Governance and Audit Committee if any further reportable misstatements are identified as a result of the remaining work summarised at page 8.

Details	Assets £000s	Liabilities £000s	Reserves £000s	Comprehensive Income and Expenditure Statement £000s	
Dr Net Pension Liability		439			The Pension Fund has advised employer organisations of a difference between the estimated 2021/22 Fund investment asset value used by the Actuary to prepare the original employers' IAS19 valuation reports and the 2021/22 Fund financial statements being audited. The Council obtained in October 2022 an updated IAS19 valuation report which shows an increase in the Council's pensions asset value (and corresponding reduction in the net pension liability) of £439k. Management is not proposing, on the grounds of materiality, to amend the accounts (including the disclosures at Note 32) for the differences in the updated IAS19 valuation report.
Cr Unusable Reserves (Pensions Reserve)			(439)		
Dr Plant. property and equipment – Other Land and Buildings	88				Detailed testing of valuations identified a small number of errors in the underlying data provided to the Valuer. The Council has obtained valuations for these assets and the net total of these misstatements is summarised in this table. Management is not proposing, on the grounds of materiality, to amend the accounts for these misstatements.
Cr Unusable Reserves – Revaluation Reserve			(88)		

6. Summary of misstatements

Other adjustments

A small number of disclosure amendments to the notes to the Statement of Accounts have been agreed with management to correct minor errors. None of these are significant and we are not required to highlight them in this report. We will update the Governance and Audit Committee if any further reportable misstatements are identified as a result of the remaining work summarised at page 8.

07

Section 07:

Value for Money

Page 46

7. Value for Money

Approach to Value for Money

We are required to consider whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out and sets out the reporting criteria that we are required to consider. The reporting criteria are:

- **Financial sustainability** - How the Council plans and manages its resources to ensure it can continue to deliver its services
- **Governance** - How the Council ensures that it makes informed decisions and properly manages its risks
- **Improving economy, efficiency and effectiveness** - How the Council uses information about its costs and performance to improve the way it manages and delivers its services

At the planning stage of the audit, we undertake work to understand the arrangements that the Council has in place under each of the reporting criteria and we identify risks of significant weaknesses in those arrangements. Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest significant weaknesses in arrangements exist.

Where our risk-based procedures identify actual significant weaknesses in arrangements we are required to report these and make recommendations for improvement. Where such significant weaknesses are identified, we report these in the audit report.

The primary output of our work on the Council's arrangements is the commentary on those arrangements that forms part of the Auditor’s Annual Report. We intend to issue the Auditor's Annual Report in December 2022.

Status of our work

We have not completed our work in respect of the Council's arrangements for the year ended 31 March 2022 but we have not identified any risks of or actual significant weaknesses in arrangements that we are required to report to you or on which we need to make a recommendation. Our draft audit report at Appendix B confirms the status of our work in this area. As noted above, our commentary on the Council's arrangements will be provided in the Auditor’s Annual Report in December 2022.

Appendices

A: Draft management representation letter

B: Draft audit report

C: Independence

D: Other communications

Appendix A: Draft management representation letter

Mark Dalton
Director
Mazars LLP
5th Floor
3 Wellington Place
Leeds
LS1 4AP

xx November 2022

Dear Mark

West Lindsey District Council - audit for year ended 31 March 2022

This representation letter is provided in connection with your audit of the financial statements of West Lindsey District Council (the Council) for the year ended 31 March 2022 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the Code) and applicable law.

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy ourselves that I can properly make each of the following representations to you.

My responsibility for the financial statements and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Code and applicable law.

My responsibility to provide and disclose relevant information

I have provided you with:

- Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other material;
- Additional information that you have requested from us for the purpose of the audit; and
- Unrestricted access to individuals within the Council you determined it was necessary to contact in order to obtain audit evidence.

Appendix A: Draft management representation letter (continued)

I confirm as S151 Officer that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information.

As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

Accounting records

I confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Council and committee meetings, have been made available to you.

Accounting policies

I confirm that I have reviewed the accounting policies applied during the year in accordance with the Code and International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Council's financial position, financial performance and cash flows.

Accounting estimates, including those measured at fair value

I confirm that any significant assumptions used by the Council in making accounting estimates, including those measured at current or fair value, are reasonable.

I confirm that I am satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities for IAS19 disclosures are consistent with my knowledge. I confirm that all settlements and curtailments have been identified and properly accounted for. I confirm that all significant retirement benefits have been identified and properly accounted for (including any arrangements that are statutory, contractual or implicit in the employer's actions, that arise in the UK or overseas, that are funded or unfunded).

Appendix A: Draft management representation letter (continued)

Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Council have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the Code and applicable law.

Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

The Council has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

Fraud and error

I acknowledge my responsibility as Chief Finance Officer for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

I have disclosed to you:

- All the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;

Appendix A: Draft management representation letter (continued)

- All knowledge of fraud or suspected fraud affecting the Council involving:
    - management and those charged with governance;
    - employees who have significant roles in internal control; and
    - others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, analysts, regulators or others.

Related party transactions

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed to you in accordance with the requirements of the Code and applicable law.

I have disclosed the identity of the Council's related parties and all related party relationships and transactions of which I am aware.

Impairment review

To the best of my knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the property, plant and equipment and intangible assets below their carrying value at the balance sheet date. An impairment review is therefore not considered necessary.

Charges on assets

All the Council's assets are free from any charges exercisable by third parties except as disclosed within the financial statements.

Future commitments

I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

Subsequent events

I confirm all events subsequent to the date of the financial statements, and for which the Code and applicable law require adjustment or disclosure, have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

Appendix A: Draft management representation letter (continued)

War in Ukraine

We confirm that we have carried out an assessment of the potential impact of Russian Forces entering Ukraine on the Council, including the impact of mitigation measures and uncertainties, and that the disclosure in the Narrative Report in the Statement of Accounts fairly reflects that assessment.

Going concern

To the best of my knowledge there is nothing to indicate that the Council will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

I continue to believe that the Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

Annual Governance Statement

I am satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and I confirm that I am not aware of any significant risks that are not disclosed within the AGS.

Narrative report

The disclosures within the Narrative Report fairly reflect my understanding of the Council's financial and operating performance over the period covered by the financial statements.

Appendix A: Draft management representation letter (continued)

Unadjusted misstatements

I confirm that the effects of the uncorrected misstatements identified in the Appendix to this letter are immaterial, both individually and in aggregate, to the financial statements as a whole.

Yours faithfully

Director of Corporate Services

Appendix B: Draft audit report

Independent auditor's report to the members of West Lindsey District Council

Report on the audit of the financial statements

Opinion on the financial statements

We have audited the financial statements of West Lindsey District Council ("the Council) for the year ended 31 March 2022, which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund statements and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Council as at 31st March 2022 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report. We are independent of the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Director of Corporate Services' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Council's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Director of Corporate Services with respect to going concern are described in the relevant sections of this report.

Appendix B: Draft audit report (continued)

Other information

The Director of Corporate Services is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Director of Corporate Services for the financial statements

As explained more fully in the Statement of Chief Finance Officer's Responsibilities, the Director of Corporate Services is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, and for being satisfied that they give a true and fair view. The Director of Corporate Services is also responsible for such internal control as the Service Director – Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Director of Corporate Services is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 and prepare the financial statements on a going concern basis on the assumption that the functions of the Council will continue in operational existence for the foreseeable future. The Director of Corporate Services is responsible for assessing each year whether or not it is appropriate for the Council to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the Council, we identified that the principal risks of non-compliance with laws and regulations related to the Local Government Act 2003 (and associated regulations made under section 21), the Local Government Finance Acts of 1988, 1992 and 2012, the Accounts and Audit Regulations 2015, and the Local Government and Housing Act 1989, and we considered the extent to which non-compliance might have a material effect on the financial statements.

We evaluated the Service Director Finance's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates and significant one-off or unusual transactions.

Appendix B: Draft audit report (continued)

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to:

- discussing with management and the Standards and Audit Committee the policies and procedures regarding compliance with laws and regulations;
- communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- considering the risk of acts by the Council which were contrary to applicable laws and regulations, including fraud.

Our audit procedures in relation to fraud included but were not limited to:

- making enquiries of management and the Standards and Audit Committee on whether they had knowledge of any actual, suspected or alleged fraud;
- gaining an understanding of the internal controls established to mitigate risks related to fraud;
- discussing amongst the engagement team the risks of fraud; and
- addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management and the Standards and Audit Committee. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

We are also required to conclude on whether the Service Director Finance's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We performed our work in accordance with Practice Note 10: Audit of financial statement and regularity of public sector bodies in the United Kingdom, and Supplementary Guidance Note 01, issued by the National Audit Office in September 2021.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Appendix B: Draft audit report (continued)

Report on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception

We are required to report to you if, in our opinion, we are not satisfied that the [Council] has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

We have not completed our work on the Council's arrangements. On the basis of our work to date, having regard to the guidance issued by the Comptroller and Auditor General in December 2021, we have not identified any significant weaknesses in arrangements for the year ended 31 March 2022.

We will report the outcome of our work on the Council's arrangements in our commentary on those arrangements within the Auditor's Annual Report. Our audit completion certificate will set out any matters which we are required to report by exception.

Responsibilities of the Council

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required under section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our work in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in December 2021.

Matters on which we are required to report by exception under the Code of Audit Practice

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Appendix B: Draft audit report (continued)

Use of the audit report

This report is made solely to the members of West Lindsey District Council, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed:

- the work necessary to issue our assurance statement in respect of the Council's Whole of Government Accounts consolidation pack; and
- the work necessary to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Mark Dalton, Key Audit Partner
For and on behalf of Mazars LLP

5th Floor, 3 Wellington Place, Leeds, LS1 4AP

Xx November 2022

Appendix C: Independence

As part of our ongoing risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.

Appendix D: Other communications

Other communication	Response
Compliance with Laws and Regulations	We have not identified any significant matters involving actual or suspected non-compliance with laws and regulations.. We will obtain written representations from management that all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements have been disclosed.
External confirmations	We did not experience any issues with respect to obtaining external confirmations.
Related parties	We did not identify any significant matters relating to the audit of related parties. We will obtain written representations from management confirming that: a. they have disclosed to us the identity of related parties and all the related party relationships and transactions of which they are aware; and b. they have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the applicable financial reporting framework.
Going Concern	We have not identified any evidence to cause us to disagree with the [Chief Financial Officer] that West Lindsey District Council will be a going concern, and therefore we consider that the use of the going concern assumption is appropriate in the preparation of the financial statements. We will obtain written representations from management, confirming that all relevant information covering a period of at least 12 months from the date of approval of the financial statements has been taken into account in assessing the appropriateness of the going concern basis of preparation of the financial statements.

Appendix D: Other communications

Other communication	Response
Subsequent events	We are required to obtain evidence about whether events occurring between the date of the financial statements and the date of the auditor's report that require adjustment of, or disclosure in, the financial statements are appropriately reflected in those financial statements in accordance with the applicable financial reporting framework. We will obtain written representations from management that all events occurring subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed.
Matters related to fraud	We have designed our audit approach to obtain reasonable assurance whether the financial statements as a whole are free from material misstatement due to fraud. In addition to the work performed by us, we will obtain written representations from management, and the Governance and Audit Committee, confirming that a. they acknowledge their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud; b. they have disclosed to the auditor the results of management's assessment of the risk that the financial statements may be materially misstated as a result of fraud; c. they have disclosed to the auditor their knowledge of fraud or suspected fraud affecting the entity involving: i. Management; ii. Employees who have significant roles in internal control; or iii. Others where the fraud could have a material effect on the financial statements; and d. they have disclosed to the auditor their knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

Mark Dalton, Director – Public Services

Mazars

5th Floor
3 Wellington Place
Leeds
LS1 4AP

Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

*where permitted under applicable country laws.

Governance and Audit Committee
29th November 2022

Subject: Audited Statement of Accounts 2021/22

Report by:	Director of Corporate Resources (S151)
Contact Officer:	Peter Davy Financial Services Manager peter.davy@west-lindsey.gov.uk
Purpose / Summary:	The 2021/22 Statement of Accounts is presented for Scrutiny and adoption.

RECOMMENDATION(S):

1) **That Members review the attached Statement of Accounts and confirm that there are no concerns arising from the Financial Statements that need to be brought to the attention of the Council.**

2) **That Members approve the Statement of Accounts for 2021/22.**

3) **That Governance & Audit Committee permit the Section 151 Officer and the Chairman of this Committee to certify the letter of representation to our Auditor, Mazars, on completion of the audit.**

IMPLICATIONS

Legal: None Arising from this report

Financial : FIN/112/23/PD

The audited Statements of Accounts 2021/22 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 Outturn for 21/22 reported a surplus of £1.612m, of which £0.828m relates to budget provision for projects which have approval for carry forward as they span financial years. This leaves a £0.784m surplus of which £0.250m has been allocated to support service resourcing and £0.534m transferred to the General Fund Balance.

Capital Investment in the year totalled £7.812m.

In respect of Usable Reserves, the Council remains in a healthy position with balances detailed below:

- General Fund working balance totals £5.406m, (£7.338m 2020/21)
- General Fund Earmarked reserves total £19.214m, (£18.217m 2020/21)
- Capital receipts total £1.472m (£1.168m 2020/21)
- Capital Grants unapplied £2.516m (£2.366m 2020/21)

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.

(N.B.) Where there are staffing implications the report MUST have a HR Ref

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 2021/22.

Code of Practice on Local Authority Accounting in the United Kingdom – Guidance notes for practitioners 2021/22 Accounts.

The Accounts and Audit (England) Regulations 2015.

Papers are located in the Financial Services section, Guildhall.

Risk Assessment :

None arising from this report

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**	**X**

Key Decision:

A matter which affects two or more wards, or has significant financial implications	**Yes**	**X**	**No**	

1 Introduction

1.1 The Statement of Accounts for 2021/22 (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 Draft 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 the 31 July. However, due to the ongoing situation regarding Covid-19, these deadlines have been extended for 2021/22. The unaudited accounts had to be published on, or before 31 July 2022. Audited accounts must be published by 30 November 2022.

1.3 The Committee is therefore presented with the Audited Statement of Accounts, which was approved for issue to the Auditor, Mazars, by the Director of Resources (S151 Chief Finance Officer) on 19 July 2022.

1.4 This Committee is responsible for the approval of the Statement of Accounts and any material amendments recommended by the external auditors.

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 The External Auditor (Mazars) commenced their audit 19 September 2022. The audit identified one material misstatement during the audit that has now been corrected by officers. There were also two unadjusted misstatements that have not been adjusted in the financial statements on the grounds of materiality. There is a separate report on this agenda in relation to the External Audit Completion Report – ISA 260 which provides further details on these items.

1.8 Whilst the Statement of Accounts, has been available for inspection by the electorate from 25 July 2022 to 05 September 2022 no such requests have been made.

2 Financial Performance Indicators 2021/22

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	2020/21	2021/22
Liquidity Ratio	1.23%	1.18%
A ratio of above 1 indicates the Council can meet its short-term obligations		
Working Capital (net current assets) £000's	4,173	3,781
The difference between current assets and current liabilities. Indicating the Council has sufficient current assets to meet its current liabilities		
Working Capital (as a percentage of Actual Net Revenue Expenditure)	27.12%	25.85%
Working Capital as a percentage of Actual Net Revenue Expenditure shows if the Council has adequate net current assets to enable continued operations should the need arise		
General Fund and Earmarked Reserves as % of Actual Net Revenue Expenditure	1.66%	1.68%
This indicator measures the level 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 fund investments. If the use of reserves were to be used to support the revenue budget this would significantly impact on the Council's ability to deliver its corporate plan.		
Total Liabilities as a % of Total Assets	103.08%	90.67%
This indicator provides assurance the Council can meet all its liabilities from its assets		
Percentage movement in Net Pension Fund Liability	20.35%	-18.34%
The ratio reflects the movement 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.		
Pension Fund Liabilities as a % of Actual Net Revenue Expenditure	-308.38%	-274.16%
Whilst the Pension Liability may not be of an immediate concern it does have an impact on the level of contributions the Council is required to make to repay the pension deficit.		
Percentage change in Council Tax Base	1.51%	0.47%
1% growth in the Tax Base generates approximately £67,000		

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 Audited Statement of Accounts 2021/22 is attached at Appendix A. The main elements of which are detailed below;

3.1 **Expenditure Funding and Analysis (Note 7 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 2021/22 there was a surplus on the Provision of Services totalling £0.191m (£0.219m surplus in 2020/21).

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 £28.608m (£29.089m 2020/21).

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 £28.608m (£29.089m 2020/21). 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 £20.387m (deficit of £31.632m 2020/21) which gives a net balance sheet position of £8.221m, (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 increase in cash of £3.065m (increase of £5.173m 2020/21).

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 Going Concern

4.1 This is to confirm that in publishing the 2021/22 Statement of Accounts, Management has assessed the Going Concern for West Lindsey District Council and have not identified any material uncertainty which prevent us from applying this principle.

4.2 The main factors underpinning this assessment are;

- The Council's current financial position – the Council has delivered a balanced revenue outturn position for 2021/22 and has maintained adequate levels of reserves, which meet the minimum risk assessed level.

- The Council's projected financial position – the Council set a balanced budget for 2022/23 with the requirement to deliver ongoing efficiency savings over the medium term. The Council is developing a Programme to achieve the required savings and this is subject to ongoing review and development to ensure that required savings are delivered. The council has developed a number of financial resilience indicators which demonstrate that over the medium term the Council has enough resources to mitigate any projected deficits over the medium term.

- The Chief Finance Officer has made a formal statement on the robustness of estimates and the adequacy of reserves, as contained within the Medium-Term Financial Plan.

- The Council's cash flows are managed on a regular basis to ensure that there are enough funds to meet its financial commitments. The Council has adequate financial resources to meet its immediate financial obligations. The Council could access additional financing from the UK Debt Management Office, should it be required.

