



County Offices  
Newland  
Lincoln  
LN1 1YL

15 February 2024

**Council**

A meeting of the Council will be held on **Friday, 23 February 2024 in the Council Chamber, County Offices, Newland, Lincoln LN1 1YL, commencing at 10.00 am** for the transaction of the business set out on the attached Agenda. The attendance of all Councillors is requested.

Yours sincerely

Debbie Barnes OBE  
Chief Executive

**Membership of the Council**  
**(70 Members of the Council)**

Councillors R P H Reid (Chairman), E W Strengeiel (Vice-Chairman), M G Allan, P Ashleigh-Morris, T R Ashton, Mrs A M Austin, A J Baxter, M D Boles, Mrs W Bowkett, Mrs P A Bradwell OBE, A W Briggs, Mrs J Brockway, M Brookes, S Bunney, R D Butroid, I D Carrington, T A Carter, L A Cawrey, K J Clarke, M R Clarke, Mrs N F Clarke, R J Cleaver, K H Cooke, P E Coupland, A Dani, C J Davie, R G Davies, P M Dilks, T J G Dyer, I G Fleetwood, R A Gibson, W H Gray, M A Griggs, A G Hagues, A M Hall, M Hasan, M J Hill OBE, R J Kendrick, A M Key, Mrs J E Killey, J L King, K E Lee, C S Macey, C E H Marfleet, P M Martin, C Matthews, A P Maughan, D McNally, N M Murray, Mrs S A J Nutman, Mrs M J Overton MBE, S R Parkin, N H Pepper, C L Perraton-Williams, Mrs S Rawlins, S P Roe, N Sear, P A Skinner, T J N Smith, E J Sneath, H Spratt, A N Stokes, G J Taylor, J Tyrrell, Mrs C L E Vernon, M A Whittington, Mrs S Woolley, L Wootten, R A Wright and T V Young



**COUNCIL AGENDA  
FRIDAY, 23 FEBRUARY 2024**

<b>Item</b>	<b>Title</b>	<b>Pages</b>
<b>1</b>	<b>Apologies for Absence</b>	
<b>2</b>	<b>Declarations of Councillors' Interests</b>	
<b>3</b>	<b>Minutes of the meeting of the Council held on 1 December 2023</b>	<b>5 - 12</b>
<b>4</b>	<b>Chairman's Announcements</b>	
<b>5</b>	<b>Statements/Announcements by the Leader and Members of the Executive</b>	
<b>6</b>	<b>Questions to the Chairman, the Leader, Executive Councillors, Chairmen of Committees and Sub-Committees</b>	
<b>7</b>	<b>Council Budget 2024/25</b>	<b>13 - 20</b>
<b>8</b>	<b>Pay Policy Statement 2024/25</b>	<b>21 - 38</b>
<b>9</b>	<b>Audit Committee Annual Report 2023</b>	<b>39 - 102</b>
<b>10</b>	<b>Motions on notice submitted in accordance with the Council's Constitution</b>	

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**Please note:** for more information about any of the following please contact the Democratic Services Officer responsible for servicing this meeting

- Business of the meeting
- Any special arrangements

Contact details set out above.

**Please note:** This meeting will be broadcast live on the internet and access can be sought by accessing [Agenda for Council on Friday, 23rd February, 2024, 10.00 am \(moderngov.co.uk\)](#)

All papers for council meetings are available on:

<https://www.lincolnshire.gov.uk/council-business/search-committee-records>



**COUNCIL  
1 DECEMBER 2023**

**PRESENT: COUNCILLOR R P H REID (CHAIRMAN)**

Councillors E W Strengei (Vice-Chairman), M G Allan, P Ashleigh-Morris, T R Ashton, Mrs A M Austin, A J Baxter, M D Boles, Mrs W Bowkett, Mrs P A Bradwell OBE, A W Briggs, Mrs J Brockway, S Bunney, R D Butroid, I D Carrington, L A Cawrey, K J Clarke, M R Clarke, R J Cleaver, K H Cooke, P E Coupland, A Dani, P M Dilks, T J G Dyer, I G Fleetwood, R A Gibson, W H Gray, M A Griggs, A G Hagues, A M Hall, M J Hill OBE, R J Kendrick, A M Key, Mrs J E Killey, J L King, K E Lee, C S Macey, C E H Marfleet, P M Martin, C Matthews, A P Maughan, D McNally, N M Murray, N H Pepper, Clio Perraton-Williams, Mrs S Rawlins, S P Roe, N Sear, P A Skinner, T J N Smith, E J Sneath, H Spratt, A N Stokes, G J Taylor, M A Whittington, Mrs S Woolley, L Wooten, R A Wright and T V Young

81 APOLOGIES FOR ABSENCE

Apologies for absence had been received by Councillors M Brookes, T A Carter, C J Davie, R G Davies, M Hasan, M J Overton MBE, S R Parkin, J Tyrrell and Mrs C L E Vernon.

82 DECLARATIONS OF COUNCILLORS' INTERESTS

All declarations will be recorded under the relevant item/none were declared.

83 MINUTES OF THE MEETING OF THE COUNCIL HELD ON 15 SEPTEMBER 2023

Councillor S P Roe requested an amendment to minute 73 to record that he left the meeting for the consideration of the item of business for a previously noted pecuniary interest.

RESOLVED:

That the minutes of the meeting of the Council on 15 September 2023 be approved as a correct record and signed by the Chairman, subject to the above amendment.

84 RESULTS OF THE BY ELECTION FOR GRANTHAM NORTH DIVISION

The Council received the Electoral Return for the By Election for the Grantham North Division.

The Chairman welcomed Councillor P M Martin to his first meeting of the Council.

85      CHAIRMAN'S ANNOUNCEMENTS

The Chairman referred Members to the announcements, as circulated in the Order of Proceedings.

The Chairman highlighted his visit to an event to celebrate Park Air Systems being taken over by the multi-national Indra company. This investment would create a strong future for the business and it would provide excellent career opportunities for young people in the south of the county.

The Chairman looked forward to visiting other businesses as part of his time as Chairman, and of reassuring them of LCC's support in their investment.

86      STATEMENTS/ANNOUNCEMENTS BY THE LEADER AND MEMBERS OF THE EXECUTIVE

Statements by Members of the Executive had been circulated.

The Leader of the Council announced that some capital funding had been allocated to Greater Lincolnshire in advance of the proposed formation of the Mayoral Combined County Authority (MCCA). This funding was not part of the MCCA budget and was subject to conditions set by the Department for Levelling up Housing and Communities (DLUHC) and DLUHC's support of the proposed schemes, which were as follows:

- UK Food Valley grant programme – £2.0m
- Flood prevention (Market Rasen, Kirkby on Bain) £1.5m
- Grantham streetworks programme £2.0m
- Nettleham Roundabout - £3.3m
- Old Roman Bank, Sandilands £9.0m
- Sleaford Moor Enterprise Park £2.2m

The Executive Councillor for Fire & Rescue and Cultural Services welcomed the findings detailed in the report from His Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) following their inspection of Lincolnshire Fire & Rescue Service. No new areas of concern had been identified and the positive direction of travel and the response to incidents had received recognition. However, it was acknowledged that there was more to do in supporting staff with concerns. Furthermore, Lincolnshire Fire & Rescue Service had signed up to the National Protection Concordat for better mental health, in which Lincolnshire County Council was already a member.

The Chairman thanked the Chief Fire Officer for the progress he continued to make working alongside the Executive Councillor for Fire & Rescue and Cultural Services.

The Executive Councillor for Adult Care was pleased to announce that Lincolnshire Adult Care services had been rated a 'good' service following a CQC pilot inspection and expressed pride for all staff members involved. The service had also been mentioned by a minister for Adult Care who had commended the standard of Adult Care Services at Lincolnshire County Council.

87      A DEVOLUTION PROPOSAL FOR GREATER LINCOLNSHIRE AND CONSULTATION ACTIVITIES

A report by the Chief Executive had been circulated.

An amendment had been submitted by the Independent Group.

It was moved, seconded and

RESOLVED:

That there be one debate on the motion for this item and the Independent Group amendment and one debate on the motion at item 13 and the Conservative Group amendment and the following Council Procedure Rules be suspended for the duration of both agenda items – 13.6 (b), 13.6 (c) 13.6 (d), 13.6 (e) and 13.10 (b) and that:

1. In introducing and moving a motion, the mover of the motion be allowed to speak for 6 minutes.
2. That the proposer of an amendment be allowed to speak for 6 minutes.
3. That Councillors seconding a motion each be allowed to speak for 3 minutes and may reserve their speech until later in the debate.
4. That other speakers each be allowed to speak for 3 minutes.
5. That no further amendments be moved.

It was moved and seconded that:

the Council consider a report to the Leader of the Council attached at Appendix 1, feedback from OSMB and support:

1. The devolution deal document attached at Appendix A;
2. The draft proposal for the creation of a Greater Lincolnshire Combined Authority attached at Appendix B ("the proposal") for the purposes of public consultation in accordance with the Levelling Up and Regeneration Act 2023;
3. The carrying out of public consultation on the proposal in accordance with paragraphs 26 to 30 of the Executive Councillor Report and the Consultation document at Appendix C; and
4. Delegated authority to the Chief Executive to approve any minor amendments to the draft proposal or consultation arrangements. The delegation is to be exercised in consultation with the Leader of the Council and is conditional upon agreement to such amendments by other Constituent Councils.

**4**  
**COUNCIL**  
**1 DECEMBER 2023**

An amendment to the motion had been submitted by the Independent Group. It was moved and seconded that:

Councillor P M Dilks to move:

1. That the Council consider a report to the Leader of the Council attached at Appendix 1, feedback from OSMB and support the holding of a democratic public County-wide referendum to seek residents' views: on two simple questions, i.e. whether they support or oppose:
  - a) the creation of an extra layer of Government in the form of a Greater Lincolnshire Combined Authority covering Lincolnshire, North Lincolnshire, and North East Lincolnshire; and
  - b) an Elected Mayor to represent the whole of Lincolnshire, North Lincolnshire and North East Lincolnshire.

~~-~~  
That the Council responds to the

~~The devolution deal document attached at Appendix A, and t~~  
~~The draft proposal for the creation of a Greater Lincolnshire Combined Authority attached at Appendix B ("the proposal")~~ when the results of the referendum have been declared.  
~~for the purposes of public consultation in accordance with the Levelling Up and Regeneration Act 2023;~~  
~~The carrying out of public consultation on the proposal in accordance with paragraphs 26 to 30 of the Executive Councillor Report and the Consultation document at Appendix C; and~~  
~~Delegated authority to the Chief Executive to approve any minor amendments to the draft proposal or consultation arrangements. The delegation is to be exercised in consultation with the Leader of the Council and is conditional upon agreement to such amendments by other Constituent Councils.~~

A vote was taken on the proposed amendment, and upon being put to the vote, the Independent Group amendment was lost.

*Councillors A J Baxter, S Bunney, K J Clarke, R J Cleaver, P M Dilks, Mrs J E Killey, N Murray, K E Lee and T Young requested that their votes in favour of the amendment to the motion be recorded.*

A vote was then taken on the original motion, and upon being put to the vote, the original motion was carried.

*Councillors A J Baxter and P H Dilks requested that their votes against the original motion be recorded.*



RESOLVED:

That consideration be given to a report by the Leader of the Council attached at Appendix 1 to the report, feedback from OSMB and that support be given to:

1. The devolution deal document attached at Appendix A to the report;
2. The draft proposal for the creation of a Greater Lincolnshire Combined Authority attached at Appendix B (“the proposal”) for the purposes of public consultation in accordance with the Levelling Up and Regeneration Act 2023;
3. The carrying out of public consultation on the proposal in accordance with paragraphs 26 to 30 of the Executive Councillor Report and the Consultation document at Appendix C; and
4. Delegated authority to the Chief Executive to approve any minor amendments to the draft proposal or consultation arrangements. The delegation is to be exercised in consultation with the Leader of the Council and is conditional upon agreement to such amendments by other Constituent Councils.

88      QUESTIONS TO THE CHAIRMAN, THE LEADER, EXECUTIVE COUNCILLORS,  
 CHAIRMEN OF COMMITTEES AND SUB-COMMITTEES

Questions pursuant to Council Procedure Rule 10.3 were asked and answered as follows:

	<u>Question by</u>	<u>Question to</u>	<u>Subject</u>
a)	Councillor S Rawlins	Councillor T Dyer	Coordination of flood risk and management activities across the County
b)	Councillor K J Clarke	Councillor R D Butroid	Agency Spend
c)	Councillor A Dani	Councillor M J Hill OBE	Home School Transport spending
d)	Councillor S Bunney	Councillor Mrs P Bradwell OBE	Disruptive behaviour in schools
e)	Councillor A Stokes	Councillor R D Butroid	Update on Deepings Leisure Centre
f)	Councillor Mrs J E Killey	Councillor M J Hill OBE	Financial planning at Lincolnshire County Council
g)	Councillor M Boles	Councillor Mrs S Woolley	Treatment for individuals with cystic fibrosis
h)	Councillor R A Gibson	Councillor M J Hill OBE	Allocation of funding across Lincolnshire following devolution
i)	Councillor Mrs J Brockway	Councillor L A Cawrey	Action taken after HMICFRS inspection
j)	Councillor K E Lee	Councillor D McNally	Household Waste Recycling Centres
k)	Councillor I D	Councillor L A Cawrey	Performance of Lincolnshire

**6  
COUNCIL  
1 DECEMBER 2023**

- |    |                       |                      |   |
|----|-----------------------|----------------------|---|
|    | Carrington            |                      | Fire & Rescue during Storm Babet                      |
| l) | Councillor N Sear     | Councillor D McNally | Supplementary Saturday Waste Collection - Mablethorpe |
| m) | Councillor A J Baxter | Mrs P Bradwell OBE   | The Deepings School                                   |

**89 POLITICAL PROPORTIONALITY AND ALLOCATION OF SEATS TO COMMITTEES AND SUB-COMMITTEES**

A report by the Deputy Chief Executive & Executive Director – Resources had been circulated.

It was moved, seconded and

RESOLVED:

That the allocation of Committee seats (as detailed in Appendix A and circulated within the Order of Proceedings) in accordance with the political balance rules be approved.

**90 APPOINTMENTS TO OUTSIDE BODIES**

With the permission of the Council, this item was withdrawn for consideration as the changes proposed within the document were no longer required.

**91 DESIGNATION OF MONITORING OFFICER**

A report by the Chief Executive had been circulated.

It was moved, seconded and

RESOLVED:

That William Bell be designated as the Council's Monitoring Officer.

**92 MEMBERS' ALLOWANCES SCHEME 2024/25**

A report by the Deputy Chief Executive & Executive Director – Resources had been circulated.

It was moved, seconded and

RESOLVED:

1. That consideration be given to the IRP recommendations in Appendix A to the report;

2. That the Scheme of Members' Allowances for 2023/24 as amended in Appendix B to the report be approved as the Council's Scheme of Members Allowances for 2024/25.

93      MOTIONS ON NOTICE SUBMITTED IN ACCORDANCE WITH THE COUNCIL'S CONSTITUTION

*Note – As agreed at item 7, there was one debate for this item and Council Procedure Rules 13.6 (b), 13.6 (c) 13.6 (d), 13.6 (e) and 13.10 (b) had been suspended for the duration of this item.*

A motion by Councillor K E Lee was moved and seconded as follows:

Across Lincolnshire we have recently seen the highest levels of rainfall ever recorded in many areas. I want to pay tribute to all of those who were involved in dealing with the floods, both agencies and community groups who all did their very best to keep our communities safe.

However, given the impact of climate change, the frequency and level of impact of weather-related incidents is increasing and we must ensure that the statutory response meets that increased level of threat.

It is vital that going forward sufficient funding is allocated by government to mitigate the impact of weather-related incidents, that a fully co-ordinated response is provided by all agencies, and that local residents have a single point of contact to turn to in order to obtain prompt support to keep them safe. Local response networks must be given the resources and leadership to ensure that our communities feel confident that occurrences such as we recently witnessed will be better prevented and mitigated.

Accordingly, this council calls on the Leader of the Council to write to the Prime Minister requesting the establishment of a nationally-led, nationally-funded body to ensure an effective, properly co-ordinated and accountable response to weather-related emergencies.

An amendment had been submitted by the Conservative Group, which was moved and seconded as follows:

Accordingly, this council:

1. pays tribute to all those who were involved in dealing with the floods, both agencies and community groups, who all did their very best to keep our communities safe;
2. welcomes the proposals in the Greater Lincolnshire Devolution Deal to strengthen local arrangements through a new enhanced water partnership for flood resilience, adaptations, and management of the water system; and
3. calls on the Leader of the Council to write to the Government requesting:
  - a. further funding to local agencies to ensure an effective, properly co-ordinated and accountable response to weather-related emergencies;

- b. further funding to local agencies for maintenance of flood risk and water management assets;
- c. recognition of the recent National Audit Office evidence, which highlights that the cost benefit of maintenance stands at 11:1;
- d. that they address the unfair impact on District Councils within Lincolnshire of the increased drainage levies within the Spring Budget Process 2024; and
- e. that the nationally led, and mostly nationally funded, Environment Agency has the resources it requires to maintain its river system and make improvements where necessary to ensure systems remain climate resilient.

The amendment was supported to become the substantive motion and upon being put to the vote, the amendment to the motion was supported unanimously.

It was therefore RESOLVED:

that the Council:

1. Pays tribute to all those who were involved in dealing with the floods, both agencies and community groups, who all did their very best to keep our communities safe;
2. Welcomes the proposals in the Greater Lincolnshire Devolution Deal to strengthen local arrangements through a new enhanced water partnership for flood resilience, adaptations, and management of the water system; and
3. Calls on the Leader of the Council to write to the Government requesting:
  - a. further funding to local agencies to ensure an effective, properly co-ordinated and accountable response to weather-related emergencies;
  - b. further funding to local agencies for maintenance of flood risk and water management assets;
  - c. recognition of the recent National Audit Office evidence, which highlights that the cost benefit of maintenance stands at 11:1;
  - d. that they address the unfair impact on District Councils within Lincolnshire of the increased drainage levies within the Spring Budget Process 2024; andthat the nationally led, and mostly nationally funded, Environment Agency has the resources it requires to maintain its river system and make improvements where necessary to ensure systems remain climate resilient.

