

LINCOLNSHIRE COUNTY COUNCIL

2020-21

STATEMENT OF ACCOUNTS



CONTENTS

	Page
Introduction to the Accounts	5
Narrative Report	7
Statement of Responsibilities for the Statement of Accounts	27
 Lincolnshire County Council Financial Statements:	
Comprehensive Income and Expenditure Statement	28
Movement in Reserves Statement	29
Balance Sheet	30
Cash Flow Statement	31
 Notes to Lincolnshire County Council Financial Statements:	
Note 1. Accounting Standards issued, but not yet been adopted	32
Note 2. Critical Judgements in applying Accounting Policies	34
Note 3. Assumptions on future & other major sources of estimation & uncertainty	36
Note 4. Material items of Income & Expenditure	39
Note 5. Events after the Reporting Period	42
 Notes supporting the Comprehensive Income & Expenditure Statement:	
Note 6. Other Operating Expenditure	43
Note 7. Financing & Investment Income & Expenditure	43
Note 8. Taxation & Non-Specific Grant Income	43
Note 9. Note to the Expenditure and Funding Analysis	46
Note 10. Expenditure and Income analysed by nature	50
 Notes supporting the Movement in Reserves Statement:	
Note 11. Adjustments between accounting basis & funding basis under regulation	51
Note 12. Usable Reserves (including Capital Receipts)	54
Note 13. Unusable Reserves	54
Note 14. Transfer to/from Earmarked Reserves	59

CONTENTS

Notes supporting the Balance Sheet:

Note 15. Property, Plant & Equipment	62
Note 16. Heritage Assets	65
Note 17. Investment Properties	68
Note 18. Intangible Assets	69
Note 19. Financial Instruments	71
Note 20. Debtors	84
Note 21. Assets Held For Sale	85
Note 22. Cash and Cash Equivalents	85
Note 23. Creditors	86
Note 24. Provisions	86
Note 25. Other Long Term Liabilities	87
Note 26. Private Finance Initiatives (PFI) and Similar Contracts	88
Note 27. Leases	90
Note 28. Pension Schemes Accounted for as Defined Contribution Schemes	93
Note 29. Defined Benefit Pension Schemes (LGPS)	94

Notes supporting the Cash Flow Statement:

Note 30. Operating Activities	105
Note 31. Investing Activities	106
Note 32. Financing Activities	106

Other Notes supporting the Financial Statements:

Note 33. Pooled Budgets	108
Note 34. Members' Allowances	111
Note 35. Officers' Remuneration	111
Note 36. Exit Packages	114
Note 37. Termination Benefits	114
Note 38. External Audit Costs	115
Note 39. Dedicated Schools Grant	115
Note 40. Related Parties	116

CONTENTS

Note 41. Capital Expenditure & Capital Financing	119
Note 42. Contingent Liabilities	120
Note 43. Contingent Assets	120
Note 44. Statement of Accounting Policies	121
Lincolnshire Fire and Rescue Pension Fund	154
Lincolnshire County Council Pension Fund	158
Audit Opinions	201
Annual Governance Statement	203
Glossary of Terms	237

INTRODUCTION TO THE ACCOUNTS

The Statement of Accounts for the year 2020-21 is set out on pages 28 to 31.

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

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

The Narrative Report provides a general introduction to the Accounts that focus on explaining the more significant features of the Council's financial activities during the period 1 April 2020 to 31 March 2021. It includes a review of non-financial performance indicators and an assessment of future financial and economic developments that could affect the Council, as well as a summary of the impacts of the coronavirus pandemic. Together these statements provide evidence of the economy, efficiency and effectiveness of the Council's use of resources over the financial year.

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

The Comprehensive Income and Expenditure Statement for the period 1 April 2020 to 31 March 2021 shows the accounting cost of providing services throughout the year in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

The Movement in Reserves Statement for the period 1 April 2020 to 31 March 2021 shows the movement from the start of the year to the end on the different reserves held by the Council. Reserves are analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Statement shows how the movements in year are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the four statutory adjustments required to return to the amounts chargeable to council tax for the year. The Net Increase/Decrease line shows the statutory General Fund Balance and movement in the year following those adjustments.

The **Balance Sheet as at 31 March 2021** shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category are usable reserves

INTRODUCTION TO THE ACCOUNTS

money that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example, the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council cannot use to provide services. This category includes reserves that hold unrealised gains and losses (for example, the Revaluation Reserve); where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

The **Cash Flow Statement for the period 1 April 2020 to 31 March 2021** shows the changes in cash and cash equivalents of the Council during the reporting period. The Statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

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

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

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

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

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

NARRATIVE REPORT

1. Introduction

Welcome to Lincolnshire County Council's Statement of Accounts for the financial year 1st April 2020 to 31st March 2021. This Narrative Report to the accounts provides background information about Lincolnshire County Council, highlights key non-financial information, financial information in the accounts, reviews performance in the year and explains any significant areas of risk and opportunity for us. It then looks forward to the future to give a flavour of what to expect in 2021-22 and beyond, including information about how the coronavirus pandemic has affected both our communities and the Council, and how we have responded to this crisis as well as its wider impact going forwards.

The accounts themselves, which follow this Narrative Report, provide information about the Council's financial performance during 2020-21 and about our financial position as at 31st March 2021. The Statement of Accounts is prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020-21 and the main elements of the accounts are shown in the table of contents on pages 2 to 4. This means that almost all of the information reported in these accounts follows generally accepted accounting principles and provides a consistent basis upon which to compare 2020-21 with 2019-20. In addition to this, the Council reports internally to its leadership team on financial performance against the annual budget. Information about performance against the annual budget is included in this Narrative Report within section three and is also shown in the Expenditure and Funding Analysis within the Statement of Accounts on page 46.

2. About Lincolnshire County Council

Lincolnshire is an English county council in the East Midlands region. It is one of the largest counties in the UK in terms of its area but has a relatively low population of around 756,000. There is one city in Lincolnshire, which is Lincoln, seven districts and a number of towns. Lincolnshire is a predominantly rural county, with a North Sea coast of over 50 miles, and is mainly flat with rich arable land. In terms of its economy, Lincolnshire is predominantly agricultural and produces around one eighth of the UK's food, and processes 70% of its fish. Due to its historic sites, extensive countryside and seaside resorts Lincolnshire also has a thriving visitor economy.

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

NARRATIVE REPORT

Our vision is "working for a better future" and in 2019 we approved a new Corporate Plan for 2020 to 2030, which set out four key priorities for us to work on. These are that in the coming years, people and communities will have: high aspirations; the opportunity to enjoy life to the full; thriving environments and good value council services. We operated a Delivery model to deliver services through Directorates in 2020-21, and we take a "One Council" approach which means that related services across the Council join together to achieve our objectives. During the year services were divided between five Executive Directors and the Chief Executive with responsibility for delivering strategies and plans within their areas. The areas are Children's Services; Adult Care and Community Wellbeing; Place; Fire and Rescue & Emergency Planning; Resources; Commercial and Corporate Services. In addition to this, the Council is also the administering authority for the LGPS in Lincolnshire.

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

3. Financial Highlights

There are 4 core financial statements within this Statement of Accounts, which provide a summary of our financial performance and financial position at the end of the year. These statements can be found on pages 28 to 31 and are supported by comprehensive disclosure notes which give more detail on the Council's substantial transactions during the year.

The coronavirus pandemic has not only had a material impact on our activities over the past year, it has also impacted on our financial performance during the year. This is because significant sums of money have been paid to us by the government in the form of various coronavirus grants, and significant amounts have consequently been paid out. As our 2020-21 expenditure due to the pandemic has been funded by the government during the year, there has been no impact on the local council tax payer.

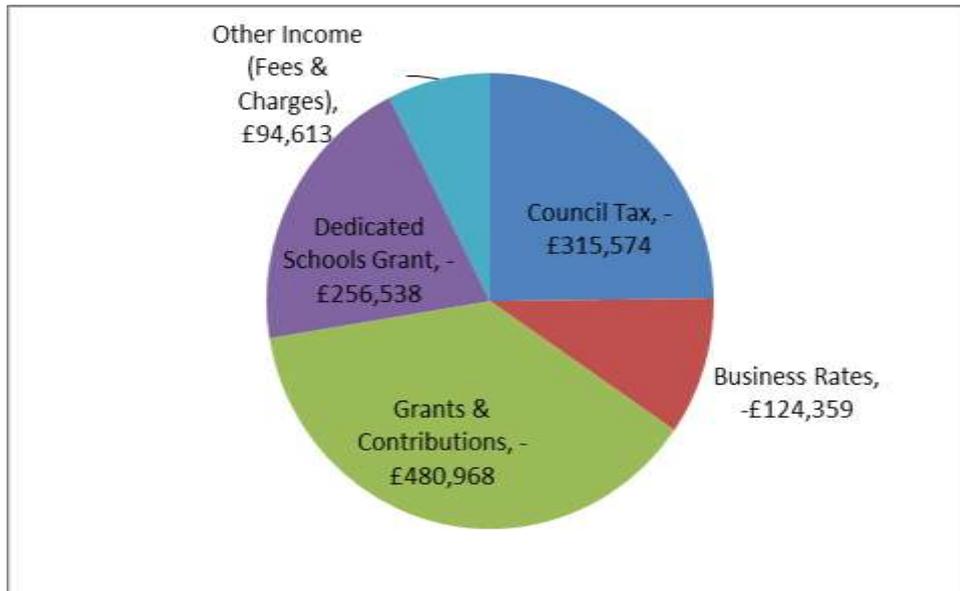
The Council's Income

Our services are funded by various sources of income. The most significant of these are: Council Tax; Business Rates; Fees and Charges for Services and specific Government Grants. Further detail on Government Grants can be found in Note 8 to the accounts. The Council, along with its seven District Council partners, was in a Business Rates Pool in 2020-21 and the Pool is expected to generate an estimated surplus for us of £3.204m. In 2020-21 we increased Council Tax by 3.50% and also saw growth of 1.49% on the number of band D equivalent properties in Lincolnshire. This in total generated additional income for us of £14.951m. The

NARRATIVE REPORT

Council Tax collection funds in Lincolnshire also generated a surplus in 2020-21, of a further £3.193m for the Council. In total, funding in 2020-21 amounted to £1,082.826m (£991.603m in 2019-20). The following pie chart shows the amounts and proportion received from each main source of funding:

Sources of Income Analysis 2020-21 £1,082,826 (£000's)



The Council's Expenditure

We planned to use our resources for the year as set out in the table below (Revised Net Revenue Budget column). The rows in the table show each of our Service Delivery areas in line with the Delivery model described in section two. The table below also shows actual net expenditure and the variance, or difference, between planned and actual use of resources in the year. A detailed explanation of the differences between planned and actual spending can be found in the "Review of Financial Performance 2020-21" report to the Executive on 6 July 2021 (see end of this Narrative Report for a hyperlink to this) but the most significant differences are explained below the table:

NARRATIVE REPORT

Revenue Budget Outturn Position 2020-21 (£000's)

	Revised Net Revenue Budget	Expenditure	-Under or +Over Spending	Percentage Under or Over Spending
	£'000	£'000	£'000	%
SERVICE AREAS				
Children's Services	123,317	122,181	-1,136	-1%
Adult Care and Community Wellbeing Place	143,866	134,945	-8,921	-6%
Fire & Rescue and Emergency Planning Resources	76,587	75,322	-1,265	-2%
Commercial	23,079	22,976	-103	0%
Corporate Services	28,126	27,013	-1,113	-4%
	41,219	38,568	-2,651	-6%
	3,100	2,779	-321	-10%
TOTAL SERVICE AREAS	439,295	423,785	-15,510	-4%
TOTAL OTHER BUDGETS	77,671	64,860	-12,811	-16%
TOTAL SCHOOL BUDGETS	8,252	-5,724	-13,976	-169%
TOTAL EXPENDITURE	525,218	482,921	-42,297	-8%
TOTAL INCOME	-520,482	-520,907	-425	0%
TOTAL USE OF RESERVES	-4,735	-4,735	0	0%
TOTAL	0	-42,722	-42,722	

There was an underspend of £13.976m relating to the Dedicated Schools Grant. Of this sum, £14.540m underspend relates to maintained schools balances from the prior year and the 2020-21 financial performance. The Dedicated Schools Grant is a ring-fenced amount and will be automatically carried forward to use in 2021-22.

The underspend on service budgets this year was relatively high and much of this was due to the impacts of the coronavirus pandemic on our services. In general there has been a shift towards providing services directly related to managing the impacts of the pandemic and these have been funded by government grant. This has left some service budgets in an underspend position as a result. Of the service areas' underspend of £15.510m shown in the table; £8.921m of this was in the area of Adult Care and Community Wellbeing. In order to deliver a safe response to the scale and pace required, the Directorate prioritised its financial resources to meet the needs of the population across Lincolnshire as the pandemic evolved. Costs directly related to the coronavirus response have been funded by the government and this support; alongside a reduction in some volume based services and a delay to the roll out of a small number of initiatives until 2021-22, resulted in a significant underspend.

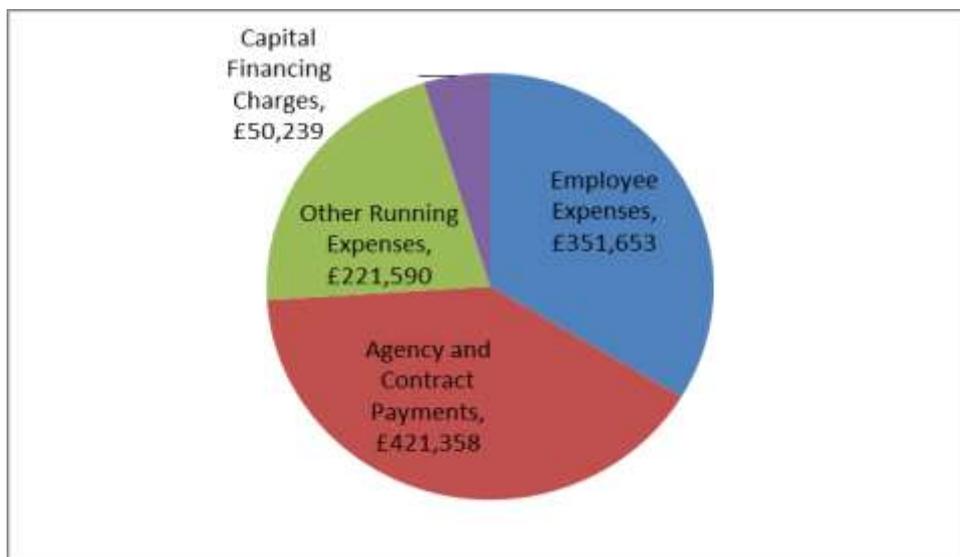
There were a number of underspends in the Corporate Property area, as well as a significant underspend on the Customer Service Centre where usual business activity was replaced by coronavirus-related call handling which was funded by

NARRATIVE REPORT

government grant. There were also staff vacancies with recruitment activity delayed by the impact of the pandemic.

In total, we spent a gross amount of £1,044.840m in 2020-21 (£991.603m 2019-20). After taking into account fees, charges and other contributions towards services, this was a net amount of £482.921m (£437.099m 2019-20). Another way of looking at how the Council uses its financial resources is to show what type of expenditure is being funded. The pie chart below analyses expenditure by type and shows that we rely on both our own employees and on contractors to deliver services to the community.

Gross Expenditure Subjective Analysis 2020-21 £1,044,840 (£000's)



Investment in Assets

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

The table below shows, in summary format by Service Delivery Area, our gross spending plans for capital in the year, as well as our actual gross expenditure performance against those plans. Our overall net variance on the capital programme in 2020-21 was an underspend of £59.534m, with the overall gross position being an underspend of £48.718m. The main reason for the differences between planned and actual capital spending are explained in the "Review of Financial Performance 2020-21" report to the Executive on 6 July 2021 but the most significant differences are

NARRATIVE REPORT

explained below the table. All overspends and underspends on the capital programme are carried forward to the next financial year.

Capital Gross Programme Outturn Position 2020-21 (Summarised) (£000's)

	Gross Programme		
	Actuals £'000	Revised budget £'000	Gross Outturn Variance £'000
Adult Care & Community Wellbeing	7,006	8,406	-1,400
Children's Services	23,874	24,090	-216
Place	123,174	156,952	-33,778
Fire and Rescue	3,731	4,605	-874
Resources	0	107	-107
Commercial	10,389	18,805	-8,416
Other Programmes	0	3,926	-3,926
	168,174	216,892	-48,718

The main reason for the underspend in Communities (within Place) is the project for the future development of the Heritage/Archives service. This project is approved in principle but not yet started so there is a £2.500m underspend this year.

The net underspend in Growth (within Place) was mainly in respect of the LEP contribution, although there was an overspend on the South Lincolnshire Food Enterprise Zone and this project is also showing a whole life forecast overspend.

The net underspend in Highways (within Place) arose from a number of schemes, in the main these were the Lincoln Eastern Bypass, the Grantham Southern Relief Road, the A46 Welton Roundabout, the Holdingham roundabout and the A52 Skegness Roman Bank reconstruction. In addition there was an underspend on the Highways Asset Protection block budget.

The most significant underspend within Commercial was on the Broadband scheme, and this was mainly due to a contractual rebate received as performance under the contract with the supplier has exceeded the target performance.

For 2020-21 we set aside £7.500m in a New Developments Capital Contingency Fund for schemes which emerge during the financial year. An underspend of £3.926m remained at the end of 2020-21 and will be carried forward into 2021-22 to fund schemes in the new financial year.

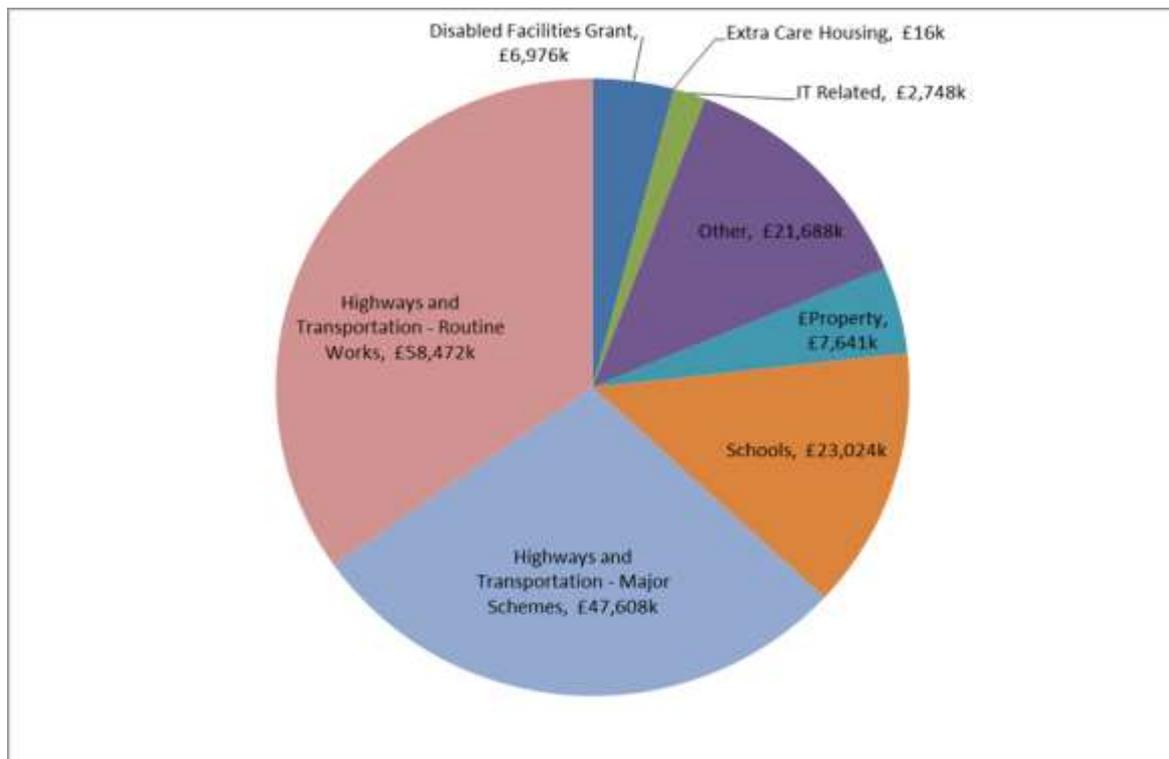
During 2020-21 we planned to spend £216.892m gross on capital and £111.769m net after grants and contributions. The major assets which have been progressed during the year are:

NARRATIVE REPORT

- Completing construction and opening of the Lincoln Eastern Bypass scheme.
- Continuing construction of the Grantham Southern Relief Road scheme.
- Continuing construction of the De Wint Extra Care Housing scheme.
- Continuing construction of the Spalding Western Relief Road (section 5) scheme.
- Expansion and remodelling work in Lincolnshire special schools through the Building Communities of Specialist Provision Strategy delivering an increase in places and access to all-needs provision.
- Expansion works to a number of schools to provide additional places for pupils, as well as a programme of addressing condition issues of school buildings.

The pie chart below shows the major areas of capital investment during 2020-21.

Gross Expenditure on Major Projects 2020-21 £168,174 (£000's)



The capital programme was funded by various sources of income totalling £168.174m (£173.076m 2019-20). The following table shows the proportion received from each main source of funding:

NARRATIVE REPORT

Sources of Capital Financing 2020-21 (£000's)

	£'000
Revenue Contributions	7,751
Use of Reserves	4,080
Grants and Contributions	125,340
Capital Receipts	2,690
Borrowing	28,313
Total	168,174

The Council's Assets and Liabilities

Our assets are what we own, and our liabilities are what we owe. These are shown on the Balance Sheet on page 30. The table below shows an extract from the Balance Sheet with key figures in it, and an explanation of these key figures is set out below the table.

31 March 2020		31 March 2021
£000's		£000's
1,466,482	Long Term Assets	1,479,590
344,069	Current Assets	420,760
-141,347	Current Liabilities	-211,896
-1,360,868	Long Term Liabilities	-1,605,033
308,336	Net Assets	83,421
337,415	Usable Reserves	366,195
	Unusable Reserves	
831,100	Re Long Term Assets	847,224
-1,346	Re Financial Instruments	-1,318
-856,614	Re Pensions	-1,111,464
-2,219	Re Other	-17,215
-29,079	Total Unusable Reserves	-282,774
308,336	Total Reserves	83,421

Overall, our net assets position has decreased by £224.915m from £308.336m to £83.421m. The most significant factor contributing to this reduction in the net assets value is the increased long term liability for pensions. This liability has increased by £254.850m to £1,111.464m. This is the estimated value of the commitment to pay future retirement benefits to the Council's employees, although it does not represent an immediate call on reserves as it is a long term commitment. Around £184m of this increase relates to the Local Government Pension Scheme (LGPS) Fund with a further £71m relating to the Firefighter Pension Schemes Fund. The main reasons for the change are that firstly the rate of return on LGPS assets is higher than in

NARRATIVE REPORT

2019-20 which has decreased the liability, and secondly that a fall in bond yields has effected a reduction in the discount rate, and there has been a rise in future inflation expectations impacting on the expected salary increase rate and the expected pension increase rate. This has more than offset the increase in asset values to increase the overall pension liability for both the LGPS and the Firefighter Funds. This position changes from year to year, and the increase in the liability has no impact on the Council's annual budget.

Our usable reserves have increased from £337.415m to £366.195m, with £16.200m within this total being the balance on our General Reserves.

4. Performance and Outcomes

Corporate Plan

Last year we developed a new Corporate Plan for 2020 to 2030 which is covered in more detail in section 2, and this year we have been working to the 2020-21 business plan derived from that Corporate Plan. The Council sets its business plan annually, and this is supported by the annual revenue budget and capital programme.

The overall performance against the Corporate Plan for 2020-21 is shown within the Annual Governance Statement on page 203. The link provided on page 203 will take you to more detailed information on our Corporate Plan performance.

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

Review of 2020-21

The budget for 2020-21 was set and approved by the Council in February 2020, which was before the coronavirus pandemic was widely known about. At that time, for 2020-21, we planned to deal with a number of cost pressures, amounting to £44.774m in budgetary terms. These cost pressures included: the impact on our adult social care budgets of increasing numbers of clients, the planned re-procurement of homecare services as well as the increase in the National Living Wage and an increase in the cost of caring for people in the area of mental health services; higher costs of home to school /college transport resulting from the increased National Living Wage and growth in special school numbers; an increase in fire pension employer contributions; an increased contractual cost for "back office" processing and for the Customer Services Centre; an increase in capital financing costs to support the growing capital programme; an increase in insurance premium and related costs over two years; increased costs relating to the Local Government Pension Scheme following a triennial revaluation. To help counteract these cost pressures a number of one-off costs from the previous year's budget were removed

NARRATIVE REPORT

from the 2020-21 budget and a range of savings were implemented across the Council including: the delivery of a supported accommodation solution to support young people in need; cost savings in waste management due to lower volumes; some growth in contributions from Adult Care service users; increased income from the provision of chargeable services in the highways service area and various efficiency savings with no impact on service users. These reductions in the budget totalled £14.943m.

To give a flavour of what we have been doing over the 2020-21 financial year, a number of key outcomes and activities are summarised below.

The year was over-shadowed by the coronavirus pandemic, which had started to impact on us in March 2020 and continued to impact throughout the whole year and beyond. The Annual Governance Statement includes an account of how we responded to the pandemic, which begins on page 215 and covers the governance arrangements for Covid-19, the Local Outbreak Management Plan, the procurement of personal protective equipment, testing and contact tracing and support for self-isolation.

The Wellbeing Lincs service was commissioned by the Council and delivered through our seven District Council partners to help thousands of adults in Lincolnshire during the coronavirus outbreak. People have been supported by the service with their health, finances and general wellbeing, including the delivery of food and medicines, food bank vouchers and financial assistance, referrals to charities offering befriending services and mental health support. In addition to this, the Community and Volunteer Cell of the Lincolnshire Local Resilience Forum (LRF) has been operational since late March 2020. The cell continues to serve its role as a vital interface between the LRF, district councils, community and volunteer groups and the wider offer provided by Wellbeing Lincs, within the county.

The LRF has been managing supplies of Personal Protective Equipment (PPE) during the year after initial supply difficulties at the start of the pandemic. This has ensured that PPE has been allocated where it is most needed as the year has progressed.

The Care Sector has been at the frontline in responding to the pandemic, along with hospitals. Many of the care homes in Lincolnshire suffered outbreaks of the coronavirus over the year. Schools were also impacted in a major way, with long spells of school closures for all pupils other than the children of key workers and vulnerable children. Again, many of our schools suffered outbreaks of the coronavirus.

The pandemic also had a significant financial impact on the Council's finances, with £91.019m of additional funding allocated to us in the year as well as £21.469m allocated to us at the end of 2019-20 giving a total of £112.489m. This consisted

NARRATIVE REPORT

mainly of government grants (£21.469m in 2019-20 plus £84.332m in 2020-21) plus an element of reimbursement of costs by the Clinical Commissioning Groups (£6.687m in 2020-21). Of this total sum, the amount of £23.708m was funding to be paid directly over to third parties e.g. suppliers of council services and other providers of social care.

All of our additional costs and losses related to Covid-19 were covered by grant income and reimbursements received in the year, and we have carried forward £13.052m of unspent grant as earmarked reserves which can be used to support Covid-19 costs which are continuing in 2021-22.

The major impact of Covid to our cash flow has been the disruption to normal cash flow patterns leading to uncertainty over amounts and timings of cash flows. We found that our cash in-flows in the year were often much higher than usual as the government paid us grants relating to the pandemic. Although the majority of grant funding has been spent, it was often spent some time after receiving the related grant. To mitigate against this uncertainty the following measures were taken: greater emphasis was placed on gathering as much information as possible on key significant items of expenditure and income; our cash flow forecast was updated as changes occurred and adequate levels of instant access investments were placed, available on call if required. We have cash flow management procedures in place to manage our liquidity risk exposure i.e. the risk of not having funds available to meet payment commitments. How we manage this risk and other financial risks we are exposed to from our treasury operations are detailed in Note 19 Financial Instruments (Section e) of these accounts. The Council's contingency plans to operate its treasury procedures remotely were tested and found to be robust.

Away from the pandemic, other key activities took place in the year.

Our Green Masterplan was approved by the Council in February 2021 and brings together in one place all of the policies, programmes and initiatives currently underway or planned, to reduce emissions and improve the environment across Lincolnshire. The aim is to move us towards net zero carbon emissions by the year 2050 and we have set an interim target of achieving a 68% reduction in emissions by the year 2025.

During the year the Council, along with the nine other councils in the Greater Lincolnshire area, engaged in early discussions with the government about the potential for some powers and resources to be devolved from the government, leading to a reduction in the number of local councils in Greater Lincolnshire. At this point in time though, there are no plans for any changes of this nature. We are now collaborating more closely with North and North East Lincolnshire Unitary Councils and have set up a Joint Strategic Committee to facilitate this.

NARRATIVE REPORT

We launched our first ever Equality, Diversity and Inclusion Annual report this year, highlighting how we are meeting our statutory duties in this area, and our commitment to valuing diversity and understanding the key issues for Lincolnshire's people and places so that we can help shape services in a highly personalised way.

In December one of our major road building projects came to fruition, with the Lincoln Eastern Bypass officially opening. Another significant road improvement scheme, the work to improve traffic flow at the A46 Riseholme Roundabout, also completed this year.

The Local Government and Social Care Ombudsman found that the Council's actions had gone against statutory guidance for care and support for people in short term residential care, and ordered the Council to investigate 1,396 cases and refund any care costs of people who had been charged too much.

The United Kingdom left the European Union (EU) at the end of January 2020 (Brexit). We have been preparing for this event by exploring the possible impacts during the time leading up to December 2020 (transition period), in particular impacts on migration of labour, agriculture, funding to the Council and trade. Our commissioned suppliers of health and social care have not reported any significant reduction in their workforce following Brexit and we will continue to monitor this situation. With regards to agriculture, which is a key aspect of the Lincolnshire economy, a working group of the Environment and Economy scrutiny committee is being formed to consider the impact of government policy, including the agriculture bill, on the farming sector in the county.

We have benefited from European Union funding in the past and the government has recently launched the UK Shared Prosperity Fund to replace EU funding. Although not all of the details of this fund are confirmed as yet, we expect to be applying for funding in the future to support some of our key projects around supporting people and place.

We have provided support to businesses in Lincolnshire in drawing up a Brexit plan, although contact numbers to our helpline were relatively low and we have assumed that businesses have obtained advice from other sources. We will continue to monitor the impact of Brexit on the Council through reports to our Scrutiny Committees.

The Council owns four subsidiary companies: Transport Connect Limited, Lincolnshire Futures Limited, Lincolnshire County Property Limited and Lincolnshire Legal Services. Information about the financial performance of Transport Connect Limited is shown in Note 40 Related Parties. Lincolnshire County Property Limited is itself a subsidiary of Lincolnshire Future Limited – neither of these two companies had started trading by 31st March 2021. Lincolnshire Legal Services was created during the year and had not started trading by 31st March 2021. The Code of

NARRATIVE REPORT

Practice requires Councils to consider the need to prepare accounts on a group basis. This assessment has been carried out and the result is that these accounts have been prepared on the single entity basis as the subsidiary companies' financial performance and position is not material in the context of the Council's accounts.

During the year ten schools transferred out of the Council's control to academy status, with one further transfer taking place after the end of the year but before the accounts were signed.

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

5. Governance and Risk (General)

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

The Council's Annual Governance Statement is included within this Statement of Accounts and starts on page 203. The opinion of the Head of Internal Audit is that for the year ended 31 March 2021, we performed adequately in respect of our arrangements for governance, internal control and financial control and we performed well in respect of our arrangements for risk management.

The Strategic Risk Register is also set out in the Annual Governance Statement and can be seen on page 234. The Strategic Risk Register is regularly reviewed and risks are being effectively managed. The unprecedented impact of the pandemic resulted in changes to the priorities of the risk management programme. There are ten risks included, with two assessed as high risk, with limited assurance. These are:

- the risk of a successful cyber-attack against us resulting in a significant or critical impact. We are continuing to work to try and manage the ever-changing risk presented by cyber threats, and our position on this has improved since last year although it remains a high risk;
- safeguarding children, which has moved to a high risk, limited assurance this year due to the controls identified not being as robust as they were pre-Covid. The position is improving and it's expected the assurance will move back to substantial.

There are some areas of governance improvements identified and these can be seen in full on page 208. They include: review of our success and performance framework after a year into the Corporate Plan; refocus and re-alignment of our Transformation Programme priorities, including resource planning across projects and appropriate corporate oversight; demand management - building upon our

NARRATIVE REPORT

current systems and processes to improve our understanding of the local place and priority setting.

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

6. Look to the Future

Economic Climate

Lincolnshire County Council set a one-year detailed budget for 2020-21 in recognition of the government's plans to introduce major reforms to the way councils are funded. At the time the budget was set, these reforms were expected to be implemented from April 2021 but we now know that this has been deferred to April 2022. We prepared a three year budget plan up to 2022-23, using reasonable assumptions to estimate our likely financial position over this period.

The expected funding reforms referred to above bring a significant element of uncertainty to our budget planning. This does result in a potential risk to the Council's ability to continue to deliver services into the future which would impact on vulnerable members of our communities and the risk (described as "funding and maintaining financial resilience") is included in the Council's strategic risk register set out in the Annual Governance Statement on page 234. We have determined that the risk is well managed because the Council is in a relatively strong financial position at 31 March 2021. This is evidenced by an adequate level of general reserves (£16.200m), as well as a Financial Volatility earmarked reserve (£40.683m) which will support us in transitioning towards a lower base budget over the medium term. We have a healthy cash and short term investments position which is shown in the Balance Sheet on page 30. We undertook a stringent budget exercise during 2020-21, identifying £11.867m of efficiency savings to balance the 2021-22 budget and we have a good track record of achieving savings when required. During 2020-21 we did not need to call upon our reserves to fund any costs arising from the pandemic as these were all funded by government grants and we aim to continue in this way as we go into 2021-22, although we are aware of pressures which will be on-going beyond the timeframe for government funding.

Having said this, the UK economy is going to be significantly impacted by the coronavirus pandemic. The UK government has borrowed money to fund the various coronavirus support schemes and this has increased the amount of public debt, following several years of austerity where the aim was to reduce the level of public borrowing. The government has supported councils in 2020-21 with both specific Covid grants and general Covid grants to cover costs and sales fees and charges losses. In addition, further grants have been made available to fund council tax and

NARRATIVE REPORT

business rates losses. Whilst the immediate support from the government was welcomed, it is hard to say what the longer term funding impacts may be as the government works out how to start reducing the public debt level over the next few years. Our medium term financial plan is currently showing an expected budget gap of £6.030m in 2022-23, which we had anticipated would be plugged with additional resources arising from the funding reforms. For 2021-22 the regulations regarding the Adult Social Care precept were amended to allow councils with social care responsibilities to raise a 3.00% adult social care precept that year, but allowed for any part of that to be deferred to 2022-23. We did not increase council tax at all in 2021-22 for the adult social care precept. Our medium term financial plan is currently being updated with a view towards closing the budget gap.

Our Financial Resilience

The second iteration of the local authority Resilience Index was published by the Chartered Institute of Public Finance and Accountancy during the year. This is a measure of councils' ability to withstand unexpected financial shocks.

This version of the index used data from the 2019-20 financial year and once again showed a relatively positive picture for us which was particularly due to the level of our reserves and the low spending on social care as a proportion of our total spending compared to other councils, given that social care is the area where there are the highest pressures. Along with other County Councils, we are impacted by the growing demand for adults and children's social care. We are continually seeking ways to maintain and improve the quality of services delivered in the face of the increased demand in terms of numbers of people as well as the increased complexity of some cases. We hope that the government will be able to return back to resolving the issue of future funding of adult social care in due course.

The reserves we hold, referred to above, are available to support our budget over the medium term, if required, whilst we await news of our future finance settlements from the government.

We will continue to lobby for a fair funding settlement for Lincolnshire, and in the meantime we will be refreshing our medium term financial strategy and plan, to reflect our best estimates for the future financial landscape, including provision for those areas which are likely to have an on-going additional cost in the post-coronavirus setting. We will also be looking to reset the way we work and provide services post covid-19 and seeking value for money and transformative solutions.

Coronavirus Recovery

We have worked with our public service partners to develop a coronavirus recovery plan, which we will implement together for the benefit of Lincolnshire's communities. We have identified three phases of recovery, which are:

NARRATIVE REPORT

Phase 1, Reset (Stabilisation) - to enable the easing of lockdown, restarting of the economy and ensuring the continued wellbeing of our community.

Phase 2, Redesign (Economic & Social Renewal) - capitalising on the changes and opportunities brought about by the crisis as part of forging appropriate new ways of working and living as we develop a 'new normal'.

Phase 3, Renewal - creating and embedding the new norm.

Our recovery plan includes a number of strategic objectives, including:

- To continue to save and protect life, with a clear priority on protecting those identified as vulnerable.
- All affected services are restored to an agreed standard so that they are 'suitable for use' for their defined future purposes.
- Effective planning and coordination is in place to recognise the anticipated waves of response and recovery whilst the pandemic continues and ensure the ability of the LRF partnership to respond accordingly.
- Statutory responsibilities are carried out in full.
- The community is fully involved in the recovery process, with all agencies working closely with the community and those directly affected.
- Opportunities for service transformation are explored as part of the recovery process.
- Opportunities for longer term regeneration and economic development are explored as part of the recovery process.

Lincolnshire Pension Fund

About Lincolnshire Pension Fund

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

At 31 March 2021 the Fund had 249 contributing employer organisations and just under 74,000 members. This is made up of 23,023 active contributing members, 26,160 deferred members (who are no longer contributing to the scheme, but will be entitled to a pension when they retire) and 24,746 pensioners.

Further details on the Fund can be found at Note 1 to the Pension Fund Accounts (pages 158-200) and in the Pension Fund Annual Report.

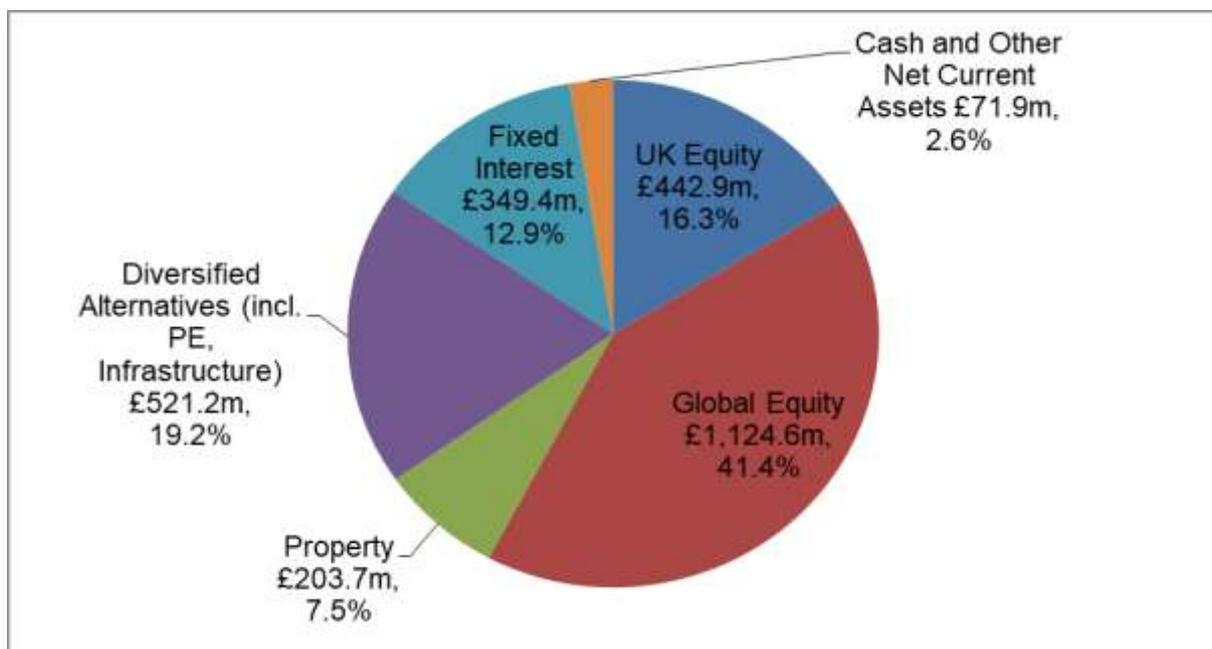
NARRATIVE REPORT

Financial Highlights

There are two core financial statements within the Pension Fund Statement of Accounts; these provide a summary of financial activity during the year and the financial position at the end of the year. These statements can be found on page 158. These statements are supported by a set of disclosure notes which provide more detail on the Fund's financial transactions and net assets.

Investment Assets

The following pie chart sets out the assets held by the Pension Fund at the 31 March 2021:



During the year to 31 March 2021 the Fund investment assets have increased in value by £511.7m to £2,713.7m. The overall investment return for the year was 23.3%; this was ahead of the Fund's specific benchmark return of 22.1%.

During 2020-21 the Fund has continued transitioning assets into Border to Coast Pensions Partnership sub-funds in accordance with the government's policy for the pooling of LGPS assets. This included the transition of UK Equities and an additional allocation to the Global Equities Sub-fund. As at 31 March 2021 the Fund had 49.7% of assets invested with Border to Coast. This compares to 23.8% invested at 31 March 2020, and shows the positive direction of travel. Further detail on this can be found at Note 12C of the Pension Fund Accounts and the Pension Fund Annual Report.

NARRATIVE REPORT

In year Income and Expenditure

The table below sets out the income and expenditure incurred by the Fund during 2020-21:

2019/20		2020/21
£'000		£'000
(114,887)	Contributions (inc. transfers in)	(120,639)
109,246	Benefits (inc. transfers out)	118,909
(5,641)	Net (additions)/withdrawals from dealings with Fund members	(1,730)
12,033	Management Expenses	11,601
135,475	Return on Investments	(534,131)
141,867	Net (increase)/decrease in Net Assets available to pay benefits	(524,260)

During 2020-21 the Fund was cash flow positive, with contributions received exceeding benefits paid. 80% of contributions received by the Fund came from employers (see Pension Fund Note 7 for further details). During the year the Fund had a large transfer out to the Cambridgeshire Pension Fund, following the merger of Stamford New College with Peterborough College (see Pension Fund Note 9 for further details). The majority of the return on investments relates to the increase in the value of Fund assets during the year (£481.6m), smaller amounts came from Foreign Exchange contracts and investment income, such as dividend payments.

Funding Arrangements

In line with Local Government Pension Scheme Regulations 2013, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rate for the forthcoming triennial period. The last valuation took place as at 31 March 2019. The results for the Fund at this date were: fund assets had a market value of £2,353m and overall the funding level was 93% (i.e. the value of assets was 93% of the amount required to pay the benefits which had been accrued at this date). Therefore the Fund had a deficit of £183m.

The Fund's actuary has reassessed the position at the end of 2020-21 and believes that the overall funding position has improved, although there is significant uncertainty around short term market returns and legal challenges facing the LGPS from cases such as the McCloud Judgement. Further information on Funding Arrangements can be found at Note 17 to the pension fund accounts.