- The Council's Governance Arrangements – there is a robust governance framework in place which includes the statutory elements such as the Head of Paid Service, the Monitoring Officer and the Section 151 officer in addition to the current political arrangements (see the AGS)

- The external regulatory and control environment – Local authorities operate in a highly legislated and controlled environment. In addition to the legal framework and central government controls, there are factors such as the role of the external auditor and compliance with best practice such as that published by CIPFA. The provisions in the Code on the going concern requirements reflect the economic and statutory environment in which local authorities operate. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, it would not be appropriate for their financial statements to be prepared on anything other than a going concern basis.

5 Amendments to the Statement of Accounts since 19th July 2022.

5.1 There was one material misstatement identified during the audit that has now been corrected by officers. This is in relation to the accounting for the payment to HMRC for the VAT partial exemption threshold being breached in 2019/20.

5.2 The auditors identified a small number of presentational changes to the Statement of Accounts. The Statement of Accounts that were originally certified by the Chief Finance Officer and published have now been updated accordingly.

5.3 There have been no events after the reporting period to declare.

6 Summary

6.1 The Statement of Accounts 2021/22 is attached at Appendix A.

6.2 Following the certification of the accounts on 19 July 2022 by the Director of Resources (S151 Officer) our auditors (Mazars) have carried out their final accounts audit. This has resulted in one material misstatement being corrected by officers and a small number of representational amendments. The audit findings reflected in this report will be used to inform the finance team's review of the final accounts process and the identification of improvements.

6.3 It is recommended that Members having considered the Statement of Accounts and confirm that there are no concerns arising from the Financial Statements that need to be brought to the attention of the Council.

6.4 Members are requested to approve the Statement of Accounts for 2021/22 and permit the Director of Resources (S151 Officer) in consultation with the Chairman of this Committee to certify the letter of representation to Mazars on completion of the audit. A copy of the letter can be found at Appendix B.

6.5 As part of the external audit process the Chairman of this Committee and the Director of Resources (S151 Officer) has provided written assurance to the auditors on a number of matters relating to the processes in place to prevent, detect and report fraud.

West Lindsey DISTRICT COUNCIL

Statement of Accounts and Annual Governance Statement 2021/22

CONTENTS

INTRODUCTION

Message from the Leader of the Council, Councillor Owen Bierley

As Leader of West Lindsey District Council I am proud to introduce you to West Lindsey District Council's Financial Statements for 2021/22. In a year of many challenges, the accounts not only provide details of the Council's financial position for 2021/22 which demonstrates the excellent financial management exercised by the Finance Team here at West Lindsey but also our performance in both response and recovery of the Covid-19 pandemic.

In addition it gives me the opportunity to highlight some of our achievements over the past year in delivering our Corporate Plan objectives and which contribute to our overall vision for West Lindsey in that it is a ***great place to be where people, businesses and communities can thrive and realise their potential.*** During the year we have made real progress to delivering a better future for the people of West Lindsey.

By putting **Our People** first their health and wellbeing is of high importance to us and in a year where the Covid-19 pandemic has affected all our lives, we have worked with other agencies in ensuring the vulnerable in our communities were supported and businesses received the grants due to them as quickly as possible.

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 £121k to local groups, generating £665k in external match funding for the District, achieving £5.49 for every £1 invested, this is an increase of £1.49 from the previous year.

We are committed to ensuring the future sustainability of **Our Place** for our residents which requires us to meet the need for homes and jobs. Three development sites have been agreed within Gainsborough and are delivering new homes. This has only been achieved through successful funding bids to Homes England and private/public sector engagement and investment.

We continue to deliver the **Local Plan** and to support the development of local neighbourhood plans where 17 plans have been adopted thus far, and a further 4 currently being progressed.

Our Council

Our Together24 programme puts the customer at the centre of everything we do, we want to ensure we provide excellent services and good value for money. The programme will see services redesigned and investment in new technology will see our online services grow, efficiencies identified and improvements in customer satisfaction.

Our Finance and Systems teams have successfully implemented a new Enterprise Resource Planning system which will deliver future savings and efficiencies across multiple service areas.

I would like to thank the staff of West Lindsey District Council in contributing to our continued success.

Great Limber pond

Message from the Director of Corporate Services and Section 151 Officer – Emma Foy

In my role as the Council's Chief Finance Officer it is my responsibility to ensure that the financial affairs of the Council are properly administered and that its financial position remains stable and robust. This is essential to ensuring the Council can provide quality services and continue to support delivery of the Corporate Plan objectives.

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.

It is important to note that the deadlines for the preparation of the accounts 2021/22 after consideration by the Department for Levelling Up, Housing and Communities and in consultation with stakeholders, that the draft accounts must now be submitted for audit by 31 July 2022 (rather than 31 May) and the timeline for the conclusion of the audit is 30 November 2022.

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 successfully bid for £10m of funding from the Levelling Up Fund to create a Thriving Gainsborough; implemented a new ERP system and delivered £7.172m of grants to local businesses to support them in recovery but also in the wake of the Omicron variant of Covid-19.

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 once again shown good financial stewardship over the year as reflected in these accounts and delivered a small surplus from services of £0.191m. This compares with the accounting surplus of £10.764m shown in the Comprehensive Income and Expenditure Statement. These two numbers are reconciled in Note 7, 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 earmarked reserves of £19.2m being set aside for significant investment and service improvement initiatives. The General Fund balance stands at £5.406m which is above our minimum requirement of £2.5m, and will provide 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 DLUHC. No further long term borrowing has been undertaken during 2021/22.

In terms of future financial risks, during the year the government has delayed the implementation of Fair Funding which seeks to revise the funding arrangements for Local Authorities for the financial year 2022/23, in addition to undertaking a review of Business Rates Retention Scheme. We have engaged fully withe consultations and will continue to seek to influence the outcome in the best interests of West Lindsey residents.

As we recover from the Covid emergency we see it as important we continue to build on the relationship 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.

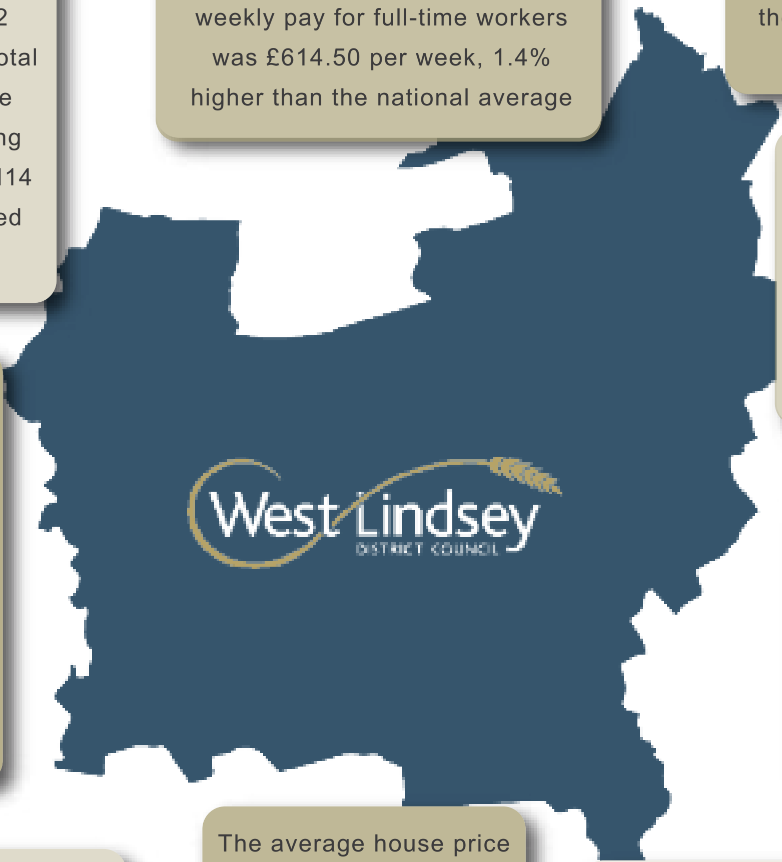
The information provided below is based on the latest available. The full State of the District report can be found at www.west-lindsey.gov.uk/my-business/growth-and-regeneration/stateofthedistrict

Homelessness remains low in the district. In the 12 months to April 2022, a total of 229 households were prevented from becoming homeless and a further 114 households were relieved from homelessness

In 2021, the average gross weekly pay for full-time workers was £614.50 per week, 1.4% higher than the national average

Almost 1/4 of the houses in the district are bungalows, 1/3 are detatched

In 2021, 82.9% of pupils attained at least an NVQ Level 1 or above (equivalent to GCSE level) which is 4.7% below the national average



As of December 2021, 42,400 people in West Lindsey were in employment, equivalent to 73.6% of the district's working age population. This is slightly below the national average of 74.8%

As of April 2022, a total of 1,810 people claimed out of work benefits, equivalent to 3.3% of the district's working age population and lower than the national average (4%)

The number of business counts grew to 3,800 in 2021, an increase of 10 on the previous year. 90% of businesses in West Lindsey are micro-businesses employing between 0-9 people

The average house price in West Lindsey was £210,000 in September 2021, an increase of 20% on the previous year. The national average is £285,000

The density of the district in 2016 was 81.11 people/km² - the least dense local authority in Lincolnshire (apart from East Lindsey) and the 313th most dense English district among the total of 326

*Calculations are based on the 2011 census

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 2021/22 are;

Our People

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

Vulnerable Groups & Communities
to create strong and self-reliant communities and promote positive life choices for disadvantaged residents

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

Our Place

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

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

Public Safety & Environment
to create a safer, cleaner District in which to live, work and socialise

Our Council

Finances
to remain financially sustainable

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

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 2020/21;

- 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

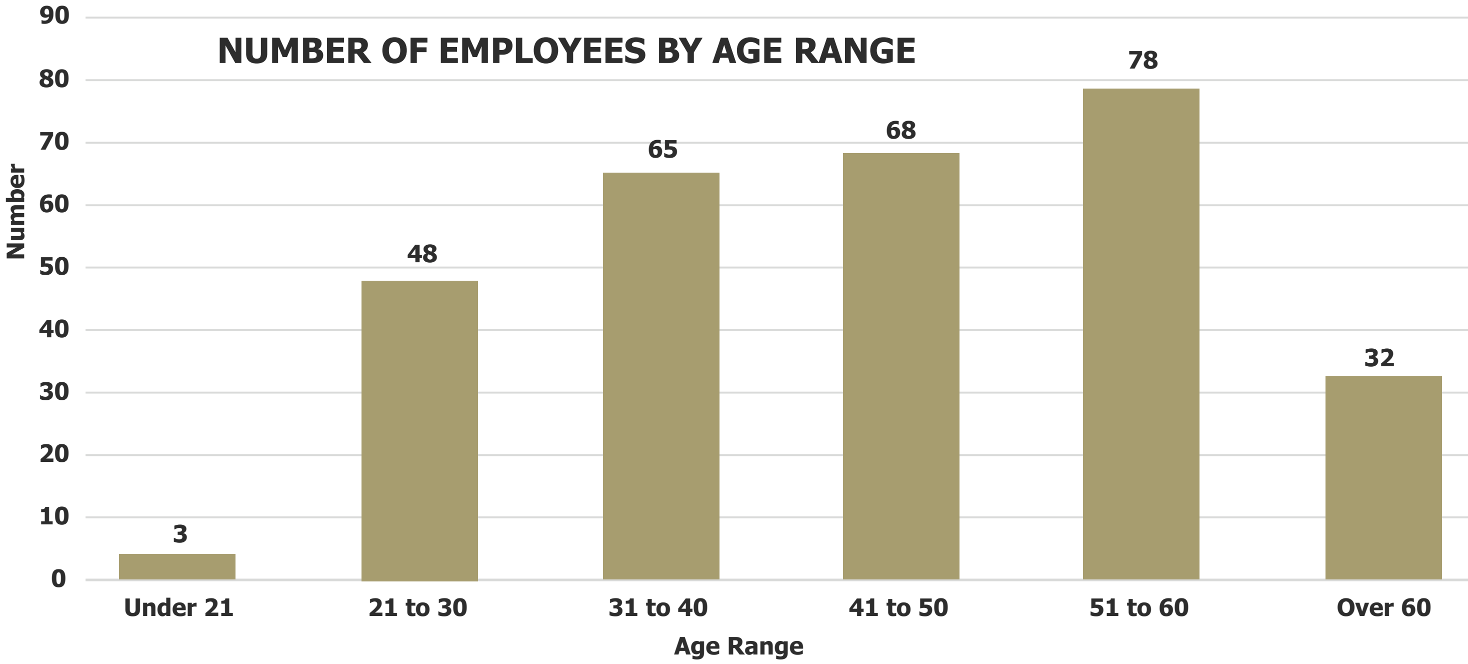
Communicating Effectively – simply, clearly and concisely ensuring message is understood

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 24 May 2022 totalled 295 and are analysed by age and gender below;

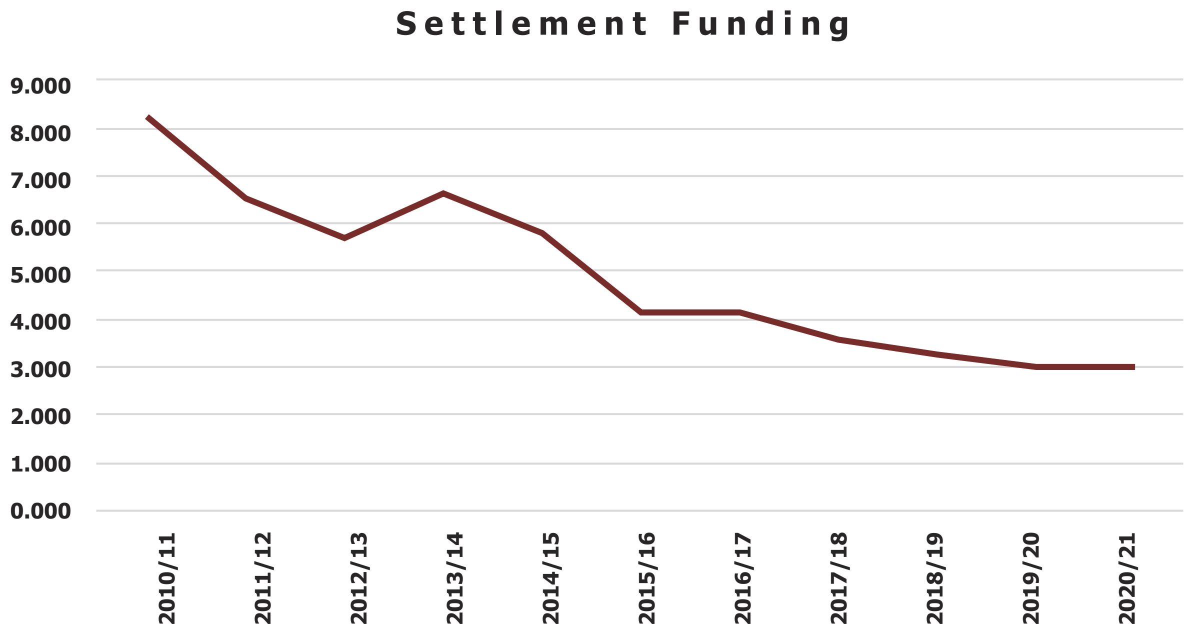


Gender	Total	Percentage
Male	130	44%
Female	165	56%

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. The transition period ended on 31 December 2020. There are no direct implications for the Council, however our supply chains have been affected resulting in a higher cost. Costs have been further affected by the Russian Invasion of Ukraine with fuel and utility costs rising sharply. Whilst interest rates have increased the benefit of this was not felt in our investments in 2021/22 as there is generally a timelag between rates rising and investment benefits received.

A further challenge to the economy is the continued impact of Covid-19, declared by the World Health Organisation as a Global Pandemic on 11 March 2020 has significantly impact on world economies.
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 (distribution of funding within the Sector), Business Rates Retention of 75% (currently 50%) and a Business Rates Rest (resting the baseline back to 2013/14 levels). 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).

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.
The emerging priorities for the Greater Lincolnshire Local Industrial Strategy are set out below, and based on robust evidence, form the basis of a compelling case to Government and the private sector for investment in our area.

- A rural innovation test bed for energy and water
- An adaptive ports and logistics industry driving greater connectivity
- Future proofing the agricultural food sector
- Supporting people to live well for longer in rural areas
- A high quality, inclusive visitor economy

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 haw a number of key projects in delivery, particularly relating to the Levelling Up fund. We submit grant funding bids to the UK Shared Prosperity Fund and as other opportunities arise, allowing 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. Councillors can combine into political groups. The make up of the groups on the council is currently: West Lindsey Administration Group 20 (17 Conservative, 2 Gainsborough Independents, 1 Independent), Liberal Democrat 13, Lincolnshire Independent 2, Independent 1. The Council is managed by the Chief Executive.

The current appointments are:

Leader of the Council - Cllr Owen Bierley
Deputy Leader of the Council - Cllr Anne Welburn
Chairman of the Council - Cllr Angela Lawrence
Vice Chairman of the Council - Cllr Roger Patterson

Further information of our Senior Officers is contained in Note 26.

The Councils 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://www.west-lindsey.gov.uk/constitution.