The meeting closed at 1.49 pm



**Open Report on behalf of Andrew Crookham,  
Deputy Chief Executive & Executive Director - Resources**

Report to:	County Council
Date:	23 February 2024
Subject:	Council Budget 2024/25

**Summary:**

The appended Budget Book – "Council Budget 2024/25" – describes the budget and council tax proposals being recommended to the Full Council by the Executive.

This report seeks approval for those budget recommendations.

**Recommendation(s):**

It is recommended that the Council:

1. has due regard to the responses to the engagement and consultation feedback on the Council's budget proposals as contained in the Budget Book (**Appendix D** - Budget Engagement and Consultation Feedback);
2. has due regard to the Section 151 Officer's Statement on the Robustness of the Budget and the Adequacy of Reserves as set out in the Budget Book (**Section 10** - Section 151 Officer's Statement on the Robustness of the Budget and Adequacy of Reserves);
3. has due regard to the Impact Analysis relating to increasing the Council Tax by 4.99% in 2024/25 set out in the appended 'Budget Book' (**Appendix C** – Equality Impact Analysis relating to the council tax proposal in 2024/25);
4. approves:
  - 4.1 the service revenue budgets for 2024/25 contained in the Budget Book, (**Table 2** - Net Service Revenue Budget 2024/25);
  - 4.2 the capital programme and its funding contained in the Budget Book (**Section 7** - Capital Programme) and (**Appendix O** - Capital Investment Programme);
  - 4.3 the County Council element of the council tax for a Band D property at £1,578.69 for 2024/25 contained in the Budget Book (**Appendix B** - County Precept 2024/25);

as together being the Council's Budget.

5. considers and agrees which spending priorities the additional general fund capacity of £7.793m created by the final settlement should be allocated to;
6. approves the Council's Financial Strategy contained in the Budget Book (**Appendix E** – The Financial Strategy);
7. approves the Council's Capital Strategy contained in the Budget Book (**Appendix N** – Capital Strategy 2024/25);
8. approves the prudential targets for capital finance and notes the prudential indicators contained in the Budget Book (**Appendix M** - Prudential Indicators);
9. approves that the minimum revenue provision (MRP) be based on the asset life method, charged on an annuity basis for major infrastructure projects and in equal instalments for all other assets, over the estimated life of the assets acquired through borrowing as set out in the appended Budget Book (**Section 9** - Minimum Revenue Provision).

## 1. Background

1.1 At its meeting on 6 February 2024 the Executive met to approve its recommended budget for 2024/25. At its meeting on 6 February 2024 the Executive resolved to recommend the budget proposed for consultation at its meeting on 9 January 2024 with the following amendments:-

- To increase Council Tax by 4.99% in 2024/25, comprising an increase in general council tax of 2.99% plus an adult social care precept of 2.00%;
- To amend the funding base by to reflect the tax base and collection fund position for business rates and council tax notified by the District Council's;
- To plan to use £0.6m of reserves to enable a balanced budget prior to consideration of the final settlement.

1.2 The final Local Government finance settlement was published late on 5 February 2024, which was too late for inclusion within the budget proposal recommended by the Executive. The final settlement provided the Council with an unexpected increase in grant funding, with confirmation for 2024/25 only. The key changes were as follows:

- £7.0m additional increase the social care grant, in recognition that many local authorities had reported significant cost increases relating to social care;
- £1.3m increase in the Rural Service Delivery Grant in recognition of specific cost pressures in rural areas, and;
- £0.1m increase in the Services Grant.

The Government also confirmed £0.9m one-off funding as a result of the surplus currently held in the business rates levy account being distributed to local authorities in 2023/24.

- 1.3 The Government have confirmed that the additional funding provided is done so on a one-year basis, and therefore the council tax rate proposed by the Executive remains the proposal, on the basis that not doing so would increase the scale of the deficit forecast from 2025/26 onwards, considered in the financial strategy section of the budget book.
- 1.4 The Council's budget proposal considered by the Executive had already accounted for total social care pressures well in excess of the increase in social care specific funding, and therefore the final settlement enables core funding to be reconsidered against all Council priorities.
- 1.5 The appended Budget Book 2024/25 uses this increased funding to remove any use of reserves shown in Table 1 and Appendix A of the budget book, and gives rise to a £7.793m balance to be considered by Full Council, referenced with recommendation 5 of this report. This approach means that there will need to be changes to the budget proposal agreed at Full Council, to ensure utilisation of the additional funding. This will also necessitate the production of an updated budget book reflecting the agreed position.
- 1.6 The Council is recommended to set a Council Tax increase of 4.99% for 2024/25, including of 2% for adult social care.

### Consultation

- 1.7 The Executive put forward a budget for consultation and engagement at its meeting on 9 January 2024. Since that time comments have been received from all Scrutiny Committees and the Overview and Scrutiny Management Board, businesses, members of the public, public organisations and trade unions.
- 1.8 A summary of these comments is included within Appendix D of the appended 'Budget Book' and have been taken into account whilst finalising the budget proposals.

## **2. Legal Issues:**

### **2.1 Equality Act 2010**

Under section 149 of the Equality Act 2010, the Council must, in the exercise of its functions, have due regard to the need to:

- Eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act.

- Advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it.
- Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

The relevant protected characteristics are age; disability; gender reassignment; pregnancy and maternity; race; religion or belief; sex; and sexual orientation.

Having due regard to the need to advance equality of opportunity involves having due regard, in particular, to the need to:

- Remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic.
- Take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it.
- Encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.

The steps involved in meeting the needs of disabled persons that are different from the needs of persons who are not disabled include, in particular, steps to take account of disabled persons' disabilities.

Having due regard to the need to foster good relations between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to tackle prejudice, and promote understanding.

Compliance with the duties in section 149 may involve treating some persons more favourably than others.

The duty cannot be delegated and must be discharged by the decision-maker. To discharge the statutory duty the decision-maker must analyse all the relevant material with the specific statutory obligations in mind. If a risk of adverse impact is identified consideration must be given to measures to avoid that impact as part of the decision making process.

These equality considerations do not preclude changes in services being made, but do require that these be fully appreciated. It is clear that the current and future financial challenges facing local authorities and the need for budget savings may result in changes to service provision and to some reduction in Council services. These may apply to services accessed by all people in Lincolnshire as well as services provided to specific groups. It is possible that there may be an adverse impact on some people and communities including those with a protected characteristic.

In order to meet its obligations, Equality Impact Analyses will be carried out in relation to any proposed changes to services on an individual basis. The specific impacts on people with a protected characteristic will be investigated and the potential mitigation, if any,



will be made clear, so that the implications of decisions are fully understood as they affect specific groups and communities. These have been and will continue to be regularly reported to the Executive as part of the decision making processes. Individual proposals will only be implemented after due regard to the legal matters that must be considered, including the public sector equality duty.

Consideration of the public sector equality duty and/or consultation may be necessary at the budget setting stage where a decision to reduce spending is significant, sufficiently focussed, and in financial terms, apparently rigid.

Consideration has been given as to whether there is any element of the current budget proposals that should be the subject of an equality impact analysis at this stage and as a result an assessment (attached at Appendix C of the budget book) has been carried out on the proposal to increase Council Tax. That assessment identifies the potential for the proposal to impact on people with low income and therefore disproportionately on certain people with a protected characteristics including older and younger people, people with a disability and women with children. Each District Council operates a Council Tax Support Scheme which has been designed following consultation and individual impact analyses to mitigate the effects of Council Tax levels on vulnerable people and people with low incomes. The savings and additional income of £26.3m built into this budget are all considered to have minimal impacts on service users but, as stated above, equality impact analyses will be carried out in relation to any proposed changes to services on an individual basis.

Approval of the budget is not a final decision about what the Council's services will be or about how much money will be saved under any particular proposals. Individual proposals will only be implemented after due regard to the legal matters that must be considered including the public sector equality duty.

As part of its decision-making the Executive will need to consider whether any alternative approaches could alleviate or at least mitigate the impact of the decision such as making reductions in other areas which do not have the same impacts, including particularly equality impacts. The result could be to require additional resources to be used in certain areas than has been budgeted for. In this event the usual budget management processes such as virement would be followed and approval sought at the appropriate levels in accordance with Financial Regulations including Full Council where necessary. In particular a contingency has been built into the budget proposals in the form of the Financial Volatility Reserve (the balance is currently £46.9m) and the annual core Contingency budget which is proposed to be set at £6m for the 2024/25 financial year, for when additional funding cannot be found by way of virement from other service areas.

## Joint Strategic Needs Analysis (JSNA and the Joint Health and Wellbeing Strategy (JHWS)

The Council must have regard to the Joint Strategic Needs Assessment (JSNA) and the Joint Health & Wellbeing Strategy (JHWS) in coming to a decision.

Approval of the budget is not a final decision about what the Council's services will be or about how much money will be saved under any particular proposals. Individual proposals will only be implemented after due regard to the legal matters that must be considered including the Joint Strategic Needs Assessment and Joint Health and Wellbeing Strategy.

### Crime and Disorder

Under section 17 of the Crime and Disorder Act 1998, the Council must exercise its various functions with due regard to the likely effect of the exercise of those functions on, and the need to do all that it reasonably can to prevent crime and disorder in its area (including anti-social and other behaviour adversely affecting the local environment), the misuse of drugs, alcohol and other substances in its area and re-offending in its area.

Approval of the budget is not a final decision about what the Council's services will be or about how much money will be saved under any particular proposals. Individual proposals will only be implemented after due regard to the legal matters that must be considered including the duty under section 17 of the Crime and Disorder Act 1988.

### **3. Conclusion**

This Report seeks Full Council approval for the proposed budget for 2024/25 as recommended by the Executive.

It also requests that Full Council considers and agrees which spending priorities the additional general fund capacity of £7.793m created by the final settlement should be allocated to.

### **4. Legal Comments:**

Robust decision making requires that the results of the Council's budget consultation as well as the Section 151 Officer's Statement on the Robustness of the Budget and the Adequacy of the Reserves and the Impact Analysis on the 4.99% increase in Council Tax are taken into account by the County Council in coming to its decision. Compliance with recommendations 1, 2 and 3 ensures that this is done.

Case law has established that generally it is lawful for a Council first to decide its budget and then to consider the question of consultation and the specific impact of proposed

policies and service changes at the time they are developed and decisions are taken on them. Consideration has been given to whether there are any specific proposals within the budget that would require such consideration prior to the budget being set and, apart from the proposed Council Tax increase which is dealt with in the Report, there are not considered to be any such proposals

With regard to recommendation 4 under the law and the Constitution it is for the County Council to approve the Budget and pursuant to this, for the reasons detailed in paragraph 1.2, determine the spending priorities detailed in recommendation 5.

With regard to recommendation 6 approval of the Medium Term Financial Strategy is within the remit of the Council.

With regard to recommendation 7, the Prudential Code for Capital Finance in Local Authorities (2017 edition) sets out that the setting and revising of a Capital Strategy will be done by the same body that takes decisions on the Budget i.e. the full Council. The Council is required to have regard to the Prudential Code when carrying out its duties under Part 1 of the Local Government Act 2003.

With regard to recommendation 8, Section 3 of the Local Government Act 2003 requires a local authority to determine and keep under review how much money it can afford to borrow. The determination must be made by County Council. The prudential targets include the Council's borrowing limit and must therefore be approved by the County Council.

Regarding recommendation 9, the requirement to make a minimum revenue provision that is prudent is a requirement of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 and the statutory guidance that accompanies the regulations. Minimum revenue provision is relevant to the control of the Council's capital expenditure and must be referred to the County Council for approval.

The legal position in relation to the recommended level of Council Tax is set out in paragraph 3.13 of the Budget Book.

#### **5. Resource Comments:**

The budget proposals are consistent with the Council's financial strategy, and ensure the Council is best placed to navigate financial challenges that may arise in the medium term.

The robustness of the budget proposals and the adequacy of the reserves held by the Council are considered in **Section 10** of the appended Budget Book. This concludes that the budget is realistic and that the level of reserves is adequate.

## 6. Consultation

### a) Has Local Member Been Consulted?

n/a

### b) Has Executive Councillor Been Consulted?

Yes

### c) Scrutiny Comments

These are set out in the appended Budget Book (**APPENDIX D** - Budget Consultation Feedback)

### d) Risks and Impact Analysis

An Impact Analysis relating to the proposed increase in Council Tax has been carried out and is contained in the appended Budget Book at **APPENDIX C**.

Proposed service changes to give effect to the budget will be subject to their own policy proofing considerations.

## 7. Appendices

These are listed below and attached at the back of the report	
Appendix A	Attached separate booklet - "Council Budget 2024/25" - the Budget Book

## 8. Background Papers

The following background papers as defined in the Local Government Act 1972 were relied upon in the writing of this report.

Document title	Where the document can be viewed
Report to the Executive 9 January 2024 "Council Budget 2024/25"	<a href="#">Agenda for Executive on Tuesday, 9th January, 2024, 10.30 am (modern.gov.co.uk)</a>
Report to the Executive 6 February 2024 "Council Budget 2024/25"	<a href="#">Agenda for Executive on Tuesday, 6th February, 2024, 10.30 am (modern.gov.co.uk)</a>

This report was written by Michelle Grady, who can be contacted on 01522 553235 or [michelle.grady@lincolnshire.gov.uk](mailto:michelle.grady@lincolnshire.gov.uk).



**Open Report on behalf of Andrew Crookham,  
Deputy Chief Executive & Executive Director - Resources**

Report to:	<b>County Council</b>
Date:	<b>23 February 2024</b>
Subject:	<b>Pay Policy Statement 2024/25</b>

**Summary:**

This report seeks approval of the Pay Policy Statement for 2024/25 in accordance with the requirements of the Localism Act 2011.

**Recommendation(s):**

That Council approves the Pay Policy Statement 2024/25 attached as Appendix A as recommended by the Pay Policy Sub-Committee.

## **1. Background**

Under section 38 of the Localism Act 2011 the County Council must prepare a pay policy statement for each financial year.

The pay policy statement must set out the authority's policies for the financial year relating to:-

- (a) the remuneration of its chief officers,
- (b) the remuneration of its lowest-paid employees, and
- (c) the relationship between the remuneration of its chief officers, and the remuneration of its employees who are not chief officers.

The statement must state the definition of "lowest-paid employees" adopted by the authority for the purposes of the statement, and the authority's reasons for adopting that definition.

This has been supplemented by Government guidance to which the Council must have regard in producing its Pay Policy Statement.

The Pay Policy Statement attached at Appendix A has been prepared in line with the requirements of the legislation and the best practice put forward in the guidance.

Full Council is requested to note that the policy has been updated to reflect:

- Page 6 - pay multiple between the highest-paid employee and the median full time equivalent salary. For the past 4 years this has been 4 and has reduced to 3.67.
- Page 9 - Chief Executive salary in line with national pay award with effect from 1 April 2023
- Page 9 - Executive Director salaries in line with national pay award with effect from 1 April 2023
- Page 9 - Fire and Rescue Service Management Team – salaries updated in line with NJC for Brigade Managers Conditions of Service, effective from 1 January 2023. Award for Chief Fire Officer was 3.5% with other Brigade Managers having a % salary link. Assistant Chief Fire Officer is 75% of the Chief Fire Officer salary.
- Page 10 – Staff pay structure from 1 April 2023 – 2024 for those on NJC for Local Government Services conditions of service. Salaries updated with a pay increase of £1,925 per annum on spinal column points 2 – 33 and 3.88% on spinal column points 34 - 48 effective from 1 April 2023.
- Page 12– Standby Duty Allowance increased with national pay award effective from 1 April 2023.
- Page 12 – Sleeping in Duty Payment increased with national pay award effective from 1 April 2023

The Pay Policy Statement was considered by the Pay Policy Sub-Committee of the Appointments Committee at its meeting on the 6 February 2024 and the Sub-Committee resolved to recommend the attached document at Appendix A to full Council for approval.

## **2. Legal Issues:**

### Equality Act 2010

Under section 149 of the Equality Act 2010, the Council must, in the exercise of its functions, have due regard to the need to:

Eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act.

Advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it.

Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

The relevant protected characteristics are age; disability; gender reassignment; pregnancy and maternity; race; religion or belief; sex; and sexual orientation.

Having due regard to the need to advance equality of opportunity involves having due regard, in particular, to the need to:

- Remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic.
- Take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it.
- Encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.

The steps involved in meeting the needs of disabled persons that are different from the needs of persons who are not disabled include, in particular, steps to take account of disabled persons' disabilities.

Having due regard to the need to foster good relations between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to tackle prejudice, and promote understanding.

Compliance with the duties in section 149 may involve treating some persons more favourably than others.

The duty cannot be delegated and must be discharged by the decision-maker. To discharge the statutory duty the decision-maker must analyse all the relevant material with the specific statutory obligations in mind. If a risk of adverse impact is identified consideration must be given to measures to avoid that impact as part of the decision making process.

The Equality Act duty has been taken into account. It is one of the principles of the Council's Pay Policy statement that it is fair and the Council's pay structures apply to all employees regardless of protected characteristics. All jobs are subject to job evaluation to ensure pay is related to the requirements of each role. The Pay Policy Statement sets out details of the gender pay gap which the Council publishes by 31<sup>st</sup> March each year.

#### Joint Strategic Needs Analysis (JSNA) and the Joint Health and Wellbeing Strategy (JHWS)

The Council must have regard to the Joint Strategic Needs Assessment (JSNA) and the Joint Health & Well Being Strategy (JHWS) in coming to a decision.

