

# LINCOLNSHIRE COUNTY COUNCIL

## 2021-22

### STATEMENT OF ACCOUNTS

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# INTRODUCTION TO THE ACCOUNTS

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The Statement of Accounts for the year 2021-22 is set out on pages 27 to 30.

The purpose of the published Statement of Accounts is to give electors, local taxpayers 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 2021 to 31 March 2022. 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** shows the accounting cost of providing services throughout the year in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

**The Movement in Reserves Statement** shows the movement from the start of the year to the end on the different reserves held by the Council. Reserves are analysed into 'usable reserves' (i.e., those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves. The Statement shows how the movements in year are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the 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** 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 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

# INTRODUCTION TO THE ACCOUNTS

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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** 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

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## **1. Introduction**

Welcome to Lincolnshire County Council's Statement of Accounts for the financial year 1<sup>st</sup> April 2021 to 31<sup>st</sup> March 2022. 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 2022/23 and beyond.

The accounts themselves, which follow this Narrative Report, provide information about the Council's financial performance during 2021/22 and about our financial position as at 31<sup>st</sup> March 2022. The Statement of Accounts is prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 and the main elements of the accounts are shown in the table of contents on pages 2 and 3. 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 2021/22 with 2020/21. 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 47.

## **2. About Lincolnshire County Council**

Lincolnshire is an English county council in the East Midlands region. It is the second largest county in terms of its area but has a relatively low population of around 766,000. There is one city in Lincolnshire, which is Lincoln, seven districts and a number of towns. Lincolnshire is a mainly rural county, with a North Sea coast of over 50 miles, and is largely flat with rich arable land. In terms of its economy, Lincolnshire is predominantly agricultural and is the UK's largest producer of potatoes, wheat, cereal, and poultry. Due to its historic sites, extensive countryside and seaside resorts Lincolnshire also has a thriving visitor economy.

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

Our vision is "working for a better future" and 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

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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 2021/22, 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; Resources; Commercial and Corporate Services. In addition to this, the Council is also the administering authority for the Local Government Pension Scheme in Lincolnshire.

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

### **3. Financial Highlights**

There are 4 core financial statements within this Statement of Accounts, which provide a summary of our financial performance and financial position at the end of the year. These statements can be found on pages 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 continued to impact on our activities over the past year, although to a lesser extent than in 2020/21, as vaccines were rolled out and restrictions were lifted. It has also impacted on our financial performance during the year because we continued to receive various coronavirus grants from the government and pay out significant amounts from those grants. As our 2021/22 expenditure due to the pandemic has been funded either by government grant or from within existing budgets during the year, there has been no impact on the local council taxpayer.

#### **The Council's Income**

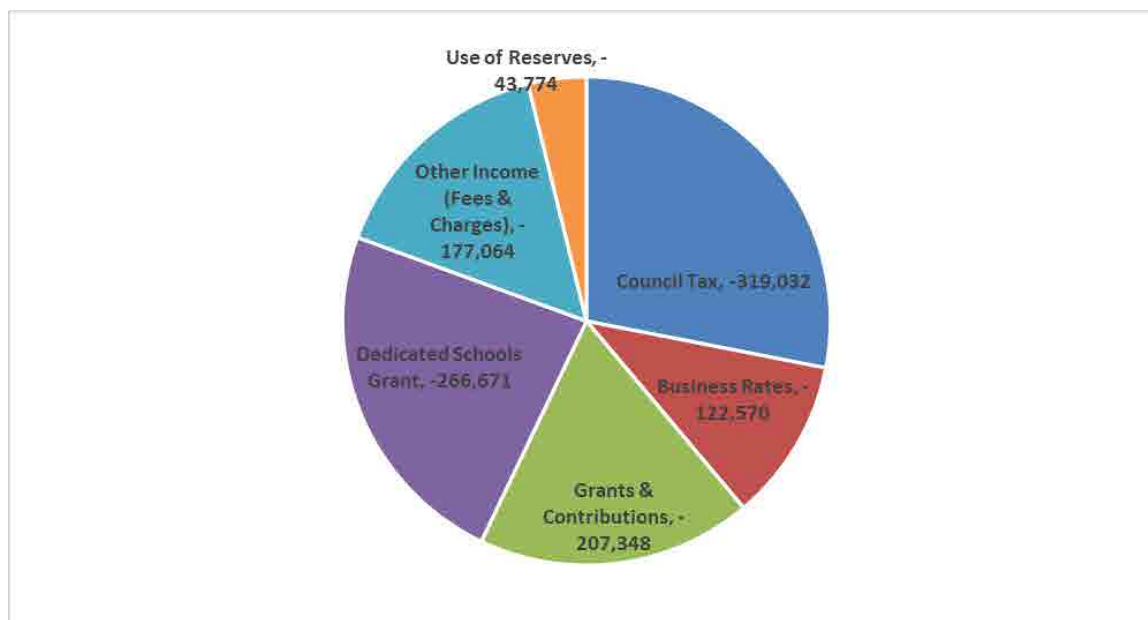
Our services are funded by various sources of income. The most significant of these are: Council Tax; Business Rates; Fees and Charges for Services and specific Government Grants. Further detail on Government Grants can be found in Note 8 to the accounts. The Council, along with its seven District Council partners, was in a Business Rates Pool in 2021/22 and the Pool is expected to generate an estimated surplus for us of £1.282m. In 2021/22 we increased Council Tax by 1.99% and also saw growth of 0.3% on the number of band D equivalent properties in Lincolnshire. This in total generated additional income for us of £7.279m. In total, funding in 2021/22 amounted to £1,136.459m (£1,082.826m in 2020/21). The



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following pie chart shows the amounts and proportion received from each main source of funding:

## Sources of Income Analysis 2021/22 £1,136,459 (£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 2021/22" report to the Executive on 5 July 2022 (see end of this Narrative Report for a hyperlink to this) but the most significant differences are explained below the table.

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## Revenue Budget Outturn Position 2021/22 (£000's)

	Revised Net Revenue Budget	Expenditure	Under or Over Spending	Percentage Under or Over Spending
	£'000	£'000	£'000	%
<b>SERVICE AREAS</b>				
Children's Services	133	131	-1	-1%
Adult Care and Community Wellbeing	151	148	-2	-2%
Place	77	76	0	-1%
Fire & Rescue	22	22	0	0%
Resources	30	29	-1	-3%
Commercial	44	43	0	-1%
Corporate Services	3	3	0	-13%
<b>TOTAL SERVICE AREAS</b>	<b>459</b>	<b>453</b>	<b>-6</b>	<b>-1%</b>
TOTAL OTHER BUDGETS	93	86	-6	-7%
<b>TOTAL NET EXPENDITURE EXCLUDING SCHOOLS</b>	<b>552</b>	<b>540</b>	<b>-12</b>	<b>-2%</b>
TOTAL MOVEMENT OF RESERVES	-44	-44	0	0%
TOTAL INCOME	-522	-523	-1	0%
<b>TOTAL EXCLUDING SCHOOLS</b>	<b>-14</b>	<b>-27</b>	<b>-14</b>	
<b>TOTAL SCHOOL BUDGETS</b>	<b>14</b>	<b>-4</b>	<b>-17</b>	<b>-126%</b>
<b>TOTAL INCLUDING SCHOOLS</b>	<b>0</b>	<b>-31</b>	<b>-31</b>	

There was an underspend of £17.214m relating to the Dedicated Schools Grant. This includes the brought forward balances from prior years and the 2021/22 financial performance. The Dedicated Schools Grant is a ring-fenced amount and will be automatically carried forward to use in 2022/23.

The underspend on service budgets this year was £5.835m or 1.3% of the budget. Of the service areas' underspend, £2.378m of this was in the Directorate of Adult Care and Community Wellbeing (ACCW). 2021/22 saw ACCW start to emerge from the Covid-19 pandemic and establish the new norm for service delivery. ACCW continued to receive Covid-19 funding specifically targeted at ACCW services, customers, and providers. Costs directly related to the coronavirus recovery have been funded by the grants. This financial support, alongside volume-based services not seeing demand levels return to pre Covid-19 levels in some areas, resulted in the financial underspend.

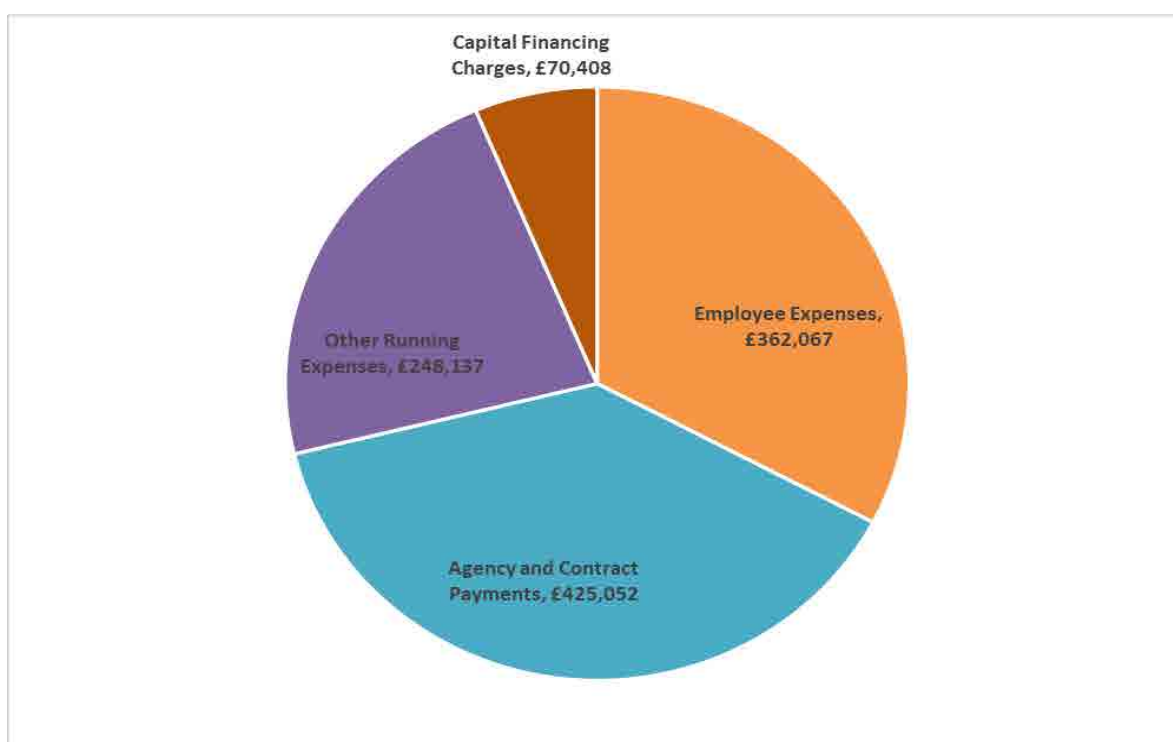
Children's Services underspent by £1.222m. In the year, there were overspends due to the increase in the number of children in care reflecting the impact of the pandemic resulting in the need for external placements, and an increase in social care legal costs. Home to Schools Transport also overspent due to being impacted by a number of external factors contributing to a rise in delivery costs. These overspends were more than offset by underspends across Children's Services including the utilisation of one-off grant funding.

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Other Budgets underspent by £6.387m due to a combination of factors: the contingency budget not being fully required, and underspends on insurance premiums and the redundancy budget.

In total, we spent a gross amount of £1,105.663m in 2021/22 (£1,044.840m 2020/21). After taking account of fees, charges, and other contributions towards services, this was a net amount of £492.269m (£482.921m 2020/21). 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 2021/22 £1,105,663 (£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

# NARRATIVE REPORT

performance against those plans. Our overall net variance on the capital programme in 2021/22 was an underspend of £50.049m (£59.534m in 2020/21), with the overall gross position being an underspend of £48.428m. The main reasons for the differences between planned and actual capital spending are explained in the "Review of Financial Performance 2021/22" report to the Executive on 5 July 2022 but the most significant differences are explained below the table. All overspends and underspends on the capital programme are carried forward to the next financial year.

## Capital Gross Programme Outturn Position 2021/22 (Summarised) (£000's)

	Gross Programme		
	Actuals £'000	Revised budget £'000	Gross Outturn Variance £'000
Adult Care & Community Wellbeing	8,398	9,798	-1,400
Children's Services	32,630	32,753	-123
Place	141,432	174,392	-32,960
Fire and Rescue	1,055	1,253	-198
Resources	0	25	-25
Commercial	10,629	12,690	-2,061
Other Programmes	0	11,661	-11,661
	<b>194,144</b>	<b>242,572</b>	<b>-48,428</b>

The main reason for the underspend within Place, was the project for the future development of the Heritage / Archives service. This project is approved in principle and currently in the planning stage resulting in only modest spend in the year and a £4.995m underspend against the profiled expenditure. Receipt of further grant funding for future transport and active travel schemes also created underspend in the year.

Capital investment within the Growth area of Place was £10.813m in 2021/22. This included £7.972m accounted for on behalf of the Greater Lincolnshire Local Enterprise Partnership but which is governed by the GLLEP Board. LCC projects centred on further development of business units and the South Lincolnshire Food Enterprise Zone. The net underspend was mainly due to slippage in GLLEP funded projects.

The net underspend on Highways arose from a number of schemes, in the main these were the Lincoln Eastern Bypass, Spalding Western Relief Road, Grantham Southern Relief Road and the A52 Skegness Roman Bank reconstruction. This was offset by an overspend on the Highways Asset Protection block budget arising from the volume of work that was able to be completed during the year due to the relatively mild weather. This overspend will be carried forward and managed within the future programme of works.

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The underspends in the areas of property and information technology in the Commercial Directorate are in the main due to a number of schemes experiencing minor delays which has pushed some planned expenditure back to next year.

For 2021/22 we set aside £7.500m in a New Developments Capital Contingency Fund for schemes which emerge during the financial year. No funding was allocated to schemes in the year, instead funding was returned to the contingency for several schemes, either because the schemes had not yet started so a fresh application would be made at a later date, or because funding was surplus to requirements. An underspend of £11.661m remaining at the end of 2021/22 will be carried forward into 2022/23 to fund schemes in the new financial year.

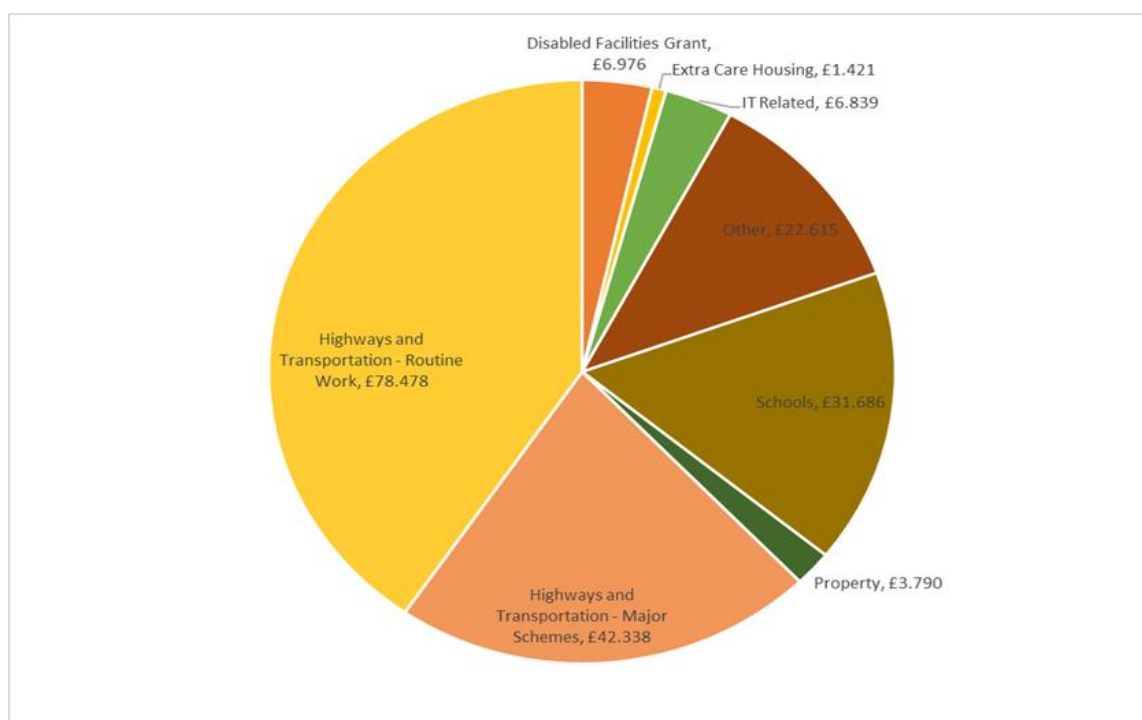
During 2021/22 we planned to spend £242.572m gross on capital and £150.450m net after grants and contributions. The major assets which have been progressed during the year are:

- Completion of the De Wint Extra Care Housing scheme.
- Completion of the Boston Endeavour Academy School through the Building Communities of Specialist Provision Strategy.
- Expansion and remodelling work in other Lincolnshire special schools through the Building Communities of Specialist Provision Strategy delivering an increase in places and access to all-needs provision.
- Continuing construction of the Grantham Southern Relief Road scheme.
- Continuing construction of the Spalding Western Relief Road (section 5) scheme.
- Expansion works to some 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 2021/22:

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## Gross Expenditure on Major Investment Projects 2021/22 £194,144 (£000's)



The capital programme was funded by various sources of income totalling £194.144m (£168.174m 2020/21). The following table shows the proportion received from each main source of funding:

### Sources of Capital Financing 2021/22 (£000's)

	£'000
Revenue Contributions	9,519
Use of Reserves	4,399
Grants and Contributions	108,682
Capital Receipts	11,206
Borrowing	60,339
<b>Total</b>	<b>194,144</b>

### 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.



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31 March 2021		31 March 2022
£000's		£000's
1,479,590	Long Term Assets	1,619,777
420,760	Current Assets	358,707
-211,896	Current Liabilities	-208,907
-1,577,210	Long Term Liabilities	-1,371,909
111,244	<b>Net Assets</b>	397,668
366,195	Usable Reserves	332,459
	Unusable Reserves	
847,224	Re Long Term Assets	966,163
-1,318	Re Financial Instruments	-1,141
-1,083,641	Re Pensions	-890,107
-17,215	Re Other	-9,707
-254,951	Total Unusable Reserves	65,209
111,244	<b>Total Reserves</b>	397,668

Overall, our net assets position has increased by £286.424m from £111.244m to £397.668m. The two most significant factors contributing to this increase in the net assets value are as follows:

- Short-term investments sit within Current Assets and have decreased by £74.275m from £355.627m to £281.352m. The main reason for this is that new capital expenditure in 2021/22 was not financed by any new external borrowing and was instead financed using available cash. This reduced the amount available for investing.
- The long-term liability for pensions has decreased by £193.534m, from £1,083.641m to £890.107m. 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 £175m of this decrease relates to the Local Government Pension Scheme (LGPS) Fund with a further £19m relating to the Firefighter Pension Schemes Fund. The main reason for the change is that a rise in bond yields has affected an increase in the discount rate, which has reduced the value of the overall liability for all pension schemes. 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 decreased from £366.195m to £332.459m, with £16.400m within this total being the balance on our General Reserves.

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## **4. Performance and Outcomes**

### **Corporate Plan**

We have a Corporate Plan for 2020 to 2030 which is covered in more detail in section 2, and this year we have been working to the 2021/22 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 2021/22 is shown within the Annual Governance Statement on page 217. The link provided on page 217 will take you to more detailed information on our Corporate Plan performance. In the Annual Governance Statement, we are reporting that two of the Council's ambitions are progressing entirely as planned (High Aspirations and Enable Everyone to Enjoy Life to the Full). The ambition Create Thriving Environments is progressing 70% as planned, 20% within agreed limits and 10% not progressing as planned. The ambition Provide Good Value Council Services is progressing 83% as planned and 17% within agreed limits.

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 2021/22**

The budget for 2021/22 was set and approved by the Council in February 2021, in the context of continuing uncertainty about longer term government funding, growing cost pressures from demand led services such as adult and children's social care, and the Council's responsibility to pay the National Living Wage. The year 2021/22 was the second year of the coronavirus pandemic, which continued to have a material impact on our activities over the year. Significant sums of money were paid to us by the government in the form of various coronavirus grants, and significant amounts have consequently been paid out. We have been able to fund all expenditure on Covid-19 by using the grants allocated to us or from within our existing budgets.

The Annual Governance Statement describes the governance arrangements around Covid-19 and also how these were wound down as restrictions were lifted and life returned to a new normality.

We have had to deal with a number of cost pressures, amounting to £31.197m in budgetary terms. These included: pay inflation; growth in the number of children in care; demographic growth and inflation affecting adult social care services (homecare, direct payments, community-based services, residential placements etc.); increased cost of mixed dry recycling; increase in the local government pension scheme deficit, and insurance premium increases. To help counteract these

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cost pressures a range of efficiency savings were implemented and additional income from service user contributions was budgeted for, including increased service user contributions for adult social care; savings from contract re-procurements; savings in capital financing charges and a range of efficiency savings across all service areas. These reductions in the budget totalled £11.867m

To give a flavour of what we have been doing over the 2021/22 financial year, some key outcomes and activities are summarised below.