NARRATIVE REPORT

Performance and Outcomes

The Pension Fund's overarching objectives are:

- **Governance:** to act with integrity and be accountable to stakeholders;
- **Investments and Funding:** to maximise returns from investments within agreed risk parameters; and
- **Administration and Communications:** in partnership with West Yorkshire Pension Fund (WYPF), to deliver an effective and efficient Pensions Administration service to all stakeholders.

To ensure the Pension Fund is achieving its overarching objectives performance of the administration service and investments is monitored quarterly by the Pensions Committee, as is employer compliance with regulations.

The pension's administration service is monitored through a number of performance indicators. During 2020-21 there have been no areas of concern. All areas expect one have met or exceeded the targets set. The area not meeting the set target is transfer out quotes, this is due to the increase in pension scams which requires additional time is being taken to ensure that all transfers out are legitimate to protect members interests. Further information can be found in the Pension Fund Annual Report.

Employer compliance with regulations (paying member contributions and submitting member data to the Fund) is also monitored on a monthly basis by officers and on a quarterly basis by the Pensions Committee and Board. During 2020-21 98.7% of returns made by employers were submitted correctly and by the statutory deadline. Where employers fall short of expected standards, the Fund actively manages this through assistance and education.

Investment performance of the assets held by the Fund is report and monitored by the Pensions Committee on a quarterly basis. The overall the Fund achieved an investment return of 23.3% in 2020-21; this is ahead of the Fund's specific benchmark return of 22.1%. During 2020-21 the Fund made one change to a manager allocation based on their performance.

Governance and Risk

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

- Publishing a Governance Compliance Statement as part of the Pension Fund Annual Report. This details how the Pension Fund is governed, and sets out where it complies with best practice guidance as published by the Ministry of Housing, Communities and Local Government;
- Managing Fund investments in accordance with the published Investment Strategy Statement (ISS); and

NARRATIVE REPORT

- Maintaining a Pension Fund specific risk register which identifies the major risks associated with managing the Fund. This is reviewed by the Pensions Committee annually, and new or changed risks are reported at each quarterly meeting of the Committee.

Links to Further Information

Hyperlink to the Review of Financial Performance 2020-21 report (not yet published).

To be added

Hyperlink to the Performance Dashboard

<http://www.research-lincs.org.uk/CBP-Landing-page.aspx>

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Council's Responsibilities are to:

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

The Statement of Accounts for Lincolnshire County Council and Lincolnshire Pension Fund were approved at a meeting of Lincolnshire County Council Audit Committee on 12th July 2021 and signed below by the Chair of Audit Committee:

Signed: Dated:

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

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

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

The Executive Director of Resources has also:

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.
- certified that the Statement of Accounts gives a true and fair view of the financial position of the Authority as at 31st March 2021 and of its expenditure and income for the year ended on that date.

Signed: Dated:

COMPREHENSIVE INCOME & EXPENDITURE STATEMENT 1 APRIL 2020 TO 31 MARCH 2021

2019/20				Note	2020/21		
Gross Expenditure	Gross Income	Net Expenditure			Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000			£'000	£'000	£'000
			Cost of Services				
152,633	(24,852)	127,781	Children's Services		164,000	(31,790)	132,210
323,988	(173,571)	150,417	Adult Care and Community Wellbeing		338,171	(201,782)	136,389
165,827	(24,241)	141,586	Place		173,636	(23,749)	149,887
31,156	(4,308)	26,849	Fire & Rescue and Community Safety		28,247	(2,197)	26,050
33,616	(4,494)	29,122	Resources		36,747	(4,095)	32,652
47,000	(1,454)	45,546	Commercial		57,320	(8,674)	48,646
2,326	(36)	2,290	Corporate Services		3,040	(10)	3,030
2,957	(6,746)	(3,789)	Other Budgets		2,390	(1,750)	640
334,266	(294,793)	39,473	Schools Budgets		335,991	(296,747)	39,244
1,093,771	(534,495)	559,276	Cost of Services		1,139,542	(570,794)	568,748
31,314	0	31,314	Other Operating Expenditure	(6)	32,168	0	32,168
42,705	(5,450)	37,255	Financing and Investment Income and Expenditure	(7)	42,066	(4,463)	37,603
0	(572,924)	(572,924)	Taxation and Non-Specific Grant Income	(8)	0	(610,070)	(610,070)
1,167,790	(1,112,869)	54,921	Deficit on Provision of Services		1,213,776	(1,185,327)	28,449
	(4,279)		- (Surplus)/Deficit on Revaluation of Property, Plant and Equipment Assets	(13)			(17,207)
	650		- Impairment losses on Non-Current Assets charged to Revaluation Reserve				0
	26		- Surplus or Deficit from Investments in Equity Instruments designated at Fair Value Through Other Comprehensive Income				18
	(229,030)		- Remeasurement of the Net Defined Benefit Liability/ (Asset)	(13)			213,850
	18		- Other Recognisable (Gains)/ Losses				(195)
		(232,616)	Other Comprehensive Income and Expenditure				196,466
		(177,695)	Total Comprehensive (Income) and Expenditure				224,915

Page 32

Individual lines in the 2019-20 figures have been restated as the Council has moved from reporting internally by Commissioning Strategies to Service Delivery areas. Brackets have been used above to represent income or surpluses.

MOVEMENT IN RESERVES STATEMENT 1 APRIL 2020 TO 31 MARCH 2021

	Note	Total Usable Reserves						Unusable Reserves (Note 13)	Total Council Reserves
		General Fund Balance	Schools Reserves	Earmarked GF Reserves (Note 14)	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves (Note 12)		
2020/21		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 1 April 2020		16,050	0	219,329	5,905	96,132	337,415	(29,079)	308,336
Reporting of Schools Budget surplus to Earmarked Usable Reserve at 1 April		0	24,808	(24,808)	0	0	0	0	0
Restated Balance as at 1 April 2020		16,050	24,808	194,521	5,905	96,132	337,415	(29,079)	308,336
Movement in Reserves during 2020/21									
Total Comprehensive Income and Expenditure		(28,449)	0	195	0	0	(28,254)	(196,661)	(224,915)
Adjustments between accounting basis & funding basis under regulations	(11)	66,436	0	0	0	(9,402)	57,034	(57,034)	0
Contribution to/(from) Earmarked Reserves		(37,836)	1,307	36,529	0	0	0	0	0
Increase/(Decrease) in Year 2020/21		150	1,307	36,724	0	(9,402)	28,780	(253,695)	(224,914)
Balance as at 31 March 2021 Carried Forward		16,200	26,115	231,245	5,905	86,730	366,194	(282,774)	83,421

	Note	Total Usable Reserves					Unusable Reserves (Note 13)	Total Council Reserves
		General Fund Balance	Earmarked GF Reserves (Note 14)	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves (Note 12)		
2019/20		£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 1 April 2019		15,850	189,230	0	83,774	288,855	(158,213)	130,642
Movement in Reserves during 2019/20								
Total Comprehensive Income and Expenditure		(54,920)	(17)	0	0	(54,938)	232,633	177,695
Adjustments between accounting basis & funding basis under regulations	(11)	85,236	0	5,905	12,358	103,499	(103,499)	0
Contribution to/(from) Earmarked Reserves		(30,116)	30,116	0	0	0	0	0
Increase/(Decrease) in Year 2019/20		200	30,099	5,905	12,358	48,561	129,134	177,695
Balance as at 31 March 2020 Carried Forward		16,050	219,329	5,905	96,132	337,415	(29,079)	308,336

BALANCE SHEET AS AT 31 MARCH 2021

31 March 2020			31 March 2021
£'000		Note	£'000
1,267,427	Property, Plant and Equipment	(15)	1,288,625
64,514	Heritage Assets	(16)	66,598
106,165	Investment Property	(17)	107,760
8,164	Intangible Assets	(18)	6,256
13,849	Long Term Investments	(19)	6,419
6,363	Long Term Debtors	(20)	3,933
1,466,482	Long Term Assets		1,479,590
277,291	Short Term Investments	(19)	355,627
575	Assets Held for Sale	(21)	1,821
702	Inventories		706
65,501	Short Term Debtors	(20)	62,606
344,069	Current Assets		420,760
(14,575)	Cash and Cash Equivalents	(22)	(85,031)
(18,447)	Short Term Borrowing	(19)	(15,046)
(102,719)	Short Term Creditors	(23)	(106,465)
(5,606)	Short Term Provisions	(24)	(5,353)
(141,347)	Current Liabilities		(211,896)
(2,364)	Long Term Creditors	(23)	(2,297)
(4,263)	Long Term Provisions	(24)	(5,449)
(488,156)	Long Term Borrowing	(19)	(477,135)
(866,085)	Other Long Term Liabilities	(25)	(1,120,151)
(1,360,868)	Long Term Liabilities		(1,605,033)
308,336	Net Assets		83,421
337,415	Usable Reserves	(12)	366,195
(29,079)	Unusable Reserves	(13)	(282,774)
308,336	Total Reserves		83,421

CASH FLOW STATEMENT AS AT 31 MARCH 2021

2019/20		Note	2020/21
£'000			£'000
54,921	Net (surplus) or deficit on the provision of services		28,449
(164,327)	Adjustments to net surplus or deficit on the provision of services for non - cash movements		(173,799)
91,145	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		107,284
(18,261)	Net cash flow from Operating Activities	30	(38,066)
51,924	Investing Activities	31	93,316
(34,981)	Financing Activities	32	15,206
(1,318)	Net (increase) or decrease in cash and cash equivalents		70,456
(15,893)	Cash and cash equivalents as at 1 April	22	(14,575)
(14,575)	Cash and cash equivalents as at 31 March		(85,031)

NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

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

In the 2020-21 accounts, the Council is required to disclose the following changes to Accounting Standards which may have an impact on the Council's accounts in 2021-22. The following standards are effective for Local Authorities for the 2021-22 financial year:

- IFRS 3 Business Combinations.

The amendment to the standard provides a new definition on what is a business and a group of assets. This is aimed at resolving the difficulties that arise when an entity needs to determine whether it has acquired a business or a group of assets. This will affect any acquisition from 1st of January 2020.

Currently, the Council does not prepare group accounts as doing so would not materially affect the financial position of the Council. In 2021-22 the assessment of whether or not there is a need to prepare group accounts will include the effect of the Council's current project to re-design its enterprise resource planning system, Business World. This project entails moving to the Business World platform operated by Hoople Limited and to facilitate this, the Council is planning to acquire shares in Hoople Limited. It would become a 'teckal' company of the Council. Discussion is still on-going regarding the details of the structure of the company. Hoople Limited is a private company limited by shares, incorporated in England and Wales under the Companies Act 2006 and incorporated on 8 March 2011. Hoople Limited is a controlled company within the meaning of the Local Government and Housing Act 1989 and a regulated company within the meaning of the Local Authorities (Companies) Order 1995.

As the future structure of the company has not yet been finalised, the nature of the Council's acquisition cannot be determined and it is not currently possible to quantify the impact on the 2021-22 accounts.

- The Interest Rate Benchmark Reform – changes to IFRS9: Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, and IFRS 7 Financial Instruments: Disclosures.

Interest rate benchmarks such as interbank rate offered rates (IBORs) plays an important role in the global financial markets. Developments in the market have threatened the reliability of these existing benchmarks. Some of these benchmarks have been replaced with alternative, nearly risk-free rates. However, this has led to uncertainty of the future of existing interest rate benchmarks. The amendments made to the standards will provide relief from the potential effects of the uncertainty caused by the reform, and this will affect accounting for hedging instruments.

The changes to these standards will not affect the Council as it does not undertake hedging.

- The Interest Rate Benchmark Reform - Phase 2 - changes to IFRS 9: Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, and IFRS 7 Financial Instruments: Disclosures, IFRS 4: Insurance Contracts, IFRS 16: Leases.

The second phase of the Interest Rate Benchmark Reform deals with the issues that might affect financial reporting if and when the existing rate benchmark is replaced as a consequence of phase 1 of the reform. For local authorities, the affected standards are the same as in the original reform mentioned previously i.e. not IFRS 4 and not IFRS 16.

Financial instruments, which are IBOR linked, will be most impacted by this reform. The Council does not hold any financial instruments that use IBOR, in particular LIBOR, as a benchmark. Therefore the change will not impact the Council.

NOTE 2. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 44, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts include:

Government Funding

There is a high degree of uncertainty about future levels of funding for local government beyond March 2021. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.

Brexit

The UK left the European Union (UN) on 31 January 2020 and the transition period ended on 31 January 2021. This event has not impacted on the Council's ability to operate its functions into the foreseeable future.

Funding for Covid-19

During 2020-21 the Council has received various Covid 19 government grants, which were designated as either non-ringfenced or ringfenced grants. In the Comprehensive Income and Expenditure Statement, ringfenced grants have been accounted for within the net cost of services to offset expenditure relating to this grant and non-ringfenced grants have been accounted for within taxation and non-specific grant income.

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

All unspent Covid grants were assessed as to whether there was a condition of the grant that gives right to reimbursement. If there was, the portion of the unspent grant which could be reimbursed to the government was treated as a creditor within the balance sheet at the end of the year. For those grants assessed to have no conditions attached, the unspent element of grants were accounted for within revenue grants and contributions earmarked reserves.

PFI Contract- Focus Education Lincolnshire

The Council entered into a PFI contract with Focus Education (Lincolnshire), for the construction and provision of seven fully serviced school premises. The Council is

deemed to control the service provided in these schools and also control the residual value in the school buildings at the end of the agreement. The accounting policy for Service Concessions and Similar Arrangements (including PFI agreements) has been applied to account for this contract and the property, plant and equipment assets associated with these schools, plus the outstanding liability for the PFI finance lease have been included within the Council's balance sheet. Details of the Council's PFI contract accounting are set out in Note 26 Private Finance Initiatives (PFI) and Similar Contracts.

Energy from Waste Plant

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

School Assets

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

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

Classification of Leases

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

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

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

The Council's Balance Sheet as at 31 March 2021 contains the following entries, for which there is a significant risk of material adjustments in the forthcoming financial year:

Item	Uncertainties	Effect if actual results differ from assumptions
General - Impact of the Coronavirus Pandemic	<p>The pandemic started to have an impact nationally in March 2020, and has continued throughout the whole of the financial year 2020/21 and beyond.</p> <p>One of the major impacts of the pandemic has been on the national economy, affecting the bank rate, inflation and economic growth. The effects of these economic changes are built into any valuations that have taken place as at 31 March 2021 which does provide a level of certainty that the financial position of the Council at this date does reflect the prevailing economic factors at that time.</p> <p>It is clear that economic recovery will take some time so there is no indication that anything will materially impact valuations of Property Plant and Equipment, Financial Instruments and Pension Assets and Liabilities after the 31 March 2021 and up to the date that the accounts are finalised following the audit.</p>	<p>Where valuations are carried out on a rolling basis i.e. for land and buildings, the valuations carried out this year have been assessed to see if there has been a material change which might require all other land and building assets to be revalued. Our assessment was that there was not a material change so no further valuations were undertaken.</p>

Item	Uncertainties	Effect if actual results differ from assumptions
<p>Property, Plant and Equipment - PP&E (Valuations, Asset Lives and Derecognition)</p>	<p>Land and building assets carrying value and remaining useful life are assessed by the Council's Valuers. These valuations include an assessment of the condition and use of assets. Changes in local government funding and future restructuring of services by the Council may affect the use of existing assets and levels of spending to maintain these assets. This may lead to changes in asset values and asset lives in the future.</p> <p>During derecognition the value of the replacement is used as a proxy to index back to original cost. This will lead to changes in asset values, thereby affecting the depreciation charges in the future.</p>	<p>Changes to asset value and lives will have an effect on the annual depreciation charge for use of assets charged to services in the CI&ES. The annual depreciation charge for PP&E in 2020-21 is £80.085m (£80.691m in 2019-20) and the gross book value of these assets is £2,015m (£1,867m in 2019-20). The asset life has an inverse effect with depreciation charge. The lower the asset life, the higher the depreciation charge; the higher the asset life, the lower the depreciation charge.</p> <p>The accounting policies in Note 44 and Note 15 Property, Plant and Equipment detail the current policy on valuation methods, asset lives, depreciation and derecognition applied by the Council.</p>
<p>Net Pension Liability</p>	<p>The Council's accounts contain an estimate of the future liability to pay pensions on the retirement of employees. This liability is estimated by the Council's actuary who applies a number of assumptions relating to: salary projections, retirement ages, changes in mortality rates and expected rates of return on pension assets and the discount rates used.</p> <p>Formal actuarial valuations are carried out every three years, where the assets and liabilities are calculated on a detailed basis, using individual member data for cash contribution setting purposes. The last formal valuation for the Fire fighters Pension Schemes was on 31 March 2018 and the last formal valuation of the Local Government Pension Scheme was on 31 March 2019.</p> <p>The balance sheet position as at 31 March 2021 and the projected charge to the CI&ES for 2021-22 are therefore based on data rolled forward from the most recent formal valuations.</p>	<p>Changes to the actuaries assumptions may materially affect the value of the pension fund liability, however, these changes are difficult to predict as the assumptions interact in complex ways. During 2020-21 the Council's actuaries advised that the net pension liability increased to £1,111.464m (£856.614m in 2019-20). Details of the pension fund assets and liabilities are set out in Note 29 Defined Benefit Pension Schemes.</p> <p>The data used as a basis for valuing the pension liabilities will be largely consistent with the data used last year as the roll forward approach has been taken. There may be a "step change" in the liability value when formal revaluations are next carried out.</p>

Item	Uncertainties	Effect if actual results differ from assumptions
Net Pension Liability (continued)	<p>The valuation of pension assets and liabilities result from assumptions that in effect estimate investment returns, financial costs and demographic factors many years into the future, which means that there is inevitably a great deal of uncertainty inherent with such projections.</p> <p>There have been some legal cases and other external factors relating to pensions where the impacts cannot yet be determined. These are the McCloud / Sargeant case, the Public Sector Exit Cap and the Goodwin case.</p>	<p>The Pension Fund disclosure notes provide more information on these impacts.</p> <p>It is not possible to determine the potential financial impact of these issues at this stage, but when remedies / regulations have been finalised then these will be taken account of in future valuations.</p>
Accruals	<p>Debtor and Creditor accruals are measured at the best estimate of the income / expenditure expected at the balance sheet date. Details of debtor and creditor balances are set out in Note 20 Debtors and Note 23 Creditors respectively.</p>	<p>The most significant accrual as at 31 March 2021 relates to the employee leave earned but not taken £7.249m (£5.689m in 2019-20). A survey of staff was used to calculate the accrual to obtain a sample of all areas within the Council. The amount included in the accounts was dependent on the responses received and if more staff had completed the survey, this would have resulted in a higher degree of accrual accuracy.</p>
Fair Value Measurements	<p>When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. discounted cash flow model or independent appraisal of company valuations).</p> <p>Where Level 1 input is not available, the Council employs relevant experts to identify the most appropriate valuation techniques to determine the fair value (for example the Investment Properties, the Council's Valuer).</p> <p>Details of the fair value of the Council's assets and liabilities are set out in Notes 17 Investment Properties and Note 19 Financial Instruments.</p>	<p>The Council uses market value and term and reversion approach to measure the fair value of some of its Investment Properties.</p> <p>The significant unobservable inputs used in the fair value measurement include assumptions regarding rent that any tenant/s is/are capable of meeting its/their obligations, and that there are no rent arrears or undisclosed breaches of covenant.</p> <p>Significant changes in the unobservable inputs would result in a significantly lower fair value measurement for the Investment Properties.</p>

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

NOTE 4. MATERIAL ITEMS OF INCOME AND EXPENDITURE

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

In 2020-21 expenditure relating to the coronavirus pandemic (Covid-19) was a material sum, together with its related income. This note sets out the Covid-19 financial transactions and position.

General Covid-19 Government Grant & Sales Fees and Charges Government Grant

The Council received unringfenced government grant to cover general Covid-19 costs in both 2019-20 and 2020-21. In total the amount of this general grant received was £44.509m over the two years and a further unringfenced government grant to cover sales fees and charges losses totalling £3.566m was received in 2020-21.

In 2019-20 general Covid-19 expenditure was £0.378m and in 2020-21 it was £45.624m. Total general expenditure over the two years was therefore £46.002m and was covered fully by the general and sales fees and charges grants received with a surplus amount of grant of £2.072m carried forward in an earmarked reserve to 2021-22 to meet continuing costs.

Other Covid-19 Unringfenced Government Grants

The Council received two other unringfenced government grants, although these were intended to cover specific types of Covid-19 expenditure. The first was the Clinically Extremely Vulnerable government grant totalling £2.042m received in

2020-21, of which £0.301m was spent in 2020-21. The second was the DEFRA emergency support government grant totalling £0.824m received in 2020-21, of which £0.529m was spent in 2020-21.

The unspent balance of each of these grants has been carried forward in an earmarked reserve to 2021-22 to meet continuing costs and totals £2.036m.

Ringfenced Covid-19 Government Grants, Council Acting as Agent

The Council received three ringfenced Covid-19 government grants for which it acted as agent and made onward grant payments to third parties in accordance with the terms of the grants. These three grants were: Infection Control Fund; Care Home Rapid Testing Fund; Workforce Capacity Fund.

The income and expenditure for these grants is excluded from the Comprehensive Income and Expenditure Statement because the Council acted as agent. Any unspent amounts from these grants have been carried forward within short term creditors to 2021-22 and the total sum carried forward is £0.855m.

Ringfenced Covid-19 Government Grants, Council Acting as Principal

The Council received ten ringfenced Covid-19 government grants for which it acted as principal, and was able to make decisions about how the grants were spent in accordance with the terms of the grants. The table below shows the grant received for each grant in 2020-21 and the expenditure covered by each grant.

	Grant Income	Expenditure
	2020/21	2020/21
Exceptional Costs Funding	(642)	642
Catch Up Funding	(1,495)	1,474
Covid Winter Grant	(1,668)	2,179
Partners in Practice	(156)	97
Additional Home to School Transport	(1,417)	1,003
Outbreak Management	(19,139)	12,126
Test and Trace	(3,070)	1,574
Community Testing	(2,432)	2,432
Bus Service Support Grant	(935)	499
Lincolnshire Resilience Forum	(200)	0
	(31,154)	22,025

Amounts Reimbursed by Clinical Commissioning Groups

Where the Council supported the NHS Discharge to Assess Model and the Designated Settings Scheme, reimbursement of the full costs were made by Clinical Commissioning Groups. In total the amount spent in 2020-21 was £6.687m and the same sum was reimbursed in the year.

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

The table below shows the Covid-19 amounts of expenditure, government grants and reimbursements which are included in the Comprehensive Income and Expenditure Statement on page 28.

2019-20				2020-21		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000
Service Areas						
208	0	208	Children's Services	17,135	(4,352)	12,783
100	0	100	Adult Care and Community Wellbeing	38,529	(31,629)	6,899
70	0	70	Place	6,525	(2,764)	3,761
0	0	0	Fire & Rescue and Community Safety	1,062	(465)	596
0	0	0	Resources	956	(59)	897
0	0	0	Commercial	2,829	0	2,829
0	0	0	Corporate Services	214	0	214
0	0	0	Other Budgets	5,800	0	5,800
0	0	0	Schools Budgets	2,116	(2,136)	(20)
378	0	378	Cost of Services	75,166	(41,407)	33,759
0	(21,469)	(21,469)	Taxation and Non-Specific Grant Income and Expenditure	0	(46,996)	(46,996)
		(21,091)	(Surplus) or Deficit on Provision of Services			(13,237)
		(21,091)	Total Comprehensive Income and Expenditure			(13,237)

Covid-19 Assets and Liabilities in the Balance Sheet

Some amounts of Covid-19 grants which are not yet received are included in short term debtors on the Balance Sheet (£511k). Short term creditors includes an amount of £1.550m for unspent grant, either where conditions have not been met or where the Council has acted as agent. Usable reserves includes the sum of £13.052m which is unspent grant and is carried forward to 2021-22 to help meet continuing costs.

31 March 2020			31 March 2021
£'000		Note	£'000
0	Long Term Assets		0
0	Short Term Debtors	(19)	511
0	Current Assets		511
0	Short Term Creditors	(23)	(1,550)
0	Current Liabilities		(1,550)
0	Long Term Liabilities		0
0	Net Assets		(1,039)
(21,091)	Usable Reserves	(12)	(13,052)
0	Unusable Reserves	(13)	0
(21,091)	Total Reserves		(13,052)

NOTE 5. EVENTS AFTER THE REPORTING PERIOD

a) Authorisation of Accounts for Issue

The Statement of Accounts were authorised for issue by Andrew Crookham, CPFA (Executive Director of Resources) in accordance with the Accounts and Audit Regulations 2015 (England) and Accounts and Audit (Coronavirus) (Amendment Regulations 2020).

Signed:

Dated:

b) Events after the Reporting Period

In accordance with IAS 10 Events after the Reporting Period, the following have been considered:

- Events taking place after the date the Accounts were authorised for issue (30 June 2021) are not reflected in the Financial Statements or the notes.
- Events that provide evidence of conditions that existed at the end of the reporting period 2020-21 are reflected in the figures in the Financial Statements and the notes, where the information has a material impact.
- There were no material "non-adjusting" or "adjusting" events arising after the reporting period and up to 30 June 2021.

NOTE 6. OTHER OPERATING EXPENDITURE

2019/20		2020/21
£'000		£'000
1,151	Precepts paid to non-principal authorities and levies	1,164
30,163	Gain or Loss on the disposal of non-current assets	31,004
31,314	TOTAL	32,168

NOTE 7. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2019/20		2020/21
£'000		£'000
20,081	Interest payable and similar charges	19,323
25,149	Net Interest on the net defined benefit liability (asset)	19,202
(4,454)	Changes on Investment Property valuations	(1,237)
1,229	Changes in Financial Instruments measured at amortised cost valuations	4,286
700	Expenditure on Investment Properties	492
42,705	Total Gross Expenditure	42,066
(3,002)	Interest receivable and similar income	(1,962)
(2,448)	Income from Investment Properties	(2,501)
(5,450)	Total Gross Income	(4,463)
37,255	TOTAL	37,603

NOTE 8. TAXATION AND NON SPECIFIC GRANT INCOME

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

NOTES SUPPORTING THE COMPREHENSIVE

INCOME & EXPENDITURE STATEMENT

2019/20		2020/21
£'000		£'000
(299,911)	Council tax income	(313,059)
(114,429)	Business Rates - Districts	(105,616)
	Non-ring-fenced government grants:	
(21,469)	Covid-19 Support Grant	(23,039)
0	Covid-19 - Clinically Extremely vulnerable Grant	(2,042)
0	Covid-19 - Emergency Assistance Grant	(824)
(5,754)	Adult Social Care Support Grant	(20,485)
(20,138)	Revenue Support Grant	(20,466)
(7,304)	Section 31 Grant - Business Rates	(7,822)
(6,935)	Rural Service Delivery Grant	(6,935)
(2,144)	New Homes Bonus Grant	(2,091)
(1,594)	Independent Living Fund Grant	(1,594)
0	Fire Pensions Section 31 Grant	(1,437)
(2,000)	Partners in Practice S31 Grant	0
(1,849)	Other Non Specific Grant	(2,060)
(69,187)	Total Non-ring-fenced Government Grants	(88,796)
	Capital Grants and Contributions:	
(30,152)	DfT Asset Protection Grant	(56,224)
0	Lincolnshire Enterprise Partnership	(10,163)
(4,293)	DfE Schools Condition Capital Maintenance Grant	(5,755)
(9,753)	Grantham Southern Relief Road	(5,238)
(3,312)	DfT Integrated Transport Grant	(4,057)
(1,964)	Spalding Western Relief Road	(3,780)
(21,460)	DfE Basic Need Grant	(3,258)
(200)	DFT Safer Roads Fund Grant	(2,725)
0	SLGF Riseholme Roundabout	(1,679)
0	LEP Holbeach Food Enterprise Zone	(1,179)
(1,081)	Devolved Formula Grant	(1,017)
0	Historic England - Lincoln Castle	(978)
0	SLGF Sleafrod Rugby Club	(938)
(3,838)	Contributions from Private Sectors	(845)
(2,386)	Children's Special Provision Fund	(771)
0	Community Infrastructure Levy Grant	(668)
0	SLGF Skegness countryside Business Park	(528)
(1,200)	National Productivity Investment Fund	(500)
0	LEP Gainsborough Corringham Road	(500)
(2,618)	Blue Light PIF	(43)
(3,649)	DFT LTP Lincoln Eastern Bypass	0
(324)	Heritage Lottery Fund	0
(3,166)	Other Capital Grants and Contributions	(1,752)
(89,397)	Total Capital Grants and Contributions	(102,600)
(572,924)	TOTAL	(610,070)

INCOME & EXPENDITURE STATEMENT

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

2019/20		2020/21
£'000		£'000
	Covid 19 Grants:	
0	Contain Outbreak Management Fund	(19,139)
0	Sales Fees and Charges Support Grant	(3,566)
0	Test and Trace	(3,070)
0	Community Testing Grant	(1,960)
0	Winter Grant Scheme	(1,668)
0	Schools Catch Up Funding	(1,494)
0	Schools Fund	(642)
0	Partners in Practice Covid Grant	(156)
(248,918)	Dedicated Schools Grant	(256,538)
(31,800)	Public Health Grant	(33,546)
(25,120)	Better Care Fund - Improved Element	(33,249)
(11,447)	Pupil Premium	(10,947)
(6,236)	Disabled Facilities Grant	(7,303)
(3,781)	Teachers Pension grant	(6,259)
(4,761)	Better Care Fund - Supplementary Improved Element (*1)	0
(4,091)	Universal Infant Free School Meals	(3,677)
(3,368)	Winter Pressures Grant (*1)	0
(3,173)	EFA and Sport Grant	(3,054)
(2,420)	YPLA 16-19 Funding	(2,172)
(2,733)	Adult Safeguarding Learning	(2,102)
(1,810)	Teachers Pay Grant	(2,030)
(1,995)	Troubled Families Grant	(1,812)
(1,645)	Asylum Seekers	(1,780)
(1,056)	ERDF Grant Income	(1,468)
(1,202)	Fire New Burdens	(1,227)
(1,158)	The Private Finance Initiative	(1,158)
(3,733)	Other Revenue Grants	(7,278)
(360,447)		(407,297)

(*1) For 2020-21, the Better Care Fund - Supplementary Improved Element and Winter Pressures Grant allocations are now part of the Better Care Fund - Improved Element allocation.

NOTE 9. EXPENDITURE FUNDING ANALYSIS

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

2019/20				2020/21		
Net Expenditure chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£'000	£'000	£'000		£'000	£'000	£'000
DIRECTORATE						
117,082	10,699	127,781	Children's Services	122,181	10,029	132,210
145,184	5,234	150,417	Adult Care and Community Wellbeing	134,945	1,444	136,389
66,403	75,184	141,587	Place	75,322	74,565	149,887
20,744	6,104	26,848	Fire & Rescue and Community Safety	22,976	3,074	26,050
23,587	5,535	29,122	Resources	27,013	5,639	32,652
31,629	13,917	45,546	Commercial	38,568	10,078	48,646
2,051	240	2,290	Corporate Services	2,779	251	3,030
50,869	(54,658)	(3,789)	Other Budgets	64,860	(64,219)	641
1,019	38,454	39,473	Schools Budgets	(5,724)	44,967	39,243
458,569	100,708	559,277	Net Cost of Services	482,920	85,828	568,748
(488,884)	(15,472)	(504,356)	Other Income & Expenditure	(520,906)	(19,392)	(540,298)
(30,315)	85,236	54,921	(Surplus)/Deficit	(37,986)	66,436	28,450
30,116			Movement to/(from) Earmarked Reserves	37,836		
(200)			(Surplus) or Deficit on General Fund Balance	(150)		
15,850			Opening General Fund balance at 1 April 2020	16,050		
200			Plus Surplus or Less (Deficit) on General Fund in Year	150		
16,050			Closing General Fund balance at 31 March 2021	16,200		

NOTES SUPPORTING THE COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

Individual lines in the 2019-20 figures have been restated as the Council has moved from reporting internally by Commissioning Strategies to Service Delivery areas.

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

2019/20					2020/21			
Adjustments between Funding and Accounting Basis					Adjustments between Funding and Accounting Basis			
Adjustments for Capital Purposes	Net change for the Pension Adjustments	Other Differences	Total Adjustments		Adjustments for Capital Purposes	Net change for the Pension Adjustments	Other Differences	Total Adjustments
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
				DIRECTORATE				
2,679	7,991	29	10,699	Children's Services	2,352	7,217	460	10,029
2,128	4,227	(1,121)	5,234	Adult Care and Community Wellbeing Place	1,037	4,313	(3,906)	1,444
71,657	4,134	(606)	75,185	Fire & Rescue and Community Safety Resources	70,874	4,158	(467)	74,565
4,708	1,310	87	6,105	Commercial	3,228	(599)	445	3,074
65	5,455	14	5,534	Corporate Services	57	5,261	321	5,639
10,105	2,007	1,805	13,917	Other Budgets	5,683	2,206	2,190	10,078
0	233	6	239	Schools Budgets	0	241	10	251
241	(12,352)	(42,547)	(54,658)	Net Cost of Services	(746)	(14,652)	(48,821)	(64,219)
25,283	14,983	(1,812)	38,454	Other Income and Expenditure from the Expenditure and Funding Analysis	33,794	13,653	(2,480)	44,967
116,865	27,988	(44,145)	100,708	Difference between General Fund surplus and deficit and CI&ES Surplus or Deficit on the Provision of Services	116,279	21,798	(52,249)	85,828
(63,688)	25,149	23,067	(15,472)		(72,832)	19,202	34,238	(19,392)
53,177	53,137	(21,078)	85,236		43,446	41,000	(18,011)	66,435

INCOME & EXPENDITURE STATEMENT

Adjustments for Capital Purposes

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

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

Net Change for the Pensions Adjustments

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

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

Other Differences

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

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

NOTES SUPPORTING THE COMPREHENSIVE

INCOME & EXPENDITURE STATEMENT

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

2019/20					2020/21			
Fees & Charges	Rents	Sales	Total Customer & Client Receipts		Fees & Charges	Rents	Sales	Total Customer & Client Receipts
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
DIRECTORATE								
(1,779)	(1,073)	(550)	(3,403)	Children's Services	(909)	(465)	(489)	(1,862)
(51,252)	(97)	(202)	(51,551)	Adult Care and Community Wellbeing	(58,331)	(83)	(198)	(58,612)
(7,506)	(1,487)	(1,550)	(10,543)	Place	(5,514)	(1,465)	(951)	(7,930)
(35)	(227)	(54)	(316)	Fire & Rescue and Community Safety	(26)	(167)	(18)	(211)
(654)	(0)	(1,600)	(2,254)	Resources	(585)	0	(903)	(1,488)
(557)	(2,775)	(298)	(3,629)	Commercial	(1,239)	(2,870)	(126)	(4,234)
(1)	0	(3)	(4)	Corporate Services	(2)	0	0	(2)
(1,667)	(1)	(3,673)	(5,341)	Other Budgets	(4)	0	0	(4)
(2,756)	(42)	(2,216)	(5,014)	Schools Budgets	(1,221)	(41)	(907)	(2,169)
(66,208)	(5,702)	(10,145)	(82,054)	Total External Income Analysed	(67,830)	(5,090)	(3,591)	(76,511)

INCOME & EXPENDITURE STATEMENT

NOTE 10. EXPENDITURE AND INCOME ANALYSED BY NATURE

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

	2019/20	2020/21
	£'000	£'000
Expenditure		
Employee benefits expenses	401,825	395,066
Other service expenses	631,602	675,358
Depreciation, amortisation and impairment	82,254	91,861
Interest payments	20,081	19,323
Precepts and Levies	1,151	1,164
Gain on the disposal of assets	30,877	31,006
Total expenditure	1,167,790	1,213,778
Income		
Fees, charges and other service income	(176,496)	(165,999)
Interest and investment income	(3,002)	(1,962)
Income from Council Tax, Non-domestic Rates	(414,340)	(418,674)
Government Grants and Contributions	(519,031)	(598,692)
Total income	(1,112,869)	(1,185,327)
Surplus or Deficit on the Provision of Services	54,921	28,449

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

This Note details the adjustments that are made to total Comprehensive Income and Expenditure Statement to adjust proper accounting practice for statutory provisions to meet future capital and revenue expenditure.

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

General Fund Balance

The General Fund is the statutory fund into which all the receipts of the Council are required to be paid and out of which all liabilities of the Council are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year.

Capital Receipts Reserve

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

Capital Grants Unapplied

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

NOTES SUPPORTING THE MOVEMENT IN RESERVES STATEMENT

	Usable Reserves			Movements in Unusable Reserves £'000
	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	
2020/21				
Adjustments to Revenue Resources				
Amount by which income and expenditure included in the CI&ES are different from revenue for the year calculated in accordance with statutory requirements.				
Pension Costs (transferred to/(from) the Pension Reserve):				
Reversal of items relating to retirement benefits debited or credited to the CI&ES	92,046	0	0	(92,046)
Employer's pensions contributions and direct payments to pensioners payable in the year	(51,046)	0	0	51,046
Financial Instruments (transferred to/(from) the Financial Instruments Adjustment Account):	(46)	0	0	46
Council Tax and Business Rates (transferred to/(from) the Collection Fund Adjustment Account):	13,436	0	0	(13,436)
Holiday Pay (transferred to/(from) the Accumulated Absences Account):	1,560	0	0	(1,560)
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to Capital Expenditure (these items are charged to the CAA)				
Charges for depreciation and impairment of non-current assets	80,085	0	0	(80,085)
Revaluation losses on Property Plant and Equipment	11,082	0		(11,082)
Revaluation losses on Heritage Assets	(111)		0	111
Movements in the market value of Investment Properties	(1,238)	0	0	1,238
Amortisation of intangible assets	2,043	0	0	(2,043)
Capital grants and contributions applied	(83,157)	0	0	83,157
Capital Receipts applied	(2,677)	0	0	2,677
Revenue expenditure funded from capital under statute (net of Grants and Contributions)	22,943	0	0	(22,943)
Amounts of Non Current Assets written off on disposal or sale as part of the gain/loss on disposal to the CI&ES	32,577	0	0	(32,577)
Total Adjustments to Revenue Resources	117,497	0	0	(117,497)
Adjustments between Revenue and Capital Resources				
Statutory provision for the repayment of debt (transferred to/(from) the CAA):	(20,235)			20,235
Capital expenditure charged against the General Fund (transferred to/(from) the CAA):	(12,490)			12,490
Total Adjustments between Revenue and Capital Resources	(32,725)	0	0	32,725
Adjustments to Capital Resources				
Capital grants and contributions unapplied credited to the CI&ES	(19,443)		19,443	0
Capital Receipts used in year to fund Capital Expenditure	1,107			(1,107)
Application of grants to capital financing transferred to the CAA	0		(28,845)	28,845
Total Adjustments to Capital Resources	(18,336)	0	(9,402)	27,738
Total Adjustments	66,436	0	(9,402)	(57,034)

CI&ES = Comprehensive Income and Expenditure Statement

CAA = Capital Adjustment Account

NOTES SUPPORTING THE MOVEMENT IN RESERVES STATEMENT

	Usable Reserves			Movements in Unusable Reserves £'000
	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	
2019/20				
<u>Adjustments to Revenue Resources</u>				
Amount by which income and expenditure included in the CI&ES are different from revenue for the year calculated in accordance with statutory requirements.				
Pension Costs (transferred to/(from) the Pension Reserve):				
Reversal of items relating to retirement benefits debited or credited to the CI&ES	99,640	0	0	(99,640)
Employer's pensions contributions and direct payments to pensioners payable in the year	(46,503)	0	0	46,503
Financial Instruments (transferred to/(from) the Financial Instruments Adjustment Account):	(46)	0	0	46
Council Tax and Business Rates (transferred to/(from) the Collection Fund Adjustment Account):	5,356	0	0	(5,356)
Holiday Pay (transferred to/(from) the Accumulated Absences Account):	192	0	0	(192)
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to Capital Expenditure (these items are charged to the CAA)				
Charges for depreciation and impairment of non-current assets	80,691	0	0	(80,691)
Revaluation losses on Property Plant and Equipment	4,409	0		(4,409)
Revaluation losses on Heritage Assets	0		0	0
Movements in the market value of Investment Properties	714	0	0	(714)
Amortisation of intangible assets	2,322	0	0	(2,322)
Capital grants and contributions applied	(54,543)	0	0	54,543
Capital Receipts applied	0	0	0	0
Revenue expenditure funded from capital under statute (net of Grants and Contributions)	29,337	0	0	(29,337)
Amounts of Non Current Assets written off on disposal or sale as part of the gain/loss on disposal to the CI&ES	30,900	0	0	(30,900)
Total Adjustments to Revenue Resources	152,469	0	0	(152,469)
<u>Adjustments between Revenue and Capital Resources</u>				
Statutory provision for the repayment of debt (transferred to/(from) the CAA):	(18,162)	0	0	18,162
Capital expenditure charged against the General Fund (transferred to/(from) the CAA):	(8,312)	0	0	8,312
Total Adjustments between Revenue and Capital Resources	(26,474)	0	0	26,474
<u>Adjustments to Capital Resources</u>				
Capital grants and contributions unapplied credited to the CI&ES	(34,854)	0	34,854	0
Capital Receipts used in year to fund Capital Expenditure	(5,905)	5,905	0	0
Application of grants to capital financing transferred to the CAA	0	0	(22,496)	22,496
Total Adjustments to Capital Resources	(40,759)	5,905	12,358	22,496
Total Adjustments	85,236	5,905	12,358	(103,499)

CI&ES = Comprehensive Income and Expenditure Statement

CAA = Capital Adjustment Account

NOTE 12. USABLE RESERVES

Balance at 31 March 2020		Balance at 31 March 2021
£'000		£'000
96,132	Capital Grants Unapplied	86,730
5,905	Capital Receipts Reserve	5,905
219,329	Earmarked Reserves	257,360
16,050	General Fund	16,200
337,416	Total	366,195

NOTE 13. UNUSABLE RESERVES

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

Balance at 31 March 2020		Note	Balance at 31 March 2021
£'000			£'000
254,490	Revaluation Reserve	(13a)	244,644
576,610	Capital Adjustment Account	(13b)	602,580
(1,600)	Financial Instruments Adjustment Account	(13c)	(1,554)
254	Financial Instrument Revaluation Reserve	(13d)	236
(856,614)	Pension Reserve	(13e)	(1,111,464)
3,470	Collection Fund Adjustment Account	(13f)	(9,966)
(5,689)	Accumulated Absences Account	(13g)	(7,249)
(29,079)	Total		(282,773)

a) Revaluation Reserve.

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment and Intangible Assets. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost;
- used in the provision of services and the gains are consumed through depreciation; or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2019/20		2020/21
£'000		£'000
272,835	Balance at 1 April	254,490
15,149	Upward revaluation of assets	28,933
(11,520)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(12,832)
3,629	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	16,101
(11,954)	Difference between fair value depreciation and historical cost depreciation	(10,150)
(10,020)	Accumulated gains on assets sold or scrapped	(15,797)
(21,974)	Amount written off to the Capital Adjustment Account	(25,947)
254,490	Balance at 31 March	244,644

b) Capital Adjustment Account.