The JSNA and JHWS have been taken into account and there are not considered to be any direct implications arising out of this Report

#### Crime and Disorder

Under section 17 of the Crime and Disorder Act 1998, the Council must exercise its various functions with due regard to the likely effect of the exercise of those functions on, and the need to do all that it reasonably can to prevent crime and disorder in its area (including

anti-social and other behaviour adversely affecting the local environment), the misuse of drugs, alcohol and other substances in its area and re-offending in its area.

No risks identified.

### **3. Conclusion**

The Pay Policy Statement sets out the County Council's policy on pay and conditions for senior managers and employees (excluding operational fire fighters and schools based employees).

The Pay Policy Statement ensures the Council has a fair and transparent approach to these matters.

### **4. Legal Comments:**

The Council is required to publish its Pay Policy Statement annually under section 38 of the Localism Act 2011 and to have regard to Guidance in developing that Pay Policy Statement.

Approval of the Pay Policy Statement is reserved in law to the full Council.

### **5. Resource Comments:**

The policy ensures that all employees are treated fairly and transparently and that all posts can be funded from within existing Council budget.

### **6. Consultation**

#### **a) Has Local Member Been Consulted?**

No

#### **b) Has Executive Councillor Been Consulted?**

Yes

#### **c) Scrutiny Comments**

The approval of the Pay Policy Statement is a decision for Full Council to make under the legislation. It has not been considered by a Scrutiny Committee but has been considered by the Pay Policy Sub-Committee at its meeting on the 6 February 2024. The Pay Policy Sub-Committee approved the Pay Policy Statement for recommendation to Full Council.

#### **d) Risks and Impact Analysis**

No risks identified. This update reflects current practice.



## 7. Appendices

These are listed below and attached at the back of the report	
Appendix A	Pay Policy Statement 2024/25

## 8. Background Papers

The following background papers as defined in the Local Government Act 1972 were relied upon in the writing of this report.

Document title	Where the document can be viewed
Pay Policy Statement	Employment Policy Handbook: <a href="https://www.lincolnshire.gov.uk/employment-policies/pay-policy-statement/1">https://www.lincolnshire.gov.uk/employment-policies/pay-policy-statement/1</a>
Report to Pay Policy Sub-Committee dated 6 February 2024	<a href="#">Agenda for Pay Policy Sub-Committee on Tuesday, 6th February, 2024, 1.30 pm (moderngov.co.uk)</a>

This report was written by Tony Kavanagh, Assistant Director of HR and Business Support, who can be contacted on 07385417668 or [tony.kavanagh@lincolnshire.gov.uk](mailto:tony.kavanagh@lincolnshire.gov.uk).

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## Pay Policy Statement

### Policy overview

Our pay policy statement sets out our pay and conditions for senior managers and employees. It does not include operational firefighters and school-based employees. This pay policy statement is for 2023/24.

We aim to attract and retain employees to deliver our objectives. We are committed to ensuring a fair and transparent approach in determining pay policy. We recognise that we may need other methods for different groups of employees. These will need to reflect factors such as difficulties in attracting and retaining critical skills.

### Principles

- To be fair, reasonable and transparent
- To be affordable
- To reward employees for their contribution to our achievements
- To maintain rates of pay which are both competitive in the marketplace and reflect the need to retain critical skills

### Employees in scope

Our statement covers all employees, except for teachers and uniformed firefighters, unless they are defined as senior managers. This statement, therefore, is broader than the minimum legal requirements of the Localism Act 2011.

### The senior management pay structure

We define senior managers as:

- the chief executive
- deputy chief executive
- executive directors (referred to as chief officers)
- the chief fire officer
- the deputy chief fire officer
- the assistant chief fire officer
- the senior leadership pay band

### Chief executive and executive directors

The pay policy sub-committee determines remuneration. It compares similar posts in other shire counties in the Eastern and Midlands region and against the marketplace.

The aim is to ensure that we retain and motivate key employees. We maintain rates of around median pay which are both competitive in the marketplace and reflect the need to retain critical skills.

We pay the chief executive and deputy chief executive on single spot salary points. We pay all executive director posts on a single spot salary point. These roles all have collective responsibility for the success of all service areas and the council as a whole.

### **Senior leadership**

The head of paid service determines remuneration, which is underpinned by the KornFerry/Hay (KFH) Job Evaluation Scheme or job descriptions matched with posts previously evaluated under KFH.

Individuals are subject to a non-consolidated incremental pay grading structure known as SLA, SLB and SLC. Increments are awarded every two years subject to satisfactory performance in accordance with the [our performance and development appraisal policy](#).

The Director of Public Health (who does not hold an Executive Director portfolio) is paid on a spot salary above SLA and below that of Executive Directors.

### **Fire and rescue service management team**

The NJC for Brigade Managers (Gold Book) determines the pay structure for senior fire and rescue managers. The deputy chief fire officer and assistant chief fire officer receive 80 per cent and 75 per cent, respectively, of the chief fire officer salary.

### **Payments over £50,000**

We publish information about all payments over £50,000 on our website in the [Statement of Accounts](#) . This is in line with the 2011 Code of Recommended Practice for Local Authorities on Data Transparency.

### **Other employees' pay structure (including lowest-paid employees)**

Our job evaluation (JE) scheme usually determines remuneration for other employees. This covers all staff on NJC Local Government Services terms and conditions of service, including the lowest-paid council employees.

The pay and grading structure we use was implemented by Collective Agreement in July 2008. It was backdated to be effective from 1 April 2007. It anchors to the national NJC pay spine for Local Government Services.

The JE Scheme, the Greater London Provincial Council Scheme, was selected through a process of consultation with staff and Trade Unions. It complies with equal-pay requirements.

The council and unions signed a Collective Agreement in 2015, incorporating changes to modernise the local conventions for job evaluation.

### **Non-standard terms and conditions**

Some employees may transfer to the council under The Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE) arrangements. They have the right to retain their existing terms and conditions.

We recruit some specialist posts under specific terms and conditions, although they are in scope of the Local Scheme of Conditions of Service. These are mainly in education-related services (for example, educational psychologists and the youth service).

### **The national pay award**

We adjust pay levels to take account of any cost of living increase negotiated nationally by:

- the JNC for Local Authority Chief Executives
- the JNC for Chief Officers of Local Authorities (including senior leader pay)
- the NJC for Local Government Services.

We adjust the pay rates in the staff pay structure to reflect the NJC Local Government Services national pay award.

### **Attraction and retention payments**

We recognise that it may be difficult at times to recruit new employees or retain existing staff in critical posts. To attract and retain a skilled and experienced workforce, we may pay salary supplements in addition to the post grade. For more details, [read the attraction and retention policy](#).

### **Relocation expenses and disturbance allowances**

We may pay relocation expenses and disturbance payments to cover employees' costs incurred due to a change or disturbance in work base. We pay these in line with the [relocation policy](#) and the [managing change policy](#).

### **Starting pay**

When appointed, we pay employees on an incremental scale. We usually appoint employees at the minimum point of the pay grade for that post.

Sometimes, it may be appropriate to appoint to a higher point within the pay grade. This should be objectively justifiable and have regard to the pay of existing employees within the service area. For more details, [read the green book employees pay and conditions policy](#).

However, managers must be aware of any restrictions. For example, the requirement of a qualification which prevents this typical sequence of events from occurring.

We may appoint an employee who does not yet meet the minimum competency requirements for that role. We will appoint them as per the [appointing one point below policy](#).

### **Pay progression**

We exclude the chief executive, executive directors and fire and rescue senior managers from this scheme. We appoint them to a spot salary, and no pay progression applies.

For other employees, all performance and development appraisal reviews will assess overall performance against objective outcomes of either met or not met. We use this rating to inform incremental pay progression decisions for employees on GLPC grades.

The impact of ratings on incremental pay progression will only affect employees who are on GLPC grades. It does not apply to employees who transferred into the council under TUPE and remain on the terms and conditions of their previous organisation.

For those on GLPC grades, it only affects those who have not reached the top of their current GLPC scale. The pay of employees who are at the top scale point of their GPLC grade is not affected.

For other employees, eligibility will be as per the [green book employees pay and conditions policy](#), covering the NJC for Local Government Services Group.

We may withhold a pay increment following an adverse report on an employee's performance, subject to our capability and disciplinary procedures.

We may pay any withheld increments if the employee's performance becomes satisfactory. We will not backdate them.

### **Reviewing individual performance**

We assess individual achievement using [our performance and development appraisal policy](#). Managers may amend the appraisal process so that it is appropriate for the role of the employee.

Learning and development needs are linked to the [core values and behaviours framework](#). These are interchangeable with national occupational standards of competence, where appropriate.

### **Responsibility for reviewing performance**

The leader of the council and an appointed cross-party group assess the chief executive's individual performance.

The chief executive assesses individual executive directors and reports to the cross-party group.

Line managers assess all other employees, as appropriate.

### **Acting-up arrangements**

Sometimes, employees may temporarily act up into a role which is graded on a higher level. We will pay them at the appropriate level for the duties we ask them to perform.

For more details, [read our green book employees pay and conditions policy](#) covering the NJC for Local Government Services Group.

### **Honoraria**

We may make an honorarium payment for exceptional or outstanding work undertaken on a short-term basis of not more than six months. We will pay this as per our [green book employees pay and conditions policy](#) covering the NJC for Local Government Services Group.

### **Employees on fixed-term or temporary contracts**

We will not treat employees on fixed-term or temporary contracts less favourably than employees on a permanent contract. For more details, [read our fixed-term and temporary contracts policy](#).

### **Allowances and expenses**

Chief executive, executive directors and senior leadership

Allowances will be as per the [Local Scheme of Conditions of Service](#) or jointly-agreed schemes in director areas.

We will reimburse business travel as per [our travel and expenses policy](#). This policy applies to all staff in the scope of the [Local Scheme of Conditions of Service](#).

### **Fire and rescue service senior managers**

Allowances and expenses will be as per the NJC for Brigade Managers Conditions of Service and Service Order 19 - Pay and Allowances.

### **Salary protection**

Where an employee accepts a post on a lower grade due to restructuring or change in the workforce, personal salary protection will apply. This is in line with the [Local Scheme of Conditions of Service](#) or the Collective Agreement on Pay Protection for those in the Fire and Rescue Service.

## **Severance payments**

For employees in the Local Government Pension Scheme, we will make payments for redundancy and early retirement in line with our [managing change policy](#) or [retirement policy](#). This includes chief officers.

All employees, including chief officers, who receive a redundancy payment are subject to the Redundancy Payments (Continuity of Employment in Local Government etc) (Modifications) Order 1998.

## **Payments for returning officers during local elections**

We pay the chief executive and executive directors who are Returning Officers as per their respective JNC Conditions of Service. The current head of paid service relinquishes this payment in favour of district chief executives who may fulfil the role of Deputy Returning Officer.

We make payments to employees at head of service and below for local election duties as per the [Local Scheme of Conditions of Service](#).

## **Pay policy sub-committee**

The pay policy sub-committee undertakes an annual review of the salaries of the chief executive and executive directors.

The sub-committee comprises of councillors from the appointments committee, representing the political balance of the council overall. This is in line with the terms of the Local Government and Housing Act 1989.

## **Our green book negotiating team**

The negotiating team considers pay issues relating to all employees within the scope of NJC pay awards.

## **Relationship between senior pay and conditions with other officers (including the lowest paid)**

We set out the approach for determining senior management pay in the senior leadership paragraph above.

We set out the approach for determining other employees' pay, including the lowest paid employees, in the other employees' pay structure (including lowest-paid employees) above.

## **Pay multiples or pay dispersion**

A pay multiple is a ratio between the salary of the highest-paid employee and the median full-time equivalent salary of the organisation. The pay multiple is often referred to as 'pay dispersion.'



For 2024/25, our pay multiple is 3.67.

There is no formal mechanism for direct comparison between pay levels of the broader workforce with senior manager pay. We have no policies on reaching or maintaining a specific pay multiple.

### **Re-engagement of former senior managers**

A former senior manager should generally not be re-employed if:

- they were previously made redundant
- or, receive a local government pension

This applies for a period of six months from the end of their employment.

In exceptional circumstances, we may re-employ a senior manager more quickly but not within one month and one day of their leaving date.

In approving a re-employment of a senior manager, members must be satisfied that:

- the employee is not being re-employed in a role which is broadly similar to the one from which they were made redundant
- the rate of pay applied to the work undertaken by the re-engaged employee should be appropriate. It should not be the grade which applied to the employee before the end of their previous contract
- the employment should be for a fixed term, not exceeding one year, unless there are exceptional circumstances. The arrangement must provide us with a financial or operational advantage.

The policy of the Lincolnshire Pension Fund is not to abate pensions should any officer retire and then return to work for the council.

### **Contracts for services and appointment of consultants**

By law, we must determine whether an arrangement with a consultant or contractor constitutes a contract of employment or is on a self-employed basis. We must determine this for every proposed agreement.

The decision on status relates to the contract, not the individual. We must undertake this before we agree to any engagement or sign any contract.

Where an engagement constitutes a contract of employment, our standard terms and conditions will apply. We will pay the contract at the evaluated rate for the job.

It may be appropriate to re-engage a former employee as a consultant with a contract for service in certain circumstances, such as:

- for discrete pieces of work where the former employee has the appropriate skill and experience, which is not available elsewhere in the council
- where it is more cost-effective

- where it is difficult to recruit due to market conditions
- where work of an urgent nature arises at short notice

We will make such arrangements time-limited. They are subject to appropriate written agreements covering the nature, duration and quality standards. We will include the basis on which the agreement terminates. The contractor must sign the written agreement before the arrangement starts.

The initial consideration for providing cover for urgent work will be through the use of temporary employment contracts. We will advertise these in the usual manner. We may make acting-up or secondment arrangements available to existing staff, particularly where work relates to the regular business of the service area.

Under the Pensions Act 2008, we must comply with auto-enrolment regulations. We will assess whether a contractor is an employee rather than self-employed and therefore, pensionable under the Act.

To determine whether a consultant is self-employed, we will consider:

- the contractual terms we agree
- the realities of the employment relationship

We review whether there is provision for substitution and whether resources are provided by the consultant or by us. These examples are not exhaustive and are illustrative of the type of factors we will take into account.

### **Personal service contracts**

In the contracting sector, the generally accepted definition of a personal service company is:

- a limited company that typically has a sole director, the contractor, who owns most or all of the shares

Many contractors choose to work for clients using their own limited companies for many reasons.

Limited companies can be a tax-efficient way for contractors to work. They may split their income between salary and dividends. This means they do not pay employers' or employees' Class 1 National Insurance Contributions on a large part of their income.

Personal service contracts prevent the risk of there being a contract of service or an employment relationship with us. This eliminates any income tax liability on the council.

Using a limited liability company also insulates contractors from business risk to a certain extent.

We do not currently have any such contracts in place for regular employment.

From 6 April 2017, the Government changed the rules for [off-payroll working in the public sector for intermediaries](#). In line with these changes, we updated [our policy on agency, relief and off-payroll workers](#).

## Gender pay gap information

Employers with at least 250 employees must publish annual information about their gender pay gap. We publish this on our website, and the [Governments gender pay gap website](#). This is in line with the Equality Act 2010 (Specific Duties and Public Authorities) Regulations 2017.

## Senior manager pay structure (from April 2023)

Job title	Pay
Chief executive	£198,521
Executive directors	£146,318

## Senior leadership pay band

Details of the Senior Leadership Payspine can be found in the [Senior Leadership Guidance](#)

## Consultant reporting to Director of Public Health

Band	Pay
8	£65,922
	£67,805
	£70,631
	£74,084
	£77,850
	£81,618
9	£77,850
	£81,618
	£85,535
	£89,640
	£93,944
	£98,453

Director and consultant roles in public health transferred from the NHS to the county council on the 1 April 2013 as part of the Health and Social Care Act 2012.

The transfer was under TUPE, therefore terms and conditions of employment, including salary, are protected.

## Fire and rescue service management team from 1 January 2023

Job title	Pay
Chief fire officer	£133,908

<b>Job title</b>	<b>Pay</b>
Deputy chief fire officer	£107,127
Assistant chief fire officer	£100,431

### Staff pay structure (from April 2023)

Our pay spine is anchored to salary points on the NJC national pay spine.

The relevant Lincolnshire scale points are 2, 3, 6, 9, 12, 15, 18, 21, 24, 27, 30 and 33.

<b>Grade</b>	<b>GLPC points score</b>	<b>Scale point and salary</b>
0	Apprentice Rate	1 - £18,510
1	182 - 237	2 - £22,183
		3 - £22,366
2	228 - 267	3 - £22,366
		4 - £22,509
		5 - £22,603
		6 - £22,737
3	268 - 307	6 - £22,737
		7 - £23,107
		8 - £23,521
		9 - £23,893
4	308 - 347	9 - £23,893
		10 - £23,931
		11 - £24,619
		12 - £25,119
		12 - £25,119
5	348 - 387	13 - £25,961
		14 - £26,884
		15 - £27,803
		15 - £27,803
6	388 - 427	16 - £28,609
		17 - £29,413
		18 - £30,296
7	428 - 467	18 - £30,296
		19 - £31,104

<b>Grade</b>	<b>GLPC points score</b>	<b>Scale point and salary</b>
		20 - £32,064
		21 - £33,024
		21 - £33,024
8	468 - 507	22 - £34,294
		23 - £35,446
		24 - £36,648
		24 - £36,648
9	508 - 547	25 - £37,847
		26 - £39,031
		27 - £40,221
		27 - £40,221
10	548 - 587	28 - £41,623
		29 - £43,026
		30 - £44,428
		30 - £44,428
11	588 - 627	31 - £46,118
		32 - £47,807
		33 - £49,498
		33 - £49,498
12	628 - 667	34 - £51,868
		35 - £54,318
		36 - £56,769
		36 - £56,769
13	668 - 707	37 - £58,606
		38 - £60,442
		39 - £62,278
		39 - £62,278
14	708 - 747	40 - £64,115
		41 - £65,953
		42 - £67,790
		42 - £67,790
15	48 - 787	43 - £69,625
		44 - £71,463
		45 - £73,299

<b>Grade</b>	<b>GLPC points score</b>	<b>Scale point and salary</b>
		45 - £73,299
		46 - £75,136
16	788 - 827	47 - £76,972
		48 - £78,810

**Part 3 paragraph 2.6 sleeping-in duty payment**

1 April 2023 £40.76

**Paragraph 35 Standby Duty Allowance - Social Workers (1)(a)(i) Allowance - Per Session**

1 April 2023 £32.81 per session



**Open Report on behalf of Andrew Crookham,  
Deputy Chief Executive & Executive Director - Resources**

Report to:	<b>County Council</b>
Date:	<b>23 February 2024</b>
Subject:	<b>Audit Committee Annual Report 2023</b>

**Summary:**

The purpose of this paper is to present to the County Council the Annual Report of its Audit Committee. The Annual Report helps show how the Audit Committee provides a vital role in promoting good governance and accountability in the Council.