The Annual Governance Statement 2020/21 (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 have been addressed during 2021/22 including;

- Implementation of a new Senior Management structure
- Development of an Environmental and Climate Change Strategy
- Addressed issues from the effectiveness of Governance and Audit Committee Survey
- Post-pandemic recovery response and Plans

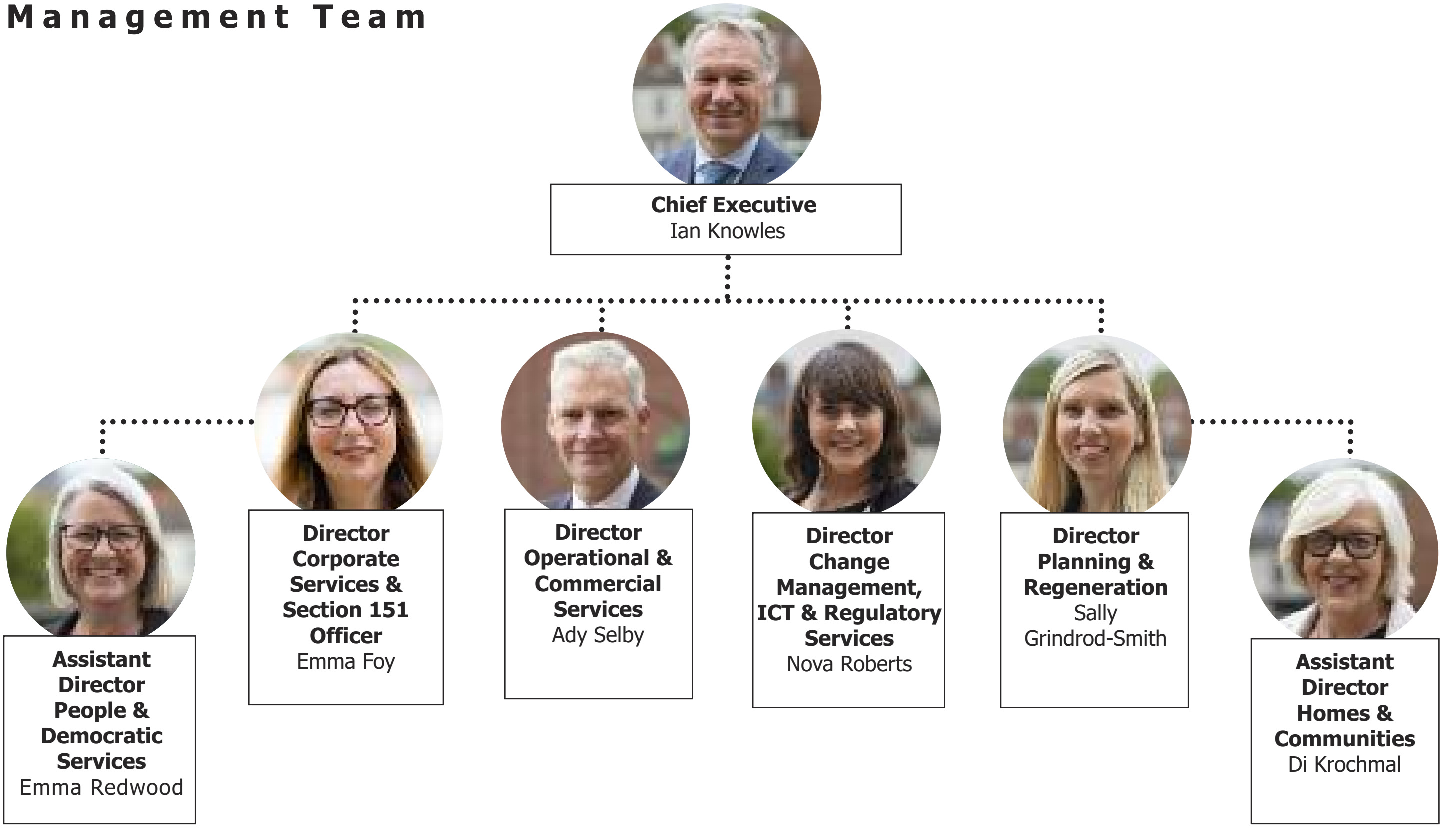
The Annual Audit Opinion 2020/21, provided by our independent Internal Auditors, Assurance Lincolnshire, has assessed the organisation is Performing Well in all areas of Governance, Risk, Internal Control and Financial Controls. Whilst we are satisfied with the effectiveness of the corporate governance arrangements and systems of internal control, as part of our continued efforts to improve governance the following issues have been identified for improvement as part of the 2022-23 Annual Governance Statement process. An action plan will be implemented to ensure activity takes place to bring about the improvements.

- Loss of key staff – ensure that processes are fully documented, succession plans in place where appropriate, identify activities which are overly reliant on one individual
- Financial settlement – continue to update the MTFS as we gain greater certainty on the level of funding for future years
- Preparing for all out elections in May 2023 – ensure robust election planning and deliver an effective member induction plan
- New finance system – ensure it is effective and compliant
- Continue the review of corporate procurement procedures (carried forward from last year). The Council historically has bought in services from Lincolnshire Procurement but due to recruitment issues they can only provide a limited service
- Continue the implementation of CIPFA FM Code requirements

4. HOW WE OPERATE

The Council operates to achieve our objectives through utilising our resources (inputs) to achieve value for money (effective, efficient and economical outputs). The Management Team under the leadership of the Chief Executive, Ian Knowles are responsible for the management of the organisation, delivery of initiatives and projects contained within the Executive Business Plan, which will support delivery of the Corporate Plan.

Management Team



The Councils key services include;

Operational and Commercial Services – keeping communities clean and healthy whilst ensuring a commercial approach is undertaken in the delivery of our services.

Planning and Regeneration – keeping our communities sustainable, encouraging housing regeneration and economic growth in support of job creation.

Change Management and Regulatory Services – Keeping our organisation efficient, and keeping our people safe through enforcement and inspection activities. Collecting taxes and debts and administering housing benefits

People and Democratic Services – Managing our valued employees through their engagement, development and utilisation within the organisation in line with our culture, and ensuring our governance arrangements are sound.

Homes and Communities – prevention, tackling inequalities and enabling independent living, ensuring we supporting the health and well-being of our residents and providing housing and support to the vulnerable

Finance, Business Support and Property Services – maintaining a high standard of financial management, balancing the annual budget, ensuring financial stability and seeking best value from our Property Assets.

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

5. PERFORMANCE

The Council has established a portfolio of programmes to deliver the Corporate Plan 2019– 2023.
The Financial Strategy 2020/21 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
Major infrastructure has been completed on site during 21/22 including the Middlefield Road / Foxby Lane Roundabout. Site enabling infrastructure on site has been funded by £2.2 million of Homes England Housing Infrastructure Funding investment. Keepmoat Homes and Danum Homes are currently on site and in delivery, with levels expected to reach the planned 40 new dwellings per annuum. Phase 2 of Warren Wood has been marketed by the landowner and a reserved matters planning application for this phase is expected in early 2023.

Northern Urban Extension Gainsborough
The Corringham Road junction upgrade was completed during 21/22. This was funded jointly by Lincolnshire County Council, Greater Lincolnshire LEP and the landowner (forward funded by WLDC). The upgraded junction will improve road safety, reduce congestion and future proof this area of town for cater for future growth. The first reserved matters planning application for 130 dwellings on phase 1a of the Northern Urban extension has now been validated by the local planning authority and will be determined during 2022.

Bowling Green Road
Close partnership working between the Council and Acis Group has seen great progress achieved on this key regeneration site in the town. £2.1 million of funding from Greater Lincolnshire LEP was secured and invested in creating a safe development platform. A mix of property types and tenures are now being delivered on site by Acis Group – with the help of grant funding from Homes England. The first new homes are set to complete during late summer / early autumn 2022.

Riverside Walk
We have teamed up with Acis and the Greater Lincolnshire Local Enterprise Partnership (GLEEP) to extend a public pathway alongside the River Trent in Gainsborough. Residents can now enjoy an uninterrupted 2.7 mile stroll along the River bank from the picturesque village of Morton all the way to the historic Trent Bridge. It follows the £20 million investment into new homes in Gainsborough along the riverfront. Initiatives such as extending the walkway are part of West Lindsey District Council's Corporate Plan to improve opportunities to help boost health and wellbeing of local people.

Thriving Gainsborough 2024
This project has been co-produced with our communities, politicians, local businesses and third-party investors. Our intention is to directly address the most pressing systemic challenges and market failures that continue to hold the town and our communities back, while ensuring that the town plays an active role in reducing carbon emissions. Through a series of aligned interventions, Thriving Gainsborough 2024 will establish the physical, economic, social and environmental conditions required to address economic decline and the acute deprivation experienced across several wards.

Implementation of Technology
Customer Relationship Management and OneCouncil finance systems are implemented and live. The benefits of both are already being realised with more efficient automated processes, improved customer experience and enhanced data and reporting. Further improvements also planned.

Operational Depot
Our new waste depot site, near to Caenby Corner, opened in November 2021. The site includes a parking area for the fleet as well as storage buildings, wash facilities, visitor parking and a main operations building. With West Lindsey District Council committed to reducing its carbon footprint to net-zero by 2050 at the latest, the design and construction of the building has looked to reflect that. There are solar panels on the roof of the building, six electric vehicle charging points, LED lighting and lighting controls, heating, cooling and hot water provided by air source heat pumps, and double glazing windows.

Financial Performance 2021/22

The Council is funded from taxation (Council Tax and Business Rates) and government grants the table below illustrates Government funding during this period and our future estimates as detailed within the Medium Term Financial Plan 2022/23-2026-27.

FUNDED BY:	Actual 2021/22	Budget 2022/23	Forecast Budget 2023/24	Forecast Budget 2024/25	Forecast Budget 2025/26	Forecast Budget 2026/27
Business Rate Retention Scheme	1,989,000	3,433,800	3,090,800	3,341,400	3,390,100	3,451,100
Council Tax	6,710,800	7,068,700	7,264,100	7,465,000	7,671,400	7,883,500
Collection Fund Surplus - Council Tax	167,500	225,500	100,000	100,000	100,000	100,000
New Homes Bonus	719,100	924,400	203,000	203,000	0	0
Other Government Grants	831,100	993,100	695,500	698,000	700,500	703,400
COVID Grants	675,000	0	0	0	0	0

The Council sets its Council Tax annually and for 2021/22 the equivalent Band D rate was £227.74 (£217.74 2020/21) generating £6.711m (£6.529m 2020/21) – this excludes income from Parish Precepts. Further information is provided in the Notes to the Collection Fund.

In addition to these sources of funding, we receive income from fees and charges for services which generates an income budget of £5.392m (£5.370m 2020/21), interest and investment income budget totals £2.634m and other grants of £0.675m.

Revenue:

The Council approved a revenue budget, including Council Tax charges, for 2021/22 of £13.279m. There was no requirement to utilise the General Fund Balance to provide a balanced budget. The Actual out-turn has realised a surplus of £1.612m, £0.828m of which relates to one-off budget provision for the delivery of projects which span financial years and will therefore be carried forward. The Corporate Policy and Resources Committee approved that £0.25m be carried forward to support service resourcing and therefore £0.534m be transferred to the General Working Fund Balance. The total amount of General Fund Reserves is £19.214m (£18.297m 2020/21).

The following table reports the revenue actuals against a revised budget for 2021/22 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 10 provides details of the accounting adjustments;

SERVICE CLUSTER	Original Budget	Revised Budget	Actual Outturn	Outturn Variance
Our People	1,529,000	2,803,800	1,931,300	(872,500)
Our Place	3,778,100	4,239,400	4,247,963	8,563
Our Council	6,372,700	6,463,000	5,937,931	(525,069)
Controllable Total	**11,679,800**	**13,506,200**	**12,117,195**	**(1,389,005)**
Corporate Accounting	1,329,900	1,431,100	1,114,559	(316,541)
Movement in Reserves:				
To/(from) General Fund	(1,942,700)	(3,497,400)	(3,543,200)	(45,800)
Use of Specific Reserves	(3,011,800)	(4,132,300)	(4,147,142)	(14,842)
Contribution to Specific Reserves	4,719,000	5,432,500	8,261,811	2,829,311
Repayment of Borrowing	442,900	637,100	823,027	185,927
Net Revenue Expenditure	**13,279,100**	**13,377,200**	**14,626,250**	**1,249,050**

6. SERVICE PERFORMANCE

Corporate Health Performance	Actual 2020/21	Target 2021/22	Actual 2021/22
Perspective: Customer			
Volume of received complaints	178	N/A	155
Volume of received compliments	675	N/A	1117
Perspective: Financial			
Budget Variance	(£998,000)	N/A	(£186,000)
Council Tax in year collection	98%	98.01%	98.02%
Perspective: Process			
Average time to resolve a complaint	8.2 days	21 days	8.4 days
Major planning applications determined on time	100%	90%	100%
Non-major planning applications determined on time	99%	80%	97%
Perspective: Quality			
Service and system availability	100%	98%	100%
Percentage of calls answered within 21 seconds	73%	85%	64%
Staff absenteeism	0.49 days	0.6 days	0.54 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 capital investment in Long Term Assets reflected in the increase of £3.325m to £63.736m (£60.411m 2020/21).
- Total Liabilities, have decreased by £5.279m mainly relating to the decrease in Pension Liability.

Resulting in a Net Assets total £8.221m (-£2.543m 2020/21).

The useable reserves of £28.608m (£29.089m 2020/21) held by the Authority include £19.214m of earmarked reserves which will support the ongoing investment in the capital programme, development of services and management of financial risks.

Debt and Investments:

The Council has previously undertaken 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 18 and 36).

At the end of the year the Council had £20.020m of treasury investments (£11.872m 2020/21). In addition non-treasury investments (commercial properties) and long term debtors (loans) totalled £21.666m.

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 2022 the Council's net liability reported by the Actuary to the LGPS was £40.099m (£47.453m in 20/21), a decrease of £7.354m. 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 32 to the Financial Statements.

Significant provisions, contingencies and material write-offs:

No significant contingencies or material write offs were recognised in 2021/22.

Staffing Trends:

The Council continues to put considerable effort into its drive to become more efficient by reducing staffing numbers yet 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 CO_2 emissions have been reduced by over 20%. The plan 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:

- Information Governance - Data leakage and successful cyber-crime attempts occur leading to financial, reputational and legal consequences due to lack of robust controls, policies and processes which are not communicated to and followed by staff and Members.
- Open for Business - The achievement of the growth targets lags behind the local plan. The increase in tax base does not match ambition.
- People First - We do not deliver a customer focused approach, provide appropriate infrastructure and facilities for residents and businesses.
- Community & Residents - We do not provide leadership of place for our communities and residents to ensure their well-being isn't adversely affected.
- Workforce - We do not develop, equip and support staff to be fully effective in their roles thereby unable to adhere to our customer focussed, entrepreneurial principles, resulting in poor service, non-motivated work force and providing an unattractive offer both for residents and inward investment.
- Asset Management - Our assets are underutilised, generate lower returns than required, do not facilitate inward investment or deliver fewer social benefits than expected.
- Health and Safety - We do not adequately ensure that our staff and visitors are protected in the workplace from accidents or work-related ill-health by eliminating hazards from work activities where possible and where not, assessing and ensuring adequate control of the associated risks. This leads to an unsafe workplace and inadequate care for staff and potential legal action
- Partnerships - We do not fulfil our role as influencer, shaper and co-ordinator of major economic, social and environmental issues that affect the District.

Our delivery vehicles for shared estates or trading companies do not effectively deliver against their intended purpose and achieve Value for Money.

Excellent Value for Money Services:

We do not identify and implement efficient and effective, lower-cost alternative service delivery models. We do not ensure sufficient focus on the financial drivers and value for money considerations of change/ improvement proposals. We do not use effective benchmarking data to inform VfM decisions and failure of partnership mechanisms to deliver Value for Money considerations.

- Commercial Approach -Commercial Projects do not deliver anticipated benefits resulting in increased financial pressures
- Compliance - We do not comply, or fail to correctly implement relevant, statutory legislation resulting in adverse reputational impacts and legal and financial consequences.

- Business Continuity - Council services are not maintained and priority services are not provided in the event of significant disruption or a major emergency in the District.

Key Future Risks:

- Successful delivery of our commercial and growth commitments – The Financial strategy has plans to use a significant amount of reserves in addition to borrowing to further develop the District and to invest in a range of commercial opportunities to increase our self generated income substantially. It is unlikely all of these initiatives will be successful but we are confident that sufficient success will be achieved to deliver an appropriate level of return on our investment.
- Compliance with General Data Protection Regulations (GDPR), date leakage and Cyber Crim, would result in financial, legal and reputational consequences. Policies, Procedures and technology have been implemented to mitigate risk.
- The future funding of Local Government: there is an unknown risk of the impact of any Local Government Funding Reform and future changes to the Business Rates Retention. The Council has developed a Financial Strategy which aims for a sustainable future reliant on local tax revenues.

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

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 2022/23 in October 2022 and a mid year review of our medium term financial plan will also be reported.

8. FUTURE OUTLOOK

Our Corporate Plan 2019 - 2023 sets out the current strategic objectives of the Council. 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 outcome, 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 Executive Business Plan 2022/23, which is contained within the Budget Book, is available on our website and outlines the key deliverables for the next 3 years which will contribute to the achievement of the Corporate Plan objectives:
www.west-lindsey.gov.uk/council-democracy/facts-figures/council-spending/budget-book

Future Financial Resilience:

The potential funding gap for the Council from 2022/23 to 2026/27 is detailed below:

Medium Term Financial Plan	2022/23	2023/24	2024/25	2025/26	2026/27
BFWD	£857,000	£873,000	£898,000	£910,000	£1,045,000
Pressures	(£49,000)	(£58,000)	(£55,000)	(£58,000)	(£55,000)
Additional Income	(£197,000)	(£185,000)	(£257,000)	(£258,000)	(£309,000)
MRP and Change to Policy	£326,000	£255,000	£255,000	£255,000	£255,000
Capital Financing (Internal Borrowing)	(£439,000)	£97,000	£120,000	£121,000	£123,000
Movement on Net Expenditure	£362,000	£920,000	£852,000	£884,000	£926,000
Movement in Reserves	£790,000	£920,000	£852,000	£884,000	£926,000
Movement in Funding:					
Council Tax Surplus	(£120,000)	0	0	0	0
Council Tax	(£122,000)	(£55,000)	16,000	92,000	172,000
Business Rates	(£1,393,000)	(£100,000)	(£100,000)	(£100,000)	(£161,000)
Government Grants	(£368,000)	(£71,000)	(£73,000)	(£74,000)	(£76,000)
Movement in Funding	(£2,009,000)	(£226,000)	(£157,000)	(£82,000)	(£65,000)
Funding Gap	**0**	**£1,596,000**	**£1,659,000**	**£1,781,000**	**£1,975,000**

The Council has a robust budget timetable and will consult its consultation exercise in August 2022. As demonstrated by both levels of reserves and cash-flow whilst there is a funding gap in the Medium Term the Section 151 Officer is comfortable that the Council remains a going concern.