Our Adult Care and Community Wellbeing Directorate continued to see the impact from the coronavirus pandemic and services were resourced to respond accordingly. This included testing, vaccination, communication, and outbreak response, which had to be ramped up and stepped down as case rates and outbreaks fluctuated over the year. Our Health Protection Team continued to support care homes and schools to help keep people safe. The Director of Public Health's Annual Report for 2021 focussed on the significant secondary impacts of Covid-19 on children and young people, making recommendations to protect and improve the health and wellbeing of this group and setting out principles for future strategy development.

Over the course of the year, face to face services were restored wherever possible, and our facilities such as libraries, culture and heritage attractions and household waste recycling centres re-opened for business following the lifting of Covid-19 restrictions.

The impact of the pandemic on our finances was also significant although not to the same extent as in the previous year. In the year we received a fourth tranche of emergency Covid-19 grant (£15.159m) as well as specific Covid-19 grants totalling £45.504m. Our total Covid-19 related expenditure in 2021/22 was £65.571m. Of this sum, £17.250m was covered by the government's emergency grant and sales fees and charges grant, £46.603m was covered by government grants for specific aspects of the pandemic, and £1.718m was reimbursed by way of the contribution from the Clinical Commissioning Groups.

During the year we made good progress on our special schools' improvement project. A new special school opened in September 2021 and improvements to two existing schools were completed in the year. The Lincolnshire Music Service was named "Youth Organisation of 2020" by the Classical Music Digital Awards, to recognise their achievements in online music teaching and video collaborations during the pandemic.

Ofsted inspectors carried out a focused visit in March 2022 to look at the Council's arrangements for children in need and children subject to a protection plan. The headline findings were that children are supported highly effectively to make good progress. In addition, strong relationship-based social work practice underpinned all of the relevant services ensuring families receive the right help at the right time. This

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ensures a strong focus on progressing the life chances and the reduction of risk for children. Inspectors also found that services for children remained a high priority throughout the pandemic and resources had been protected and enhanced since the last Ofsted inspection in 2019, where services for children and families in Lincolnshire were judged outstanding.

In March 2022, the first Extra Care Housing facility was opened. This facility is not owned by the Council, but it provides rental accommodation, with access to care and support on-site 24 hours a day together with additional communal facilities, for people aged over 55. The project was jointly funded by the Council, together with the City of Lincoln Council and Homes England. Increasing housing options for the growing number of people accessing adult social care is a key priority to ensure we can help maintain their independence through providing the right type of care at the right time for them. During the year, a project to build a second Extra Care facility was approved.

The Domestic Abuse Act came into force in April 2021. One of the requirements of the Act is to have suitable governance arrangements in place for domestic abuse and we now have a Domestic Abuse Partnership Board, with representation from a wide range of partner agencies. The partnership published a new Preventing Domestic Abuse Strategy 2021 to 2024 in the year, aimed at helping us to respond effectively to this issue.

In October 2021 we held the first ever Lincolnshire Climate Summit, an event which focussed on local action in the context of national policy. The Summit featured a critical look at the Council's Green Masterplan and our 2050 net-zero carbon target and the future challenges we will face.

An extension to the Skegness Countryside Business Park was completed in May 2021 to enable local small businesses to expand and diversify the coastal economy. A new Team Lincolnshire website launched in October 2021 aimed at driving investment into Lincolnshire and offering support to businesses who might want to locate here. Our first two Broadband contracts fully completed in the year, providing Superfast Broadband coverage at almost 95%, although this project has taken longer than expected, mainly due to increasing numbers of premises but also due to supply chain delays on equipment.

The challenge of maintaining the county's highways network continued. Over the year we filled over 45,000 potholes but the demand for more repairs is increasing, and we are prioritising our reactive maintenance works to help address the problem. Additional funding has been added to the 2022/23 budget to make up for the loss of £12m of grant for highways from the government. Two major highways projects at the A17/A15 Holdingham roundabout and the A46 Dunholme / Welton roundabout completed in the year.

# NARRATIVE REPORT

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A changing global economic situation started to emerge during the year, prompted initially by the impact of Covid-19 and then exacerbated by the situation in Ukraine at the end of the year. The most significant impact in the earlier part of the year was on our supply chains, and we experienced increasing material prices, longer lead-in times for supplies and recruitment difficulties. We have responded in various ways, for example by providing support to local businesses, by increasing some budgets in our capital programme and deferring other capital schemes to fund this, and by providing training and career advice to support recruitment to hard to fill vacancies. Later in the year we started to see increases in energy costs and, whilst this has been managed in the year, we have increased our contingency budget in 2022/23 to help deal with these pressures.

Finally, alongside other councils nationally, we have responded to international events during the year. Over the summer of 2021 we worked with partner agencies in ensuring that the needs of Afghan refugee families were met whilst they were being temporarily housed in Lincolnshire. In early 2022 Lincolnshire Fire and Rescue Service sent over 5,000 items of equipment to Ukraine to support frontline firefighters there, and at the very end of March 2022 we started working with the network of Lincolnshire councils, police, public bodies and charitable and community organisations to prepare to welcome Ukrainian refugees into the county. The Annual Governance Statement includes more detail about some of the Council's activities during the year.

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 2022. Lincolnshire Legal Services had also not started trading by 31st March 2022. The Code of Practice requires Councils to consider the need to prepare accounts on a group basis. This assessment has been carried out and the result is that these accounts have been prepared on the single entity basis as the subsidiary companies' financial performance and position is not material in the context of the Council's accounts.

During the year four schools transferred out of the Council's control to academy status.

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

## **5. Governance and Risk (General)**

Good governance for us means achieving the outcomes we intend, while acting in the public interest at all times. We have a governance framework which ensures that

# NARRATIVE REPORT

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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 211. The opinion of the Head of Internal Audit is that for the year ended 31 March 2022, we are “performing well” in the areas of Governance, Risk and Financial Control, and we are “performing adequately” in the area of Internal Control.

The Strategic Risk Register is also set out in the Annual Governance Statement and can be seen on page 239. The Strategic Risk Register is regularly reviewed and risks are being effectively managed. There are twelve risks included, with one assessed as high risk, with limited assurance. This is:

- the risk of a successful cyber-attack against us resulting in a significant or critical impact. Cyber security is an inherently high risk area with an improved position but the main outstanding control means that assurance is still limited;

There are some areas of governance improvements identified and these can be seen in full on page 235 within the Annual Governance Statement. They include: hold workshops to raise awareness of the Council's governance and decision making process; review effectiveness of governance and oversight of commercial activities undertaken by the Council's subsidiary companies; improve insight and oversight of our ambitions and priorities delivered through partnership and / or collaboration.

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 2021/22 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 2022 but we now know that this has been deferred until at least April 2023. We prepared a three year budget plan up to 2023/24, 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



# NARRATIVE REPORT

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out in the Annual Governance Statement on page 239. We have determined that the risk is well managed because the Council is in a relatively strong financial position at 31 March 2022. This is evidenced by an adequate level of general reserves (£16.400m), as well as a Financial Volatility earmarked reserve (£46.922m) which will support us in transitioning towards a lower base budget over the medium term. We have a healthy cash and short-term investments position which is shown in the Balance Sheet on page 29. We were able to set a balanced budget for 2022/23 budget and we have a good track record of achieving savings when required. During 2021/22 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, or any other overspends.

Having said this, the UK economy has taken a downturn in recent months, affected by cost-of-living increases, a rise in taxation and energy prices at record levels. This has followed immediately on from the impacts of the pandemic on the national economy. We have put additional funding into the 2022/23 base budget to help us cope with cost increases. Our medium-term financial plan is currently showing an expected budget gap of £9.335m in 2023/24, which we anticipated would be plugged with a combination of additional council tax income and government grant for social care. We are currently assessing further cost pressures which would reinstate a budget deficit, and potential savings to plug the gap.

Further information on how we demonstrate Value for Money is shown in the Annual Governance Statement on page 225.

## Our Financial Resilience

A third 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 2020/21 financial year and once again showed a relatively positive picture for us. There were two indicators where our relative risk (compared to other similar councils) had increased since the 2019/20 report. We are now deemed as having a higher relative risk because our usable reserves have changed by a relatively high proportion over the last three years, however our reserves have actually increased over this time period which is positive in terms of financial resilience. We are also deemed as having a higher relative risk because the ratio of council tax income as a proportion of net expenditure has increased compared to other similar councils. We do not believe that our current level of council tax income is a threat to our financial resilience.

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.

# NARRATIVE REPORT

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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. We will also be seeking value for money and transformative solutions to our cost pressures.

## **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 2022 the Fund had 260 contributing employer organisations and just over 73,600 members. This is made up of 24,422 active contributing members, 25,650 deferred members (who are no longer contributing to the scheme but will be entitled to a pension when they retire) and 23,536 pensioners.

Further details on the Fund can be found at Note 1 to the Pension Fund Accounts (page 164-166) and in the Pension Fund Annual Report.

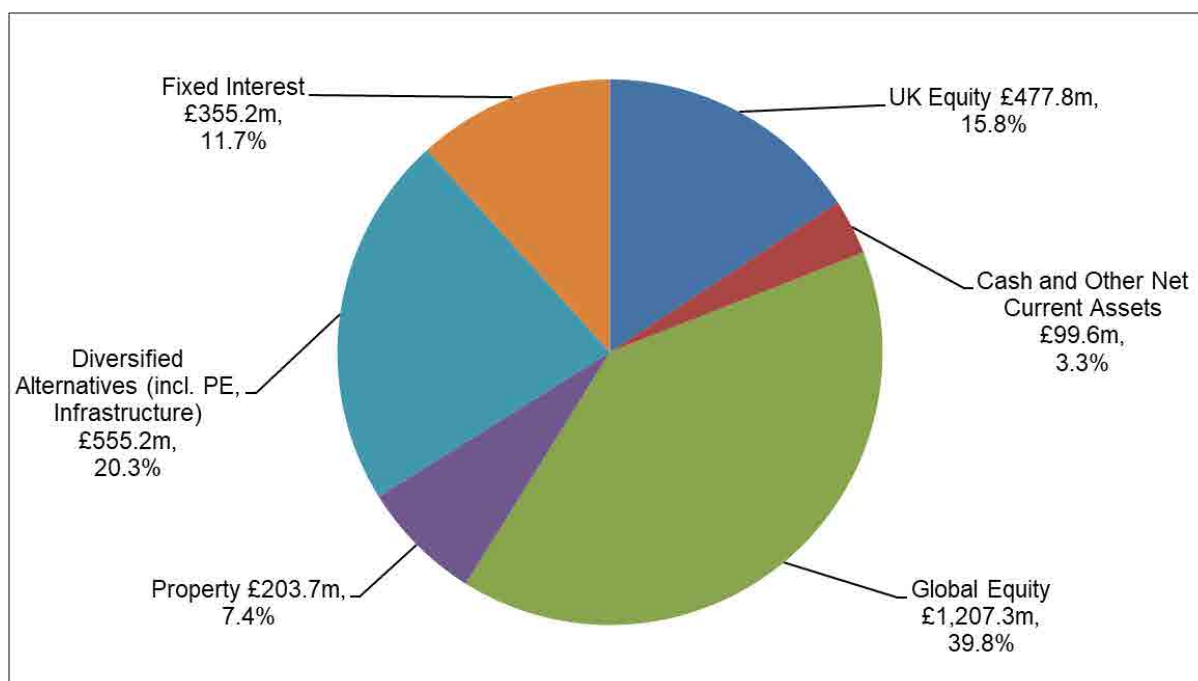
### **Financial Highlights**

There are two core financial statements within the Pension Fund Statement of Accounts, these provide a summary of financial activity during the year and the financial position at the end of the year. These statements can be found on page 163. These statements are supported by a set of disclosure notes which provide more detail on the Fund's financial transactions and net assets.

### **Investment Assets**

The following pie chart sets out the assets held by the Pension Fund at the 31 March 2022:

# NARRATIVE REPORT



During the year to 31 March 2022 the Fund investment assets have increased in value by £283.7m to £3.031.3m. The overall investment return for the year was 10.7%, this was ahead of the Fund's specific benchmark return of 9.7%.

During 2021/22 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 Multi-Asset Credit holdings in November 2021. As at 31 March 2022 the Fund had 51.6% of assets invested with Border to Coast. This compares to 49.1% invested at 31 March 2021 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.

## In year Income and Expenditure

The table below sets out the income and expenditure incurred by the Fund during 2021/22:

2020/21		2021/22
£'000		£'000
(120,639)	Contributions (inc. transfers in)	(128,578)
118,909	Benefits (inc. transfers out)	107,605
<b>(1,730)</b>	<b>Net (additions)/withdrawals from dealings with Fund members</b>	<b>(20,973)</b>
11,601	Management Expenses	14,191
(568,079)	Return on Investments	(264,905)
<b>(558,208)</b>	<b>Net (increase)/decrease in Net Assets available to pay benefits</b>	<b>(271,687)</b>

# NARRATIVE REPORT

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During 2021/22 the Fund was cashflow positive, with contributions received exceeding benefits paid. 80% of contributions received by the Fund came from employers (see Pension Fund Note 7 for further details). Benefits payable and transfers are lower in 2021/22 than the previous year, in 2020/21 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 (£274.0m), a smaller amount came from investment income, such as dividend payments and distributions, this was partially offset by a loss on foreign exchange contracts. Investment income has dropped by £10.4m as the Fund has replaced investments in segregated equity assets with accumulating units where any income is reinvested into more units in the fund.

The Fund saw an increase in management expenses, this is due to the increase in value of assets held by the Fund.

## Funding Arrangements

In line with Local Government Pension Scheme Regulations 2013, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last valuation took place as at 31 March 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 2021/22 and believes that the overall funding position has improved, although there is significant uncertainty around short term market returns, in particular the return from equities due to actual and potential reductions and suspensions of dividends, 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.

## 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.

# NARRATIVE REPORT

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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 pensions administration service is monitored through a number of performance indicators. During 2021/22 there have been no areas of concern. All areas except 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 to be 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 the year, there were 25 cases of the late payment of contributions and 43 cases of the late submission of monthly data returns, out of over 6,000 returns and cash payments received. 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. Overall, the Fund achieved an investment return of 10.7% in 2021/22, this is ahead of the Fund's specific benchmark return of 9.7%.

## **Governance and Risk**

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

- Publishing a Governance Compliance Statement as part of the Pension Fund Annual Report. This details how the Pension Fund is governed, and sets out where it complies with best practice guidance as published by the Department for Levelling Up, Housing and Communities (DLUHC)
- Managing Fund investments in accordance with the published Investment Strategy Statement (ISS); and
- Maintaining a Pension Fund specific risk register which identifies the major risks associated with managing the Fund. This is reviewed by the Pensions Committee annually, and new or changed risks are reported at each quarterly meeting of the Committee.

## **Links to Further Information**

[Hyperlink to the Review of Financial Performance 2021/22 report](#)

# NARRATIVE REPORT

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[Agenda for Executive on Tuesday, 5th July 2022, 10.30 am \(moderngov.co.uk\)](#)

Hyperlink to the Corporate Plan and related Performance Data  
[Corporate plan – Performance data - Lincolnshire County Council](#)



# STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Council's Responsibilities are to:

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

Signed: ..... Dated: .....

The 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 31<sup>st</sup> March 2022 and of its expenditure and income for the year ended on that date.

Signed: ..... Dated: .....

# COMPREHENSIVE INCOME & EXPENDITURE STATEMENT 1 APRIL 2021 TO 31 MARCH 2022

2020/21				Note	2021/22			
Gross Expenditure	Gross Income	Net Expenditure			Gross Expenditure	Gross Income	Net Expenditure	
£'000	£'000	£'000			£'000	£'000	£'000	
			Cost of Services					
164,000	(31,790)	132,210	Children's Services		187,879	(45,134)	142,745	
338,171	(201,782)	136,389	Adult Care and Community Wellbeing		340,725	(184,119)	156,606	
173,636	(23,749)	149,887	Place		178,043	(27,265)	150,778	
28,247	(2,197)	26,050	Fire & Rescue and Community Safety		28,753	(2,113)	26,640	
36,747	(4,095)	32,652	Resources		52,818	(5,986)	46,832	
57,320	(8,674)	48,646	Commercial		48,207	(4,856)	43,351	
3,040	(10)	3,030	Corporate Services		3,035	(84)	2,951	
2,390	(1,750)	640	Other Budgets		2,434	(2,199)	235	
335,991	(296,747)	39,244	Schools Budgets		350,985	(305,509)	45,476	
1,139,542	(570,794)	568,748	Cost of Services		1,192,879	(577,265)	615,614	
32,168	0	32,168	Other Operating Expenditure	(6)	16,432	0	16,432	
42,066	(4,463)	37,603	Financing and Investment Income and Expenditure	(7)	36,133	(3,235)	32,898	
0	(610,070)	(610,070)	Taxation and Non-Specific Grant Income	(8)	0	(612,688)	(612,688)	
1,213,776	(1,185,327)	28,449	Deficit on Provision of Services		1,245,444	(1,193,188)	52,255	
		(17,207)	- (Surplus)/Deficit on Revaluation of Property, Plant and Equipment Assets	(13)			(91,270)	
		0	- Impairment losses on Non-Current Assets charged to Revaluation Reserve				0	
		18	- Surplus or Deficit from Investments in Equity Instruments designated at Fair Value Through Other Comprehensive Income				(62)	
		186,027	- Remeasurement of the Net Defined Benefit Liability/ (Asset)	(13)			(247,262)	
		(195)	- Other Recognisable (Gains)/ Losses				(84)	
		168,643	Other Comprehensive Income and Expenditure				(338,679)	
		197,092	Total Comprehensive (Income) and Expenditure				(286,424)	

Brackets have been used above to represent income or surpluses

## MOVEMENT IN RESERVES STATEMENT 1 APRIL 2021 TO 31 MARCH 2022

		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)		
2021/22	Note	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance as at 1 April 2021</b>		<b>16,200</b>	<b>26,115</b>	<b>231,245</b>	<b>5,905</b>	<b>86,730</b>	<b>366,194</b>	<b>(254,951)</b>	<b>111,244</b>
<b>Movement in Reserves during 2021/22</b>									
Total Comprehensive Income and Expenditure		(52,255)	0	84	0	0	(52,171)	338,594	286,424
Adjustments between accounting basis & funding basis under regulations	(11)	39,278	0	0	(5,905)	(14,938)	18,435	(18,435)	0
Contribution to/(from) Earmarked Reserves		13,178	438	(13,616)	0	0	0	0	0
<b>Increase/(Decrease) in Year 2021/22</b>		<b>200</b>	<b>438</b>	<b>(13,532)</b>	<b>(5,905)</b>	<b>(14,938)</b>	<b>(33,736)</b>	<b>320,159</b>	<b>286,424</b>
<b>Balance as at 31 March 2022 Carried Forward</b>		<b>16,400</b>	<b>26,553</b>	<b>217,713</b>	<b>0</b>	<b>71,792</b>	<b>332,458</b>	<b>65,209</b>	<b>397,668</b>

		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	Note	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance as at 1 April 2020</b>		<b>16,050</b>	<b>0</b>	<b>219,329</b>	<b>5,905</b>	<b>96,132</b>	<b>337,415</b>	<b>(29,079)</b>	<b>308,336</b>
Reporting of Schools Budget surplus to Earmarked Usable Reserve at 1 April		0	24,808	(24,808)	0	0	0	0	0
<b>Restated Balance as at 1 April 2020</b>		<b>16,050</b>	<b>24,808</b>	<b>194,521</b>	<b>5,905</b>	<b>96,132</b>	<b>337,415</b>	<b>(29,079)</b>	<b>308,336</b>
<b>Movement in Reserves during 2020/21</b>									
Total Comprehensive Income and Expenditure		(28,449)	0	195	0	0	(28,254)	(168,838)	(197,092)
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
<b>Increase/(Decrease) in Year 2020/21</b>		<b>150</b>	<b>1,307</b>	<b>36,724</b>	<b>0</b>	<b>(9,402)</b>	<b>28,780</b>	<b>(225,872)</b>	<b>(197,092)</b>
<b>Balance as at 31 March 2021 Carried Forward</b>		<b>16,200</b>	<b>26,115</b>	<b>231,245</b>	<b>5,905</b>	<b>86,730</b>	<b>366,194</b>	<b>(254,951)</b>	<b>111,244</b>

# BALANCE SHEET AS AT 31 MARCH 2022

31 March 2021			31 March 2022
£'000		Note	£'000
1,288,625	Property, Plant and Equipment	(15)	1,429,227
66,598	Heritage Assets	(16)	67,218
107,760	Investment Property	(17)	108,717
6,255	Intangible Assets	(18)	4,249
6,419	Long Term Investments	(19)	7,677
3,933	Long Term Debtors	(20)	2,689
<b>1,479,589</b>	<b>Long Term Assets</b>		<b>1,619,777</b>
355,627	Short Term Investments	(19)	281,352
1,821	Assets Held for Sale	(21)	2,285
706	Inventories		1,040
62,606	Short Term Debtors	(20)	74,030
<b>420,760</b>	<b>Current Assets</b>		<b>358,707</b>
(85,031)	Cash and Cash Equivalents	(22)	(68,762)
(15,046)	Short Term Borrowing	(19)	(12,244)
(106,465)	Short Term Creditors	(23)	(120,383)
(5,353)	Short Term Provisions	(24)	(7,518)
<b>(211,896)</b>	<b>Current Liabilities</b>		<b>(208,907)</b>
(2,297)	Long Term Creditors	(23)	(3,221)
(5,449)	Long Term Provisions	(24)	(1,959)
(477,135)	Long Term Borrowing	(19)	(468,806)
(1,092,328)	Other Long Term Liabilities	(25)	(897,923)
<b>(1,577,210)</b>	<b>Long Term Liabilities</b>		<b>(1,371,909)</b>
<b>111,244</b>	<b>Net Assets</b>		<b>397,668</b>
366,195	Usable Reserves	(12)	332,459
(254,951)	Unusable Reserves	(13)	65,209
<b>111,244</b>	<b>Total Reserves</b>		<b>397,668</b>

# CASH FLOW STATEMENT AS AT 31 MARCH 2022

2020/21			2021/22
£'000		Note	£'000
28,449	Net (surplus) or deficit on the provision of services		52,255
(173,799)	Adjustments to net surplus or deficit on the provision of services for non - cash movements		(149,454)
107,284	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		89,737
<b>(38,066)</b>	<b>Net cash flow from Operating Activities</b>	30	<b>(7,462)</b>
93,316	Investing Activities	31	(20,809)
15,206	Financing Activities	32	12,002
<b>70,456</b>	<b>Net (increase) or decrease in cash and cash equivalents</b>		<b>(16,269)</b>
(14,575)	Cash and cash equivalents as at 1 April	22	(85,031)
<b>(85,031)</b>	<b>Cash and cash equivalents as at 31 March</b>		<b>(68,762)</b>

# NOTES TO THE FINANCIAL STATEMENTS

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## 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

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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 2021-22 accounts, the Council is required to disclose the following changes to Accounting Standards which may have an impact on the Council's accounts in 2022-23. The following standards are likely to be effective for Local Authorities for the 2022-23 financial year:

#### IFRS 16 Leases

The implementation of IFRS 16 Leases has been deferred to 1st April 2024, although local authorities may choose to implement this revised standard at an earlier date. If authorities do implement IFRS 16 before 1st April 2024 then they will need to comply with a number of other Code of Practice and accounting standard requirements. At Lincolnshire County Council, the decision has been made to adopt the revised standard on 1st April 2024.