**Recommendation(s):**

That the Council receives the Audit Committee Annual Report 2023.

## 1. Background

A final version of the Audit Committee Annual Report was presented to and discussed by the Audit Committee on 5<sup>th</sup> February 2024. The Chairman of the Audit Committee (Councillor Mrs S Rawlins) was authorised to present the report to Council on behalf of the Committee.

A copy of the Annual Report is at Appendix A of this report.

## 2. Legal Issues:

### Equality Act 2010

Under section 149 of the Equality Act 2010, the Council must, in the exercise of its functions, have due regard to the need to:

- Eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act
- Advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it
- Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

The relevant protected characteristics are age; disability; gender reassignment; pregnancy and maternity; race; religion or belief; sex; and sexual orientation

Having due regard to the need to advance equality of opportunity involves having due regard, in particular, to the need to:

- Remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic
- Take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it
- Encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low

The steps involved in meeting the needs of disabled persons that are different from the needs of persons who are not disabled include, in particular, steps to take account of disabled persons' disabilities

Having due regard to the need to foster good relations between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to tackle prejudice, and promote understanding

Compliance with the duties in section 149 may involve treating some persons more favourably than others

The duty cannot be delegated and must be discharged by the decision-maker. To discharge the statutory duty the decision-maker must analyse all the relevant material with the specific statutory obligations in mind. If a risk of adverse impact is identified consideration must be given to measures to avoid that impact as part of the decision making process

There are not considered to be any Equality implications relating to any recommendations set out in the report.

#### Joint Strategic Needs Analysis (JSNA and the Joint Health and Wellbeing Strategy (JHWS)

The Council must have regard to the Joint Strategic Needs Assessment (JSNA) and the Joint Health & Well Being Strategy (JHWS) in coming to a decision

There are not considered to be any JSNA and JHWS implications relating to any recommendations set out in the report.

#### Crime and Disorder

Under section 17 of the Crime and Disorder Act 1998, the Council must exercise its various functions with due regard to the likely effect of the exercise of those functions on, and the need to do all that it reasonably can to prevent crime and disorder in its area (including anti-social and other behaviour adversely affecting the local environment), the misuse of drugs, alcohol and other substances in its area and re-offending in its area



There are not considered to be any crime and disorder implications relating to any recommendations set out in the report.

### **3. Conclusion**

The Audit Committee has worked well with Officers to maintain effective governance arrangements. It has provided independent insight and challenge on the Council's strategic risks and key activities. This has, in our view, improved decision making, accountability and transparency.

### **4. Legal Comments:**

The Audit Committee Annual Report will provide assurance to the Council as to whether the Audit Committee is fulfilling its Terms of Reference as laid down by the Council. The recommendation is lawful and within the remit of the full Council.

### **5. Resource Comments:**

There are no financial implications arising from acceptance of the recommendation in the report.

### **6. Consultation**

#### **a) Has Local Member Been Consulted?**

n/a

#### **b) Has Executive Councillor Been Consulted?**

n/a

#### **c) Scrutiny Comments**

Not applicable

#### **d) Risks and Impact Analysis**

Any changes to services, policies, and projects are subject to an Equality Impact Analysis. The considerations of the contents and subsequent decisions are all taken with regard to existing policies.

## 7. Appendices

These are listed below and attached at the back of the report	
Appendix A	Audit Committee Annual Report 2023
Appendix B	Auditor's Annual Report year ended 31 March 2022
Appendix C	Auditor's Annual Report year ended 31 March 2023

## 8. Background Papers

No Background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

This report was written by Claire Goodenough, Head of Audit and Risk Management who can be contacted on [Claire.goodenough@lincolnshire.gov.uk](mailto:Claire.goodenough@lincolnshire.gov.uk)

# Audit Committee Annual Report

Calendar Year 2023

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# Chairman's Foreword

It is my pleasure to present this annual report for the Audit Committee for 2023 to Full Council.

This report highlights the work of the Committee over the calendar year as provided within the Committee's Terms of Reference and Scope of Work. It also includes a brief look into the year ahead on the Committee's areas of development.

The provision of independent assurance to the Council on its changing and evolving risk profile has, arguably, never been more important. At the core, audit committees play a vital role in supporting and maintaining a culture and environment to support the integrity of governance arrangements and the provision of information for decision making.

As Chair, I find that members of the Audit Committee have shown great interest and understanding of the committee's role and have asked many challenging questions. It is testament to the diligence of the committee that it embraces and adapts to change, with the committee initiating regular presentations by risk owners.

At time of uncertainty, transparency can be of heightened importance, so I hope this annual report from the Audit Committee on its work and how it has met its Terms of Reference during 2023, is useful assurance for the Council.

I would like to thank the officers, external auditors, executive members, professional advisors and of course, members of the Audit Committee for their input and support for the work of the Committee. It has been a busy year where we have continued to provide a robust and independent challenge to the processes, structures and arrangements surrounding the Council's audit, assurance, risk management, financial control and governance framework.

I look forward to future meetings of the Committee and to working with the Committee members and the officers who provide support to ensure the continuation of independent assurance on the Council's control environment and governance framework.

Cllr Sue Rawlins  
Chairman of the Audit Committee  
February 2025

## Role of the Audit Committee

The Audit Committee is a key component of Lincolnshire County Council's corporate governance.

The purpose of the Audit Committee is to provide independent assurance on the adequacy of the risk management framework and the internal control environment. It provides independent review of Lincolnshire County Council's governance, risk management and control frameworks and considers the adequacy of the financial and governance reporting. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.

The functions covered by the Audit Committee are:

- Independent and high-level focus on the governance, risk and control frameworks.
- Independent review and high-level focus on audit, assurance and reporting arrangements that underpin good governance and financial standards.
- Promote high standards of ethical behaviour by developing, maintaining and monitoring Codes of Conduct for Councillors and co-opted Members (including persons acting in a similar capacity).
- Oversight of internal and external audit, helping to ensure efficient and effective assurance arrangements are in place.

Details on the specific functions of the Audit Committee can be found in the Council's Constitution published along with agendas, minutes and supporting papers.

[Agenda for Constitution on Friday, 9th December 2022 \(moderngov.co.uk\)](https://www.moderngov.co.uk/2022/12/09/agenda-for-constitution-on-friday-9th-december-2022)

To help the Committee meet its responsibilities each year, management provide training sessions for the Committee on subject areas within their remit. During 2023, these have included risk management training, financial training and horizon scanning.

As a non-executive body, the influence of the audit committee depends not only on the effective performance of its role but also the engagement with officers and those charged with governance.

## Meetings and Membership

During 2023, the Audit Committee met on six occasions and comprised of six Councilors and two independent Members with each meeting being well attended. Membership of the committee has been stable throughout the year. There are currently no vacancies on the committee.

### Audit Composition & Attendance

Member	Feb-23	Mar-23	Jun-23	Jul-23	Sep-23	Nov-23	%Attendance
Cllr S Rawlins - Chair	✓	✓	✓	✓	✓	✓	100%
Cllr M Allan - Vice Chair	✓	✓	✓	✓	✓	✓	100%
Cllr S Bunny	✓	✓	✓	✓	✓	✓	100%
Cllr A Stokes	✓	✓	✓	x	✓	✓	83%
Cllr P Coupland	✓	✓	✓	✓	✓	✓	100%
Cllr P Skinner	✓	✓	✓	x	✓	✓	83%
Cllr J King	x	x	✓	x	x	✓	33%
Mr I Haldenby	x	✓	x	✓	✓	✓	67%
Mr A Middleton	✓	✓	✓	✓	✓	✓	100%

The Audit Committee meetings were also routinely attended by the following officers and external parties:

Deputy Chief Executive and Executive Director: Resources; Assistant Director: Finance; Strategic Finance Lead: Technical; Head of Internal Audit & Risk Management; Team Leader: Risk & Insurance; Principal Risk Officer; Democratic Service Officers and External Auditors.

## How the Committee Discharged its Responsibilities During 2023

Key Committee Activities	Feb-23	Mar-23	Jun-23	Jul-23	Sep-23	Nov-23
<b>Governance, Risk &amp; Control</b>						
Receive and approve draft Annual Governance Statement 2022/23			✓			
Receive and approve the Information Assurance Annual Report 2022/23			✓			
Receive and approve the Final Annual Governance Statement 2022/23					✓	
Receive the 2022/23 Monitoring Officer Report				✓		
Review and approve the draft 2023 Audit Committee Annual Report						✓
Review and approve the final 2023 Audit Committee Annual Report	✓					
Receive Risk Management Progress Report		✓			✓	
Receive Strategic Risk in Market Supply for Adult Social Care					✓	
Receive a Combined Assurance Report from all Directorates	✓					
Receive an update on horizon scanning						✓
<b>Internal Audit</b>						
Receive and approve the Internal Audit Plan for 2023/2024				✓		
Review the Internal Audit Annual Report (including opinion) for 2022/23			✓			
Review Internal Audit Progress Report		✓		✓		
<b>Counter Fraud Assurance</b>						
Receive and approve the Counter Fraud Annual Report			✓			
Receive the Counter Fraud Risk Register		✓				
Receive Counter Fraud Progress Report	✓					
Review and approve Counter Fraud Annual Work Plan for 2023/24				✓		
<b>Financial Reporting &amp; External Audit</b>						
Receive the 2022/23 Draft Statement of Accounts			✓			
Receive the CIPFA Financial Management Code and Financial Resilience Report				✓		
Receive an update on the 2020/21, 2021/22 & 2022/23 Draft Statement of Accounts		✓			✓	✓
Receive an update on external audit strategy for 2022/23					✓	
Receive and approve the Accounting Policies to be applied to 2022/23 Statutory Accounts		✓				



## **Governance, Risk and Control**

The Audit Committee oversaw the production of the Council's Annual Governance Statement (AGS) and received updates regarding progress. As part of the production of the 2022/2023 AGS, the Committee reviewed and approved the draft statement at the June 2023 meeting. The Committee reviewed the final AGS in September 2023. The Committee also reviewed and approved both the Monitoring Officer Report and the Information Assurance Report, which form part of the AGS.

The final Annual Report for 2022 was approved during the year and presented to the Full Council. Risk reports were scrutinized along with the strategic risk register at different points in the year. A Combined Assurance Report was presented, and the Audit Committee scrutinized the level of assurance provided through the work of directorates and had the opportunity to question Executive Directors directly on areas of their assurance mechanisms. Following a risk management update, the strategic risk covering market supply in Adult Services was selected by the committee for further understanding. The Executive Director for Adult Care & Community Wellbeing (ACCW) presented a risk focused report and responded to specific points raised within the Committee.

## **Internal Audit & Counter Fraud**

Throughout the year the Committee received progress reports on delivery of the approved annual plan along with the Audit Annual Report, which included the Head of Internal Audit's annual opinion. The opinion, provided in June 2023, awarded 'performing well' assurance for governance, risk and financial control. Internal control was awarded a 'performing adequately' assurance. The committee received and reviewed progress reports against the Internal Audit Plan which highlighted the objectives of each audit assignment, the number of findings and graded recommendations along with areas of good practice. This enabled the committee to seek further assurance where needed.

The Committee received and considered reports outlining the work delivered through the counter fraud team including details of the plan agreed for the year 2023/2024 and an overview of fraud risks the council faces.

## **External Audit & Financial Reporting**

The Committee has seen ongoing delays with the finalisation of the Statutory Accounts for 2021/22 and 2022/23. Throughout the year the Committee has received regular updates from the Assistant Director: Finance on progress which set out the rationale for the delay in publication. In September 2023, the external auditors provided an anticipated revised date as the end of December 2023. The Committee questioned the external auditors on numerous aspects associated with this unprecedented situation to fully understand the risks and any potential resultant impacts. The committee gained a good understanding of the delays and the national picture on infrastructure asset reporting. At the November 2023 meeting, the external auditors presented that the 2021/22 accounts had retained the unqualified opinion and there were no new concerns to be reported. The external auditors confirmed that for 2022/23 no material changes other than the ones shared in the committee relating to pension liabilities, had been made since they were presented to the committee, and they had also retained their unqualified opinion. The accounts for both 2021/22 and 2022/23 were signed off as complete. A copy of the External Auditors Annual

Report is attached (Appendix B) providing the Full Council with the external auditors' opinion of the financial statements, value for money arrangements and wider reporting responsibilities for years ended 31 March 2022 and 31 March 2023.

The Committee received further information on work undertaken internally and externally relating to the CIPFA Code of Financial Management and how the external assessment performed in comparison to the internal self-assessment. The Committee probed both areas to ascertain any risks within the few areas for further development.

### **Development Areas for 2024**

The Committee have supported a few developments for future meetings. They include increased frequency of strategic risk reporting, further in-depth reporting on internal audit activity, and provision of a more detailed focus on the counter fraud delivery and impact. Report template changes have been implemented to provide the committee with further quality oversight and delivery information to help inform the effectiveness of the assurance framework.

The Committee has also considered possible topics and training areas for 2024. Considered items include, financial resilience, risk appetite and tolerance training and understanding assurance points noted from Section 114 notices.

### **Conclusion**

The Audit Committee is pleased to present its 2023 Annual Report to the Council. It is hoped that the report gives sufficient detail on its performance throughout the year and demonstrates that the Audit Committee has discharged its responsibilities as set out in the Terms of Reference. The Committee looks forward to developing its arrangements in line with good practice guidance and in assuring and supporting the Executive as 2024 progresses.

# Auditor's Annual Report

Lincolnshire County Council – year  
ended 31 March 2022

November 2023  
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Our reports are prepared in the context of the 'Statement of responsibilities of auditors and audited bodies' issued by Public Sector Audit Appointments Ltd. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the Council. No responsibility is accepted to any member or officer in their individual capacity or to any third party.

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# 01

## Section 01: **Introduction**

# 1. Introduction

## Purpose of the Auditor's Annual Report

Our Auditor's Annual Report (AAR) summarises the work we have undertaken as the auditor for Lincolnshire County Council ('the Council') for the year ended 31 March 2022. Although this report is addressed to the Council, it is designed to be read by a wider audience including members of the public and other external stakeholders.

Our responsibilities are defined by the Local Audit and Accountability Act 2014 and the Code of Audit Practice ('the Code') issued by the National Audit Office ('the NAO'). The remaining sections of the AAR outline how we have discharged these responsibilities and the findings from our work. These are summarised below.

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### Opinion on the financial statements

Our audit report was issued on 14 November 2023 and was unqualified.



### 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 arrangements

In our audit report issued we reported that we had completed our work on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources and had not issued recommendations in relation to identified significant weaknesses in those arrangements. Section 3 provides our commentary on the Council's arrangements.



### Wider reporting responsibilities

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:

## **Audit of the financial statements**

## 2. Audit of the financial statements

### The scope of our audit and the results of our opinion

Our audit was conducted in accordance with the requirements of the Code, and International Standards on Auditing (ISAs).

The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Council and whether they give a true and fair view of the Council's financial position as at 31 March 2022 and of its financial performance for the year then ended. Our audit report, issued 14 November 2023 gave an unqualified opinion on the financial statements for the year ended 31 March 2022.

### Qualitative aspects of the Council's accounting practices

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

There have been two particular accounting challenges for the local authority sector in 2021/22:

1. Accounting for Infrastructure Assets (where guidance was not published and made available until January 2023). This has led to an increase in management discussion, auditor challenge and underlying substantive testing of core data.

We performed additional testing and review procedures over the Council's processes and accounting arrangements, which found that whilst there are clear and established procedures in place, these would not meet the Code standards in full, so Officers accepted that to make changes to the accounting disclosures. Alongside this, an error was noted where some infrastructure assets had been derecognised in the wrong year and the Council corrected this by way of restating the prior year information.

1. Considering the impact of the triennial valuation of pension schemes

We discussed the impact of the triennial pension valuation and how this may impact the 2021/22 financial statements. Officers obtained an updated valuation report, resulting in a £16m adjustment to the carrying value

of the Pension Fund Asset in the financial statements.

Our detailed findings were presented to the Audit Committee on 25 September 2023.

### Internal Control Recommendations

As part of our audit, we considered the internal controls in place that are relevant to the preparation of the financial statements. We did this to design audit procedures that allow us to express our opinion on the financial statements, but this did not extend to us expressing an opinion on the effectiveness of internal controls. We did not identify any 'High – level 3' recommendations for 2021/22.