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

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

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

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

NOTES SUPPORTING THE MOVEMENT IN RESERVES STATEMENT

2019/20		2020/21
£'000		£'000
599,496	Balance at 1 April	576,610
	<u>Reversal of items relating to capital expenditure debited or credited to the CIES:</u>	
(80,691)	Charges for depreciation and impairment of non-current assets	(80,085)
(4,409)	Revaluation losses on Property, Plant and Equipment	(11,082)
0	Revaluation losses on Heritage assets	111
(2,322)	Amortisation of intangible assets	(2,043)
(29,337)	Revenue expenditure funded from capital under statute (net of Grants and Contributions)	(22,943)
(30,900)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(32,577)
21,974	Adjusting amounts written out of the Revaluation Reserve	25,947
(125,685)	Net written out amount of the cost of non-current assets consumed in the year	(122,672)
	<u>Capital financing applied in the year:</u>	
0	Use of Capital Receipts to finance new capital expenditure	2,677
54,543	Capital grants and contributions credited to the CIES that have been applied to capital financing	83,157
22,496	Application of grants to capital financing from the Capital Grants Unapplied Account	28,845
18,162	Statutory provision for the financing of capital investment charged against the General Fund	20,235
8,312	Capital expenditure charged against the General Fund	12,490
103,513		147,404
(714)	Movements in the market value of Investment Properties debited or credited to the CIES	1,238
576,610	Balance at 31 March	602,580

c) Financial Instruments & Financial Assets Adjustment Account

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

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

NOTES SUPPORTING THE MOVEMENT IN RESERVES STATEMENT

2019/20		2020/21
£'000		£'000
(1,646)	Balance at 1 April	(1,600)
38	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	38
9	Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	8
(1,600)	Balance at 31 March	(1,554)

d) Financial Instrument Revaluation Reserve

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

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

2019/20		2020/21
£'000		£'000
280	Balance at 1 April	254
(26)	Change in treatment of loss allowance	(18)
254	Balance at 31 March	236

e) Pensions Reserve

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

NOTES SUPPORTING THE MOVEMENT IN RESERVES STATEMENT

2019/20		2020/21
£'000		£'000
(1,032,507)	Balance at 1 April	(856,614)
229,030	Actuarial gains or losses on pensions assets and liabilities	(213,850)
(99,640)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	(92,046)
46,503	Employer's pensions contributions and direct payments to pensioners payable in the year	51,046
(856,614)	Balance at 31 March	(1,111,464)

f) Collection Fund Adjustment Account

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

2019/20		2020/21
£'000		£'000
8,826	Balance at 1 April	3,470
(5,356)	Amount by which council tax income credited to the CIES is different from council tax & business rates income calculated for the year in accordance with statutory requirements	(13,436)
3,470	Balance at 31 March	(9,966)

g) Accumulated Absences Account

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

2019/20		2020/21
£'000		£'000
(5,497)	Balance at 1 April	(5,689)
5,497	Settlement or cancellation of accrual made at the end of the preceding year	5,689
(5,689)	Amounts accrued at the end of the current year	(7,249)
(192)	Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(1,560)
(5,689)	Balance at 31 March	(7,249)

NOTE 14. TRANSFER TO/FROM EARMARKED RESERVES

The note below sets out the amounts set aside from the General Fund into Earmarked Reserves to provide financing for future expenditure plans and the amounts posted back from Earmarked Reserves to meet General Fund expenditure in 2020-21.

Balance at 1 April 2019	Additions in Year	Used in Year	Restated Balance at 31 March 2020		Restated Balance at 1 April 2020	Additions in Year	Used in Year	Balance at 31 March 2021
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
19,070	787	(5,720)	14,137	Balances from dedicated schools budget	14,137	670	(2,929)	11,878
14,108	11,551	(14,988)	10,671	Balances for schools under a scheme of delegation	10,671	15,227	(11,661)	14,237
				Other Earmarked Reserves:				
16,196	15,141	(16,196)	15,141	Earmarked Reserves - Pre-Council Confirmation	15,141	29,254	(15,141)	29,254
5,237	500	0	5,737	Insurance	5,737	1,038	0	6,775
519	362	(196)	685	Schools Sickness Insurance	685	0	0	685
1,907	790	(874)	1,823	Shared Services (Legal & Procurement)	1,823	828	(13)	2,638
45,594	10,175	(3,087)	52,682	Financial Volatility	52,682	0	(12,200)	40,482
2,296	1,100	(11)	3,385	CSSC Transformation including BW Rebuild & Development	3,385	0	(636)	2,749
4,986	1,286	(1,235)	5,037	Energy from Waste Lifecycles	5,037	1,286	(552)	5,771
0	10,182	0	10,182	Development Fund	10,182	9,966	(5,696)	14,452
1,683	6,152	(1,683)	6,152	Business Rates Volatility Reserve	6,152	0	0	6,152
0	0	0	0	Support to Businesses	0	12,000	(689)	11,311
14,265	1,965	(11,079)	5,151	Other Service Earmarked Reserves	5,151	6,504	(1,195)	10,460

NOTES SUPPORTING THE MOVEMENT IN RESERVES STATEMENT

Balance at 1 April 2019	Additions in Year	Used in Year	Restated Balance at 31 March 2020		Restated Balance at 1 April 2020	Additions in Year	Used in Year	Balance at 31 March 2021
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
				Revenue Grants & Contributions Unapplied Reserves				
6,074	5,762	(5,964)	5,872	Schools	5,872	8,320	(5,758)	8,434
9,934	1,053	(2,522)	8,465	Children Services	8,465	2,581	(344)	10,702
41,404	38,255	(37,784)	41,875	Adult Care and Community Wellbeing	41,875	23,649	0	65,524
4,457	6,237	(878)	9,816	Place	9,816	1,628	(499)	10,945
88	21,644	(383)	21,349	Other Budgets	21,349	3,503	(21,152)	3,700
279	0	(66)	213	Corporate Services	213	0	0	213
682	0	(111)	571	Resources	571	42	0	613
451	399	(466)	384	Fire and Rescue	384	0	0	384
189,231	133,341	(103,243)	219,329	Total	219,329	116,496	(78,465)	257,360

* Closing balances as at 31 March 2020 and opening balances as at 1 April 2020 were restated because the Council's internal reporting hierarchy has changed.

The **balance held by schools under the scheme of delegation** represents the net underspending of school budget shares in 2020-21. It is earmarked for use by those schools as required by the Lincolnshire County Council Scheme for financing Schools approved by the Secretary of State for Education.

The **Earmarked Reserves – Pre Council Confirmation** balance is not included within the General Reserve as it contains funds earmarked for the specific purposes set out in the report to the July 2021 Executive. The Council is to be asked to confirm these proposals at its 17 September 2021 meeting, at which point these funds will be transferred to the relevant earmarked reserve.

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

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

The **Shared Services Reserve - (Legal Services and Procurement)** represents what amounts these services carried forward from 2020-21. The Legal Services Management Board will agree on what proportion of the surplus should be distributed to the shared service partners in 2021-22. The Procurement Reserve represents Procurement Lincolnshire's underspend at the end of 2020-21. The underspend relates to both Council money and partners money. This amount will be carried into 2021-22 for schemes for mutual benefit to all the partners.

The **Financial Volatility** and the **Financial Volatility - Budget Shortfall Reserves** have been established to help the Council deal with the future uncertainties around Local Government funding.

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

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

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

The **Business Rates Volatility Reserve** will hold the 2020-21 surplus on the business rates collection fund and will be used to offset any collection fund deficit arising in future years.

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

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

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

NOTE 15. PROPERTY, PLANT AND EQUIPMENT

	Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infra-structure	Surplus Assets	Assets Under Construction	Total	PFI Assets Included in Property, Plant & Equipment
Movement in Property, Plant & Equipment As at 31 March 2021	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation							
At 1 April 2020	582,568	102,543	980,268	10,112	139,149	1,814,639	14,696
Additions	8,237	4,772	48,696	11	70,025	131,741	128
Revaluation Increase to RR	10,730	5,213	0	631	0	16,574	0
Revaluation Decrease to RR	(10,927)	(2,725)	0	(284)	0	(13,936)	0
Revaluation Increase/(Decrease) to SDPS	(12,913)	(92)	0	(368)	0	(13,373)	0
Derecognition - Disposals	(32,720)	(7,029)	(3,409)	(813)	0	(43,971)	(2,078)
Derecognition to RR	(289)	0	0	0	0	(289)	0
Derecognition to SDPS	(2,098)	0	0	0	0	(2,098)	0
Reclassified to/from Heritage Property	86	0	0	0	0	86	0
Reclassified to/from Held for Sale	0	0	0	(1,546)	0	(1,546)	0
Reclassified to/from Investment Property	142	0	0	0	0	142	0
Reclassifications - Other	1,072	4,953	134,925	(137)	(140,813)	0	0
At 31 March 2021	543,888	107,635	1,160,480	7,606	68,361	1,887,969	12,746
Depreciation and Impairment							
At 1 April 2020	(47,474)	(24,970)	(474,661)	(106)	0	(547,211)	(1,269)
Depreciation Charge for 2020/21	(21,000)	(8,782)	(50,265)	(37)	0	(80,084)	(337)
Depreciation written out on upward revaluation	9,371	0	0	2	0	9,373	0
Depreciation written out on downward revaluation	2,104	0	0	0	0	2,104	0
Depreciation written out to the SDPS	2,223	0	0	67	0	2,290	0
Derecognition - Disposals	3,898	6,658	3,409	8	0	13,973	99
Derecognition to SDPS	215	0	0	0	0	215	0
Reclassifications - Other	(2)	0	0	2	0	0	0
At 31 March 2021	(50,665)	(27,094)	(521,517)	(64)	0	(599,340)	(1,507)
Net Book Value at 31 March 2021	493,223	80,541	638,963	7,542	68,361	1,288,629	11,239
Net Book Value at 1 April 2020	535,094	77,573	505,607	10,006	139,149	1,267,428	13,427

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

NOTES SUPPORTING THE BALANCE SHEET

Movement in Property, Plant & Equipment As at 31 March 2020	Land & Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infra- structure £'000	Surplus Assets £'000	Assets Under Construction £'000	Total £'000	PFI Assets Included in Property, Plant & Equipment £'000
Cost or Valuation							
At 1 April 2019	590,775	102,823	943,782	10,824	93,938	1,742,142	14,728
Additions	8,272	7,740	51,088	0	66,047	133,147	70
Revaluation Increase to RR	7,792	(1,576)	0	1,182	0	7,398	164
Revaluation Decrease to RR	(6,666)	0	0	(2,396)	0	(9,062)	(236)
Revaluation Increase/(Decrease) to SDPS	(5,982)	(1,798)	0	(271)	0	(8,051)	(30)
Derecognition - Disposals	(28,671)	(4,991)	(14,603)	(676)	0	(48,941)	0
Derecognition to RR	(426)	0	0	0	0	(426)	0
Derecognition to SDPS	(990)	0	0	0	0	(990)	0
Reclassified to/from Heritage Property	0	0	0	0	0	0	0
Reclassified to/from Held for Sale	0	0	0	(575)	0	(575)	0
Reclassified to/from Investment Property	0	0	0	0	0	0	0
Reclassifications - Other	18,467	345	0	2,024	(20,836)	(0)	0
As at 31 March 2020	582,568	102,543	980,268	10,112	139,149	1,814,639	14,696
Depreciation and Impairment							
At 1 April 2019	(33,731)	(24,403)	(442,605)	(80)	0	(500,819)	(1,001)
Depreciation Charge for 2019/20	(23,206)	(10,791)	(46,659)	(36)	0	(80,692)	(378)
Depreciation written out on upward revaluation	3,957	3,793	0	1	0	7,751	73
Depreciation written out on downward revaluation	1,089	0	0	19	0	1,108	36
Depreciation written out to the SDPS	1,767	1,790	0	85	0	3,642	0
Derecognition - Disposals	2,462	4,641	14,603	0	0	21,706	0
Derecognition to SDPS	93	(1)	0	0	0	92	0
Reclassifications - Other	95	0	0	(95)	0	0	0
As at 31 March 2020	(47,474)	(24,970)	(474,661)	(106)	0	(547,211)	(1,269)
Net Book Value as at 31 March 2020	535,094	77,573	505,607	10,006	139,149	1,267,428	13,427
Net Book Value as at 1 April 2019	557,044	78,420	501,177	10,744	93,938	1,241,323	13,727

RR - Revaluation Reserve

SDPS - Surplus or Deficit on the Provision of Services

NOTES SUPPORTING THE BALANCE SHEET

b) Capital Commitments

At 31 March 2021, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2021-22 and future years budgeted to cost £80.746m.

Detail	Gross £'000
Spalding Western Relief Road	28,717
Grantham Southern Relief Road Phase 2	9,678
Louth St Bernard's School - Major extensions/remodelling	7,456
Lincoln Eastern Bypass	7,272
Holdingham Roundabout	6,407
South Lincolnshire Food Enterprise Zone (SLFEZ)	4,595
Spilsby Eresby School - Major extensions/remodelling	4,379
Bourne Willoughby School - Major extensions/remodelling	3,415
Boston Endeavour School - Construction of new Special School	2,379
Broadband Contract 3	2,285
Skegness Roman Bank	1,719
Development of Business Centres	1,337
Sleaford St George's Academy Trust - Capital Grant towards school expansion project	1,107
	80,746

c) Valuations

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

The significant assumptions applied in estimating the current values are:

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

The Coronavirus pandemic has impacted in global financial markets and market activity is being impacted in many sectors. This has resulted in difficulties in attaching weight to previous market evidence for comparison purposes, to inform opinions of value. The land and building valuations included in our accounts have

NOTES SUPPORTING THE BALANCE SHEET

therefore been reported by our valuers on the basis of 'material valuation uncertainty' as per VPS3 and VPGA 10 of the RICS Red Book Global. The valuations therefore have less certainty and should be viewed with a higher degree of caution than what would normally be the case.

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

	Land and Buildings	Surplus Assets	Specialised Equipment
	£'000	£'000	£'000
Non-Current Assets	Current Value	Fair Value	Current value
Valued at:			
01 April 2016	61,840	148	0
01 April 2017	88,225	1,350	0
01 April 2018	128,731	1,892	0
01 April 2019	59,802	2,671	
01 April 2020	154,625	1,481	58,402
Total Cost of Valuation	493,223	7,542	58,402

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

Non-Current Assets carried at depreciated historic cost	2019/20	2020/21
	£'000	£'000
Vehicles, Plant, Furniture and Equipment	19,068	22,138
Infrastructure	505,607	638,963
Assets Under Construction	139,149	68,359
Total Cost of Valuation	663,824	729,460

NOTE 16. HERITAGE ASSETS

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

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

1) Windmills

The Council is responsible for four windmills: Alford Five Sail Windmill, Burgh le Marsh Windmill, Ellis Mill in Lincoln and Heckington Windmill. All four windmills are operational, open to the public on a managed basis and usually staffed by volunteers. Each windmill provides value to the cultural heritage of the County, preserving unusual or even unique features such as Heckington Mill, which is the only surviving eight sailed mill in the country.

2) Historic Buildings

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

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

3) Collections

The Council owns and is responsible for more than three million items in its collections (held across libraries, museums and archives). These include physical and digital collections from all periods of Lincolnshire's history.

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

The Council's collections bring a wealth of enjoyment and education to those living in Lincolnshire and beyond. The Council is legally obliged to protect significant elements of these collections but, importantly, their management and development ensures that the cultural heritage and life of the County are preserved for future generations and are available to the current generation.

The management and development of the collections is governed by the Council's Policy on Collection Management, which can be found on the Council's website in the Decision details area

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

- a) Reconciliation of the carrying value of Heritage Assets held:

NOTES SUPPORTING THE BALANCE SHEET

	Windmills	Other Historic Buildings	Collections	Total
	£'000	£'000	£'000	£'000
Cost or Valuation				
Balance at 1 April 2020	3,478	23,953	37,084	64,515
Additions - In House construction/Improvement	72	0	0	72
Revaluations recognised in the Revaluation Reserve (RR)	1,070	0	916	1,986
Revaluations recognised in the CIES	111	0	0	111
Impairment Losses/(reversals) recognised in the RR	0	0	0	0
Impairment Losses/(reversals) recognised in CIES	0	0	0	0
Reclassifications	(86)	0	0	(86)
At 31 March 2021	4,645	23,953	38,000	66,598

	Windmills	Other Historic Buildings	Collections	Total
	£'000	£'000	£'000	£'000
Cost or Valuation				
Balance at 1 April 2019	3,990	23,842	40,000	67,831
Additions - In House construction/Improvement	138	112		250
Revaluations recognised in the Revaluation Reserve	0	0	(2,916)	(2,916)
Revaluations recognised in the CIES	0	0	0	0
Impairment Losses/(reversals) recognised in the RR	(650)	0	0	(650)
Impairment Losses/(reversals) recognised in CIES	0	0	0	0
Reclassifications	0	0	0	0
At 31 March 2020	3,478	23,953	37,084	64,515

b) Additions to Heritage Assets

There have been additions of £0.01m to Ellis Mill, £0.01m to Alford Windmill, £0.01m to Heckington Windmill and £0.05m to Burgh Le Marsh Windmill.

c) Disposals

There have been no material disposals of Heritage Assets during 2020-21.

NOTE 17. INVESTMENT PROPERTIES

Investment Properties are assets held for either capital appreciation or income generation, or both. For these purposes the Council holds the County Farms estates and a small number of other general fund properties. The County Farms estate includes both freehold (owned by the Council) and leasehold (rented by the Council) properties.

a) Investment Properties Income and Expenditure

	County Farm Estates		Other General Fund Properties	
	2019/20	2020/21	2019/20	2020/21
	£'000	£'000	£'000	£'000
Rental Income	(2,365)	(2,438)	(83)	(62)
Direct Operating Expenses	670	471	30	22
Net (Income)/Expenditure	(1,695)	(1,967)	(53)	(40)

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

b) Movement on Investment Properties

	County Farm Estates		Other General Fund Properties		Total	
	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April	106,971	104,394	1,734	1,771	108,705	106,165
Additions - Acquisitions (Purchase and Construction)	439	550	0	8	439	558
Disposals	(2,265)	(60)	0	0	(2,265)	(60)
Net Gains/(Losses) from fair value adjustments	(751)	1,152	37	86	(714)	1,238
Transfers to/from Property, Plant and Equipment	0	0	0	(142)	0	(142)
Balance at 31 March	104,394	106,036	1,771	1,723	106,165	107,759

Nature of asset holding	County Farm Estates		Other General Fund Properties	
	2019/20	2020/21	2019/20	2020/21
	£'000	£'000	£'000	£'000
Owned Assets	104,379	106,022	1,771	1,724
Leased Assets	15	14	0	0
Balance at 31 March	104,394	106,036	1,771	1,724

c) Revaluations

The Council revalues investment properties annually to ensure that they are carried at fair value. All valuations are carried out by the Council's appointed Valuers - Savills (L&P Ltd) for the County Farms Estate and Kier Services for other general fund Investment Properties. Valuations were carried out in accordance with the

methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations are carried out as at 31 March each year to ensure all Investment Properties are carried at fair value at the Balance Sheet date.

d) Valuation Techniques Used to Determine Level 2 Fair Values for Investment Properties

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

The market value approach takes into account the similar assets in the market, existing lease terms and rentals and market evidence, which comes from numerous sources. If there is more than one value available for the same property on different basis, the highest valuation figure is used.

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

NOTE 18. INTANGIBLE ASSETS

The Council accounts for its software and licences as intangible assets. The IT systems are accounted for as part of Property, Plant and Equipment, under the heading Vehicles, Plant, Furniture and Equipment. Intangible assets recognised by the Council include both purchased software and licences. The Council has no internally generated software during the year 2020-21.

a) Movement on intangible assets:

NOTES SUPPORTING THE BALANCE SHEET

	Software	Software Licenses	Total
	£'000	£'000	£'000
Restated Balance at 1 April 2020 *			
Gross carrying amount	18,205	2,482	20,687
Accumulated amortisation	(11,037)	(1,486)	(12,523)
Net carrying amount at 1 April 2020	7,168	996	8,164
Additions:			
Purchases	181	0	181
Other disposals	(47)	0	(47)
Amortisation for the period	(1,751)	(291)	(2,042)
Net carrying amount at 31 March 2021	5,551	705	6,256
Comprising:			
Gross carrying amounts	18,293	2,482	20,775
Accumulated amortisation	(12,742)	(1,777)	(14,519)
Balance Sheet amount at 31 March 2021	5,551	705	6,256

* Adjustment made to the Gross Carrying and Accumulated Amortisation opening balances to account for fully amortised assets included in previous year's closing balances.

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £2.043m (£2.322m in 2019-20) was charged to cost of services in 2020-21.

b) Significant Capitalised Software

At 31 March 2021, the Council has not capitalised material items of software during 2020-21.

c) Capital Commitments

As at 31 March 2021, the Council hasn't entered into any contractual commitments for Intangible Assets over £0.750m.

d) Revaluation

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

NOTES SUPPORTING THE BALANCE SHEET

No collateral or financial guarantees are held by the Council at 31 March 2021 or included in the above figures.

No financial instruments included in the above figures have been reclassified or derecognised during the year and no defaults or breaches have occurred.

b) Financial Instruments Income, Expense, Gains or Losses

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

There have been no other gains or losses on derecognition or impairment losses during the year on financial assets held by the Council.

A loss on revaluation of equity instruments designated at fair value through other comprehensive income of £0.018m, a reduction in expected credit loss allowance (gain) of -£0.177m and a reduction (loss) in the fair value of debtors from an impairment allowance of £4.286m occurred in 2020-21.

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

	2019/20	2020/21
	£'000	£'000
(Gains) or Losses on:		
Financial Liabilities At Amortised Cost	0	0
Financial Liabilities at Fair Value through Profit and Loss	0	0
Financial Assets at Amortised Cost	1,189	4,109
Financial Assets at Fair Value through Other Comprehensive Income	0	0
Financial Assets Fair Value through Other Comprehensive Income - Designated	26	18
Equity Instruments		
Financial Assets Fair Value through Profit and Loss	0	0
Total Net Gains (-) or Losses	1,215	4,127
Interest Revenue:		
Financial Assets at Amortised Cost	(2,233)	(1,604)
Financial Assets at Fair Value through Other Comprehensive Income	0	0
Total Interest Revenue	(2,233)	(1,604)
Interest Expense:		
Financial Liabilities At Amortised Cost	19,578	19,157
Total Interest Expense	19,578	19,157
Fee Income:		
Financial Assets or Financial Liabilities not at Fair Value through Profit & Loss	0	0
Total Fee Income	0	0
Fee Expense:		
Financial Assets or Financial Liabilities not at Fair Value through Profit & Loss	39	35
Total Fee Expense	39	35

c) Fair Value Measurement and Disclosure

Financial assets classified as fair value through profit and loss or fair value through other comprehensive income are measured at fair value on a recurring basis and

NOTES SUPPORTING THE BALANCE SHEET

carried on the Balance Sheet at this fair value. All other financial liabilities and financial assets are classified as amortised cost, including long term debtors and creditors and are carried on the Balance Sheet at amortised cost. The fair value of these instruments are calculated for disclosure purposes within this note.

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

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

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

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

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

Financial assets held by the Council that fall into this category include Constant Net Asset Value and Low Volatility Net Asset Value Money Market Funds. These funds are pooled investment funds that invest in short-term assets that aim to offer returns in line with money market rates and preserve the value of investments. Units of the fund are bought and sold and dividends paid in accordance with daily yields returned, set at the end of each day. The net asset value of these funds only vary by an insignificant amount due to changing values of the assets in the fund. The price of the fund (fair value) is quoted in an active market and generally equals the carrying amount of the units held. The fair value, including accrued interest, is carried on the Balance Sheet.

Details of these instruments are shown in the table below:

	31 March 2020		31 March 2021	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Level 1 - Fair Value Hierarchy Measurement:	£000	£000	£000	£000
Money Market Funds	63,105	63,122	38,225	38,225
Financial Assets Measured at Fair Value through Profit and Loss	63,105	63,122	38,225	38,225

NOTES SUPPORTING THE BALANCE SHEET

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

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

Details of these instruments are shown in the table below:

	31 March 2020		31 March 2021	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Level 3 - Fair Value Hierarchy Measurement:	£000	£000	£000	£000
Investors in Lincoln	14	268	14	250
ESPO Trading Ltd	0	0	0	0
Financial Assets Measured at Fair Value through Other Comprehensive Income-Designated Equity	14	268	14	250

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

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

- For loans from the PWLB, equivalent borrowing rates available from the PWLB at 31 March 2021 have been applied to provide the fair value under the PWLB debt redemption procedures.
- For non PWLB loans and long term investments prevailing benchmark market rates have been used to provide the fair value.
- No early repayment or impairment is recognised.
- Where an instrument has a maturity of less than 12 months (other than PWLB debt), or is a trade or other payable or receivable, the fair value is taken to be the principal outstanding or the billed amount.
- The fair value of trade and other payables and receivables is taken to be the invoiced or billed amount.

NOTES SUPPORTING THE BALANCE SHEET

The fair values calculated are as follows:

Financial Liabilities	31 March 2020		31 March 2021	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Level 2 - Fair Value Hierarchy Measurement:				
PWLB Debt (Long Term > 12 Months)	467,942	574,401	456,783	603,869
Non PWLB Debt (Long Term > 12 Months)	20,244	26,642	20,423	37,004
PWLB Debt (Short Term < 12 Months)	14,460	17,742	11,159	14,739
Long-Term Creditors & Other Long Term	2,364	2,364	2,297	2,297
Short-Term Creditors & Other Short Term	89,313	89,313	90,265	90,265
Total Financial Liabilities at Amortised Cost	594,323	710,462	580,927	748,174

Where the fair value is less than the carrying amount, this is due to the Council's portfolio of loans including a number of fixed rate loans where the interest rate payable is lower than the rates available for similar loans in the market at the Balance Sheet date. This shows a notional future gain based on economic conditions at the Balance Sheet date arising from a commitment to pay interest to lenders below current market rates.

Where the fair value is more than the carrying amount, the opposite is true, i.e. a number of fixed rate loans held in the Council's portfolio have interest rates payable above current market rates for similar loans. The change in fair value from 31 March 2020 to 31 March 2021 highlights the reduction or increase in market rates over this period and shows that Fair Value is significantly higher at 31 March 2021 given the prevalent low interest rate environment.

The fair value of the PWLB Debt shown above is calculated using the PWLB New Borrowing Concessionary rates available at the 31 March 2021. However if the Council were to repay any of this PWLB Debt early at this time, then the PWLB would calculate the Fair Value of this debt using a set of Early Redemption rates. The fair value calculated on this basis would be £744.719m, some £126.111m higher than the market fair value stated above. This represents the penalty charge by the PWLB of redeeming the loans early to cover the additional interest that would no longer be paid if that were the case.

Financial Assets	31 March 2020		31 March 2021	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Level 2 - Fair Value Hierarchy Measurement:				
Investments (Long Term > 12 Months)	13,581	13,868	6,169	6,359
Investments (Short Term < 12 Months)	213,250	213,250	316,847	316,847
Long-Term Debtors	6,363	6,363	3,933	3,933
Short-Term Debtors	37,188	37,188	41,646	41,646
Total Financial Assets at Amortised Cost	270,382	270,669	368,595	368,785

The fair value is greater than the carrying amount, when the Council's portfolio of long term investments includes a number of fixed rate loans where the interest rate receivable is higher than the estimated rates available for similar loans at the Balance Sheet date. This guarantee to receive interest above the current market rate

increases the amount that the Council would receive if it agreed to early repayment of the loans and hence shows a notional future gain.

Where estimated rates available for similar loans at the Balance Sheet date are higher than the Council's long term investments, the opposite is true.

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

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

1) Key Risks

The Council's activities expose it to a variety of financial risks, the key risks are:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council;
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments;
- Re-financing risk – the possibility that the Council might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms;
- Market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rate movements.

2) Overall Procedures for Managing Risk

The Council's overall risk management procedures focus on the unpredictability of financial markets and implementing restrictions to minimise these risks. The procedures for risk management are laid down in a legal framework set out in the Local Government Act 2003 and associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Act. Overall these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the Code of Practice;
- by approving annually in advance prudential indicators for the following three years limiting:
 - The Council's overall borrowing;
 - maximum and minimum exposures to the maturity structure of its debt;
 - its management of interest rate exposure;
 - maximum annual exposures to investments maturing beyond one year.
- by approving an investment strategy and a capital strategy for the forthcoming year, setting out its criteria for both investing and selecting investment counterparties in compliance with Government Guidance.

These items are required to be reported and approved at or before the Council's Annual Council Tax setting budget; and are also reported as part of the Council's

annual treasury management strategy and investment strategy, which outlines the detailed approach to managing risk in relation to the Council's treasury financial instrument exposure and its capital strategy, which outlines the same for the non-treasury financial instruments the Council makes, such as loans to third parties for service reasons. Actual performance is also reported quarterly to Councillors.

Treasury management policies are implemented by a central treasury management team. The Council maintains written principles for overall risk management; as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash through its Treasury Management Practices (TMPs). These TMPs are a requirement of the Code of Practice and are reviewed regularly.

The Covid19 pandemic has impacted mainly on liquidity risk during the year, as normal cash flow patterns were affected by loss of normal income, extra required expenditure and injections of Government funding; all leading to uncertainty of cash flows. This risk has been mitigated by having liquidity measures in place and sound cash flow management procedures, as detailed in both TMP1 and TMP8. The Council's financial standing during the COVID 19 period has not been affected for these reasons.

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

3) Expected Credit Loss

Calculation of expected credit losses held on all financial assets held at amortised cost is a way of assessing the credit risk for investments held and is a new requirement under IFRS9. Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations.

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

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

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

NOTES SUPPORTING THE BALANCE SHEET

individual instrument basis. The Council has grouped the loans into the following groups for assessing loss allowances:

Type of Collective Investment Group	Risk Assessment	Expected Credit Loss Model	Assessment Criteria
Group 1 - Treasury Investments - Loans made to highly credit rated counterparties under the credit analysis followed within the Councils Investment Strategy.	Low Risk	12 Months	Historical Default Table issued by Credit Rating Agencies to determine probability of default per credit rating and length of investment.
Group 2 - Loans to Third Parties for Service Reasons - Credit worthiness not the prime consideration.	High Risk (No Collateral) / Medium Risk (Collateral)	Lifetime	Assessed on Individual basis using external credit ratings, economic conditions, financial position and forecasts and history of default/extended credit terms. *(1)
Group 3 - Loans to Council owned Companies for Service Reasons - Credit worthiness not the prime consideration.	High Risk (No Collateral) / Medium Risk (Collateral)	Lifetime	Assessed on Individual basis using external credit ratings, economic conditions, financial position and forecasts and history of default/extended credit terms.

*(1) Loans to companies in financial difficulties for service reasons will be deemed fifty percent credit impaired on origination, factored into the amortised cost of the loan, hence no expected credit loss will be needed. The impairment will be charged to the service upon recognition and amortised over the life of the loan to recognise the high risk of default on the loan.

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

Expected Credit Losses By Collective Investment Group	Group 1	Group 2	Group 3	Total
	Treasury Investments 12 Month	Third Party Loans Lifetime	Owned Company Lifetime	
	£'000	£'000	£'000	£'000
Opening Balance at 1 April 2020	0	37	167	204
New Financial Assets Purchased	0	0	0	0
Financial Assets Derecognised	0	(10)	(167)	(177)
Financial Assets Written Off	0	0	0	0
Transfers between models/risk parameters/ impairment	0	0	0	0
Expected Credit Loss Balance at 31 March 2021	0	27	0	27

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

4) Credit Risk Exposure

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

i. Treasury Related Financial Instruments:

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. To minimise this risk, deposits are not made

NOTES SUPPORTING THE BALANCE SHEET

with banks and financial institutions unless they meet the minimum requirements of the Council's investment criteria (based on independent credit rating assessments of institutions and countries, their credit watches and outlooks from credit rating agencies and their credit default spreads), as outlined in its investment strategy. A summary of the minimum requirements are outlined below:

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

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

	Probability of Default %	Amount at 31 March 2020		Amount at 31 March 2021	
		£'000	%	£'000	%
AAA Rated Counterparties	0.039%	63,105	21.90%	38,225	10.63%
AA Rated Counterparties	0.028%	40,000	13.88%	40,000	11.12%
A Rated Counterparties	0.044%	90,000	31.24%	117,950	32.79%
Other Counterparties (*1)	0.011%	95,000	32.97%	163,500	45.46%
Total Treasury Investments		288,105	100%	359,675	100.00%

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

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

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

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

ii. Non-Treasury Related Financial Instruments:

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

Risk related to non-treasury related investments is managed by setting an appropriate Prudential Indicator limiting the amount of investment made to the amount of General Reserve the Council is prepared to lose, given the default of a

NOTES SUPPORTING THE BALANCE SHEET

particular loan, after an assessment of the worst case expected credit loss is made. The limit set is 10%.

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

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

	Risk Level	Amount at 31 March 2020		Amount at 31 March 2021	
		£'000	%	£'000	%
Transport Connect Ltd - LCC Company (*2)	Medium	629	32.68%	393	23.82%
Lincs Community Foundation- 3rd Party	Medium	256	13.30%	242	14.67%
Loans to Academies - Government 3rd Party	Exempt	1,040	54.03%	1,015	61.52%
Total Non-Treasury Related Investments		1,925	100.00%	1,650	100.00%

(*2) The risk level of Transport Connect Ltd has moved to Medium from High due to a strengthened Balance Sheet, shorter maturity term and reduced amount of investment outstanding.

iii. Trade Debt:

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

The overdue, but not impaired, amounts of the Council's customers at 31 March 2021 can be analysed by age as follows:

Analysis of Debts by Age	Amount at 31 March 2020		Amount at 31 March 2021	
	£'000	%	£'000	%
Less than 3 months	2,541	26.86%	5,032	47.95%
3 to 6 months	1,750	18.50%	2,706	25.78%
6 months to 1 year	2,476	26.17%	1,926	18.35%
More than 1 year	2,694	28.47%	831	7.92%
Total Outstanding Debt	9,461	100.00%	10,495	100.00%

5) Liquidity Risk

The Council has ready access to borrowings from the Money Markets to cover any day-to-day cash flow need. The Public Works Loan Board provides access to longer-term funds; it also acts as a lender of last resort to Councils (although it will not provide funding to a Council whose actions are unlawful). The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is, therefore, no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the

NOTES SUPPORTING THE BALANCE SHEET

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

6) Refinancing and Maturity Risk

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

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

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

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

Debt Outstanding - Financial Liabilities	Approved Maximum Limit	Approved Maximum Limit	31 March 2020	31 March 2021
	%	£'000	£'000	£'000
Less than one year	25%	123,045	18,447	15,046
Between one and two years	25%	123,045	11,209	8,540
Between two and five years	50%	246,091	27,402	25,427
Between five and ten years	75%	369,136	63,874	39,620
Between ten and fifteen years	100%	492,181	19,122	24,000
Between fifteen and twenty-five years	100%	492,181	46,439	39,439
Between twenty-five and thirty-five years	100%	492,181	75,085	100,213
Between thirty-five and forty-five years	100%	492,181	170,024	179,896
Maturing in more than forty-five years	100%	492,181	75,000	60,000
Total			506,602	492,181

Investments Outstanding - Financial Assets	Approved Maximum Limit	Approved Maximum Limit	31 March 2020	31 March 2021
	%	£'000	£'000	£'000
Less than one year	100%	362,045	277,291	355,627
Between one and two years	11%	40,000	12,386	5,016
Between two and three years	11%	40,000	27	31
Maturing in more than three years	11%	40,000	1,435	1,371
Total			291,139	362,045

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

7) Market Risk

i. Interest Rate Risk

The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council. For instance, a rise in interest rates would have the following effects:

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

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

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

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From this strategy, a prudential indicator is set which provides maximum limits for fixed and variable interest rate exposure. The central treasury team monitor markets and forecast interest rates within the year to adjust exposures appropriately. For instance, during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns.

Based on the financial liabilities and assets as at the balance sheet date a one percent point movement in average interest rates would be equivalent to a £2.546m change in the Council's net interest charge in the Comprehensive Income and Expenditure Account. This calculation is based on a full year interest effect at a constant level of borrowing and investments as at the reporting date, a further breakdown is shown in the table below:

NOTES SUPPORTING THE BALANCE SHEET

	Amount at 31 March 2021 £'000
Financial Impact of the Interest Rate Risk	
Increase in interest payable on variable rate borrowings	0
Increase in interest receivable on variable rate investments	2,546
Impact on Income and Expenditure Account	2,546

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

	Fair Value 31 March 2021 £'000	Fair Value at 1% Higher £'000	Fair Value at 1% Lower £'000
County Council	654,736	544,759	803,164
Schools	876	841	912
Long Term Fixed Borrowing:	655,612	545,600	804,076
Treasury Investments	5,041	4,982	5,100
Non Treasury Investments	1,318	1,260	1,380
Long Term Fixed Investments:	6,359	6,242	6,480

There is no impact on the Surplus or Deficit on Provision of Services or the Other Comprehensive Income and Expenditure account from the movement in fair value on borrowing and loans & receivables shown above. Fair values have been calculated using the same methodology/ assumptions as outlined on page 74 under "Fair Value of Financial Assets and Financial Liabilities Carried at Amortised Cost".

ii. Price Risk

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

The Council does however have a small equity holding of 14,000 shares (£1 par value) in a company called Investors in Lincoln and 100 shares (£1 par value) in a company called ESPO trading Ltd. Both of these holdings are non-treasury investments held for Service benefit reasons. Whilst these holdings are generally illiquid, the Council is exposed to gains or losses arising from movements in the price of the shares.

As these shareholdings have arisen in the acquisition of specific interests, the Council is not in a position to limit its exposure to price movements by diversifying its portfolio. The shares are not actively traded in an open market and the values of holdings at year end are calculated using discounted cash flow techniques (enterprise method).

NOTES SUPPORTING THE BALANCE SHEET

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

iii. Foreign Exchange Risk

The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

NOTE 20. DEBTORS

31 March 2020	Amounts falling due within one year:	31 March 2021
£'000		£'000
12,551	Trade Receivables	14,906
7,046	Prepayments	7,996
45,904	Other Receivable Amounts	39,704
65,501	Total Short Term Debtors	62,606

31 March 2020	Amounts falling due after one year:	31 March 2021
£'000		£'000
2,121	Trade Receivables	618
3,875	Prepayments	3,153
367	Other Receivable Amounts	162
6,363	Total Long Term Debtors	3,933

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

NOTE 21. ASSETS HELD FOR SALE

	Current	
	2019/20	2020/21
	£'000	£'000
Balance outstanding at 1 April	16	575
<u>Assets newly classified as held for sale:</u>		
- Property, Plant and Equipment	575	1,546
- Intangible Assets	0	0
- Other assets/liabilities in disposal groups	0	0
Revaluation Increase to RR *	0	0
Revaluation Decrease to RR *	0	0
Revaluation Increase/(Decrease) to SDPS **	0	0
<u>Assets declassified as held for sale:</u>		
- Property, Plant and Equipment	0	0
- Intangible Assets	0	0
- Other assets/liabilities in disposal groups	0	0
Assets Sold	(16)	(300)
Transfers from non-current to current	0	0
Balance Outstanding at 31 March	575	1,821

NOTE 22. CASH AND CASH EQUIVALENTS

Balance at 31 March 2020		Balance at 31 March 2021
£'000		£'000
733	Cash held by the authority	637
(15,308)	Bank current accounts	(85,669)
(14,575)	Total	(85,032)

NOTE 23. CREDITORS

31 March 2020		31 March 2021
£'000	Amounts falling due within one year:	£'000
(43,116)	Trade Payables	(48,060)
(59,603)	Other Payables	(58,405)
(102,719)	Total Short Term Creditors	(106,465)

31 March 2020		31 March 2021
£'000	Amounts falling due after one year:	£'000
(2,364)	Trade Payables	(2,297)
0	Other Payables	0
(2,364)	Total Long Term Creditors	(2,297)

NOTE 24. PROVISIONS

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

	Balance at 1 April 2020	Additional provisions made in year	Amounts used in year	Unused amounts reversed in year	Balance at 31 March 2021
	£'000	£'000	£'000	£'000	£'000
Short Term Provisions:					
- Insurance Claims	(2,378)		816		(1,562)
- Business Rates Appeals	(2,014)	(48)			(2,062)
- IT Security Storage	(300)				(300)
- Voluntary Overtime Provision	(415)				(415)
- Home Care Provision	(499)				(499)
- Adult Care - Flat Rate charging	0	(516)			(516)
	(5,606)	(564)	816	0	(5,354)
Long Term Provisions:					
- Social Services - Section 117	(307)			307	0
- Insurance Claims	(3,957)	(1,492)			(5,449)
	(4,264)	(1,492)	0	307	(5,449)
TOTAL	(9,870)	(2,056)	816	307	(10,803)

The Council's accounting policy on provisions includes a de-minimis of £0.250m.

The **Insurance provision** represents all estimated outstanding claims under the excess clauses of the Council's external insurance policies. Material risks which are met by the Council under current insurance policies are shown below:

NOTES SUPPORTING THE BALANCE SHEET

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

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

The **IT Security Storage Provision** represents Dual Running Costs as a result of moving the Council's Data Centre infrastructure into a public Cloud environment.

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

The **Home Care Provision** represents an estimate of a proportion of the contract underutilisation.

The **Flat Rate Provision** represents an estimate for charging in Adult Social Care for Short Term care from 1st April 2015 to 13th April 2020 Ombudsman ruling that charges were not accurate and to reimburse any service users.

NOTE 25. OTHER LONG TERM LIABILITIES

31 March 2020		31 March 2021
£'000		£'000
(9,471)	Outstanding Liabilities on PFI and Finance Leases	(8,687)
(856,614)	Net Pension Liability	(1,111,464)
(866,085)		(1,120,151)

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

Lincolnshire - Schools PFI Arrangement

a) Background

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

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

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

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

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

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

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

The table below shows the non-current assets held by the Council, and the movement in their values during 2020-21. These assets are included in the non-

NOTES SUPPORTING THE BALANCE SHEET

current assets shown in Note 15 Property, Plant and Equipment.

	Land & Buildings		Furniture & Equipment	
	2019/20	2020/21	2019/20	2020/21
	£'000	£'000	£'000	£'000
Balance at 1 April:	13,683	13,347	43	77
Additions	17	114	52	14
Revaluations	7	0	0	0
Depreciation	(360)	(311)	(18)	(25)
Disposals	0	(1,979)	0	0
Reclassifications	0	0	0	0
De-recognition	0	0	0	0
Net Book Value at 31 March	13,347	11,171	77	66

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

The following table shows the outstanding liability on the PFI Finance Lease, and the movement during 2020-21:

2019/20		2020/21
£'000	PFI Lease Liability	£'000
10,025	Liability as at 01 April:	9,261
(765)	Principal Repayments	(765)
9,261	Liability as at 31 March	8,496

d. PFI Contract Liabilities

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

	Principal Lease Repayment	Financing Costs (Interest)	Service Charges	Total Estimated Payments
	£'000	£'000	£'000	£'000
Payable in 2021/22	864	584	2,164	3,612
Payable between 2022-23 and 2024-25	2,209	1,396	7,005	10,610
Payable between 2025-26 and 2029-30	4,602	1,154	11,404	17,160
Payable between 2030-31 and 2032-33	821	70	4,196	5,087
Total Committed Liabilities as at 31 March 2021	8,496	3,204	24,768	36,468

e. School Assets

On 1 August 2016, the Lady Jane Franklin School in Spilsby converted to Academy status (now called Woodlands Academy). A lease has been agreed between the Council and the Academy to reflect the effects of conversion. This lease is

accounted for in accordance with the Council's Accounting Policies on Leases and Accounting for Schools. The figures shown in Section d above include £1.281m of principal lease liability and £0.483m of interest liability that relate to the Lady Jane Franklin School.