IFRS 16 Leases includes illustrative examples to support the standard. One of these has been removed as was potentially confusing. It related to the treatment of lease incentives and does not change the substance of the standard so has no impact on the Council.

#### IFRS 1 First Time Adoption of International Financial Reporting Standards

There is an amendment to this standard which relates to foreign operations of acquired subsidiaries. As the Council is very unlikely to acquire a subsidiary with foreign operations this amendment to the standard is very unlikely to have an impact.

#### IAS 37 Provisions, Contingent Liabilities and Contingent Assets

This standard has been clarified to specify that the "cost of fulfilling" a contract comprises the "costs that relate directly to the contract". If there are any contingent



# NOTES TO THE FINANCIAL STATEMENTS

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liabilities or contingent assets reported in the accounts for 2022/23 then this clarification will need to be borne in mind when reporting amounts related to those liabilities or assets.

## IAS 41 Agriculture

This standard has been amended to remove the requirement to exclude cash flows for taxation when measuring the fair value of a biological asset. This Council has some non-current assets which are farms, however the agricultural activities of those farms are not Council activities and are not valued for inclusion in the Council's accounts. The value of the properties is included in the accounts. This amendment therefore has no impact on the Council.

## IAS 16 Property, Plant and Equipment

This standard has been amended to prohibit the deduction of any proceeds received from selling items produced whilst bringing an asset to the location and condition necessary for it to be used. It is expected that instances of this occurrence will be very rare so this will have little, if any, impact on the Council.

## NOTE 2. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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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 2022. 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.

### Funding for Covid-19

During 2021/22 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

# NOTES TO THE FINANCIAL STATEMENTS

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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 County 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

# NOTES TO THE FINANCIAL STATEMENTS

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 2022 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
Insurance	The County Council has made a provision to cover known future insurance claims. The values provided for are based on experience and advice from an insurance actuary.	When insurance claims are settled, the actual amounts paid may differ significantly from the amounts provided for - they could be either lower or higher. The amount of the provision in 2021/22 is <b>£6.099m</b> (£7.011m in 2020/21) so a variation of 10% on the provision would have an impact of £0.610m.  Note 24 Provisions provides details of the Council's insurance provision.

# NOTES TO THE FINANCIAL STATEMENTS

Item	Uncertainties	Effect if actual results differ from assumptions
Property, Plant and Equipment - PP&E	<p>- Land and building assets carrying value and remaining useful life are assessed by the County 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&amp;ES. The annual depreciation charge for PP&amp;E in 2021/22 is <b>£83.674m</b> (2020/21 was £80.085m) and the gross book value of these assets is <b>£2,004m</b> (2020/21 £1,994m). The asset life has an inverse effect with depreciation charge. The lower the asset life the higher the depreciation charge and the higher the asset life the lower the depreciation charge.</p> <p>The accounting policies in Note 45 and Note 15 Property, Plant and Equipment, detail the current policy on valuation methods, the significant assumptions used in estimating the current value of PP&amp;E, asset lives, depreciation and derecognition applied by the County Council.</p> <p>Land and Buildings are revalued on a five year rolling programme, so approximately one fifth of properties are revalued in every year. If the valuations carried out in 2021/22 had resulted in values which were 1% different from the actual results, then the impact would have been a change to the total gross book value of those properties of £0.832m.</p> <p>If the remaining useful lives of all PP&amp;E assets were reduced by one year, then the depreciation charge for the year would have been £11.819m higher than the actual depreciation charge.</p>

# NOTES TO THE FINANCIAL STATEMENTS

Item	Uncertainties	Effect if actual results differ from assumptions
Pensions	<p>The County 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 Firefighters Pension Schemes was on 31 March 2021 and the last formal valuation of the Local Government Pension Scheme was on 31 March 2019. The balance sheet position as at 31 March 2022 and the projected charge to the CI&amp;ES for 2022/23, are therefore based on data rolled forward from the most recent formal valuations.</p> <p>The valuation of pension assets and liabilities result from assumptions that in effect estimate investment returns and future demographic factors many years into the future, which means that there is inevitably a great deal of uncertainty inherent with such projections.</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. For 2021/22 the Council's actuaries advised that the net pension liability decreased to <b>£890.107m</b> (2020/21 £1,083.641m). Details of the pension fund 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> <p>Note 29 Defined Benefit Pensions Schemes, part d basis for estimating assets and liabilities describes the methods of estimation and the principal assumptions used. Part e describes the impacts that a change in assumptions would have on the valuation of the pension liability.</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 2022 relates to the employee leave earned but not taken <b>£6.482m</b> (£7.249m in 2020/21). A survey of staff was used to calculate the accrual to get full sample of all the areas within the County Council. This amount included in the accounts was dependent on the response received and if more staff had completed the survey, this would have resulted in a higher accrual. However the data is comparable to the previous year's level.</p>

# NOTES TO THE FINANCIAL STATEMENTS

Item	Uncertainties	Effect if actual results differ from assumptions
Fair Value Measurements	<p>When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (ie Level 1 inputs), their fair value is measured using valuation techniques (eg discounted cashflow model or independent appraisal of company valuations).</p> <p>Where Level 1 input is not available, the County Council employs relevant experts to identify the most appropriate valuation techniques to determine the fair value (for example the investment properties, the County Council's Valuer).</p> <p>The County Council has shareholdings in companies and these are measured using Level 3 inputs due to lack of information in active markets. The fair value has been measured using the discounted cashflow - enterprise approach. This uses discount rates derived from the financial information available from these companies. Other assumptions used are based on most recent available financial statements of these companies and other information known at the time.</p>	<p>The County 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> <p>Note 17 Investment Properties, part d valuation techniques, describes the significant assumptions used in estimating the current value of Investment properties.</p> <p>Note 19 Financial Instruments and the nature and extent of risks arising from financial instruments, part c fair value measurement and disclosure, describes the valuation techniques used for financial instruments in more detail. Part d, the nature and extent of risks arising from financial instruments and how the authority manages those risks, describes how expected credit losses are calculated, and the Council's exposure to credit risk in respect of financial assets. Other risks which could affect the future value of financial assets, are also set out in this section.</p> <p>Significant changes in the unobservable inputs would result in difference in the fair value of these shareholdings. However this is not considered to be materially significant due to the current financial position of these companies and the level of the County Council's interest in these companies.</p>

# NOTES TO THE FINANCIAL STATEMENTS

Item	Uncertainties	Effect if actual results differ from assumptions
Provisions for Bad and Doubtful Debt	<p>The County Council's accounts contain an estimate of unrecoverable debt relating to some debts over twelve months old.</p> <p>These are annually reviewed and an assumption is made base on the possible default on payment by the debtor from the current information available.</p>	<p>There are 2 types of provisions made, one for Adult Social Care and one for other debtors.</p> <p>The Adult Social Care debtors are reviewed and assumptions are made on the collectability of the debt. Most of these relate to property court cases, which are complex, and the outcome of these cases may be significantly different from the assumptions made.</p> <p>This is also true for some other debts of material value that has been provided for. The amount recovered by the County Council may be higher than previously assumed as this depends on the settlement agreed with the debtor, which is sometimes affected by their financial situation at the time of settlement.</p>

## 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.

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 2021-22 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 a continuation of the unringfenced government grant to cover general Covid-19 costs in 2021/22 totalling £15.159m. The sales fees and charges compensation grant ceased after the first quarter of 2021/22 and we received £0.053m which covered this period.



# NOTES TO THE FINANCIAL STATEMENTS

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Surplus grant carried forward in an earmarked reserve from 2020/21 of £2.072m was also fully utilised to help cover continuing costs.

## Other Covid-19 Unringfenced Government Grants

The Council received one other unringfenced government grant intended to cover specific type of Covid-19 expenditure. The Omicron government grant totalling £0.842m was received in 2021/22 and fully spent in year.

## Ringfenced Covid-19 Government Grants, Council Acting as Agent

The Council received four 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 four grants were: Infection Control Fund; Care Home Rapid Testing Fund; Workforce Capacity Fund and Vaccines.

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 2022/23 and the total sum carried forward is £1.276m.

## Ringfenced Covid-19 Government Grants, Council Acting as Principal

The Council received a number of 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 2021/22 and the expenditure covered by each grant. Usable reserves carried forward from 2020/21 have also been utilised to fund where costs have exceeded the grants received in year.

# NOTES TO THE FINANCIAL STATEMENTS

	Income 2021/22	Expenditure 2021/22
Exceptional Costs Funding	(144)	144
Exam Assessment Funding	(1)	0
Devices & Connectivity Funding	(5)	0
Schools Senior Mental Health Leads	(56)	40
Schools Recovery Premium	(523)	189
School Led Tutoring	(475)	209
Catch Up Funding	(1,050)	1,058
Covid Winter Grant	(1,211)	1,169
Additional Home to School Transport	(447)	771
Covid Local Support Grant	(2,605)	2,605
Household support Grant	(5,421)	5,421
Holiday Activities & Food (HAF) Programme	(1,136)	939
Outbreak Management	(3,912)	8,412
Test and Trace	0	1,220
Practical Support Grant	(1,523)	1,497
Community Testing	(1,018)	1,018
Bus Recovery Grant	(74)	74
Bus Service Support Grant	(100)	497
Lincolnshire Resilience Forum	0	1
	<b>(19,700)</b>	<b>25,263</b>

## 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 2021/22 was £1.718m 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 27

# NOTES TO THE FINANCIAL STATEMENTS

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

2020/21				2021/22		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000
			<b>Service Areas</b>			
17,135	(4,352)	12,783	Children's Services	16,499	(10,782)	5,717
38,529	(31,629)	6,899	Adult Care and Community Wellbeing	15,034	(9,013)	6,020
6,525	(2,764)	3,761	Place	571	(173)	398
1,062	(465)	596	Fire & Rescue and Community Safety	368	0	368
956	(59)	897	Resources	0	0	0
2,829	0	2,829	Commercial	2,875	0	2,875
214	0	214	Corporate Services	0	0	0
5,800	0	5,800	Other Budgets	8,468	0	8,468
2,116	(2,136)	(20)	Schools Budgets	1,639	(2,254)	(615)
<b>75,166</b>	<b>(41,407)</b>	<b>33,759</b>	<b>Cost of Services</b>	<b>45,454</b>	<b>(22,221)</b>	<b>23,232</b>
0	(46,996)	(46,996)	Taxation and Non-Specific Grant Income and Expenditure		(15,577)	(15,577)
		(13,237)	<b>(Surplus) or Deficit on Provision of Services</b>			<b>7,655</b>
		<b>(13,237)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>7,655</b>

# NOTES TO THE FINANCIAL STATEMENTS

## Covid-19 Assets and Liabilities in the Balance Sheet

Short term creditors on the Balance Sheet includes an amount of £1.276m for unspent grant, either where conditions have not been met or where the Council has acted as agent. Usable reserves carried forward from 2020/21 have been used to fund where costs have exceeded grant received, with any unspent grant being carried forward to 2022/23 to help meet continuing costs.

31 March 2021			31 March 2022
£'000		Note	£'000
<b>0</b>	<b>Long Term Assets</b>		<b>0</b>
511	Short Term Debtors	(19)	(196)
<b>511</b>	<b>Current Assets</b>		<b>(196)</b>
(1,550)	Short Term Creditors	(23)	(1,276)
<b>(1,550)</b>	<b>Current Liabilities</b>		<b>(1,276)</b>
<b>0</b>	<b>Long Term Liabilities</b>		<b>0</b>
<b>(1,039)</b>	<b>Net Assets</b>		<b>(1,472)</b>
(13,052)	Usable Reserves	(12)	(5,844)
0	Unusable Reserves	(13)	0
<b>(13,052)</b>	<b>Total Reserves</b>		<b>(5,844)</b>

# NOTES TO THE FINANCIAL STATEMENTS

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## NOTE 5. EVENTS AFTER THE REPORTING PERIOD

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### a) Authorisation of Accounts for Issue

The Statement of Accounts was authorised for issue by Andrew Crookham, CPFA (Executive Director of Resources) on 5th July 2022.

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

Signed: .....

Dated: 5<sup>th</sup> July 2022.

### b) Events after the Reporting Period

In accordance with IAS 10 'Events after the Reporting Period' have been considered on the following basis:

- Events taking place after the date the Accounts were authorised for issue (30 June 2022) 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 2021-22 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 5th July 2022.

## NOTE 6. OTHER OPERATING EXPENDITURE

2020/21		2021/22
£'000		£'000
1,164	Precepts paid to non-principal authorities and levies	1,178
31,004	Gain or Loss on the disposal of non-current assets	15,254
<b>32,168</b>	<b>TOTAL</b>	<b>16,432</b>

## NOTE 7. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2020/21		2021/22
£'000		£'000
19,323	Interest payable and similar charges	18,860
19,202	Net Interest on the net defined benefit liability (asset)	20,555
(1,237)	Changes on Investment Property valuations	(3,218)
4,286	Changes in Financial Instruments measured at amortised cost valuations	(624)
492	Expenditure on Investment Properties	560
<b>42,066</b>	<b>Total Gross Expenditure</b>	<b>36,133</b>
(1,962)	Interest receivable and similar income	(1,031)
(2,501)	Income from Investment Properties	(2,204)
<b>(4,463)</b>	<b>Total Gross Income</b>	<b>(3,235)</b>
<b>37,603</b>	<b>TOTAL</b>	<b>32,898</b>

## INCOME &amp; EXPENDITURE STATEMENT

## NOTE 8. TAXATION AND NON SPECIFIC GRANT INCOME

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

2020/21		2021/22
£'000		£'000
(313,059)	Council tax income	(321,522)
(105,616)	Business Rates - Districts	(97,404)
	Non-ring-fenced government grants:	
(23,039)	Covid-19 Support Grant	(15,593)
(2,042)	Covid-19 - Clinically Extremely vulnerable Grant	0
(824)	Covid-19 - Emergency Assistance Grant	0
(20,485)	Adult Social Care Support Grant	(21,449)
(20,466)	Revenue Support Grant	(20,580)
(7,822)	Section 31 Grant - Business Rates	(18,774)
(6,935)	Rural Service Delivery Grant	(7,277)
0	Local Council Tax Support grant	(5,357)
0	New Social Care Support Grant	(4,400)
(1,594)	Independent Living Fund Grant	(1,594)
(2,091)	New Homes Bonus Grant	(1,471)
(1,437)	Fire Pensions Section 31 Grant	(1,437)
0	Extended Rights to Free Travel	(1,241)
(2,060)	Other Non Specific Grant	(1,080)
<b>(88,796)</b>	<b>Total Non-ring-fenced Government Grants</b>	<b>(100,253)</b>
	Capital Grants and Contributions:	
(56,224)	DfT Asset Protection Grant	(42,564)
(3,780)	Spalding Western Relief Road	(6,441)
(4,057)	DfT Integrated Transport Grant	(5,137)
(5,755)	DfE Schools Condition Capital Maintenance Grant	(4,945)
(5,238)	Grantham Southern Relief Road	(4,200)
(771)	Children's Special Provision Fund	(2,986)
(1,179)	LEP Holbeach Food Enterprise Zone	(2,951)
(3,258)	DfE Basic Need Grant	(2,900)
0	DFT LTP Lincoln Eastern Bypass	(2,761)
(845)	Contributions from Private Sectors	(1,129)
(1,017)	Devolved Formula Grant	(987)
(668)	Community Infrastructure Levy Grant	(980)
(125)	Holdingham Roundabout	(911)
(228)	DfE Fibre Broadband Installation Grant	(417)
(938)	SLGF Sleafrod Rugby Club	(133)
(528)	SLGF Skegness countryside Business Park	(74)
(978)	Historic England - Lincoln Castle	(47)
(1,679)	SLGF Riseholme Roundabout	(45)
(10,163)	Lincolnshire Enterprise Partnership	0
(2,725)	DFT Safer Roads Fund Grant	0
(500)	National Productivity Investment Fund	0
(500)	LEP Gainsborough Corringham Road	0
(43)	Blue Light PIF	0
(1,399)	Other Capital Grants and Contributions	(3,258)
<b>(102,600)</b>	<b>Total Capital Grants and Contributions</b>	<b>(82,866)</b>
<b>(610,070)</b>	<b>TOTAL</b>	<b>(602,044)</b>



## INCOME & EXPENDITURE STATEMENT

Details of capital grants unapplied during the financial year and transferred to reserves can be found in the Movement on Reserves Statement and Note 12 Usable Reserves.