## 2. Audit of the financial statements

### Main financial statement audit risks and findings

Our audit approach is risk-based and primarily driven by the issues that we consider lead to a higher risk of material misstatement of the accounts. Once we have completed our risk assessment, we develop our audit strategy and design audit procedures in response to this assessment. Following the risk assessment, we identified risks relevant to the audit of financial statements and the significant audit risks and conclusions reached are set out below:

Audit Risk	Level of audit risk	How we addressed the risk	Audit conclusions
<p><b>Management override of controls</b></p> <p>This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur.</p>	<p><b>Significant risk:</b> an area that, in our judgment, requires special audit consideration.</p>	<p>We addressed the risk through performing work over accounting estimates, journal entries and considering whether there were any significant transactions outside the normal course of business or otherwise unusual. In addition, we made enquiries of management and used our data analytics and interrogation software to extract accounting journals for detailed testing on specific risk characteristics.</p>	<p>There are no significant matters to report in respect of management override of controls.</p>
<p><b>Valuation of the net pension liability</b></p> <p>The defined benefit liability relating to the Local Government and Fire-Fighter's pension scheme represents significant balances on the Council's balance sheet. The Council uses two actuaries 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 of misstatement in this area.</p>	<p><b>Significant risk</b></p>	<p>Our procedures to address this risk included, but was not limited to:</p> <ul style="list-style-type: none"> <li>critically assessing the competency, objectivity and independence of the Pension Funds' Actuaries;</li> <li>liaising with the auditors of the Lincolnshire Local Government Pension Fund to gain assurance that the controls in place at the Pension Fund are designed and implemented correctly. This included 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;</li> <li>reviewing the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuaries, and the key assumptions included within the valuations. This included comparing them to expected ranges, utilising information by the consulting actuary engaged by the National Audit Office; and</li> <li>agreeing the data in the IAS 19 valuation report provided by the Fund Actuaries for accounting purposes to the pension accounting entries and disclosures in the Council's financial statements.</li> </ul>	<p>Following adjustments to the financial statements to take account of updated information not available to the Council at the time of preparing its financial statements, our work obtained the assurances we sought.</p>

# 2. Audit of the financial statements

Audit Risk	Level of audit risk	How we addressed the risk	Audit conclusions
<p><b>Valuation of land &amp; buildings and investment properties</b></p> <p>Land, Building and Investment Property assets are significant balances on the council's balance sheet. The valuation of these assets is complex and is subject to a number of management assumptions and judgements. Due to the high degree of estimation uncertainty associated, we have determined there is a significant risk in this area.</p>	<p><b>Significant risk</b></p>	<p>Our procedures to address this risk included, but was not limited to:</p> <ul style="list-style-type: none"> <li>critically assessing the Council's valuers scope of work, qualifications, objectivity and independence to carry out the required programme of revaluations;</li> <li>considering whether the overall revaluation methodologies used by the Council's valuers are in line with industry practice, the CIPFA Code of Practice and the Council's accounting policies;</li> <li>assessing whether valuation movements are in line with market expectations by using third party information to provide information on regional valuation trends;</li> <li>critically assessing the approach that the Council adopts to ensure assets that are 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 valuers; and</li> <li>testing a sample of individual valuations, back to source records to ensure appropriateness and to gain assurance over whether the correct accounting treatment has been applied.</li> </ul>	<p>There were no significant issues noted from our testing to date that need to be brought to the attention of Members.</p>

# 03

Section 03:

**Commentary on VFM arrangements**

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# 3. VFM arrangements – Overall summary

## Context of the Auditor's Annual Report

Our Auditor's Annual Report summarises the work we have undertaken as the auditor for Lincolnshire County Council for the year ended **31 March 2022**, where at the time of reporting in September 2023, we recognise that the social, political and economic environment has changed and local government is facing significant challenges including:

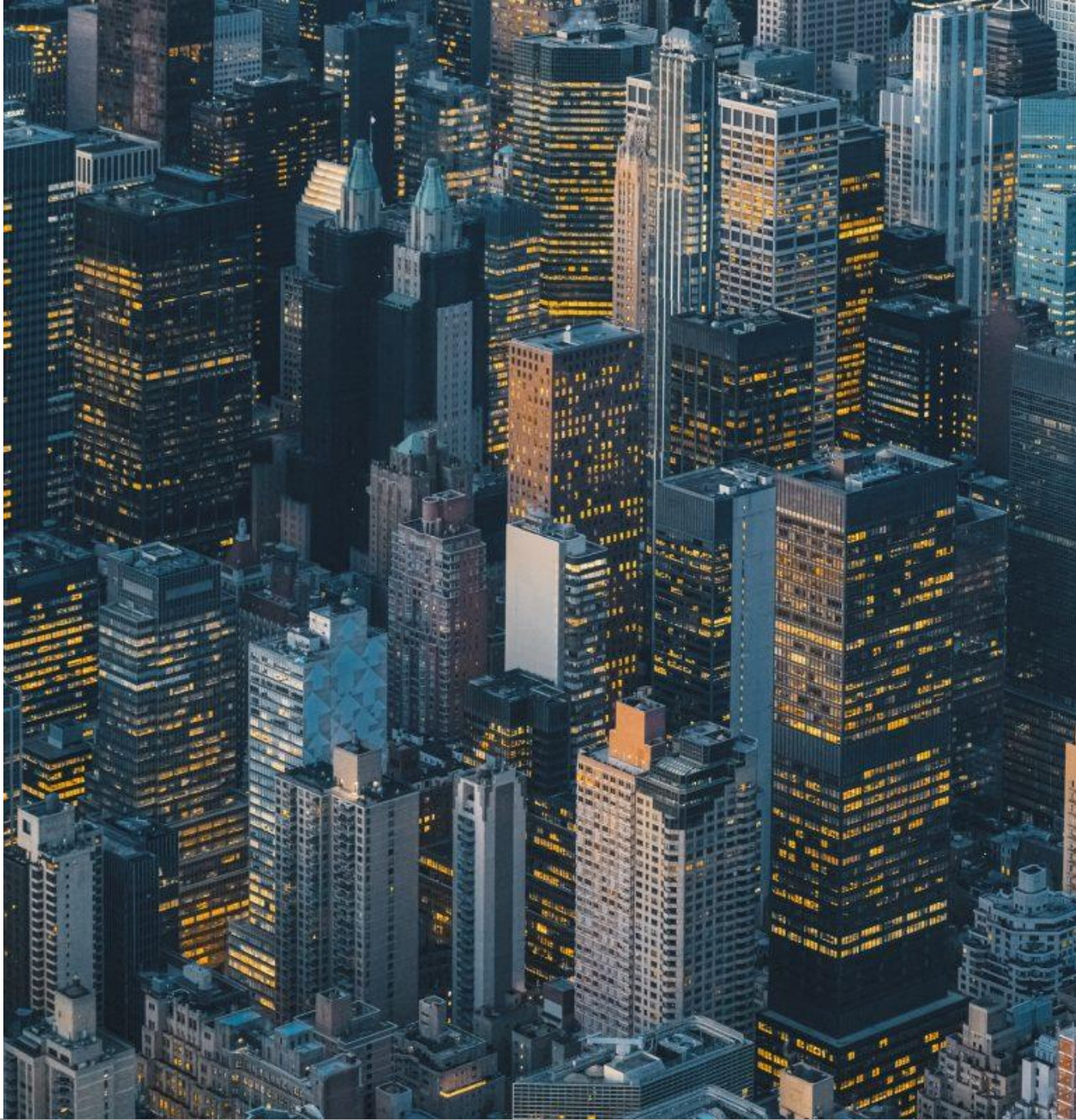
- **Cost of Living:** With most people experiencing financial pressure, spending habits are changing. High energy costs and increasing food prices have impacted on levels of disposable income. With wage (and potentially benefit) increases failing to keep pace with inflation, more people will be facing hardship.
- **Added budget pressures:** With inflation soaring, the cost of goods, services and resources are becoming more expensive. Local authorities are not immune to the increasing cost of energy supply, although the government announcements on energy caps help, many local authorities are still facing higher costs. Local authorities typically budget for modest salary increases year on year, but expectations and demands on salary increases have changed and consideration on how they are to be funded is required.
- **Cost of Borrowing:** The Bank of England base rate has risen meaning that the cost of borrowing for capital projects has increased significantly.
- **Contractors and Suppliers:** The cost-of-living crisis has resulted in business failures. Although government support has been announced, some businesses will continue to struggle, with a greater risk of supplier failure. Supply failures anywhere in the supply chain will have a knock-on effect.
- **Service Delivery:** Likely budget reductions and savings plans are going to impact the ability of local authority services to maintain levels of delivery, particularly at a time of increased demand.

We maintain alert to the key issues facing Lincolnshire County Council and, should we identify a risk of significant weakness in arrangements, will promptly raise these with management and issue any reports to the Audit Committee as part of our audit for the year ending 31 March 2023.

### 3. Commentary on VFM arrangements

Overall summary

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# VFM arrangements – Overall summary

## Approach to Value for Money arrangements work

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

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Our work is carried out in three main phases.

### Phase 1 - Planning and risk assessment

At the planning stage of the audit, we undertake work so we can understand the arrangements that the Council has in place under each of the reporting criteria; as part of this work we may identify risks of significant weaknesses in those arrangements.

We obtain our understanding of arrangements for each of the specified reporting criteria using a variety of information sources which may include:

- NAO guidance and supporting information
- Information from internal and external sources including regulators
- Knowledge from previous audits and other audit work undertaken in the year
- Interviews and discussions with staff and Members.

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 there are further risks of significant weaknesses.

### Phase 2 - Additional risk-based procedures and evaluation

Where we identify risks of significant weaknesses in arrangements, we design a programme of work to enable us to decide whether there are actual significant weaknesses in arrangements. We use our professional judgement and have regard to guidance issued by the NAO in determining the extent to which an identified weakness is significant.

We have not identified any risks that require additional procedures.

### Phase 3 - Reporting the outcomes of our work and our recommendations

We are required to provide a summary of the work we have undertaken and the judgments we have reached against each of the specified reporting criteria in this Auditor's Annual Report. We do this as part of our Commentary on VFM arrangements which we set out for each criteria later in this section.

We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from the Council. We refer to two distinct types of recommendation through the remainder of this report:

#### • Recommendations arising from significant weaknesses in arrangements

We make these recommendations for improvement where we have identified a significant weakness in the Council arrangements for securing economy, efficiency and effectiveness in its use of resources. Where such significant weaknesses in arrangements are identified, we report these (and our associated recommendations) at any point during the course of the audit.

#### • Other recommendations




We make other recommendations when we identify areas for potential improvement or weaknesses in arrangements which we do not consider to be significant but which still require action to be taken

The table on the following page summarises the outcomes of our work against each reporting criteria, including whether we have identified any significant weaknesses in arrangements or made other recommendations.

Our Value for Money commentary looks at the arrangements in place for the period from 1st April 2021 to 31st March 2022. We recognise that there are substantial changes in the economy and operating environment since then, including levels of inflation and an impending budget announcement and we will, therefore, be mindful of these as part of our final reporting.

# VFM arrangements – Overall summary

## Overall summary by reporting criteria

Reporting criteria	Commentary page reference	Identified risks of significant weakness? *	Actual significant weaknesses identified? *	Other recommendations made?
 <b>Financial sustainability</b>	14	No	No	No
 <b>Governance</b>	17	No	No	No
 <b>Improving economy, efficiency and effectiveness</b>	21	No	No	No

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# 3. Commentary on VFM arrangements

## Financial Sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services

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# 3. VFM arrangements – Financial Sustainability

## Overall commentary on the Financial Sustainability reporting criteria

Significant weakness in 2020/21	Nil.
Significant weaknesses identified in 2021/22	Nil.

### Position brought forward from 2020/21

We reported in our Annual Auditor’s Report for 2020/21, that we had;

- Reviewed the 2020/21 financial performance and forecasts during the year and considered the Council’s financial outturn position as presented in the financial statements;
- Reviewed the 2021/22;
  - Revenue and Capital budgets and Medium-Term Financial Plan;
  - Treasury Management Strategy, incorporating the Minimum Revenue Provision Policy and Capital and Investment Strategies; and
  - Considered the Council’s latest financial monitoring information and its updated medium-term outlook.
- Updated our risk assessment for any new or emerging issues through discussions with management and updating our review of committee reports;
- Reviewed the Council’s Annual governance Statement for any significant issues; and
- Considered the general findings from our audit work in other areas.

As set out in the table above, there are no indications of a significant weakness in the Council’s arrangements for financial sustainability brought forward from 2020/21.

### Overall responsibilities for financial governance

We have reviewed the Council’s overall governance framework, including Council and committee reports, the Annual Governance Statement, and Statement of Accounts for 2021/22. These confirm the Council undertook

its responsibility to define the strategic aims and objectives, approve budgets and monitor financial performance against budgets and plans to best meet the needs of the Council’s service users.

### 2021/22 Statement of Financial Position

We carried out a high-level analysis of the financial statements subject to our audit, including the Movement in Reserves Statement and the Balance Sheet, our work to date has not highlighted any risks of significant weakness in arrangements or indicators of a risk to the Council’s financial sustainability. The Council’s reserves position at 31 March 2022 show:

- General Fund Balance of £16m, consistent with the 2020/21
- School Reserves of £27m, up from £26m in 2020/21;
- Earmarked Reserves (including a financial volatility reserve of £47m) of £218m, down from £231m in 2020/21; and
- Capital Reserves of £72m, down from £93m in 2020/21.

Adequate disclosures have been made in the Financial Statements (Note 15) and Narrative Report to support why these balances have moved.

# VFM arrangements – Financial Sustainability

## The Council's financial planning and monitoring arrangements

We have met regularly with Officers during the year and read the Quarterly Reports to Executive. Each report summarises the financial position of the Council and is supported by a set of appendices that adequately enable Members to assess revenue performance by service (such as Children's Services, Place etc). We note the reports explain the variance to budget, which increased in size from Quarter 3 through to the year-end; this is shown in the table below.

Reports to Executive include the monitoring of planned savings of £11.4m for 2021/22 and £4.8m for 2022/23 as reported in the Revenue Budget Monitoring Report 2022/23 – Quarter 1, presented to the Executive in September 2022. These savings are built into budgets and triangulate with the individual service level reports included in the supporting appendices to the Quarterly Revenue reports to Executive.

We have reviewed note 15 of the financial statements, setting out earmarked reserves, and in particular the Financial Volatility Reserve that was established to help the Council deal with the future uncertainties around Local Government funding. The Council did not use any of this reserve in the year, instead it added £6.4m leaving a balance of £46.9m as at 31 March 2022.

In July 2022, the Executive were informed that there had been:

- A £5.8m underspend on Services (1.3%) and £6.5m underspend on other budgets (6.9%), and the Council received £1.4m (less than 0.5%) more general funding income that originally budgeted for (not considered to be a material variance between reported sums);
- £17.2m underspend via dedicated schools grant, of which £13.9m relates to balances from the prior year;
- Support paragraphs explains that these underspends are mainly the result of Covid-19 and the subsequent knock on effects this has caused alongside staff vacancies and Capital programme slippage.

Overall, in our view, the Council's arrangements for reviewing revenue financial performance are adequate.

We reviewed capital expenditure as presented in the financial statements and tested capital additions and REFCUS (Revenue Expenditure Funded from Capital Under Statute), with no material issues arising over the £147m additions to Property, Plant & Equipment set out in Note 15 of the financial statements.

We also reviewed the "Review of Financial Performance 2021/22" presented to Executive on 5 July 2022. Paragraph 1.11 explains the Council spent £194m on the County's major assets, in particular on road schemes and schools. We have reconciled this to the financial statements which show a total of £195.7m (PPE Additions of £147.8m, Investment Properties of £0.5m and Revenue Expenditure Funded by Capital Under Statute of £47.4m), noting a non-material variance of £1.4m between the figures reported to Executive and that in the financial statements.

We reviewed the capital outturn report to the July meeting of the Executive, who were informed that the capital outturn for 2021/22 was 33% less than planned, with Highways being underspent by £19.6m mainly caused by: the Lincoln Eastern Bypass, the Grantham Southern Relief Road, Spalding Western Relief Road and the A52 Skegness Roman Bank reconstruction; and the Highways Asset Protection block budget. Appendix A to the Report provides a status report on major schemes, which provides members a summary of capital project including:

- Spending for the financial year
- Changes in the budget
- Whole life-time financial information
- Purpose and performance of the scheme.

This demonstrates adequate arrangements for monitoring the capital programme, not just on a year-to-year basis, but over the life of the project.

Based on the above considerations we are satisfied there is not a significant weakness in the Council's arrangements in relation to financial sustainability for the year ended 31 March 2022.

# 3. Commentary on VFM arrangements

## Governance

How the body ensures that it makes informed decisions and properly manages its risks

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# 3. VFM arrangements – Governance

## Overall commentary on the Governance reporting criteria

Significant weakness in 2020/21	Nil.
Significant weaknesses identified in 2021/22	Nil.

### Position brought forward from 2020/21

As set out in the table above, there are no indications of a significant weakness in the Council’s arrangements for financial sustainability brought forward from 2020/21.

### The Authority’s governance structure

The Council has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of effectiveness, economy and efficiency. In doing this it is responsible for putting in place proper arrangements for the governance of its affairs, effective exercise of its functions and arrangements for the management of risk.

We confirmed that the Council has an approved constitution that is regularly reviewed and updated. The Constitution explains how the Council operates and makes decisions. It ensures that the Council is efficient, transparent and accountable for what it does. We consider the committee structure of the Authority is sufficient to provide assurance that decision making, risk and performance management is subject to appropriate levels of oversight and challenge.

We have reviewed Council and Committee Reports and minutes during the year as well as key documents in relation to how the Council ensures that it makes informed decisions and properly manages its risks. Our review of Council and Committee papers confirms that a template covering report is used, ensuring the purpose, consultation, and recommendations are clear. Minutes are published and reviewed by each committee to evidence the matters discussed, challenge and decisions made.

Based on our work, we are satisfied that the Council has established governance arrangements, consistent with previous years, in place. These are detailed in the Statement of Accounts and Annual Governance Statement. We have considered both documents against our understanding of the Council as part of our audit.