Future capital expenditure plans:

The Council has approved the following capital programme totalling £33.458m funding plans for the period 1 April 2022 to 31st March 2027.

Funding:

- Grants & Contributions - £21.829 million
- Revenue Financing - £6.190 million
- Useable Capital Receipts - £3.712 million
- Prudential Borrowing - £1.727 million
- Total Funding - £33.458 million

For information regarding our plans for 2022/23, please refer to our Executive Business Plan and Medium Term Financial Plan 2022/23 – 2026/27 contained in the Budget Book which can be found on our website:
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 surplus on the Provision of Services totalled £0.191m (surplus of £0.219m 2020/21).

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 £28.608m (£29.089m 2020/21).

Balance Sheet

The Balance Sheet shows the Councils financial position at 31 March 2022. Showing assets and liabilities in the top part and below the Council's reserves (Net Worth) that match them. Our Net Worth is £8.221m (-£2.563m 2018/19), with the movement between years mainly affected by the following;

- **Valuation of Long Term property assets**
  The Balance Sheet Non-Current Assets relates to property, plant and equipment and includes acquisitions and enhancements, changes in valuations, and disposals. These events have resulted in an overall carrying value of £63.736m, an increase of £3.325m from £60.411m in 2020/21. Further details are contained within Note 15 to the Statement of Accounts.

- **Liabilities**
  A significant liability included within long term liabilities is the deficit on the pension fund. This amounts to £40.099m (£47.453m 2020/21) a decrease of £7.354m, this can be attributed to changes to actuarial financial assumptions. Further information on the pension's position is contained within Note 32 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. The liability has decreased by £11.245m to £20.387m (£31.632m 2020/21). Usable reserves have decreased by £0.481m to £28,608m (£29.089m 2020/21)

The Council has adequate revenue balances to provide financial security and a safety mechanism for unforeseen events, with the General Fund Balance being 35% of Net Operating Expenditure for 2022/23, 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 £1.169m in 2020/21 to £1,472m 2021/22. In addition, Capital Grants Unapplied Reserve is £2.516m (£2.367m 2020/21) 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 an increase in cash of £3.065m to £17.053mm (£13.988m 2020/21) 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.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

1. COUNCIL'S RESPONSIBILITIES

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its Officers has the responsibility for the administration of those affairs. In this Council, that Officer is the Chief Finance Officer;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- Approve the Statement of Accounts.

2. CHIEF FINANCE OFFICER'S RESPONSIBILITIES

The Chief Finance Officer is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the CODE).

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

- selected suitable Accounting Policies and then applied them consistently
- made judgements and estimates that were reasonable and prudent
- complied with the Local Authority Code of Practice
- kept proper accounting records which were up to date
- taken responsible steps for the prevention and detection of fraud and other irregularities

CERTIFICATION OF THE ACCOUNTS

I certify that the Statement of Accounts for 2021/22 presents a true and fair view of the financial position of West Lindsey District Council at 31 March 2022 and its income and expenditure for the year ended 31 March 2022.

Signed:

Emma Foy BA (HONS) FCCA

Date: 29/11/22

Director of Corporate Services (S151)

APPROVAL OF THE ACCOUNTS

In accordance with the Accounts and Audit Regulations 2015, I certify that the Statement of Accounts was approved by the Governance and Audit Committee on 29 November 2022.

Signed:

Councillor John McNeill

Date: 29/11/22

Chairman of Governance and Audit Committee

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 £28.608m in 2021/22 (£29.089m in 2020/21). Further information can be found in **Note 7,10 and Note 11**. Unusable reserves total £20.387m in 2021/22 (£31.632m in 2020/21) as detailed in **Note 24**.

Movement in Reserves during 2021/22

	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 2021 carried forward	**(25,553)**	**(1,169)**	**(2,367)**	**(29,089)**	**31,632**	**2,543**
Total Comprehensive Income and Expenditure	(191)	0	0	**(191)**	(10,573)	**(10,764)**
Adjustment between accounting basis and funding basis under regulations (Note 10)	1,125	(304)	(149)	**672**	(672)	**0**
Net Adjustment	(1)	1	0	0	0	0
Net (Increase)/Decrease in 2021/22	**933**	**(303)**	**(149)**	**481**	**(11, 245)**	**(10,764)**
Balance at 31 March 2022 carried forward	**(24,620)**	**(1,472)**	**(2,516)**	**(28,608)**	**20,387**	**(8,221)**

The General Fund balance of £24.620m includes earmarked reserves of £19.214m.

Movement in Reserves during 2020/21

	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 2020 carried forward	**(20,020)**	**(3,463)**	**(538)**	**(24,021)**	**18,163**	**(5,858)**
Total Comprehensive Income and Expenditure	(219)	0	0	**(219)**	8,620	**8,401**
Adjustment between accounting basis and funding basis under regulations (Note 11)	(5,313)	2,294	(1,829)	**(4,848)**	4,849	**1**
Net Adjustment	(1)	0	0	(1)	0	(1)
Net (Increase)/Decrease in 2020/21	**(5,533)**	**2,294**	**(1,829)**	**(5,068)**	**13,469**	**8,401**
Balance at 31 March 2021 carried forward	**(25,553)**	**(1,169)**	**(2,367)**	**(29,089)**	**31,632**	**2,543**

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 7) and the Movement in Reserves Statement (MIRS). There is a surplus on the Provision of Services totalling £0.191m (surplus of £0.219m in 2020/21). Overall Comprehensive Income and Expenditure is -£10.764m (£8.401m 2020/21)

2020/21				Notes	2021/22		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000			Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
22,347	(18,447)	**3,900**	Our People		19,862	(17,323)	**2,539**
11,234	(4,847)	**6,387**	Our Place		13,544	(5,508)	**8,036**
9,228	(3,487)	**5,741**	Our Council		8,992	(3,316)	**5,676**
2,750	(2,750)	0	Covid19 Business Support Grants		1,754	(1,522)	**232**
45,559	**(29,531)**	**16,028**	**Cost of Services**		**44,152**	**27,669**	**16,483**
		3,060	Other Operating Expenditure	12			2,504
		(481)	Financing and Investment Income and Expenditure	13			(1,841)
		(18,826)	Taxation and Non Specific Grant income and Expenditure	14			(17,337)
		(219)	**(Surplus) or Deficit on Provision of Services**				**(191)**
			Items that will not be reclassified to the (Surplus) or Deficit on the Provision of Services				
		189	(Surplus) or Deficit on Revaluation of Property, Plant & Equipment Assets	24			(1,063)
		8,431	Remeasurements of the net defined benefit liability/(asset)	32			(9,510)
		8,620	**Items that may be reclassified to (Surplus) or Deficit on the Provision of Services**				**(10,573)**
		0	(Surplus) or deficit on revaluation of available for sale financial assets	24			**0**
		8,620	**Other Comprehensive Income and Expenditure**				**(10,573)**
		8,401	**Total Comprehensive Income and Expenditure**				**(10,764)**

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 are 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 Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

31st March 2021 £'000		Notes	31st March 2022 £'000
34,871	Property, Plant & Equipment	15	37,093
20,978	Investment Properties	16	21,754
121	Intangible Assets	17	519
44	Heritage Assets		60
3,141	Long Term Investments	18	3,684
1,256	Long Term Debtors	18	626
60,411	**TOTAL LONG TERM ASSETS**		**63,736**
0	Short Term Investments	18	0
50	Assets Held for Sale		0
53	Inventories		29
8,150	Short Term Debtors	19	7,319
13,988	Cash and Cash Equivalents	21	17,053
22,241	**TOTAL CURRENT ASSETS**		**24,401**
(3,577)	Short Term borrowing	18	(5,000)
(12,393)	Short Term Creditors	22	(13,089)
(1,007)	Short Term Provisions	23	(802)
(1,091)	Grants Receipts in Advance - Revenue	28	(1,710)
0	Grants Receipts in Advance - Capital	28	(19)
(18,068)	**TOTAL CURRENT LIABILITIES**		**(20,620)**
(38)	Long Term Provisions	23	**(38)**
0	Long Term Finance Lease Liability	31	**0**
(16,500)	Long term borrowing	18	**(16,500)**
(47,453)	Pensions Liability	32	**(40,099)**
0	Grants Receipts in Advance -Revenue	28	**0**
(3,136)	Grants Receipts in Advance - Capital	28	**(2,659)**
(67,127)	**TOTAL LONG TERM LIABILITIES**		**(59,296)**
(2,543)	**TOTAL NET ASSETS/(LIABILITIES)**		**8,221**
(29,089)	Usable Reserves	24	(28,608)
31,632	Unusable Reserves	25	20,387
2,543	**TOTAL RESERVES**		**(8,221)**

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 (ie borrowing) to the Council. The movement in overall cash is an increase of £3.065m (increase of £5.173m 2020/21).

2020/21 £'000		2021/22 £'000
219	**Net Surplus or (Deficit) on the Provision of Services**	**191**
956	Depreciation of Property, Plant and Equipment	1,052
2,437	Impairment and downward valuations	1,777
49	Amortisation of Intangible Assets	52
0	Increase/Decrease in Impairment provision for Bad Debts	0
8,220	(Increase)/Decrease in Creditors	1,407
(821)	Increase/(Decrease) in Debtors	(1,627)
14	Increase/(Decrease) in Inventories (Stock)	24
1,227	Movement in Pension Liability	2,158
982	Carrying amount for non-current assets and non-current Assets Held For Sale, sold or derecognised	72
91	Other non cash items charged to the net surplus or deficit on the Provision of Services	(1,526)
13,155	**Adjustments to net surplus or deficit on the Provision of Services for non-cash movements**	**3,389**
(5,749)	**Adjust for items included in the net surplus or deficit on the Provision of Services that are investing or financing activities**	**(4,356)**
7,625	**Net Cash Flows from Operating Activities**	**(776)**
(4,352)	Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	(4,644)
(4,000)	Purchase of short-term (not considered to be cash equivalents) and long-term Investments	0
(2)	Other payments for investing activities	0
66	Proceeds from the sale of Property, Plant and Equipment, Investment Property and Intangible Assets	337
4,000	Proceeds from short-term (not considered to be cash equivalents) and long-term Investments	0
6,212	Other receipts from investing activities	3,840
1,924	**Net Cash Flows from Investing Activities**	**(467)**
3,500	Cash receipts of short and long term borrowing	5,000
1	Other receipts from financing activities	0
(4,377)	Other payments from financing activities	2,808
(3,500)	Repayments of short and long term borrowing	(3,500)
0	Cash payments for the reduction of the outstanding liabilities relating to Finance Leases	0
(4,376)	**Net Cash Flows from Financing Activities**	**4,308**
5,173	**Net increase or (decrease) in cash and cash equivalents**	**3,065**
8,815	**Cash and cash equivalents at the beginning of the reporting period**	**13,988**
13,988	**Cash and cash equivalents at the end of the reporting period (Note 21)**	**17,053**

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

i General Principles

The Statement of Accounts summarises the Council's transactions for the 2021/22 financial year and its position at the year-end of 31 March 2022. The 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 2021/22 (The Code) and the Service Reporting Code of Practice 2021/22, 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% 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 (ie 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 31/03/2021.

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 2021/22

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.

xix 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
Crematorium	60
Depots & Stores	52
Shops	25 -60
Public Conveniences	49
CCTV Systems/IT equipment/Wheeled Bins/Office Equipment/Led Lighting/Crematorium Equipment	1 to 25
Vehicles/Bin lifters	1 to 7
Infrastructure Assets	16 to 28
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 data 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 incom**e.**

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 2021/22, 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 2022/23 financial year.

a) IFRS 16 Leases: This 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 is encouraged for 2022/23. However, the adoption of this standard is not required until the 2024/25 Code.

b) Annual improvements to IFRS Standards 2018-2020. The annual IFRS improvement programme notes 4 changed standards:

• IFRS 1 (First-time adoption) - amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS

• IAS 37 (Onerous contracts) - clarifies the intention of the standard

• IFRS 16 (Leases) - amendment removes a misleading example that is not referenced in the Code material.

• IAS 41 (Agriculture) - one of a small number of IFRSs that are only expected to apply to local authorities in limited circumstances.

There is no anticipated impact as a result of these changes to standards for West Lindsey District Council

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 a robust Financial Strategy and a 5 year Financial Plan which illustrates 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.

Business Rates

The Council collects a net income of £15.2m from Business Rates. The assumptions made about the outcome of appeals against the Valuation Office Listed Rateable Value, becomes a significant and critical judgement. Assessments are made based on previous experience of the 2005 and 2010 list and also any settled appeals against the 2017 list. The Council's share of any reduction is 40%. Any impact on the overall position is mitigated by a safety net of 7.5% of our baseline funding which is approximately £0.226m . As the Council is in the Lincolnshire Business Rates Pool, the Pool will ensure that no partner will loose more than 7.5% of their baseline funding. However, due to a technical adjustment if the Council did enter the safety net it would only impact the general fund the year after this happens.

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 2022 for which there is a significant risk of material adjustment in the forthcoming financial year are:

Revenue Costs and Reserves

The outbreak of hostilities in Ukraine during February 2022 and the resulting world sanctions against Russia together with the after effects of the COVID-19 pandemic have pushed up costs and the rate of inflation considerably over the past few months, particularly with respect to fuel and energy prices. These increased revenue costs are likely to have an adverse affect on the Council's budgets.

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 2021/22 and earlier financial years in their proportionate share. Therefore, a provision has been recognised for the best estimate of the amount that businesses may have been overcharged up to March 2022. 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 2022. 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 £37.093m (£34.871m 2020/21).

The impact of a change in valuation or useful life as at 31 March 2022 would affect the carrying value of the asset in the balance sheet and the subsequent charge for depreciation or impairment in the CIES.

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 2021/22 the Council's Actuaries advised that the net pension liability had reduced by £7.354m to £40.099m. The reduction in the net pension liability is due to the change in the discount rate and of future assumed RPI and CPI inflation. 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 2022	Approx. % increase to Employer Liability	Approx. monetary amount £'000
0.1% decrease in Real Discount Rate	1.97%	2,056
1 Year increase in member life expectancy	4.67%	4,878
0.1% increase in Salary Increase Rate	0.31%	325
0.1% in the Pension Increase Rate	1.64%	1,716

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

Arrears

At 31st March 2022 the Council had arrears of £4.074m 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 £1.637m . 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 15, 16 and 17.

With regards assets valued at fair value, no assets are classed as level 1 in the Fair Value Hierarchy. The majority of these assets are Level 2 which utilises quoted market place prices with adjustments for location and condition. The Council has three assets valued at Level 3 of the Fair Value Hierarchy, an 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 2021/22 the Council received the following Covid Grants:

£5.082m where the Council was the Principal for Government/Non Public Body and had discretion in how these grants were deployed. During the year £3.219m of grants have been spent. There is a balance of £0.157m which has been transferred to the Council's revenue grants unapplied account for allocation in 2022/23 and a sum of £0.297m was moved to the Council's General Fund Balance. £1.409m is held as a creditor on the balance sheet to be repaid in 2022/23.

6. EVENTS AFTER THE REPORTING PERIOD

The Statement of Accounts was authorised for issue by the Assistant Director of Finance, Business Support, Property (S151 Officer) on 19 July 2022. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing as at 31 March 2022, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

7. 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.

2020/21				2021/22		
Net Expenditure Chargeable to General Fund £'000	Adjustments (See Note 7a) £'000	Net Expenditure in the Comprehensive Income & Expenditure statement £'000		Net Expenditure Chargeable to General Fund £'000	Adjustments (See Note 7a) £'000	Net Expenditure in the Comprehensive Income & Expenditure statement £'000
1, 639	2,261	3,900	Our People	976	1,563	2,539
3,942	2,445	6,387	Our Place	1,931	6,105	8,036
5,188	553	5,741	Our Council	5,937	(261)	5,676
0	0	0	Covid19 Business Support Grants	232	0	232
10,769	**5,259**	**16,028**	**Net Cost of Services**	**9,076**	**7,407**	**16,483**
(16,303)	56	(16,247)	Other Income and Expenditure	(8,142)	(8,532)	(16,674)
(5,534)	**5,315**	**(219)**	**(Surplus) or Deficit**	**934**	**(1,125)**	**(191)**
(20,020)			Opening General Fund Balance 31 March	(25,555)		
			Less/Plus			
(1)			Net Adjustment	1		
(5,534)			(Surplus) or Deficit in Year	934		
(25,555)			**Closing General Fund Balance 31 March**	**(24,620)**		

7(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								
2020/21					2021/22			
Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Statutory Differences	Total Adjustments	Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Statutory Differences	Total Adjustments
(Note 1)	(Note 2)	(Note 3)			(Note 1)	(Note 2)	(Note 3)	
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
2,185	68	8	**2,261**	Our People	1,337	237	(11)	**1,563**
2,305	121	19	**2,445**	Our Place	5,666	455	(16)	**6,105**
339	187	27	**553**	Our Council	(786)	529	(4)	**(261)**
0	0	0	**0**	Covid19 Business Support Grants	0	0	0	**0**
4,829	**376**	**54**	**5,259**	**Net Cost of Services**	**6,217**	**1,221**	**(31)**	**7,407**
(3,665)	851	2,870	**56**	Other income and expenditure from the Expenditure and Funding Analysis	**(5,132)**	**936**	**(4,336)**	**(8,532)**
1,164	**1,227**	**2,924**	**5,315**	**Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services**	**1,085**	**2,157**	**(4,367)**	**(1,125)**

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.