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

2020/21		2021/22
£'000		£'000
	Covid 19 Grants:	
(19,139)	Contain Outbreak Management Fund	(3,912)
(1,668)	Winter Grant Scheme	(1,211)
(1,494)	Schools Catch Up Funding	(1,050)
(1,960)	Community Testing Grant	(1,018)
(642)	Schools Fund	(144)
(3,566)	Sales Fees and Charges Support Grant	(53)
(3,070)	Test and Trace	0
(156)	Partners in Practice Covid Grant	0
(256,538)	Dedicated Schools Grant	(266,671)
(33,546)	Public Health Grant	(33,895)
(33,249)	Better Care Fund - Improved Element	(33,249)
(10,947)	Pupil Premium	(11,005)
(7,303)	Disabled Facilities Grant	(9,288)
0	Household Support Grant	(5,421)
(3,677)	Universal Infant Free School Meals	(3,221)
(3,054)	EFA and Sport Grant	(2,931)
0	Local Support Grant	(2,605)
(2,102)	Adult Safeguarding Learning	(2,247)
(2,172)	YPLA 16-19 Funding	(2,217)
0	Regional Improvement and Innovation Alliance	(2,183)
(1,812)	Troubled Families Grant	(1,883)
(1,780)	Asylum Seekers	(1,770)
0	Practical Support Grant	(1,523)
(1,227)	Fire New Burdens	(1,191)
(1,158)	The Private Finance Initiative	(1,158)
(1,468)	ERDF Grant Income	(1,158)
(6,259)	Teachers Pension grant	(223)
(2,030)	Teachers Pay Grant	(79)
(7,278)	Other Revenue Grants	(10,537)
<b>(407,297)</b>		<b>(401,844)</b>

## 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.

2020/21				2021/22		
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						
122,181	10,029	132,210	Children's Services	131,324	11,421	142,745
134,945	1,444	136,389	Adult Care and Community Wellbeing	148,393	8,213	156,606
75,322	74,565	149,887	Place	76,235	74,543	150,778
22,976	3,074	26,050	Fire & Rescue and Community Safety	22,475	4,164	26,639
27,013	5,639	32,652	Resources	28,902	17,930	46,832
38,568	10,078	48,646	Commercial	43,351	0	43,351
2,779	251	3,030	Corporate Services	2,617	334	2,951
64,860	(64,219)	641	Other Budgets	86,288	(86,053)	235
(5,724)	44,967	39,243	Schools Budgets	(3,526)	49,002	45,476
482,920	85,828	568,748	Net Cost of Services	536,059	79,554	615,614
(520,906)	(19,392)	(540,298)	Other Income & Expenditure	(523,080)	(40,278)	(563,358)
(37,986)	66,436	28,450	(Surplus)/Deficit	12,979	39,276	52,255
37,836			Movement to/(from) Earmarked Reserves	(13,178)		
(150)			(Surplus) or Deficit on General Fund Balance	(200)		
16,050			Opening General Fund balance at 1 April 2021	16,200		
150			Plus Surplus or Less (Deficit) on General Fund in Year	200		
16,200			Closing General Fund balance at 31 March 2022	16,400		

# NOTES SUPPORTING THE COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

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

2020/21					2021/22			
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				
2,352	7,217	460	10,029	Children's Services	2,348	9,334	(261)	11,421
1,037	4,313	(3,906)	1,444	Adult Care and Community Wellbeing	1,810	6,556	(153)	8,214
70,874	4,158	(467)	74,565	Place	69,301	6,129	(886)	74,543
3,228	(599)	445	3,074	Fire & Rescue and Community Safety	3,769	670	(275)	4,164
57	5,261	321	5,639	Resources	7,241	9,280	1,409	17,930
5,683	2,206	2,190	10,078	Commercial	0	0	0	0
0	241	10	251	Corporate Services	0	340	(6)	334
(746)	(14,652)	(48,821)	(64,219)	Other Budgets	443	(17,197)	(69,300)	(86,053)
33,794	13,653	(2,480)	44,967	Schools Budgets	34,920	18,060	(3,978)	49,002
116,279	21,798	(52,249)	85,828	Net Cost of Services	119,832	33,173	(73,451)	79,554
(72,832)	19,202	34,238	(19,392)	Other Income and Expenditure from the Expenditure and Funding Analysis	(70,830)	20,555	9,997	(40,278)
				Difference between General Fund surplus and deficit and CI&ES Surplus or Deficit on the Provision of Services				
43,446	41,000	(18,011)	66,435		49,002	53,728	(63,454)	39,276

# NOTES SUPPORTING THE COMPREHENSIVE

## 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.

2020/21					2021/22			
Fees & Charges	Rents	Sales	Total Customer & Client Receipts		Fees & Charges	Rents	Sales	Total Customer & Client Receipts
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
				<b>DIRECTORATE</b>				
(909)	(465)	(489)	(1,862)	Children's Services	(1,524)	(45)	(404)	(1,973)
(58,331)	(83)	(198)	(58,612)	Adult Care and Community Wellbeing	(52,840)	18,247	(1,500)	(36,093)
(5,514)	(1,465)	(951)	(7,930)	Place	(8,340)	(2,418)	(1,370)	(12,127)
(26)	(167)	(18)	(211)	Fire & Rescue and Community Safety	(13)	(6)	(2)	(20)
(585)	0	(903)	(1,488)	Resources	(1,307)	(2,766)	(219)	(4,291)
(1,239)	(2,870)	(126)	(4,234)	Commercial	0	0	0	0
(2)	0	0	(2)	Corporate Services	(2)	0	0	(2)
(4)	0	0	(4)	Other Budgets	(8)	(0)	0	(8)
(1,221)	(41)	(907)	(2,169)	Schools Budgets	(2,480)	(52)	(2,005)	(4,537)
<b>(67,830)</b>	<b>(5,090)</b>	<b>(3,591)</b>	<b>(76,511)</b>	<b>Total External Income Analysed</b>	<b>(66,512)</b>	<b>12,960</b>	<b>(5,500)</b>	<b>(59,052)</b>

## NOTE 10. EXPENDITURE AND INCOME ANALYSED BY NATURE

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

	2020/21	2021/22
	£'000	£'000
<b>Expenditure</b>		
Employee benefits expenses	395,066	417,826
Other service expenses	675,358	713,885
Depreciation, amortisation and impairment	91,861	78,435
Interest payments	19,323	18,860
Precepts and Levies	1,164	1,178
Gain on the disposal of assets	31,006	15,259
<b>Total expenditure</b>	<b>1,213,778</b>	<b>1,245,443</b>
<b>Income</b>		
Fees, charges and other service income	(165,999)	(177,625)
Interest and investment income	(1,962)	(1,031)
Income from Council Tax, Non-domestic Rates	(418,674)	(429,570)
Government Grants and Contributions	(598,692)	(584,962)
<b>Total income</b>	<b>(1,185,327)</b>	<b>(1,193,188)</b>
<b>Surplus or Deficit on the Provision of Services</b>	<b>28,449</b>	<b>52,255</b>

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

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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
	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	
<b>2021/22</b>				
<b>Adjustments to Revenue Resources</b>				
Amount by which income and expenditure included in the CI&ES are different from revenue for the year calculated in accordance with statutory requirements.				
<b>Pension Costs</b> (transferred to/(from) the Pension Reserve):				
Reversal of items relating to retirement benefits debited or credited to the CI&ES	108,453	0	0	(108,453)
Employer's pensions contributions and direct payments to pensioners payable in the year	(54,725)	0	0	54,725
<b>Financial Instruments</b> (transferred to/(from) the Financial Instruments Adjustment Account):	(115)	0	0	115
<b>Council Tax and Business Rates</b> (transferred to/(from) the Collection Fund Adjustment Account):	(6,741)	0	0	6,741
<b>Holiday Pay</b> (transferred to/(from) the Accumulated Absences Account):	(767)	0	0	767
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to <b>Capital Expenditure</b> (these items are charged to the CAA)				
Charges for depreciation and impairment of non-current assets	83,674	0	0	(83,674)
Revaluation losses on Property Plant and Equipment	(4,059)	0		4,059
Revaluation losses on Heritage Assets	0		0	0
Movements in the market value of Investment Properties	(3,223)	0	0	3,223
Amortisation of intangible assets	2,042	0	0	(2,042)
Capital grants and contributions applied	(57,210)	0	0	57,210
Capital Receipts applied	(11,131)	0	0	11,131
Revenue expenditure funded from capital under statute (net of Grants and Contributions)	36,528	0	0	(36,528)
Amounts of Non Current Assets written off on disposal or sale as part of the gain/loss on disposal to the CI&ES	20,485	0	0	(20,485)
<b>Total Adjustments to Revenue Resources</b>	<b>113,211</b>	<b>0</b>	<b>0</b>	<b>(113,211)</b>
<b>Adjustments between Revenue and Capital Resources</b>				
Statutory provision for the repayment of debt (transferred to/(from) the CAA):	(38,717)	0	0	38,717
Capital expenditure charged against the General Fund (transferred to/(from) the CAA):	(15,466)	0	0	15,466
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>(54,183)</b>	<b>0</b>	<b>0</b>	<b>54,183</b>
<b>Adjustments to Capital Resources</b>				
Capital grants and contributions unapplied credited to the CI&ES	(25,655)	0	25,655	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	(40,593)	40,593
<b>Total Adjustments to Capital Resources</b>	<b>(19,750)</b>	<b>(5,905)</b>	<b>(14,938)</b>	<b>40,593</b>
<b>Total Adjustments</b>	<b>39,278</b>	<b>(5,905)</b>	<b>(14,938)</b>	<b>(18,435)</b>

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	
<b>2020/21</b>				
<b><u>Adjustments to Revenue Resources</u></b>				
Amount by which income and expenditure included in the CI&ES are different from revenue for the year calculated in accordance with statutory requirements.				
<b>Pension Costs</b> (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
<b>Financial Instruments</b> (transferred to/(from) the Financial Instruments Adjustment Account):	(46)	0	0	46
<b>Council Tax and Business Rates</b> (transferred to/(from) the Collection Fund Adjustment Account):	13,436	0	0	(13,436)
<b>Holiday Pay</b> (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 <b>Capital Expenditure</b> (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)
<b>Total Adjustments to Revenue Resources</b>	<b>117,497</b>	<b>0</b>	<b>0</b>	<b>(117,497)</b>
<b><u>Adjustments between Revenue and Capital Resources</u></b>				
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
<b>Resources</b>	<b>(32,725)</b>	<b>0</b>	<b>0</b>	<b>32,725</b>
<b><u>Adjustments to Capital Resources</u></b>				
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
<b>Total Adjustments to Capital Resources</b>	<b>(18,336)</b>	<b>0</b>	<b>(9,402)</b>	<b>27,738</b>
<b>Total Adjustments</b>	<b>66,436</b>	<b>0</b>	<b>(9,402)</b>	<b>(57,034)</b>

CI&ES = Comprehensive Income and Expenditure Statement

CAA = Capital Adjustment Account

## NOTE 12. USABLE RESERVES

Balance at 31 March 2021		Balance at 31 March 2022
£'000		£'000
86,730	Capital Grants Unapplied	71,792
5,905	Capital Receipts Reserve	0
257,360	Earmarked Reserves	244,268
16,200	General Fund	16,400
<b>366,195</b>	<b>Total</b>	<b>332,460</b>

## NOTE 13. UNUSABLE RESERVES

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

Balance at 31 March 2021		Note	Balance at 31 March 2022
£'000			£'000
244,644	Revaluation Reserve	(13a)	316,005
602,580	Capital Adjustment Account	(13b)	650,159
(1,554)	Financial Instruments Adjustment Account	(13c)	(1,439)
236	Financial Instrument Revaluation Reserve	(13d)	298
(1,083,641)	Pension Reserve	(13e)	(890,107)
(9,966)	Collection Fund Adjustment Account	(13f)	(3,225)
(7,249)	Accumulated Absences Account	(13g)	(6,482)
<b>(254,950)</b>	<b>Total</b>		<b>65,209</b>

### 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.

2020/21		2021/22
£'000		£'000
<b>254,490</b>	<b>Balance at 1 April</b>	<b>244,644</b>
28,933	Upward revaluation of assets	93,411
(12,832)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(2,141)
16,101	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	91,270
(10,150)	Difference between fair value depreciation and historical cost depreciation	(10,615)
(15,797)	Accumulated gains on assets sold or scrapped	(9,294)
(25,947)	Amount written off to the Capital Adjustment Account	(19,909)
<b>244,644</b>	<b>Balance at 31 March</b>	<b>316,005</b>

## 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

2020/21		2021/22
£'000		£'000
576,610	<b>Balance at 1 April</b>	602,580
	<b><u>Reversal of items relating to capital expenditure debited or credited to the CIES:</u></b>	
(80,085)	Charges for depreciation and impairment of non-current assets	(83,674)
(11,082)	Revaluation losses on Property, Plant and Equipment	4,059
111	Revaluation losses on Heritage assets	0
(2,043)	Amortisation of intangible assets	(2,042)
(22,943)	Revenue expenditure funded from capital under statute (net of Grants and Contributions)	(36,528)
(32,577)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(20,485)
25,947	Adjusting amounts written out of the Revaluation Reserve	19,909
(122,672)	Net written out amount of the cost of non-current assets consumed in the year	(118,761)
	<b><u>Capital financing applied in the year:</u></b>	
2,677	Use of Capital Receipts to finance new capital expenditure	11,131
83,157	Capital grants and contributions credited to the CIES that have been applied to capital financing	57,210
28,845	Application of grants to capital financing from the Capital Grants Unapplied Account	40,593
20,235	Statutory provision for the financing of capital investment charged against the General Fund	38,717
12,490	Capital expenditure charged against the General Fund	15,466
147,404		163,117
1,238	Movements in the market value of Investment Properties debited or credited to the CIES	3,223
602,580	<b>Balance at 31 March</b>	650,159

## 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.

2020/21		2021/22
£'000		£'000
(1,600)	<b>Balance at 1 April</b>	(1,554)
38	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	38
8	Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	77
(1,554)	<b>Balance at 31 March</b>	(1,439)

## 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.

2020/21		2021/22
£'000		£'000
254	<b>Balance at 1 April</b>	236
(18)	Change in treatment of loss allowance	62
236	<b>Balance at 31 March</b>	298

## 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.

2020/21		2021/22
£'000		£'000
(856,614)	<b>Balance at 1 April</b>	<b>(1,083,641)</b>
(186,027)	Actuarial gains or losses on pensions assets and liabilities	247,262
(92,046)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	(108,453)
51,046	Employer's pensions contributions and direct payments to pensioners payable in the year	54,725
<b>(1,083,641)</b>	<b>Balance at 31 March</b>	<b>(890,107)</b>

## 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.

2020/21		2021/22
£'000		£'000
<b>3,470</b>	<b>Balance at 1 April</b>	<b>(9,966)</b>
(13,436)	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	6,741
<b>(9,966)</b>	<b>Balance at 31 March</b>	<b>(3,225)</b>

## 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.

2020/21		2021/22
£'000		£'000
<b>(5,689)</b>	<b>Balance at 1 April</b>	<b>(7,249)</b>
5,689	Settlement or cancellation of accrual made at the end of the preceding year	7,249
(7,249)	Amounts accrued at the end of the current year	(6,482)
(1,560)	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	767
<b>(7,249)</b>	<b>Balance at 31 March</b>	<b>(6,482)</b>



## 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 2021-22.

Restated Balance at 1 April 2020	Additions in Year	Used in Year	Restated Balance at 31 March 2021		Restated Balance at 1 April 2021	Additions in Year	Used in Year	Balance at 31 March 2022
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
14,137	670	(2,929)	11,878	Balances from dedicated schools budget	11,878	3,338	(2,322)	12,894
10,671	15,227	(11,661)	14,237	Balances for schools under a scheme of delegation	14,237	14,326	(14,904)	13,659
				<b>Other Earmarked Reserves:</b>				
0	0	0	0	Other Services	0	4,899	(4,899)	0
15,141	29,254	(15,141)	29,254	Reserves requiring Council approval in September	29,254	13,582	(29,254)	13,582
5,737	1,038	0	6,775	Insurance	6,775	0	0	6,775
685	0	0	685	Schools Sickness Insurance	685	508	(421)	772
1,823	828	(13)	2,638	Shared Services (Legal & Procurement)	2,638	148	(729)	2,057
52,682	0	(12,200)	40,482	Financial Volatility	40,482	6,439	0	46,921
3,385	0	(636)	2,749	CSSC Transformation including BW Rebuild & Development	2,749	0	(791)	1,958
5,037	1,286	(552)	5,771	Energy from Waste Lifecycles	5,771	1,286	(2,337)	4,720
10,182	9,966	(5,696)	14,452	Development Fund	14,452	10,000	(1,001)	23,451
6,152	0	0	6,152	Business Rates Volatility Reserve	6,152	0	0	6,152
0	12,000	(689)	11,311	Support to Businesses	11,311	0	(8,009)	3,302
5,151	6,504	(1,195)	10,460	Other Service Earmarked Reserves	10,460	12,436	(14,939)	7,957

# NOTES SUPPORTING THE MOVEMENT IN RESERVES STATEMENT

Restated Balance at 1 April 2020	Additions in Year	Used in Year	Restated Balance at 31 March 2021		Balance at 1 April 2021	Additions in Year	Used in Year	Balance at 31 March 2022
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
				<b>Revenue Grants &amp; Contributions Unapplied</b>				
				<b>Reserves</b>				
5,872	8,320	(5,758)	8,434	Schools	8,434	9,805	(9,348)	8,891
8,465	2,581	(344)	10,702	Children Services	10,702	1,144	(2,158)	9,688
41,875	23,649	0	65,524	Adult Care and Community Wellbeing	65,524	5,679	(6,669)	64,534
9,816	1,628	(499)	10,945	Place	10,945	4,286	(1,109)	14,122
21,349	3,503	(21,152)	3,700	Other Budgets	3,700	0	(2,072)	1,628
784	42	0	826	Resources	826	0	(8)	818
384	0	0	384	Fire and Rescue	384	0	0	384
<b>219,329</b>	<b>116,496</b>	<b>(78,465)</b>	<b>257,360</b>	<b>Total</b>	<b>257,360</b>	<b>87,876</b>	<b>(100,970)</b>	<b>244,266</b>

\* Opening and Closing balances for 2020/21 and Opening balances as at 1 April 2020 were restated because one reserve was incorrectly shown as relating to the Corporate Services Directorate in the 2020/21 Statement of Accounts, instead of in the Resources Directorate.

## Balances from dedicated schools' budget

The **balance held by schools under the scheme of delegation**, represents the net underspending of school budget shares in 2021-22. 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 **Reserves requiring Council approval in September** balance is not included within the General Reserve as it contains funds earmarked for the specific purposes set out in the report to the July 2022 Executive. The Council is to be asked to confirm these proposals at its 16<sup>th</sup> September 2022 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 2021-22. The Legal Services Management Board will agree on what proportion of the surplus should be distributed to the shared service partners in 2022-23. The Procurement Reserve represents Procurement Lincolnshire's underspend at the end of 2021-22. The underspend relates to both Council money and partners money. This amount will be carried into 2022-23 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.

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

The **Business Rates Volatility Reserve** will hold the 2021-22 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

		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 2022	Land & Buildings £'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>							
At 1 April 2021	543,888	107,635	1,160,480	7,606	68,361	<b>1,887,970</b>	12,746
Additions	5,738	6,431	71,010	1	63,997	<b>147,177</b>	116
Revaluation Increase to RR	38,927	3,957	0	483	0	<b>43,367</b>	541
Revaluation Decrease to RR	(2,901)	(1,133)	0	(25)	0	<b>(4,059)</b>	0
Revaluation Increase/(Decrease) to SDPS	112	143	0	33	0	<b>288</b>	0
Derecognition - Disposals	(15,937)	(2,375)	(113,843)	(523)	0	<b>(132,678)</b>	0
Derecognition to RR	(1,490)	0	0	0	0	<b>(1,490)</b>	0
Derecognition to SDPS	(66)	0	0	0	0	<b>(66)</b>	0
Reclassified to/from Heritage Property	0	0	0	0	0	<b>0</b>	0
Reclassified to/from Held for Sale	(775)	0	0	(1,235)	0	<b>(2,010)</b>	0
Reclassified to/from Investment Property	0	0	0	0	0	<b>0</b>	0
Reclassifications - Other	3,196	2,614	14,134	2,142	(22,087)	<b>(1)</b>	0
<b>At 31 March 2022</b>	<b>570,692</b>	<b>117,272</b>	<b>1,131,781</b>	<b>8,482</b>	<b>110,271</b>	<b>1,938,498</b>	<b>13,403</b>
<b>Depreciation and Impairment</b>							
At 1 April 2021	<b>(50,665)</b>	<b>(27,094)</b>	<b>(521,517)</b>	<b>(64)</b>	<b>0</b>	<b>(599,340)</b>	<b>(1,507)</b>
Depreciation Charge for 2021/22	(20,987)	(9,055)	(53,613)	(20)	0	<b>(83,675)</b>	(338)
Depreciation written out on upward revaluation	45,241	4,803	0	0	0	<b>50,044</b>	1,131
Depreciation written out on downward revaluation	1,370	548	0	0	0	<b>1,918</b>	0
Depreciation written out to the SDPS	3,641	127	0	3	0	<b>3,771</b>	0
Derecognition - Disposals	1,929	2,119	113,843	6	0	<b>117,897</b>	0
Derecognition to RR	(47)	0	0	0	0	<b>(47)</b>	0
Derecognition to SDPS	164	0	0	0	0	<b>164</b>	0
Reclassifications - Other						<b>0</b>	0
<b>At 31 March 2022</b>	<b>(19,354)</b>	<b>(28,552)</b>	<b>(461,287)</b>	<b>(75)</b>	<b>0</b>	<b>(509,268)</b>	<b>(714)</b>
<b>Net Book Value at 31 March 2022</b>	<b>551,338</b>	<b>88,720</b>	<b>670,494</b>	<b>8,407</b>	<b>110,271</b>	<b>1,429,230</b>	<b>12,689</b>
Net Book Value at 1 April 2021	493,223	80,541	638,963	7,542	68,361	1,288,630	11,239

RR - Revaluation Reserve

SDPS - Surplus or Deficit on the Provision of Services

# NOTES SUPPORTING THE BALANCE SHEET

		Vehicles, Plant, Furniture & Equipment	Infra- structure	Surplus Assets	Assets Under Construction	Total	PFI Assets Included in Property, Plant & Equipment
<b>Movement in Property, Plant &amp; Equipment As at 31 March 2021</b>	<b>Land &amp; Buildings</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost or Valuation</b>							
At 1 April 2020	<b>582,568</b>	<b>102,543</b>	<b>980,268</b>	<b>10,112</b>	<b>139,149</b>	<b>1,814,639</b>	<b>14,696</b>
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
<b>As at 31 March 2021</b>	<b>543,888</b>	<b>107,635</b>	<b>1,160,480</b>	<b>7,606</b>	<b>68,361</b>	<b>1,887,969</b>	<b>12,746</b>
<b>Depreciation and Impairment</b>							
At 1 April 2020	<b>(47,474)</b>	<b>(24,970)</b>	<b>(474,661)</b>	<b>(106)</b>	<b>0</b>	<b>(547,211)</b>	<b>(1,269)</b>
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
<b>As at 31 March 2021</b>	<b>(50,665)</b>	<b>(27,094)</b>	<b>(521,517)</b>	<b>(64)</b>	<b>0</b>	<b>(599,340)</b>	<b>(1,507)</b>
Net Book Value as at 31 March 2021	<b>493,223</b>	<b>80,541</b>	<b>638,963</b>	<b>7,542</b>	<b>68,361</b>	<b>1,288,629</b>	<b>11,239</b>
Net Book Value as 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

## b) Capital Commitments

At 31 March 2022, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2022-23 and future years budgeted to cost £77.967m.