On 1 March 2013, the Phoenix School in Grantham converted to Academy status. A lease has been agreed between the Council and the Academy to reflect the effects of conversion. This lease is accounted for in accordance with the Council's Accounting Policies on Leases and Accounting for Schools. The figures shown in Section d above include £1.289m of principal lease liability and £0.486m of interest liability that relate to the Phoenix School.

On 11 November 2011, the school buildings belonging to St Botolph's County Primary School in Sleaford (a Voluntary Controlled School) were transferred to the Diocese Trust. This school has been accounted for in accordance with the Council's Accounting Policy of School Assets. The figures shown in Section d above include £1.404m of principal lease liability and £0.529m of interest liability that relate to St Botolph's County Primary School.

NOTE 27. LEASES

Lincolnshire County Council as Lessee

i) Finance Leases

The Council has acquired the following assets under finance leases:

Land and Buildings:

- County Farms - the Council holds a small number of holdings under lease which are then sub-let as part of the County Farms estate.
- Other Land and Buildings – the Council has a small number of leases which it has classified as finance leases.

Vehicles, Plant, Furniture and Equipment:

- There were no Finance lease payments during 2020-21 (£0.004m in 2019-20) for Vehicles, Plant, Furniture and Equipment.

The following amounts are included within tangible non-current assets Note 15 for the Property, Plant and Equipment held under finance leases:

NOTES SUPPORTING THE BALANCE SHEET

	Land and Buildings		Vehicles, Plant & Equipment	
	2019/20	2020/21	2019/20	2020/21
	£'000	£'000	£'000	£'000
Balance at 1 April:	15,615	16,853	5	0
Additions	57	13	0	0
Revaluations	1,030	256	0	0
Depreciation	(585)	(646)	(5)	0
Disposals	0	(124)	0	0
Reclassifications	736	0	0	0
Net Book Value at 31 March	16,853	16,352	0	0

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

	2019/20		2020/21	
	Minimum Lease Payments	Finance Lease Liabilities	Minimum Lease Payments	Finance Lease Liabilities
	£'000	£'000	£'000	£'000
Land and Buildings:				
Not later than one year	7	13	8	11
Between one year and not later than five years	36	60	37	59
Later than five years	156	268	148	257
Total Committed Liabilities as at 31 March	199	341	193	327

	2019/20		2020/21	
	Minimum Lease Payments	Finance Lease Liabilities	Minimum Lease Payments	Finance Lease Liabilities
	£'000	£'000	£'000	£'000
Vehicles, Plant & Equipment:				
Not later than one year	4	0	0	0
Between one year and not later than five years	7	1	0	0
Later than five years	0	0	0	0
Total Committed Liabilities as at 31 March	11	1	0	0

ii) Operating Leases

The Council has the following assets under operating leases:

Land and Buildings:

- The Council lease various properties for use in delivering services. The rentals paid during 2020-21 amounted to £1.144m (£1.174m in 2019-20).

Vehicles, Plant, Furniture and Equipment:

- The Council makes operating lease payments for equipment, contract car hire vehicles and fleet hire. The amount paid under these arrangements in 2020-21 was £2.958m (£3.310m in 2019-20).

NOTES SUPPORTING THE BALANCE SHEET

As at 31 March 2021, the Council is committed to making payments of £10.948m under operating leases, comprising of the following elements:

2019/20		2020/21
£'000		£'000
3,011	Not later than one year	2,685
5,538	Between one year and not later than five years	4,267
4,653	Later than five years	3,996
13,202 Total Committed Liabilities as at 31 March		10,948

Lincolnshire County Council as Lessor

i) Finance Leases

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

The Council sub-lets County Farm holdings held under finance leases. At 31 March 2021 the minimum payments expected to be received under non-cancellable sub-leases was £11.341m.

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

ii) Operating Leases

The Council acts as lessor (landlord) mainly for the County Farms estate and received income from tenants of £2.425m in 2020-21 (£2.362m in 2019-20). The Council also received rental income from other properties; where the value of the lease is material, the income amounted to £2.112m in 2020-21 (£12.478m in 2019-20).

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

2019/20		2020/21
£'000		£'000
3,249	Not later than one year	3,032
6,492	Between one year and not later than five years	6,504
12,640	Later than five years	10,793
Total future minimum lease payments		
22,381 receivable as at 31 March		20,329

NOTE 28. PENSION SCHEMES ACCOUNTED FOR AS DEFINED CONTRIBUTION SCHEMES

Teachers' Pension Scheme

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

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

In 2020-21 the Council paid £16.822m to the administrators of the TPS in respect of Employer's pension contributions. The Council's contribution rate to the teacher's pension fund is 23.68%. The Council is responsible for all pension payments relating to compensatory added years under the Council's early retirement policy.

This includes payments for associated pension increases and mandatory compensation payments to fund the early release of benefits from the scheme. These unfunded benefits amounted to £4.076m in 2020-21 and have an on-going liability to the Council.

National Health Service Pension Scheme (NHSPS)

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

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

In 2020-21 the Council paid £0.944m to the administrators of the NHS Pension Scheme in respect of employer contributions. This was made of £0.870m

of employer's contributions to the scheme at a contribution rate of 14.38% together with a lump sum contribution of £0.074m in 2020-21.

NOTE 29. DEFINED BENEFIT PENSIONS SCHEMES

Participation in Pension Schemes

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

The Council participates in two post-employment schemes:

- i. Local Government Pension Scheme (LGPS)

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

The Council paid employer's contributions of £31.195m (£28.398m in 2019-20) into the Lincolnshire Pension Fund in 2020-21, based on 17.5% of scheme employees' pensionable pay and a lump sum payment of £8.240m (£6.510m in 2019-20).

Under the Council's early retirement policy, additional contributions of £0.347m (£0.364m in 2019-20) were made to the Pension Fund for the pre-funding of early retirements and unfunded benefits in respect of compensatory added years and associated pension increases amounted to £5.811m (£5.859m in 2019-20). Further information can be found on pages 158 to 200 and in the Council's Pension Fund Annual Report which is available on request.

Lincolnshire County Council's pension scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of its Pension Committee. Policy is determined in accordance with the Pension Fund Regulations. The investment managers of the fund are appointed by the committee - See the list in the Pension Fund statements on page 175.

The principal risks to the authority of the scheme are the longevity assumptions, statutory changes to the scheme, and structural changes to the scheme (i.e. large

scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge the General Fund the amounts required by statute as described in Note 44 Accounting Policies on page 121.

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

In 2020-21 the Council paid employer's contributions of £5.400m (£5.200m in 2019-20) to the Lincolnshire Fire and Rescue Pension Fund.

There are currently three schemes: the 1992 and 2015 schemes, where the employer contribution rate is 21.7% and the 2006 scheme, where the contribution rate is 12%. A further £1.471m (£1.184m in 2019-20) was paid in respect of ill health retirements and £0.413m (£0.462m in 2019-20) in respect of injury benefits. Further information on the Lincolnshire Fire and Rescue Pension fund can be found on pages 154 to 157.

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

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

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

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

NOTES SUPPORTING THE BALANCE SHEET

a. Pension Assets and Liabilities Recognised in the Balance Sheet, Service Costs & Other Comprehensive Income (OCI) for the Local Government Pension Fund as at 31 March 2021:

2019/20				2020/21		
Assets	Obligations	Net liability/ asset		Assets	Obligations	Net liability/ asset
£'000	£'000	£'000		£'000	£'000	£'000
1,277,203	0	1,277,203	Fair value of employer assets	1,146,771	0	1,146,771
0	(1,949,900)	(1,949,900)	Present value of funded liabilities	0	(1,679,274)	(1,679,274)
0	(97,310)	(97,310)	Present value of unfunded liabilities	0	(84,111)	(84,111)
1,277,203	(2,047,210)	(770,007)	Opening position as at 31 March	1,146,771	(1,763,385)	(616,614)
<u>Service cost:</u>						
0	(68,111)	(68,111)	Current service cost	0	(68,911)	(68,911)
0	(380)	(380)	Past service costs (including curtailments)	0	(343)	(343)
0	0	0	Effect of settlements	(499)	1,210	711
0	(68,491)	(68,491)	Total Service Costs	(499)	(68,044)	(68,543)
<u>Net Interest:</u>						
30,663	0	30,663	Interest income on planned assets	18,309	0	18,309
0	(49,512)	(49,512)	interest cost on defined benefit obligation	0	(32,011)	(32,011)
30,663	(49,512)	(18,849)	Total net Interest	18,309	(32,011)	(13,702)
30,663	(118,003)	(87,340)	Total defined benefit cost recognised in CIES	17,810	(100,055)	(82,245)
<u>Cash flows:</u>						
9,582	(9,582)	0	Plan participants' contributions	10,070	(10,070)	0
34,908	0	34,908	Employer contributions	39,435	0	39,435
5,895	0	5,895	Contributions re unfunded benefits	5,811	0	5,811
(49,003)	49,003	0	Benefits paid	(53,281)	53,281	0
(5,895)	5,895	0	Unfunded benefits paid	(5,811)	5,811	0
(4,513)	45,316	40,803	Total Cash Flows	(3,776)	49,022	45,246
1,303,353	(2,119,897)	(816,544)	Expected closing position	1,160,805	(1,814,418)	(653,613)

NOTES SUPPORTING THE BALANCE SHEET

2019/20				2020/21		
Assets	Obligations	Net liability/ asset		Assets	Obligations	Net liability/ asset
£'000	£'000	£'000		£'000	£'000	£'000
<u>Remeasurements:</u>						
0	67,172	67,172	Changes in demographic assumptions	0	20,467	20,467
0	167,309	167,309	Changes in financial assumptions	0	(429,754)	(429,754)
0	122,031	122,031	Other experience	0	22,521	22,521
(156,582)	0	(156,582)	Return on assets excluding amounts included in net interest	239,716	0	239,716
(156,582)	356,512	199,930	Total remeasurements recognised in OCI	239,716	(386,766)	(147,050)
1,146,771	0	1,146,771	Fair value of employer assets	1,399,575	0	1,399,575
0	(1,679,274)	(1,679,274)	Present value of funded liabilities	0	(2,114,466)	(2,114,466)
0	(84,111)	(84,111)	Present value of unfunded liabilities	0	(85,773)	(85,773)
1,146,771	(1,763,385)	(616,614)	Closing position as at 31 March	1,399,575	(2,200,239)	(800,664)

This liability comprises of approximately £21.901m in respect of LPGS unfunded pensions and £63.872m in respect of Teachers unfunded pensions.

Analysis of the Remeasurements recognised in Other Comprehensive Income:

	Year to 31/03/20	Year to 31/03/21
Remeasurement of the net assets/(defined benefit)		
Return on Fund assets in excess of interest	(156,582)	239,716
Other actuarial gains/losses on assets	0	0
Change in financial assumptions	167,309	(429,754)
Change in demographic assumptions	67,172	20,467
Experience gain/losses on defined benefit obligation	122,031	22,521
Changes in asset ceiling	0	0
Remeasurement of the net assets/(defined liability)	199,930	(147,050)

NOTES SUPPORTING THE BALANCE SHEET

b) Pension Assets and Liabilities Recognised in the Balance Sheet, Service Costs & Other Comprehensive Income (OCI) for the Fire-fighters Pension Fund as at 31 March 2021:

2019/20				2020/21		
Assets	Obligations	Net liability /asset		Assets	Obligations	Net liability /asset
£'000	£'000	£'000		£'000	£'000	£'000
0	0	0	Fair value of employer assets	0	0	0
0	(241,200)	(241,200)	Present value of funded liabilities	0	(220,700)	(220,700)
0	(21,300)	(21,300)	Present value of unfunded liabilities	0	(19,300)	(19,300)
0	(262,500)	(262,500)	Opening position as at 31 March	0	(240,000)	(240,000)
<u>Service cost:</u>						
0	(6,000)	(6,000)	Current service cost	0	(4,300)	(4,300)
0	(6,000)	(6,000)	Total Service Costs	0	(4,300)	(4,300)
<u>Net Interest:</u>						
0	(6,300)	(6,300)	interest cost on defined benefit obligation	0	(5,500)	(5,500)
0	(6,300)	(6,300)	Total net Interest	0	(5,500)	(5,500)
0	(12,300)	(12,300)	Total defined benefit cost recognised in CI&ES	0	(9,800)	(9,800)
<u>Cash flows:</u>						
1,400	(1,400)	0	Plan participants' contributions	1,400	(1,400)	0
5,200	0	5,200	Employer contributions	5,400	0	5,400
200	(200)	0	Transfers to/from other authorities	0	0	0
500	0	500	Contributions in respect of injury benefits	400	0	400
(6,800)	6,800	0	Benefits paid	(6,800)	6,800	0
(500)	500	0	Injury award expenditure	400	(400)	0
0	5,700	5,700	Total Cash Flows	800	5,000	5,800
(200)	(268,900)	(269,100)	Expected closing position	800	(244,800)	(244,000)
<u>Remeasurements:</u>						
0	8,200	8,200	Changes in demographic assumptions	0	(3,200)	(3,200)
0	22,900	22,900	Changes in financial assumptions	0	(60,700)	(60,700)
0	(2,000)	(2,000)	Other experience	0	(2,900)	(2,900)
0	29,100	29,100	Total remeasurements recognised in OCI	0	(66,800)	(66,800)
0	(220,700)	(220,700)	Present value of funded liabilities	0	(285,600)	(285,600)
0	(19,300)	(19,300)	Present value of unfunded liabilities	0	(25,200)	(25,200)
0	(240,000)	(240,000)	Closing position as at 31 March	0	(310,800)	(310,800)

NOTES SUPPORTING THE BALANCE SHEET

The current service cost shown in the table above includes the cost for both the non-injury benefits and injury benefits. This is split £3.800m for the non-injury benefits and £0.500m for the injury benefits. The interest cost shown in the table above includes the cost for both the non-injury benefits and injury benefits. This is split £5.100m for the non-injury benefits and £0.400m for the injury benefits.

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

2019/20				2020/21		
Liability Split		Duration		Liability Split		Duration
£000	%			£000	%	
104,200	47.21%	24.2	Members	149,800	52.45%	24.7
8,600	3.90%	24.4	Deferred Members	12,400	4.34%	27.8
107,900	48.89%	11.6	Pensioners	123,400	43.21%	12.5
220,700	100.00%	18.1		285,600	100.0%	19.6
10,200	52.85%	24.2	Contingent injuries	14,700	58.33%	24.7
9,100	47.15%	11.6	Injury pension liabilities	10,500	41.67%	12.6
19,300	100.00%	18.2		25,200	100.0%	19.7

NOTES SUPPORTING THE BALANCE SHEET

c) Pension Fund Assets Comprise.

The Local Government Pension schemes comprise the following assets:

Asset Class	Fair value of scheme assets							
	2019/20				2020/21			
	Quoted prices in active markets	Quoted prices not in active markets	Total		Quoted prices in active markets	Quoted prices not in active markets	Total	
	£'000	£'000	£'000	%	£'000	£'000	£'000	%
Fixed Interest Government Securities								
- UK	14,908	0	14,908	1.3%	15,395	0	15,395	1.1%
- Overseas	0	0	0	0.0%	0	0	0	0.0%
Total Fixed Interest Government Securities	14,908	0	14,908	1.3%	15,395	0	15,395	1.1%
Index Linked Government Securities								
- UK	22,935	0	22,935	2.0%	23,793	0	23,793	1.7%
- Overseas	0	0	0	0.0%	0	0	0	0.0%
Total Index Linked Government Securities	22,935	0	22,935	2.0%	23,793	0	23,793	1.7%
Corporate Bonds								
- UK	131,879	0	131,879	11.5%	138,558	0	138,558	9.9%
- Overseas	0	0	0	0.0%	0	0	0	0.0%
Total Corporate Bonds	131,879	0	131,879	11.5%	138,558	0	138,558	9.9%
Equities								
- UK	181,190	0	181,190	15.8%	225,332	0	225,332	16.1%
- Overseas	440,360	0	440,360	38.4%	575,225	0	575,225	41.1%
Total Equities	621,550	0	621,550	54.2%	800,557	0	800,557	57.2%

NOTES SUPPORTING THE BALANCE SHEET

Asset Class	Fair value of scheme assets							
	2019/20				2020/21			
	Quoted prices in active markets	Quoted prices not in active markets	Total		Quoted prices in active markets	Quoted prices not in active markets	Total	
	£'000	£'000	£'000	%	£'000	£'000	£'000	%
Property								
- All	97,476	1,147	98,623	8.6%	97,970	4,199	102,169	7.3%
Total Property	97,476	1,147	98,623	8.6%	97,970	4,199	102,169	7.3%
Others								
- Hedge fund	0	40,137	40,137	3.5%	0	41,987	41,987	3.0%
- Private Equity	0	73,393	73,393	6.4%	4,199	76,977	81,176	5.8%
- Infrastructure	1,147	34,403	35,550	3.1%	8,397	36,389	44,786	3.2%
- Commodities	3,440	2,294	5,734	0.5%	6,998	0	6,998	0.5%
- Bonds	44,724	0	44,724	3.9%	46,186	0	46,186	3.3%
- Private Debt	0	13,761	13,761	1.2%	0	13,996	13,996	1.0%
- Other Diversified Alternatives	16,055	5,734	21,789	1.9%	22,393	4,199	26,592	1.9%
- Forward Currency Contracts	0	4,587	4,587	0.4%	0	(1,400)	(1,400)	-0.1%
- Cash/Temporary Investments	14,907	0	14,907	1.3%	62,980	0	62,980	4.5%
- Debtors	2,294	0	2,294	0.2%	1,400	0	1,400	0.1%
- Creditors	0	0	0	0.0%	0	(5,598)	(5,598)	-0.4%
Total Other	82,567	174,309	256,876	22.4%	152,553	166,550	319,103	22.8%
Total Assets	971,315	175,456	1,146,771	100.0%	1,228,826	170,749	1,399,575	100.0%

All scheme assets have quoted prices in active markets.

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

The estimated return on scheme assets in the year was 22.5% (-5.8% 2019-20).

NOTES SUPPORTING THE BALANCE SHEET

d. Basis for estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Barnett Waddingham, (Fire Fighters Pension scheme was assessed by Hymans Robinson) both independent firm of actuaries, estimates for the Council Fund being based on the latest full valuation of the scheme as at 1 April 2019.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme		Fire-fighters' Pension Scheme	
	2019/20	2020/21	2019/20	2020/21
	%	%	%	%
Price Increases	2.8	2.8	2.8	2.8
Salary Increases	2.2	3.1	2.8	3.3
Pension Increases (CPI)	1.9	2.8	1.9	2.9
Discount Rate	2.3	2.0	2.3	2.0
Equity investments	-5.8	22.5	N/A	N/A
Take up of option to convert annual pension to lump sum prior to 1 April 2008	50	50	N/A	N/A
Take up of option to convert annual pension to lump sum post 1 April 2008	75	75	N/A	N/A

The table below shows the life expectancy of future and current pensioners and is based on the CMI 2018 (fire fighters) and CMI 2020 (LGPS) model assuming the current rate of improvement has peaked and will converge to a long term rate of 1.25% p.a. Life expectancy is based on pensioners of 65 in the LGPS and 60 in the Fire-fighters' scheme. The CMI 2020 model takes into account the impact of the Coronavirus.

	Local Government Pension Scheme		Fire-fighters' Pension Scheme	
	Years		Years	
	Male	Female	Male	Female
Current Pensioners	21.5	23.8	26.6	28.9
Future Pensioners (*1)	22.5	25.2	27.9	30.3

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

e. Sensitivity Analysis

The sensitivity analyses below have been determined based on reasonable possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice this is unlikely to occur and changes in some of the assumptions may be interrelated. The

NOTES SUPPORTING THE BALANCE SHEET

estimation in the sensitivity analysis has followed the accounting policies of the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in a previous period.

	+0.1%	0.0%	-0.1%
	£000	£000	£000
Adjustment to discount rate			
Present value of total obligation	2,157,538	2,200,239	2,243,828
Projected service cost	72,277	74,342	76,461
Adjustment to long term salary increases	+0.1%	0.0%	-0.1%
Present value of total obligation	2,205,687	2,200,239	2,194,847
Project service cost	74,383	74,342	74,301
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
Present value of total obligation	2,237,995	2,200,239	2,163,218
Project service cost	76,438	74,342	72,297
Adjustment to life expectancy assumptions	+1 year	None	-1 year
Present value of total obligation	2,306,293	2,200,239	2,099,222
Projected Service cost	77,811	74,342	71,010

Fire Fighters' Pension Scheme:

	Approximate Change to Employer	Approximate monetary Amount
Change in assumptions in year ended 31 March 2021	%	£000
0.5% decrease in Real Discount rate	10.0%	31,862
1 year increase in member life expectancy	3.0%	9,241
0.5% increase in the Salary Increase Rate	1.0%	2,318
0.5% increase in the Pension Increase Rate	8.0%	25,114
1 year increase in member life expectancy on the Current Service	3.0%	225

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

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

Asset and Liability Matching (ALM) Strategy

The Council's pension committee has agreed to an asset and liability matching strategy (ALM) that matches, to the extent possible, the types of assets invested to the liabilities in the defined benefit obligation. The fund has matched assets to the pensions' obligations by investing long-term fixed interest securities and indexed linked gilt edged investment with maturities that match the benefits payments as they fall due. This is balanced with a need to maintain the liquidity of the fund to ensure

NOTES SUPPORTING THE BALANCE SHEET

that it is able to make current payments. As is required by the pensions and investment regulations, the suitability of various types of investment have been considered, as has the need to diversify investments to reduce risk of being invested in too narrow a range. A large proportion of the assets relate to equities (72% of scheme assets) and Bonds (14%). The scheme also invests in properties (10%) as a part of the diversification of the scheme's investments.

The ALM strategy is monitored annually or more frequently if necessary.

Impact on the Authority's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant rate as possible. The Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be implemented on 31 March 2023. The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014. The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings scheme to pay pensions and other benefits.

f. Projected defined benefit cost for the period to 31 March 2022.

Net (liability) /asset	Local Government Pension	Fire Fighters' Pension Scheme
	£000	£000
Projected Current Service Cost	(75,496)	(7,500)
Past service cost including curtailments	0	0
Effect of settlements	0	0
Total Service Cost	(75,496)	(7,500)
Total Net Interest Cost	(15,550)	(6,200)
Total included in Income and Expenditure	(91,046)	(13,700)

The weighted average duration of the defined benefit obligation for scheme members is 20 years in 2020-21. The Council expects to pay £40.753m in contributions to the LGPS in 2021-22.

NOTE 30. OPERATING ACTIVITIES

The cash flow operating activities include the following items:

2019/20		2020/21
£'000		£'000
(2,980)	Interest received	(2,520)
19,972	Interest paid	19,463
(2)	Dividends received	0

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

2019/20		2020/21
£'000		£'000
(80,692)	Depreciation	(80,084)
(8,051)	Impairment and downward valuations	(13,262)
(2,322)	Amortisation	(2,042)
8,218	Increase/decrease in Creditors	1,689
(4,398)	Increase/decrease in Debtors	(7,832)
(224)	Increase/decrease in Inventories	4
(53,137)	Movement in Pension Liability	(41,000)
(24,567)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(31,269)
847	Other non-cash items charged to the Net Surplus or Deficit on the Provision of Services	(3)
(164,327)	Net surplus/(deficit) on Provision of Services for non cash movements	(173,800)

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

2019/20		2020/21
£'000		£'000
89,397	- Capital Grants credited to Surplus or Deficit on the Provision of Services	102,600
0	- Proceeds from sale of property, plant and equipment, investment property and intangible assets	2,677
1,748	- Any other items for which the cash effects are investing or financing cash flows	2,007
91,145	Net surplus/(deficit) on Provision of Services for Investing & Financing activities	107,284

NOTE 31. INVESTING ACTIVITIES

The cash flow investing activities include the following items:

2019/20		2020/21
£'000		£'000
128,503	Purchase of property, plant and equipment, investment property and intangible assets	127,186
1,088,712	Purchase of short-term and long-term investments	1,243,441
700	Other payments for investing activities	493
0	Proceeds from sale of property, plant equipment, investment property and intangible assets	(2,677)
(1,071,941)	Proceeds from short-term and long-term investments	(1,172,535)
(90,876)	Capital Grants Received (Government)	(95,760)
(728)	Increase/(decrease) in impairment for bad debts	(4,333)
(2,447)	Other receipts from investing activities	(2,500)
51,923	Net cash flow from investing activities	93,315

NOTE 32. FINANCING ACTIVITIES

The cash flow financing activities include the following items:

2019/20		2020/21
£'000		£'000
(84,000)	Cash receipts of short and long-term borrowing	(40,500)
799	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-Balance-Sheet PFI Contracts	784
48,220	Repayments of short and long-term borrowing	54,922
(34,981)	Net cash flow from Financing activities	15,205

NOTES SUPPORTING THE CASH FLOW STATEMENT

Reconciliation of Liabilities Arising from Financing Activities:

	2019/20	Financing cash flows	Non-cash changes		2020/21
	£'000		Acquisitions	Other non-cash changes	£'000
Long term borrowing	488,156	(11,021)			477,135
Short term borrowing	18,447	(3,401)			15,046
* Lease liabilities	210	(18)	0	0	192
* On Balance sheet PFI Liabilities	9,260	(765)	0	0	8,495
Total liabilities from financing activities	516,074	(15,206)	0	0	500,868

	2018/19	Financing cash flows	Non-cash changes		2019/20
	£'000		Acquisitions	Other non-cash changes	£'000
Long term borrowing	488,156	35,705			488,156
Short term borrowing	18,447	75			18,447
* Lease liabilities	244	(34)	0	0	210
* On Balance sheet PFI Liabilities	10,026	(765)	0	0	9,260
Total liabilities from financing activities	516,873	34,981	0	0	516,074

NOTE 33. POOLED BUDGETS

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

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

a) Proactive Care

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

2019/20		2020/21
£'000		£'000
61,155	Gross Partnership Expenditure	62,720
(61,155)	Gross Partnership Income	(62,720)
0	(Surplus)/Deficit	0
43,993	Contribution from Lincolnshire County Council	43,991

This was split across both Health and Social care expenditure in 2020-21. The funding was supporting post 30 day discharge, 7 day hospital working, neighbourhood team development and other early prevention and intervention strategies in order to assist the shift from acute to community provisions in 2020-21.

b) Learning Disability

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

OTHER NOTES SUPPORTING THE FINANCIAL STATEMENTS

2019/20		2020/21
£'000		£'000
80,461	Gross Partnership Expenditure	83,849
(80,237)	Gross Partnership Income	(84,224)
225 (Surplus)/Deficit		(375)
59,360 Contribution from Lincolnshire County Council		60,591

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

The Mental Health service is run on behalf of the Council by the Lincolnshire Partnership Foundation Trust, also by way of a Section 75 agreement. Specialist Adult Services finished 2020-21 with an underspend of £0.375m for the year.

The service has seen growth in Supported Living and Direct Payments costs from a combination of high cost discharges from in-patient provision and school/college leavers requiring packages of care. Service user income has increased due to direct payment audit income and the successful conclusion of a number of long standing legal disputes in respect of out of county placements by other Local Authorities within the County. These elements have contributed towards the underspend this year.

c) Integrated Community Equipment Service (ICES)

From 1st April 2015 the Council entered into a Section 75 agreement with the four Lincolnshire Clinical Commissioning Groups (CCG) for the provision of an Integrated Community Equipment Service (ICES).

2019/20		2020/21
£'000		£'000
6,027	Gross Partnership Expenditure	6,009
(6,200)	Gross Partnership Income	(6,009)
(173) (Surplus)/Deficit		0
3,068 Contribution from Lincolnshire County Council		2,668

This is a 45:55 shared responsibility budget between the Council and the CCG and there is a risk share agreement regarding any under or over spends in year.

d) Child & Adolescent Mental Health Services

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

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

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

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

2019/20		2020/21
£'000		£'000
8,175	Gross Partnership Expenditure	8,622
(8,175)	Gross Partnership Income	(8,622)
0 (Surplus)/Deficit		0
725 Contribution from Lincolnshire County Council		725

The figures within the above table are made up mostly from the CAMHS but now also includes promoting Independence for Children and other services that work towards the delivery of Mental Health issues amongst children and the young. The funding was all fully utilised in 2020-21, which also includes the LCC contribution of £0.725m.

e) Sexual Health

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

2019/20		2020/21
£'000		£'000
5,647	Gross Partnership Expenditure	4,986
-5,647	Gross Partnership Income	(4,986)
0	(Surplus)/Deficit	0
Contribution from Lincolnshire County		
0	Council	0

NOTE 34. MEMBERS ALLOWANCES

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

2019/20		2020/21
£'000		£'000
760	Basic Allowances	768
456	Special Responsibility Allowances	470
1,217		1,238
72	Expenses	6
1,288		1,245

NOTE 35. OFFICERS' REMUNERATION

a) Officers' remuneration bandings

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

OTHER NOTES SUPPORTING THE FINANCIAL STATEMENTS

2019/20		Pay Band	2020/21	
Number of Staff			Number of Staff	
Remuneration received (excl Staff receiving redundancy payments)	Staff who received redundancy payments		Remuneration received (excl Staff receiving redundancy payments)	Staff who received redundancy payments
1	-	£130,000- £134,999	-	-
1	-	£125,000- £129,999	-	-
-	1	£120,000- £124,999	-	-
-	-	£115,000- £119,999	2	-
1	-	£110,000- £114,999	1	-
1	-	£105,000- £109,999	1	-
5	-	£100,000- £104,999	3	-
4	-	£95,000- £99,999	6	1
10	-	£90,000- £94,999	6	-
5	-	£85,000- £89,999	6	-
9	-	£80,000- £84,999	11	-
20	-	£75,000- £79,999	23	-
31	-	£70,000- £74,999	35	-
40	-	£65,000- £69,999	39	-
59	2	£60,000- £64,999	84	1
105	2	£55,000- £59,999	102	-
153	1	£50,000- £54,999	153	-
445	6	Total	472	2

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

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

2019/20				Pay Band	2020/21			
Number of Staff					Number of Staff			
Remuneration received (excl those receiving redundancy payments)		Staff who received redundancy payments			Remuneration received (excl those receiving redundancy payments)		Staff who received redundancy payments	
Schools	Other Services	Schools	Other Services	Schools	Other Services	Schools	Other Services	
-	1	-	-	£130,000- £134,999	-	-	-	-
-	1	-	-	£125,000- £129,999	-	-	-	-
-	-	-	1	£120,000- £124,999	-	-	-	-
-	-	-	-	£115,000- £119,999	1	1	-	-
1	-	-	-	£110,000- £114,999	-	1	-	-
-	1	-	-	£105,000- £109,999	-	1	-	-
1	4	-	-	£100,000- £104,999	-	3	-	-
-	4	-	-	£95,000- £99,999	3	3	-	1
3	7	-	-	£90,000- £94,999	-	6	-	-
-	5	-	-	£85,000- £89,999	-	6	-	-
1	8	-	-	£80,000- £84,999	6	5	-	-
11	9	-	-	£75,000- £79,999	11	12	-	-
14	17	-	-	£70,000- £74,999	13	22	-	-
19	21	-	-	£65,000- £69,999	22	17	-	-
28	31	-	2	£60,000- £64,999	33	51	-	1
39	66	1	1	£55,000- £59,999	43	59	-	-
57	96	-	1	£50,000- £54,999	61	92	-	-
174	271	1	5	Total	193	279	0	2

OTHER NOTES SUPPORTING THE FINANCIAL STATEMENTS

b) Senior Officers' Remuneration

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

Senior Officers with a salary over £150,000	Year	Salary	Employer's Pension Contribution	Any Other Emoluments	Total
		£	£	£	£
Job Title					
Deborah Barnes - Chief Executive (*1)	2020/21	187,077	32,738	0	219,815
	2019/20	153,816	25,226	0	179,042
Senior Officers with a salary over £50,000 and less than £150,000	Year	Salary	Employer's Pension Contribution	Any Other Emoluments	Total
		£	£	£	£
Executive Director of Adult Care & Community Wellbeing	2020/21	140,006	24,501	0	164,507
	2019/20	131,085	21,498	0	152,583
Executive Director of Children's Services (*2)	2020/21	137,384	32,532	0	169,916
	2019/20	105,473	21,799	0	127,272
Executive Director - Resources	2020/21	137,384	24,042	0	161,426
	2019/20	133,707	21,928	0	155,635
Executive Director - Commercial	2020/21	137,384	24,042	0	161,426
	2019/20	131,107	21,502	0	152,609
Executive Director - Place	2020/21	137,384	24,042	0	161,426
	2019/20	133,131	21,833	0	154,964
Chief Fire Officer (*3) & Programme Director (*4)	2020/21	123,167	45,140		168,307
	2019/20	120,713	44,077	0	164,790
Deputy Chief Fire Officer (*5) & Chief Fire Officer (*6)	2020/21	108,818	29,539	0	138,357
	2019/20	0	0	0	0
Director of Public Health	2020/21	125,466	18,042	0	143,508
	2019/20	118,320	17,014	0	135,334

(*1) Deborah Barnes was appointed to Chief Executive 1st January 2020. During 2019-20, Deborah also held the position of Executive Director Children's Services and Interim Head of Paid Services.

(*2) Appointed March 2020. During 2019-20 this Officer was Interim Director of Education

(*3) Until 23rd November 2020

(*4) Appointed 24th November 2020

(*5) Until October 2020

(*6) Appointed November 2020

NOTE 36. EXIT PACKAGES

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

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21
							£	£
£0 - £20,000	14	50	21	3	35	53	£189,419	£323,809
£20,001 - £40,000	5	6	5	0	10	6	£296,281	£156,247
£40,001 - £60,000	4	3	1	1	5	4	£248,411	£216,607
£60,001 - £80,000	1	1	2	0	3	1	£202,038	£79,657
£80,001 - £100,000	0	0	1	0	1	0	£87,375	£0
£100,001 - £250,000	1	1	2	0	3	1	£419,123	£147,969
Total	25	61	32	4	57	65	£1,442,647	£924,288

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

Details of the actual costs included within the Council's Income and Expenditure for redundancy, pension strain and other payments are set out in Note 37 Termination Benefits. The difference between the values reported in this note and those within Termination Benefits arise due to provisions and any variances between year-end accruals and the actual payments made in the next financial year.

NOTE 37. TERMINATION BENEFITS

As a result of further reductions to local government funding, the Council is undertaking a review and reshaping of services. In 2020-21 the Council has incurred liabilities of £0.966m (£1.497m in 2019-20) in relation to termination benefits.

- £0.619m for redundancy payments (£1.133m in 2019-20); and
- £0.347m for pension strain (£0.364m in 2019-20).

Further information on termination benefits can be found in Note 36 on Exit Packages which details the number of exit packages and total cost over bands, and Note 29 on Defined Benefit Pension Schemes which details the effect termination benefits have had on pensions in 2020-21.

NOTE 38. EXTERNAL AUDIT COSTS

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

	2019/20	2020/21
	£'000	£'000
Fees payable to the Appointed Auditor for external audit services	83	83
Fees payable to the Appointed Auditor for other services	17	25
Total	100	108

NOTE 39. DEDICATED SCHOOLS GRANT

The Council's expenditure on Schools is funded primarily by grant monies provided by the Education and Skills Funding agency (ESFA). The Dedicated Schools Grant (DSG) is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget as defined in the School and Early Years Finance (England) Regulations 2020. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained School.

Details of the deployment of DSG receivable for 2020-21 are as follows:

Schools Budget funded by Dedicated Schools Grant	Central Expenditure	Individual Schools Budget	Total
	£'000	£'000	£'000
Final DSG for 2020/21 before Academy and High Needs recoupment			594,817
Academy and High Needs Figure recouped for 2020/21			(338,060)
Total DSG after Academy and High Needs recoupment for 2020/21			256,757
Plus: Brought Forward from 2019/20			13,919
Less: Carry Forward to 2021/22 agreed in advance			0
Agreed Initial Budgeted Distribution in 2020/21	39,343	231,333	270,676
In Year Adjustments	0	0	0
Final Budget Distribution for 2020/21	39,343	231,333	270,676
less: Actual central expenditure	(35,628)	0	(35,628)
less: Actual ISB deployed to schools	0	(224,264)	(224,264)
plus: Local Authority Contribution 2020/21	395	700	1,095
In year carry forward 2021/22	4,110	7,769	11,879
plus: Carry forward to 2021/22 agreed in advance	0	0	0
Carry forward to 2021/22	4,110	7,769	11,879

OTHER NOTES SUPPORTING THE FINANCIAL STATEMENTS

Schools Budget funded by Dedicated Schools Grant	Central Expenditure £'000	Individual Schools Budget £'000	Total £'000
Final DSG for 2019/20 before Academy and High Needs recoupment			560,580
Academy and High Needs Figure Recouped for 2019/20			(312,081)
Total DSG after Academy and High Needs Recoupment for 2019/20			248,499
Plus: Brought Forward from 2018/19			19,473
Less: Carry Forward to 2019/20 agreed in advance			0
Agreed Initial Budgeted Distribution in 2019/20	36,187	231,785	267,972
In Year Adjustments	0	2,167	2,167
Final Budget Distribution for 2019/20	36,187	233,952	270,139
less: Actual central expenditure	(35,982)	0	(35,982)
less: Actual ISB deployed to schools	0	(220,266)	(220,266)
plus: Local Authority Contribution 2019/20	30	(2)	28
In year carry forward 2020/21	235	13,684	13,919
plus: Carry forward to 2020/21 agreed in advance	0	0	0
Carry forward to 2020/21	235	13,684	13,919

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

NOTE 40. RELATED PARTIES

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

a) Central Government

Central government has effective control over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates; provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills). Further details of the grants received by the Council are set out in Note 8 Taxation and Non Specific Grant Income and Grant Income.

b) Councillors and Senior Officers

Members of the Council have direct control over the Council's financial and operating policies. The total members' allowances paid during 2020-21 are shown in Note 34.

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

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

Three Councillors have not submitted their declaration of interest form this year.

During 2020-21 the following have been declared:

Councillors

28 Councillors' or their immediate families have provided goods/services to the Council to the value of £0.063m; the Council has also received £0.015m in income from these related parties.

45 Councillors' or their immediate families associated with public bodies that provided goods/services costing £21.219m; the Council has also received £9.445m in income from these related parties.

26 Councillors are associated with voluntary bodies which provided goods/services to the Council at a value of £0.000m; the Council has also received £0.006m in income from these related parties.

No Councillors or Chief Officers have declared related party transactions for providing services to other entities through the Council.

Chief Officers

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

c) Other Public Bodies

The Council has entered into Pooled Budget arrangements which are shown in Note 33 with Lincolnshire Clinical Commissioning Groups (CCG) for Specialties including Learning Disabilities, Integrated Community Equipment, Proactive Care, Corporate, and Child & Adolescent Mental Health Service; which are all included within a

framework schedule to summarise and share the risk. Outside of this schedule there is also a pooled budget for Sexual Health with NHS England.

The Council is the administrator of the Lincolnshire Pension Fund and has control of the fund within the overall statutory framework. During the financial year £0.235m was recharged from the Council to the pension fund for scheme administration and management. The pension fund earned a total interest of £0.089m on deposits managed within the Council's own cash, which the Council paid over to the pension fund.

The Council makes payments to independent sector nursing homes for both the nursing care element and the personal care element of the accommodation charges. The nursing care element is the financial responsibility of the CCG. The Council paid £6.695m (£6.106m in 2019-20) acting as an agent of the CCG in order to simplify the payment arrangements to the homes. The total amount paid is recovered from the CCG.

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

d) Entities Controlled or Significantly Influenced by the Council

The Council controls Transport Connect Ltd through its ownership of the Company which is limited by guarantee. The Council has provided a fixed loan of £0.143m (2019-20: £0.379m) with an interest rate of 4.75% and a revolving credit facility of £0.250m with an interest rate of 4% over Bank of England base rate.

Transport Connect Ltd is a teckal company and as such at least 80% of its turnover has to come from the Council. The turnover for the year ending 31 March 2021 is £3.389m (2019-20: £3.040m), of which £3.322m (2019-20: £2.988m) 98% (2019-20: 98%) came from the Council.

The Council owns three further subsidiary companies: Lincolnshire Futures Limited, Lincolnshire County Property Limited and Legal Services Lincolnshire (Trading) Limited. Lincolnshire County Property Limited is itself a subsidiary of Lincolnshire Future Limited - neither of these two companies had started trading by 31st March 2021. Legal Services Lincolnshire (Trading) Limited was created during 2019-20 but has not started trading as at 31st March 2021.

NOTE 41. CAPITAL EXPENDITURE AND CAPITAL FINANCING

The table below shows the financing of the £168.833m capital expenditure (including revenue expenditure financed from capital under statute and finance leases), together with the resources that have been used to finance it. The explanation of movement in year shows the change in the underlying need to borrow to finance capital expenditure.

Further information on the 2020-21 expenditure is provided in the Narrative Report, with details of the asset acquired.

2019/20		2020/21
£'000		£'000
556,573	Opening Capital Financing Requirement	616,308
	<u>Capital Investment:</u>	
133,395	Property, Plant and Equipment	131,812
439	Investment Property	558
77	Intangible Assets	182
39,465	Revenue Expenditure Funded from Capital Under Statute (REFCUS)	36,281
	<u>Sources of Finance:</u>	
0	Capital Receipts	(2,677)
(77,039)	Government Grants and Contributions	(112,001)
(10,127)	Government Grants and Contributions funding REFCUS	(13,339)
	<u>Sums set aside from Revenue:</u>	
(8,312)	Direct Revenue Contributions	(12,490)
(18,162)	Minimum Revenue Provision	(20,235)
616,308	Closing Capital Financing Requirement	624,400
59,736	Movement in Year:	8,091
	Explanation of movement in year:	
59,736	Increase in underlying need to borrow (unsupported by government financial assistance)	8,091
59,736	Increase/(Decrease) in Capital Financing Requirement	8,091

NOTE 42. CONTINGENT LIABILITIES

At 31 March 2021 the Council has the following material contingent liabilities:

a. Insurance

The Council obtained public and employer's liability insurance cover from the Independent Insurance Company between 1995 and 1998. The company went into liquidation to the extent that it will not be able to meet any current or future liabilities, meaning the Council is effectively not insured for this period. It is expected that only the liabilities for employer's liability remain, due to a significant increase in disease related claims, particularly relating to hearing loss. It is expected that most types of public liability claims for this period are likely to have been submitted. There are currently no open claims for either policy across the years where cover was in place. It should be noted that as The Independent Inquiry into Child Sexual Abuse (IICSA) is still in progress, there is a possibility that claims under the Public Liability policy will still be submitted. The position is independently reviewed annually by the insurance reserve actuary to ensure that reserves are sufficient to cover total liability.