### 2021/22 Budget Setting and the Medium-Term Financial Strategy

We have read reports to Overview & Scrutiny Management Board, the Executive and Council covering budget setting for 2022/23 and the Medium-Term Financial Strategy. We have also held a number of meetings with Officers throughout the year.

Each service directorate supports the development of the budget, identifying cost pressures and delivery needs within the Corporate Plan before presenting a combined report on the budget and Medium-Term Financial Strategy for scrutiny by the corporate leadership team, Overview & Scrutiny Management Board, the Executive and full Council. The arrangements in place for budget setting and updating the Medium-Term Financial Strategy are as expected for a County Council, with arrangements for: consultation, scrutiny, evaluation of financial risk, alignment to directorate/business plans and sources of funding.

There is no indication that the Council’s Medium Term Financial Strategy and budget setting process is not aligned to supporting plans given the Council has a track record of delivering against budget.

# VFM arrangements – Governance

## Overall commentary on the Governance reporting criteria

### 2021/22 Budget Setting and the Medium-Term Financial Strategy (continued)

A budget consultation presentation was made to Overview & Scrutiny in January 2021 adequately summarises the financial context of the authority, including the impact of Covid-19 cost pressures, which were in additional expenditure and income loss during 2021/22, mostly covered by government grant. Members are aware of the Council's positive track record in financial delivery, which is consistent with our knowledge, including the ability to maintain financial balance with minimal use of reserves.

We read the assumptions underpinning the Medium-Term Financial Strategy as included in reports to the January meeting of the Executive and the January 2022 meeting of Overview & Scrutiny Management Board. In our view, these include an adequate level of detail over the assumptions and cost pressures facing the council, which are consistent with our experience at similar sized authorities and therefore not unreasonable. In addition, there is sufficient narrative to explain the rationale and key financial risks.

We considered the expected cost pressures within the Medium-Term Financial Strategy over the period 2022/23 to 2025/26.

	2022/23	2023/24	2024/25	2025/26	Total
Cost pressures (including inflation but net of savings and additional income)	48.8m	15m	12.3m	18.1m	<b>£94.1m</b>
Transfer from earmarked reserves	(£2.3m)	(£9.3m)	(£6.5m)	(£6.9)	<b>(£25m)</b>
<b>Total net amount</b>	<b>£46.5m</b>	<b>£5.6m</b>	<b>£5.8m</b>	<b>£11.2m</b>	<b>£69.1m</b>

Although the level of cost pressures is large, overall, a balanced budget was set. The Council's reserves position does not indicate a risk of significant weakness in VFM arrangements for financial sustainability and provide some mitigation against future financial challenges and will assist in addressing future volatility and support savings and efficiencies plans. The Council will need to continue to ensure that any use of reserves to smooth the financial position over the next few years is properly planned and the use of reserves cannot be relied on to provide a long-term solution to funding gaps.

### Risk management

The Audit Committee is responsible for overseeing the effectiveness of the Council's risk management arrangements, challenging risk information and escalating issues to the Executive. We reviewed minutes and meetings of the Audit Committee during the year, including the Risk Management Progress Report in March 2022. The report provides an update on the activities being undertaken and the key strategic and operational issues facing the Council since the last update in September 2021. Appendix 1 to the Report sets out a breakdown of the risks, issues and status by directorate. From our attendance at the meeting and review of the minutes, are satisfied there is sufficient evidence of Member oversight of risk management, including holding Officers to account.

We reviewed the Strategic Risk Register reported to the March 2022 Audit Committee and determined it is adequate for the Council's purposes, given it links the risk to the corporate strategy, includes a risk owner and current and target risk scores, assurance status and existing controls.

The Audit Committee receive a 'Combined Assurance Report' to provide the Audit Committee with insight on the assurances across all the Council's critical services, key risks, partnerships and projects. We obtained and read the report to the February 2022 Audit Committee, being satisfied that it is demonstrative of adequate arrangements in place over risk management.

# VFM arrangements – Governance

## Overall commentary on the Governance reporting criteria

### Audit Committee

The Council has an established Audit Committee that comprises seven councillors, who represent the political balance of the Council, plus two independent persons who are not a councillor, or an officer of the Council. We have reviewed supporting documents and confirmed the Audit Committee meets regularly and reviews its programme of work to maintain focus on key aspects of governance and internal control. Our attendance at Audit Committee has confirmed there is an appropriate level of effective challenge.

### Internal Audit

We have met with management and the Head of Internal Audit regularly during the year, reviewed Audit Committee reports and attended Audit Committee to observe the performance of Internal Audit and the Audit Committee. We have documented our understanding of the Internal Audit function, which is provided by an in-house team which operates as part of Assurance Lincolnshire - supported by additional resources procured via external support framework contracts.

We reviewed the Head of Internal Audit Annual Report that was presented to Audit Committee on 11 July 2022, where the overall opinion is split across four themes:

- Governance – “Performing Well” showing an improvement since the prior year.
- Risk – “Performing Well”, being a consistent rating as the prior year.
- Internal control – “Performing Adequately” being a consistent rating as the prior year.
- Financial control – “Performing Well” showing an improvement since the prior year.

We also confirmed that the Head of Internal Audit Opinion has been adequately reflected in the Annual Governance Statement.

### Monitoring officer and Conduct

We reviewed the Monitoring Officer’s Annual Report presented to the Audit Committee in September 2022 and met with the Monitoring Officer throughout the year. We are satisfied this report provides supporting evidence of adequate arrangement in place to monitor and support lawful and informed decision making.

### Scrutiny

In May 2022, Full Council received and approved the Annual Report for Overview and Scrutiny for 2021/22. We have read the report which highlights the scrutiny work that has taken place throughout the last year. The report focuses on the key successes and achievements of Overview and Scrutiny over the past year. As set out in the first page of the report “During 2021/22, 54 formal scrutiny committee meetings were held, and 78% of all formal decisions were considered by a scrutiny committee prior to them being made, which is up from 65% last year”.

There is no evidence of inadequate arrangements in informed decision making in this report.

Overall, we have not identified any indicators of a significant weakness in the Council's arrangements relating to the Governance criteria for the year ended 31 March 2022.

### 3. Commentary on VFM arrangements

#### Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services

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# 3. VFM arrangements – Improving Economy, Efficiency and Effectiveness

## Overall commentary on the Improving Economy, Efficiency and Effectiveness reporting criteria

Significant weakness in 2020/21	Nil.
Significant weaknesses identified in 2021/22	Nil.

### Position brought forward from 2020/21

As set out in the table above, there are no indications of a significant weakness in the Council's arrangements for financial sustainability brought forward from 2020/21.

### Regulators

We reviewed regulatory reports, including OFSTED, where the report from 2019 was in place, rating Children's Services as "Outstanding". The Council retained this rating in the inspection report issued in April 2023.

Her Majesty's Inspector for Fire & Rescue Services inspection was published in December 2021 with a rating of "Requires Improvement". In line with prior year findings, we are satisfied that the report does not suggest a significant weakness in the Council's arrangements.

### Corporate Plan and Performance Monitoring

The Council's arrangements are consistent with the prior year, which were deemed adequate, with the Council's Corporate Plan setting out what it wants to achieve for local residents and communities and is published on its website. The Council's overall financial objectives and strategy are documented in the Council's budget and Medium-Term Financial Strategy which is reviewed and updated annually.

Our review of minutes and reports confirms the Executive and the Overview and Scrutiny Management Board receive regular reporting on the measures contained within the Council Business Plan. We reviewed the performance outturn for 2021/22 presented to Executive in July 2022 as evidence of the Council's approach to evaluating performance. In our view, reports contain sufficient narrative, including the appendices, to demonstrate that there are adequate arrangements for scrutiny in assessing performance and identifying areas for improvement. Our review of the minutes, show these record Member challenge, such as requesting further information in relation to the life expectancy for Lincolnshire residents, and evaluation, such as reflecting on the reduction in people Killed or Seriously Injured on Lincolnshire's roads.

Overall, we believe this is sufficient evidence to demonstrate adequate arrangements for performance monitoring at the Council.

### Partnerships and Commissioning

Through our work on the financial statements, our testing of expenditure, and consideration of key financial controls, has not identified any issues relating to procurement.

### One Council Commissioning Framework 2021-2024

In 2020, the Council undertook a piece of work with external consultants, Impower, to review the current commissioning model and overall approach in use across the Council to consider how current commissioning practices could be more effective. We reviewed the report presented to the Overview and Scrutiny Management Board on 17 March 2021, which considers the Draft One Council Commissioning Framework 2021-2024, subsequently to be presented to the Executive on 7 April 2021. The views of the Board were reported to the Executive as part of its consideration of this item. Having read the document, we are satisfied this is indicative of adequate arrangements for strategic commissioning.

### Better Care Fund (BCF)

Note 33 of the Council's Financial Statements explains the Council is the host for pooled budgets relating to: Proactive Care, Specialties including Learning Disabilities, Integrated Community Equipment Service, and Child & Adolescent Mental Health Services; and is responsible for their financial administration. Outside this Better Care Fund is a stand-alone Section 75 Agreement for Sexual Health. Our testing of the financial statements has not identified any material issues over these disclosure notes, which show each pooled budget remains in balance.

Overall, we have not identified any indicators of a significant weakness in the Council's arrangements relating to the Improving Economy, Efficiency and Effectiveness criteria for the year ended 31 March 2022.



# 04

Section 04:

## **Other reporting responsibilities and our fees**

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# 4. Other reporting responsibilities and our fees

## Matters we report by exception

The Local Audit and Accountability Act 2014 provides auditors with specific powers where matters come to our attention that, in their judgement, require specific reporting action to be taken. Auditors have the power 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 the law; and
- issue an advisory notice.

We have not exercised any of these statutory reporting powers.

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. We did not receive any such objections or questions.

## Reporting to the NAO in respect of Whole of Government Accounts consolidation data

The NAO, as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data. We have not received the instructions from the NAO and therefore this work remains incomplete.

## 4. Other reporting responsibilities and our fees

### Fees for work as the Council's auditor

We reported our proposed fees for the delivery of our work under the Code of Audit Practice in our Audit Strategy Memorandum presented to the Governance Scrutiny Group in June 2022. Having completed our work for the 2021/22 financial year, we can confirm that our fees are as follows:

Area of work	2020/21 Actual fees	2021/22 fees*
Planned fee in respect of our work under the Code of Audit Practice	£82,640	£82,640
Additional fees in respect of additional testing undertaken to comply with increased regulatory requirements relating to: IAS19 pension liabilities; valuation of land, buildings and investment properties; and major local audit requirements.	£12,287	£13,940
Additional fees in respect of additional work from the introduction of new auditing standards (ISA 540 estimates)	£4,656	£4,700
Additional fees in respect of additional testing undertaken on infrastructure assets	-	£11,750
Additional fees in respect of additional testing to take account of the triennial pension valuation	-	£6,500
Additional fees in respect of additional testing undertaken due to COVID-19	£5,223	-
Additional fees in respect of the VFM Commentary	£14,063	£14,000
<b>Total fees</b>	<b>£118,869</b>	<b>£133,530</b>

\*These costs are subject to PSAA review and approval. The Council received **£42,601** of grant funding, to meet rising audit costs for 2021/22.

### Fees for other work

In 2021/22, we were engaged to provide assurance related services on the Teachers' Pensions Return (fee £3,500) and Education & Skills Funding (£5,250).

# Mark Surridge, Key Audit Partner

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\*where permitted under applicable country laws.

# Auditor's Annual Report

Lincolnshire County Council – year  
ended 31 March 2023

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- 04 [Other reporting responsibilities](#)

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[Appendix A: Further information on our audit of the financial statements](#)

Our reports are prepared in the context of the 'Statement of responsibilities of auditors and audited bodies' issued by Public Sector Audit Appointments Ltd. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the Council. No responsibility is accepted to any member or officer in their individual capacity or to any third party.

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# 01

## Section 01: **Introduction**

# 1. Introduction

## Purpose of the Auditor's Annual Report

Our Auditor's Annual Report (AAR) summarises the work we have undertaken as the auditor for Lincolnshire County Council ('the Council') for the year ended 31 March 2023. Although this report is addressed to the Council, it is designed to be read by a wider audience including members of the public and other external stakeholders.

Our responsibilities are defined by the Local Audit and Accountability Act 2014 and the Code of Audit Practice ('the Code') issued by the National Audit Office ('the NAO'). The remaining sections of the AAR outline how we have discharged these responsibilities and the findings from our work. These are summarised below.



### Opinion on the financial statements

Our audit report, to be issued in December 2023, gave an unqualified opinion on the financial statements for the year ended 31 March 2023.

Our audit was conducted in accordance with the requirements of the Code, and International Standards on Auditing (ISAs).



### Value for Money arrangements

In our audit report issued we reported that we had completed our work on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources and had not issued recommendations in relation to identified significant weaknesses in those arrangements. Section 3 provides our commentary on the Council's arrangements.



### Wider reporting responsibilities

At the date of reporting our work on the Council's Whole of Government Accounts return remains incomplete whilst we wait for instructions from the National Audit Office



# 02

Section 02:

## **Audit of the financial statements**

## 2. Audit of the financial statements

### The scope of our audit and the results of our opinion

At Appendix A, we have set out the main financial statement risks addressed in our audit – detailed findings were presented to the Audit Committee on 13 November 2023.

In the table below, we set out the main audit outcomes for 2022/23.

Audit Area	Outcomes
<b>Financial Statements</b>	<p>The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Council and whether they give a true and fair view of the Council's financial position as at 31 March 2023 and of its financial performance for the year then ended.</p> <p>Our audit report, to be issued by December 2023, is expected to give an unqualified opinion on the financial statements for the year ended 31 March 2023.</p>
<b>Qualitative aspects of the Council's accounting practices</b>	<p>We reviewed the Council's accounting policies and disclosures and concluded they complied with the 2022/23 Code of Practice on Local Authority Accounting, appropriately tailored to the Council's circumstances.</p>
<b>Internal Control Recommendations</b>	<p>As part of our audit, we considered the internal controls in place that are relevant to the preparation of the financial statements. We did this to design audit procedures that allow us to express our opinion on the financial statements, but this did not extend to us expressing an opinion on the effectiveness of internal controls. We did not identify any 'High – level 3' recommendations for 2022/23.</p>
<b>Annual Governance Statement</b>	<p>We did not identify any matters where, in our opinion, the governance statement did not comply with the guidance issued by CIPFA/LASAAC Code of Practice on Local Authority Accounting.</p>
<b>Wider responsibilities</b>	<p>Our powers and responsibilities under the 2014 Act are broad and include the ability to:</p> <ul style="list-style-type: none"> <li>• issue a report in the public interest;</li> <li>• make statutory recommendations that must be considered and responded to publicly;</li> <li>• apply to the court for a declaration that an item of account is contrary to law; and</li> <li>• issue an advisory notice under schedule 8 of the 2014 Act.</li> </ul> <p>We have not exercised any of these powers as part of our 2022/23 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 objections have been raised.</p>

# 03

Section 03:

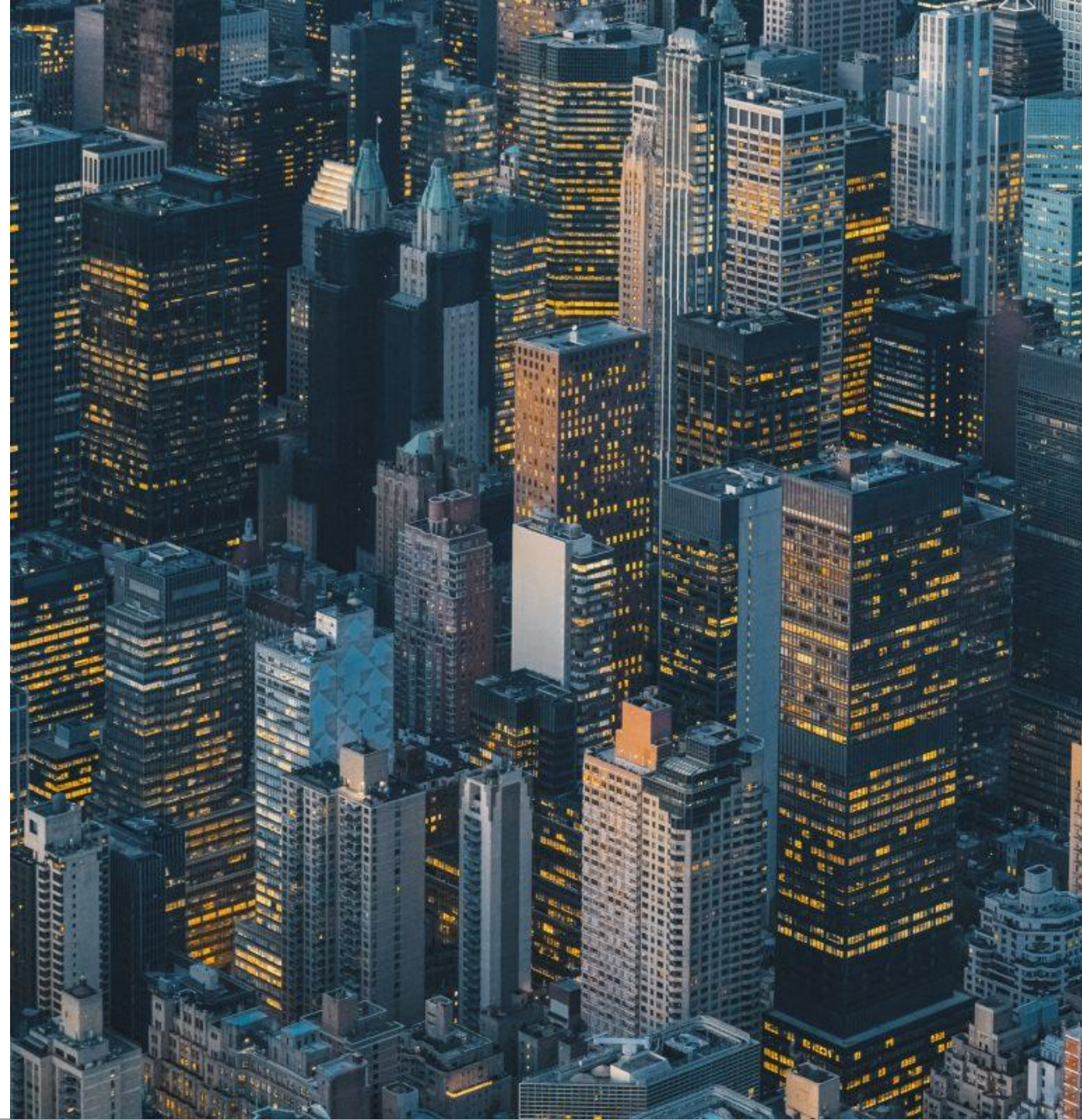
**Commentary on VFM arrangements**

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### 3. Commentary on VFM arrangements

#### Overall summary

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# 3. VFM arrangements – Overall summary

## Approach to Value for Money arrangements work

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

our work is carried out in three main phases.