Detail	Gross £'000
Spalding Western Relief Road	28,083
Lincoln St Christophers School - construction of new Primary SEND School in Lincoln	8,921
Louth St Bernard's School - Major extensions/remodelling	2,375
Lincoln Eastern Bypass	1,223
Spalding Primary Academy - extensions and remodelling of existing SEND School	4,534
Spalding Academy - extensions to existing Secondary Academy School	2,853
Stamford Welland Academy - extensions to existing Secondary Academy School	1,173
Wickenby Children's Home Lincoln - remodelling and refurbishment of existing building to create a new Children's Home	1,090
Cross Keys Bridge - Repainting	1,167
Broadband Contract 3	1,565
Grantham Southern Relief Road Phase 3	24,982
	<b>77,967</b>

## 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).

## NOTES SUPPORTING THE BALANCE SHEET

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 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	Energy from Waste Plant & Equipment
	£'000	£'000	£'000
<b>Non-Current Assets</b>	<b>Current Value</b>	<b>Fair Value</b>	<b>Current value</b>
Valued at:			
01 April 2017	107,231	1,312	0
01 April 2018	139,793	1,888	0
01 April 2019	56,892	1,136	0
01 April 2020	127,546	1,464	0
01 April 2021	88,377	2,607	0
31 March 2022	31,500	0	66,100
<b>Total Cost of Valuation</b>	<b>551,338</b>	<b>8,407</b>	<b>66,100</b>

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).

The significant assumptions applied in estimating the fair values are:

<b>Non-Current Assets carried at depreciated historic cost</b>	<b>2020/21</b>	<b>2021/22</b>
	<b>£'000</b>	<b>£'000</b>
Vehicles, Plant, Furniture and Equipment	22,138	22,619
Infrastructure	638,963	670,494
Assets Under Construction	68,359	110,271
<b>Total Cost of Valuation</b>	<b>729,460</b>	<b>803,384</b>



## NOTE 16. HERITAGE ASSETS

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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

# NOTES SUPPORTING THE BALANCE SHEET

the Decision details area

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

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

	Windmills	Other Historic Buildings	Collections	Total
	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>				
Balance at 1 April 2021	4,645	23,953	38,000	66,598
Additions - In House construction/Improvement	35	586	0	621
Revaluations recognised in the Revaluation Reserve (RR)	0	0	0	0
Revaluations recognised in the CIES	0	0	0	0
Reclassifications	0	0	0	0
<b>At 31 March 2022</b>	<b>4,680</b>	<b>24,539</b>	<b>38,000</b>	<b>67,219</b>

	Windmills	Other Historic Buildings	Collections	Total
	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>				
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	1,070	0	916	1,986
Revaluations recognised in the CIES	111	0	0	111
Reclassifications	(86)	0	0	(86)
<b>At 31 March 2021</b>	<b>4,645</b>	<b>23,953</b>	<b>38,000</b>	<b>66,598</b>

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 2021-22.

## 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	
	2020/21	2021/22	2020/21	2021/22
	£'000	£'000	£'000	£'000
Rental Income	(2,438)	(2,135)	(62)	(70)
Direct Operating Expenses	471	533	22	27
<b>Net (Income)/Expenditure</b>	<b>(1,967)</b>	<b>(1,602)</b>	<b>(40)</b>	<b>(43)</b>

There are no restrictions on the Council's right to the remittance of income for its investment properties. 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	
	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April	104,394	106,036	1,771	1,723	106,165	107,759
Additions - Acquisitions (Purchase and Construction)	550	453	8	0	558	453
Disposals	(60)	(2,584)	0	(135)	(60)	(2,719)
Net Gains/(Losses) from fair value adjustments	1,152	3,192	86	32	1,238	3,224
Transfers to/from Property, Plant and Equipment	0	0	(142)	0	(142)	0
<b>Balance at 31 March</b>	<b>106,036</b>	<b>107,097</b>	<b>1,723</b>	<b>1,620</b>	<b>107,759</b>	<b>108,717</b>

Nature of asset holding	County Farm Estates		Other General Fund Properties	
	2020/21	2021/22	2020/21	2021/22
Owned Assets	106,022	107,083	1,724	1,620
Leased Assets	14	15	0	0
<b>Balance at 31 March</b>	<b>106,036</b>	<b>107,098</b>	<b>1,724</b>	<b>1,620</b>

### c) Revaluations

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

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

### 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. Included within the Fair Value Valuation Method on the County Farms assets, there are a number of 'Special Assumptions' that have been used, relating to the limitations and restrictions on sale. These assumptions apply to a proportion of the overall value and are unlikely to lead to a change in the estimated valuation.

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

## NOTE 18. INTANGIBLE ASSETS

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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 2021-22.

# NOTES SUPPORTING THE BALANCE SHEET

## a) Movement on intangible assets:

	Software	Software Licenses	Total
	£'000	£'000	£'000
Gross carrying amount	18,293	2,482	20,775
Accumulated amortisation	(12,742)	(1,778)	(14,520)
<b>Net carrying amount at 1 April 2021</b>	<b>5,551</b>	<b>704</b>	<b>6,255</b>
Additions:			
Purchases	35	0	35
Other disposals	0	0	0
Amortisation for the period	(1,753)	(289)	(2,042)
<b>Net carrying amount at 31 March 2022</b>	<b>3,833</b>	<b>415</b>	<b>4,248</b>
Comprising:			
Gross carrying amounts	18,328	2,482	20,810
Accumulated amortisation	(14,495)	(2,067)	(16,562)
<b>Balance Sheet amount at 31 March 2022</b>	<b>3,833</b>	<b>415</b>	<b>4,248</b>

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £2.042m (£2.043m in 2020/21) was charged to revenue in 2021/22.

## b) Significant Capitalised Software

At 31 March 2022, the Council has not capitalised material items of software during 2021-22.

## c) Capital Commitments

As at 1 April 2022, the Council hasn't entered into any contractual commitments for intangibles assets over £0.750m.

## d) Revaluation

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

## NOTE 19. FINANCIAL INSTRUMENTS AND THE NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

### a) Financial Instruments Balances

The following categories of financial instruments are disclosed in the Balance Sheet:

	Long-Term		Current	
	31 March 2021	31 March 2022	31 March 2021	31 March 2022
	£'000	£'000	£'000	£'000
<b>Financial Liabilities</b>				
<b>Borrowings</b>				
Amortised Cost	477,135	468,806	15,046	12,244
Fair Value through Profit and Loss	0	0	0	0
<b>Total Borrowings</b>	<b>477,135</b>	<b>468,806</b>	<b>15,046</b>	<b>12,244</b>
PFI and Finance Lease Liabilities	8,687	7,817	0	0
<b>Total PFI &amp; Finance Lease Liabilities</b>	<b>8,687</b>	<b>7,817</b>	<b>0</b>	<b>0</b>
<b>Creditors &amp; Other Long Term Liabilities</b>				
Amortised Cost	2,297	3,221	90,265	96,836
<b>Total Creditors</b>	<b>2,297</b>	<b>3,221</b>	<b>90,265</b>	<b>96,836</b>
	Long-Term		Current	
	31 March 2021	31 March 2022	31 March 2021	31 March 2022
	£'000	£'000	£'000	£'000
<b>Financial Assets</b>				
<b>Investments</b>				
Amortised Cost * (1)	6,169	7,365	317,372	256,016
Fair Value though Other Comprehensive Income - Designated Equity Instruments	250	312	0	0
Fair Value through Profit and Loss	0	0	38,255	25,336
<b>Total Investments</b>	<b>6,419</b>	<b>7,677</b>	<b>355,627</b>	<b>281,352</b>
<b>Debtors</b>				
Amortised Cost	3,933	2,689	0	0
Carried at Contract Amount	0	0	41,646	38,240
<b>Total Debtors</b>	<b>3,933</b>	<b>2,689</b>	<b>41,646</b>	<b>38,240</b>

\* The balance at 31 March 2021 included a loan made to a third party at less than market rate for service reasons, deemed as a soft loan. When a soft loan is made, a loss is recorded in the Income & Expenditure Account, charged to the service, for the present value of the interest that will be forgone over the life of the instrument. This resulted in a lower amortised cost (£158k) than the outstanding principal. (£243k) at 31 March 2021. Interest is credited at a marginally higher effective rate of interest than the rate receivable from the third party, with the difference increasing 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 in the year, so this is managed by a transfer to or from the Financial Instruments

# NOTES SUPPORTING THE BALANCE SHEET

Adjustment Account. This loan was repaid in full during the year plus accrued interest to date and therefore no soft loans are included in the balance at 31 March 2022.

No collateral or financial guarantees are held by the Council at 31 March 2022 or included in the above figures.

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

## b) Financial Instruments Income, Expense, Gains or Losses

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

A gain on revaluation of equity instruments designated at fair value through other comprehensive income of £62k, an increase in expected credit loss allowance (loss) of -£4k and an increase (gain) in the fair value of debtors from a reduction in the impairment allowance of £624K occurred in 2021/22.

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:

	2020/21	2021/22
	£'000	£'000
<b>(Gains) or Losses on:</b>		
Financial Liabilities At Amortised Cost	0	0
Financial Liabilities at Fair Value through Profit and Loss	0	0
Financial Assets at Amortised Cost	4,109	(620)
Financial Assets at Fair Value through Other Comprehensive Income	0	0
Financial Assets Fair Value through Other Comprehensive Income - Designated Equity Instruments	18	(62)
Financial Assets Fair Value through Profit and Loss	0	0
<b>Total Net Gains (-) or Losses</b>	<b>4,127</b>	<b>(682)</b>
<b>Interest Revenue:</b>		
Financial Assets at Amortised Cost	(1,604)	(712)
Financial Assets at Fair Value through Other Comprehensive Income	0	0
<b>Total Interest Revenue</b>	<b>(1,604)</b>	<b>(712)</b>
<b>Interest Expense:</b>		
Financial Liabilities At Amortised Cost	19,157	18,485
<b>Total Interest Expense</b>	<b>19,157</b>	<b>18,485</b>
<b>Fee Income:</b>		
Financial Assets or Financial Liabilities not at Fair Value through Profit & Loss	0	0
<b>Total Fee Income</b>	<b>0</b>	<b>0</b>
<b>Fee Expense:</b>		
Financial Assets or Financial Liabilities not at Fair Value through Profit & Loss	35	18
<b>Total Fee Expense</b>	<b>35</b>	<b>18</b>

## c) Fair Value Measurement and Disclosure

Financial assets classified as fair value through profit and loss or fair value through other comprehensive income are measured at fair value on a recurring basis and carried on the Balance Sheet at this fair value. All other financial liabilities and financial assets are classified as amortised cost, including long term debtors and creditors and are carried on the Balance Sheet at amortised cost. The fair value of these instruments are calculated for disclosure purposes within this note.

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

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

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

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

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

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:



# NOTES SUPPORTING THE BALANCE SHEET

	31 March 2021		31 March 2022	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Level 1 - Fair Value Hierarchy Measurement:	£000	£000	£000	£000
Money Market Funds	38,225	38,225	25,325	25,336
<b>Financial Assets Measured at Fair Value through Profit and Loss</b>	<b>38,225</b>	<b>38,225</b>	<b>25,325</b>	<b>25,336</b>

## 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 2021		31 March 2022	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Level 3 - Fair Value Hierarchy Measurement:	£000	£000	£000	£000
Investors in Lincoln	14	250	14	312
ESPO Trading Ltd	0	0	0	0
<b>Financial Assets Measured at Fair Value through Other Comprehensive Income-Designated Equity</b>	<b>14</b>	<b>250</b>	<b>14</b>	<b>312</b>

## 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 2022 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.

# NOTES SUPPORTING THE BALANCE SHEET

- Where an instrument has a maturity of less than 12 months (other than PWLB debt), or is a trade or other payable or receivable, the fair value is taken to be the principal outstanding or the billed amount.
- The fair value of trade and other payables and receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

Financial Liabilities Level 2 - Fair Value Hierarchy Measurement:	31 March 2021		31 March 2022	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
PWLB Debt (Long Term > 12 Months)	456,783	603,869	448,335	577,937
Non PWLB Debt (Long Term > 12 Months)	20,423	37,004	20,587	27,071
PWLB Debt (Short Term < 12 Months)	11,159	14,739	8,448	10,874
Long-Term Creditors & Other Long Term Liabilities	2,297	2,297	3,221	3,221
Short-Term Creditors & Other Short Term Liabilities	90,265	90,265	96,836	96,836
<b>Total Financial Liabilities at Amortised Cost</b>	<b>580,927</b>	<b>748,174</b>	<b>577,427</b>	<b>715,939</b>

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 2021 to 31 March 2022 highlights the reduction or increase in market rates over this period and shows that Fair Value has reduced from the previous year due to the rise in interest rates during the year but is still significantly higher than the carrying value at 31 March 2022, given the prevailing 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 2022. 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 £663,707k, some £74,896k 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.

# NOTES SUPPORTING THE BALANCE SHEET

Financial Assets Level 2 - Fair Value Hierarchy Measurement:	31 March 2021		31 March 2022	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Investments (Long Term > 12 Months)	6,169	6,359	7,365	7,351
Investments (Short Term < 12 Months)	316,847	316,847	255,767	255,767
Long-Term Debtors	3,933	3,933	2,689	2,689
Short-Term Debtors	41,646	41,646	38,240	38,240
<b>Total Financial Assets at Amortised Cost</b>	<b>368,595</b>	<b>368,785</b>	<b>304,061</b>	<b>304,047</b>

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 impacted mainly on liquidity risk during 2020/2021, 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 was 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 was not affected for these reasons and normal cash flow patterns have returned in 2021/2022.

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.

## NOTES SUPPORTING THE BALANCE SHEET

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 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
<b>Group 1</b> - 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.
<b>Group 2</b> - 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)
<b>Group 3</b> - Loans to Council owned Companies for Service Reasons - Credit worthiness not the prime consideration.		Lifetime	Assessed on Individual basis using external credit ratings, economic conditions, financial position and forecasts and history of default/extended credit terms.

\*(1) Loans to companies in financial difficulties for service reasons will be deemed fifty percent credit impaired on origination which will be factored into the amortised cost of the loan. The impairment will be charged to the service upon recognition and amortised over the life of the loan to recognise the high risk of default on the loan. The level of impairment will continue to be assessed over the life of the loan and adjusted accordingly, as financial circumstances to the companies in question

# NOTES SUPPORTING THE BALANCE SHEET

dictate. The expected credit loss on these loans will be made on the amortised cost of the loans after any impairment charged.

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

	Group 1	Group 2	Group 3	
	Treasury Investments	Third Party Loans	Owned Company	
	12 Month	Lifetime	Lifetime	Total
Expected Credit Losses By Collective Investment Group	£'000	£'000	£'000	£'000
Opening Balance at 1 April 2021	0	27	0	27
New Financial Assets Purchased	32	0	0	32
Financial Assets Derecognised	0	(27)	0	(27)
Financial Assets Written Off	0	0	0	0
Transfers between models/risk parameters/ impairment	0	0	0	0
<b>Expected Credit Loss Balance at 31 March 2022</b>	<b>32</b>	<b>0</b>	<b>0</b>	<b>32</b>

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

## 4) Credit Risk Exposure

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

### i. Treasury Related Financial Instruments:

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. To minimise this risk, deposits are not made with banks and financial institutions unless they meet the minimum requirements of the Council's investment criteria (based on independent credit rating assessments of institutions and countries, their credit watches and outlooks from credit rating agencies and their credit default spreads), as outlined in its investment strategy. A summary of the minimum requirements are outlined below:

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

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

# NOTES SUPPORTING THE BALANCE SHEET

	Probability of Default %	Amount at 31 March 2021		Amount at 31 March 2022	
		£'000	%	£'000	%
AAA Rated Counterparties	0.039%	38,225	10.63%	25,325	8.81%
AA Rated Counterparties	0.028%	40,000	11.12%	83,439	29.03%
A Rated Counterparties	0.044%	117,950	32.79%	162,172	56.42%
Other Counterparties (*1)	0.011%	163,500	45.46%	16,500	5.74%
<b>Total Treasury Investments</b>		<b>359,675</b>	<b>100%</b>	<b>287,436</b>	<b>100.00%</b>

(\*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 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 2021		Amount at 31 March 2022	
		£'000	%	£'000	%
Transport Connect Ltd - LCC Company	Medium	393	23.82%	150	14.69%
Lincs Community Foundation- 3rd Party (*2)	Medium	242	14.67%	0	0.00%
Loans to Academies - Government 3rd Party	Exempt	1,015	61.52%	871	85.31%
<b>Total Non-Treasury Related Investments</b>		<b>1,650</b>	<b>100.00%</b>	<b>1,021</b>	<b>100.00%</b>

(\*2) The Lincs Community Foundation Loan was repaid in full during 2021/2022.



# NOTES SUPPORTING THE BALANCE SHEET

## 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 2022 can be analysed by age as follows:

Analysis of Debts by Age	Amount at 31 March 2021		Amount at 31 March 2022	
	£'000	%	£'000	%
Less than 3 months	5,032	47.95%	4,360	55.25%
3 to 6 months	2,706	25.78%	1,562	19.79%
6 months to 1 year	1,926	18.35%	1,287	16.31%
More than 1 year	831	7.92%	683	8.66%
<b>Total Outstanding Debt</b>	<b>10,495</b>	<b>100.00%</b>	<b>7,892</b>	<b>100.00%</b>

## 5) Liquidity Risk

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

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through cash flow management procedures required by the Code of Practice.

## 6) Refinancing and Maturity Risk

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

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

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



# NOTES SUPPORTING THE BALANCE SHEET

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:

	Approved Maximum Limit	Approved Maximum Limit	31 March 2021	31 March 2022
<b>Debt Outstanding - Financial Liabilities</b>	%	£'000	£'000	£'000
Less than one year	25%	123,045	15,046	12,244
Between one and two years	25%	123,045	8,540	10,561
Between two and five years	50%	246,091	25,427	21,455
Between five and ten years	75%	369,136	39,620	38,242
Between ten and fifteen years	100%	492,181	24,000	24,000
Between fifteen and twenty-five years	100%	492,181	39,439	34,439
Between twenty-five and thirty-five years	100%	492,181	100,213	138,109
Between thirty-five and forty-five years	100%	492,181	179,896	157,000
Maturing in more than forty-five years	100%	492,181	60,000	45,000
<b>Total</b>			<b>492,181</b>	<b>481,050</b>

	Approved Maximum Limit	Approved Maximum Limit	31 March 2021	31 March 2022
<b>Investments Outstanding - Financial Assets</b>	%	£'000	£'000	£'000
Less than one year	100%	362,045	355,627	281,352
Between one and two years	11%	40,000	5,016	6,521
Between two and three years	11%	40,000	31	67
Maturing in more than three years	11%	40,000	1,371	1,089
<b>Total</b>			<b>362,045</b>	<b>289,029</b>

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).

## NOTES SUPPORTING THE BALANCE SHEET

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 £2.138m 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:

	Amount at 31 March £'000
<b>Financial Impact of the Interest Rate Risk</b>	
Increase in interest payable on variable rate borrowings	0
Increase in interest receivable on variable rate investments	2,138
<b>Impact on Income and Expenditure Account</b>	<b>2,138</b>

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:

## NOTES SUPPORTING THE BALANCE SHEET

	Fair Value 31 March 2022	Fair Value at 1% Higher	Fair Value at 1% Lower
	£'000	£'000	£'000
County Council	615,155	488,828	706,709
Schools	727	702	754
<b>Long Term Fixed Borrowing:</b>	<b>615,882</b>	<b>489,530</b>	<b>707,463</b>
Treasury Investments	6,423	6,349	6,498
Non Treasury Investments	928	895	963
<b>Long Term Fixed Investments:</b>	<b>7,351</b>	<b>7,244</b>	<b>7,461</b>

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 77 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).