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

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

NOTE 43. CONTINGENT ASSETS

At 31 March 2021 the Council has no material contingent assets.

NOTE 44. STATEMENT OF ACCOUNTING POLICIES

1. General Principles and Concepts

The Statement of Accounts summarises the Council's transactions for the financial year 2020-21 and the position at the year-end 31 March 2021. The Statement of Accounts has been prepared in accordance with the Accounts and Audit Regulations 2015.

These regulations require the accounts to be prepared in accordance with proper accounting practice. These practices are set out in the Code of Practice on Local Authority Accounting in the United Kingdom 2020-21 and supported by International Financial Reporting Standards and statutory guidance.

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

2. Changes in Accounting Policies

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

3. Prior period adjustments – estimates and errors

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

The following disclosures will be made:

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

- the amount of the correction at the beginning of the earliest prior period presented.

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

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

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

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

Classification

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

Operational Assets:

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

Non-Operational Assets:

- Surplus Assets; and
- Assets under Construction.

Initial Recognition

The cost of an item of Property, Plant and Equipment shall be recognised as an asset if and only if:

- it is probable that future economic benefits associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

These costs include expenditure incurred to acquire or construct an item of Property, Plant and Equipment, costs associated with bringing an asset into use and costs incurred subsequently to add to, replace part of, or service it as long as the above criteria are met. All costs associated with a capital scheme will be settled on the asset created or enhanced. Initial recognition of Property, Plant and Equipment shall be at cost.

Further details relating to capital expenditure are set out in the Council's Capitalisation Policy.

De minimis level

The Council has set a de minimis level of £10k for recognising Property, Plant and Equipment. This means that any item or scheme costing more than £10k must be

treated as capital if the above criteria are met. This relates to initial recognition and subsequent expenditure on assets.

De-recognition associated with asset enhancements

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

a) Measurement after Recognition – Valuation Approach

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

The code requires the following valuation approaches to be adopted:

Operational Assets

- Land and property assets shall be measured at current value for their service potential, which is determined as the amount that would be paid for the asset in its existing use (EUV). For assets where there is no market-based evidence of fair value because of the specialist nature of the asset and because the type of asset is rarely sold, a Depreciated Replacement Cost (DRC) approach will be used (such specialised assets include schools);
- Non-property assets (including: vehicles, plant and equipment) shall be measured at current value. These are determined to have short asset lives and historic cost is used as a proxy for current value;
- Land, Property and Equipment associated with the Energy from Waste Plant shall be measured at current value on a Depreciated Replacement Cost (DRC) approach as it is a specialised asset; and
- Infrastructure assets (such as roads and bridges) and Community assets are measured at historic cost. NB: where historic cost information is not known for community assets these have been included within the Balance Sheet at a nominal value.

Non-Operational Assets

- Surplus assets (i.e. assets which the Council no longer operates/are no longer used for service delivery, but are not Investment Properties or meet the definition for held for sale) have their current value measured at fair value which is estimated at the highest and best use from a market participant's perspective. This is the price that would be received to sell an

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

- Surplus assets are depreciated in line with the operational asset class; and
- Assets under Construction are held at cost. When these assets are operationally complete, they are reclassified into the appropriate asset class and valued under the adopted approach.

a) Valuation Programme

Assets are included within the Balance Sheet at current value. The Council's land and property portfolio is revalued on a five year rolling programme. On an annual basis at year-end, all asset values are reviewed to ensure they are not carried at amounts materially different to current value.

Revaluation Gains and Losses

Movements in asset value arising from revaluation are reflected in the value of these assets held on the Balance Sheet.

If a revaluation increases an asset's carrying amount then this increase will be credited directly to the revaluation reserve to recognise the unrealised gain. In exceptional circumstances, gains might reverse a previous impairment or revaluation decrease charged to the Surplus or Deficit on provision of service.

If a revaluation decreases an asset's carrying amount, the decrease shall be charged initially against any surplus balance in the revaluation reserve in respect of the individual asset. Any additional decrease is recognised in the relevant service revenue account in the Comprehensive Income and Expenditure Statement.

The revaluation reserve only contains revaluation gains recognised since 1 April 2007, the date of its formal implementation. Any movements on revaluation arising before this date have been consolidated into the Capital Adjustment Account (CAA).

b) Depreciation

Depreciation is charged on all Property, Plant and Equipment assets with a finite life and is the systematic allocation of its worth over its useful life. This charge is made in line with the following policy:

- Operational buildings are depreciated over their useful life. For buildings which are held at existing use value a useful life of 40 years has been assumed. Asset lives for buildings held on a depreciated replacement cost basis are reviewed as part of the rolling programme of revaluations and the

Valuer estimates the useful life. Depreciation is charged on a straight line basis;

- Infrastructure assets, primarily roads, are depreciated on a straight line basis over their estimated useful lives, currently varying from:
 - 1-3 years for capital pothole filling;
 - 6-12 years for carriageways surfacing and slurry sealing;
 - 20 years for street furniture;
 - 40 years for street lighting, kerbs and drains;
 - 60 years for major road structures;
 - Up to 120 years for bridge structures.

- Furniture and non-specialist equipment is depreciated over a period of 5 years, on a straight line basis;
- Vehicles, plant and specialist equipment (including computing equipment) are depreciated over their estimated useful lives, currently these vary depending on the nature of the asset, from 3 years up to 25 years for solar panels;
- Land, Property and Equipment associated with the Energy from Waste Plant are depreciated over their estimated useful life. These range from 70 years for Civils (including Building Structures) to 10 years for Instrumentation, Control and Automation assets (ICA); and
- Surplus assets are depreciated in line with the operational asset class.

No depreciation is charged on Land or Assets Under Construction.

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

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

c) Component Accounting for Property, Plant and Equipment

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

- Depreciated Replacement Cost (DRC) assets (including fire stations, schools, libraries and museums where the building is of a specialised nature): land, structures, services, roof and externals;

- Office Accommodation/Admin Buildings: land; structures, services, roof and externals;
- Other market value and existing use value assets (including economic regeneration units): land and buildings; and
- Energy from Waste Plant: Civils, Mechanicals and Instrumentation, Control and Automation (for each significant part of the plant).

d) Disposal of Property, Plant and Equipment

An item of Property, Plant and Equipment shall be derecognised on disposal, or when no future economic benefits are expected from its use or disposal.

The gain or loss arising from disposals is shown in the Comprehensive Income and Expenditure Statement, on the Other Operating Expenditure line. Receipts from disposals are credited to the same line in the Comprehensive Income and Expenditure Statement, netted off against the carrying value of the asset at the time of disposal. Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts in excess of £10k are categorised as capital receipts and can then only be used for new capital investment or to repay the principal of any amounts borrowed. It is Council policy to utilise these receipts to fund the capital programme in the year they are received or to carry them forward to be used in future years, subject to the flexibility described in the next paragraph. These receipts are transferred from the General Fund Balance via the Movement in Reserves to be utilised to fund the capital programme or set aside within the capital receipts reserve for future use to reduce the underlying need to borrow. Sale proceeds below £10k are below the de-minimis and are credited to the Comprehensive Income and Expenditure Statement.

Under a Direction issued pursuant to sections 16 and 20 of the Local Government Act 2003, these receipts can also be used to fund revenue expenditure that is designed to generate on-going revenue savings or transform services to reduce costs and is properly incurred for the financial years commencing on 1 April 2016, 2017 and 2018. The Local Government Finance Settlement for 2018-19 announced a continuation of these rules for a further 3 financial years that begin on 1 April 2019, 2020 and 2021. The Local Government Finance Settlement for 2021-22 announced a further 3 years extension from 2022/23. The Council may use this temporary flexibility to fund relevant revenue expenditure.

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

e) Impairment of Non-Current Assets

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

- a significant decline in an asset's market value during the period;
- evidence of obsolescence or physical damage of an asset;
- a commitment by the Authority to undertake a significant reorganisation; or
- a significant change in the statutory environment in which the Authority operates.

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

Impairment losses are initially recognised against any revaluation reserve for that asset up to the balance available. Any remaining loss is charged in the Surplus or Deficit on provision of services. This is then reversed through the Movement in Reserves Statement and charged to the Capital Adjustment Account.

5. Intangible Assets

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

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

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

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

c) **Amortisation.** The carrying value of intangible assets with a finite life is amortised on a straight line basis over its useful life. Amortisation begins when the asset is available for use. The charge is for 6 months in the first year, for twelve months thereafter and ceases at the date that the asset is derecognised. There is a full

year's amortisation in the year of disposal. Amortisation is charged to the relevant service area in the Comprehensive Income and Expenditure Statement.

The useful lives for intangible assets are between 3 and 10 years. Useful asset lives are determined by the ICT budget holder and reviewed and updated annually.

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

6. Investment Properties

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

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

b) **Measurement after Recognition.** Investment Properties will be measured at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, Investment Properties are measured at highest and best use using the current market conditions and recent sales prices and other relevant information for similar assets in the local area.

The fair value of Investment Property held under a lease is the lease interest in the asset. Investment Properties are subject to annual revaluations. The fair value measurement of the Council's Investment Properties is categorised as Level 2 on the fair value hierarchy. It uses the market value approach for the County Farms and the term and reversion method for the other properties.

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

d) **Depreciation** is not charged on Investment Properties.

e) **Disposal of Investment Properties.** Gains or losses arising from the disposal of an Investment Property shall be recognised in the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. As with revaluation gains or losses, these do not form part of the General Fund Balance

and are transferred to fund the capital programme via the Movement in Reserves Statement.

f) **Rental Income.** Rentals received in relation to Investment Properties are credited to the Financing and Investment Income line and results in a gain for the General Fund Balance.

7. Heritage Assets

Heritage Assets are defined as assets that are held by the Council principally for their contribution to knowledge or culture. Heritage assets held by the Council include:

- Historic Buildings including: Lincoln Castle, Temple Bruer and four historic windmills in Lincolnshire; and
- Collections including: Fine Art Collection; the Tennyson Collection; Local Studies and Archive Collections; Lincolnshire Regiment, Militaria and Arms and Armour Collections; and Agriculture Collections.

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

a) Initial Recognition

- **Collections:** The collections are relatively static, acquisitions and donations rare. When they do occur, acquisitions will be measured at cost and donations will be recognised at a valuation determined in-house.

b) Measurement after recognition:

- **Historic Buildings** – Windmills will be valued at existing use value by the Council's Valuer and where there is insufficient market data, Depreciated Replacement Value is used as a proxy. These valuations will be included on the Council's rolling programme and will be valued every 5 years.
- **Historic Buildings** – Lincoln Castle and Temple Bruer will continue to be carried at historic cost. This is the capital expenditure on enhancements recognised since records began as the Council does not consider that a reliable valuation can be obtained for these assets. This is because of the nature of the assets held and the lack of comparable market values.
- **Collections** will be valued based on the insurance valuations held by the Council. Insurance valuations will be reviewed and updated on an annual basis.

c) **Impairment and Disposals** are accounted for in line with the Council's policy on non-current assets – Property, Plant and Equipment (accounting policy for Disposal of Property, Plant and Equipment and Impairment of non-current assets).

d) **Depreciation** is not charged on Heritage Assets.

8. Non-Current Assets Held for Sale

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

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

a) **Measurement.** Non-Current Assets Held for Sale are revalued immediately before reclassification to Held for Sale and then measured at the lower of carrying value and fair value, less costs to sell (fair value here is the amount that would be paid for the asset in its highest and best use, e.g. market value).

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

c) **Disposal.** Receipts from disposals are recognised in the Surplus or Deficit on provision of services.

Amounts in excess of £10k are categorised as capital receipts and can then only be used for new capital investment or to repay the principal of any amounts borrowed. It is Council policy to utilise these receipts to fund the capital programme in the year they are received or to carry them forward to be used in future years, however the Council may use the flexibility to apply capital receipts to fund certain types of revenue expenditure as described in accounting policy 4e. These receipts are transferred from the General Fund Balance via the Movement in Reserves to be utilised to fund the capital programme or set aside within the capital receipts reserve for future use to reduce the underlying need to borrow.

9. Donated Assets

Donated assets are non-current assets which are given to the Council at no cost or at below market value. These assets are initially recognised in the Balance Sheet at fair value. The difference between the fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally.

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

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

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

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

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

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

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

11. Minimum Revenue Provision

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

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

12. Revenue Expenditure Financed through Capital under Statute

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

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

13. Service Concession Agreements (including Private Finance Initiative (PFI) and similar contracts)

Service Concession Agreements are agreements to receive services where the responsibility for making available the Property, Plant and Equipment needed to provide the services passes to the contractor. As the Council is deemed to control the services that are provided under such schemes and as ownership of the assets will pass to the Council at the end of the contract for no additional charge, the Council carries these assets used under the contracts on the Balance Sheet as part of Property, Plant and Equipment.

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

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

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

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

14. Borrowing Costs

The Council has adopted the accounting policy of expensing borrowing costs of qualifying assets to the Comprehensive Income and Expenditure Statement

(disclosed within Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement) in the year in which they are incurred.

This is current practice based on the fact that borrowing undertaken is not attributed to individual schemes making capitalisation of costs complex with marginal benefit.

15. Classification of Leases

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

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

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

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

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

a) Finance Leases

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

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

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

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

iii) **Lessor – Property.** When a finance lease is granted on a property, the relevant assets are written out of the Balance Sheet to gain or loss on disposal of assets in the Other Operating Expenditure line of the Comprehensive Income and Expenditure Statement. A gain is also recognised on the same line in the Comprehensive Income and Expenditure Statement to represent the Council's net investment in the lease. This is matched by a lease asset set up in long term debtors in the Balance Sheet. The lease payments are apportioned between repayment of principal written down against the lease debtor and finance income (credited to the Finance and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

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

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

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

b) Operating Leases

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

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

c) Investment Property Leases (Lessee).

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

16. Government Grants and Contributions

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

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

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

Capital Grants and Contributions (non-current assets)

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

- **Capital grants where no conditions are attached to the grant and the expenditure has been incurred.** The income will be recognised immediately in Comprehensive Income and Expenditure Statement in the taxation and non-specific grant income line.
Capital grant income is not a proper charge to the General Fund. It is accounted for through the Capital Financing Requirement (set out in statute) and therefore it does not have an effect on council tax. To reflect this, the income is credited to the Capital Adjustment Account through the Movement in Reserves Statement.
- **Capital grants where the conditions have not been met at the Balance Sheet date.** The grant will be recognised as a Capital Grant Receipt in Advance in the liabilities section of the Balance Sheet. When the conditions have been met, the grant will be recognised as income in the Comprehensive Income and Expenditure Statement and the appropriate statutory accounting requirements for capital grants applied.
- **Capital grants where no conditions remain outstanding at the Balance Sheet date, but expenditure has not been incurred.** The income will be recognised immediately in the Taxation and Non Specific Grant Income line of the Comprehensive Income and Expenditure Statement. As the expenditure being financed from the grant has not been incurred at the Balance Sheet date, the grant will be transferred to the Capital Grants Unapplied Account (within usable reserves section of the Balance Sheet), through the Movement in Reserves Statement. When the expenditure is incurred, the grant shall be transferred from the Capital Grants Unapplied Account to the Capital

Adjustment Account to reflect the application of capital resources to finance expenditure.

Revenue Government Grants and Contributions

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

Specific revenue grants are included in the specific service expenditure accounts together with the service expenditure to which they relate. Grants which cover general expenditure (e.g. Revenue Support Grant) are credited to the Taxation and Non-specific Grant Income in the Comprehensive Income and Expenditure Statement after Net Cost of Services.

17. Debtors

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

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

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

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

18. Creditors

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

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

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

19. Inventories

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

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

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

20. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

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

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

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

21. Provisions

The Council sets aside provisions for future expenses where:

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

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

Sheet. When payments are eventually made they are charged against the provision carried in the Balance Sheet.

The Council has set a de minimis level for recognising provisions £250k.

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

Provisions are recognised and measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. When considering the valuation of long term provisions, the Council has set a £50k de minimis limit. Below this amount, long term provisions are measured using carrying value.

22. Contingent Liabilities

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

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

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

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

23. Contingent Assets

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

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

24. Events after the Reporting Date

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

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

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

25. Recognition of Revenue (Income)

Revenue is accounted for in the year it takes place, not simply when cash payments are received.

The Council recognises revenue from contracts with service recipients, whether for services or the provision of goods, when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligation in the contract.

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

26. Exceptional Items

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

27. Costs of Support Services

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

28. Acquired and Discontinued Operations

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

29. Value Added Tax (VAT)

The Council's Comprehensive Income and Expenditure Statement excludes VAT unless this is not recoverable from HM Revenue and Customs. All VAT must be

passed on (where output tax exceeds input tax) or repaid (where input tax exceeds output tax) to HM Revenue and Customs.

The net amount due to or from HM Revenue and Customs for VAT at the year-end shall be included as part of creditors or debtors balance.

30. Council Tax and Business Rates Income

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

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

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

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

31. Reserves

Useable Reserves

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

Unusable Reserves

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

- Capital Adjustment Account;
- Revaluation Reserve;
- Financial Instruments Adjustment Account;
- Financial Instruments Revaluation Reserve;
- Pension Reserve;

- Collection Fund Adjustment Account; and
- Accumulated Absences Reserve.

32. Employee Benefits – Benefits Payable during Employment

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

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

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

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

33. Employee Benefits – Termination Benefits

Employee termination benefits arise from the Council's obligation to pay redundancy costs to employees. These costs will be recognised in the Council's Financial Statements at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises the costs for a restructuring. For example; when there is a formal plan for redundancies (including the location, function and approximate number of employees affected; the termination benefits offered, and the time of implementation).

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

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in

Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

34. Employee Benefits – Post Employment Benefits (Pensions)

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

- **Teachers' Pension Scheme:** This is a notionally funded scheme administered nationally by Capita Teachers' Pensions on behalf of the Department for Education (DfE). The pension contributions to be paid by the Council are determined by the Government Actuary and reviewed periodically. The scheme is accounted for as if it were a defined contribution scheme. There is no liability for future payments of benefits recognised in the Balance Sheet. All employers' contributions payable to teachers' pensions in the year are treated as expenditure on the Schools' service line in the Comprehensive Income and Expenditure Statement.
- **National Health Service Pension Scheme (NHSPS):** This is a notional funded scheme administered nationally by NHS Pensions on behalf of the Department of Health and Social Care (DHSC). The pension contributions to be paid by the Council are determined by the Government Actuary and reviewed periodically. The scheme is accounted for as if it were a defined contribution scheme. There is no liability for future payments of benefits recognised in the Balance Sheet. The employer's contributions payable to the NHSPS in the year are treated as expenditure in the Children's Services and Adult Care and Community Wellbeing service lines in the Comprehensive Income and Expenditure Statement.
- **Uniformed Firefighters Pension Scheme (FPS):** From 1 April 2015, a new pension fund for Firefighters was set up. This scheme replaced the 2006 & 1992 Firefighters schemes for new Firefighters. The 2015, 2006 and 1992 schemes remain unfunded but there are differences in the contributions payable into each scheme and the benefits paid to members. Both employee and employer contributions are paid into the three funds, against which pension payments are made. Each fund is topped up by additional government funding if contributions are insufficient to meet the cost of the pension payments. Any surplus in the funds at the end of each year will be repaid back to the Home Office. Contributions in respect of ill health retirements are still the responsibility of the Council.
- **Local Government Pension Scheme (LGPS):** Other employees are eligible to join the LGPS. The Council pays contributions to a funded pension scheme from which employee pension benefits are paid out.

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

The Local Government Pension Scheme (LGPS)

The LGPS is accounted for as a defined benefits scheme:

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

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

- Service cost comprising:
 - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
 - past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Other Budgets;
 - net interest on the net defined benefit liability (asset), i.e. net interest expense for the Council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into

account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

- Remeasurements comprising:
 - the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure; and
 - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Contributions paid to the Lincolnshire Pension Fund – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

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

35. Accounting for Schools Income, Expenditure, Assets, Liabilities and Reserves

In Lincolnshire, Local Authority education is provided in: Foundation, Voluntary Aided, Voluntary Controlled and Community Schools (all known as ‘maintained Schools’).

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

Non-Current Assets - Schools non-current assets will be accounted for under IAS 16 Property, Plant and Equipment. The standard defines non-current assets as “a

resource controlled by the Council as a result of a past event and from which future economic benefits or service potential is expected to flow”.

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

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

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

Any school with an overall cumulative deficit on its Dedicated Schools Grant (DSG) must produce a management plan detailing how it will return to a balanced position in the future.

36. Group Relationships

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

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

37. Financial Instruments

Financial Liabilities. Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

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

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

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

The Council receives interest free funding from Salix Finance as part of a revolving fund to finance energy saving projects (Soft Loans Receivables). The benefit of a loan to the Council at a below-market rate of interest is treated as a grant or contribution receivable within the Comprehensive Income and Expenditure Statement. The benefit is measured as a difference between the cash actually advanced to the Council and the fair value of the loan on recognition, discounted at a comparable market rate of interest for a loan. The amortised cost of the loan in the Balance Sheet is reduced as the benefit has been stripped away. The reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

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

Financial Assets. Financial Assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. There are three main classes that financial assets are measured at:

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

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument). These types of asset will be measured at fair value.

Financial Assets Measured at Amortised Cost

Financial Assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

The following financial assets held by the Council are measured at amortised cost using an effective interest rate that takes account of other considerations attributable to the asset over its lifetime such as premiums paid or interest forgone. Interest payable in the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement will then be recognised on a smoothing effective interest rate basis over the life of the loan.

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

Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally lower effective rate of interest than the rate receivable from the Instrument,

with the difference serving to decrease the amortised cost of the loan in the Balance Sheet over its life.

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

- Soft Loans – The Council can make loans to third parties at less than market rates (soft loans) for service objectives. When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service), for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal.

Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the third party recipients of the loans, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

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

Expected Credit Loss Model – for Assets Measured at Amortised Cost

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

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit

risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

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

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

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

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

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

- Group 1 – treasury investments governed by the Council's Annual Investment Strategy for Treasury Investments. These are loans made to highly credit rated counterparties under the credit analysis followed within the Investment Strategy. As such they are deemed low risk so the 12 month Expected Credit Loss model is used. The Historical Default Table issued by Credit Rating Agencies and provided by the Council's Treasury Advisors is used to calculate the expected 12 month impairment losses.
- Group 2 – loans or soft loans to third parties for Service Reasons. These types of loans tend to be higher risk as credit worthiness is often not the prime consideration in making the loan. They will be assessed on an individual basis taking into consideration external credit ratings, economic conditions impacting the third party, the current financial position and financial forecasts of the third party and any history of defaults or extended credit terms. Due to the high risk nature, the lifetime Expected Credit Loss model would normally be followed for these loans (See *Note below).
- Group 3 – loans to Council owned Companies for Service Reasons. These types of loans tend to be higher risk as credit worthiness is often not the prime consideration in making the loan. They will be assessed on an individual basis taking into consideration external credit ratings, economic conditions impacting the company, the current financial position and financial forecasts

of company and any history of defaults or extended credit terms. Due to the high risk nature, the lifetime Expected Credit Loss model would normally be followed for these loans.

*Note

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

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

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

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

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

These funds are pooled investment funds that invest in short-term assets that aim to offer returns in line with money market rates and preserve the value of investments. They are instant access, whereby units of the fund are bought and sold and dividends paid in accordance with daily yields returned, set at the end of each day. The Net Asset Value of these funds only vary by an insignificant amount due to changing values of the assets in the fund, therefore generally the price of the fund (fair value) will equal the carrying amount of units held.

Financial assets measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services, specifically within the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement.

The Council has set a de minimis level to the adjustment to fair value of £50k for financial assets measured at fair value, below which the change in fair value will not be recognised and the asset will be held on the Balance Sheet at its carrying value.

Statutory provision as defined in SI 2018/1207 means that until 31 March 2023, English Local Authorities are prohibited from charging to a revenue account fair value gains or losses, unless the gain or loss relates to impairment or the sale of the asset. Instead that amount is charged to an account established solely for the purpose of recognising fair value gains and losses. This statutory override will not be applicable for CNAV/LVNAV Money Market funds as gains and losses to fair value will be zero and will not impact on the revenue account.

Any gains and losses that arise on the de-recognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Expected Credit Loss Model –For Assets Measured at Fair Value through Profit and Loss

The impairment requirements do not apply to financial assets classified as 'fair value through profit or loss', as current market prices are considered to be an appropriate reflection of credit risk, with all movements in fair value (including those relation to credit risk) impacting on the carrying amount being posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement as they arise.

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

Financial assets are measured at FVOCI when the business model for holding the asset includes collecting contractual cash flows and selling assets. The Council does not hold any financial assets that meet this definition.

In line with the Code however, the Council has decided to designate some small equity holdings in companies held for service reasons to the category of FVOCI instead of FVPL. This designation is irrevocable and deemed to be a reliable accounting policy for these financial assets, based on the following reasons:

- The holdings are equity instruments as defined by the Code to exclude puttable shares (e.g. those where the issuer has a contractual obligation to exchange the shares for cash if the holder exercises an option for the return of their investment).
- They naturally fall into the FVPL classification of investments.
- The shares are held for a clear service benefit and not held for trading.
- Future gains or losses are expected to be insubstantial.

Assets designated at FVOCI will be carried in the Balance Sheet at Fair Value, with dividends credited to the Surplus or Deficit on the Provision of Services when the right for the Council to receive the payment is established. Movements in fair value will be credited to the Other Income and Expenditure Account and released to the General Fund. The impact on the General Fund will be removed through Movement

in Reserves Statement to the Financial Instruments Revaluation Reserve. Gains or losses will be charged directly to the General Fund via the Financing and Investment Income and Expenditure in the Surplus or Deficit on the Provision of Services.

The Council has set a de minimis level to the adjustment to fair value of £50k for financial assets measured at fair value, below which the change in fair value will not be recognised and the asset will be held on the Balance sheet at its carrying value.

Expected Credit Loss Model – For Assets Measured at Fair Value through Other Comprehensive Income

The Council recognises expected credit losses on financial assets measured at FVOCI either on a 12-month or lifetime basis depending on an individual assessment of the credit risk of each financial asset as follows:

Has credit risk increased significantly since initial recognition?

- No: 12 month credit loss model.
- Yes: lifetime credit loss model.
- No information available to assess: lifetime credit loss model.

Consideration will be made to external credit ratings, economic conditions impacting the company, the current financial position and financial forecasts of company and any history of defaults or extended credit terms when assessing the credit risk of these assets.

Impairment losses will be charged to Other Comprehensive Income and Expenditure and credited to the Financial Instruments Revaluation Reserve.

Where financial assets have been designated into the FVOCI category they are outside the scope of impairment for the same reasons that FVPL assets are.

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

38. Fair Value Measurement

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

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

When measuring the fair value, the Council would use the assumptions of market participants when pricing the asset or liability whilst acting in their economic best interest.

On fair value measurement, the Council takes into account the market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses the appropriate valuation techniques appropriate for the asset, maximising the use of relevant observable inputs and minimising unobservable inputs.

For financial instruments measured in fair value (FVPL and FVOCI) is therefore based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

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

LINCOLNSHIRE FIRE & RESCUE PENSION FUND

2020-21

2019/20	Fund Account	Note	2020/21
£'000			£'000
	Contributions Receivable:		
	<u>From employer:</u>		
(3,255)	Contributions in relation to pensionable pay	4	(3,284)
	<u>From members</u>		
(1,447)	Fire-fighters' contributions	4	(1,464)
	Transfers in:		
(338)	Individual transfers from other schemes from Local Authorities	7	(18)
	Benefits payable:		
5,579	Pensions	5	5,862
1,184	Commutations and lump sum retirement benefits	5	1,595
0	Lump sum death benefits	5	0
	Payments to and on account of leavers:		
0	Individual transfer out to other schemes	7	15
0	Refunds of contributions	7	0
1,723	Sub Total Net amount payable for the year before top up grant receivable		2,706
(1,723)	Top up grant receivable from sponsoring department	6	
0	Net amount payable/receivable		2,706

31 March 2020	Net Asset Statement as at:	31 March 2021
£'000		£'000
	Current Assets:	
245	Amounts due from LCC	(694)
185	Pensions top up grant due	996
430	Total Current Assets	302
	Current Liabilities:	
(430)	Unpaid pension benefits	(302)
(430)	Total Current Liabilities	(302)
0	Total	0

2020-21

NOTE 1. BASIS OF PREPARATION

The financial statements have been prepared in accordance with the main recommendations of the code of practice on Local Authority Accounting issued by the Chartered Institute of Finance & Accountancy.

There is no separate bank account for the pension fund therefore the Council's General Fund is shown as debtor/creditor in the net Asset Statement.

The Net Asset Statement does not take account of liabilities to pay pensions and other benefits after the period end.

Note 29 to the Councils Financial Statement shows the Councils long term pension obligations in accordance with International Accounting Standards (IAS19).

NOTE 2. LINCOLNSHIRE FIRE AND RESCUE PENSION FUND ACCOUNT

The Fund was established at 1 April 2006 and now covers the 1992, 2006 and 2015 fire-fighters pension schemes. It was established by the Fire fighters Pension Scheme (Amendment) (England) Order 2006 (SI2006 No1810), amended by the Fire fighters Pension Scheme (England) Regulations 2014 and is administered by Lincolnshire County Council. Employee and employer contributions are paid into the fund, from which payments to pensioners are made with any difference being met by top up grant from Central Government.

NOTE 3. ACCOUNTING POLICIES

The Principal Accounting Policies are as follows:

Contributions

For employees who are members of the pension schemes contributions are receivable from the employer (Council) and the members (employees) throughout the year based on a percentage of pensionable pay. The rates are set nationally by the Home Office/Government Actuary Department and subject to triennial revaluation by the Government Actuary's Department.

No provision is made in the accounts for contributions on pay awards not yet settled.

Benefits

Benefits include recurring payments that are paid in advance of the month for which they relate. Lump Sum payments are paid as they become due.

The accounts do not take account of liabilities to pay pensions and other benefits after the year end.

Transfer Values

The value of accrued benefits transferred from or to another pension arrangement, including Fire-fighters' pension schemes outside England, are recorded in the accounts on a receipts and payments basis.

Top up Grant

Central Government pay an instalment of top up grant during the year based on estimated activity. The balance is included within the amount of grant receivable and identified in the Net asset statement under current assets or liabilities.

NOTE 4. CONTRIBUTION RATES

Under the Fire-fighters pension regulations the contribution rates are set nationally and are subject to triennial revaluation by the Governments Actuary's Department. During 2019-20 the contribution rates for the 2006 scheme were a minimum of 35.9% of pensionable pay (27.4% employers and tiered contribution of 8.5% to 12.5% based on employees' pensionable pay banding). The contribution rates for the 1992 scheme were a minimum of 48.3% of pensionable pay (37.3% employers and tiered contribution of 11% to 17% based on employees' pensionable pay banding). The contribution rates for the 2015 scheme were a minimum of 39.8% of pensionable pay (28.8% employers and tiered contribution of 11.0% to 14.5% based on employees' pensionable pay banding). Contribution tiers for part time and retained firefighters to be based on whole time equivalent pay for their role.

Contributions, by the employer for fire-fighters who retire due to ill health are also paid into the Pension Fund in accordance with the regulations. This also applies to protected rights whole time equivalent compensatory payments paid to retained firefighters who were employed from 6th April 2006 and who had been ill health retired due to a qualifying injury.

NOTE 5. BENEFITS PAID

Lump sum and on-going pensions are paid to retired officers, their survivors and others who are eligible for benefits under pension schemes. The recurring payments are usually paid monthly in advance at the beginning of the period for which they relate.

NOTE 6. CENTRAL GOVERNMENT PENSION TOP UP GRANT

This is an unfunded scheme and consequently there are no investment assets. The fund is balanced to zero each year by receipt of a top up grant from the Central Government Department (Home Office) if contributions are insufficient to meet the cost of benefits payable, or by paying over any surplus to the Home Office. The difference between grant received during the year and grant required to balance to zero is set up as an accrual and shown in the Net Asset Statement.

NOTE 7. TRANSFERS IN AND OUT

The value of accrued benefits of members that are transferred from or to another pension arrangement, if a member joins or leaves the scheme.

LINCOLNSHIRE PENSION FUND 2020-21

Fund Account – For the year ended 31 March 2021

2019/20		Note	2020/21
£'000			£'000
	Contributions and Benefits		
(104,258)	Contributions Receivable	(6)	(113,558)
(10,629)	Transfers In From Other Pension Funds	(7)	(7,081)
(114,887)			(120,639)
99,326	Benefits Payable	(8)	98,215
9,920	Payments To and On Account of Leavers	(9)	20,694
109,246			118,909
(5,641)	Net (additions)/withdrawals from dealings with Fund Members		(1,730)
12,033	Management Expenses	(10)	11,601
6,392	Net (additions)/withdrawals including Management Expenses		9,871
	Returns on Investments		
(23,692)	Investment Income	(11)	(18,788)
141,022	(Profit)/Loss on Disposal of Investments and Changes in the Value of Investments	(12A)	(505,741)
18,145	(Profit)/Loss on Forward Foreign Exchange	(13)	(29,687)
135,475	Net Returns on Investments		(554,216)
141,867	Net (Increase)/Decrease in the Net Assets Available for Benefits during the year		(544,345)
(2,361,194)	Opening Net Assets of the Fund		(2,219,327)
(2,219,327)	Closing Net Assets of the Fund		(2,763,672)

Net Asset Statement as at 31 March 2021

31 March 2020		Note	31 March 2021
£'000			£'000
833	Long Term Investment Assets	(12)	1,182
2,202,091	Investment Assets	(12)	2,746,170
(145)	Investment Liabilities	(12)	(12,429)
2,202,779	Total Net Investments		2,734,923
20,418	Current Assets	(19)	31,779
(3,870)	Current Liabilities	(20)	(3,030)
2,219,327	Net Assets of the Fund Available to Fund Benefits at the end of the Reporting Period		2,763,672

Note: The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The actuarial present value of promised retirement benefits is disclosed in Pension Note 18.

LINCOLNSHIRE PENSION FUND 2020-21

Notes to the Pension Fund Accounts

Note 1. Description of the Pension Fund

The Lincolnshire Pension Fund (the Fund) is part of the Local Government Pension Scheme and Lincolnshire County Council is the Administering Authority. Benefits are administered by West Yorkshire Pension Fund (WYPF) in a shared service arrangement.

General

The scheme is governed by the Public Service Pensions Act 2013. The Fund is administered in accordance with the following secondary legislation:

- the Local Government Pension Scheme (LGPS) Regulations 2013 (as amended);
- the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended); and
- the LGPS (Management and Investment of Funds) Regulations 2016.

It is a contributory defined benefit pension scheme to provide pensions and other benefits for pensionable employees of Lincolnshire County Council, the district councils in Lincolnshire and a range of other scheduled and admitted bodies within the county. Teachers, police officers and firefighters are not included as they come within other national pension schemes.

The Fund is overseen by the Lincolnshire County Council Pensions Committee, which is a committee of Lincolnshire County Council.

Membership

Membership of the LGPS is automatic for eligible employees, but they are free to choose whether to remain in the scheme or make their own personal arrangements outside of the scheme.

Organisations participating in the Fund include:

- Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the Fund; and
- Admitted bodies, which participate in the Fund under the terms of an admission agreement between the Fund and the relevant employer. Admitted bodies include: charitable organisations and similar not-for-profit bodies, or private contractors undertaking a local authority function following outsourcing to the private sector.

LINCOLNSHIRE PENSION FUND 2020-21

There are 249 contributing employer organisations in the Fund including the County Council and just under 74,000 members as detailed below (information reported based on March processed data):

	31 March 2019	31 March 2020	31 March 2021
Number of employers with active members	234	251	249
<u>Number of employees in the Scheme:</u>			
- Lincolnshire County Council	9,879	9,175	9,228
- Other Employers	12,941	13,715	13,810
Total	22,820	22,890	23,038
<u>Number of Pensioners:</u>			
- Lincolnshire County Council	14,398	15,444	16,369
- Other Employers	7,317	7,994	8,377
Total	21,715	23,438	24,746
<u>Number of Deferred Pensioners:</u>			
- Lincolnshire County Council	19,753	18,668	17,413
- Other Employers	8,468	8,533	8,747
Total	28,221	27,201	26,160
Total number of Members in the Scheme:	72,756	73,529	73,944

Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay. Employer contributions are set based on triennial actuarial funding valuations. Rates paid by employers during 2020/21 were determined at the 2019 Valuation, or when a new employer joins the scheme. Rates paid during 2020/21 ranged from 16.3% to 33.7% of pensionable pay. In addition, the majority of employers are paying monetary amounts to cover their funding deficit.

Benefits

From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is up-rated annually in line with the Consumer Price Index.

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service, summarised below:

	Service pre April 2008	Service post April 2008
Pension	Each year is worth 1/80 x final pensionable salary.	Each year is worth 1/60 x final pensionable salary.
Lump Sum	Automatic lump sum of 3/80 x salary. In addition, part of the annual pension can be exchanged for a one-off tax free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

There are a range of other benefits provided under the scheme including early retirement, ill-health pensions and death benefits.

LINCOLNSHIRE PENSION FUND 2020-21

Note 2. Basis of Preparation

The Statement of Accounts summarises the Fund's transactions for the 2020/21 financial year and its position at year end as at 31 March 2021.

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code), which is based on International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounting policies set out below (at Note 3) have been applied consistently to all periods presented within these financial statements.

The accounts report the net assets available to pay pension benefits. The accounts do not take into account obligations to pay pensions and other benefits that fall due after the end of the financial year, nor do they taken into account the actuarial present value of promised retirement benefits. The Code gives administering authorities the option to disclose this information in the net asset statement, in the notes to the account, or by appending an actuarial report prepared for this purpose. The Pension Fund has opted to disclose this information in Note 18.

The accounts have been prepared on a going concern basis.

Accounting Standards That Have Been Issued but Have Not Yet Been Adopted

On an annual basis, the Code requires the Pension Fund to consider the impact of accounting standards that have been issued but have not yet been adopted and disclose information relating to the impact of these standards. For 2021/22 the Code introduces the following changes to the accounting standards:

- Definition of a business: amendments to IFRS 3 Business Combinations;
- Interest Rate Benchmark Reform: amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments – Disclosure; and
- Interest Rate Benchmark Reform – Phase 2: amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments – Disclosure, IFRS 4 Insurance Contracts and IFRS 16 Leases.

It is not thought that any of these changes will have a significant impact on the Pension Fund Accounts for 2021/22.

LINCOLNSHIRE PENSION FUND 2020-21

Note 3. Significant Accounting Policies

Fund account – revenue recognition

a. Contributions income

Normal contributions are accounted for on an accruals basis as follows:

- Employee contribution rates are set in accordance with LGPS regulations using common percentage rates for all Funds which rise according to pensionable pay; and
- Employer contributions are set at the percentage rate recommended by the Fund actuary for the period to which they relate.

Employer deficit funding contributions are accounted for on the basis advised by the Fund actuary in the rates and adjustment certificate issued to the relevant employing body.

Additional employers' contributions, for example, in respect of early retirements, are accounted for in the year the event arose.

Any amount due in year but unpaid will be classed as a current financial asset.

b. Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund. They are calculated in accordance with the LGPS Regulations 2013:

- Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged.
- Bulk transfers are accounted for in accordance with the terms of the transfer agreement.

c. Investment Income

i) Interest income

Interest income is recognised in the Fund account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination.

ii) Dividend income

Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

iii) Distributions from pooled funds

Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

LINCOLNSHIRE PENSION FUND 2020-21

iv) Changes in the net market value of investments

Changes in the net market value of investments are recognised as income/expense and comprise all realised and unrealised profits/losses during the year.

Fund account – expense items

d. Benefits payable

Pensions and lump sum benefits payable are included in the accounts at the time of payment.

e. Taxation

The Fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as part of the overall cost of transactions (e.g. purchase price).

f. Management expenses

The Fund discloses its pension fund management expenses in accordance with the CIPFA guidance: Accounting for Local Government Pension Scheme Management Expenses (2016), using the headings shown below. All items of expenditure are charged to the Fund on an accruals basis.

i) Administrative expenses

All staff costs of the pension's administration team are charged to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.

ii) Oversight and Governance

All staff costs associated with the governance and oversight are charged directly to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.

iii) Investment management expenses

Investment management expenses are charged directly to the Fund as part of management expenses and are not included in, or netted off from, the reported return on investments.

Fees on investments where the cost is deducted at source have been included within investment expenses and an adjustment made to the change in market value of investments.

Fees for the external investment managers and custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase and decrease as the value of the investments change.

LINCOLNSHIRE PENSION FUND 2020-21

In addition, the Fund has negotiated with Invesco Asset Management (for Global Equities – ex UK) and Morgan Stanley Investment Management Ltd (for Alternative Investments) that an element of their fee will be performance related.

Where an investment manager's fee invoice has not been received by the financial year end, an estimate based upon the market value of their mandate is used for inclusion in the Fund accounts.

Net assets statement

g. Financial assets

All investment assets are included in the net assets statement on a fair value basis as at the reporting date. A financial asset is recognised in the net asset statement on the date the Fund becomes party to the contractual acquisition of the asset. Any amounts due or payable in respect of trades entered into, but not yet completed at 31 March each year are accounted for as financial instruments held at amortised cost. From this date, any gains or losses arising from changes in the fair value of the asset are recognised by the Fund and are classified as Fair Value through Profit and Loss (FVPL).

The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS13 (see Pension Fund Note 14). For the purposes of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

Alternatives, private equity, property venture and infrastructure valuations are based on valuations provided by managers at the year-end date. Where more up to date valuations are received during the accounts preparation or audit period, their materiality, both individually and collectively will be considered, and the accounts revised to reflect these valuations if necessary. If valuations at the year-end are not produced by the manager, the latest available valuation is adjusted for cash flows in the intervening period.

The investment in the LGPS asset pool, Border to Coast Pensions Partnership, is also carried at fair value. This has been classified as Fair Value through Other Comprehensive Income (FVOCI) rather than FVPL as the investment is a strategic investment and not held for trading.

h. Foreign currency transactions

Dividend, interest, purchases and sales of investments in foreign currencies have been accounted for at the spot rates at the date of the transaction. End of year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period. The exchange rates used at 31 March 2021 are shown in Pension Fund Note 27.

LINCOLNSHIRE PENSION FUND 2020-21

i. Derivatives

The Fund uses derivative financial instruments to manage its exposure to certain risks arising from its investment activities. The Fund does not hold derivatives for speculative purposes.

Future value of forward currency contracts are based on market forward exchange rates at the year-end date and determined as the gain or loss that would arise if the outstanding contract were matched at the year-end with an equal and opposite contract. The contracts are valued using Northern Trust closing spot/forward foreign exchange rates on 31 March.

j. Cash and cash equivalents

Cash comprises of cash in hand, deposits and includes amounts held by external managers. All cash balances are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to minimum risk of changes in value.

k. Financial liabilities

A financial liability is recognised in the net assets statement on the date the Fund becomes legally responsible for that liability. The Fund recognises financial liabilities relating to investment trading at fair value as at the reporting date, and any gains or losses arising from changes in the fair value of the liability between contract date, the year-end date and the eventual settlement date are recognised in the Fund account as part of the Change in Value of Investments.