8. SEGMENTAL INCOME

Income received on a segmental basis is analysed below:

2020/21 Income from Services £'000		2021/22 Income from Services £'000
(767)	Our People	(584)
(1,807)	Our Place	(2,199)
(2,796)	Our Council	(2,737)
(5,370)	**Total Income analysed on a segmental basis**	**(5,520)**

Included within the Segmental Income note for 2021/22 is the following material income for services provided in 2021/22

Our Place: £0.968m Development Control Application Fees (£1.029m in 2020/21)
Our Council: £0.990m of income relating to Green Waste Service Charges (£0.958m in 2020/21)

9. EXPENDITURE AND INCOME ANALYSED BY NATURE

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

2021/22						
Expenditure/Income	**Our People £'000**	**Our Place £'000**	**Our Council £'000**	**Covid19 Business Support Grants £'000**	**Corporate Amounts £'000**	**Total £'000**
Expenditure						
Employee benefits expenses	2,155	5,110	6,265	0	45	**13,575**
Other services expenses	16,369	2,768	3,514	1,754	(1,385)	**23,020**
Depreciation, amortisation, impairment	1,338	5,666	(787)	0	35	**6,252**
Interest payments	0	0	0	0	2,468	**2,468**
Precepts and levies	0	0	0	0	2,572	**2,572**
Disposal of assets	0	0	0	0	72	**72**
Total Expenditure	**19,862**	**13,544**	**8,992**	**1,754**	**3,807**	**47,959**
Income						
Fees, charges and other service income	(584)	(2,199)	(2,738)	0	(2,931)	(8,452)
Interest & investment income	0	0	0	0	(212)	(212)
Income from Council Tax and Non-Domestic Rates	0	0	0	0	(13,634)	(13,634)
Government grants & contributions	(16,739)	(3,309)	(578)	(1,522)	(3,704)	(25,852)
Total Income	**(17,323)**	**(5,508)**	**(3,316)**	**(1,522)**	**(20,481)**	**(48,150)**
(Surplus) or Deficit on the Provision of Services	**2,539**	**8,036**	**5,676**	**232**	**(16,674)**	**(191)**

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

2020/21						
Expenditure/Income	**Our People £'000**	**Our Place £'000**	**Our Council £'000**	**Covid19 Business Support Grants £'000**	**Corporate Amounts £'000**	**Total £'000**
Expenditure						
Employee benefits expenses	1,834	4,480	5,462	0	0	**11,776**
Other services expenses	17,376	1,737	3,427	2,750	0	**25,290**
Depreciation, amortisation, impairment	3,137	5,017	339	0	0	**8,493**
Interest payments	0	0	0	0	2,161	**2,161**
Precepts and levies	0	0	0	0	2,508	**2,508**
Disposal of assets	0	0	0	0	552	**552**
Total Expenditure	**22,347**	**11,234**	**9,228**	**2,750**	**5,221**	**50,780**
Income						
Fees, charges and other service income	(767)	(1,807)	(2,796)	0	0	(5,370)
Interest & investment income	0	0	0	0	(2,642)	(2,642)
Income from Council Tax, Non-Domestic Rates	0	0	0	0	(13,262)	(13,262)
Government grants & contributions	(17,680)	(3,040)	(691)	(2,750)	(5,564)	(29,725)
Total Income	**(18,447)**	**(4,847)**	**(3,487)**	**(2,750)**	**(21,468)**	**(50,999)**
(Surplus) or Deficit on the Provision of Services	**3,900**	**6,387**	**5,741**	**0**	**(16,247)**	**(219)**

10. 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.

2021/22 Adjustments between accounting basis & funding basis under regulations	Usable reserves: General Fund Balance £'000	Usable reserves: Capital Receipts Reserves £'000	Usable reserves: Capital Grants Unapplied Account £'000	Movement in Unusable Reserves £'000
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)	(2,156)	0	0	**2,156**
Council Tax and NNDR (transfers to or from Collection Fund Adjustment Account)	1,962	0	0	**(1,962)**
Holiday pay transferred to the Accumulated Absences	31	0	0	**(31)**
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	(1,917)	0	0	**1,917**
Amount by which finance costs/income in the CIES are different from finance costs/income for the year in accordance with statutory requirements	543	0	0	**(543)**
Total Adjustments to Revenue Resources	**(1,537)**	**0**	**0**	**1,537**
Adjustments between Revenue and Capital Resources				
Transfer of non current asset sale proceeds from revenue to Capital Receipts Reserves	286	(286)	0	**0**
Repayment of Loan Principal	0	(186)	0	**186**
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	449	0	0	**(449)**
Voluntary provision for the repayment of debt (transfer from the capital Adjustment Account)	374	0	0	**(374)**
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	1,082	0	0	**(1,082)**
Total Adjustments between Revenue and Capital Resources	**2,191**	**(472)**	**0**	**(1,719)**
Adjustments to Capital Resources				
Use of Capital Receipts Reserves to finance capital expenditure	0	37	0	**(37)**
Capital grants and contributions unapplied credited to the CIES	471	0	(471)	**0**
Reversal of previous year grant applied to Capital Financing	0	(50)	0	**50**
Use of Capital Receipts Reserves to finance statutory provision on loans funded by borrowing	0	181	0	**(181)**
Application of capital grants to finance capital expenditure	0	0	322	**(322)**
Total Adjustments to Capital Resources	**471**	**168**	**(149)**	**(490)**
Total Adjustments	**1,125**	**(304)**	**(149)**	**(672)**

2020/21 Adjustments between accounting basis & funding basis under regulations	General Fund Balance £'000	Capital Receipts Reserves £'000	Capital Grants Unapplied Account £'000	Movement in Unusable Reserves £'000
	Usable reserves			
Adjustments to Revenue Resources				
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different revenue for the year calculated in accordance with statutory requirements				
Pension Costs (transferred to (or from) the Pensions Reserve)	(1,227)	0	0	**1,227**
Council Tax and NNDR (transfers to or from Collection Fund Adjustment Account)	(2,848)	0	0	**2,848**
Holiday pay transferred to the Accumulated Absences Reserve	(54)	0	0	**54**
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(6,126)	0	0	**6,126**
Amount by which finance costs/income in the CIES are different from finance costs/income for the year in accordance with statutory requirements	(22)	0	0	**22**
Total Adjustments to Revenue Resources	**(10,277)**	**0**	**0**	**10,277**
Adjustments between Revenue and Capital Resources				
Transfer of non current asset sale proceeds from revenue to Capital Receipts Reserves	588	(158)	0	**(430)**
Repayment of Loan Principal	0	(33)	0	**33**
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	251	0	0	**(251)**
Voluntary provision for the repayment of debt (transfer from the Capital Adjustment Account)	707	0	0	**(707)**
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	1,576	0	0	**(1,576)**
Total Adjustments between Revenue and Capital Resources	**3,122**	**(191)**	**0**	**(2,931)**
Adjustments to Capital Resources				
Use of Capital Receipts Reserves to finance capital expenditure	0	2,520	0	**(2,520)**
Capital grants and contributions unapplied credited to the CIES	1,842	0	(1,842)	**0**
Cash Payments in relation to Deferred Capital Receipts	0	(65)	0	**65**
Use of Capital Receipts Reserves to finance statutory provision on loans funded by borrowing	0	30	0	**(30)**
Application of capital grants to finance capital expenditure	0	0	12	**(12)**
Total Adjustments to Capital Resources	**1,842**	**2,485**	**(1,830)**	**(2,497)**
Total Adjustments	**(5,313)**	**2,294**	**(1,830)**	**4,849**

11. 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 2021/22.

	Balance at 31 March 2020 £'000	Transfer out 2020/21 £'000	Transfer in 2020/21 £'000	Balance at 31 March 2021 £'000	Transfer out 2021/22 £'000	Transfer in 2021/22 £'000	Balance at 31 March 2022 £'000
Contingency/Risk Reserves	**3,144**	(683)	3,426	**5,887**	(3,284)	3,058	**5,661**
Service Investment / Renewals Reserves	**4,049**	(1,541)	2,216	**4,724**	(1,650)	1,187	**4,261**
Strategy Reserve	**8,595**	(1,803)	814	**7,606**	(527)	2,213	**9,292**
Total	**15,788**	**(4,027)**	**6,456**	**18,217**	**(5,461)**	**6,458**	**19,214**

During 2021/22 the earmarked reserves have been recategorised into the reserves listed above. For comparative purposes the figures for 2020/21 have been restated into the new categories.

Reserve Name	Purpose
Contingency / Risk Reserves	To support areas of volatility i.e.Business Rate appeals, valuations of investment properties, insurance etc.
Service Investment/Renewals Reserve	To support service development initiatives, including IT upgrades and replacement programmes
Strategy Reserve	To finance projects within the Corporate Plan and Financial Strategy

12. OTHER OPERATING EXPENDITURE

2020/21 £'000		2021/22 £'000
2,134	Parish Council Precepts	2,186
374	Drainage Board Levies	386
552	(Gains)/Losses on the disposal of non-current assets	(68)
3,060	**Total**	**2,504**

13. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2020/21 £'000		2021/22 £'000
224	Interest payable and similar charges	132
847	Net interest on the net defined benefit liability/(asset)	927
(238)	Interest receivable and similar income	(755)
(1,314)	Income and Expenditure in relation to investment properties and changes in their fair value	(2,145)
(481)	**Total**	**(1,841)**

14. TAXATION AND NON SPECIFIC GRANT INCOME AND EXPENDITURE

2020/21 £'000		2021/22 £'000
(8,823)	Council Tax income	(9,224)
(4,439)	Non Domestic Rates Income and Expenditure	(4,410)
(1,539)	Non ring-fenced Government Grants	(1,512)
(2,473)	Covid 19 Grants	(1,091)
(1,552)	Capital grants and contributions	(1,100)
(18,826)	**Total**	**(17,337)**

15. PROPERTY PLANT AND EQUIPMENT

Movements in 2021/22	Other Land & Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant & Equipment £'000
Cost or Valuation at April 2021	**25,738**	**4,618**	**377**	**105**	**3,064**	**2,927**	**36,829**
Additions	887	431	0	0	0	2,958	**4,276**
Revaluation increase/(decrease) recognised in the Revaluation Reserve	529	0	0	0	264	0	**793**
Revaluation increase/(decrease) recognised in the (Surplus)/Deficit on the Provision of Services	(1,957)	0	0	0	2	0	**(1,955)**
Derecognition - Disposals	0	(12)	0	0	(7)	0	**(19)**
Derecognition - Other	0	(54)	0	0	(12)	0	**(66)**
Other movements in cost or valuation	4,560	210	0	0	(49)	(4,972)	**(251)**
At 31 March 2022	**29,757**	**5 193**	**377**	**105**	**3,262**	**913**	**39,607**
Accumulated Depreciation & Impairment At April 2021	**0**	**(1,821)**	**(137)**	**0**	**0**	**0**	**(1,958)**
Depreciation charge	(429)	(609)	(10)	0	(3)	0	**(1,051)**
Depreciation written out to the Revaluation Reserve	252	0	0	0	2	0	**254**
Depreciation written out to the (Surplus)/Deficit on the Provision of Services	177	0	0	0	1	0	**178**
Derecognition - Disposals	0	12	0	0	0	0	**12**
Derecognition - Other	0	51	0	0	0	0	**51**
Other Movements in Cost or Valuation	0	0	0	0	0	0	**0**
At 31 March 2022	**0**	**(2,367)**	**(147)**	**0**	**0**	**0**	**(2,514)**
Net Book value							
At 31 March 2022	**29,757**	**2,826**	**230**	**105**	**3,262**	**913**	**37,093**
At 31 March 2021	**25,738**	**2,797**	**240**	**105**	**3,064**	**2,927**	**34,871**

Movements in 2020/21	Other Land & Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant & Equipment £'000
Cost or Valuation at April 2020	**22,717**	**5,037**	**377**	**105**	**3,097**	**6,134**	**37,467**
Additions	0	107	0	0	0	3,840	**3,947**
Revaluation increase/(decrease) recognised in the Revaluation Reserve	(419)	0	0	0	(23)	0	**(442)**
Revaluation increase/(decrease) recognised in the (Surplus)/Deficit on the Provision of Services	(2,529)	0	0	0	1	0	**(2,528)**
Derecognition - Disposals	(508)	(17)	0	0	0	0	**(525)**
Derecognition - Other	0	(1,039)	0	0	(11)	(40)	**(1,090)**
Other movements in cost or valuation	6,477	530	0	0	0	(7,007)	**0**
At 31 March 2021	**25,738**	**4,618**	**377**	**105**	**3,064**	**2,927**	**36,829**
Accumulated Depreciation & Impairment At April 2020	**0**	**(1,851)**	**(127)**	**0**	**0**	**0**	**(1,978)**
Depreciation charge	(348)	(595)	(10)	0	(3)	0	**(956)**
Depreciation written out to the Revaluation Reserve	251	0	0	0	2	0	**253**
Depreciation written out to the (Surplus)/Deficit on the Provision of Services	90	0	0	0	1	0	**91**
Derecognition - Disposals	7	17	0	0	0	0	**24**
Derecognition - Other	0	608	0	0	0	0	**608**
Other Movements in Cost or Valuation	0	0	0	0	0	0	**0**
At 31 March 2021	**0**	**(1,821)**	**(137)**	**0**	**0**	**0**	**(1,958)**
Net Book value							
At 31 March 2021	**25,738**	**2,797**	**240**	**105**	**3,064**	**2,927**	**34,871**
At 31 March 2020	**22,717**	**3,186**	**250**	**105**	**3,097**	**6,134**	**35,489**

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 - 25 years
- Infrastructure: 16 - 28 years
- Surplus: 49 - 51 years

Capital Commitments

At 31 March 2022, the Council has no ongoing contracts for the construction or enhancement of property, plant and equipment. The commitments at 31 March 2022 was £1.847m.

Effects of Changes in Estimates

There have been no major changes in relation to estimated asset life,residual asset values, depreciation method or disposal costs in 2021/22 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 2022 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	2,826	0	1,248	**4,074**
Valued at Current Value as at 31 March 2022	29,757	0	3,262	0	**33,019**
Total Cost or Valuation	**29,757**	**2,826**	**3,262**	**1,248**	**37,093**

The significant assumptions applied in estimating the current values are:

a. no allowance has been made for liability of taxation upon disposal;

b. the instant build approach has been used for Depreciated Replacement Cost valuations;

c. valuations have been provided at gross cost and do not include an allowance for purchasers cost;

d. that good title can be shown and all valid planning permissions and statutory approvals are in place;

e. 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;

f. that an inspection of those parts not inspected would not reveal defects that would affect the valuation;

g. that the testing of electrical or other services would not reveal defects that would cause the valuation to alter;

h. that there are no deleterious or hazardous materials or existing or potential environmental factors that would affect the valuation.

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.

2020/21 £'000	Level 2 Significant Observable Inputs	2021/22 £'000
3,063	Surplus Assets	3,047
3,063	**Fair Value as at 31 March**	**3,047**

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

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

16. INVESTMENT PROPERTIES

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

2020/21 £'000		2021/22 £'000
20,949	Balance at start of year:	20,978
0	Purchases	0
0	subsequent expenditure	0
29	Net gain/(Loss) from fair value adjustments	776
20,978	**Balance at End of the year**	**21,754**

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.