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 2021	Amounts falling due within one year:	31 March 2022
£'000		£'000
14,906	Trade Receivables	13,309
7,996	Prepayments	5,467
39,704	Other Receivable Amounts	55,254
<b>62,606</b>	<b>Total Short Term Debtors</b>	<b>74,030</b>

31 March 2021	Amounts falling due after one year:	31 March 2022
£'000		£'000
618	Trade Receivables	422
3,153	Prepayments	2,139
162	Other Receivable Amounts	129
<b>3,933</b>	<b>Total Long Term Debtors</b>	<b>2,690</b>

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

## NOTE 21. ASSETS HELD FOR SALE

	Current	
	2020/21	2021/22
	£'000	£'000
Balance outstanding at 1 April	575	1,821
<u>Assets newly classified as held for sale:</u>		
- Property, Plant and Equipment	1,546	2,010
- 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	(300)	(1,546)
Transfers from non-current to current	0	0
<b>Balance Outstanding at 31 March</b>	<b>1,821</b>	<b>2,285</b>

RR = Revaluation Reserve

SDPS=Surplus/deficit on provision of services

## NOTE 22. CASH AND CASH EQUIVALENTS

31 March 2021		31 March 2022
£'000		£'000
637	Cash held by the authority	623
(85,669)	Bank current accounts	(69,385)
<b>(85,032)</b>	<b>Total</b>	<b>(68,762)</b>

## NOTE 23. CREDITORS

31 March 2021		31 March 2022
£'000	Amounts falling due within one year:	£'000
(48,060)	Trade Payables	(44,613)
(58,405)	Other Payables	(75,769)
<b>(106,465)</b>	<b>Total Short Term Creditors</b>	<b>(120,382)</b>

31 March 2021		31 March 2022
£'000	Amounts falling due after one year:	£'000
(2,297)	Trade Payables	(3,221)
0	Other Payables	0
<b>(2,297)</b>	<b>Total Long Term Creditors</b>	<b>(3,221)</b>

## NOTE 24. PROVISIONS

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

	Balance at 1 April 2021	Additional provisions made in year	Amounts used in year	Unused amounts reversed in year	Balance at 31 March 2022
	£'000	£'000	£'000	£'000	£'000
<b>Short Term Provisions:</b>					
- Insurance Claims	(1,562)	(2,984)	367	39	(4,140)
- Business Rates Appeals	(2,062)	(101)	0	0	(2,163)
- IT Security Storage	(300)	0	300	0	0
- Voluntary Overtime Provision	(415)	0	0	0	(415)
- Home Care Provision	(499)	0	0	499	0
- Home Care Travel Costs Provision	0	(300)	0	0	(300)
- Ordinary Residence Provision	0	(500)	0	0	(500)
- Adult Care - Flat Rate charging	(516)	0	142	374	0
	<b>(5,354)</b>	<b>(3,885)</b>	<b>809</b>	<b>912</b>	<b>(7,518)</b>
<b>Long Term Provisions:</b>					
- Insurance Claims	(5,449)	0	1,709	1,781	(1,959)
	<b>(5,449)</b>	<b>0</b>	<b>1,709</b>	<b>1,781</b>	<b>(1,959)</b>
<b>TOTAL</b>	<b>(10,803)</b>	<b>(3,885)</b>	<b>2,518</b>	<b>2,693</b>	<b>(9,477)</b>

The County Council's accounting policy on provisions includes a de-minimis of £250k.

The **Insurance provision** represents all known and anticipated claims under the excess clauses of the Council's external insurance policies. This is reviewed annually by an Actuary and adjusted accordingly, but the Council cannot be certain as to when claims will be resolved. Material risks which are met by the Council under current insurance policies are shown below:

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 against rateable valuations. The Council cannot be certain as to when any appeals will be resolved.

## NOTES SUPPORTING THE BALANCE SHEET

The **IT Security Storage Provision** represents Dual Running Costs that have arisen through unforeseen delays in moving the Council's Data Centre infrastructure into a public Cloud environment due to the Coronavirus pandemic.

The **Voluntary Overtime Provision** represents an estimate of Voluntary Overtime which could be taken into account for the determination of holiday pay. The Council is aware of a potential claim and if progresses could also impact on other affected areas.

The **Home Care Provision** represents an estimate for payment of a proportion of the contract value due to underutilisation. The Council cannot be certain as to when this issue will be resolved.

The **Ordinary Residence Provision** has been created for a dispute of Ordinary Residence and Liability to Pay. The Council is aware of a potential case currently under dispute and so cannot be certain as to when any decision will be made.

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

## NOTE 25. OTHER LONG TERM LIABILITIES

31 March 2021		31 March 2022
£'000		£'000
(8,687)	Outstanding Liabilities on PFI and Finance Leases	(7,817)
(1,083,641)	Net Pension Liability	(890,107)
<b>(1,092,328)</b>		<b>(897,924)</b>

## 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 2021-22. These assets are included in the non-current assets shown in Note 15 Property, Plant and Equipment.



# NOTES SUPPORTING THE BALANCE SHEET

	Land & Buildings		Furniture & Equipment	
	2020/21	2021/22	2020/21	2021/22
	£'000	£'000	£'000	£'000
<b>Balance at 1 April:</b>	13,347	11,171	77	66
Additions	114	113	14	3
Revaluations	0	1,672	0	0
Depreciation	(311)	(314)	(25)	(24)
Disposals	(1,979)	0	0	0
Reclassifications	0	0	0	0
De-recognition	0	0	0	0
<b>Net Book Value at 31 March</b>	<b>11,171</b>	<b>12,642</b>	<b>66</b>	<b>45</b>

## 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 2021-22:

2020/21		2021/22
£'000	PFI Lease Liability	£'000
9,261	Liability as at 01 April:	8,496
(765)	Principal Repayments	(864)
<b>8,496</b>	<b>Liability as at 31 March</b>	<b>7,632</b>

## 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 Repaymen	Financing Costs (Interest)	Service Charges	Total Estimated Payments
	£'000	£'000	£'000	£'000
Payable in 2022/23	878	521	2,200	<b>3,599</b>
Payable between 2023-24 and 2025-26	2,076	1,241	7,130	<b>10,447</b>
Payable between 2026-27 and 2028-29	3,857	788	10,935	<b>15,580</b>
Payable between 2029/30 and 2031/32	821	70	2,340	<b>3,231</b>
<b>Total Committed Liabilities as at 31 March 2022</b>	<b>7,632</b>	<b>2,620</b>	<b>22,604</b>	<b>32,856</b>

## 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 treated as a finance lease 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 treated as a finance lease 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 lease is treated as a finance lease 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

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### Lincolnshire County Council as Lessee

#### i) Finance Leases

The Council has acquired the following assets under finance leases:

#### Land and Buildings:

County Farms - the Council holds a small number of holdings under lease which are then sub-let as part of the County Farms estate.

Other Land and Buildings – the Council has a small number of leases which it has classified as finance leases.

#### Vehicles, Plant, Furniture and Equipment:

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

# NOTES SUPPORTING THE BALANCE SHEET

	Land and Buildings	
	2020/21	2021/22
	£'000	£'000
<b>Balance at 1 April:</b>	16,853	16,352
Additions	13	18
Revaluations	256	286
Depreciation	(646)	(571)
Disposals	(124)	(0)
Reclassifications	0	131
<b>Net Book Value at 31 March</b>	<b>16,352</b>	<b>16,216</b>

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.

	2020/21		2021/22	
	Minimum Lease Payments	Finance Lease Liabilities	Minimum Lease Payments	Finance Lease Liabilities
	£'000	£'000	£'000	£'000
<b>Land and Buildings:</b>				
Not later than one year	8	11	8	11
Between one year and not later than five years	37	59	38	58
Later than five years	148	257	140	245
<b>Total Committed Liabilities as at 31 March</b>	<b>193</b>	<b>327</b>	<b>186</b>	<b>315</b>

## ii) Operating Leases

The Council has the following assets under operating leases:

Land and Buildings:

- The Council leases various properties for use in delivering services. The rentals paid during 2021-22 amounted to £1.055m (£1.114m in 2020-21).

Vehicles, Plant, Furniture and Equipment:

- the Council makes operating lease payments for equipment, contract car hire vehicles and fleet hire. The amount paid under these arrangements was £2.471m in 2021-22 (£2.958m in 2020-21).

As at 31 March 2022, the Council is committed to making payments of £9.404m under operating leases, comprising of the following elements:

# NOTES SUPPORTING THE BALANCE SHEET

2020/21		2021/22
£'000		£'000
2,685	Not later than one year	2,163
4,267	Between one year and not later than five years	3,544
3,996	Later than five years	3,698
<b>10,948</b>	<b>Total Committed Liabilities as at 31 March</b>	<b>9,404</b>

## 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 2022 the minimum payments expected to be received under non-cancellable sub-leases was £11.435m

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 £2.134m in 2021-22 (£2.425 in 2020-21). The Council also received rental income from other properties; where the value of the lease is material, the income amounted to £1.562m in 2021-22 (£2.425m in 2020-21).

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

2020/21		2021/22
£'000		£'000
3,032	Not later than one year	2,633
6,504	Between one year and not later than five years	5,926
10,793	Later than five years	10,657
<b>20,329</b>	<b>Total future minimum lease payments receivable as at 31 March</b>	<b>19,217</b>

# NOTE 28. PENSION SCHEMES ACCOUNTED FOR AS DEFINED CONTRIBUTION SCHEMES

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### 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 2021-22 the Council paid £16.737m 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 £3.934m in 2021-22 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 2021-22 the Council paid £0.888m to the administrators of the NHS Pension Scheme in respect of employer contributions. This was made of £0.816m

of employer's contributions to the scheme at a contribution rate of 14.38% together with a lump sum contribution of £0.072m in 2021-22.

## NOTE 29. DEFINED BENEFIT PENSIONS SCHEMES

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### 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 £32.560m (£31.195m in 2020-21) into the Lincolnshire Pension Fund in 2021-22, based on 17.5% of scheme employees' pensionable pay and a lump sum payment of £9.540m (£8.240m in 2020-21).

Under the Council's early retirement policy, additional contributions of £0.676m (£0.347m in 2020-21) 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 £5.525m (£5.811m in 2020-21). Further information can be found on pages 163 to 209 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 181.

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 124.

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

In 2021-22 the Council paid employer's contributions of £6.600m (£5.400m in 2020-21) 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 £3.386m (£1.471m in 2020-21) was paid in respect of ill health retirements and £0.476m (£0.413m in 2020-21) in respect of injury benefits. Further information on the Lincolnshire Fire and Rescue Pension fund can be found on pages 158 to 162.

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

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

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

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

# 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 2022:

2020/21				2021/22		
Assets	Obligations	Net liability/ asset		Assets	Obligations	Net liability/ asset
£'000	£'000	£'000		£'000	£'000	£'000
1,146,771	0	<b>1,146,771</b>	Fair value of employer assets	1,427,398	0	1,427,398
0	(1,679,274)	<b>(1,679,274)</b>	Present value of funded liabilities	0	(2,114,466)	(2,114,466)
0	(84,111)	<b>(84,111)</b>	Present value of unfunded liabilities	0	(85,773)	(85,773)
<b>1,146,771</b>	<b>(1,763,385)</b>	<b>(616,614)</b>	<b>Opening position as at 31 March</b>	<b>1,427,398</b>	<b>(2,200,239)</b>	<b>(772,841)</b>
			<u>Service cost:</u>			
0	(68,911)	<b>(68,911)</b>	Current service cost	0	(83,160)	(83,160)
0	(343)	<b>(343)</b>	Past service costs (including curtailments)	0	(1,255)	(1,255)
(499)	1,210	<b>711</b>	Effect of settlements	(3,145)	6,362	3,217
<b>(499)</b>	<b>(68,044)</b>	<b>(68,543)</b>	<b>Total Service Costs</b>	<b>(3,145)</b>	<b>(78,053)</b>	<b>(81,198)</b>
			<u>Net Interest:</u>			
18,309	0	<b>18,309</b>	Interest income on planned assets	22,373	0	22,373
0	(32,011)	<b>(32,011)</b>	interest cost on defined benefit obligation	0	(36,728)	(36,728)
<b>18,309</b>	<b>(32,011)</b>	<b>(13,702)</b>	<b>Total net Interest</b>	<b>22,373</b>	<b>(36,728)</b>	<b>(14,355)</b>
<b>17,810</b>	<b>(100,055)</b>	<b>(82,245)</b>	<b>Total defined benefit cost recognised in CIES</b>	<b>19,228</b>	<b>(114,781)</b>	<b>(95,553)</b>
			<u>Cash flows:</u>			
10,070	(10,070)	<b>0</b>	Plan participants' contributions	10,287	(10,287)	0
39,435	0	<b>39,435</b>	Employer contributions	42,100	0	42,100
5,811	0	<b>5,811</b>	Contributions re unfunded benefits	5,525	0	5,525
(53,281)	53,281	<b>0</b>	Benefits paid	(52,917)	52,917	0
(5,811)	5,811	<b>0</b>	Unfunded benefits paid	(5,525)	5,525	0
<b>(3,776)</b>	<b>49,022</b>	<b>45,246</b>	<b>Total Cash Flows</b>	<b>(530)</b>	<b>48,155</b>	<b>47,625</b>
<b>1,160,805</b>	<b>(1,814,418)</b>	<b>(653,613)</b>	<b>Expected closing position</b>	<b>1,446,096</b>	<b>(2,266,865)</b>	<b>(820,769)</b>



# NOTES SUPPORTING THE BALANCE SHEET

2020/21				2021/22		
Assets	Obligations	Net liability/ asset		Assets	Obligations	Net liability/ asset
£'000	£'000	£'000		£'000	£'000	£'000
			<u>Remeasurements:</u>			
0	20,467	<b>20,467</b>	Changes in demographic assumptions	0	0	0
0	(429,754)	<b>(429,754)</b>	Changes in financial assumptions	0	97,230	97,230
0	22,521	<b>22,521</b>	Other experience	0	(5,213)	(5,213)
239,716	0	<b>239,716</b>	Return on assets excluding amounts included in net interest	130,445	0	130,445
<b>239,716</b>	<b>(386,766)</b>	<b>(147,050)</b>	<b>Total remeasurements recognised in OCI</b>	<b>130,445</b>	<b>92,017</b>	<b>222,462</b>
1,427,398	0	<b>1,427,398</b>	Fair value of employer assets	1,575,474	0	1,575,474
0	(2,114,466)	<b>(2,114,466)</b>	Present value of funded liabilities	0	(2,093,370)	(2,093,370)
0	(85,773)	<b>(85,773)</b>	Present value of unfunded liabilities	0	(80,411)	(80,411)
<b>1,427,398</b>	<b>(2,200,239)</b>	<b>(772,841)</b>	<b>Closing position as at 31 March</b>	<b>1,575,474</b>	<b>(2,173,781)</b>	<b>(598,307)</b>

Analysis of the Remeasurements recognised in Other Comprehensive Income:

	Year to 31/03/2021	Year to 31/03/2022
<b>Remeasurement of the net assets/(defined benefit)</b>		
Return on Fund assets in excess of interest	267,539	130,445
Other actuarial gains/losses on assets	0	0
Change in financial assumptions	(429,754)	97,230
Change in demographic assumptions	20,467	0
Experience gain/losses on defined benefit obligation	22,521	-5,213
Changes in asset ceiling	0	0
<b>Remeasurement of the net assets/(defined liability)</b>	<b>(119,227)</b>	<b>222,462</b>

# 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 2022:

The current service cost shown in the table above includes the cost for both the non-injury benefits and injury benefits. This is split £6.000m for the non-injury benefits and £0.700m 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 £5.700m for the non-injury benefits and £0.500m for the injury benefits.

2020/21				2021/22		
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	(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)	<b>Opening position as at 31 March</b>	0	(310,800)	(310,800)
			<u>Service cost:</u>			
0	(4,300)	(4,300)	Current service cost	0	(6,700)	(6,700)
0	(4,300)	(4,300)	<b>Total Service Costs</b>	0	(6,700)	(6,700)
			<u>Net Interest:</u>			
0	(5,500)	(5,500)	interest cost on defined benefit obligation	0	(6,200)	(6,200)
0	(5,500)	(5,500)	<b>Total net Interest</b>	0	(6,200)	(6,200)
0	(9,800)	(9,800)	<b>Total defined benefit cost recognised in CI&amp;ES</b>	0	(12,900)	(12,900)
			<u>Cash flows:</u>			
1,400	(1,400)	0	Plan participants' contributions	1,500	(1,500)	0
5,400	0	5,400	Employer contributions	6,600	0	6,600
0	0	0	Transfers to/from other authorities	0	0	0
400	0	400	Contributions in respect of injury benefits	500	0	500
(6,800)	6,800	0	Benefits paid	(8,100)	8,100	0
400	(400)	0	Injury award expenditure	500	(500)	0
800	5,000	5,800	<b>Total Cash Flows</b>	1,000	6,100	7,100
800	(244,800)	(244,000)	<b>Expected closing position</b>	1,000	(317,600)	(316,600)

# NOTES SUPPORTING THE BALANCE SHEET

2020/21				2021/22		
Assets	Obligations	Net liability /asset		Assets	Obligations	Net liability /asset
£'000	£'000	£'000		£'000	£'000	£'000
			<u>Remeasurements:</u>			
0	(3,200)	(3,200)	Changes in demographic assumptions	0	(3,100)	(3,100)
0	(60,700)	(60,700)	Changes in financial assumptions	0	(19,600)	(19,600)
0	(2,900)	(2,900)	Other experience	0	(2,100)	(2,100)
<b>0</b>	<b>(66,800)</b>	<b>(66,800)</b>	<b>Total remeasurements recognised in OCI</b>	<b>0</b>	<b>(24,800)</b>	<b>(24,800)</b>
0	(285,600)	(285,600)	Present value of funded liabilities	0	(267,300)	(267,300)
0	(25,200)	(25,200)	Present value of unfunded liabilities	0	(24,500)	(24,500)
<b>0</b>	<b>(310,800)</b>	<b>(310,800)</b>	<b>Closing position as at 31 March</b>	<b>0</b>	<b>(291,800)</b>	<b>(291,800)</b>

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

2020/21				2021/22		
Liability Split		Duration		Liability Split		Duration
£000	%			£000	%	
149,800	52.45%	24.7	Members	115,500	43.21%	24.8
12,400	4.34%	27.8	Deferred Members	16,100	6.02%	27.3
123,400	43.21%	12.5	Pensioners	135,700	50.77%	12.6
<b>285,600</b>	<b>100.00%</b>	<b>19.6</b>		<b>267,300</b>	<b>100.0%</b>	<b>18.8</b>
14,700	58.33%	24.7	Contingent injuries	11,400	46.53%	24.8
10,500	41.67%	12.6	Injury pension liabilities	13,100	53.47%	12.1
<b>25,200</b>	<b>100.00%</b>	<b>19.7</b>		<b>24,500</b>	<b>100.0%</b>	<b>18.0</b>

# 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							
	2020/21				2021/22			
	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	15,701	0	15,701	1.1%	15,755	0	15,755	1.0%
- Overseas	0	0	0	0.0%	0	0	0	0.0%
<b>Securities</b>	<b>15,701</b>	<b>0</b>	<b>15,701</b>	<b>1.1%</b>	<b>15,755</b>	<b>0</b>	<b>15,755</b>	<b>1.0%</b>
Index Linked Government Securities								
- UK	24,266	0	24,266	1.7%	23,632	0	23,632	1.5%
- Overseas	0	0	0	0.0%	0	0	0	0.0%
<b>Total Index Linked Government Securities</b>	<b>24,266</b>	<b>0</b>	<b>24,266</b>	<b>1.7%</b>	<b>23,632</b>	<b>0</b>	<b>23,632</b>	<b>1.5%</b>
Corporate Bonds								
- UK	139,885	0	139,885	9.8%	144,944	0	144,944	9.2%
- Overseas	0	0	0	0.0%	0	0	0	0.0%
<b>Total Corporate Bonds</b>	<b>139,885</b>	<b>0</b>	<b>139,885</b>	<b>9.8%</b>	<b>144,944</b>	<b>0</b>	<b>144,944</b>	<b>9.2%</b>
Equities								
- UK	228,384	0	228,384	16.0%	248,925	0	248,925	15.8%
- Overseas	578,096	0	578,096	40.5%	627,039	0	627,039	39.8%
<b>Total Equities</b>	<b>806,480</b>	<b>0</b>	<b>806,480</b>	<b>56.5%</b>	<b>875,964</b>	<b>0</b>	<b>875,964</b>	<b>55.6%</b>

# NOTES SUPPORTING THE BALANCE SHEET

Asset Class	Fair value of scheme assets							
	2020/21				2021/22			
	Quoted prices in active markets	Quoted prices not in active markets			Quoted prices in active markets	Quoted prices not in active markets		
	£'000	£'000	Total	%	£'000	£'000	Total	%
<b>Property</b>								
- All	99,918	2,855	102,773	7.2%	108,708	6,302	115,010	7.3%
<b>Total Property</b>	<b>99,918</b>	<b>2,855</b>	<b>102,773</b>	<b>7.2%</b>	<b>108,708</b>	<b>6,302</b>	<b>115,010</b>	<b>7.3%</b>
<b>Others</b>								
- Hedge fund	0	41,395	41,395	2.9%	3,151	43,326	46,476	3.0%
- Private Equity	4,282	94,208	98,490	6.9%	4,726	103,194	107,920	6.9%
- Infrastructure	7,137	38,540	45,677	3.2%	9,453	50,415	59,868	3.8%
- Commodities	7,137	0	7,137	0.5%	9,453	0	9,453	0.6%
- Bonds	45,677	0	45,677	3.2%	71,684	0	71,684	4.6%
- Private Debt	0	17,129	17,129	1.2%	0	15,755	15,755	1.0%
- Other Diversified Alternatives	22,838	4,282	27,120	1.9%	23,632	3,151	26,783	1.7%
- Forward Currency Contracts	0	-1,427	-1,427	-0.1%	0	1,575	1,575	0.1%
- Cash/Temporary Investments	61,378	0	61,378	4.3%	59,080	0	59,080	3.8%
- Debtors	1,427	0	1,427	0.1%	1,575	0	1,575	0.1%
- Creditors	0	-5,710	-5,710	-0.4%	0	0	0	0.0%
<b>Total Other</b>	<b>149,876</b>	<b>188,417</b>	<b>338,293</b>	<b>23.7%</b>	<b>182,755</b>	<b>217,415</b>	<b>400,170</b>	<b>25.4%</b>
<b>Total Assets</b>	<b>1,236,126</b>	<b>191,272</b>	<b>1,427,398</b>	<b>100.0%</b>	<b>1,351,757</b>	<b>223,717</b>	<b>1,575,474</b>	<b>100.0%</b>

All scheme assets have quoted prices in active markets.