### Phase 1 - Planning and risk assessment

At the planning stage of the audit, we undertake work so we can understand the arrangements that the Council has in place under each of the reporting criteria; as part of this work we may identify risks of significant weaknesses in those arrangements.

We obtain our understanding of arrangements for each of the specified reporting criteria using a variety of information sources which may include:

- NAO guidance and supporting information
- Information from internal and external sources including regulators
- Knowledge from previous audits and other audit work undertaken in the year
- Interviews and discussions with staff and directors

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 there are further risks of significant weaknesses.

### Phase 2 - Additional risk-based procedures and evaluation

Where we identify risks of significant weaknesses in arrangements, we design a programme of work to enable us to decide whether there are actual significant weaknesses in arrangements. We use our professional judgement and have regard to guidance issued by the NAO in determining the extent to which an identified weakness is significant.

### Phase 3 - Reporting the outcomes of our work and our recommendations

We are required to provide a summary of the work we have undertaken and the judgments we have reached against each of the specified reporting criteria in this Auditor's Annual Report. We do this as part of our Commentary on VFM arrangements which we set out for each criteria later in this section.

We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from the Council. We refer to two distinct types of recommendation through the remainder of this report:

- **Recommendations arising from significant weaknesses in arrangements**

We make these recommendations for improvement where we have identified a significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Where such significant weaknesses in arrangements are identified, we report these (and our associated recommendations) at any point during the audit.

- **Other recommendations**

We make other recommendations when we identify areas for potential improvement or weaknesses in arrangements which we do not consider to be significant but still require action to be taken

The table on the following page summarises the outcomes of our work against each reporting criteria, including whether we have identified any significant weaknesses in arrangements or made other recommendations.

# 3. VFM arrangements – Overall summary

## Overall summary by reporting criteria

Reporting criteria	Commentary page reference	Identified risks of significant weakness?	Actual significant weaknesses identified?	Other recommendations made?
 <b>Financial sustainability</b>	11	No	No	No
 <b>Governance</b>	16	No	No	No
 <b>Improving economy, efficiency and effectiveness</b>	19	No	No	No

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### 3. Commentary on VFM arrangements

#### Financial Sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services

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# 3. VFM arrangements – Financial Sustainability

## Overall commentary on the Financial Sustainability reporting criteria

Significant weakness in 2021/22	Nil.
Significant weaknesses identified in 2022/23	Nil.

### Position brought forward from 2021/22

We reported in our Annual Auditor’s Report for 2021/22, that we had;

- Reviewed the 2021/22 financial performance and forecasts during the year and considered the Council’s financial outturn position as presented in the financial statements;
- Reviewed the 2022/23;
  - Revenue and Capital budgets and Medium-Term Financial Plan;
  - Considered the Council’s latest financial monitoring information and its updated medium-term outlook.
- Updated our risk assessment for any new or emerging issues through discussions with management and updating our review of committee reports;
- Reviewed the Council’s Annual governance Statement for any significant issues; and
- Considered the general findings from our audit work in other areas.

As set out in the table above, there are no indications of a significant weakness in the Council’s arrangements for financial sustainability brought forward from 2021/22. The Council’s underlying arrangements in relation to financial sustainability are not significantly different in 2022/23.

### Overall responsibilities for financial governance

We have reviewed the Council’s overall governance framework, including Council and committee reports, the Annual Governance Statement, and Statement of Accounts for 2022/23. These confirm the Council undertook its responsibility to define the strategic aims and objectives, approve budgets and monitor financial performance against budgets and plans to best meet the needs of the Council’s service users.

### The Council’s financial planning and monitoring arrangements

Through our review of Council and committee reports, meetings with management and relevant work performed on the financial statements, we are satisfied that the Council’s arrangements for budget monitoring remain appropriate, including quarterly reporting to Members and well-established arrangements for year-end financial reporting.

### 2022/23 Budget Setting and the Medium-Term Financial Strategy

We have read reports to Overview & Scrutiny Management Board, the Executive and Council covering budget setting for 2022/23 and the Medium-Term Financial Strategy. We also met regularly with Officers throughout the year.

In our view, the Budget Report for 2022/23 adequately explains revenue and capital budgets, with a sufficient link to specific business units, as well as an explanation on the impact to the general fund balance. There is no indication of excessive use of capital flexibilities to support revenue expenditure, nor has our work on the financial statements highlighted any concerns regarding the Council’s policy for setting the Minimum Revenue Provision.

We also reviewed Note 14 of the financial statements, setting out earmarked reserves, and in particular the Financial Volatility Reserve that was established to help the Council deal with the future uncertainties around Local Government funding. The Council did not use this reserve in 2022/23.

There is no indication that the Council’s Medium Term Financial Strategy and budget setting process is not aligned to supporting plans given the Council has a track record of delivering against budget.

### 2022/23 Statement of Financial Position

We carried out a high-level analysis of the financial statements subject to our audit, including the Movement in Reserves Statement and the Balance Sheet, our work to date has not highlighted any risks of significant weakness in arrangements or indicators of a risk to the Council’s financial sustainability.

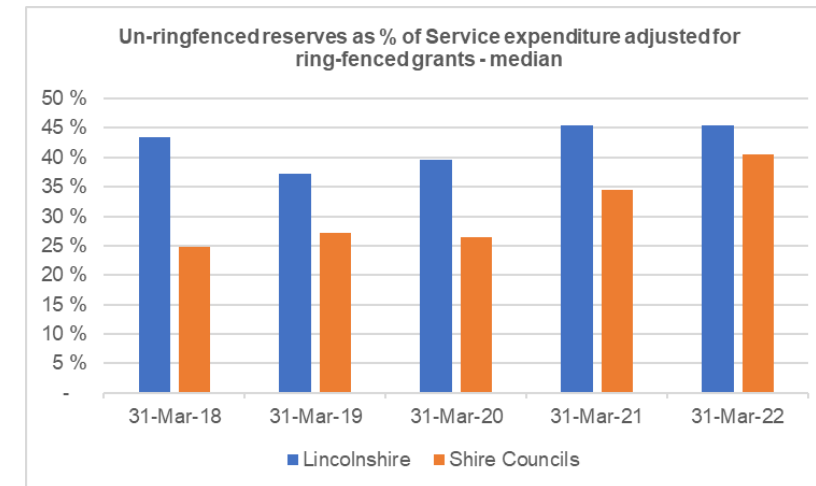
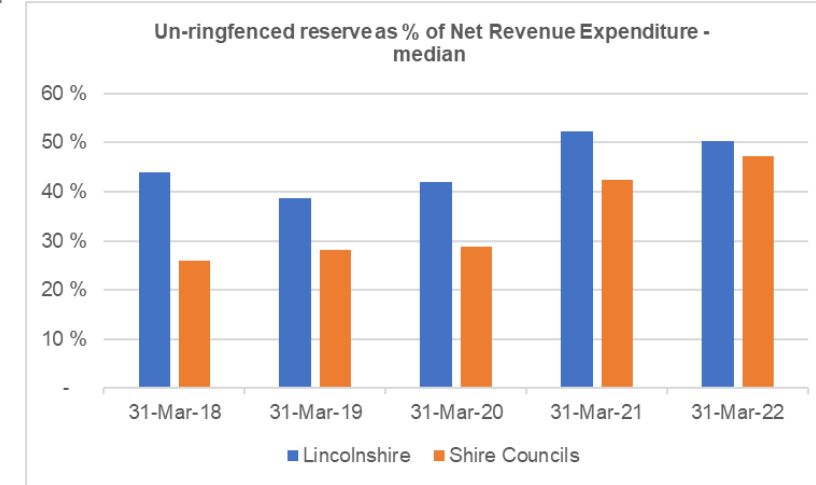
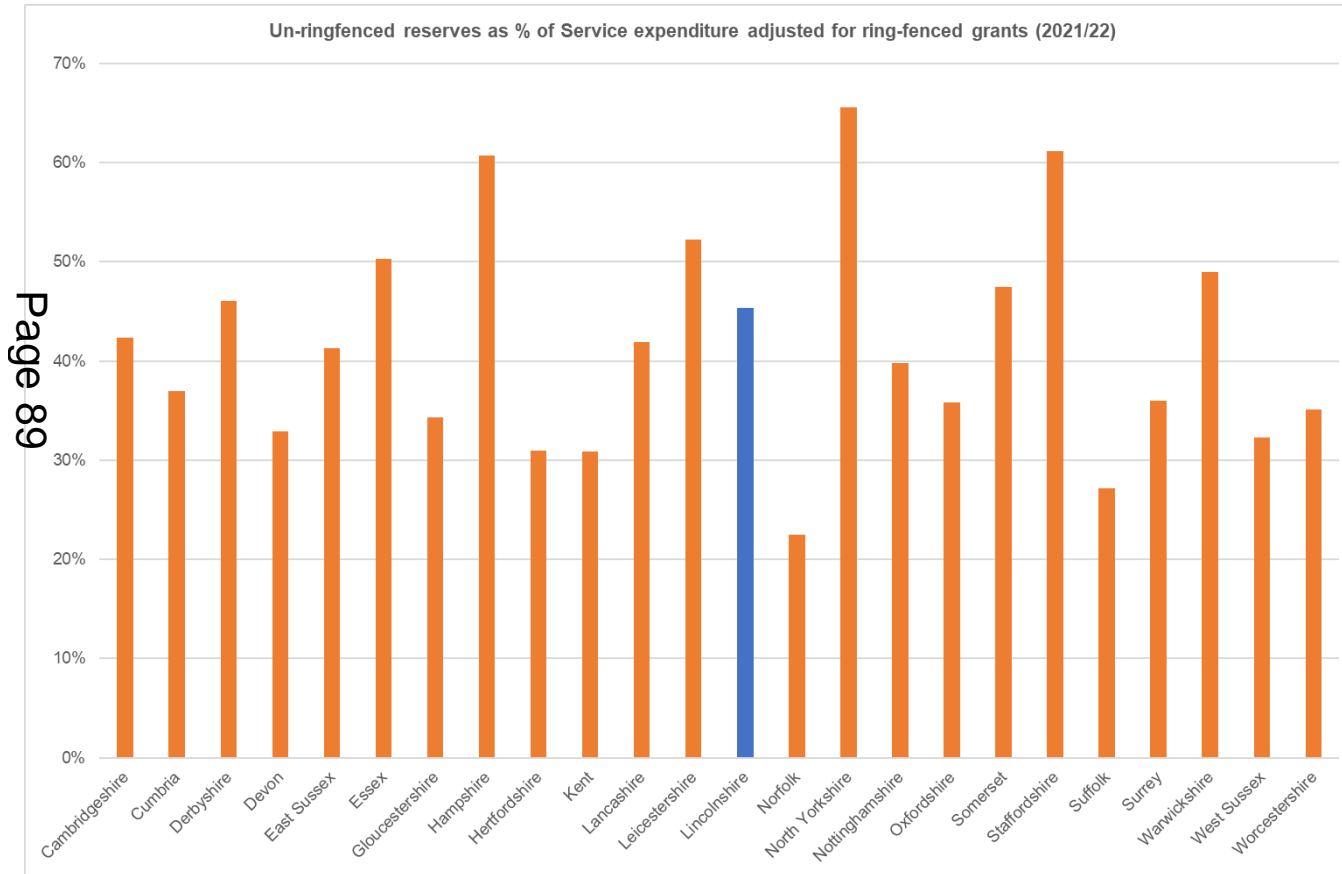


# VFM arrangements – Financial Sustainability

## Financial sustainability and revenue reserves

We have also performed a more detailed review of the Council's revenue reserves. We reviewed data published in May 2023 by the Department for Levelling Up, Housing and Communities on Local authority general fund earmarked and unallocated reserve levels, 2017-18 to 2021-22.

The Council's reserves have generally been above the median since 2018, however the gap has reduced over time.



Details on the definitions and data quality arrangements are available here: <https://www.gov.uk/government/publications/local-authority-general-fund-earmarked-and-unallocated-reserve-levels-2017-18-to-2021-22>

# VFM arrangements – Financial Sustainability

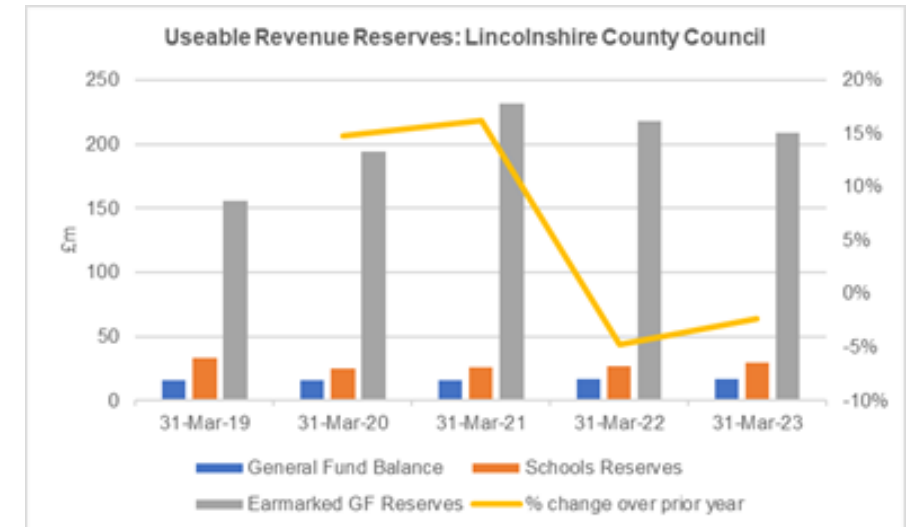
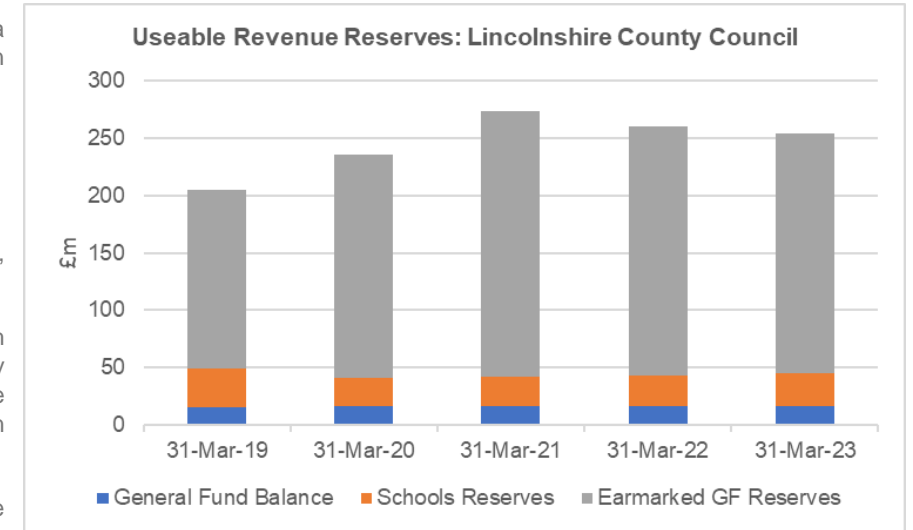
## Financial sustainability and reserves (continued)

The purpose of the Council's general fund reserve is to meet costs arising from any unplanned or emergency events. It also acts as a financial buffer to help mitigate against the financial risks the Council faces and can be used to a limited degree to 'smooth' expenditure on a one-off basis across years. Whereas earmarked reserves, including Schools Reserves are set aside for specific purposes.

Through a review of the financial statements, we have considered the Council's revenue reserves over time:

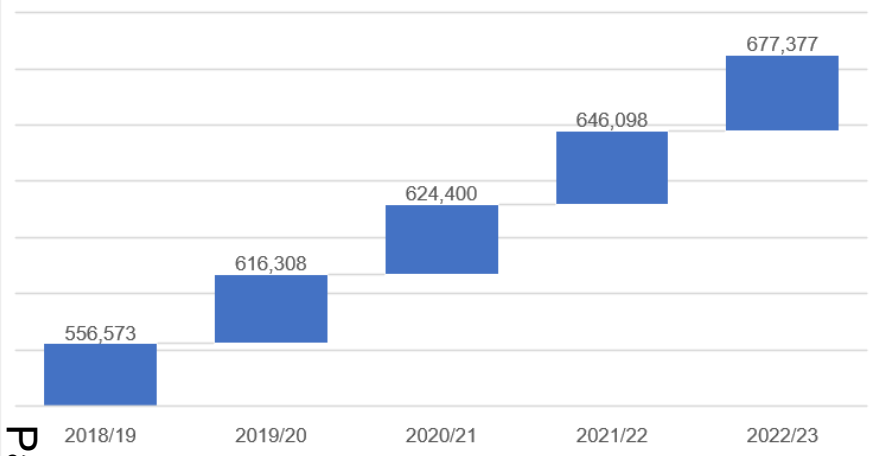
- As set out on the previous page, the Council's opening revenue reserves are above the median for county councils.
- Whilst reserves remain stable, they are finite and whilst the Council's revenue reserves increased by 15% in 2020 and 16% in 2021, they have reduced by -5% in 2022 and -2% in 2023.
- We have no concerns over the Council's current approach, but there are local authorities reliant on protecting revenue reserves through accounting adjustments eg funding transformation spend through capital receipts, minimising the minimum revenue provision to repay debt, applying the statutory override for movements in pooled investment funds. These will not provide a long-term solution and, where these have a significant effect, suggest Members are given clear and transparent information over the effect these measures have on medium term financial planning.