Other financial liabilities classed as amortised cost, are carried at amortised cost i.e. the amount carried in the net asset statement is the outstanding principal repayable plus accrued interest.

l. Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial standards. At year end, the promised retirement benefits have been projected using a roll forward approximation from the latest formal funding valuation. As permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the net assets statement (see Pension Fund Note 18).

m. Additional voluntary contributions

The Fund provides an additional voluntary contribution (AVC) scheme for its members, the assets of which are invested separately from those of the Pension Fund. The Fund has appointed Prudential as its AVC provider. AVCs are paid to the AVC provider by employers and are specifically for providing additional benefits for individual contributors. Each AVC contributor receives an annual statement showing the amount held in their account and the movements in the year.

AVCs are not included in the accounts in accordance with Regulation 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 but are disclosed as a note for information (see Pension Fund Note 21).

LINCOLNSHIRE PENSION FUND 2020-21

n. Contingent assets and contingent liabilities

A contingent asset arises where an event has taken place giving rise to a possible asset whose existence will only be confirmed or otherwise by the occurrence of future events.

A contingent liability arises where an event has taken place prior to the year-end giving rise to a possible financial obligation whose existence will only be confirmed or otherwise by the occurrence of future events. Contingent liabilities can also arise in circumstances where a provision would be made, except that it is not possible at the balance sheet date to measure the value of the financial obligation reliably.

Contingent assets and liabilities are not recognised in the net asset statement but are disclosed by way of narrative in the notes (see Pension Fund Note 24 and 25).

Note 4. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 3 above, the Fund has to make certain critical judgements about complex transactions or those involving uncertainty about future events.

Pension Fund liability

The net Pension Fund liability is recalculated every three years by the appointed actuary with annual updates in the intervening years. The methodology used in these years is in line with accepted guidelines. However, this estimate is subject to significant variances. The Fund relies on the appointed actuary's judgement to agree changes to the underlying assumptions. From 1 January 2021 the Fund appointed a new actuary. At 31 March the new actuary has reviewed and updated the funding position from the 2019 valuation, details of this are summarised in Pension Fund Note 17.

Note 5. Assumptions Made About the Future and Major Sources of Estimation Uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the balance sheet date and the amounts reported for the revenues and expenses during the year. Estimates and assumptions are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual outcomes could differ from the assumptions and estimates.

The items in the accounts for the year ended 31 March 2021 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

LINCOLNSHIRE PENSION FUND 2020-21

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits (Note 18)	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to: the discount rate used; salary and pension increases; changes in retirement ages; mortality rates; and expected returns on Fund assets.</p> <p>A firm of consulting actuaries are engaged to provide expert advice about the assumptions to be applied.</p>	<p>The effects of changes in the individual assumptions can be measured. For example:</p> <p>1) a 0.5% increase in the discount rate assumption would reduce future pension liabilities by c. £392m.</p> <p>2) a 0.25% increase in earnings inflation would increase the value of liabilities by c. £30m.</p> <p>3) a 0.25% increase in the pension increase rate would increase the value of liabilities by c. £179m.</p> <p>4) a one-year increase in assumed life expectancy would increase the liability by c. £199m.</p>
Hedge Funds (Note 14)	Some hedge fund investments are not regularly traded and as such there is a degree of estimation involved in the valuation.	A fund manager estimates that the sensitivity of valuation of these assets included at level three in the fair value hierarchy is +/-6%. This equates to a +/- £3.6m on a carrying value of £72.9m
Unquoted Assets (including Alternatives, Infrastructure, Other Property and Private Equity) (Note 14)	Private Equity investments are valued at fair value in accordance with International Private Equity and Venture Capital Valuation Guidelines (2018) and the Special Guidance issued in March 2020 concerning the impact of Covid-19 on valuations. These investments are not publicly listed and as such there us a degree of estimation involved in the valuation.	<p>Unquoted Assets at 31 March 2021 are valued at £291.2m in the financial statements. There is a risk that these investments may be under or over stated in the accounts.</p> <p>Alternatives by +/-10% or £22.0m on a carrying value of £219.8m.</p> <p>Infrastructure by +/-16% or £8.1m on a carrying value of £50.8m.</p> <p>Other Property by +/-18% or £1.2m on a carrying value of £6.9m.</p> <p>Private Equity by +/-22% or £3.0m on a carrying value of £13.7m.</p>

LINCOLNSHIRE PENSION FUND 2020-21

Note 6. Contributions Receivable

Contributions receivable are analysed by category below:

	2019/20	2020/21
	£'000	£'000
Employers		
Normal	60,186	66,028
Deficit Recovery Funding	21,412	23,655
Additional - Augmentation	892	1,182
Members		
Normal	21,684	22,618
Additional years	84	75
Total	104,258	113,558

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

	2019/20	2020/21
	£'000	£'000
Lincolnshire County Council - Administering Authority	43,539	48,066
Scheduled Bodies	56,339	61,797
Admitted Bodies	4,380	3,695
Total	104,258	113,558

Note 7. Transfers In From Other Pension Funds

	2019/20	2020/21
	£'000	£'000
Individual transfers from other schemes	10,629	7,081
Total	10,629	7,081

There were no material outstanding transfers due to the Pension Fund as at 31 March 2021.

LINCOLNSHIRE PENSION FUND 2020-21

Note 8. Benefits Payable

Benefits payable are analysed by category below:

	2019/20	2020/21
	£'000	£'000
Pensions	78,073	80,633
Commutations & Lump Sum Retirement Benefits	18,870	15,694
Lump Sum Death Benefits	2,383	1,888
Total	99,326	98,215

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

	2019/20	2020/21
	£'000	£'000
Lincolnshire County Council - Administering Authority	52,290	50,978
Scheduled Bodies	42,340	42,855
Admitted Bodies	4,696	4,382
Total	99,326	98,215

Note 9. Payments To and On Account of Leavers

	2019/20	2020/21
	£'000	£'000
Individual transfers to other schemes	9,580	4,986
Group transfers to other schemes	-	15,481
Refunds to members leaving service	340	227
Total	9,920	20,694

During 2020/21 Stamford New College merged with Peterborough College. All assets and liabilities relating to Stamford New College have been transferred to the Cambridgeshire Pension Fund.

There were no material outstanding transfers due from the Pension Fund as at 31 March 2021.

LINCOLNSHIRE PENSION FUND 2020-21

Note 10. Management Expenses

	2019/20	2020/21
	£'000	£'000
Administration Costs	1,250	985
Investment Management Expenses	10,203	9,861
Oversight and Governance Costs	580	755
Total	12,033	11,601

The external audit fee for the year was £0.019m (£0.019m in 2019/20).

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

2020/21	Total	Management Fees	Performance Related Fees	Transaction Costs
	£'000	£'000	£'000	£'000
Equities	1,473	541	-	932
Managed by Border to Coast	2,495	2,277	-	218
Unitised Insurance Policies	328	315	-	13
Unit Trusts	1,314	1,325	(16)	5
Other Managed Funds	4,029	3,645	279	105
Cash	-	-	-	-
	9,639	8,103	263	1,273
Custody Fees	222			
Total	9,861			

2019/20 Reanalysed	Total	Management Fees	Performance Related Fees	Transaction Costs
	£'000	£'000	£'000	£'000
Equities	1,874	1,111	203	560
Managed by Border to Coast	1,480	1,014	-	466
Unitised Insurance Policies	150	150	-	0
Unit Trusts	1,366	1,177	(24)	213
Other Managed Funds	5,158	3,352	1,462	344
Cash	1	-	-	1
	10,028	6,804	1,641	1,583
Custody Fees	175			
Total	10,203			

LINCOLNSHIRE PENSION FUND 2020-21

Note 11. Investment Income

	2019/20	2020/21
	£'000	£'000
Equities	19,323	10,978
Unit Trusts:		
- Property	2,158	2,572
Other Managed Funds:		
- Property	405	221
- Infrastructure	-	2,853
- Alternatives	1,535	2,006
Interest on Cash Deposits	192	87
Stock Lending	79	71
Total	23,692	18,788

Note 12. Investments

	2019/20	2020/21
	£'000	£'000
Unquoted Equity Holding in Border to Coast Pensions Partnership	833	1,182
Total Long Term Investment	833	1,182

LINCOLNSHIRE PENSION FUND 2020-21

	2019/20 Reanalysed	2020/21
	£'000	£'000
Investment Assets		
Equities	495,761	-
Pooled Investment Vehicles:		
Managed by Border to Coast Pool:		
- Global Equities	344,976	711,480
- UK Equities	-	442,899
- Bonds	180,328	195,898
Unitised Insurance Policies:		
- Global Equities	-	410,865
- UK Equities	350,106	-
- Bonds	234,613	153,513
Unit Trusts:		
- Property	175,601	179,603
Other Managed Funds:		
- Alternatives	306,633	378,276
- Multi Asset Credit	-	89,436
- Infrastructure	46,347	50,793
- Private Equity	16,559	13,712
- Property	15,170	19,946
Total Pooled Investment Vehicles	1,670,333	2,646,421
Other Investment Assets:		
Derivatives:		
- Open Forward Foreign Exchange (FX)	8,335	-
Cash Deposits	23,939	97,725
Investment Income Due	3,723	2,024
Total Other Investment Assets	35,997	99,749
Total Investment Assets	2,202,091	2,746,170
Investment Liabilities:		
Derivatives:		
- Open Forward Foreign Exchange (FX)	-	(1,964)
Investment Income Payable	(18)	(1)
Amount Payable for Purchases	(127)	(10,464)
Total Investment Liabilities	(145)	(12,429)
Total Net Investment Assets	2,201,946	2,733,741

LINCOLNSHIRE PENSION FUND 2020-21

12A Reconciliation of Movements in Investments

2020/21	Market Value at 31 March 2020	Purchases and Derivative Payments	Sales and Derivative Receipts	Change in Value during the Year	Market Value at 31 March 2021
	£'000	£'000	£'000	£'000	£'000
Long Term Investments					
Unquoted Equity Holding in Border to Coast Pensions Partnership	833	349	-	-	1,182
Total Long Term Investment	833	349	-	-	1,182
2020/21	Market Value at 31 March 2020	Purchases and Derivative Payments	Sales and Derivative Receipts	Change in Value during the Year	Market Value at 31 March 2021
	£'000	£'000	£'000	£'000	£'000
Investment Assets					
Equities	495,761	152,141	(826,708)	178,806	-
Pooled Investment Vehicles:					
- Managed by Border to Coast Pool	525,304	564,024	(2,075)	263,024	1,350,277
- Unitised Insurance Policies	584,719	420,203	(466,257)	25,713	564,378
- Unit Trusts	175,601	1,162	(1,324)	4,164	179,603
- Other Managed Funds	384,709	229,640	(96,220)	34,034	552,163
	2,166,094	1,367,170	(1,392,584)	505,741	2,646,421
Other Investments:					
Derivatives:					
- Open Forward Foreign Exchange (FX)	8,335	2,692,776	(2,732,762)	29,687	(1,964)
	2,174,429	4,059,946	(4,125,346)	535,428	2,644,457
Other Investment Balances:					
- Cash Deposits	23,939				97,725
- Amount Receivable for Sales	-				-
- Investment Income Due	3,705				2,023
- Amount Payable from Purchases	(127)				(10,464)
Total Net Investment Assets	2,201,946			535,428	2,733,741

LINCOLNSHIRE PENSION FUND 2020-21

2019/20 (reanalysed)	Market Value at 31 March 2019	Purchases and Derivative Payments	Sales and Derivative Receipts	Change in Value during the Year	Market Value at 31 March 2020
	£'000	£'000	£'000	£'000	£'000
Long Term Investments					
Unquoted Equity Holding in Border to Coast Pensions Partnership	833	-	-	-	833
Total Long Term Investment	833	-	-	-	833
2019/20 (reanalysed)	Market Value at 31 March 2019	Purchases and Derivative Payments	Sales and Derivative Receipts	Change in Value during the Year	Market Value at 31 March 2020
	£'000	£'000	£'000	£'000	£'000
Investment Assets					
Equities	818,260	380,719	(784,022)	80,804	495,761
Pooled Investment Vehicles:					
- Managed by Border to Coast Pool	-	620,486	(1,109)	(94,073)	525,304
- Unitised Insurance Policies	712,918	140,679	(199,075)	(69,803)	584,719
- Unit Trusts	178,634	973	-	(4,006)	175,601
- Other Managed Funds	593,524	106,798	(261,669)	(53,944)	384,709
	2,303,336	1,249,655	(1,245,875)	(141,022)	2,166,094
Other Investments:					
Derivatives:					
- Open Forward Foreign Exchange (FX)	(1,276)	2,574,575	(2,546,819)	(18,145)	8,335
	2,302,060	3,824,230	(3,792,694)	(159,167)	2,174,429
Other Investment Balances:					
- Cash Deposits	36,413				23,939
- Amount Receivable for Sales	-				-
- Investment Income Due	5,215				3,705
- Amount Payable from Purchases	-				(127)
Total Net Investment Assets	2,343,688			(159,167)	2,201,946

LINCOLNSHIRE PENSION FUND 2020-21

12B Investments Analysed by Fund Manager

Fund Manager	31 March 2020		31 March 2021	
	£'000	%	£'000	%
Investments managed by Border to Coast Pensions Partnership:				
- Global Equity Alpha Sub-fund	344,976	15.6	711,480	26.0
- Listed UK Equity Sub-fund	-	-	442,899	16.2
- Investment Grade Credit Sub-fund	180,327	8.2	195,898	7.2
Unitised Insurance Policies:				
- Legal and General (Future World Fund)	-	-	410,865	15.0
- Legal and General (Passive UK Equities)	350,106	15.9	-	-
- Blackrock (Bond Portfolio)	234,613	10.7	153,513	5.6
Investments managed outside of the asset pool:				
- Invesco (Global Equities exc. UK)	503,027	22.8	2,258	0.1
- Morgan Stanley (Alternative Investments)	318,790	14.5	384,636	14.1
- Morgan Stanley (Private Equity)	17,755	0.8	14,438	0.5
- PIMCO (Multi-Asset Credit)	-	-	89,436	3.3
- Internally Managed (Property Unit Trusts)	175,601	8.0	182,326	6.7
- Internally Managed (Infrastructure)	48,386	2.2	52,800	1.9
- Internally Managed (Other Property)	24,169	1.1	21,328	0.8
- Internally Managed (UK Equity)	1	-	-	-
- Internally Managed (Cash managed by LCC Treasury Management Team)			50,000	1.8
- Unallocated Cash	4,195	0.2	21,864	0.8
Total	2,201,946	100.0	2,733,741	100.0

The following table sets out where there is a concentration of investments which exceeds 5% of the total value of the net assets of the scheme (excluding holdings in UK Government Securities).

Fund Manager	31 March 2020		31 March 2021	
	£'000	%	£'000	%
Blackrock 1-5 year Corporate Bond Fund	149,016	6.7	-	-
Border to Coast (Global Equity Alpha)	344,976	15.5	711,480	25.7
Border to Coast (Listed UK Equity)	-	-	442,899	16.0
Border to Coast (Investment Grade Credit)	180,327	8.1	195,898	7.1
Legal and General (Future World Fund)	-	-	410,865	14.9
Legal and General (Passive UK Equities)	350,106	15.8	-	-
Morgan Stanley (Alternative Investments)	306,633	14.0	378,276	12.9

12C Stock Lending

During 2020/21 the Fund cancelled its stock lending programme with the Fund's custodian, Northern Trust. There was no stock on loan at 31 March 2021. During the year stock-lending commissions are remitted to the Fund via the custodian. Income received from stock lending activities, before costs, was £0.071m for the year ending 31 March 2021 (£0.079m at 31 March 2020) and is included within the 'Investment Income' set out at Note 11 Investment Income. For the period the stock is on loan, the voting rights of the loaned stock pass to the borrower.

LINCOLNSHIRE PENSION FUND 2020-21

Note 13. Analysis of Derivatives

The holding in derivatives is used to hedge exposures to reduce risk in the Fund. The use of any derivatives is managed in line with the investment management agreements in place between the Fund and the various investment managers.

The only direct derivative exposure that the Fund has is in forward foreign currency contracts. The Fund's alternatives investment manager uses forward foreign exchange contracts to reduce exposure to fluctuations in foreign currency exchange rates.

Open Forward Currency Contracts

Settlement	Currency Bought	Local Value	Currency Sold	Local Value	Asset Value	Liability Value
		'000		'000	£'000	£'000
Up to one month	None					
Over one month	GBP	1,329	AUS	2,383	13	
	GBP	11,053	CAD	19,124	26	
	GBP	11,322	EUR	13,204	59	
	GBP	292,090	USD	405,937		(2,062)
Total					98	(2,062)
Net Forward Currency Contracts at 31 March 2021						(1,964)
Prior year comparative						
Open forward currency contracts at 31 March 2020					9,600	(1,265)
Net Forward Currency Contracts at 31 March 2020						8,335

Profit (Loss) of Forward Currency Deals and Currency Exchange

The profit or loss from any forward deals and from currency exchange is a result of normal trading of the Fund's managers who manage multi-currency portfolios. For 2020/21 this was a profit of £29.687m (£18.145m loss in 2019/20).

Note 14. Fair Value – Basis of Valuation

All investments assets are valued using fair value techniques based on the characteristics of each instrument, where possible using market-based information. There has been no change in the valuation techniques used during the year.

Asset and liability valuations have been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level One – where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities, comprising quoted equities, quoted bonds and unit trusts.

LINCOLNSHIRE PENSION FUND 2020-21

Level Two – where quoted market prices are not available, or where valuation techniques are used to determine fair value based on observable data.

Level Three – where at least one input that could have significant effect on the instrument's valuation is not based on observable market data.

The basis of the valuation of each class of investment asset is set out below.

Description of Asset	Basis of Valuation	Observable and Unobservable Inputs	Key Sensitivities Affecting the Valuations Provided
Level One			
Quoted equities and pooled fund investments	The published bid market price on the final day of the accounting period.	Not Required.	Not Required.
Quoted fixed income bonds and unit trusts	Quoted market value based on current yields	Not Required.	Not Required.
Cash and cash equivalents	Carrying value is deemed to be fair value because of the short-term nature of these financial instruments.	Not Required.	Not Required.
Level Two			
Unquoted equity investments	Average of broker prices	Evaluated price feeds.	Not Required.
Unquoted fixed income bonds and unit trusts	Average of broker prices	Evaluated price feeds.	Not Required.
Unquoted pooled fund investments	Average of broker prices	Evaluated price feeds.	Not Required.
Forward foreign exchange derivatives	Market forward exchange rates at the year-end.	Exchange rate risk.	Not Required.
Pooled property funds and hedge funds where regular trading takes place	Closing bid price where bid and offer prices are published. Closing single price where single price published.	NAV-based pricing set on a forward pricing basis.	Not Required.

LINCOLNSHIRE PENSION FUND 2020-21

Description of Asset	Basis of Valuation	Observable and Unobservable Inputs	Key Sensitivities Affecting the Valuations Provided
Level Three			
Pooled property funds and hedge funds where regular trading does not take place	Valued by investment managers on a fair value basis each year using PRAG guidance.	NAV-based pricing set on a forward pricing basis.	Valuations are affected by any changes to the value of the financial instrument being hedged against.
Other unquoted and private equities (inc. alternatives, infrastructure and private equity)	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines 2018 and the IPEV Board's Special Valuation Guidance (March 2020).	EBITDA multiple; Revenue multiple; Discount for lack of marketability; and Control premium.	Valuations could be affected by changes to expected cashflows, or by any differences between audited and unaudited accounts.
Shares in Border to Coast Pensions Partnership	Estimated value of the pension fund's share of net assets held by the asset pool, based on relative percentage of shares held and voting rights.	Current estimates of future dividend income.	Valuation could be affected by future trading income, post-balance sheet events, or changes to expected cashflows.

Sensitivity of assets valued at level 3

The Fund has determined that the valuation methods described above for level three investments are likely to be accurate within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2021.

	Potential variation in fair value	Value as at 31 March 2021	Potential value on increase	Potential value on decrease
	(+/-)	£'000	£'000	£'000
Alternatives - Hedge Funds	6%	72,858	77,229	68,487
Alternatives - Unquoted Holdings	10%	219,841	241,825	197,857
Infrastructure	16%	50,793	58,920	42,666
Other Property	18%	6,878	8,116	5,640
Private Equity	22%	13,712	16,729	10,695

LINCOLNSHIRE PENSION FUND 2020-21

14A Fair Value Hierarchy

The following table provides an analysis of the financial assets and liabilities of the Pension Fund grouped into levels 1 to 3, based on the level at which the fair value is observable.

Values at 31 March 2021 - Observable Fair Value	Quoted Market Price Level 1	Using Observable Inputs Level 2	With Significant Unobservable Level 3	Total
	£'000	£'000	£'000	£'000
Financial assets at fair value through profit and loss:				
Equities	-			-
<u>Pooled Investment Vehicles:</u>				
Managed by Border to Coast Pool		1,350,277		1,350,277
Unitised Insurance Policies	564,378			564,378
Unit Trusts		179,603		179,603
Other Managed Funds	60,112	127,969	364,082	552,163
Derivatives: Forward Foreign Exchange				-
Cash	26,269			26,269
	650,759	1,657,849	364,082	2,672,690
Financial liabilities at fair value through profit and loss:				
Derivatives: Forward Foreign Exchange		(1,964)		(1,964)
	-	(1,964)	-	(1,964)
Financial assets at fair value through other comprehensive income and expenditure:				
Unquoted Equity Holding in Border to Coast Pensions Partnership			1,182	1,182
	-	-	1,182	1,182
Net Investment Assets	650,759	1,655,885	365,264	2,671,908

LINCOLNSHIRE PENSION FUND 2020-21

Values at 31 March 2020 (Reanalysed) - Observable Fair Value	Quoted Market Price Level 1	Using Observable Inputs Level 2	With Significant Unobservable Level 3	Total
	£'000	£'000	£'000	£'000
Financial assets at fair value through profit and loss:				
Equities	495,761			495,761
Pooled Investment Vehicles:				
Managed by Border to Coast Pool		525,304		525,304
Unitised Insurance Policies	584,719			584,719
Unit Trusts			175,602	175,602
Other Managed Funds	40,805	5,267	338,636	384,708
Derivatives: Forward Foreign Exchange		8,335		8,335
Cash	20,226			20,226
	1,141,511	538,906	514,238	2,194,655
Financial liabilities at fair value through profit and loss:				
Derivatives: Forward Foreign Exchange		-		-
	-	-	-	-
Financial assets at fair value through other comprehensive income and expenditure:				
Unquoted Equity Holding in Border to Coast Pensions Partnership			833	833
	-	-	833	833
Net Investment Assets	1,141,511	538,906	515,071	2,195,488

14B Transfer between levels in the Fair Value Hierarchy

Property Unit Trusts

As at 31 March 2020 the valuations provided by independent valuers for the Funds four UK Commercial Property Funds and the European Growth Fund were subject to a 'material valuation uncertainty' qualification as set out in VPGA 10 of the RICS Valuation – Global Standards. Consequently, less certainty and a higher degree of caution should be attached to these valuations than would normally be the case. As a consequence of this, these assets were moved from level 2 to level 3 in the fair value hierarchy. During September 2020 the 'material valuation uncertainty clause' was removed by the valuers of these Funds, as observable market evidence became available. Therefore the fair value level for these assets has been reassessed and these assets have been transferred from level 3 to level 2.

As all transfers between levels are recognised from the month in which they occur, these assets have been transferred from level 3 to level 2 at the end of September 2020.

LINCOLNSHIRE PENSION FUND 2020-21

14C Reconciliation of Fair Value Measurements within Level 3

Period 2020/21	Market value at 31 March 2020	Transfers into Level 3	Transfers out of Level 3	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Unrealised gains/(losses) *	Realised gains/(losses) *	Market value at 31 March 2021
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Property Unit Trusts **	175,602	-	(171,668)	544	(662)	(3,816)	-	-
Other Property **	15,170	-	(13,483)	6,265	(897)	(148)	(29)	6,878
Infrastructure	46,347	-	-	4,163	(1,308)	1,597	(6)	50,793
Private Equity	16,559	-	-	708	(7,007)	(192)	3,644	13,712
Alternatives	260,560	-	-	54,101	(33,401)	7,368	4,071	292,699
Unquoted Equity Holding in Border to Coast Pensions Partnership	833	-	-	349	-	-	-	1,182
Total	515,071	-	(185,151)	66,130	(43,275)	4,809	7,680	365,264

Period 2019/20	Market value at 31 March 2019	Transfers into Level 3	Transfers out of Level 3	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Unrealised gains/(losses) *	Realised gains/(losses) *	Market value at 31 March 2020
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Property Unit Trusts ***	-	175,602	-	-	-	-	-	175,602
Other Property ***	4,207	13,174	-	153	(1,495)	(1,082)	213	15,170
Infrastructure	44,437	-	-	2,848	(3,346)	2,397	11	46,347
Private Equity	22,962	-	-	356	(7,469)	(5,376)	6,086	16,559
Alternatives	217,697	-	-	58,796	(47,626)	28,938	2,755	260,560
Unquoted Equity Holding in Border to Coast Pensions Partnership	833	-	-	-	-	-	-	833
Total	290,136	188,776	-	62,153	(59,936)	24,877	9,065	515,071

* Unrealised and realised gains and losses are recognised in the profit and losses on disposal and change in market values line of the Fund account.

** The Funds four UK Commercial Property Funds and the European Growth Fund transferred from level 3 to level 2 at the end of September 2020 when the 'material valuation uncertainty clause' was removed by the valuers of these Funds.

*** The Funds four UK Commercial Property Funds and the European Growth Fund transferred from level 2 to level 3 at the end of March 2020 when a 'material valuation uncertainty clause' was placed on the valuation of these Funds.

LINCOLNSHIRE PENSION FUND 2020-21

Note 15. Financial Instruments

15A Classification of Financial Instruments

The following table analyses the carrying amounts of financial instruments by category and net assets statement heading. No financial assets were reclassified during the accounting period.

	31 March 2021			
	Fair value through profit & loss	Assets at amortised cost	Liabilities at amortised cost	Fair value through comprehensive income
	£'000	£'000	£'000	£'000
Financial Assets				
Unquoted Equity Holding in Border to Coast Pensions Partnership				1,182
Equities	-			
Pooled Investment Vehicles:				
- Managed by Border to Coast	1,350,277			
- Unitised Insurance Policies	564,378			
- Unit Trusts	179,603			
- Other Managed Funds	552,163			
Derivatives: Forward Foreign Exchange	-			
Cash	26,269	96,522		
Other Investment Balances		2,024		
Sundry Debtors		431		
	2,672,690	98,977	-	1,182
Financial Liabilities				
Derivatives: Forward Foreign Exchange	(1,964)			
Other Investment Balances			(10,465)	
Sundry Creditors			(2,510)	
	(1,964)	-	(12,975)	-
	2,670,726	98,977	(12,975)	1,182

LINCOLNSHIRE PENSION FUND 2020-21

	31 March 2020 (Reanalysed)			
	Fair value through profit & loss	Assets at amortised cost	Liabilities at amortised cost	Fair value through comprehensive income
	£'000	£'000	£'000	£'000
Financial Assets				
Unquoted Equity Holding in Border to Coast Pensions Partnership				833
Equities	495,761			
Pooled Investment Vehicles:				
- Managed by Border to Coast	525,304			
- Unitised Insurance Policies	584,719			
- Unit Trusts	175,601			
- Other Managed Funds	384,709			
Derivatives: Forward Foreign Exchange	8,335			
Cash	20,226	16,783		
Other Investment Balances		3,723		
Sundry Debtors		866		
	2,194,655	21,372	-	833
Financial Liabilities				
Derivatives: Forward Foreign Exchange	-			
Other Investment Balances			(145)	
Sundry Creditors			(2,950)	
	-	-	(3,095)	-
	2,194,655	21,372	(3,095)	833

15B Net Gains and Losses on Financial Instruments

	2019/20	2020/21
	£000	£000
Financial Assets		
Fair Value through Profit and Loss	(141,022)	505,741
	(141,022)	505,741

The fund has not entered into any financial guarantees that are required to be accounted for as financial instruments.

LINCOLNSHIRE PENSION FUND 2020-21

Note 16. Nature and Extent of Risks Arising from Financial Instruments

Risk and Risk Management

The Fund's primary long-term risk is that its assets will fall short of its liabilities (i.e. the promised benefits payable to members). The aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. The Fund manages these investment risks as part of its overall Pension Fund risk management programme.

Responsibility for the Fund's risk management strategy rests with the Pensions Committee. Risk management policies have been established to identify and analyse the risks faced by the pension fund's operations. These are reviewed regularly to reflect changes in activity and market conditions.

a) Market Risk

Market risk is the loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future prices and yield movements and the asset mix. The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, while optimising investment return.

To mitigate market risk, the Pension Fund invests in a diversified pool of assets to ensure a reasonable balance between different categories, having taken advice from the Fund's Investment Consultant. The management of the assets is split between a number of managers with different performance targets and investment strategies. Risks associated with the strategy and investment returns are included as part of the quarterly reporting to the Pensions Committee where they are monitored and reviewed.

Other Price Risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The Fund is exposed to share and derivative price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital. The maximum risk resulting from financial instruments is determined by the fair value of the financial instrument.

LINCOLNSHIRE PENSION FUND 2020-21

The Fund's investment managers mitigate this price risk through diversification, and the selection of securities and other financial instruments is monitored by the Council to ensure it is within limits specified in the Fund investment strategy.

Other Price Risk - Sensitivity Analysis

Following analysis of historical data and expected investment return during the financial year, the Fund, in consultation with a fund manager, has determined that the following movements in market price are reasonably possible for 2021/22; assuming that all other variables, in particular foreign exchange rates and interest rates remain the same (prior year comparatives are shown below):

Asset Type	Value at 31 March 2021	Potential market movements (+/-)	Value on Increase	Value on Decrease
	£'000		£'000	£'000
UK Equities	442,899	17%	518,192	367,606
Overseas Equities	1,122,345	17%	1,313,144	931,546
Bonds	349,411	5%	366,882	331,940
Property	199,549	18%	235,468	163,630
Alternatives - Hedge Funds	79,507	6%	84,277	74,737
Alternatives - Other	298,769	10%	328,646	268,892
Multi Asset Credit	89,436	10%	98,380	80,492
Infrastructure	50,793	16%	58,920	42,666
Private Equity	13,712	22%	16,729	10,695
Total Assets Available	2,646,421		3,020,638	2,272,204

Asset Type	Value at 31 March 2020	Potential market movements (+/-)	Value on Increase	Value on Decrease
	£'000		£'000	£'000
UK Equities	695,082	30%	903,607	486,557
Overseas Equities	495,761	33%	659,362	332,160
Bonds	414,941	16%	481,332	348,550
Property	190,771	19%	227,017	154,525
Infrastructure	46,347	17%	54,226	38,468
Private Equity	16,559	24%	20,533	12,585
Alternatives	306,633	10%	337,296	275,970
Total Assets Available	2,166,094		2,683,373	1,648,815

Interest rate risk

The Fund recognises that interest rates can vary and can affect both income to the Fund and carrying value of fund assets, both of which affect the value of the net assets available to pay benefits. A Fund Manager and experience and suggests that a movement of less than +/- 100 bases points (+/- 1%) in interest rates from one year to the next is likely.

LINCOLNSHIRE PENSION FUND 2020-21

Interest rate risk – sensitivity analysis

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 1% change in interest rates. This analysis demonstrates that a 1% increase in interest rates will not affect the interest received on fixed interest assets but will reduce their fair value, and vice versa. Changes in interest rates do not impact on the value of cash and cash equivalent balances but they will affect the interest income received on those balances.

Assets Exposed to Interest Rate Risk:

Exposure to interest rate risk	Value at 31 March 2021	Percentage movement on 1% change in Interest Rates	Impact of 1% increase	Impact of 1% decrease
	£'000	£'000	£'000	£'000
Cash and Cash Equivalents	97,725	-	97,725	97,725
Cash Balances	25,066	-	25,066	25,066
Bonds	349,411	3,494	352,905	345,917
Total	472,202	3,494	475,696	468,708

Exposure to interest rate risk	Value at 31 March 2020	Percentage movement on 1% change in Interest Rates	Impact of 1% increase	Impact of 1% decrease
	£'000	£'000	£'000	£'000
Cash and Cash Equivalents	23,939	-	23,939	23,939
Cash Balances	13,071	-	13,071	13,071
Bonds	414,941	4,149	419,090	410,792
Total	451,951	4,149	456,100	447,802

Income Exposed to Interest Rate Risk	Interest Receivable 2020/21	Percentage movement on 1% change in Interest Rates	Value on 1% increase	Value on 1% decrease
	£'000	£'000	£'000	£'000
Cash Deposits, Cash and Cash Equivalents	87	1	88	86
Bonds	-	-	-	-
Total	87	1	88	86

Income Exposed to Interest Rate Risk	Interest Receivable 2019/20	Percentage movement on 1% change in Interest Rates	Value on 1% increase	Value on 1% decrease
	£'000	£'000	£'000	£'000
Cash Deposits, Cash and Cash Equivalents	192	2	194	190
Bonds	-	-	-	-
Total	192	2	194	190

LINCOLNSHIRE PENSION FUND 2020-21

Currency risk

Currency risk represents the risk that future cash flows will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on any cash balances and investment assets not denominated in UK sterling. Following analysis of historical data and in consultation with an investment manager, the Fund considers the likely volatility associated with foreign exchange rate movements to be not more than 8%, as measured by one standard deviation (10% in 2019/20). An 8% strengthening/weakening of the pound against various currencies in which the Fund holds investments would increase/decrease the net asset available to pay benefits as follows:

Currency risk – sensitivity analysis

Asset Exposed to Currency Risk	Value at 31 March 2021	Percentage Market Movement	Value on Increase	Value on Decrease
	£'000	£'000	£'000	£'000
Overseas Equities	-	-	-	-
Overseas Alternatives	352,141	28,171	380,312	323,970
Overseas Infrastructure	7,254	580	7,834	6,674
Overseas Private Equity	13,712	1,097	14,809	12,615
Overseas Property	13,654	1,092	14,746	12,562
Total	386,761	30,940	417,701	355,821

Asset Exposed to Currency Risk	Value at 31 March 2020	Percentage Market Movement	Value on Increase	Value on Decrease
	£'000	£'000	£'000	£'000
Overseas Equities	495,761	49,576	545,337	446,185
Pooled Investments:				
Overseas Infrastructure	4,121	412	4,533	3,709
Overseas Private Equity	16,559	1,656	18,215	14,903
Overseas Property	14,579	1,458	16,037	13,121
Total	531,020	53,102	584,122	477,918

b) Credit Risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. Assets potentially affected by this are investment assets and cash deposits. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities.

The Fund is additionally exposed to credit risk through securities lending (see Note 12C) and its daily treasury activities. Credit risk may also occur if an employing body not supported by central government does not pay its contributions promptly, or defaults on its obligations.

The securities lending programme is run by the Fund's custodian, Northern Trust, who manage and monitor the counterparty risk, collateral risk and the overall lending programme.

LINCOLNSHIRE PENSION FUND 2020-21

The minimum level of collateral for securities on loan is 102%, however more collateral may be required depending upon type of transaction. This level is assessed daily to ensure it takes account of market movements. To further mitigate risk, Northern Trust provide an indemnity to cover borrower default, overnight market risks, fails on return of loaned securities and entitlements to securities on loan. Securities lending is capped by investment regulations and statutory limits are in place to ensure that no more than 25% of eligible assets can be on loan at any one time. During 2020/21 the Fund terminated its securities lending programme. At 31 March 2021 no securities were out on loan.

The Pension Fund's bank account is held at Barclays, which holds an 'A' long term credit rating (Fitch Credit Rating Agency) and it maintains its status as a well-capitalised and strong financial organisation. The management of the cash held in this account is carried out by the Council's Treasury Manager, in accordance with an agreement signed by the Pensions Committee and the Council. The agreement stipulates that the cash is pooled with the Council's cash and managed in line with the policies and practices followed by the Council, as outlined in the CIPFA Code of Practice for Treasury Management in the Public Services and detailed in its Treasury Management Practices. At 31 March 2021 the balance at Barclays was £74.066m (£12.071m at 31 March 2020).

The Pension Fund closely monitors employer contributions each month. All contributions from employers due to the Fund for March 2021 were received by the Fund in April 2021. The Fund's current policy for all new employers into the scheme is to obtain a guarantee that will ensure all pension obligations are covered in the event of that employer facing financial difficulties.

c) Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund takes steps to ensure that it has adequate cash resources to meet its commitments.

The Fund holds a working cash balance in its own bank account to cover the payment of benefits and other lump sum payments. At an investment level, the Fund holds a large proportion of assets in listed assets (equities and bonds), instruments that can be liquidated at short notice, normally three working days. As at 31 March 2021, these assets totalled £1,914.655m (£1,605.784m as at 31 March 2020), with a further £122.791m held in cash (£37.010m as at 31 March 2020).

Currently, the Fund is cash flow positive each month (i.e. the contributions received exceed the pensions paid). This position is monitored regularly, and reviewed at least every three years alongside the Triennial Valuation.

LINCOLNSHIRE PENSION FUND 2020-21

Note 17. Funding Arrangements

In line with the Local Government Pension Scheme Regulations 2013, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2019 and the next valuation is due to take place as at 31 March 2022.

Description of Funding Policy

In summary, the key funding policy is as follows:

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

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable. For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised to have a sufficiently high likelihood of achieving the funding target over 20 years. Asset-liability modelling has been carried out which demonstrate that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is at least a 71% likelihood that the Fund will achieve the funding target over 20 years.

Actuary's Statement

The last full triennial valuation of the Lincolnshire Pension Fund (the Fund) was carried out as at 31 March 2019 as required under Regulation 62 of the Local Government Pension Scheme Regulations 2013 (the Regulations) and in accordance with the Funding Strategy Statement of the Fund. The results were published in the triennial valuation report dated 27 March 2020.

Asset value and funding level

The results for the Fund at 31 March 2019 were as follows:

- The market value of the Fund's assets as at 31 March 2019 was £2,353m.

LINCOLNSHIRE PENSION FUND 2020-21

- The Fund had a funding level of 93% i.e. the value of assets for valuation purposes was 93% of the value that they would have needed to be to pay for the benefits accrued to that date, based on the assumptions used. This corresponded to a deficit of £183m.

Contribution rates

The employer contributions rates, in addition to those paid by the members of the Fund, are set to be sufficient to meet:

- The annual accrual of benefits allowing for future pay increases and increases to pensions in payment when these fall due;
- Plus an amount to reflect each participating employer's notional share of the Fund's assets compared with 100% of their liabilities in the Fund, in respect of service to the valuation date.

The primary rate of contribution on a whole Fund level was 18.6% of payroll p.a. The primary rate as defined by Regulation 62(5) is the employer's share of the cost of benefits accruing in each of the three years beginning 1 April 2020.

In addition each employer pays a secondary contribution as required under Regulation 62(7) that when combined with the primary rate results in the minimum total contributions. This secondary rate is based on their particular circumstances and so individual adjustments are made for each employer.

Details of each employer's contribution rate are contained in the Rates and Adjustments Certificate in Appendix 3 of the triennial valuation report.

Assumptions

The key assumptions used to value the liabilities at 31 March 2019 are summarised below:

Financial Assumptions	Assumptions used for the 2019 valuation
Market date	31 March 2019
CPI inflation	2.3% p.a.
Long-term salary increases	2.6% p.a.
Discount rate	4.0% p.a.

Demographic Assumptions	Assumptions used for the 2019 valuation
Post-retirement mortality:	
<i>Base tables</i>	Based on Club Vita analysis
<i>Projection model</i>	CMI 2018
<i>Long-term rate of improvement</i>	1.25% p.a.
<i>Smoothing parameter</i>	7.0
<i>Initial addition to improvements:</i>	
<i>Males</i>	0.5% p.a.
<i>Females</i>	0.25% p.a.

LINCOLNSHIRE PENSION FUND 2020-21

Full details of the demographic and other assumptions adopted as well as details of the derivation of the financial assumptions used can be found in the 2019 valuation report.

Updated position since the 2019 valuation

Update to funding basis and assumptions

The Fund appointed a new fund actuary with effect from 1 January 2021. For employers commencing participation in the Fund on or after 1 January 2021, the calculated contribution rate will be set to meet a funding target over a specified time horizon. The funding target is set based on a single set of financial assumptions. These assumptions are set so as to achieve broad consistency with the previous fund actuary's approach.

With effect from 1 January 2021, the salary growth assumption was reviewed and salaries are now assumed to increase at CPI plus 1.0% p.a. with no additional promotional salary scale. The derivation of CPI is discussed below.

We have updated the derivation of the CPI inflation assumption to be 0.8% p.a. below the 20 year point on the Bank of England (BoE) implied inflation curve. The assumption adopted at the 2019 valuation was that CPI would be 1.0% p.a. below the 20 year point on the Bank of England implied inflation curve. This update was made following the Government's response (on 25 November 2020) to the consultation on the reform of RPI, and the expectation that the UK Statistics Authority will implement the proposed changes to bring RPI in line with CPIH from 2030. This updated approach leads to a small increase in the value of liabilities.

The discount rate assumption is set with reference to the Fund's long term investment strategy and therefore reflects the long term expected return on assets for the Fund. We have included in the discount rate assumption an explicit prudence allowance of 0.8%. This incorporates an allowance for current uncertainties in LGPS benefits (relating to the effects of the McCloud/Sargeant judgement and the cost cap).

Liabilities

The key assumption which has the greatest impact on the valuation of liabilities is the real discount rate (the discount rate relative to CPI inflation) – the higher the real discount rate the lower the value of liabilities. As at 31 March 2021, the real discount rate is estimated to be lower than at the 2019 valuation due to lower future expected returns on assets in excess of CPI inflation.

The update to the CPI assumption mentioned above leads to a small increase in the value of liabilities. The value of liabilities will also have increased due to the accrual of new benefits net of benefits paid.

It is currently unclear what the impact of the COVID-19 pandemic is on the Fund's funding position. It is expected that COVID-related deaths will not have a material impact on the Fund's current funding level, however, impact on future mortality rates may be more significant and we will be reviewing the Fund's mortality assumption as part of the next valuation.

LINCOLNSHIRE PENSION FUND 2020-21

Assets

Returns over the year to 31 March 2021 have been strong, helping to offset the significant fall in asset values at the end of the previous year. As at 31 March 2021, in market value terms, the Fund assets were more than where they were projected to be based on the previous valuation.

Overall position

On balance, we estimate that the funding position (allowing for the revised funding basis) has improved compared to the funding position as at 31 March 2019.

Future investment returns that will be achieved by the Fund in the short term are more uncertain than usual, in particular the return from equities due to actual and potential reductions and suspensions of dividends.

There is also uncertainty around future benefits due to the McCloud/Sargeant cases and the cost cap process.

The Fund can continue to monitor the funding level using LGPS Monitor on a regular basis.

Barry McKay FFA
Partner, Barnett Waddingham LLP
14 May 2021

Note 18. Actuarial Present Value of Promised Retirement Benefits

In addition to the triennial funding valuation, the Fund's actuary, Barnett Waddingham, also undertakes a valuation of the pension fund liabilities on an IAS19 basis every year. Below is the note prepared by the Fund's Actuary, Barnett Waddingham.