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

The estimated return on scheme assets in the year was 10.73% (25.0% 2020-21).

# 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	
	2020/21	2021/22	2020/21	2021/22
	%	%	%	%
Price Increases	2.8	3.2	2.8	3.2
Salary Increases	3.1	3.5	3.3	3.65
Pension Increases (CPI)	2.8	3.2	2.9	3.2
Discount Rate	2.0	2.6	2.0	2.7
Equity investments	22.5	10.7	N/A	
Take up of option to convert annual pension to lump sum prior to 1 April 2008	50		N/A	
Take up of option to convert annual pension to lump sum post 1 April 2008	75		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	21.2	23.7	26.3	28.7
Future Pensioners (*1)	22.1	25.1	27.7	30.1

(\*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.

	<b>+0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>
<b>Adjustment to discount rate</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Present value of total obligation	2,131,838	2,173,781	2,216,592
Projected service cost	68,975	70,952	72,980
<b>Adjustment to long term salary increases</b>	<b>+0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>
Present value of total obligation	2,178,934	2,173,781	2,168,681
Project service cost	70,991	70,952	70,912
<b>Adjustment to pension increases and deferred revaluation</b>	<b>+0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>
Present value of total obligation	2,211,146	2,173,781	2,137,139
Project service cost	72,962	70,952	68,991
<b>Adjustment to life expectancy assumptions</b>	<b>+1 year</b>	<b>None</b>	<b>-1 year</b>
Present value of total obligation	2,275,052	2,173,781	2,077,174
Projected Service cost	74,191	70,952	67,837

Fire Fighters' Pension Scheme:

	<b>Approximate Change to Employer</b>	<b>Approximate monetary Amount</b>
<b>Change in assumptions in year ended 31 March 2022</b>	<b>%</b>	<b>£000</b>
0.5% decrease in Real Discount rate	10.0%	28,660
1 year increase in member life expectancy	3.0%	8,723
0.5% increase in the Salary Increase Rate	1.0%	1,148
0.5% increase in the Pension Increase Rate	8.0%	22,984
1 year increase in member life expectancy on the Current Service	3.0%	168

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

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

## Asset and Liability Matching (ALM) Strategy

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

fall due. This is balanced with a need to maintain the liquidity of the fund to ensure that it is able to make current payments. As is required by the pensions and investment regulations, the suitability of various types of investment have been considered, as has the need to diversify investments to reduce risk of being invested in too narrow a range. A large proportion of the assets relate to equities (72% of scheme assets) and Bonds (13%). The scheme also invests in properties (11%) 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 2023.

	<b>Local Government Pension</b>	<b>Fire Fighters' Pension Scheme</b>
<b>Net (liability) /asset</b>	<b>£000</b>	<b>£000</b>
Projected Current Service Cost	(70,952)	(5,600)
Past service cost including curtailments	0	0
Effect of settlements	0	0
<b>Total Service Cost</b>	<b>(70,952)</b>	<b>(5,600)</b>
<b>Total Net Interest Cost</b>	<b>(14,927)</b>	<b>(7,900)</b>
<b>Total included in Income and Expenditure</b>	<b>(85,879)</b>	<b>(13,500)</b>

The weighted average duration of the defined benefit obligation for scheme members is 20 years in 2021-22. The authority expects to pay £43.184m in contributions to the LGPS in 2022-23.



## NOTE 30. OPERATING ACTIVITIES

The cash flow operating activities include the following items:

2020/21		2021/22
£'000		£'000
(2,520)	Interest received	(1,321)
19,463	Interest paid	18,994
0	Dividends received	0

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

2020/21		2021/22
£'000		£'000
(80,084)	Depreciation	(83,675)
(13,262)	Impairment and downward valuations	288
(2,042)	Amortisation	(2,042)
1,689	Increase/decrease in Creditors	(9,891)
(7,832)	Increase/decrease in Debtors	11,569
4	Increase/decrease in Inventories	334
(41,000)	Movement in Pension Liability	(53,728)
(31,269)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(14,057)
(3)	Other non-cash items charged to the Net Surplus or Deficit on the Provision of Services	1,749
<b>(173,800)</b>	<b>Net surplus/(deficit) on Provision of Services for non cash movements</b>	<b>(149,454)</b>

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

2020/21		2021/22
£'000		£'000
102,600	- Capital Grants credited to Surplus or Deficit on the Provision of Services	82,866
2,677	- Proceeds from sale of property, plant and equipment, investment property and intangible assets	5,226
2,007	- Any other items for which the cash effects are investing or financing cash flows	1,645
<b>107,284</b>	<b>Net surplus/(deficit) on Provision of Services for Investing &amp; Financing activities</b>	<b>89,737</b>

## NOTE 31. INVESTING ACTIVITIES

The cash flow investing activities include the following items:

2020/21		2021/22
£'000		£'000
127,186	Purchase of property, plant and equipment, investment property and intangible assets	143,334
1,243,441	Purchase of short-term and long- term investments	1,100,316
493	Other payments for investing activities	560
(2,677)	Proceeds from sale of property, plant equipment, investment property and intangible assets	(5,226)
(1,172,535)	Proceeds from short-term and long-term investments	(1,173,332)
(95,760)	Capital Grants Received (Government)	(84,879)
(4,333)	Increase/(decrease) in impairment for bad debts	624
(2,500)	Other receipts from investing activities	(2,205)
<b>93,315</b>	<b>Net cash flow from investing activities</b>	<b>(20,808)</b>

## NOTE 32. FINANCING ACTIVITIES

The cash flow financing activities include the following items:

2020/21		2021/22
£'000		£'000
(40,500)	Cash receipts of short and long-term borrowing	(34,500)
784	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-Balance-Sheet PFI Contracts	871
54,922	Repayments of short and long-term borrowing	45,631
<b>15,205</b>	<b>Net cash flow from Financing activities</b>	<b>12,001</b>

# NOTES SUPPORTING THE CASH FLOW STATEMENT

## Reconciliation of Liabilities Arising from Financing Activities:

	2020/21	Financing cash flows	Non-cash changes		2021/22
	£'000		Acquisitions	Other non-cash changes	£'000
Long term borrowing	477,135	(8,329)			468,806
Short term borrowing	15,046	(2,802)			12,244
* Lease liabilities	192	(7)	0	0	185
* On Balance sheet PFI Liabilities	8,495	(863)	0	0	7,632
<b>Total liabilities from financing activities</b>	<b>500,868</b>	<b>(12,001)</b>	<b>0</b>	<b>0</b>	<b>488,867</b>

	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
<b>Total liabilities from financing activities</b>	<b>516,073</b>	<b>(15,205)</b>	<b>0</b>	<b>0</b>	<b>500,868</b>

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

2020/21		2021/22
£'000		£'000
62,720	Gross Partnership Expenditure	63,329
(62,720)	Gross Partnership Income	(63,329)
<b>0</b>	<b>(Surplus)/Deficit</b>	<b>0</b>
<b>43,991</b>	<b>Contribution from Lincolnshire County Council</b>	<b>43,993</b>

This was split across both Health and Social care expenditure in 2021-22. 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 2021-22.

### 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.

2020/21		2021/22
£'000		£'000
83,849	Gross Partnership Expenditure	85,739
(84,224)	Gross Partnership Income	(87,289)
<b>(375)</b>	<b>(Surplus)/Deficit</b>	<b>(1,549)</b>
<b>60,591</b>	<b>Contribution from Lincolnshire County Council</b>	<b>59,694</b>

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

The Mental Health service is run on behalf of the Council by the Lincolnshire Partnership Foundation Trust, also by way of a Section 75 agreement. Specialist Adult Services finished 2021/22 with an underspend of £1.549m 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 being recovered from services not used during the COVID19 pandemic and this has contributed towards the underspend achieved 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).

2020/21		2021/22
£'000		£'000
6,009	Gross Partnership Expenditure	6,507
(6,009)	Gross Partnership Income	(6,009)
<b>0</b>	<b>(Surplus)/Deficit</b>	<b>498</b>
<b>2,668</b>	<b>Contribution from Lincolnshire County Council</b>	<b>2,877</b>

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 overspends 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.

## OTHER NOTES SUPPORTING THE FINANCIAL STATEMENTS

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.

2020/21		2021/22
£'000		£'000
8,622	Gross Partnership Expenditure	11,608
(8,622)	Gross Partnership Income	(11,608)
<b>0</b>	<b>(Surplus)/Deficit</b>	<b>0</b>
<b>725</b>	<b>Contribution from Lincolnshire County Council</b>	<b>725</b>

The figures within the CAMHS are made up mostly from the Child and Adolescent Mental Health services but now also includes promoting Independence for Children and other services that work towards the delivery of Mental Health issues amongst children and the young. The funding was all fully utilised in 2021/22, which also includes the LCC contribution of £725k.

### 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.

2020/21		2021/22
£'000		£'000
4,986	Gross Partnership Expenditure	4,974
(4,986)	Gross Partnership Income	(4,974)
<b>0</b>	<b>(Surplus)/Deficit</b>	<b>0</b>
<b>0</b>	<b>Contribution from Lincolnshire County Council</b>	<b>0</b>

## NOTE 34. MEMBERS ALLOWANCES

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

2020/21		2021/22
£'000		£'000
768	Basic Allowances	775
470	Special Responsibility Allowances	499
1,238		1,274
6	Expenses	22
<b>1,245</b>		<b>1,296</b>

## 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.

2020/21		Pay Band	2021/22	
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
-	-	£130,000- £134,999	1	-
-	-	£125,000- £129,999	-	-
-	-	£120,000- £124,999	-	-
2	-	£115,000- £119,999	1	-
1	-	£110,000- £114,999	1	-
1	-	£105,000- £109,999	3	-
3	-	£100,000- £104,999	1	-
6	1	£95,000- £99,999	8	1
6	-	£90,000- £94,999	11	-
6	-	£85,000- £89,999	6	2
11	-	£80,000- £84,999	10	-
23	-	£75,000- £79,999	18	-
35	-	£70,000- £74,999	40	-
39	-	£65,000- £69,999	39	-
84	1	£60,000- £64,999	95	-
102	-	£55,000- £59,999	114	1
153	-	£50,000- £54,999	192	1
472	2	Total	540	5

## OTHER NOTES SUPPORTING THE FINANCIAL STATEMENTS

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:

2020/21				Pay Band	2021/22			
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
-	-	-	-	£130,000- £134,999	-	1	-	-
-	-	-	-	£125,000- £129,999	-	-	-	-
-	-	-	-	£120,000- £124,999	-	-	-	-
1	1	-	-	£115,000- £119,999	1	-	-	-
-	1	-	-	£110,000- £114,999	-	1	-	-
-	1	-	-	£105,000- £109,999	-	3	-	-
-	3	-	-	£100,000- £104,999	-	1	-	-
3	3	-	1	£95,000- £99,999	2	6	-	1
-	6	-	-	£90,000- £94,999	3	8	-	-
-	6	-	-	£85,000- £89,999	3	3	-	2
6	5	-	-	£80,000- £84,999	4	6	-	-
11	12	-	-	£75,000- £79,999	8	10	-	-
13	22	-	-	£70,000- £74,999	18	22	-	-
22	17	-	-	£65,000- £69,999	16	23	-	-
33	51	-	1	£60,000- £64,999	35	60	-	-
43	59	-	-	£55,000- £59,999	42	72	-	1
61	92	-	-	£50,000- £54,999	74	118	-	1
193	279	0	2	Total	206	334	0	5

### 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
		£	£	£	£
<b>Job Title</b>					
<b>Deborah Barnes - Chief Executive</b>	<b>2021/22</b>	<b>189,883</b>	<b>33,230</b>	<b>0</b>	<b>223,113</b>
	<b>2020/21</b>	<b>187,077</b>	<b>32,738</b>	<b>0</b>	<b>219,815</b>



## OTHER NOTES SUPPORTING THE FINANCIAL STATEMENTS

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	2021/22	139,445	24,403	0	163,848
	2020/21	140,006	24,501	0	164,507
Executive Director of Children's Services	2021/22	139,445	33,021	0	172,466
	2020/21	137,384	32,532	0	169,916
Executive Director - Resources	2021/22	139,445	24,403	0	163,848
	2020/21	137,384	24,042	0	161,426
Executive Director - Commercial	2021/22	139,445	24,403	0	163,848
	2020/21	137,384	24,042	0	161,426
Executive Director - Place	2021/22	139,445	24,403	0	163,848
	2020/21	137,384	24,042	0	161,426
Chief Fire Officer	2021/22	108,818	28,768	0	137,587
	2020/21	123,167	45,140	0	168,307
Deputy Chief Fire Officer & Chief Fire Officer	2021/22	0	0	0	0
	2020/21	108,818	29,539	0	138,357
Director of Public Health	2021/22	129,015	18,552	0	147,567
	2020/21	125,466	18,042	0	143,508

Any Other Emoluments includes the profit element of car hire, medical insurance, special fees, and taxable lease mileage.

All Senior Officers are members of the Local Government Pension Scheme (LGPS) aside from the Director Public Health, who is a member of the National Health Service Pension Scheme (NHSPS), and Chief Fire Officers, who are members of the Fire Pension Scheme (FPS)

## NOTE 36. EXIT PACKAGES

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

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22
							£	£
£0 - £20,000	50	31	3	11	53	42	£323,809	£347,274
£20,001 - £40,000	6	5	0	8	6	13	£156,247	£372,753
£40,001 - £60,000	3	4	1	4	4	8	£216,607	£411,124
£60,001 - £80,000	1	0	0	2	1	2	£79,657	£141,832
£80,001 - £100,000	0	2	0	3	0	5	£0	£413,590
£100,001 - £250,000	1	1	0	2	1	3	£147,969	£369,119
<b>Total</b>	<b>61</b>	<b>43</b>	<b>4</b>	<b>30</b>	<b>65</b>	<b>73</b>	<b>£924,288</b>	<b>£2,055,692</b>

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 2021-22 the Council has incurred liabilities of £2.054m (£0.966m in 2020-21) in relation to termination benefits.

- £1.318m for redundancy payments (£0.619m in 2020-21); and
- £0.736m for pension strain (£0.347m in 2020-21).

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 2021-22.

## NOTE 38. EXTERNAL AUDIT COSTS

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

	2020/21	2021/22
	£'000	£'000
Fees payable to the Appointed Auditor for external audit services	103	119
Fees payable to the Appointed Auditor for other services	6	19
<b>Total</b>	<b>109</b>	<b>138</b>

In 2021/22, payments were made for external assurance work for the Education and Skills Funding Agency for both 2019/20 and 2020/21. In addition, an amount was accrued for this same work for 2021/22. These three amounts totalled £15,750 and are included within the sum reported for fees payable to the Appointed Auditor for other services.

## 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 2021-22 are as follows:

<b>Schools Budget funded by Dedicated Schools Grant</b>	<b>Central Expenditure</b>	<b>Individual Schools Budget</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Final DSG for 2021/22 before Academy and High Needs recoupment			643,628
Academy and High Needs Figure recouped for 2021/22			(376,199)
Total DSG after Academy and High Needs recoupment for 2021/22			267,429
Plus: Brought Forward from 2020/21			11,879
Less: Carry Forward to 2022/23 agreed in			0
Agreed Initial Budgeted Distribution in 2021/22	41,258	237,332	278,590
In Year Adjustments	0	0	0
<b>Final Budget Distribution for 2021/22</b>	<b>41,258</b>	<b>237,332</b>	<b>278,590</b>
less: Actual central expenditure	(37,362)	0	(37,362)
less: Actual ISB deployed to schools	0	(228,332)	(228,332)
plus: Local Authority Contribution 2021/22	0	0	0
<b>In year carry forward 2022/23</b>	<b>3,896</b>	<b>9,000</b>	<b>12,896</b>
plus: Carry forward to 2022/23 agreed in advance	0	0	0
<b>Carry forward to 2022/23</b>	<b>3,896</b>	<b>9,000</b>	<b>12,896</b>
DSG unusable reserve at the end of 2020/21			0
Addition to DSG unusable reserve at the end of 2021/22			0
Total of DSG unusable reserve at the end of 2021/22			0
<b>Net DSG position at the end of 2021/22</b>			<b>12,896</b>

Schools Budget funded by Dedicated Schools Grant	Central Expenditure £'000	Individual Schools Budget £'000	Total £'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 2020/21 agreed in advance			0
Agreed Initial Budgeted Distribution in 2020/21	39,343	231,333	270,676
In Year Adjustments	0	0	0
<b>Final Budget Distribution for 2020/21</b>	<b>39,343</b>	<b>231,333</b>	<b>270,676</b>
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
<b>In year carry forward 2021/22</b>	<b>4,110</b>	<b>7,769</b>	<b>11,879</b>
plus: Carry forward to 2021/22 agreed in advance	0	0	0
<b>Carry forward to 2021/22</b>	<b>4,110</b>	<b>7,769</b>	<b>11,879</b>

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 2021-22 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.

One Councillor has not submitted their declaration of interest form this year.

During 2021-22 the following have been declared:

#### Councillors

1 councillor has not returned a related party form this financial year. Information from other sources has been used for this Councillor.

27 councillors' or their immediate families have provided goods/services to the council to the value of £0.213m, the council has also received £0.014m in income from these related parties.

48 councillors' or their immediate families associated with public bodies that provided goods/services costing £23.332m, the council has also received £4.558m in income from these related parties.

20 councillors are associated with voluntary bodies which provided goods/services to the council at a value of £0.000m, the council has also received £0.018m in income from these related parties.

#### Chief Officers

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

### c) Other Public Bodies

The Council has entered into Pooled Budget arrangements which are shown in Note 33 with Lincolnshire Clinical Commissioning Groups for Specialties including

Learning Disabilities, Integrated Community Equipment, Proactive Care, 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.

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 £0.257m was recharged from the Council to the pension fund for scheme administration and management. The pension fund earned a total interest of £0.199m 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 Council paid £5.565m (£6.695m in 2020-21) acting as an agent of the Clinical Commissioning Groups in order to simplify the payment arrangements to the homes. The total amount paid is recovered from the Clinical Commissioning Groups.

Lincolnshire County Council (LCC) 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 authority controls Transport Connect Ltd through its ownership of the Company which is limited by guarantee. The Council has provided a revolving credit facility of up to £500,000 at an interest rate of 3.5% over Bank of England base rate. A total of £150,000 of this facility was outstanding at 31st March 2022.

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 2022 is £3.669m (2020-21: £3.389m), of which £3.594m :98% (2020-21: 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 2022. Legal Services Lincolnshire (Trading) Limited was created during 2019/20 and has not started trading as at 31<sup>st</sup> March 2022.

### e. Other Public Bodies

The Council acquired a nominal share in Hoople Limited during the year. Hoople Limited is a teckal company and is classed as a related party of the Council. The

nature of the relationship between the Council and Hoople Limited is such that the conditions are not met for Hoople Limited to be treated as either a joint venture or an associate of the Council. The Council paid for the year ending 31 March 2022 £1.447m to Hoople Limited with no income transactions from Hoople Limited.

## NOTE 41. CAPITAL EXPENDITURE AND CAPITAL FINANCING

The table below shows the financing of the £195.693m 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 2021-22 expenditure is provided in the Narrative Report, with details of the asset acquired.

2020/21		2021/22
£'000		£'000
<b>616,308</b>	<b>Opening Capital Financing Requirement</b>	<b>624,400</b>
	<u>Capital Investment:</u>	
131,812	Property, Plant and Equipment	147,798
558	Investment Property	453
182	Intangible Assets	36
36,281	Revenue Expenditure Funded from Capital Under Statute (REFCUS)	47,406
	<u>Sources of Finance:</u>	
(2,677)	Capital Receipts	(5,226)
0	Use of Capital Receipts Reserve	(5,905)
(112,001)	Government Grants and Contributions	(97,803)
(13,339)	Government Grants and Contributions funding REFCUS	(10,879)
	<u>Sums set aside from Revenue:</u>	
(12,490)	Direct Revenue Contributions	(15,466)
(20,235)	Minimum Revenue Provision/Loans fund principal	(12,540)
0	Voluntary Revenue Provision	(26,177)
<b>624,400</b>	<b>Closing Capital Financing Requirement</b>	<b>646,098</b>
<b>8,091</b>	<b>Movement in Year:</b>	<b>21,698</b>
	<b>Explanation of movement in year:</b>	
8,091	Increase in underlying need to borrow (unsupported by government financial assistance)	21,698
<b>8,091</b>	<b>Increase/(Decrease) in Capital Financing Requirement</b>	<b>21,698</b>



In line with our policy on Minimum Revenue Provision, we have made a Voluntary Revenue Provision in 2021/22, which was funded by an underspend on capital financing charges and by a drawdown from the capital financing charges earmarked reserve.