Overall, we are satisfied that the Council's Reserves position does not give rise to a risk of significant weakness in arrangements to secure financial sustainability.

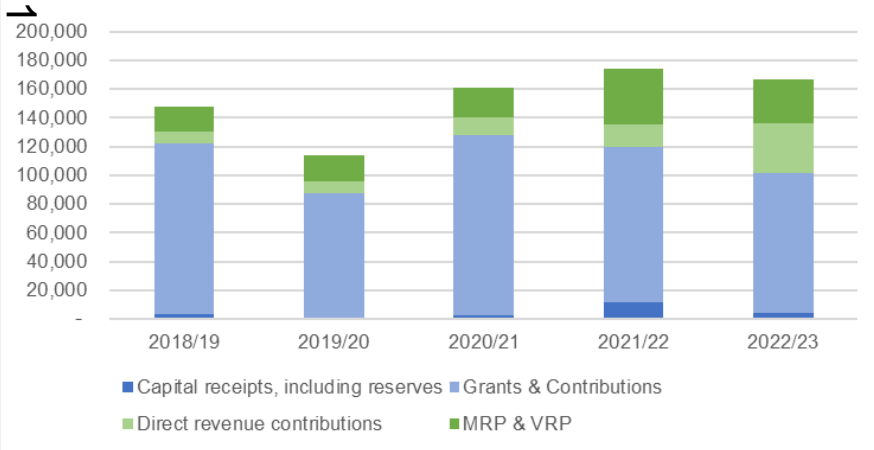


# VFM arrangements – Financial Sustainability

**Capital financing requirement**  
£'000



**Sources of capital finance**  
£'000



## The Council's capital expenditure and financing

The Council's arrangements for setting and monitoring capital expenditure are consistent with the previous year, which we deem to be adequate.

We considered the Council's capital financing requirement as set out in Note 41 of the financial statements, which has risen from £556m in 2018/19 to £677m in 2022/23, each increase representing the underlying need to borrow to finance capital expenditure. We also considered the sources of capital finance in the capital programme, which shows over the past five years capital spend has been mainly financed through grants and contributions, for example in 2022/23:

- £4m from capital receipts
- £97m in grants and contributions
- £35m in direct revenue contributions; and
- £30m through the Minimum Revenue Provision (A minimum amount, set by law, which the Council must charge to the income & expenditure account, for debt redemption or for the discharge of other credit liabilities) and Voluntary Revenue Provision.

In 2022/23, the Council spent £158m on capital additions per

Note 15 of the financial statements and £39m of REFCUS (Revenue Expenditure Funded from Capital Under Statute). Our testing of these balances did not identify any material issues.

We are satisfied the council's capital expenditure and capital financing does not give rise to a risk of significant weakness in arrangements.

Based on the above considerations we are satisfied there is not a significant weakness in the Council's arrangements in relation to financial sustainability for the year ended 31 March 2023.

# 3. Commentary on VFM arrangements

## Governance

How the body ensures that it makes informed decisions and properly manages its risks

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# 3. VFM arrangements – Governance

## Overall commentary on the Governance reporting criteria

Significant weakness in 2021/22	Nil.
Significant weaknesses identified in 2022/23	Nil.

### Position brought forward from 2021/22

As set out in the table above, there are no indications of a significant weakness in the Council’s arrangements for financial sustainability brought forward from the previous year.

### The Authority’s governance structure

Based on our work, we are satisfied that the Council has established governance arrangements, consistent with previous years, in place. These are detailed in the Statement of Accounts and Annual Governance Statement. We have considered both documents against our understanding of the Council as part of our audit.

Our review of corporate governance arrangements confirms the Council has an agreed Constitution, setting out how it operates, how decisions are reached and what procedures are followed to ensure that these are transparent and accountable to local people. Any recommendations for amendments to the Constitution need to be approved by Full Council.

Our review of Council and Committee papers confirms that a template covering report is used for all reports, ensuring the purpose, strategic context, governance issues, and recommendations are clear. Minutes are published and reviewed by Committees to evidence the matters discussed, challenge and decisions made.

### 2023/24 Budget Setting and the Medium-Term Financial Strategy

The Council’s budget setting and medium-term financial planning follows a similar process and format to previous years and our review is supported by discussions with officers during the year and experience from prior year audits. The arrangements in place for budget setting and updating the Medium-Term Financial Strategy are as expected for a County Council, with arrangements for: consultation, scrutiny, evaluation of financial risk, alignment to directorate/business plans and sources of funding.

We reviewed the Council’s balanced budget for 2023/24 as set by Council in February 2023, which approved a 4.99% increase in Council Tax.

We read the assumptions underpinning the Medium Term Financial Strategy as included in reports to the Executive and Overview & Scrutiny Management Board. In our view, these include an adequate level of detail over the assumptions and cost pressures facing the council, which are consistent with our experience at similar sized authorities and therefore not unreasonable. In addition, there is sufficient narrative to explain the rationale and key financial risks.

Whilst the Council has identified significant cost pressures (£74m) and savings (£11m), the budget is balanced while only drawing £7m from reserves. Over the period to 2025/26, the Council estimates that earmarked reserves will fall from £162m to £100m. The Council’s reserves position does not indicate a risk of significant weakness in VFM arrangements for financial sustainability and provide some mitigation against future financial challenges and will assist in addressing future volatility and support savings and efficiencies plans. The Council will need to continue to ensure that any use of reserves to smooth the financial position over the next few years is properly planned and the use of reserves cannot be relied on to provide a long-term solution to funding gaps.

We also reviewed the budget monitoring report to September’s meeting of the Executive covering expenditure incurred in Quarter 1 of 2023/24. The report gives an overview of the financial position for revenue, supported by adequate detail available within the appendices, ultimately showing that the revenue budget is forecast to underspend by £1.3m (equivalent to 0.2% of the net budget).

Our work has not identified that the Council has significant levels of unidentified savings/funding gaps in financial planning that would substantially threaten the delivery of the plan; nor is there an indication of significant levels of unsustainable planned use of reserves to bridge funding gaps.

### CIPFA Financial Management Code and Financial Resilience

We reviewed minutes and supporting papers presented to the July 2023 Audit Committee, including a progress review in implementing the requirements of the CIPFA Financial Management Code. We also reviewed an external assurance report that concluded the Council was meeting the CIPFA Financial Management Code and assurance standards, with any areas for development, in our view, inconsequential in terms of risk to the Council’s arrangements for governance and financial sustainability.

# VFM arrangements – Governance

## Overall commentary on the Governance reporting criteria

### Risk management

The Council has an established risk management framework and systems in place which are built into the governance structure of the organisation.

The Audit Committee is responsible for overseeing the effectiveness of the Council's risk management arrangements, challenging risk information and escalating issues to the Executive. We have attended meetings of the Committee and reviewed minutes and reports presented during the year, including matters relating to risk. From our attendance at meetings and review of the minutes, we are satisfied there is sufficient evidence of Member oversight of risk management, including holding Officers to account.

The Annual Governance Statement is a critical component of the Council's governance arrangements. It is an evidenced self-assessment by the Council on the Council's governance, assurance and internal control frameworks for the financial year. No significant weaknesses in internal control have been identified from our work to date and Internal Audit have not identified or raised any significant concerns. We reviewed the Annual Governance Statements as part of our work on the financial statements with no significant issues arising.

We reviewed the Council's annual Combined Assurance Status Report, also presented to Audit Committee, which involves discussion between Internal Audit and each Executive Director assessing information across: critical service delivery activities, key risks, key projects, key partnerships, providing an overall assurance level. We are satisfied that there is no indication of a significant weakness in arrangements for 2022/23

### Audit Committee

The Council has an established Audit Committee. We have reviewed supporting documents and confirmed the Audit Committee meets regularly and reviews its programme of work to maintain focus on key aspects of governance and internal control. Our attendance at Audit Committee has confirmed there is an appropriate level of effective challenge.

### Internal Audit

We have met with management and the Head of Internal Audit regularly during the year, reviewed Audit Committee reports and attended Audit Committee to observe the performance of Internal Audit and the Audit Committee. We have read the head of internal audit's report presented to June 2023 audit committee and are satisfied it does not highlight any significant weaknesses in arrangements

We also confirmed that the Head of Internal Audit Opinion has been adequately reflected in the Annual Governance Statement. No issues arose from our review to indicate there is a significant weakness in the Council's arrangements for governance.

We read The Counter Fraud Annual Report presented to June 2023 Audit Committee, which provides an overview of the investigation and proactive counter fraud work completed in 2022/23. This summary provides information to enable the Committee to review performance and the effectiveness of the Council's arrangements. The progress reports submitted throughout the year and this annual report are the key sources of assurance for the Committee on the adequacy of Council's counter fraud activities. There is no indication of inadequate arrangements in place at the Council from reviewing the report and its findings.

### Monitoring officer and Conduct

We have read and reviewed the MO Annual Report for 2022/23 as presented to the July 2023 Audit Committee, there are no matters arising that would indicate a significant weakness in arrangements relating to 2022/23

Overall, we have not identified any indicators of a significant weakness in the Council's arrangements relating to the Governance criteria for the year ended 31 March 2023.

### 3. Commentary on VFM arrangements

#### Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services

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# 3. VFM arrangements – Improving Economy, Efficiency and Effectiveness

## Overall commentary on the Improving Economy, Efficiency and Effectiveness reporting criteria

<b>Significant weakness in 2021/22</b>	Nil.
<b>Significant weaknesses identified in 2022/23</b>	Nil.

### Position brought forward from 2021/22

As set out in the table above, there are no indications of a significant weakness in the Council's arrangements brought forward from the prior year.

### Regulators

We reviewed regulatory reports, including OFSTED, where an inspection report issued in April 2023 confirmed children's Services were "Outstanding".

### Corporate Plan and Performance Monitoring

The Council's arrangements are consistent with the prior year, which were deemed adequate, with the Council's Corporate Plan setting out what it wants to achieve for local residents and communities and is published on its website. The Council's overall financial objectives and strategy are documented in the Council's budget and Medium-Term Financial Strategy which is reviewed and updated annually.

Our review of minutes and reports confirms the Executive and the Overview and Scrutiny Management Board receive regular reporting on the measures contained within the Council Business Plan. We reviewed the performance outcome for 2022/23 presented to the Executive as evidence of the Council's approach to evaluating performance. In our view, reports contain sufficient narrative, including the appendices, to demonstrate that there are adequate arrangements for scrutiny in assessing performance and identifying areas for improvement.

### Partnerships and Commissioning

Through our work on the financial statements, our testing of expenditure, and consideration of key financial

controls, has not identified any issues relating to procurement.

### Better Care Fund (BCF)

Note 33 of the Council's Financial Statements explains the Council is the host for pooled budgets relating to: Proactive Care, Specialties including Learning Disabilities, Integrated Community Equipment Service, and Child & Adolescent Mental Health Services; and is responsible for their financial administration. Outside this Better Care Fund is a stand-alone Section 75 Agreement for Sexual Health. Our testing of the financial statements has not identified any material issues over these disclosure notes.

### PFI

As set out in Note 26 of the financial statements, in 2001, the Council entered into a 31-year PFI contract for the provision of seven separate schools across the County which is classified as a Service Concession Arrangement. The Council will need to begin planning for hand back at least 7 years before the end of the contract as well as start to consider implications of the obligations, including decarbonisation planning and net zero challenge, and the role of the Council in delivering those contracts.

No issues arose from our testing of the account balance and disclosures as part of our audit work.

Overall, we have not identified any indicators of a significant weakness in the Council's arrangements relating to the Improving Economy, Efficiency and Effectiveness criteria for the year ended 31 March 2023.



# 04

Section 04:

## **Other reporting responsibilities and our fees**

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## 4. Other reporting responsibilities and our fees

### Matters we report by exception

The Local Audit and Accountability Act 2014 provides auditors with specific powers where matters come to our attention that, in their judgement, require specific reporting action to be taken. Auditors have the power 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 the law; and
- issue an advisory notice.

We have not exercised any of these statutory reporting powers.

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. We did not receive any such objections or questions.

### Reporting to the NAO in respect of Whole of Government Accounts consolidation data

The NAO, as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data. As at the date of writing, instructions have not yet been received.

## 4. Other reporting responsibilities and our fees

### Fees for work as the Council's auditor

We reported our proposed fees for the delivery of our work under the Code of Audit Practice in our Audit Strategy Memorandum. Having completed our work for the 2022/23 financial year, we can confirm that our fees are as follows:

Area of work	2021/22 Actual fees	2022/23 fees*	2023/24
Planned fee in respect of our work under the Code of Audit Practice	£82,640	£99,863	<i>Published by 30 November</i>
Additional fees in respect of additional testing undertaken to comply with increased regulatory requirements relating to: IAS19 pension liabilities; valuation of land, buildings and investment properties; and major local audit requirements.	£13,940	N/A included in revised scale fee	N/A included in revised scale fee
Additional fees in respect of additional work from the introduction of new auditing standards (ISA 540 estimates)	£4,700	£4,700	N/A included in revised scale fee
Additional fees in respect of additional work from the introduction of new auditing standards (ISA 315)	-	£TBC**	
Additional fees in respect of additional testing undertaken on infrastructure assets	£11,750	N/A – one off cost	N/A – one off cost
Additional fees in respect of additional testing to take account of the triennial pension valuation	£6,500	N/A – one off cost	N/A – one off cost
Additional fees in respect of pension asset ceiling and revisions	-	£TBC**	N/A – one off cost
Additional fees in relation to extended testing on expenditure and accruals to mitigate extrapolation errors	-	£TBC**	N/A – one off cost
Additional fees in respect of the VFM Commentary	£14,000	£13,000	N/A included in revised scale fee
<b>Sub-total: variations</b>	<b>£53,890</b>	<b>£TBC</b>	-
<b>Total fees</b>	<b>£133,530</b>	<b>£TBC</b>	-

\*These costs are subject to PSAA review and approval. The Council received **£42,601** of grant funding to meet rising audit costs.

\*\*At the time of issuing this report, the additional fees for 2022/2023 have not been agreed with the Council.

### Fees for other work

In 2022/23, we were engaged to provide assurance related services on the Teachers' Pensions Return (fee £3,500) and Education & Skills Funding (£5,250).



# Appendix

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# Appendix A: Further information on our audit of the financial statements

## Main financial statement audit risks and findings

Our audit approach is risk-based and primarily driven by the issues that we consider lead to a higher risk of material misstatement of the accounts. Once we have completed our risk assessment, we develop our audit strategy and design audit procedures in response to this assessment. Following the risk assessment, we identified risks relevant to the audit of financial statements and the significant audit risks and conclusions reached are set out below:

Audit Risk	Level of audit risk	How we addressed the risk	Audit conclusions
<p><b>Management override of controls</b></p> <p>This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur.</p>	<p><b>Significant risk:</b> an area that, in our judgment, requires special audit consideration.</p>	<p>We addressed the risk through performing work over accounting estimates, journal entries and considering whether there were any significant transactions outside the normal course of business or otherwise unusual. In addition, we made enquiries of management and used our data analytics and interrogation software to test accounting journals.</p>	<p>Based on the work completed, no issues have been identified that need to be brought to the attention of Members.</p>
<p><b>Valuation of the net pension liability</b></p> <p>The defined benefit liability relating to the Local Government and Fire-Fighter's pension scheme represents significant balances on the Council's balance sheet and involves a high degree of estimation uncertainty. The Council uses two actuaries to provide an annual valuation of these liabilities in line with the requirements of accounting standards.</p>	<p><b>Significant risk</b></p>	<p>Our procedures to address this risk included, but was not limited to:</p> <ul style="list-style-type: none"> <li>critically assessing the competency, objectivity and independence of each actuary;</li> <li>liaising with the auditors of the Lincolnshire Pension Fund to gain assurance that the controls in place at the Pension Fund are designed and implemented correctly. This included the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the valuation is complete and accurate;</li> <li>reviewing the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuaries, and the key assumptions included within the valuations, including comparing them to expected ranges using a consulting actuary;</li> <li>agreeing the data in the valuation report provided by the Fund Actuaries for accounting purposes to the financial statements; and</li> <li>considering whether the pension asset should be capped.</li> </ul>	<p>Our work identified adjustments to the financial statements, after which, we were satisfied that our work delivered the assurances sought.</p>
<p><b>Valuation of land &amp; buildings and investment properties</b></p> <p>Land, Building and Investment Property assets are significant balances on the Council's balance sheet and the valuation of these assets is complex and is subject to a number of management assumptions and judgements.</p>	<p><b>Significant risk</b></p>	<p>Our procedures to address this risk included, but was not limited to:</p> <ul style="list-style-type: none"> <li>considering whether the overall valuation methodologies used by the Council's valuers are in line with industry practice, the CIPFA Code of Practice and the Council's accounting policies;</li> <li>assessing whether valuation movements are in line with market expectations by using third party information to provide information on regional valuation trends;</li> <li>critically assessing the approach that the Council adopts to ensure assets that are not subject to revaluation are materially correct; and</li> <li>testing a sample of individual valuations back to source records to ensure appropriateness and to gain assurance over whether the correct accounting treatment has been applied.</li> </ul>	<p>Based on the work completed, no issues have been identified that need to be brought to the attention of Members.</p>

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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.