2020/21 £'000	Income & Expenditure	2021/22 £'000
(1,325)	Rental income from investment property	(1,418)
41	Direct operating expenses arising from Investment property	49
(1,284)	**Net (Gain)/Loss**	**(1,369)**

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 2022 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 Councils investment properties and information about the fair value hierarchy as at 31 March are as follows:

2020/21 £'000	Level 2 Significant Observable Inputs	2021/22 £'000
1,155	Retail **(2 properties)**	1,155
2,313	Hotel	2,773
2,523	Leisure	2,523
9,552	Manufacturing **(2 properties)**	9,850
5,435	Commercial Unit	5,453
20,978	**Fair Value as at 31 March**	**21,754**

17. 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 2020/21 and 2021/22. The movement on Intangible Asset balances during the year is as follows:

2020/21 £'000		2021/22 £'000
	Balance at start of year:	
444	Gross carrying amounts	481
(311)	Accumulated amortisation	(360)
133	**Net carrying amount at start of year**	**121**
	Movements:	
37	Purchases	199
0	Other disposals	0
(49)	Amortisation for the period	(52)
0	Other changes	251
121	**Net carrying amount at end of year**	**519**
	Comprising:	
481	Gross carrying amounts	931
(360)	Accumulated amortisation	(412)
121	**Total**	**519**

18. FINANCIAL INSTRUMENTS

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

Financial Assets	Non-Current				Current				2020/21	2021/22
	Investments		Debtors		Investments		Debtors		Total	Total
	31 March 2021 £'000	31 March 2022 £'000	31 March 2021 £'000	31 March 2022 £'000	31 March 2021 £'000	31 March 2022 £'000	31 March 2021 £'000	31 March 2022 £'000	31 March 2021 £'000	31 March 2022 £'000
Fair Value through profit or loss	3,093	3,636	0	0	0	0	0	0	3,093	3,636
Amortised Cost	48	48	1,256	626	13,988	17,053	3,859	5,986	19,151	23,713
Total Financial Assets	**3,141**	**3,684**	**1,256**	**626**	**13,988**	**17,053**	**3,859**	**5,986**	**22,244**	**27,349**
Non-Financial Assets	20,978	21,754	0	0	0	0	4,291	1,333	25,269	23,087
Total	**24,119**	**25,438**	**1,256**	**626**	**13,988**	**17,053**	**8,150**	**7,319**	**47,513**	**50,436**

Financial Liabilities	Non-Current				Current				2020/21	2021/22
	Borrowings		Creditors		Borrowings		Creditors		Total	Total
	31 March 2021 £'000	31 March 2022 £'000	31 March 2021 £'000	31 March 2022 £'000	31 March 2021 £'000	31 March 2022 £'000	31 March 2021 £'000	31 March 2022 £'000	31 March 2021 £'000	31 March 2022 £'000
Amortised Cost	16,500	16,500	3,136	2,659	3,577	5,000	12,068	13,549	35,281	37,708
Total Financial Liabilities	**16,500**	**16,500**	**3,136**	**2,659**	**3,577**	**5,000**	**12,068**	**13,549**	**35,281**	**37,708**
Non-Financial Liabilities	0	0	0	0	0	0	0	1,269	0	1,269
Total	**16,500**	**16,500**	**3,136**	**2,659**	**3,577**	**5,000**	**12,068**	**14,818**	**35,281**	**38,977**

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 £3.636m (£3.093m 2020/21) 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 Department for Levelling Up, Housing and Communities) 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 £0.636m. 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:

2020/21 £'000 Surplus or Deficit on the Provision of Services	2020/21 £'000 Other Comprehensive Income and Expenditure		2021/22 £'000 Surplus or Deficit on the Provision of Services	2021/22 £'000 Other Comprehensive Income and Expenditure
		Net (Gains)/Losses on:		
22	0	Financial assets measured at fair value through the profit or loss	(543)	0
(168)	0	Financial assets measured at amortised cost	(239)	0
(146)	**0**	**Total Net (Gains)/Losses**	**(782)**	**0**
		Interest Income		
(154)	0	Financial assets measured at fair value through the profit or loss	(141)	0
(106)	0	Financial assets measured at amortised cost	(71)	0
(260)	**0**	**Total Interest Revenue**	**(212)**	**0**
		Interest Expense		
391	0	Financial Liabilities measured at amortised cost	371	0
391	**0**	**Total Interest**	**371**	**0**
		Fee Expense		
19	0	Financial assets measured at fair value through the profit or loss	**22**	0
1	0	Financial liabilities measured at amortised cost	4	0
20	**0**	**Total Fee Expense**	**26**	**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 31/03/2021 £'000	As at 31/03/2022 £'000
Fair Value through Profit or Loss				
CCLA Property Fund	Level 1	Unadjusted quoted prices in active markets for identical shares	3,093	3,636
Total			**3,093**	**3,636**

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:

2020/21 £'000	2020/21 £'000		2021/22 £'000	2021/22 £'000
Carrying Amount	Fair Value		Carrying Amount	Fair Value
941	978	Loans and Receivables (Long Term Debtors)	363	809
0	0	Finance Lease Liabilities	0	0
(3,502)	(3,502)	Non PWLB Borrowing	(5,002)	(5,002)
(16,575)	(21,615)	PWLB Borrowing	(16,574)	(19,574)

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 £19.574m.

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 £16.419m.

Debtors and creditors and receipts in advance are carried at cost (invoiced or billed amount) as this is a fair approximation of their value.

19. DEBTORS

2020/21 £'000		2021/22 £'000
3,173	Central Government Bodies	1,881
2,138	Other Local Authorities	1,417
1,112	Other Entities and Individuals	1,488
156	Trade	942
409	Prepayments	0
6,988	**Total**	**5,728**

Debtors for local taxation of £1.591m (£1.162m 2020 -21) have been excluded from the above figures.

Prepayments for 2021-22 - £0.660m have been allocated over Other Entities and Individuals - £0.023m and Trade Receivables - £0.637m.

20. CASH AND CASH EQUIVALENTS

Cash comprises of cash in hand and bank deposits and may include bank overdrafts.
Balances classified as Cash Equivalents fits the definition of short term, highly liquid investments that are readily convertible to know amounts of cash and which are subject to insignificant risk of change in value.
The balance of Cash and Cash Equivalents is made up of the following elements:

2020/21 £'000		2021/22 £'000
2	Cash held by the Council	20
128	Bank Current Accounts	43
13,858	Short-term Deposits	16,990
13,988	**Total**	**17,053**

21. CREDITORS

2020/21 £'000		2021/22 £'000
7,906	Central Government Bodies	8,823
508	Other Local Authorities	918
3,979	Other Entities and Individuals	1,112
0	Trade	1,474
12,393	**Total**	**12,327**

Creditors for Local Taxation of £0.762m (£0.0m 2020 -21) have been excluded from the above figures.

The Other Entities and Individuals figure for 2020/21 includes the Trade creditors

22. PROVISIONS

	Injury & damage Compensation Claims £'000	Business Rates £'000	Other Provisions £'000	Total £'000
Balance at 1 April 2021	**(38)**	**(800)**	**(207)**	**(1,045)**
Additional provisions made in year	(18)	(374)	(176)	**(568)**
Unused amounts reversed in year	18	237	207	**462**
Amounts used in year	0	311	0	**311**
Balance at 31 March 2022	**(38)**	**(626)**	**(176)**	**(840)**

Long Term Provisions - This provision relates to injury compensation claims £0.038m. A settlement date for these claims is unknown at this stage.

Short Term Provisions - Cost of employee's accrued leave £0.176m and Business Rates appeals £0.626m. These provisions should be settled within the next financial year.

23. USABLE RESERVES

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and also in Note 10 & 11.

24. UNUSABLE RESERVES

2020/21 £'000	SUMMARY	2021/22 £'000
(9,906)	Revaluation Reserve	(10,841)
(8,614)	Capital Adjustment Account	(9,084)
(365)	Deferred Capital Receipts Reserve	(315)
(93)	Pooled Investment Funds (statutory override)	(636)
47,453	Pensions Reserve	40,099
2,950	Collection Fund Adjustment Account	988
207	Accumulated Absences Account	176
31,632	**Total Unusable Reserves**	**20,387**

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.

2020/21 £'000	Revaluation Reserve	2021/22 £'000
(10,350)	**Balance at 1 April**	**(9,906)**
(405)	Upward revaluations of assets	(1,783)
594	Downward revaluation of assets and impairment losses not charged to Surplus/Deficit on the Provision of Services	720
189	**(Surplus) or Deficit on revaluation of non-current assets not posted to the (Surplus) or Deficit on the Provision of Services**	**(1,063)**
96	Difference between fair value depreciation and historical cost depreciation	99
159	Accumulated gains on assets sold or scrapped	29
255	**Amount written off to the Capital Adjustment Account**	**128**
(9,906)	**Balance at 31 March**	**(10,841)**

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

2020/21 £'000	Capital Adjustment Account	2021/22 £'000	2021/22 £'000
(9,423)	**Balance at 1 April**		(8,614)
	Reversal of items relating to capital expenditure debited or credited to the CIES		
956	Charges for depreciation and impairment of non-current assets	1,052	
2,437	Revaluation losses on Property, Plant and Equipment	1,777	
49	Amortisation of intangible assets	52	
5,051	Revenue expenditure funded from capital under statute	3,336	
(2)	Credit loss on Loans funded by Capital	2	
982	Amounts of non-current assets written off on disposal or sale as part of the (gain)/loss on disposal to the CIES	72	
9,473			6,291
(255)	Adjusting amounts written out of the Revaluation Reserve		(128)
9,218	**Net written out amount of the cost of non-current assets consumed in the year**		6,163
	Capital Financing Applied in the year:		
(2,520)	Use of Capital Receipts Reserve to finance new capital expenditure	(38)	
(3,318)	Capital grants and contributions credited to the CIES that have been applied to capital Financing	(3,598)	
(12)	Applications of grants to capital financing from the Capital Grant Unapplied Account	(321)	
(251)	Statutory provision for the financing of capital investment charged against the General Fund balance	(449)	
(707)	Voluntary provision for the financing of capital investment charged against the General Fund Balance	(374)	
(30)	Statutory provision charged against Capital Receipts Reserve for the repayment of loans funded by borrowing	(181)	
33	Loan Principal Repaid	186	
(1,575)	Capital expenditure charged against the General Fund balance	(1,082)	
(8,380)			(5,857)
(29)	Movement in market value of investment properties debited or credited to the Comprehensive Income & Expenditure Statement		(776)
(8,614)	**Balance at 31 March**		(9,084)

Deferred Capital Receipts Reserve

The Council has awarded a leisure centre management contract which contains an embedded lease. The Deferred Capital Receipts Reserve offsets the outstanding debt included in long and short term debtors for the interest in the equipment acquired by the lessee. The balance is reduced each year, when payments are received, and recognised as a capital receipt.

2020/21 £'000	Deferred Capital Receipts Reserve	2021/22 £'000
0	**Balance at 1 April**	**(365)**
(430)	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0
65	Transfer to the capital receipts reserve upon receipt of cash	50
(365)	**Balance at 31 March**	**(315)**

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.

2020/21 £'000	Pooled Investment Funds Adjustment Account	2021/22 £'000
(115)	**Balance at 1 April**	**(93)**
22	Fair Value adjustment	(543)
(93)	**Balance at 31 March**	**(636)**

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.

2020/21 £'000	Pensions Reserve	2021/22 £'000
37,795	**Balance at 1 April**	**47,453**
8,431	Remeasurement of the net defined benefit liability/(asset)	**(9,510)**
3,384	Reversal of items relating to retirement benefits debited or credited to the (Surplus) or Deficit on the Provision of services in the CIES	**4,397**
(2,157)	Employee pensions contributions and direct payments to pensioners payable in year	**(2,241)**
47,453	**Balance at 31 March**	**40,099**

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.

2020/21 £'000	Collection Fund Adjustment Account	2021/22 £'000
102	**Balance at 1 April**	**2,950**
2,848	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	**(1,962)**
2,950	**Balance at 31 March**	**988**

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.

2020/21 £'000	Accumulated Absences Account	2021/22 £'000
154	**Balance at 1 April**	**207**
(154)	Settlement or cancellation of accrual made at the end of the preceding year	(207)
207	Amounts accrued at the end of the current year	176
53	**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**	**(31)**
207	**Balance at 31 March**	**176**

25. MEMBERS' ALLOWANCES

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

2020/21 £'000	Members' Allowances	2021/22 £'000
216	Basic Allowance	220
65	Special Responsibility Allowances	64
7	Expenses	9
288	**Total expenditure**	**293**

26. OFFICERS' REMUNERATION

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

Post Title		Salary (including fees & allowances)	Compensation for loss of office	Pensions Contributions	TOTAL
		£	£	£	£
Chief Executive	**2021/22**	**127,879**	**0**	**19,757**	**147,636**
	2020/21	122,325	0	18,889	141,214
Assistant Director Operational & Commercial Services (previously Interim Assistant Director of Operations)	**2021/22**	**72,674**	**0**	**11,228**	**83,902**
	2020/21	69,919	0	10,797	80,716
Assistant Director Finance, Business Support & Property Services (S151)* (previously Finance and Business Support Manager)	**2021/22**	**72,674**	**0**	**11,228**	**83,902**
	2020/21	69,259	0	10,690	79,949
Assistant Director Planning & Regeneration	**2021/22**	**64,382**	**0**	**9,947**	**74,329**
	2020/21	54,725	0	8,455	63,180
Assistant Director Homes & Communities (started 01/10/2020)	**2021/22**	**65,775**	**0**	**10,162**	**75,937**
	2020/21	31,250	0	4,828	36,078
Assistant Director Change Management & Regulatory Services (started 07/12/2020)	**2021/22**	**70,482**	**0**	**10,889**	**81,371**
	2020/21	21,411	0	3,308	24,719
Assistant Director People and Democratic Services - Monitoring Officer (previously Director of Corporate Services - left 31.3.2021)	**2021/22**	**61,221**	**0**	**9,472**	**70,693**
	2020/21	0	0	0	0

*Assistant Director Finance, Business Support & Property Services (S151) appointed to post on 1st July 2020.

The post of Assistant Director People and Democratic Services was created as an interim post after the Director of Corporate Services left on 31 March 2021. This post became permanent in March 2022.

There were no taxable expenses allowances, other payments or bonus payments made to senior members of staff in 2020/21 or 2021/22.

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 2020/21	Remuneration Band	Number of Employees 2021/22
3	£50,000 to £54,999	2
1	£55,000 to £59,999	1
1	£60,000 to £64,999	2
4	£65,000 to £69,999	1
0	£70,000 to £74,999	3
0	£75,000 to £79,999	0
1	£80,000 to £84,999	0
1	£85,000 to £89,999	0
0	£90,000 to £94,999	0
0	£95,000 to £99,999	0
0	£100,000 to £104,999	0
0	£105,000 to £109,999	0
0	£110,000 to £114,999	0
0	£115,000 to £119,999	0
1	£120,000 to £124,999	0
0	£125,000 to £129,999	1
12	**Total**	**10**

The number of exit packages with total cost per band and total cost of the compulsory and other redundancies for the Council in 2021/22 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	
	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21 £	2021/22 £
£0- £20,000	1	0	0	0	1	0	**6,998**	**0**
£20,001 -£40,000	0	0	0	0	0	0	**0**	**0**
£40,001 -£60,000	2	0	0	0	2	0	**105,861**	**0**
Total	**3**	**0**	**0**	**0**	**3**	**0**	**112,859**	**0**

There were no exit packages made during 2021/22

27. 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.

2020/21 £'000	External Audit Costs	2021/22 £'000
50	Fees payable to the External Audit with regard to external audit services carried out by the appointed auditor for the year	48
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	0
56	**Total**	**54**

The 2021/22 fee for external audit services includes an indicative additional fee of £15,067 which is subject to approval.

28. GRANT INCOME

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

2020/21 £'000		2021/22 £'000
	Credited to Taxation and non Specific Grant Income:	
7,568	Business Rates Retention Scheme	5,523
736	Non-Ring Fenced Grants - New Homes Bonus	719
0	Non-Ring Fenced Grants - Lower Tier Services Grant	129
803	Non-Ring Fenced Grants - Other Grant and Contributions	664
2,473	Covid 19 Related Grants	1,091
35	Capital Grants & Contributions - GLLEP Funding	0
17	Capital Grants & Contributions - S106 Beal Homes (Riverside Walk)	370
1,500	Capital Grants & Contributions - S106 Taylor Lindsey -Minister Fields	0
0	Capital Grants & Contributions - S106 Taylor Lindsey -Roman Gates	250
0	Capital Grants and Contributions - Decarbonisation Grant Scheme	54
0	Capital Grants & Contributions -PCC Safer Streets Fund	121
0	Capital Grants & Contributions -Levelling Up Fund	53
0	Capital Grants & Contributions -Other	252
13,132	**Total Non Specific Grant Income**	**9,226**
	Credited to Services, Revenue Related:	
15,895	Department of Work & Pensions - Housing Benefit Allowance	14,591
247	Department of Work & Pensions - Housing Benefits Administration Grants	228
794	Disabled Facilities Grants	829
2,754	Lincolnshire County Council - GLLEP Funding	0
0	Housing Infrastructure Fund - Southern SUE	2,193
3,416	Government Covid 19 Grants	2,282
494	Other Covid 19 Grants	321
578	Other Grants & Contributions	1,704
24,178	**Total Credited to Service**	**22,148**

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.

2020/21 £'000		2021/22 £'000
	Capital grants receipts in advance:	
1,978	S106 Agreements	1,690
483	HIF Southern SUE Funding	0
675	Lincolnshire County Council -GLLEP LOTS & Cinema	645
0	Levelling Up Fund - Thriving Gainsborough	324
0	PCC Safer Streets Fund	19
	Revenue grants receipts in advance:	
992	BEIS - Additional Restrictions Grant	0
49	Cabinet Office - Transaction Risking Project	0
40	Arts Council Mayflower Grant	0
7	LGA Firebrand Training Grant	0
2	DWP New Burdens	0
1	Mr Big	1
0	DLUHC - Covid additional Relief Fund (CARF)	1,408
0	DLUHC - Homelessness Prevention Grant	1
0	Notts City Council Green Homes Grant	216
0	PCC Safer Streets Fund	59
0	IDeA -Housing Advisors programme.	25
4,227	**Total**	**4,388**

29. 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 28.

Councillors

Councillors have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2021/22 is shown in Note 25.

During 2021/22, 9 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 was agreed, the loan due to be repaid by 2028/29 has now been paid in full in the current financial year 2021/22. The loan was provided after following the Council's loan procedures. The Council paid levies and additional drainage costs of £0.338m to four Internal Drainage Boards where Councillors represented the Council, specifically; Witham 3rd IDB (3 councillors, £0.214m), Scunthorpe and Gainsborough Water Management Board (2 councillors, £0.057m), Upper Witham IDB (1 councillor, £0.048m), Ancholme IDB (1 councillor, £0.019m). In addition, the Council paid grants totalling £0.099m 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. The Council acted as an agent for Central Government issuing Covid-19 Grants, £0.019m was paid to organisations where Councillors had declared a related party interest.

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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 is a trustee of Urban Challenge Ltd and a payment of £0.020m was made by the Council to the organisation. The Council's Assistant Director Commercial and Operational Services continues as a Director for WLDC Staffing Services Ltd, Surestaff Limited and WLDC Trading Limited The Assistant Director for Planning and Regeneration became a Director to Market Street Renewal Ltd (part owned by WLDC) on 1st April 2020.

Other Pubic 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 32

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 12.

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 2021/22 the Council contributed £98,900 (£98,900 2020/2021).

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 Assistant Director of Commercial and Operational Services for the Council. The Company secretary during 2021-22 was Tracey Bircumshaw who was also the Council's Assistant Director Finance, Business Support and Property Services for the Council during 2021-22.

The Council had the following transactions with each of the companies.