Pension Account Disclosure as at 31 March 2021 (prepare in accordance with IAS26)

Introduction

We have been instructed by Lincolnshire County Council, the administering authority to the Lincolnshire Pension Fund (the Fund), to undertake pension expense calculations in respect of pension benefits provided by the Local Government Pension Scheme (the LGPS) to members of the Fund as at 31 March 2021. We have taken account of current LGPS Regulations, as amended, as at the date of this report.

These figures are prepared in accordance with our understanding of IAS26. In calculating the disclosed numbers we have adopted methods and assumptions that are consistent with

LINCOLNSHIRE PENSION FUND 2020-21

IAS19. This advice complies with Technical Actuarial Standard 100: Principles for Technical Actuarial Work (TAS 100).

The LGPS is a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2013 and currently provides benefits based on career average revalued earnings.

An allowance was made for the potential impact of the McCloud and Sargeant judgement in the results provided to the Fund at the last accounting date and therefore is already included in the starting position for this report. This allowance is therefore incorporated in the roll forward approach and is remeasured at the accounting date along with the normal LGPS liabilities.

Valuation Data

Data Sources

In completing our calculations for pension accounting purposes we have used the following items of data, which we received from Lincolnshire County Council:

- The results of the valuation as at 31 March 2019 which was carried out for funding purposes and the results of the 31 March 2020 IAS26 report which was prepared for accounting purposes;
- Estimated whole Fund income and expenditure items for the period to 31 March 2021;
- Fund investment returns for the period to 28 February 2021 and estimated returns based on a net asset statement as at 31 March 2021;
- Details of any new early retirements for the period to 31 March 2021 that have been paid out on an unreduced basis, which are not anticipated in the normal service cost.

Although some of these data items have been estimated, we do not believe that they are likely to have a material effect on the results of this report. Further, we are not aware of any material changes or events since we received the data. The data has been checked for reasonableness and we are happy that the data is sufficient for the purposes of this advice.

Fund Membership Statistics

The table below summarises the membership data, as at 31 March 2019.

Member Data Summary	Number	Salaries / Pensions £'000	Average Age
Active Members	22,755	355,509	51
Deferred Pensioners	32,184	29,729	51
Pensioners	21,576	75,310	69

Early retirements

We requested data on any early retirements in respect of the Fund from the administering authority for the year ending 31 March 2021.

LINCOLNSHIRE PENSION FUND 2020-21

We have been notified of 40 new early retirements during the year which were not allowed for at the previous accounting date. The total annual pension that came into payment was £178,500.

Assets

The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2021 is estimated to be 22.54%. The actual return on Fund assets over the year may be different.

The estimated asset allocation for Lincolnshire Pension Fund as at 31 March 2021 is as follows:

Asset Breakdown	31 March 2021	
	£'000	%
Equities	1,960,020	72%
Bonds	376,330	14%
Property	285,890	10%
Cash	111,144	4%
	2,733,384	100%

We have estimated the bid values where necessary. The final asset allocation of the Fund assets as at 31 March 2021 may be different from that shown due to estimation techniques.

Unfunded benefits

We have excluded any unfunded benefits as these are liabilities of employers rather than the Fund.

Actuarial methods and assumptions

Valuation approach

To assess the value of the Fund's liabilities at 31 March 2021, we have rolled forward the value of Fund's liabilities calculated for the funding valuation as at 31 March 2019, using financial assumptions that comply with IAS19.

The full actuarial valuation involved projecting future cash flows to be paid from the Fund and placing a value on them. These cash flows include pensions currently being paid to members of the Fund as well as pensions (and lump sums) that may be payable in future to members of the Fund or their dependants. These pensions are linked to inflation and will normally be payable on retirement for the life of the member or a dependant following a member's death.

It is not possible to assess the accuracy of the estimated liability as at 31 March 2021 without completing a full valuation. However, we are satisfied that the approach of rolling forward the previous valuation data to 31 March 2021 should not introduce any material distortions in the results provided that the actual experience of the Fund has been broadly in line with the underlying assumptions, and that the structure of the liabilities is substantially

LINCOLNSHIRE PENSION FUND 2020-21

the same as at the latest formal valuation. From the information we have received there appears to be no evidence that this approach is inappropriate.

Experience items allowed for since the previous accounting date

Experience items arise due to differences between the assumptions made as part of the roll forward approach and actual experience. This includes (but is not limited to) assumptions made in respect of salary increases, pension increases, mortality, and member transfers. We have allowed for actual pension increase experience for the period from 2019-2021. This assumes that pension increases are in line with the annual pension increases set by HM Treasury Revaluation Order.

Guaranteed Minimum Pension (GMP) Equalisation

As a result of the High Court's recent Lloyds ruling on the equalisation of GMPs between genders, a number of pension schemes have made adjustments to accounting disclosures to reflect the effect this ruling has on the value of pension liabilities. It is our understanding that HM Treasury have confirmed that the judgement "does not impact on the current method used to achieve equalisation and indexation in public service pension schemes".

On 23 March 2021, the Government published the outcome to its Guaranteed Minimum Pension Indexation consultation, concluding that all public service pension schemes, including the LGPS, will be directed to provide full indexation to members with a GMP reaching State Pension Age (SPA) beyond 5 April 2021. This is a permanent extension of the existing 'interim solution' that has applied to members with a GMP reaching SPA on or after 6 April 2016.

Our valuation assumption for GMP is that the Fund will pay limited increases for members that have reached SPA by 6 April 2016, with the Government providing the remainder of the inflationary increase. For members that reach SPA after this date, we have assumed that the Fund will be required to pay the entire inflationary increase. Therefore we do not believe we need to make any adjustments to the value placed on the liabilities as a result of the above outcome.

Demographic/Statistical assumptions

We have adopted a set of demographic assumptions that are consistent with those used for the most recent Fund valuation, which was carried out as at 31 March 2019, except for the CMI projection model. The post retirement mortality tables have been constructed based on Club Vita analysis. These base tables are projected using the CMI_2020 Model, with a long-term rate of improvement of 1.25% p.a., smoothing parameter of 7.0, an initial addition parameter of 0.5% p.a. for males and 0.25% p.a. for females, and a 2020 weighting of 25%.

Although the post retirement mortality tables adopted are consistent with the previous accounting date, the mortality improvement projection has been updated to use the latest version of the Continuous Mortality Investigation's model, CMI_2020, which was released in March 2021. This update has been made in light of the coronavirus pandemic and reflects the latest information available from the CMI. The new CMI_2020 Model introduces a "2020 weight parameter" for the mortality data in 2020 so that the exceptional mortality experienced due to the coronavirus pandemic can be incorporated without having a disproportionate impact on results. Our view is that placing too much weight on the 2020 mortality experience would not be appropriate given the abnormality of the 2020 data,

LINCOLNSHIRE PENSION FUND 2020-21

however, the overall outlook for best-estimate future mortality improvements looks less positive as a result of the pandemic. Therefore we have updated to use the CMI_2020 Model with a 2020 weight parameter of 25%. At the last accounting date, the CMI_2018 Model was adopted. The effect on the assumed life expectancies is demonstrated in the table below.

Life Expectancy from age 65 years	31 March 2021 (after CMI_2020 update)	31 March 2021 (before CMI_2020 update)	31 March 2020
Retiring Today			
Males	21.1	21.5	21.4
Females	23.6	23.8	23.7
Retiring in 20 years			
Males	22.0	22.5	22.4
Females	25.0	25.2	25.2

We have also assumed that:

- Members will exchange half of their commutable pension in respect of pre-April 2008 service and 75% of their commutable pension in respect of their post 2008 service, for cash at retirement. For every £1 of pension that members commute, they will receive a cash payment of £12 as set out in the Regulations;
- Members retire following the retirement age pattern assumption used for the purpose of the 2016 LGPS cost cap valuation; and
- 1% of active members will take up the option to pay 50% of contributions for 50% of benefits.

Financial assumptions

The financial assumptions used to calculate the results in the Appendices are as follows:

Assumptions as at:	31 March 2021 % p.a.	31 March 2020 % p.a.
Discount Rate	2.0%	2.3%
Pension Increases	2.8%	1.9%
Salary Increases	3.1%	2.2%

These assumptions are set with reference to market conditions at 31 March 2021. Our estimate of the Fund's past service liability duration is 20 years.

An estimate of the Fund's future cash flows is made using notional cash flows based on the estimated duration above. These estimated cash flows are then used to derive a Single Equivalent Discount Rate (SEDR). The discount rate derived is such that the net present value of the notional cash flows, discounted at this single rate, equates to the net present value of the cash flows, discounted using the annualised Merrill Lynch AA rated corporate bond yield curve (where the spot curve is assumed to be flat beyond the 30 year point).

Similar to the approach used to derive the discount rate, the Retail Prices Index (RPI) increase assumption is set using a Single Equivalent Inflation Rate (SEIR) approach, using

LINCOLNSHIRE PENSION FUND 2020-21

the notional cash flows described above. The single inflation rate derived is that which gives the same net present value of the cash flows, discounted using the annualised Merrill Lynch AA rated corporate bond yield curve, as applying the BoE implied inflation curve. As above, the Merrill Lynch AA rated corporate bond yield spot curve is assumed to be flat beyond the 30 year point and the BoE implied inflation spot curve is assumed to be flat beyond the 40 year point.

The BoE implied inflation curve may suggest a higher rate of inflation, over longer terms, than actually expected by market participants due to a willingness to accept a lower return on investments to ensure inflation linked returns. To reflect this, we include an Inflation Risk Premium (IRP) adjustment such that our assumed level of future annual RPI increase is 0.25% p.a. lower than the SEIR calculated using the BoE inflation curve alone. This differs from the previous accounting date.

As future pension increases are expected to be based on the Consumer Prices Index (CPI) rather than RPI, we have made a further assumption about CPI which is that it will be 0.40% p.a. below RPI i.e. 2.80% p.a. We believe that this is a reasonable estimate for the future differences in the indices, based on the different calculation methods, recent independent forecasts and the duration of the Fund's liabilities. The difference between RPI and CPI is less than assumed at the previous accounting date. This reflects the movement in market implied RPI inflation that occurred following the UK Statistics Authority's proposal to change how RPI is calculated and subsequent announcements from the Chancellor on the issue.

Salaries are assumed to increase at 0.3% p.a. above CPI. This is consistent with the salary increase assumption at the previous accounting date.

Results and disclosures

We estimate that the net liability as at 31 March 2021 is a liability of £1,524.223m.

Net Pension Assets as at:	31 March 2021 £'000	31 March 2020 £'000
Present value of the defined benefit obligation	(4,257,607)	(3,340,000)
Fair value of Fund assets (bid value)	2,733,384	2,219,327
Net liability in balance sheet	(1,524,223)	(1,120,673)

The figures presented in this report are prepared only for the purposes of IAS19. In particular, they are not relevant for calculations undertaken for funding purposes or for other statutory purposes under UK pensions legislation.

Barry McKay FFA
Partner, Barnett Waddingham LLP
19 May 2021

LINCOLNSHIRE PENSION FUND 2020-21

Note 19. Current Assets

	31 March 2020	31 March 2021
	£'000	£'000
Short Term Debtors:		
Contributions due - Employers	4,782	4,575
Contributions due - Employees	1,431	1,387
Debtors Relating to Members	116	126
VAT Debtor	152	194
Sundry Debtors	866	431
Short Term Debtors	7,347	6,713
Cash Balances	13,071	25,066
Cash Balances	13,071	25,066
Total Current Assets	20,418	31,779

Note 20. Current Liabilities

	31 March 2020	31 March 2021
	£'000	£'000
Creditors:		
Contributions - paid in advance	(122)	(45)
Creditors Relating to Members	(798)	(475)
Sundry Creditors	(2,950)	(2,510)
Total Current Liabilities	(3,870)	(3,030)

Note 21. Additional Voluntary Contributions

Scheme members may make additional contributions to enhance their pension benefits. All Additional Voluntary Contributions (AVC) are invested in a range of investment funds managed by the Prudential plc. At the date of publication AVC information for 2020/21 had not been received from Prudential plc. This information will be published in the final version of the accounts to be issued in September.

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

LINCOLNSHIRE PENSION FUND 2020-21

Note 22. Related Party Transactions

Lincolnshire County Council

The Lincolnshire Pension Fund is administered by Lincolnshire County Council. During the reporting period, the council incurred costs of £0.247m (£0.231m in 2019/20) in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses. The council is also the single largest employer of members of the Pension Fund and contributed £36.270m (£34.135m in 2019/20) to the Fund in 2020/21. All monies owing to and due from the Fund were paid in year.

The Treasury Management section of the Council acts on behalf of the Pension Fund to manage the cash position held in the Pension Fund bank account. This is amalgamated with the Council's cash and lent out in accordance with the Council's Treasury Management policies. During the year, the average balance in the Pension Fund bank account was £18.931m (£13.016m in 2019/20) and interest of £0.090m (£0.127m in 2019/20) was earned over the year.

Pensions Committee

Each member of the Pension Fund Committee is required to declare their interests at each meeting and also is asked to sign an annual declaration disclosing any related party transactions. Three Committee members: Cllr P Key, A Antcliff (Employee Representative) and S Larter (Small Scheduled Bodies Representative) were contributing members of the Pension Fund during 2020/21. Cllr R Waller's daughter (District Council Representative) was a contributing member of the scheme during 2020/21. S Larter (Small Scheduled Bodies Representative) is also a deferred member of the scheme.

Border to Coast Pensions Partnership

Lincolnshire Pension Fund is a minority shareholder in Border to Coast Pensions Partnership. It holds a £1 A share which gives the Fund one vote. The Fund also holds £1.182m (£0.833m in 2019/20) of regulatory share capital (B shares). These are included within long term investments in the net asset statement. At 31 March 2021 the Fund had invested in three sub-funds managed by Border to Coast Pensions Partnership: Global Equity Alpha, UK Listed Equities and Investment Grade Credit (details shown in Note 12). During 2020/21 the Fund paid Border to Coast £2.495m (£1.480m in 2019/20) to manage these assets and the company.

Note 23. Key Management Personnel

The key management personnel of the Fund are the Executive Director of Resources, Assistant Director Finance, Head of Pensions and Accounting, Investment and Governance Manager. The Fund does not employ any staff directly. Lincolnshire County Council employs the staff involved in providing the duties of the Administering Authority for the Fund. The proportion of employee benefits earned by key management personnel relating to the Pension Fund are: £0.131m short term benefits (£0.130m in 2019/20) and £0.023m post-employment benefits (£0.021m in 2019/20).

LINCOLNSHIRE PENSION FUND 2020-21

Note 24. Contingent Liabilities and Contractual Commitments

At 31 March 2021 the Fund had outstanding capital commitments (investments) to twenty investment vehicles, amounting to £58.989m (£35.035m as at 31 March 2020). These commitments relate to outstanding call payments due on unquoted limited partnerships making investments in private equity, property or infrastructure funds. The amounts 'called' by these funds are irregular in both size and timing over the lifetime of the funds.

Note 25. Contingent Assets

Eight admitted body employers in the Fund hold insurance bonds or equivalent cover to guard against the possibility of being unable to meet their pension obligations. These arrangements are drawn in favour of the Pension Fund and payment will only be triggered in the event of employer default. No such defaults have occurred in 2020/21 (or for 2019/20).

Note 26. Events After the Balance Sheet Date

There have been no events after the balance sheet date that requires adjustment or disclosure within the accounts.

AUDIT OPINIONS 2020-21

AUDIT OPINIONS 2020-21

Annual Governance Statement 2021



Contents

Executive summary	205
Significant governance issue	205
What is corporate governance?	206
Principles of corporate governance	207
Looking back at 2019/20	Error! Bookmark not defined.
How the Council works	210
Outcomes	211
Council's Response to Covid-19	215
Value for money	221
Lincolnshire Pension Fund	223
Roles and Responsibilities	224
Effective Scrutiny and Review	227
How we carry out assurance	229
The Council's assurance levels	230
Head of Internal Audit Opinion	232
Appendix 1 – Governance framework	233
Appendix 2 – Strategic risk register	234

Executive summary

Lincolnshire County Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded. The statement enables us to monitor our achievements and to provide assurance that our strategic objectives have led to the delivery of strong, effective services which continue to provide value for money.

The Council has successfully managed our response to the coronavirus outbreak in Lincolnshire, supporting businesses and communities when they needed us most. Our strong governance arrangements enabled us to continue to provide our services effectively but also gave us the opportunity to do things differently.

Our services are good or outstanding and we recognise that we need to seek continual improvement and that we haven't made as much progress in some areas as we would have liked. The development and publication of our Annual Governance Statement helps us take stock as we move forward.

This statement has been prepared by those with knowledge of the key governance issues facing the Council and conforms to good practice^[1].

Significant governance issue

In completing the review of the Council's governance and assurance arrangements **no significant governance issues were identified.**

Our assessment has identified a number of improvements over our governance framework – these can be found later in the document and will be monitored through the Council's performance management processes.

Signed on behalf of Lincolnshire County Council

Councillor Martin Hill OBE
Leader of the Council

Debbie Barnes OBE
Chief Executive

Andrew Crookham
Executive Director Resources

¹ CIPFA / SOLACE: Delivering Good Governance in Local Government – Framework and associated guidance (2016).

What is corporate governance?

Good governance can mean different things to people – in the public sector it means:

"Achieving the intended outcomes while acting in the public interest at all times"

Corporate governance generally refers to the processes by which an organisation is directed, controlled, led and held to account.

The Council's governance framework aims to ensure that in conducting its business it:

- operates in a lawful, open, inclusive and honest manner;
- makes sure public money is safeguarded, properly accounted for and spent wisely;
- has effective arrangements in place to manage risk; and
- meets the needs of Lincolnshire communities - secures continuous improvements in the way it operates.

Our governance framework comprises of the culture, values, systems and processes by which the Council is directed and controlled. It brings together an underlying set of legislative and regulatory requirements, good practice principles and management processes. The full governance framework can be found at the end of this document.

Each year the Council is required to produce an Annual Governance Statement which describes how its corporate governance arrangements have been working. To help us do this the Council's Audit Committee undertakes a review of our governance framework and the development of the Annual Governance Statement. This review benchmarks our arrangements against the CIPFA / SOLACE: Delivering Good Governance in Local Government – Framework and associated guidance (2016).

In March 2021, the Centre for Governance and Scrutiny issued 'The governance risk and resilience framework' which supports individual council officers and councillors to play their part in understanding, and acting on, risks to **good governance**. This framework is designed to reflect and supplement the CIPFA / SOLACE framework and we plan to incorporate this in our 2021/22 review of the Council's governance and assurance arrangements.

It is crucial to the Council's success that its governance arrangements are applied in a way that demonstrates the spirit and ethos of good governance – this cannot be achieved by rules and procedures alone. The Council is expected to have a culture that places the public and integrity at the heart of its business.

On the 12th July 2021 the Audit Committee considered and challenged the content and governance issues identified in the draft Statement – ensuring that the Statement properly reflects how the Council is run – identifying any improvement actions. The Statement was formally approved by the Audit Committee and recommended for signing by the Leader of the Council, Chief Executive and the Executive Director – Resources.

Principles of corporate governance



Principle A: Integrity and values

- Staying true to our strong ethical values and standards of conduct
- Respecting the rule of law
- Creating a culture where statutory officers and other key post holders are able to fulfil their responsibilities
- Ensuring fraud, corruption and abuse of position are dealt with effectively
- Ensuring a safe environment to raise concerns and learning from our mistakes



Principle B: Openness and engagement

- Keeping relevant information open to the public and continuing their involvement
- Consultation feedback from the public is used to support service and budget decisions
- Providing clear rationale for decision making – being explicit about risk, impact and benefits.
- Having effective scrutiny to constructively challenge what we do and the decisions made



Principle C: Working together

- Having a clear vision and strategy to achieve intended outcomes - making the best use of resources and providing value for money
- Being clear about expectations - working effectively together within the resources available
- Developing constructive relationships with stakeholders
- Having strong priority planning and performance management processes in place
- Taking an active and planned approach to consult with the public
- Regularly consult with employees and their representatives



Principle D: Making a difference

- Having a clear vision and strategy setting out our intended outcome for citizens and service users



Principle E: Capability

- Clear roles and responsibilities for council leadership
- Maintaining a development programme that allows councillors and officers to gain the skills and knowledge they need to perform well in their roles.
- Evaluating councillor and officers' performance
- Regular oversight of performance, compliments and complaints to enable results (outcomes) to be measured and enable learning



Principle F: Managing risk and performance

- Ensuring that effective risk management and performance systems are in place, and that these are integrated in our business systems / service units
- Having well developed assurance arrangements in place – including any commercial activities
- Having an effective Audit Committee
- Effective counter fraud arrangements in place



Principle G: Transparency and accountability

- Having rigorous and transparent decision making processes in place
- Maintaining an effective scrutiny process
- Publishing up to date and good quality information on our activities and decisions.
- Maintaining an effective internal and external audit function

Significant Governance Issue and Improvement Areas

Last year we identified:

'Reviewing lessons learned from our response to Covid-19 – implementing a re-set plan over the short, medium and longer term'

as our significant governance issue. More information on how we tackled and responded to the pandemic can be found later in the report – in the outcomes section.

A number of improvement actions were also identified as part of the 2019/20 Annual Governance Statement. The table below shows progress with these actions:

Key improvement area	Progress
Better governance and oversight of key projects – including benefit realisation	Effective project management processes are in place. We established capital monitoring review group – improving governance and oversight of capital projects. We need to undertake improvements over how we confirm benefit realisation – demonstrating that the expected outcomes / results have been delivered.
Delivery and oversight of transformation programmes – which includes the following work streams: <ul style="list-style-type: none"> • Our people • Our customers • Our property • Our processes With enabling technology across all work streams.	Work in Progress <ul style="list-style-type: none"> • Vision statement for the corporate plan developed. • Success criteria developed and implemented. This is now being reviewed after one year of operation. • Refocusing of the corporate plan based on new administration priorities and ambitions over the next 2-4 years. • Mapping and refinement of decision making processes to improve efficiency, awareness and corporate influence.
Review of contract management and associated commercial / third party risks	Phase 1 of the commissioning review has been completed. Work to implement and embedded the 'One Council' approach to commissioning and 'deeper dive' into some of our key contracts is underway.
Implement improvements over our risk management arrangements – including updating the Strategic Risk Register	Work in Progress – review of strategic risk register to be completed by September 2021.

Key improvement area	Progress
Reviewing our decision making and scrutiny processes	We have completed the review of the decision making and scrutiny process. Our next steps are to raise awareness to ensure that these are clearly understood and embedded throughout our services.
Update of Corporate Plan & performance management arrangements	Completed – Corporate Plan approved in December 2019. Success framework implemented during 2020. Work currently underway to reset the Corporate Plan and re-align our transformation programme to focus on key priorities.
Review of Assurance and Accountability framework following the review of the Corporate Plan and corporate oversight functions	Work in Progress – next steps involve raising awareness of the framework and embedding throughout our senior leadership cohort, our systems and processes.
Implement improvement actions arising from the Peer Review 2019	Good progress to address recommendation - against these activities will be tracked through future Corporate Leadership Team meetings.
Implement improvement actions arising from the Employee Survey 2019	Completed or included in the Smarter Working Programme and the People Strategy.

How the Council works

The Annual Governance Statement covers the 2020/21 financial year. The information below relates to this period.

The Council is made up of 70 councillors and operates a 'Leader and Executive' model of decision making.

- All 70 councillors meet to agree the budget and policy framework.

The Executive makes the decisions that deliver the budget and policy framework of the council and consists of a minimum of 2 members and a maximum of 10.

- In 2020/21 the Leader and 7 councillors sat on the Executive.

The remaining 62 councillors form Scrutiny and Regulatory committees.

These committees develop policy and scrutinise decisions made by the Executive officers – holding them to account.

- A number of these committees deal with regulatory issues.



Scrutiny arrangements have been reviewed and a renewed Scrutiny-Executive Protocol has been approved.

The Council's governance arrangements responded well to Covid-19 with constitutional processes continuing to be observed and member scrutiny and decision-making taking place remotely. Members adapted well to the disciplines around remote meetings which ran smoothly.

Outcomes

Our plan and performance dashboard Lincolnshire is a place which we are proud of and we will continue to ensure that we enjoy the lifestyle we deserve. We'll work together to enhance services to ensure we can all be successful in meeting the needs and expectations of our residents, businesses and visitors.

Our Corporate Plan sets out our vision and ambitions for the future – with our aims being to:



A link to the Corporate Plan can be found [here](#)

A link to the Performance Dashboard can be found [here](#).

Performance summary

Support high aspirations



The economy in Lincolnshire has faced significant challenges over the last twelve months as a direct result of the pandemic. The Council has focused attention on safeguarding jobs and key skills within the region. It has exceeded its target, with 735 jobs being safeguarded in 2020/21. This has been delivered through extensive work and engagement with the Greater Lincolnshire Local Enterprise Partnership and other partner organisations.

A £12m package of support for the local economy was also launched that allows local businesses to benefit from up to £10,000 of funding through the grant scheme.

This fund helps local businesses to adapt to new customer requirements and embrace digital technologies.

Support has also been given to over 2,200 businesses through the Business Lincolnshire Growth Hub to safeguard jobs over the last twelve months.

The Council has continued to support a high quality education offer across the county. 94.7% of schools now have an Ofsted rating of good or above and they have been able to continue to provide services to our children throughout the pandemic. Attention has also been given to ensuring that those requiring an Education, Health and Care Plan (EHC) receive their plans in a timely manner. This has seen the Council perform above the national average in terms of the timescales for developing and finalising the plans.

Enable everyone to enjoy life to the full

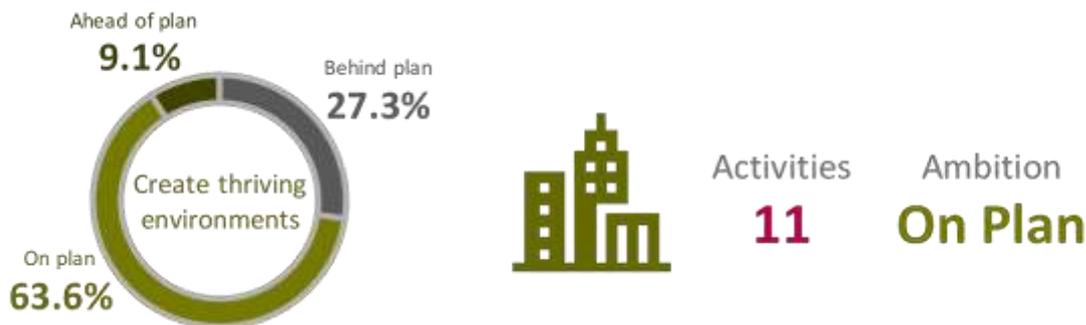


The work completed over the last twelve months has directed resources to those in the greatest need to help them to thrive and maximise independence during a particularly challenging year. The council has performed well in relation to children living in care where 77.8% of children are placed in a family environment. This exceeded the target by 3.8%.

Support for adults has enabled 77.3% adults with learning disabilities to remain in their own home or with family. This is slightly below target but wider support has also helped to ensure individuals can enjoy life to the full. This includes the development of improved arrangements to manage adults with complex needs through the Team Around the Adult safeguarding pilot which will launch in 2021. Support for our communities was also extended through the Members Covid Grant scheme that targeted those in our communities with the greatest needs.

Support to our rural communities has been enhanced through the creation of a five year partnership with the Centre for Ageing Better and East Lindsey District Council. This initiative is seeking to deliver better outcomes for those in rural and coastal localities that are in or approaching later life. Support for those in later life has also been enhanced in response to the pandemic. We have directed funding to residential care homes to help them to operate as safely as possible and for home care services to continue. This has been invaluable in sustaining independence and quality of life as has the support that we've been able to provide to over 10,000 carers over the last 12 months.

Create thriving environments

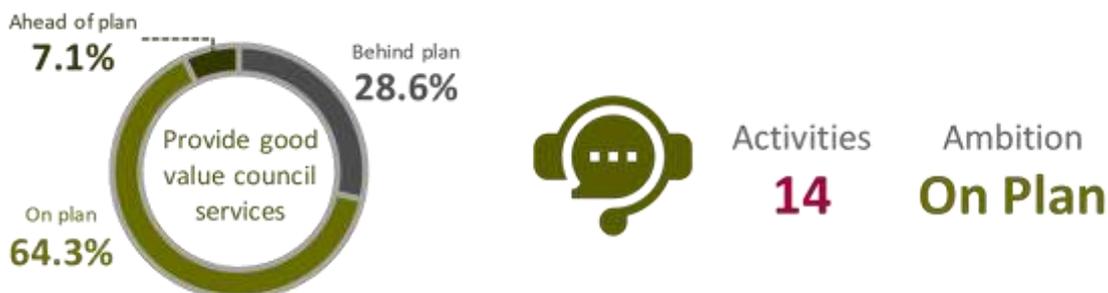


Lincolnshire has continued to go from strength to strength in terms of ensuring that it is one of the top choices to live and do business. Enhancements to the road network have seen significant progress be made. Overall, 78% of classified roads (A, B and C roads) were assessed as being in good condition. Over 50,000 potholes have been repaired and more than 3,000 improvements have been made to our footpaths. The road network was further enhanced by the excellent work on the Grantham Southern Relief Road with the first two phases having been completed and phase three having commenced. The Lincoln Eastern bypass has been opened, the Spalding relief road is making good progress and a number of other highways improvements have been delivered or are in train. This is against a backdrop of many projects elsewhere in the UK being significantly delayed due to the impact of the pandemic.

We have also continued to focus on protecting our natural environment and the rich heritage offer within the county. A particular highlight this year was the recognition of the excellent offer that is available at Lincoln Castle. The castle was awarded Large Visitor Attraction of the Year 2020 at the Tourism Excellence Awards. This is against a backdrop of 91% of traveller reviews for Lincolnshire attractions scoring excellent and very good.

To protect our natural environment, the council has also continued to be proactive in reducing its carbon emissions. These have now reduced by over 28% since 2017. Changes in working practices, and projects should as Smarter Working, should see a continued reduction in carbon consumption.

Provide good value council services



Over the last twelve months the council has innovated its offer to ensure that residents can access services when they need to and that they represent value for money. This has seen a range of digital

solutions be introduced, including a click and tip solution that catered for 530,000 bookings since its introduction and supported waste disposal across our household waste and recycling sites. Work is also advancing to deliver a comprehensive transformation agenda across the authority and deliver new technologies to improve our customer offer.

The council has maintained one of the lowest Band D Council tax charges in the country and its financial resilience has been assessed by CIPFA as good. The last year has seen an additional £14m be directed to address social care issues and £44m to cover the additional costs incurred as a result of the Coronavirus pandemic.

The workforce within the council has continued to be invested in. 120 new apprenticeships started in 2020/21. Staff retention has also improved with a turnover level of 6.38% for the year. The impact of the pandemic has also seen a positive change in sickness levels for the council. Sickness now stands at an average of 6.35 days against a target of 7.5 days. This is due in part to changes in working practices, with the majority of employees being predominantly home-based during the pandemic.

Our Corporate Leadership Team and Executive monitor progress and delivery of our Corporate Plan and performance – more details can be found in the [Executive council meetings](#).

Peer Review 2019

We asked the Local Government Association to undertake a **Corporate Peer Review in September 2019**, which can be found [here](#). Their feedback stated that:

"Lincolnshire County Council is a stable, reliable and solid organisation delivering good quality services to its residents. It is financially strong and has maintained a particular focus on children and adult services and delivers these to a very good standard – with children's services having been judged as "Outstanding".

Areas where they recommended improvements included:

- *Develop a clear, bold and inclusive vision and strategy for Lincolnshire in conjunction with partners and residents.*
- *Review the membership of "Leaders in Lincolnshire" forum to ensure that key partners are involved and that it does what it says on the tin.*
- *Finalise the corporate plan and "Lead on the front-foot" by reaching out to key partners and communities to reset and strengthen relationships.*
- *Embed the corporate plan and the 'One Council' model into the organisation through an organisational development programme.*
- *Improve transparency of the financial reports.*
- *Develop and implement a climate strategy for Lincolnshire.*

Good progress has been made to address these recommendations – with work on-going and actions being tracked by the Council's Corporate Leadership Team.

Council's Response to Covid-19

The Director of Public Health (DPH) retains primary responsibility for the health of their communities. This includes being assured that appropriate arrangements are in place to protect the health of the local population. The legal powers for ensuring this and for managing outbreaks of communicable disease are contained in various pieces of primary and secondary legislation, including the Public Health (Control of Disease) Act 1984 as updated by Health Protection (Notification) Regulations 2010, the National Health Service Act 2006 as amended by the Health and Social Care Act 2012 and the Coronavirus Act 2020.

The Strategic Command Group (SCG), under the Local Resilience Forum (LRF) was stood up in late January 2020. This helped to provide leadership and co-ordination among all the partner organisations in combatting local infection. The SCG declared an emergency on 19th March 2020 and the county went into lockdown along with the rest of the UK on 24th March 2020.

As the epidemic began to reduce over the summer months the LRF formally stood down its emergency response, and the majority of organisations continued their work in supporting the epidemic as they normally would. However, when cases began to rise again as the government lifted the lockdown restrictions and community interaction increased the LRF returned to its emergency response on the 28 September 2020. The strength of this multi-agency response is one of the main driving forces in continuing to respond in a proactive and coordinated manner to any rises in cases across Lincolnshire.

Planning is underway for a formal transition from response to recovery as the lockdown measures start to be lifted. This will result in the standing down of the SCG, the Tactical Command Group (TCG) and the cell structure as set out in the Civil Contingencies Act supported by the LRF secretariat. This will be replaced by the Recovery Strategic Coordination Group (RSCG) which will have the responsibility to ensure the recovery process is mobilised and coordinated across the LRF.

Local Outbreak Management Plan

Lincolnshire County Council (LCC), as the lead public health authority for Lincolnshire, has a statutory responsibility to produce Local Outbreak Management Plans (LOMP) in response to emergencies as part of the duty to safeguard and protect the health of the local population. In response to Covid-19 pandemic, the Government required all upper tier authorities, in conjunction with key partners, to publish a local Covid-19 Outbreak Management Plan by 30 June 2020. The aim of the plan is to minimise the spread of the virus in the community and provide reassurance to the public and stakeholders. The LOMP is publicly available on the [council's website](#).

In line with national requirements, the LOMP was updated in March 2021 to reflect the Government's Roadmap for easing lockdown restrictions and the revised Contain Framework. The revised LOMP was submitted to the Department of Health and Social Care (DHSC) on 12 March 2021 and was subject to an assurance process with the regional Public Health England team. Following feedback, Lincolnshire's LOMP has been updated ahead of being republished on the council's website.

Personal Protective Equipment (PPE)

Like most other areas, Lincolnshire had significant early difficulties in securing the increased range and volume of PPE required by front line services. This was identified as a strategic threat early in the pandemic and steps were taken to improve the situation. Supply of PPE into the county is now stable.

The PPE sub-cell of the Health and Social Care Cell was set up in early February 2020 under the governance of the LRF and was formally stood up as a Cell in its own right from 20th April 2020. This helped to stabilise policy and operational work, and agree deployment of PPE stock, which was available to the LRF, across all partners. Given the resilience of the national supply chain (largely due to 70% of PPE now being produced by UK manufacturing firms), Government continues to issue PPE to the LRF both for day to day requirements in social work, education and child care settings as well as to continue to support local emergency need, e.g. due to local outbreaks.

The PPE Cell has now been stood down as a separate sub cell, and the function has now been incorporated into the Health and Social Care Cell. The continued oversight of PPE is a core component of the measures to reduce outbreaks in certain settings as well as in supporting the safety of staff engaged in outbreak management activities. The LRF maintains a PPE Threat and Risk Log for COVID-19 to regularly monitor and review the level of risk in this area.

Outbreak Management Approach

The Local Outbreak Control Plan identified all high-risk settings and proactively provides those settings with targeted advice to enable them to take steps to prevent infection and therefore cases from arising. The high-risk settings includes 289 care homes, schools and early year settings, two universities, two prisons and one detention centre, a large number of housing with multiple occupancies, homeless shelters, food processing plants and other workplaces.

A series of action cards were developed providing advice on the steps to take if a positive case is identified including how to deal with the premises and the individuals and equipment within it. In accordance with good health protection practice the main emphasis of the response is to give advice and guidance to settings, thereby assisting them to help contain the outbreak. The aim is therefore to work, through persuasion and co-operation, in getting agreement to take voluntary actions necessary to prevent further spread of the infection.

Testing

Symptomatic testing, using a PCR test, is delivered in Lincolnshire through the national Test and Trace Programme. Anyone who has symptoms of Covid-19 can book a test in one of the local test centres through an online booking system or ask for a test kit to be delivered at home.

Alongside symptomatic testing, a local approach to community asymptomatic testing approach has developed over 2020/21 in line with the national asymptomatic testing models. DHSC have confirmed funding for community testing through to the end of June 2021.

A review of the current infrastructure is under way as the current fixed community Asymptomatic Testing Sites (ATSS) continue to operate at approximately 30% of their total capacity. Initial consideration is now being given to reduce the number of sites in Lincoln and Boston to one per district and mobilising an additional site in Spalding. This is subject to engagement and approval from partners and the DHSC but will support a drive towards more localised access and would support additional provision alongside the smaller developing district-based sites.

Enhanced Contact Tracing

Working in conjunction with the NHS Test and Trace Programme, Lincolnshire's enhanced contact tracing approach works back, to identify settings where people have been infected, helping to identify and respond with relevant public health interventions locally. By working through the Outbreak Identification and Rapid Response process and by involving key partners across the system there is an increased opportunity to stop the transmission of the virus in local venues.

Utilising the Common Exposure and Postcode Coincidence reports, along with local intelligence from our local contact tracing team, community testing sites and district partners, enables the early detection of potential outbreaks. Our clear and robust process determines the steps required to further investigate any suspected outbreak, build relationships with the setting and ensure the control measures required are implemented.

Outbreak Management Governance Arrangements

a) Strategic oversight

A Local Outbreak Engagement Board (LOEB) for Lincolnshire provides political ownership and governance for the local outbreak management response and ensures consistent messaging with Lincolnshire's population by overseeing public facing engagement and communication. The LOEB discharges its responsibilities by means of recommendations to appropriate governance boards and relevant partner organisations. The LOEB is chaired by the Leader of the County Council and other members of the Board include District Council Leaders, the Police and Crime Commissioner, NHS non-executive representatives from CCG and NHS providers, representative from Healthwatch Lincolnshire and Greater Lincolnshire Local Enterprise Partnership.

The Covid-19 Health Protection Board (HPB) chaired by the DPH acts as an advisory board to LOEB. The membership of the HPB consists of senior officers from all relevant partner organisations.

b) Operational planning & Coordination

The System Co-ordination Centre (SCC) was set up as part of the LRF cell structure in September 2020. The SCC has an operational level oversight of the response. This includes directing both the Council's and the LRF's responses to the rising case numbers and liaising and coordinating with key stakeholders such as the health protection team, district councils, PHE, communications, and the

third sector, to ensure a system response is delivered accordingly. The SCC will ensure that if pressures on the system increase then resources from the Public Health division are diverted to the COVID-19 response as and where necessary.

The Covid-19 Outbreak Management and Contact Tracing Sub-Cell also sits within the LRF structure to oversee the implementation of outbreak management plan and deliver specific actions. It is chaired by the Public Health Consultant lead for outbreak management and contact tracing, and its members are senior officers from relevant public sector organisations. It reports to the SCC and Covid-19 HPB.

c) Organisational Oversight

Dedicated Covid-19 Corporate Leadership Team (CLT) and Adult Care and Community Wellbeing Directorate Leadership Team (DLT) meetings were stood up at the beginning of the pandemic. The DPH attended these meetings to provide professional public health knowledge and insight. The purpose of these meetings was to discuss and consider the impact of Covid-19 on council services and ensure appropriate measures were in place to protect staff health and wellbeing. Throughout 2020-21, Public Health has provided regular Covid-19 briefings and reports to the Executive, Scrutiny and the Health and Wellbeing Board. This includes the [Director of Public Health Annual Report 2020](#), which focused on the impact of Covid-19 on Lincolnshire.

Support for Self-Isolation

The Community and Volunteer Cell (CVC) of the LRF has been operational since late March 2020. The CVC Cell is a vital interface between the LRF, district councils, community and volunteer groups and the wider Community Response Pathway provided by LCC Customer Service Centre (CSC) and the Wellbeing Service, provided by Wellbeing Lincs, within the county. At the commencement of the pandemic, the core aim of the CVC Cell was to evaluate the community impact from the COVID-19 incident, including self-isolation and shielding, and coordinate and organise voluntary organisations, spontaneous volunteers and community assets and support to mitigate negative impacts. There is a plan in place to support them, which will be updated as new guidance becomes available.

The LCC CSC dedicated website and Covid-19 helpline, in place since 29th March 2020, are the first point of contact for vulnerable people to contact if they require support, and for those who, when instructed to self-isolate, identify themselves as vulnerable.

The national shielding programme which began in March 2020 to support those with complex health needs during the first national lockdown was 'paused' on 1 August 2020. Shielding was formally re-introduced from 1 January 2021 and paused again on 31 March 2021. During this time, 52,000 people have been identified as Clinically Extremely Vulnerable (CEV) in Lincolnshire, or at equivalent risk to those who are CEV.

From 28 September 2020, all those who test positive for Covid-19 or are advised by Test and Trace to self-isolate are legally required to do so for 10 days. The national self-isolation framework, published in March 2021, sets out a co-ordinated approach to enable compliance. This includes a national communications programme, enforcement and support.

Fines will be issued by the Police for non-compliance. It will be illegal for their employer to enable or encourage them to work.

As self-isolation is likely to leave some without an income, a Test and Trace Support Payment of £500 is available, via the district councils, to those who meet benefits-linked eligibility criteria. A discretionary fund is also available for those who do not meet all of the criteria. The scheme will be in place to summer 2021.

Resources

a) Funding

Adult Care and Community Wellbeing has responsibility for distributing and monitoring 11 adult social care and public health ring fenced/specific grants totalling between £50.546m-£56.601m. The grants are in addition to the £229.290m 2020-21 financial allocation and in addition to the general Covid-19 grant.

This funding has provided much needed financial support, across all aspects of adult social care and community wellbeing, to deliver the response to Covid-19. Adult Care and Community Wellbeing has prioritised and redeployed members of its workforce to respond to the unprecedented impact of the Covid-19 pandemic. ACCW has tailored its financial resources to meet the needs of the people and social care organisations across Lincolnshire as the pandemic has evolved.

The outbreak management funding has enabled us to provide increased support to the most vulnerable people ensuring they have access to the services and guidance they need. It has also enabled us to provide resources to help with the coordination of the vaccination programme and it has provided us with the ability to provide additional support, communications, advice and guidance to individuals and businesses on how to adapt environments and practices to tackle Covid-19.

All funding decisions have been made in line with the scheme of delegation to ensure the appropriate governance arrangements have been in place. Regular reports have been presented to CLT and, when necessary, to LOEB. In addition, the government has required the council to complete regular monitoring returns for a number of the grant funding streams detailing how the money has been spent. All the necessary processes have been followed to ensure monitoring reports were submitted by the national deadlines.

b) Staffing

The outbreak management function has been delivered through a close working relationship between Public Health England, the council's Health Protection Team (HPT) and district council's Environmental Health Officers (EHOs). Surge capacity planning ensured health protection training was given to Specialist Community Public Health Nurses within the 0-19 children's service so that additional capacity could be deployed quickly in the event of a marked increase in the number of outbreaks.

Throughout the pandemic Public Health has taken a risk-based approach to assess and identify response priorities and to manage 'business as usual' work, including statutory functions. As a result, most mainstream public health work programmes, apart from statutory requirements were put on hold as staff were redeployed to support the HPT and SCC. The pace and intensity of the work has placed considerable pressure on staff, therefore, duty rotas have been closely managed and staff encouraged to take regular annual leave to avoid the risk of staff burnout.

Value for money

The National Audit Office have implemented a new Code of Audit Practice from April 2020 which makes changes to the way auditors report on arrangements to secure value for money.

Auditors are still required to be satisfied about arrangements to secure VFM, but will no longer issue a single conclusion as part of their opinion on the financial statements. Any significant weaknesses will be reported if identified and make recommendations for improvements.

The Council's initial self-assessment against areas of examination by the auditors has not identified any areas of significant weakness.

The Council remains generally in a sound financial position relative to other councils over the short term. This is because of considerable early savings made with the introduction of austerity coupled with sound financial management creating a recent trend of under spending its annual budget. This has allowed us to create earmarked reserves to support the continued volatility of funding and demand on our services. The Council has had a financial strategy for a number of years now which has combined:

- service efficiency savings
- modest service reductions
- prudent use of reserves

The government has delayed the expected 'Fair Funding' and Business Rates reviews for at least a further year to focus on its response to Covid-19. To reflect this funding uncertainty and in line with its current financial strategy, **the Council has set a one year budget up to March 2022.** We have also updated our Medium Term Financial Strategy (MTFS) to March 2024, based on current levels of funding assumptions. The 2021/22 budget is balanced and this is partly due to the additional grants that have been provided by government to continue to support growth in social care costs, and to reflect the impacts on local taxation due to Covid-19.

The **Budget setting process for 2021/22** built into our base budget significant cost pressures which were emerging prior to the Covid-19 pandemic. This was to ensure the proposed budget reflected an expected baseline of spend in 2021/22, maintaining the sustainable delivery of council services.

The council has launched a Transformation Programme which incorporates service reviews and redesign with technology as an enabler at the core of the programme. The programme will support the aim to mitigate the growth of cost pressures and ensure our processes and systems deliver efficiencies, whilst improving the customer experience for service users.

Our budget has assumed that the **short term additional costs of Covid-19 will be met by government grants**; however, our MTFs will need to continue to reflect any on-going impact of the pandemic on our budgets.

We will continue to develop our financial reporting to ensure our budgets align and can be measured against the ambitions within the council's Corporate Plan.

The 2021/22 budget includes low risk efficiency savings and income increases but does not include any significant service reductions.

Following a **review of the earmarked reserves**, the Council was able to offer a package of **grants to support local business** that had suffered financial hardship and not been able to access government grants during the Covid-19 pandemic. A due diligence process was put in place to ensure payments were made swiftly but appropriately and in line with the scheme parameters

As in previous years, **the public are generally satisfied** with the standard of services delivered. Services which have received external inspections over the last year in Children's Services have received outstanding ratings.

The **10 year capital programme** has been refreshed and whilst ambitious, considers the revenue impact in line with the capital strategy to ensure its long term affordability. The capital review group has been established to provide on-going challenge and transparency to projects within the programme.

The Council is constantly monitoring its long term financial position and has published a Medium Term Financial Plan (MTFP) which forecasts our financial position to March 2024. Future years take into account known cost pressures and planned savings and although we have a balanced budget position for 2021/22, the MTFP predicts a budget shortfall for the years beyond this. This position will be updated during 2021 and will need to give consideration to any changes to the approach of funding provided to Local Government and the longer term impacts of the current pandemic.

In response to the financial challenges being faced by Local Government, CIPFA have now published for the second year, a **financial resilience index** to act as an analytical tool to consider the Council's position over a number of measures associated with financial risk.

We are regularly assessing our latest financial performance for its potential impact on our overall financial resilience. To date, we have not identified any significant impacts which would affect our financial resilience in the near future.

CIPFA have also introduced the Financial Management (FM) Code designed to support good practice in financial management and demonstrating financial sustainability. Compliance with the code is required from April 2021 and our initial assessment is that we have proportionate compliance as required, but will produce our full assessment and follow up actions required in due course.

Our **in year budget monitoring** continues to improve with increased reporting to members and CLT to improve transparency and support decision making. **Covid-19 has had a significant impact on our spending** during the last year and our regular reporting has included the Covid-19 related spend and the grants supporting it. We have received @ £100m of additional grants during 2020/21, which have enabled targeted support to our services, suppliers and residents. Where resources have been diverted to support the pandemic, this has also impacted on our business as usual budgets, which have underspent

The Council is the accountable body for the [Greater Lincolnshire Local Enterprise Partnership](#) (GLEP) and supports its governance framework – providing assurance and transparency on the spending of government funds.

In 2020 the Council approved the creation of a company to provide legal services to other public bodies to which the Council would not otherwise be able to provide services. The company ' **Legal Services Lincolnshire (Trading) Ltd**, has been established and is awaiting confirmation of a licence from the Solicitor's Regulation Authority before it can begin trading.

In addition, the Council has three other wholly owned subsidiary companies.

Transport Connect Limited (TCL) - is a passenger transport company incorporated in 2016. It is a teckal company and as such at least 80% of its turnover has to come from the Council. The Council has a shareholder representative on the company board, who receives regular management accounts from the company's accountants, and annual accounts are received, reviewed by officers. The Company continues to achieve the primary objectives set at the time of its inception. It has operated throughout the Covid pandemic, providing essential transport services for key workers, communities and scholars. Through robust financial management the Company have achieved a surplus in 2020/21, whilst servicing all loans and operating in line with Teckal Company requirements.

Lincolnshire Future Limited (a holding company, which has not begun trading); and

Lincolnshire County Property Limited (a subsidiary of Lincolnshire Future Limited which has not begun trading).

Lincolnshire Pension Fund

Outcomes

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

The Fund is administered by Lincolnshire County Council and is overseen by the Lincolnshire County Council Pensions Committee.

The Fund currently has 249 contributing employer organisations and just under 74,000 members. This is made up of 23,023 active contributing members, 26,160 deferred members (who are no longer contributing to the scheme, but will be entitled to a pension when they retire) and 24,746 pensioners.

The Fund's value is currently £2,743.6m. The Fund invests in a range of diversified investments (including: equities, bonds, property and infrastructure). Stewardship and responsible investment principles are integrated into the investment decision-making process and in the manager monitoring by the Fund.

The Pension Fund's overarching **objectives** are:

- **Governance:** to act with integrity and be accountable to stakeholders;
- **Investments and Funding:** to maximise returns from investments within agreed risk parameters; and
- **Administration and Communications:** in partnership with West Yorkshire Pension Fund (WYPF), to deliver an effective and efficient Pensions Administration service to all stakeholders.

More details on the Lincolnshire Pension Fund can be found in the [Annual Report](#).

Performance Summary for 2020/21

To ensure the Pension Fund is achieving its overarching objectives:

- The pension's administration service, provided by WYPF in a shared service, is monitored and reported to the Pensions Committee and Board on a quarterly basis. During 2020/21 there have been no areas of concern arising in this area.
- Employer compliance with regulations (paying member contributions and submitting member data) is also reported to the Pensions Committee and Board on a quarterly basis. Where employers fall short of expected standards, the Fund actively manages this through assistance and education.
- Investment performance of the assets held by the Fund is also reported and monitored by the Pensions Committee on a quarterly basis. During 2020/21 the Fund made one change to a manager allocation based on their performance.

The Pension Fund also has a [business plan](#) which highlights the major tasks to be undertaken by the Fund during the year. All key areas for 2020/21 were completed except for the implementation of the Good Governance Review. This was deferred as the guidance was not published during the year. The Fund will review and implement its recommendations when it is released. During 2020/21 no significant governance concerns or areas for improvement were identified. However, when national guidance in the Good Governance Review is published this will be reviewed by the Fund and implemented.

Roles and Responsibilities

Head of Internal Audit

The Head of Internal Audit is required to provide an independent opinion on the overall adequacy of and effectiveness of the Council's governance, risk and control framework and therefore the extent to which the Council can rely on it.

The annual report has been considered in the development of the Annual Governance Statement and any significant governance issues incorporated as appropriate. The opinion of the Head of Internal Audit is included in this statement.

They are able to operate effectively and perform their core duties - complying with the CIPFA Statement on the role of the Head of Internal Audit.

Monitoring Officer

The Chief Legal Officer is the designated Monitoring Officer with responsibility for ensuring the lawfulness of decisions taken by us as detailed in the [Constitution](#).

The Monitoring Officer is responsible for ensuring the Council complies with its duty to promote and maintain high standards of conduct by members and co-opted members of the authority.

More details on the Monitoring Officer can be found in the [Annual Report 2021](#).

Chief Finance Officer

The Council has designated the Executive Director – Resources as the Chief Finance Officer under Section 151 of the Local Government Act 1972. He leads and directs the financial strategy of the Council.

They are a member of the Council's Leadership Team and have a key responsibility to ensure that the Council controls and manages its money well. They are able to operate effectively and perform their core duties - complying with the CIPFA Statement on the role of the Chief Finance Officer.

The Executive Director – Resources is also the Scheme Manager for the Local Government Pension Scheme for Lincolnshire, under the Public Service Pensions Act 2013. He is responsible for the payment of statutory pensions and the management of the assets of the Pension Fund.

Senior Information Risk Owner

The Executive Director – Resources is the designated Senior Information Risk Owner with responsibility for strategic information risks and leads and fosters a culture that values, protects and uses information in a manner that benefits the Council and the services it delivers.

The Senior Information Risk Owner also ensures an appropriate governance framework is in place to support the Council in meeting its statutory, regulatory, and third party information obligations, and which mitigates information risk from internal and external threats.

Data Protection Officer

The Data Protection Officer is a statutory role which supports the council in meeting its obligations under data protection legislation. The role monitors the council's on-going compliance, provides advice and guidance on all data protection matters, and acts as a point of contact for data subjects and the Information Commissioner's Office.

Director of Public Health

The Director of Public Health gains assurance from a range of organisations on the suitability and effectiveness of arrangements for protecting the health of local people from a broad range of threats to their health.

One of the statutory duties of each local authority Director of Public Health is to produce an independent report on the state of the health of the people they serve on an annual basis. Local authorities have a statutory duty to publish the report. As the reports are aimed at lay audiences, the key feature of the reports must be their accessibility to the wider public. This year's report is on the burden of disease in Lincolnshire and is available [here](#).

Council managers

Our managers have the day to day responsibility for services, and are accountable for their successful delivery. They set 'the tone from the top' and develop and implement the policies, procedures, processes and controls – ensuring compliance.

Corporate Leadership Team

Our corporate leadership team oversees the Council's governance arrangements and the development of the Annual Governance Statement. There is also a corporate governance group of officers whose role is to support the Council to ensure that it complies with the standards of good governance.

The Leader of the Council, Chief Executive and Executive Director - Resources has overseen the review of our governance arrangements and has signed the Annual Governance Statement.

Effective Scrutiny and Review

Overview and Scrutiny Management Board

The Council's Overview and Scrutiny Committees co-ordinated by the [Overview and Scrutiny Management Board](#) exist to review and scrutinise the activities of the Council including any decisions made by the Executive, Executive Councillor or key decision made by an officer.

The key aim of scrutiny in councils is to:

- Provide healthy and constructive challenge
- Give voice to public concerns
- Support improvement in services
- Provide independent review

Each year an [Overview and Scrutiny Annual Report](#) is produced showing the activities undertaken by the Scrutiny Committees.

Audit Committee

The Council's Audit Committee plays a vital role overseeing and promoting good governance, ensuring accountability and reviewing the ways things are done.

It provides an assurance role to the Council by examining areas such as audit, risk management, internal control, counter fraud and financial accountability. The Committee exists to challenge the way things are being done and make sure the right processes are in place. It works closely with both internal audit and senior management to continually improve the Council's governance, risk and control environment.

[Find out more about the Audit Committee here.](#)

Pensions Committee

The role of the Pensions Committee is to:

- Ensure appropriate policies are in place for management of the Fund;
- Monitor Fund performance, including investment managers, fund administration and other third party providers;
- Approve statutory documents, including the Annual Report and Statement of Accounts; and
- Consider any other matters relevant to the operation and management of the fund.

The Pensions Committee comprises of eight county councillors, who represent the political balance of the Council, plus three co-opted members who represent other Fund employers and individual Fund participants. The Committee meets six times a year.

The full terms of reference for the Pensions Committee are set out in [Part 2 of the Council's Constitution](#).

LGPS Local Pension Board

The purpose of the Board is to assist the Administering Authority in its role as a manager of the Lincolnshire Scheme:

- To ensure compliance with the Regulations, any other legislation relating to the governance and administration of the Scheme; and requirements imposed by the Pensions Regulator in relation to the Scheme; and
- To ensure the effective and efficient governance and administration of the Scheme.

The Board comprises of two scheme member representatives and two employer representatives, plus one additional member, an Independent Chair, who is not entitled to vote. The Board meets quarterly.

Further information on the Local Pension Board can be found [here](#).

Full Council

The Annual Governance Statement is brought to the attention of the full Council.

External Audit

The Council's financial statements and annual governance statement are an important way we account for our stewardship of public funds.

Mazars, our external auditors, audit our financial statements and provide an opinion on these. They also assess how well we manage our resources and deliver value for money to the people of Lincolnshire.

They also review the annual governance statement to assess if it accurately reflects their understanding of Council.

Information Assurance

Information is a critical asset and must be subject to an effective governance and assurance approach throughout its lifecycle, from creation through to destruction. Information assurance provides a mechanism which seeks to achieve this by confidently managing information risk through the application of a diverse set of controls.

It also ensures that the Council understands, and aligns with, the legal and regulatory environment within which it operates by using information in a way which is lawful, fair, secure and transparent, achieving this in a way which helps, not hinders, the delivery of council services.

More details on Information Assurance can be found in the [Annual Report 2021](#).

How we carry out assurance

A combined assurance status report is produced by each executive director.

It looks at the level of confidence the Council can have in each area for:

- service delivery arrangements
- operation of controls
- management of risks
- performance

These reports were reviewed by the Audit Committee on 8th February 2021.

The council adopts the 'three lines of assurance' methodology, as seen below.

How do we assure ourselves about how the council is run?

Management
Accountable for delivery



Corporate and third party
External inspections and internal assurance functions



Internal audit
Independent assurance



Speaking to senior and operational managers who have the day to day responsibility for managing and controlling their service activities.

Working with corporate functions and using other third party inspections to provide information on performance, successful delivery and organisational learning.

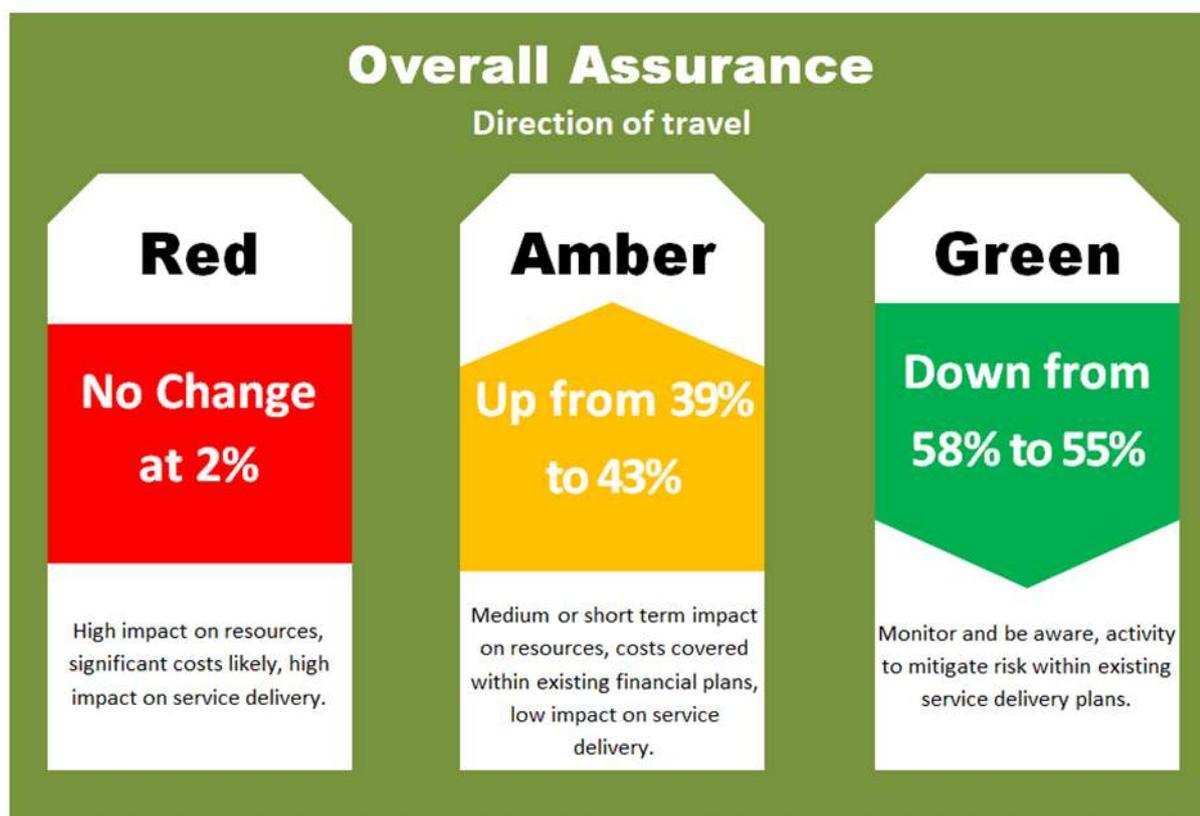
Using the outcome of internal audit work to provide independent insight and assurance opinions.

Considering other information and business intelligence that feed into and has potential to impact on assurance

The Council's assurance levels

Overall there is a positive assurance picture for the Council but one that reflects the complex environment in which we operate – recognising that some areas will remain Amber.

More details on the Combined Assurance report can be found in the Audit Committee – 8th February 2021.



The Council's governance and control environment enabled us to successfully manage our response to the pandemic but also gave us an opportunity to do things differently. We therefore identified a number of areas of continuous improvement as part of our review to help us move forward:

Governance and Oversight

- Update our Corporate Plan & Success Framework to provide further clarity and alignment with our policy & spending decisions and taking into account the results of the recent resident survey.
- Accountability & Assurance Framework – raising awareness and understanding of Council's governance / decision making process – including financial regulations / procedures.

- Transformation Programme – refocus and re-alignment of priorities, including resource planning across projects, benefit realisation and appropriate corporate oversight.
- Commercial Activities – Review effectiveness of governance and oversight ensuring appropriate transparency and accountability framework in place. Reference report by Grant Thornton Report identifying lessons learnt from recent Public Interest reports.
- Partnership Governance & Oversight – improve insight and oversight of our corporate plan ambitions / priorities delivered through partnership and / or collaboration
- Compliance with the CIPFA financial management code – benchmark against good practice and implement improvement actions as necessary.
- Records Management - right people, process, and technology to remediate historical issues and improve the way we manage records now, and in the future.
- Information Management - Council's management of information across its various IT platforms. How we use and manage our data to help our understanding of the local place and set our priorities.

Demand Management

- Building upon our current systems and processed to improve our understanding of the local place and priority setting. Helping to inform our medium term financial plan and updates of our Corporate Plan.

Implementation of agreed actions will be monitored through the Council's performance management systems – including its transformation programme and success framework.

Head of Internal Audit Opinion

The opinion of the Head of Internal Audit is given for 2020/21 on four areas of Council assurance:

- **governance** (how the Council is run)
- **risk** (the risks to the Council's operations)
- **internal controls** (the processes in place to ensure compliance)
- **financial controls** (the processes in place to ensure we manage our finances appropriately)

Background & Context

The Covid-19 pandemic and subsequent lockdowns has had a significant impact on all areas of the public sector. The impact on governance, risk and control environments has been felt by all. The Council has had to respond swiftly to the ever changing environment to deliver new and existing operations – with staff working remotely/at home.

For the twelve months ended 31 March 2021 - based on the work we have undertaken and information from other sources of assurance - my opinion on the adequacy and effectiveness of Lincolnshire County Council's arrangements for governance, risk management and control is:-

Lucy Pledge **CMIIA**
QIAL, Head of Internal Audit & Risk Management

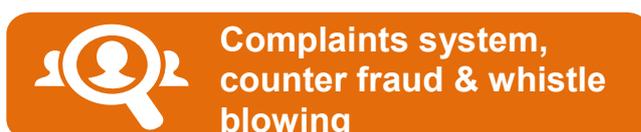
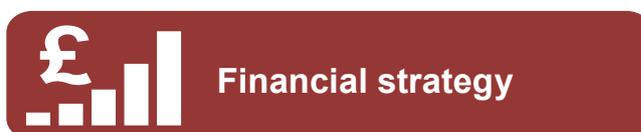
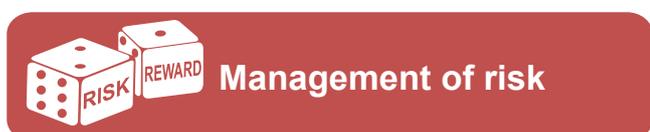
More details on the Head of Internal Audit Annual opinion and Internal Audit can be found in the [Annual Report 2021](#).

Governance 	Performing Adequately – Some improvements identified over the Council's governance and control framework.
Risk 	Performing Well – No concerns that significantly affect the risk management framework.
Internal Control 	Performing Adequately – Some improvement required to manage a high risk in a specific business area and medium risks across the Council.
Financial Control 	Performing Adequately – Some improvement required to manage a high risk in a specific business area and medium risks across the Council.

Appendix 1 – Governance framework

Where do we need assurance?

Where can / do we get assurance from?



Appendix 2 – Strategic risk register

Good risk management is part of the way we worked. It is about taking the right risks when making decisions or where we need to encourage innovation in times of major change – balancing risk, quality, cost and affordability. This put us in a stronger position to deliver our goals and provide excellent services.

The unprecedented events of Covid19 have resulted in changes to the priorities of the risk management programme and have also impacted the culture around risk management.

To ensure that key red risks and issues arising from the crisis were being identified and managed, an initial exercise was undertaken across services leading to weekly then monthly reporting to CLT – now quarterly.

In addition to the red risks and issues, our Strategic Risk Register is regularly reviewed and our risks are being effectively managed.

Risk	Mitigating Actions	Risk Rating	Level of Assurance	Direction of Travel
Safeguarding children	This has moved to a high risk & limited assurance due to the controls identified not being as robust as they were pre-Covid. The position is improving & it's expected the assurance will move back to substantial.	Red	Limited	=
Safeguarding adults	Programme in place to develop & implement suitable assurance frameworks for commissioned services & personal budgets.	Amber	Substantial	↑
Business continuity & resilience	Programme in place to review & test continuity & recovery plans.	Amber	Substantial	=
Market supply – Adequacy of market supply to meet eligible needs across a number of directorates within the Council	Strong relationships with providers & funding for residential care secured. Improved contract management.	Amber	Limited	=

Risk	Mitigating Actions	Risk Rating	Level of Assurance	Direction of Travel
Ability to deliver our programme of designated projects	Major projects – this has been defined in terms of risk & controls. It has also been reworded to reflect & improve assurance around the Transformation Programme.	Amber	Substantial	↑
Funding & maintaining financial resilience	2021/22 budget setting underway supported by MTFS. Good financial management & monitoring.	Amber	Substantial	=
Ability to recruit & retain staff in high risk areas	Proactive work continuing in this area	Amber	Substantial	↑
Ensuring contracts & markets (other than adult care) are fit for purpose	Commercial team supports the business with on-going work to strengthen contract management (intelligent client) & learning from procurement/existing contracts	Amber	Limited	=
The risk of a successful cyber-attack against the council with significant/critical impact	Cyber security is a high risk with an improved position but the main outstanding control means assurance is still limited.	Red	Limited	↑
IT infrastructure – the ability to implement transformational aspirations & deliver business as usual	Improvements made within IT over the past few months have seen assurance level increased to substantial.	Amber	Substantial	↑

Key	Risk	Assurance
Red	High impact on resources, significant costs likely, high impact on service delivery	Low level of confidence over the design and operation of controls, performance or management of risk
Amber	Medium or short term impact on resources, cost covered within existing financial plans, low impact on service delivery	Medium level of confidence over the design and operation of controls, performance or management of risk
Green	Monitor and be aware, activity to mitigate the risk within existing service delivery plans / management arrangements	High level of confidence over the design and operation of controls, performance or management of risk
Direction of Travel		
Improving 		Static =

Note: As at March 2021

GLOSSARY

A Academy Schools	Academy schools are directly funded by central government (the Department for Education) and are independent of local Council control.
Accounting Period	The period of time covered by the accounts, normally a period of twelve months commencing on 1 April. The end of the accounting period is the Balance Sheet date.
Accounting Policies	<p>The principles, bases, conventions, rules and practices applied by an organisation that specify how the effects of transactions and other events are to be reflected in its Financial Statements.</p> <p>Retrospective application is applying a new accounting policy to transactions, other events and conditions as if that policy had always been applied.</p>
Accruals	Sums included in the final accounts to recognise revenue and capital income and expenditure attributable to the accounting period, but for which payment has not been received or made by 31 March.
Actuary	An independent consultant who advises the Fund and every three years formally reviews the assets and liabilities of the Fund and produces a report on the Fund's financial position, known as the Actuarial Valuation.
Admitted Body	Private contractors that are admitted to the LGPS to protect member pension rights following a TUPE transfer, or a body which provides a public service which operates otherwise than for the purposes of gain.
Alternatives	Investment products other than traditional investments of stocks, bonds, cash or property. The term is used for tangible assets such as infrastructure and property and financial assets such as private equity and derivatives.
Amortisation	The term used to describe the charge made for the cost of using intangible non-current assets. The charge for the year will represent the amount of economic benefits consumed (e.g. wear and tear).
Appropriation	The transfer of sums to and from reserves, provisions and balances.
Asset	<p>An item having value to the Council in monetary terms, categorised as:</p> <ul style="list-style-type: none"> • 'Current assets' are intended for use or to be sold within the normal operating cycle. They are held for

GLOSSARY

	<p>the purpose of current service provision, trading or the Council expects to realise the assets within 12 months after the reporting date.</p> <ul style="list-style-type: none"> • 'Non-current assets' do not meet the definition of a current asset and can be tangible (e.g. school buildings) or intangible (e.g. computer software licences). • 'Donated assets' are assets which transferred to the Council at nil value or acquired at less than fair value. • 'Heritage Assets' are of an historic nature, including buildings and collections; which are held by the Council. • 'Intangible Assets' are without physical substance. Examples include: computer software and licences.
Asset Allocation	Distribution of investments across asset categories, such as cash, equities and bonds. Asset allocation affects both risk and return, and is a central concept in financial planning and investment management.
Asset Pooling	In the context of the LGPS, this is the collaboration of several LGPS Funds to pool their investment assets in order to generate savings from economies of scale, as requested by MHCLG: 'significantly reducing costs whilst maintaining investment performance'.
Audit of Accounts	An independent examination of the Council's financial affairs.
Auto Enrolment	UK employers have to automatically enrol their staff into a workplace pension if they meet certain criteria and repeat this process every three years to re-enrol any employees who have opted out.
<u>B</u> Balances	The total revenue reserves required to provide a working balance during the financial year, for example in periods when expenditure exceeds income.
Balance Sheet	Shows all balances including reserves, long-term debt, fixed and net current assets, together with summarised information on the non-current assets held.
Bonds	Certificate of debt issued by a government or company, promising regular payments on a specified date or range of dates, usually with final capital payment at redemption.
Borrowing costs	Interest and other costs that an entity incurs in connection

GLOSSARY

	with the borrowing of funds.
Budget	The forecast of net revenue and capital expenditure over the accounting period.
C Capital Charges	This is a general term used for the notional charges made to service expenditure accounts for the use of non-current assets. The term covers depreciation and impairment charges (included in gross expenditure).
Capital Expenditure	Expenditure on assets which have a long term value. Includes the purchase of land, purchase or cost of construction of buildings and the acquisition of plant, equipment and vehicles.
Capital Financing (Costs & Requirements)	Costs - These are the revenue costs of financing the capital programme and include the repayment of loan principal, loan interest charges, loan fees and revenue funding for capital. Requirements - Statutory requirement to ensure that over the medium term the net borrowing by the Council will only be for capital purposes.
Capital Grants Unapplied Account	Grants that have been recognised as income in the Comprehensive Income and Expenditure Statement but where the expenditure has not yet been incurred.
Capital Receipts	Proceeds received from the sale of property and other non-current assets.
Career Average Revalued Earnings (CARE) Scheme	The pension at retirement will relate to your average salary over your career (while paying into the pension scheme). More precisely for the LGPS, it is based on pensionable earnings, increased in line with inflation as measured by the Consumer Price Index (CPI).
Carrying Amount	The amount of an asset that is recognised on the Balance Sheet after all costs have been charged for the accounting period (e.g. accumulated depreciation and impairment losses).
Cash equivalents	Short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value (e.g. bank balances).
Cash Flow Statement	This consolidated statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes

GLOSSARY

CIPFA	Chartered Institute of Public Finance & Accountancy.
Comprehensive Income & Expenditure Statement (CI&ES)	This statement reports the net cost of all the services which the Council is responsible for, and demonstrates how that cost has been financed.
Consumer Price Index (CPI)	The rate of increase in prices for goods and services. CPI is the official measure of inflation of consumer prices of the United Kingdom.
Contingent...	<p>...Asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Council.</p> <p>...Liabilities are potential costs the Council may incur in the future because of something that happened in the past, but there is no certainty that a cost will occur.</p>
Counterparty	The other party that participates in a financial transaction. Every transaction must have a counterparty in order for the transaction to complete. More specifically, every buyer of an asset must be paired up with a seller that is willing to sell and vice versa.
Creditors	Amounts owed by the Council for work done, goods received or services rendered but for which payment has not been made at 31 March.
Custodian	Organisation which is responsible for the safekeeping of assets, income collection and settlement of trades for a portfolio, independent from the asset management function.
<u>D</u> Debtors	<p>Sums of money owed to the Council but unpaid at 31 March.</p> <p>Long Term Debtors are sums of money due to the Council originally repayable within a period in excess of twelve months but where payment is not due until future years.</p>
Defined Benefit Scheme	Also known as a final salary scheme. Pension scheme arrangement where the benefits payable to the members are determined by the scheme rules. In most cases there is a compulsory member's contribution but over and above this all costs of meeting the quoted benefits are the responsibility of the employer.

GLOSSARY

Depreciation	<p>The allocation of the cost of the useful economic life of the Council's non-current assets for the accounting period through general wear and tear, consumption or obsolescence.</p> <p>Straight Line basis is the method of calculating depreciation by charging the same amount each year over the assets life.</p>
Depreciated replacement cost (DRC)	Is a method of valuation which provides the current cost of replacing an asset with its modern equivalent asset less deductions for all physical deterioration and all relevant forms of obsolescence and optimisation.
Derivative	Financial instrument whose value is dependent on the value of an underlying index, currency, commodity or other asset.
Diversification	Risk management technique which involves spreading investments across a range of different investment opportunities, thus helping to reduce overall risk. Risk reduction arises from the different investments not being perfectly correlated. Diversification can apply at various levels, such as diversification between countries, asset classes, sectors and individual securities.
E Employee benefits	<p>Are all forms of consideration (both monetary and in-kind) given by the Council in exchange for service rendered.</p> <p>Short Term Employee Benefits (other than termination benefits) fall due wholly within 12 months after the end of the period in which the employees render the related service.</p>
Equities	Ordinary shares in UK and overseas companies traded on a stock exchange. Shareholders have an interest in the profits of the company and are entitled to vote at shareholders' meetings.
Exceptional Items	Are all forms of consideration (both monetary and in-kind) given by the Council in exchange for service rendered.
F Fair Value	The amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's-length deal.
Fiduciary Duty	A legal obligation of one party to act in the best interest of another. The obligated party is typically a fiduciary, that is, someone entrusted with the care of money or property.

GLOSSARY

Final Salary	One type of defined benefit pension scheme where employee benefits are based on the person's final salary when they retire. The LGPS Scheme has moved from this to a CARE (career average) scheme from 2014.
Finance Costs	Reflects the element of annual payment for PFI or Leased assets which is in relation to interest payable on the loan liability.
Financial...	...Assets are a right to future economic benefits controlled by the Council. ... Liabilities are an obligation to transfer economic benefits controlled by the Council.
Financial Instrument	A contract that gives rise to a financial asset of one entity and a financial liability of another entity; for example, at its simplest, a contractual right to receive money (debtor) and a contractual obligation to pay money (creditor).
Foundation Schools	Schools run by their own governing body, which employs the staff and sets the administrations criteria. Land and buildings are usually owned by the governing body or a charitable foundation.
Funding Level	The ratio of a pension fund's assets to its liabilities. Normally relates to defined benefit pension funds and used as a measure of the fund's ability to meet its future liabilities.
G General Fund	The main revenue fund of the Council. Income from the council tax precept and government grants is paid into the fund, from which the costs of providing services are met.
Going Concern	The going concern accounting concept assumes that the organisation will not significantly curtail the scale of its operation in the foreseeable future.
Government Grants	Payments by central government towards Council expenditure. They are receivable in respect of both revenue and capital expenditure.
Grants and Contributions	Assistance in the form of transfers of resources to the Council in return for past or future compliance with certain conditions relating to the operation of activities.
I IFRS	International Financial Reporting Standards. Aim to standardise the reporting and information disclosed in

GLOSSARY

	the financial accounts of companies and other organisations globally.
Impairment	A reduction in the value of a non-current asset to below its carrying amount on the Balance Sheet, due to damage, obsolescence or a general decrease in market value.
Infrastructure	The public facilities and services needed to support residential development, including highways, bridges, schools, and sewer and water systems. A term usually associated with investment in transport, power and utilities projects.
International Accounting Standard (IAS)	Regulations outlining the method of accounting for activities, IASs are currently being replaced with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board.
International Financial Reporting Standards (IFRS)	Regulations outlining the method of accounting for activities, issued by the International Accounting Standards Board.
Inventories	Items of raw materials, work in progress or finished goods held at the financial year end, valued at the lower of cost or net realisable value.
Investment Strategy	The investor's long-term distribution of assets across various asset classes, taking into consideration their objectives, their attitude to risk and timescale.
L Leases	A lease is an agreement whereby the lessor conveys to the lessee, in return for a payment, the right to use an asset for an agreed period of time. <ul style="list-style-type: none"> • Finance Lease – a lease whereby all the risks and rewards of ownership of an asset are with the lessee. In substance the asset belongs to the lessee. • Operating Lease – a lease where the risks and rewards, and therefore ownership, of the asset remains with the lessor.
Lessee	The person or organisation that is using or occupying an asset under lease (tenant).
Lessor	The person or organisation that owns an asset under lease (landlord).
Liabilities	A present obligation to transfer economic benefits.

GLOSSARY

	Current liabilities are payable within one year.
Liquid Resources	Cash and current asset investments that can be easily converted to known amounts of cash without penalty, or can be traded in an active market.
Long-Term Contract	A contract entered into for the design, manufacture or construction of a single substantial asset, or the provision of a service (or a combination of assets and services which together constitute a single project), where the project life falls into more than one accounting period.
<u>M</u> Market Value	The price at which an investment can be bought or sold at a given date.
Materiality	Materiality is an expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the item, or a combination of both, could be the determining factor.
Minimum Revenue Provision (MRP)	A minimum amount, set by law, which the Council must charge to the income & expenditure account, for debt redemption or for the discharge of other credit liabilities (e.g. finance lease).
<u>N</u> Net Book Value	The value of non-current assets included on the Balance Sheet, being the historical cost or a current revaluation less the cumulative amounts provided for depreciation.
Net Debt	The Council's borrowings less liquid resources.
Non Distributed Costs	These are overhead costs from which no user now benefits. They include the costs associated with unused assets and certain pension costs.
<u>O</u> Off Balance Sheet	Accounting category not shown or recorded on a Balance Sheet, such as an operating lease or a deferred or contingent asset or liability which is shown only when it becomes 'actual'.
Operations (Acquired & Discontinued)	Operations comprise services and division of service as defined in SERCOP. - Acquired operations are those that are acquired in the period by the Council. - Discontinued operations are those that are discontinued in the period. Responsibilities that are transferred from one part of the public sector to another are not discontinued

GLOSSARY

	operations.
<u>P</u> Pension fund accounts	This covers accounting and reporting by pension funds to all fund participants as a group rather than being concerned with determination of the cost of retirement benefits in the Financial Statements of employers.
Pooled Investment Fund	A fund managed by an external Fund Manager in which a number of investors buy units. The total fund is then invested in a particular market or region. The underlying assets the funds hold on behalf of clients are quoted assets such as fixed interest bonds and equity shares. They are used as an efficient low-risk method of investing in the asset classes.
Portfolio	Block of assets generally managed under a single mandate.
Precept	The amount levied by one Authority which is collected by another e.g. Lincolnshire is the precepting Authority and the District Councils are the collecting Authorities of Council Tax. Water Authorities also precept on the Council for land drainage purposes.
Previous Year Adjustments	These are material adjustments relating to prior year accounts that are reported in subsequent years and arise from changes in accounting policies or from the correction of fundamental errors.
Principal	The amount of repayment to a lender which relates to the reduction in the loan, rather than the interest paid on the loan.
Private Equity	Shares in unquoted companies. Usually high risk, high returns in nature.
Private Finance Initiative (PFI)	A government initiative that enables Authorities to carry out capital projects, in partnership with the private sector, through the provision of financial support.
Projected Unit Method	An accrued pension benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a method in which the scheme liabilities at the valuation date relate to: <ul style="list-style-type: none"> • the benefits for pensioners and deferred pensioners and their dependants, allowing where appropriate for future increases, and • the accrued benefits for members in service on the valuation date.

GLOSSARY

Property, Plant & Equipment	<p>Are tangible assets (i.e. assets with physical substance) that are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes, and expected to be used during more than one period.</p> <ul style="list-style-type: none"> • Land and buildings. • Vehicles, plant, furniture and equipment. • Infrastructure assets that form part of the economic or social framework of the area and whose function is not transferable (e.g. highways, bridges and footpaths). • Community assets that the Council intends to hold in perpetuity, that have no determinable useful life and may have restrictions on their disposal (e.g. nature reserves, country & coastal parks and picnic sites). • Surplus assets are non-current assets held by the Council but not directly occupied, used or consumed in the delivery of services. • Investment properties are land or buildings held to earn rental income or for capital appreciation or both. • Assets under construction are non-current assets which include expenditure capitalised for work in progress in respect of activities to develop, expand or enhance items of property, plant and equipment, intangible assets and exploration assets. • Non-current assets held for sale and discontinued operations. These are non-current assets that are either going to be sold or disposed of within the next twelve months.
Provision	This is an amount which is put aside to cover future liabilities or losses which are considered to be certain or very likely to occur, but the amounts and timing are uncertain.
Prudential Indicators	A set of financial indicators and limits that are calculated in order to demonstrate that Councils' capital investment plans are affordable, prudent and sustainable.
Public Works Loan Board (PWLB)	A central government agency, which provides loans for one year and above to Authorities at favourable rates which are only slightly higher than the Government can borrow itself.
R Recognition	The process upon which assets are deemed to belong to the Council either by purchase, construction or other forms of acquisition.

GLOSSARY

Related party	<p>These are parties which are considered to be related if one party has the ability to control the other party, or exercise significant influence over the other party in making financial and operating decisions, or if the related party entity and another entity are subject to common control. Related party transactions are transfers of resources or obligations between related parties, regardless of whether a price is charged. Related party transactions exclude transactions with any other entity that is a related party solely because of its economic dependence on the Council or the Government of which it forms part.</p>
Reserves	<p>The accumulation of surpluses, deficits and appropriations over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Council. Some capital reserves such as the Revaluation Reserve and Capital Adjustment Account cannot be used to meet current expenditure.</p> <p>Capital Adjustment Account reserve largely consisting of resources applied to capital financing and not available to the Council to support new investment.</p> <p>Earmarked Reserves are those elements of total Council reserves which are retained for specific purposes.</p> <p>Revaluation Reserve holds revaluation gains on assets recognised since 1 April 2007 only, the date of its formal implementation.</p>
Retirement Benefits	<p>Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.</p> <p>Actuarial basis is the estimation technique applied when estimating the liabilities to be recognised for defined benefit pension schemes in the Financial Statements of an organisation.</p> <p>Actuarial gains and losses for a defined benefit pension scheme are the changes in actuarial deficits or surpluses that arise because:</p> <ul style="list-style-type: none">• Events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or• The actuarial assumptions have changed. <p>Current service cost is the increase in the present value of a defined benefit obligation resulting from employee service in the current period.</p> <p>Defined benefit plans are post-employment benefit plans</p>

GLOSSARY

	<p>other than defined contribution plans.</p> <p>Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.</p> <p>Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.</p> <p>Past service cost is the increase in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (where benefits are introduced or improved) or negative (where existing benefits are reduced).</p>
Return	Increase in value of an investment over a period of time, expressed as a percentage of the value of the investment at the start of the period.
Revaluation Gain	The increase to the fair value of an asset following a valuation.
Revenue Contributions	This refers to the financing of capital expenditure directly from revenue rather than from loans or other sources.
Revenue Expenditure	The day to day expenditure on such items as employees and equipment.
Revenue Expenditure Funded from Capital under Statute (REFCUS)	Expenditure which may be funded from capital, but which does not result in non-current assets owned by the Council. These costs are included in the net cost of services shown in the Income and Expenditure Account.
Risk	Likelihood of a return different from that expected and the possible extent of the difference. Also used to indicate the volatility of different assets.
S Scheduled Body	Public sector employers or designating bodies that have an automatic right and requirement to be an employer within the LGPS.
Service Reporting Code of Practice (SERCOP)	Details standard definitions of service and total cost which enables spending comparisons to be made with other Local Authorities.

GLOSSARY

Settlement	Payment or collection of proceeds after trading a security. Settlement usually takes place sometime after the deal and price are agreed.
Specific Grant	A grant awarded to a Council for a specific purpose or service that cannot be spent on anything else.
Stock Lending	Lending of stock from one investor to another that entitles the lender to continue to receive income generated by the stock plus an additional payment by the borrower.
<u>T</u> Target	Managers are set a target for investment performance such as 1% above benchmark per year over three year rolling periods.
Termination Benefits	Employee benefits paid upon termination of employment such as redundancy.
Treasury Management	The utilisation of cash flows through investments and loans.
Triennial Actuarial Valuation	Every three years the actuary formally reviews the assets and liabilities of the Lincolnshire Fund and produces a report on the Fund's financial position.
Trust Funds	Funds administered by the Council for such purposes as prizes, charities and specific projects or on behalf of minors.
<u>U</u> Useful Life	The period with which an asset is expected to be useful to the Council in its current state.

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