Surestaff Lincs Ltd	2020/21 £	2021/22 £
Council Received	11,757	10,663
Council Paid Out	0	0
Covid-19 Grant (Small Business Grant Fund - WLDC acting as agent)	10,000	0
Kick Start Grant	0	7,147
Loans Balance Brought Forward	32,000	32,000
Loans Issued in the financial year	0	0
Less Loans Repaid in the financial year	0	0
Loans Outstanding 31 March	32,000	32,000

WLDC Staffing Services Ltd	2020/21 £	2021/22 £
Council Received	18,921	13,434
Council Paid Out	630,682	795,374
Loans Balance Brought Forward	22,000	17,000
Loans Issued in the financial year	2,000	0
Loans Repaid in the financial year	(7,000)	(5,000)
Loans Outstanding 31 March	17,000	12,000

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 2021/22 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. Sally Grindrod-Smith Assistant Director Planning and Regeneration at West Lindsey District Council is a Director. The company was primarily set up for the development and renovation of Market Street in Gainsborough.

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

Market Street Renewal Limited (MSRL)	2020/21 £	2021/22 £
Council Received	28,342	22,425
Council Paid Out	0	0
MSRL Share Capital	200	200
Loans balance brought forward	375,000	357,500
Loans issued in the financial year	0	0
Loans repaid in the financial year	(17,500)	(15,000)
Loans Outstanding 31 March	357,500	342,500
Grants issued	0	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.

30. 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.

2020/21 £'000		2021/22 £'000
37,905	**Opening Capital Financing Requirement Capital Investment**	**38,525**
107	Property, Plant and Equipment	1,318
3,840	Assets Under Construction	2,958
37	Intangible Assets	199
0	Investment Properties	0
0	Long Term Shares Investment	0
0	Long Term Loan	0
0	Adjustment for non-capital loans	0
5,051	Revenue Expenditure Funded from Capital Under Statute	3,336
	Sources of Finance	
(2,520)	Capital Receipts	(38)
(3,331)	Government Grants and Contributions	(3,919)
(1,576)	*Sums set aside from Revenue:*	
(281)	Direct revenue contributions	(1,082)
(707)	Minimum Revenue Provision	(630)
	Voluntary Revenue Provision	(374)
38,525	**Closing Capital Financing Requirements**	**40,293**
	Explanation of Movements in Year	
620	Increase/(Decrease) in underlying need to borrow (unsupported by Government financial assistance)	1,768
0	Assets Acquired under Finance Leases	0
620	**Increase/(Decrease) in Capital Financing Requirement**	**1,768**

31. 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 14 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 17 years remaining).

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

2020/21 £'000		2021/22 £'000
431	Other Land and Buildings	441
2,434	Investment Properties	2,894
2,865	**Total**	**3,335**

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 2021/22 no contingent rents were payable by the Council (2020/21 £0).

The Council has sub-let the properties held under these finance leases. At 31 March 2022 the minimum payments expected to be received under non-cancellable sub-leases was £5.30m (£5.54m at 31 March 2021).

Operating Leases

The Council has entered into operating leases for a depot and car park space, empty home and

multi-function devices.

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

2020/21 £'000		2021/22 £'000
17	Not later than one year	10
22	Later than one year and not later than five years	12
5	Later than five years	4
44	**Total**	**26**

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:

2020/21 £'000		2021/22 £'000
33	Minimum lease payments	29
(6)	Contingent rents	(8)
4	Sublease Payments Receivable	4
31	**Total**	**25**

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 2022 was £0m (£0m as at 31 March 2021). 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.

Within the leisure centre management contract for the sites at Market Rasen (commencement 2020) and Gainsborough 2018) there is an embedded finance lease of gym equipment. The lease term is 8 years for each site, representing the estimated useful economic life of an asset. The gross investment in the lease is made up of the minimum lease payments expected to be received over the remaining term. There is no residual value anticipated for the gym equipment when the lease comes to an end. The minimum lease payments comprise settlement of the long-term debtor for the interest in the equipment acquired by the lessee and finance income that will be earned by the authority in future years while the debtor remains outstanding. The gross investment is made up of the following amounts:

2020/21 £'000		2021/22 £'000
	Finance lease debtor (net present value of minimum lease payments)	
63	Current	63
353	Non-Current	290
(51)	Unearned finance income	(38)
365	**Total**	**315**

The gross investment in the lease and the minimum lease payments will be received over the following periods:

	Gross investment in the lease		Minimum Lease Payments	
	2021/22 £'000	2020/21 £'000	2021/22 £'000	2020/21 £'000
Not later than one year	52	50	52	50
Later than one year and not later than five years	225	218	225	218
Later than five years	38	97	38	97
Total	**315**	**365**	**315**	**365**

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 2021/21 no contingent rents were receivable by the authority (£0 2020/21).

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 investment property returns to provide suitable affordable accommodation for local businesses and to bring empty properties back into use.

The net book value of these assets is £43.0m (2020/21 £42.1m)

The future minimum lease payments receivable in future years are:

2020/21 £'000		2021/22 £'000
1,668	Not later than one year	1,690
6,368	Later than one year and not later than five years	6,266
9,475	Later than five years	8,434
17,511	**Total**	**16,390**

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 2021/22 there were no contingent rents receivable by the Council (2020/21 £0m).

32. 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 Barnett Waddingham. The following notes are based on the assumptions and reports received from the Actuary as at 31 March 2022. 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:

2020/21 £'000	LOCAL GOVERNMENT PENSION SCHEME	2021/22 £'000
	Comprehensive Income and Expenditure Statement	
	Cost of Services	
2,380	Current Service Cost	3,386
118	Past Service Cost/(Gain)	40
39	**Financing and Investment Income and Expenditure**	44
847	Net Interest Expense	927
3,384	**Total Post-employment Benefits charged to the (Surplus) or Deficit on the Provision of Services**	**4,397**
	Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	
	Remeasurement of the net defined benefit liability comprising:	
10,742	Return on plan assets (excluding the amount included in the net interest expense)	5,103
990	Actuarial Gains/(Losses) arising on changes in demographic assumptions	0
(21,153)	Actuarial Gains/(Losses) arising on changes in financial assumptions	4,631
990	Other actuarial Gains/(Losses) on assets	(224)
(8,431)		9,510
(5,047)	**Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement**	**13,907**
	Movement in Reserves Statement	
(3,384)	Reversal of net charges made to the (Surplus) or Deficit for the Provision of Services for post-employment benefits in accordance with the Code.	(4,397)
	Actual amount charged against the General Fund Balance for the pensions in the year	
2,070	Employers' contributions payable to the scheme	2,162
87	Retirement benefits payable to pensioners	79
(1,227)	**Net Movement in Reserves Statement (Note 10)**	**(2,156)**

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:

2020/21 £'000	Balance Sheet	2021/22 £'000
(106,332)	Present value of the defined benefit obligation	(104,412)
58,879	Fair value of plan assets	64,313
(47,453)	**Net liability arising from the defined benefit obligation**	**(40,099)**

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

2020/21 £'000	Reconciliation of Fair Value of Scheme (Plan) Assets	2021/22 £'000
47,658	**Opening fair value of scheme assets at 1 April**	**58,879**
1,090	Interest Income	**1,170**
	Remeasurement Gains/(Losses)	
10,742	The return on plan assets, excluding the amount included in the net interest expense	**5,103**
2,070	Employer Contributions	**2,162**
463	Contributions paid by scheme participants	**485**
(3,105)	Benefits paid	**(3,442)**
(39)	Administration Expenses	**(44)**
58,879	**Closing fair value of scheme assets at 31 March**	**64,313**

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

Funded Liabilities 2020/21 £'000	Reconciliation of present value of the scheme liabilities (defined benefit obligation)	Funded Liabilities 2021/22 £'000
85,453	**Opening present value of scheme liabilities at 1 April**	**106,332**
2,380	Current service cost	**3,386**
1,937	Interest cost	**2,097**
463	Contributions from scheme participants	**485**
	Remeasurement (Gains)/Losses	
(990)	Actuarial Gains/(Losses) arising on changes in demographic assumptions	**0**
21,153	Actuarial Gains/(Losses) arising on changes in financial assumptions	**(4,631)**
(990)	Other	**224**
118	Past service costs	**40**
(3,192)	Benefits paid	**(3,521)**
106,332	**Closing present value of scheme liabilities at 31 March**	**104,412**

2020/21 Fair Value of Scheme Assets £'000	2020/21 % of Total Assets %	Local Government Pension Scheme Asset Categories	2021/22 Fair Value of Scheme Assets £'000	2021/22 % of Total Assets %
		Equity Instruments		
0	0	Consumer	0	0
0	0	Manufacturing	0	0
0	0	Energy & Utilities	0	0
0	0	Financial Institutions	0	0
0	0	Health & Care	0	0
0	0	Information Technology	0	0
0	0	Other	0	0
		Private Equity		
0	0	All	0	0
		Real Estate		
6,157	10	UK Property	7,097	11
0	0	Overseas Property	0	0
		Investment Funds & Unit Trusts		
42,238	72	Equities	46,522	72
8,118	14	Bonds	8,161	13
0	0	Infrastructure	0	0
0	0	Other	0	0
		Cash & Cash Equivalents		
2,366	4	All	2,533	4
58,879	**100**	**Total Assets**	**64,313**	**100**

All scheme assets have quoted prices in active 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 Barnett Waddingham, 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		
2020/21		**2021/22**
%	**Long Term Expected Rate of Return on Assets in the Scheme**	%
2.0	Equity Investments	2.6
2.0	Bonds	2.6
2.0	Property	2.6
2.0	Cash	2.6
Years	**Mortality Assumptions**	**Years**
	Longevity at 65 for current pensioners	
21.1	Men	21.2
23.6	Women	23.7
	Longevity at 65 for future pensioners	
22.0	Men	22.1
25.0	Women	25.1
%	**Financial Assumptions**	%
2.8	Rate of Inflation	3.2
3.1	Rate of increase in salaries	3.5
2.8	Rate of increase in pensions	3.2
2.0	Rate for discounting scheme liabilities	2.6
%	**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 Change in Assumptions at 31 March 2022	Approx. Increase to Employer Liability %	Approx. Monetary Amount £'000
0.1% decrease in Real Discount Rate	1.97	2,056
1 Year increase in Member Life Expectancy	4.67	4,878
0.1% increase in Salary Increase Rate	0.31	325
0.1% in the Pension Increase Rate (CPI)	1.64	1,716

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 £2.559m in contributions in 2022/23.

33. 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.

Historic Planning Fees

The Council may be required to refund some historic planning fees under the Planning Guarantee, as denoted by Regulation 9A of the Town and Country Planning Regulations 2013. This only applies to applications submitted after 1 October 2013, which took more than 26 weeks to determine, and never had an agreed extension of time in writing.

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.

34. 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 therefore difficult to ascertain how much the Council might receive each year (during 2021/22 the Council received £0.088m from 5 property sales).

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 as each block 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.

35. 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 it’s 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 2021/22 was approved by Full Council on 2 March 2021 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 £5m (£3m 2020/21) 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 non-recovery applies to all of the Council's deposits.

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 £'000	Lifetime expected credit losses - not credit impaired £'000	Lifetime expected credit losses - credit impaired £'000	Lifetime credit losses - simplified approach £'000	Total £'000
Opening Balance as at 1 April 2021	0	(37)	(14)	(1,172)	**(1,223)**
Transfers:					
Individual financial assets transferred to lifetime expected credit losses credit impaired	0	0	0	0	0
Amounts Written off	0	0	0	0	**0**
Changes in models/risk parameters	0	(1)	1	240	**240**
Other Changes	0	0	0	0	**0**
At 31 March 2022	**0**	**(38)**	**(13)**	**(932)**	**(983)**

Credit risk exposure

The Council has the following exposure to credit risk at 31 March 2022:

	Credit Risk Rating	Gross Carrying amount £'000
12-Month expected credit losses	AAA - Very Low AA - Very Low Very Low	14,953 2,001 3,636
Significant increase in credit risk since initial recognition	Very High High Medium Low Very Low	32 0 19 354 400
Credit-impaired at 31 March	Standard Debtors High Risk	13
Simplified Approach	Standard Debtors - Medium Risk Benefit Debtors - Medium Risk	403 1,374
At 31 March 2022		**23,185**

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 2022 was £0.074m (£0.078m 31 March 2021)

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 the Council's financial assets is as follows:

31 March 2021 £'000	Maturity Analysis of Financial Assets	31 March 2022 £'000
17,847	Less than 1 year	23,038
8	Between 1 and 2 years	4
0	Between 2 and 3 years	0
4,389	More than 3 years	4,307
22,244	**Total**	**27,349**

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 2021 £'000	Maturity Analysis of Financial Liabilities	31 March 2022 £'000
15,645	Less than 1 year	18,549
0	Between 1 and 2 years	5,159
5,636	Between 2 and 5 years	0
5,500	Between 5 and 25 years	5,500
8,500	Between 25 and 50 years	8,500
35,281	**Total**	**37,708**

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 Deficit 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 2022, 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	0
Increase in interest receivable on variable rate investments	(2)
Impact on Surplus or Deficit on the Provision of Service	**(2)**
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)	3,377

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 2022 of £3.636m. 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.

36. CASH FLOW STATEMENT - OPERATING ACTIVITIES

The cash flow for operating activities include the following items:

2020/21 £'000		2021/22 £'000
268	Interest received	212
(397)	Interest paid	(371)
(129)	**Total**	**(159)**

37. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

Reconciliation 2021/22	As at 1 April £'000	Financing cash flows £'000	Non-cash changes Acquisition £'000	Non-cash changes Other £'000	As at 31 March £'000
Long-term borrowings	16,500	0	0	0	16,500
Short-term borrowings:					
Lease Liabilities	0	0	0	0	0
Other Short Term borrowing	3,577	1,500	0	(77)	5,000
Total liabilities from financing activities	**20,077**	**1,500**	0	**(77)**	**21,500**

Reconciliation 2020/21	As at 1 April £'000	Financing cash flows £'000	Non-cash changes Acquisition £'000	Non-cash changes Other £'000	As at 31 March £'000
Long-term borrowings	16,500	0	0	0	16,500
Short-term borrowings:					
Lease Liabilities	0	0	0	0	0
Other Short Term borrowing	3,581	0	0	(4)	3,577
Total liabilities from financing activities	**20,081**	**0**	0	**(4)**	**20,077**

38. 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. The Council acted as an Agency of the Government in the distribution of grants in relation to Business Support Grants. During the year grants of £6.077m were received and £5.496m has been issued to Businesses. There is a sum of £0.780m remaining at 31 March 2022 which is a net balance from the last two financial years. The balance is a creditor on the Council's balance sheet to be repaid to the Government in 2022/23.

39. 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 29.

40. 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 £0.086m 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 2021/22 the Council's Share was 40%, Lincolnshire County Council 10% and Central Government 50%.

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.

2020/21			COLLECTION FUND ACCOUNT		2021/22		
Council Tax £'000	Business Rates £'000	Total £'000	Income / Expenditure	Note	Council Tax £'000	Business Rates £'000	Total £'000
			Income				
57,195	0	57,195	Net Council Tax Receivable	1	60,098	0	**60,098**
479	0	479	Section 13A 1C Transfer from General Fund		370	0	**370**
0	11,197	11,197	Net Business Rates Receivable	2	0	15,215	**15,215**
0	43	43	Transitional Protection Payments receivable		0	152	**152**
57,674	**11,240**	**68,914**	**Total Income**		**60,468**	**15,367**	**75,835**
			Expenditure				
			West Lindsey District Council				
8,663	7,299	**15,962**	Precepts, Demands & Shares		8,897	7,186	**16,083**
215	(336)	**(121)**	Distributed Surplus/(Deficit)		167	(2,905)	**(2,738)**
			Lincolnshire County Council				
40,110	1,825	**41,935**	Precepts, Demands & Shares		41,100	1,796	**42,896**
988	(216)	**772**	Distributed Surplus/(Deficit)		776	(726)	**50**
			Lincolnshire Police & Crime Commissioner				
7,538	0	**7,538**	Precepts, Demands & Shares		8,023	0	**8,023**
184	0	**184**	Distributed Surplus/(Deficit)		146	0	**146**
			Central Government				
0	9,123	**9,123**	Precepts, Demands & Shares		0	8,982	**8,982**
0	(24)	**(24)**	Distributed Surplus/(Deficit)		0	(3,631)	**(3,631)**
0	103	**103**	Cost of Collection Allowance		0	105	**105**
0	0	**0**	Write offs of uncollectable amounts		0	0	**0**
322	399	**721**	Increase/(Decrease) in Impairment Allowance		299	329	**628**
0	77	**77**	Increase/(Decrease) in Provision for Appeals		0	(434)	**(434)**
0	0	**0**	Transitional Protection Payments		0	0	**0**
0	205	**205**	Disregarded Amounts		0	187	**187**
0	0	**0**	Prior Year Adjustment		0	0	**0**
58,020	**18,455**	**76,475**	**Total Expenditure**		**59,408**	**10,889**	**70,297**
1,761	**(704)**	**1,057**	**Surplus or (Deficit) b/fwd 1 April**		**1,415**	**(7,919)**	**(6,504)**
(346)	**(7,215)**	**(7,561)**	**Surplus or (Deficit) arising during the year**	3	**1,060**	**4,478**	**5,538**
1,415	**(7,919)**	**(6,504)**	**Surplus or (Deficit) c/fwd 31 March**		**2,475**	**(3,441)**	**(966)**

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 2021/22 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 £1,853.21 (£1,806.69, 2020/21) and is multiplied by the ratio specified for the particular band to give an individual amount due.

The Council Tax Base for 2021/22 was 30,128.37 (29,986.98 2020/21). 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 2021/22 was approved by the Council meeting in January 2021 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	
	2020/21	**2021/22**	**2020/21**	**2021/22**		**2020/21**	**2021/22**
Disabled	0	0	25	26	5/9	14	14
Band A	16,405	16,564	10,490	10,560	6/9	6,993	7,040
Band B	8,122	8,197	6,645	6,720	7/9	5,168	5,227
Band C	7,708	7,775	6,712	6,751	8/9	5,966	6,001
Band D	5,827	5,895	5,369	5,409	9/9	5,369	5,409
Band E	3,502	3,590	3,268	3,347	11/9	3,994	4,091
Band F	1,457	1,505	1,365	1,417	13/9	1,972	2,047
Band G	522	530	486	494	15/9	810	823
Band H	67	67	50	49	18/9	100	98
Total	**43,610**	**44,123**	**34,410**	**34,773**		**30,387**	**30,750**
Deduction for non-collection, new build, demolition and other adjustments						(516)	(756)
Band D Equivalent for Council Tax Base						**29,871**	**29,994**
Band D Equivalent for Contributions in Lieu						116	134
Council Tax Base (Band D equivalent)						**29,987**	**30,128**

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 51.2p in 2021/22 (51.2p in 2020/21). The non-domestic rate multiplier for small businesses is 49.9p in 2021/22 (49.9p in 2020/21). Subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by this multiplier. Local rateable values totalled £49.117m at 31 December 2020 and were used to calculate the Business Rates Retention scheme amounts for 2021/22 (£48.991m in 2020/21). The Local rateable values totalled £49.288m at 31 March 2022. (£49.037m at 31 March 2021).

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%).

The business rates shares payable for 2021/22 were estimated before the start of the financial year as £1.796m (£1.825m 2020/21) to Lincolnshire County Council, £8.982m (£9.123m 2020/21) to Central Government with £7.186m (£7.299m 2020/21) retained by West Lindsey District Council. These sums have been paid in 2021/22 and charged to the Collection Fund in year.

When the scheme was introduced, Central Government set a baseline level for each authority identifying the expected level of retained business rates and a top up or tariff amount to ensure that all Authorities receive their baseline amount.Tariffs due from Authorities 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 £3.583m in 2021/22 (£3.583m 2020/21) to the Lincolnshire Business Rates Pool.

The total income from business rate payers collected in 2021/22 was £15.215m (£11.197m 2020/21).

In addition to the tariff, a 'safety net' figure is calculated at 92.5% for 2021/22 (92.5% for 2020/21) of baseline amount which ensures that authorities are protected to this level of Business Rates income. The safety net figure for the Council is £2.796m (£2.796m 2020/21). The comparison of business rate income to the safety net uses the total income collected from business rate payers and adjusts for losses in collection, losses on appeal, transitional protection payments, the cost of collection and the revision to Small Business Rate Relief.

3. COLLECTION FUND SURPLUSES AND DEFICITS

The year-end surplus or deficit on the Council Tax 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 was taken into consideration when setting the Council Tax 2021/22. In 2021/22 the Council received £0.168m (£0.215m in 2020/21), its share of the 2020/21 Council Tax estimated surplus and this amount is reflected in the CIES, Taxation and Other Grant Income.

The actual cumulative Collection Fund deficit of £0.966m at 31 March 2022 (£6.504m deficit 31 March 2021). This is made up of NNDR deficit of £3.441m (£7.919m 31.3.21) and Council Tax Surplus of £2.475m (£1.415m 31.3.21) There has been an decrease in the provision for appeals in 2021/22 with the total provision at £1.564m. (£1.999m 2020/21)

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:

2020/21			2021/22		
CTAX £'000	Business Rates £'000		CTAX £'000	Business Rates £'000	Total £'000
218	(3,168)	West Lindsey District Councill	377	(1,376)	(999)
1,006	(792)	Lincolnshire County Council	1,757	(344)	1,413
191	0	Lincolnshire Police and Crime Commissioner	341	0	341
0	(3,959)	Central Government	0	(1,721)	(1,721)
1,415	**(7,919)**	**Balance at 31 March**	**2,475**	**(3,441)**	**(966)**

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WEST LINDSEY DISTRICT COUNCIL REPORT ON THE FINANCIAL STATEMENTS

KEEP FREE FOR AUDIT

KEEP FREE FOR AUDIT

KEEP FREE FOR AUDIT

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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.

BEIS -

Department of Business Energy and Industrial Strategy

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/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 or financial leases out. 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.

DCLG

Department of Communities and Local Government (**now DLUHC)**.

DLUHC

Department for Levelling Up, Housing and Communities.

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

MCHLG

Ministry of Communities, Housing and Local Government (**Now DLUHC**)

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 2021/22

EXECUTIVE SUMMARY

Governance is about how local government bodies ensure that they are doing the right things in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. It comprises the systems, processes, cultures and values by which local government bodies are directed and controlled and through which they account to, engage with and where appropriate, lead their communities.

The Annual Governance Statement (AGS) is a public report by the Council on the extent to which it complies with its own governance code, including how it has monitored the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period.

The council expects all of its members, officers, partners and contractors to adhere to the highest standards of public service with particular reference to the Officer and Member Code of Conduct, Constitution, Corporate Vision and Values, and Priorities as well as applicable statutory requirements.

This document describes our governance arrangements and how closely we align with good practice. In overall terms this is a positive statement for the financial year 2021/22. This document relies on several assurance mechanisms including internal audit annual review, internal audit reports throughout the year, the work of the Governance and Audit Committee, the overview and scrutiny process and external audit.

External audit is undertaken by Mazars LLP, and this provides assurance over the Financial Statements and Value for Money Opinion. Where the auditor identifies weaknesses in the Council's arrangements, these are highlighted in the Annual Audit and Inspection Letter. The Council received an unqualified audit opinion on its 2021/22 accounts, the latest audited and published.

ANNUAL GOVERNANCE STATEMENT 2021/22

1. SCOPE OF RESPONSIBILITY

West Lindsey District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards. It is also responsible for ensuring that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999, to make arrangements to secure continuous improvement in the way its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, incorporating the system of internal control. This includes arrangements for the management of risk. The Council has a Local Code of Governance which details these arrangements and is structured around the 7 Principles of Good Governance.

The Accounts and Audit (England) Regulations 2015 require every council to agree and publish and Annual Governance Statement. CIPFA (Chartered Institute of Public Finance and Accountancy) have produced guidance to Delivering Good Governance in Local Government Framework (2016). In producing this AGS, this guidance has been considered.

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems, processes, culture and values by which the Council is directed and controlled. It also comprises the activities through which it accounts to, engages with and leads its communities. It enables the Council to monitor the achievement of its strategic objectives and consider whether those objectives have led to the delivery of appropriate services that represent value for money.

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, priorities, 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 risks to the achievements of the Council's policies, priorities, aims and objectives. It also evaluates the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. Strategic risks are reported to the Governance and Audit Committee bi-annually.

The governance framework has been in place at the Council for the year ended 31st March 2022, and up to the date of approval of this Statement.

3. FINANCIAL MANAGEMENT CODE

Strong financial management is an essential part of ensuring public sector finances are sustainable. The CIPFA Financial Management Code (FM Code) provides guidance for good and sustainable financial management in local authorities and assurance that authorities are managing resources effectively. The FM Code identifies risks to financial sustainability and introduced a framework of assurance.

Complying with the standards set out in the FM Code is the collective responsibility of elected members, the chief finance officer and their professional colleagues in the management team. Complying with the FM Code will help strengthen the framework that surrounds financial decision making.

The council has undertaken an assessment of compliance with the principles of the FM Code. This assessment has confirmed the council's compliance, with two actions identified for further improvement to the Governance and Audit Committee in Jul 2021.

The Chief Financial Officer has reviewed the actions and progress is reported below:

STAKEHOLDER ENGAGEMENT AND BUSINESS PLANS

Area of Code	2020/21 Assessment	2021/22 Assessment	Narrative
The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget.	Amber	Amber	Stakeholder Engagement for the 2022/23 was adversely affected by Covid-19. A detailed plan of engagement has been put in place for the 2023-24 budget which when delivered will provide a green assurance rating for the Council.
The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions.	Amber	Amber	Whilst the five-case business model is used for all significant decisions further guidance is being developed at an operational level for decision making. The Value For Money Handbook will be published and supported by training for all staff in Quarter 3 2022-23.

4. THE GOVERNANCE FRAMEWRORK AND ANNUAL REVIEW OF EFFECTIVENESS

With the continuing response to Covid19 throughout 2021/2022, the Council continued to support its staff and the people and businesses of West Lindsey towards planning for recovery from the global pandemic declared in connection with the Covid19 virus. The Council worked closely with the Local Resilience Forum, other Councils, the Police, NHS, Public Health England and others to respond to and support the Government's roadmap for easing restrictions, the vaccination programme, testing, and the planning for recovery.

In the spring plans were developed and put in place for the Council's own organisational recovery taking account of the Government's roadmap and the local situation regarding Covid19 cases. The Council's Covid19 Management Group continued to meet regularly to actively manage the Council's response and recovery priorities.

Staff were already able to work from home with the right equipment and tools to carry out their roles, this continued into 2021/22, with support being offered to enable services to run effectively. Four staff surveys have been conducted during the last 2 pandemic years and the results have been very positive with actions being taken to address any concerns.

By the early Summer 2021, committees (and full Council) were returned to being held in person with amended room layouts, and external venues being used for full council.

The Council had not had supplier issues or large-scale staff absences due to the success of the vaccination roll out and safe ways of working. Nevertheless, the level of risk was monitored and reported to the Council's Covid19 Management Group, however it is effectively being managed as business as usual due to the longevity of the incident and the 'new normal' that Covid19 had become.

Throughout this time the Council's governance arrangements held strong and were effective, allowing it to be both flexible and confident in responding to emerging priorities, changes to service delivery and timely decision making.

West Lindsey District Council operates a Committee model form of Governance under the Localism Act 2011. This has ensured that there is a more democratic approach to decision making with no elected member having any individual executive power to make decisions and requiring committees to be politically proportionate. The Council's Constitution sets out how the Council operates.

The council uses its Constitution as a basis from which decision making, delegations and matters relating to the ability to meet legislative and statutory requirements are considered. Due to legislation changes last year in May 2021 the Council returned to face to face Committee meetings as required.

The Council is working to its 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 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.

The Constitution of the 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 Paid Service, Chief Financial Officer and Monitoring 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.

The council has developed, communicated and embedded codes of conduct, defining the standards of behaviour for both Members and staff. The Council adopted a new code of conduct for Members at its Full Council meeting in November 2021, having provided all Members with the opportunity to attend an awareness session prior to adopting the new Code.

The Council has successfully concluded its LGA Peer Review Challenge which began in January 2020. A report to Full Council set out the next steps following the closure of the project an extract of which is shown below:

5. SIGNIFICANTGOVERNANCE ISSUES

No significant governance issues have been identified in 2021-22.

6. GOVERNMENT RISKS - AREAS FOR IMPROVEMENT DURING 2021-22

The Internal Audit Plan 2021-22 was agreed by the Governance and Audit Committee and has been completed for the year. All of the audits completed in year achieved either High or Substantial assurance.

Officer 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.

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework and 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) The findings from the Annual Audit work plan

c) 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

7. APPROVAL OF THE ANNUAL GOVERNANCE STATEMENT 2021-22

The council is satisfied that appropriate and effective governance arrangements have been in place for 2021-22.

Signed: Ian Knowles

Date:

Chief Executive, West Lindsey District Council

Signed: Councillor Owen Bierley

Date:

Leader, West Lindsey District Council

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	Governance and Audit Committee
	Tuesday, 29 November 2022

Review of Whistleblowing Activity 2021-22

Report by:	Monitoring Officer
Contact Officer:	Emma Redwood Assistant Director People & Democratic Services emma.redwood@west-lindsey.gov.uk
Purpose / Summary:	To provide the Governance and Audit Committee with a summary of Whistleblowing incidents recorded

RECOMMENDATION(S):

1. **That the Governance and Audit Committee note the contents of the report**
2. **That the Governance and Audit Committee continues to receive annual reports in relation to the policy implementation and incidents**

IMPLICATIONS

Legal: Review of the Council’s arrangements for whistleblowing on an annual basis ensures that the organisation continues to meet its statutory obligations in respect of whistleblowing legislation and represents good governance.

Financial: FIN/111/23

There are no specific financial implications associated with this report. Effective whistleblowing arrangements assists the Council to ensure that any misconduct / wrongdoing which could have a detrimental financial impact on the Council is appropriately dealt with.

Staffing: None identified.

Equality and Diversity including Human Rights:
West Lindsey District Council has a commitment to equal opportunities.
It seeks to ensure that no potential or current employee receives less favourable treatment than another on the grounds of age, disability, gender, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.

Data Protection Implications:

None identified.

Climate Related Risks and Opportunities:

None identified.

Section 17 Crime and Disorder Considerations:

None identified.

Health Implications:

None identified.

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

None.

Risk Assessment:

The legislation gives all employees protection from suffering any detriment as a result of making a protected disclosure. Whilst members of the public are not protected by law, the Council treats all whistleblowers in the same way. Information is available to employees and members of the public on how they can access the Council's whistleblowing process and the Council considers actions to raise awareness. Assurance that concerns are dealt with effectively is provided to the Council's Audit and Procurement Committee through this annual report.

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 Whistleblowing Policy provides a method for employees to raise concerns about the running of the Council, or concerning behaviours exhibited within it, without the risk of victimisation. All employees have access to this policy. This committee has been receiving updates on this matter since 2008.

1.2 The policy was reviewed by the Governance and Audit committee in 2021 with recommendations made for the Joint Staff Consultative Committee to consider. The reviewed policy was presented to the Corporate Policy and Resources Committee in April 2022 and was agreed for adoption.

2. Whistleblowing Policy

2.1 There have been 5 referrals made to the Whistleblowing helpline in the period April 2021 to March 2022. 1 referral was made in April 2022 which falls outside of this reports period but has been included for information.

> 4 referrals were passed to the DWP
> 1 referral was made regarding planning permission and was passed to the service as a planning query
> 1 was made by a fraud investigator from Crawley Borough council to locate a person suspected of committing social housing fraud (this is April 2022)

2.2 There have been no incidents of whistleblowing raised internally within the Council.

2.3 For transparency purposes, this report is presented to the Governance and Audit committee annually; even in the event of no whistleblowing incidents.

2.4 The Counter Fraud Team are the gatekeeper for all whistleblowing referrals for the District Council.

2.5 The policy continues to be communicated to staff, and is included in the quarterly corporate induction programme. The policy is also on the council's website.

3. Recommendations

1. That the Governance and Audit Committee note the contents of the report
2. That the Governance and Audit Committee continues to receive annual reports in relation to the policy implementation and incidents

Governance and Audit Committee Workplan as at 21 November 2022

Purpose:
This report provides details of reports scheduled for committee for the remaining civic year.

Recommendation:

1. That members note the report.

Date	Title	Lead Officer	Purpose of the report
29 NOVEMBER 2022			
29 Nov 2022	Audited Statement of Accounts 2021/22	Emma Foy, Director of Corporate Services and Section 151	The 2021/22 Statement of Accounts is presented for Scrutiny and adoption.
29 Nov 2022	External Audit Completion Report - ISA 260	Emma Foy, Director of Corporate Services and Section 151	To present to those charged with governance, the External Audit report on the quality of the Statement of Accounts and Annual Governance Statement 2021/22.
29 Nov 2022	Review of Whistleblowing Activity	Emma Redwood, Assistant Director People and Democratic Services	To present data on Whistleblowing Activity
24 JANUARY 2023			
24 Jan 2023	Draft Treasury Management Strategy 2023/24	Emma Foy, Director of Corporate Services and Section 151	To present West Lindsey District Council's Draft Treasury Management Strategy for 2023/24.
24 Jan 2023	Internal Audit Quarter 3 Report 2022/23	Alastair Simson, Principal Auditor, Lincolnshire County Council	To present the Quarter 3 Internal Audit Report.
24 Jan 2023	Member Development Induction Report 2023	Ele Snow, Senior Democratic and Civic Officer	To present the planned induction process for Members elected at the 2023 election.

14 MARCH 2023			
14 Mar 2023	Annual Governance Statement Action Plan Update	Emma Redwood, Assistant Director People and Democratic Services	To update progress on the Annual Governance Statement 22-23 Action Plan
14 Mar 2023	Accounts Closedown 2022/23 Accounting Matters	Emma Foy, Director of Corporate Services and Section 151	To review and approve the accounting policies, actuary assumptions and materiality levels that will be used for the preparation of the 2022/23 accounts.
14 Mar 2023	External Audit Strategy Memorandum (Plan) 2022/23	Emma Foy, Director of Corporate Services and Section 151	To present the 2022/23 External Audit Strategy from our External Auditors, Mazars.
14 Mar 2023	Internal Audit Draft Annual Plan 2023/24	Alastair Simson, Principal Auditor, Lincolnshire County Council	To present the Draft Annual Plan for Internal Audit for the 2023/24 committee year.
14 Mar 2023	Combined Assurance Report 2022/23	Alastair Simson, Principal Auditor, Lincolnshire County Council	To present the Report from the Combined Assurance aspect for 2022/23
18 APRIL 2023			
18 Apr 2023	Internal Audit Quarter 4 Report 2022/23	Alastair Simson, Principal Auditor, Lincolnshire County Council	To present the Quarter 4 report from Internal Audit.
18 Apr 2023	Annual Constitution Review & Monitoring Officer Report	Emma Redwood, Assistant Director People and Democratic Services	To review the Constitution and provide the MO annual report
18 Apr 2023	6 Month Review of Strategic Risks	Emma Redwood, Assistant Director People and Democratic Services	To present the 6 month review of strategic risks
18 Apr 2023	Contract and Financial Procedure (CPRS and FPRS) Review	Emma Foy, Director of Corporate Services and Section 151	To review West Lindsey District Council’s contract and financial procedure rules