## NOTE 42. CONTINGENT LIABILITIES

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At 31 March 2022 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 employers' 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 employers and public liability ceased writing insurance business in September 1992 and entered a Scheme of Arrangement for an expectation of a solvent run off. This did not occur, and the Scheme was triggered on 1 January 2014, when the Scheme Administrator announced a Levy on Scheme Creditors of 15% on all claims payments made by MMI since September 1993, less the first £50,000. A further levy of 10% was then applied in April 2016. This results in a requirement of a total of 25% of future claim payments to be self-insured. There had been an expectation that the levy might be increased further but with the accounts in June 2017 there was a slight improving position and accordingly no further levy has yet been announced. Again, as part of the annual review by the insurance actuary consideration to the exposure is considered as a part of the 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

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At 31 March 2022 the Council has no material contingent assets.

### NOTE 44. STATEMENT OF ACCOUNTING POLICIES

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#### **1. General Principles and Concepts**

The Statement of Accounts summarises the Council's transactions for the financial year 2021-22 and the position at the year-end 31 March 2022. 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 2021-22 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. There is a further 3 years extension from 2022/23. The Council did

not use this flexibility in either 2020/21 or 2021/22 i.e. capital receipts have not been applied to fund revenue transformation expenditure in these years.

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 1 and 7 years. Useful asset lives are determined by the ICT budget holder and reviewed and updated annually.

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

### **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**

### **Usable Reserves**

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

### **Unusable Reserves**

Certain reserves are kept to maintain the accounting processes for non-current assets, financial instruments, and employee benefits. These accounts do not represent usable resources for the Council. 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. Accumulated deficits must be held in a Dedicated Schools Grant

adjustment account rather than being charged to the General Fund. The Dedicated Schools Grant adjustment account is an unusable reserve. There is currently no accumulated deficit relating to schools' budgets funded by the Dedicated Schools Grant.

### **36. Group Relationships**

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

The Council has not identified and does not in aggregate have any material interests in subsidiaries, associated companies or joint ventures and therefore is not required to prepare group accounts.

### **37. Financial Instruments**

**Financial Liabilities.** Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

All the Council's borrowings are carried at amortised cost and the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and the interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

No repurchase has taken place as part of a restructuring of the loan portfolio that included the modification or exchange of existing instruments. Therefore, gains and losses on the repurchase or early settlement of borrowing are credited and debited to Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement and spread over future years under statutory regulation.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. Regulations state that the period to spread discounts is limited to a minimum period equal to the outstanding term on the replaced loan or 10 years if this is shorter. Premiums may be spread over the longer of the outstanding term on replaced loan or the term of the replacement loans, or a shorter period if preferred. The Council will spread premiums over the term that was

remaining on the loan replaced and spread discounts in line with regulation. When matching premium and discounts together from a re-scheduling exercise, the Council's policy is to spread the gain/loss over a ten year period or the term that was remaining on the loan replaced if greater than ten years. The reconciliation of premiums/discounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund is managed by a transfer to or from the Financial Instruments Adjustment Account through the Movement in Reserves Statement.

The Council receives interest free funding from Salix Finance as part of a revolving fund to finance energy saving projects (Soft Loans Receivables). The benefit of a loan to the Council at a below-market rate of interest is treated as a grant or contribution receivable within the Comprehensive Income and Expenditure Statement. The benefit is measured as a difference between the cash actually advanced to the Council and the fair value of the loan on recognition, discounted at a comparable market rate of interest for a loan. The amortised cost of the loan in the Balance Sheet is reduced as the benefit has been stripped away. The reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

The Council has set a £50k de minimis limit to the value of soft loans receivable or the benefit calculated by discounting of interest rates. Below this amount the above accounting treatment for soft loans receivable is not applied and the soft loan receivable is shown in the accounts at its carrying value.

**Financial Assets.** Financial Assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. There are three main classes that financial assets are measured at:

- Amortised Cost
- Fair Value Through Profit or Loss (FVPL); and
- Fair Value Through Other Comprehensive Income (FVOCI).

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument). These types of assets will be measured at fair value.

### **Financial Assets Measured at Amortised Cost**

Financial Assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured

at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

The following financial assets held by the Council are measured at amortised cost using an effective interest rate that takes account of other considerations attributable to the asset over its lifetime such as premiums paid, or interest forgone. Interest payable in the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement will then be recognised on a smoothing effective interest rate basis over the life of the loan.

- Secondary Certificates of Deposit and Bonds - are purchased at an amount different to par and hence a price premium is usually incurred on purchase. The price of the instrument is the amortised cost at initial measurement (its fair value) debited to Investments on the Balance Sheet. This price premium is factored into the cash flows of the instrument over its life, that will result in a smoothing effective interest rate that when discounted will bring back cash flows to the price paid (initial measurement at fair value).

Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally lower effective rate of interest than the rate receivable from the Instrument, with the difference serving to decrease the amortised cost of the loan in the Balance Sheet over its life.

Transaction costs paid to a custodian for purchasing these instruments are deemed as immaterial and hence charged directly to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement when incurred, not included within the amortised cost calculation of the instrument.

- Soft Loans – The Council can make loans to third parties at less than market rates (soft loans) for service objectives. When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service), for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal.

Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the third party

recipients of the loans, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

The Council has set a £50k de minimis limit to the value of soft loans or the loss calculated by the discounting of interest rates. Below this amount the above accounting treatment for soft loans is not applied and the soft loans are shown in the accounts at their carrying value.

### Expected Credit Loss Model – for Assets Measured at Amortised Cost

The Council recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-month or lifetime basis. Only lifetime losses are recognised for trade receivables (debtors) that are more than 30 days past the due date, held by the Council. These are individually assessed to determine whether or not the trade receivable (debtors) are likely to default on their obligations.

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

Where the counterparty for a financial asset is central government or a local authority for which relevant statutory provisions prevent default, then no loss allowance is required or recognised.

Impairment losses will be charged to the Financing and Investment Income and Expenditure line in the Surplus or Deficit on the Provision of Services and credited to the Financial Assets at Amortised Cost Loss Allowance.

The Council has set a de minimis level of £25k to the resultant impairment loss for financial assets at amortised cost, below which the impairment is deemed immaterial and not recognised.

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

The Council has grouped the loans into the following groups for assessing loss allowances:

- Group 1 – treasury investments governed by the Council's Annual Investment Strategy for Treasury Investments. These are loans made to highly credit rated counterparties under the credit analysis followed within the Investment Strategy. As such they are deemed low risk, so the 12 month Expected Credit Loss model is used. The Historical Default Table issued by Credit Rating Agencies and provided by the Council's Treasury Advisors is used to calculate the expected 12 month impairment losses.
- Group 2 – loans or soft loans to third parties for Service Reasons. These types of loans tend to be higher risk as credit worthiness is often not the prime consideration in making the loan. They will be assessed on an individual basis taking into consideration external credit ratings, economic conditions impacting the third party, the current financial position and financial forecasts of the third party and any history of defaults or extended credit terms. Due to the high risk nature, the lifetime Expected Credit Loss model would normally be followed for these loans (See \*Note below).
- Group 3 – loans to Council owned Companies for Service Reasons. These types of loans tend to be higher risk as credit worthiness is often not the prime consideration in making the loan. They will be assessed on an individual basis taking into consideration external credit ratings, economic conditions impacting the company, the current financial position and financial forecasts of company and any history of defaults or extended credit terms. Due to the high risk nature, the lifetime Expected Credit Loss model would normally be followed for these loans.

\*Note

Where the Council makes loans to companies in financial difficulties to ensure continuation of vital services, fifty percent of the loan is thus deemed credit impaired on origination. This will mean that:

- as lifetime expected credit losses are taken into account in the cash flows used for calculating the effective interest rate, no loss allowance is needed on initial recognition.
- a loss allowance will then be built up on the basis of the cumulative change in lifetime expected credit losses since initial recognition.
- the annual impairment gain or loss will be the change in lifetime expected credit losses over the year.



### **Financial Assets Measured at Fair Value through Profit or Loss (FVPL)**

Financial assets held by the Council that fall into this category include Constant Net Asset Value (CNAV) and Low Volatility Net Asset Value (LVNAV) Money Market Funds.

Financial assets are measured at FVPL where they fail to meet the business model and principal or interest tests of the other two classifications. For the Council, financial assets under this category meet the business model of collecting contractual cash flows, but the cash flows are not solely payments of principal or interest, for example they include dividend payments.

These funds are pooled investment funds that invest in short-term assets that aim to offer returns in line with money market rates and preserve the value of investments. They are instant access, whereby units of the fund are bought and sold, and dividends paid in accordance with daily yields returned, set at the end of each day. The Net Asset Value of these funds only vary by an insignificant amount due to changing values of the assets in the fund, therefore generally the price of the fund (fair value) will equal the carrying amount of units held.

Financial assets measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services, specifically within the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement.

The Council has set a de minimis level to the adjustment to fair value of £50k for financial assets measured at fair value, below which the change in fair value will not be recognised and the asset will be held on the Balance Sheet at its carrying value.

Statutory provision as defined in SI 2018/1207 means that until 31 March 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

## 2021-22

2020/21		Note	2021/22
£'000	Fund Account		£'000
	<b>Contributions Receivable:</b>		
	<u>From employer:</u>		
(3,284)	Contributions in relation to pensionable pay	4	(3,343)
	<u>From members</u>		
(1,464)	Fire-fighters' contributions	4	(1,500)
	<b>Transfers in:</b>		
(18)	Individual transfers from other schemes from Local Authorities	7	(80)
	<b>Benefits payable:</b>		
5,862	Pensions	5	6,215
1,595	Commutations and lump sum retirement benefits	5	3,253
0	Lump sum death benefits	5	0
	<b>Payments to and on account of leavers:</b>		
15	Individual transfer out to other schemes	7	0
0	Refunds of contributions	7	0
<b>2,706</b>	<b>Sub Total Net amount payable for the year before top up grant receivable</b>		<b>4,545</b>
(2,706)	Top up grant receivable from sponsoring department	6	(4,545)
<b>0</b>	<b>Net amount payable/receivable</b>		<b>0</b>

31 March 2021		31 March 2022
£'000	Net Asset Statement as at:	£'000
	<b>Current Assets:</b>	
(694)	Amounts due from LCC	(2,207)
996	Pensions top up grant due	2,447
<b>302</b>	<b>Total Current Assets</b>	<b>240</b>
	<b>Current Liabilities:</b>	
(302)	Unpaid pension benefits	(240)
<b>(302)</b>	<b>Total Current Liabilities</b>	<b>(240)</b>
<b>0</b>	<b>Total</b>	<b>0</b>

## 2021-22

### 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 Council's Financial Statement shows the Council's 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.

## 2021-22

### **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.

2021-22

## 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 2021-22

## Fund Account - For the year ended 31 March 2022

2020/21		Note	2021/22
£'000			£'000
	<b>Contributions and Benefits</b>		
(113,558)	Contributions Receivable	(6)	(120,601)
(7,081)	Transfers In From Other Pension Funds	(7)	(7,977)
<b>(120,639)</b>			<b>(128,578)</b>
98,215	Benefits Payable	(8)	101,369
20,694	Payments To and On Account of Leavers	(9)	6,236
<b>118,909</b>			<b>107,605</b>
<b>(1,730)</b>	<b>Net (additions)/withdrawals from dealings with Fund Members</b>		<b>(20,973)</b>
11,601	Management Expenses	(10)	14,191
<b>9,871</b>	<b>Net (additions)/withdrawals including Management Expenses</b>		<b>(6,782)</b>
	<b>Returns on Investments</b>		
(18,788)	Investment Income	(11)	(8,372)
(519,604)	(Profit)/Loss on Disposal of Investments and Changes in the Value of Investments	(12A)	(273,977)
(29,687)	(Profit)/Loss on Forward Foreign Exchange	(13)	17,444
<b>(568,079)</b>	<b>Net Returns on Investments</b>		<b>(264,905)</b>
<b>(558,208)</b>	<b>Net (Increase)/Decrease in the Net Assets Available for Benefits during the year</b>		<b>(271,687)</b>
(2,219,327)	Opening Net Assets of the Fund		(2,777,535)
<b>(2,777,535)</b>	<b>Closing Net Assets of the Fund</b>		<b>(3,049,222)</b>

## Net Asset Statement as at 31 March 2022

31 March 2021		Note	31 March 2022
£'000			£'000
1,182	Long Term Investment Assets	(12)	1,182
2,760,033	Investment Assets	(12)	3,031,327
(12,429)	Investment Liabilities	(12)	(1)
<b>2,748,786</b>	<b>Total Net Investments</b>		<b>3,032,508</b>
31,779	Current Assets	(19)	24,038
(3,030)	Current Liabilities	(20)	(7,324)
<b>2,777,535</b>	<b>Net Assets of the Fund Available to Fund Benefits at the end of the Reporting Period</b>		<b>3,049,222</b>

**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 2021-22

## 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 2021-22

There are 260 contributing employer organisations in the Fund including the County Council and just over 73,600 members as detailed below (information reported based on March processed data):

	31 March 2021	31 March 2022
Number of employers with active members	249	260
<b>Number of employees in the Fund:</b>		
- Lincolnshire County Council	9,228	9,525
- Other Employers	13,810	14,897
<b>Total</b>	<b>23,038</b>	<b>24,422</b>
<b>Number of Pensioners:</b>		
- Lincolnshire County Council	16,369	15,483
- Other Employers	8,377	8,053
<b>Total</b>	<b>24,746</b>	<b>23,536</b>
<b>Number of Deferred Pensioners:</b>		
- Lincolnshire County Council	17,413	16,731
- Other Employers	8,747	8,919
<b>Total</b>	<b>26,160</b>	<b>25,650</b>
<b>Total number of Members in the Scheme:</b>	<b>73,944</b>	<b>73,608</b>

## 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 2021/22 were determined at the 2019 Valuation, or when a new employer joins the scheme. Rates paid during 2021/22 ranged from 16.3% to 35.2% 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:

# LINCOLNSHIRE PENSION FUND 2021-22

	Service pre April 2008	Service post April 2008
Pension	Each year is worth $1/80 \times$ final pensionable salary.	Each year is worth $1/60 \times$ final pensionable salary.
Lump Sum	Automatic lump sum of $3/80 \times$ 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.

## Note 2. Basis of Preparation

The Statement of Accounts summarises the Fund's transactions for the 2021/22 financial year and its position at year end as at 31 March 2022.

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (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 take into account the actuarial present value of promised retirement benefits. The Code gives administering authorities the option to disclose this information in the net asset statement, in the notes to the account, or by appending an actuarial report prepared for this purpose. The Pension Fund has opted to disclose this information in Note 18.

The accounts have been prepared on a going concern basis.

# LINCOLNSHIRE PENSION FUND 2021-22

## **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 2022/23 the Code introduces the following changes to the accounting standards:

- Adoption of the new accounting standard on leasing, IFRS 16 Leases, for those local authorities who have opted to adopt the standard from 2022/23.
- Annual Improvements to IFRS Standards 2018–2020. The annual IFRS improvement programme has changed four standards for 2022/23. These include: IFRS 1 (First-time adoption); IAS 37 (Onerous contracts); IFRS 16 (Leases) and IAS 41 (Agriculture). It is not envisaged that any of these changes will have a significant effect on pension fund financial statements; and
- Amendments to IAS 16 Property, Plant and Equipment relating to proceeds before intended use.

It is not thought that any of these changes will have a significant impact on the Pension Fund Accounts for 2022/23.

## 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.

# LINCOLNSHIRE PENSION FUND 2021-22

## b. Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund. They are calculated in accordance with the LGPS Regulations 2013:

- Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged.
- Bulk transfers are accounted for in accordance with the terms of the transfer agreement.

## c. Investment Income

### i) Interest income

Interest income is recognised in the Fund account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination.

### ii) Dividend income

Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

### iii) Distributions from pooled funds

Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

### iv) Changes in the net market value of investments

Changes in the net market value of investments are recognised as income/expense and comprise all realised and unrealised profits/losses during the year.

## **Fund account – expense items**

### d. Benefits payable

Pensions and lump sum benefits payable are included in the accounts at the time of payment.

### e. Taxation

The Fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin unless exemption is

# LINCOLNSHIRE PENSION FUND 2021-22

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 accrual 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.

In addition, the Fund has negotiated with 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.

# LINCOLNSHIRE PENSION FUND 2021-22

## **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

### **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.

# LINCOLNSHIRE PENSION FUND 2021-22

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)

# LINCOLNSHIRE PENSION FUND 2021-22

Regulations 2016 but are disclosed as a note for information (see Pension Fund Note 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, which are described above in Note 3, the Fund is required to make judgements about transactions and the value of assets and liabilities where there is an element of uncertainty. Below the Fund has disclosed details of significant judgements, where if a different conclusion were reached, it would result in a material difference in the financial statements or disclosures made.

### **Pension Fund liability**

The net Pension Fund liability is recalculated every three years by the appointed actuary, with annual updates in the intervening years. This estimate can be subject to significant variances based on changes to the underlying assumptions applied. The Fund relies on the appointed actuary's judgement to agree changes to these assumptions. At 31 March 2022 the actuary has reviewed and updated the funding position from the 2019 valuation, details of this are summarised in Pension Fund Note 17.

These assessments are important to the Fund because the triennial actuarial revaluations are used to set future contribution rates and underpin the Fund's investment management policies, including the mix of investment assets held by the Fund to meet future pension liabilities.



# LINCOLNSHIRE PENSION FUND 2021-22

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

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. £387m.</p> <p>2) a 0.25% increase in earnings inflation would increase the value of liabilities by c. £29m.</p> <p>3) a 0.25% increase in the pension increase rate would increase the value of liabilities by c. £178m.</p> <p>4) a one-year increase in assumed life expectancy would increase the liability by c. £191m.</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 +/-8%. This equates to a +/- £6.5m on a carrying value of £81.7m

# LINCOLNSHIRE PENSION FUND 2021-22

Item	Uncertainties	Effect if actual results differ from assumptions
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 is a degree of estimation involved in the valuation.	Unquoted Assets at 31 March 2022 are valued at £344.7m in the financial statements. There is a risk that these investments may be under or over stated in Alternatives by +/-10% or £26.6m on a carrying value of £265.8m. Infrastructure by +/-14% or £8.3m on a carrying value of £59.3m. Other Property by +/-21% or £2.4m on a carrying value of £11.5m. Private Equity by +/-20% or £1.6m on a carrying value of £7.9m.

## Note 6. Contributions Receivable

Contributions receivable are analysed by category below:

	2020/21	2021/22
	£'000	£'000
<b>Employers</b>		
Normal	66,028	68,777
Deficit Recovery Funding	23,655	26,595
Additional - Augmentation	1,182	1,498
<b>Members</b>		
Normal	22,618	23,651
Additional years	75	80
<b>Total</b>	<b>113,558</b>	<b>120,601</b>

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

	2020/21	2021/22
	£'000	£'000
Lincolnshire County Council - Administering Authority	48,066	51,573
Scheduled Bodies	61,797	65,305
Admitted Bodies	3,695	3,723
<b>Total</b>	<b>113,558</b>	<b>120,601</b>

# LINCOLNSHIRE PENSION FUND 2021-22

## Note 7. Transfers In From Other Pension Funds

	2020/21	2021/22
	£'000	£'000
Individual transfers from other schemes	7,081	7,940
Group transfers from other schemes	-	37
<b>Total</b>	<b>7,081</b>	<b>7,977</b>

During 2021/22 Foxfields Academy, a member of C.I.T. Multi-Academy Trust transferred from the Leicestershire Pension Fund into the Lincolnshire Pension Fund. All assets and liabilities relating to Foxfields Academy have been transferred into the Lincolnshire Pension Fund.

There were no material outstanding transfers due to the Pension Fund as at 31 March 2022.

## Note 8. Benefits Payable

Benefits payable are analysed by category below:

	2020/21	2021/22
	£'000	£'000
Pensions	80,633	82,895
Commutations & Lump Sum Retirement Benefits	15,694	16,177
Lump Sum Death Benefits	1,888	2,297
<b>Total</b>	<b>98,215</b>	<b>101,369</b>

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

	2020/21	2021/22
	£'000	£'000
Lincolnshire County Council - Administering Authority	50,978	52,274
Scheduled Bodies	42,855	43,918
Admitted Bodies	4,382	5,177
<b>Total</b>	<b>98,215</b>	<b>101,369</b>

# LINCOLNSHIRE PENSION FUND 2021-22

## Note 9. Payments To and On Account of Leavers

	2020/21	2021/22
	£'000	£'000
Individual transfers to other schemes	4,986	5,302
Group transfers to other schemes	15,481	667
Refunds to members leaving service	227	267
<b>Total</b>	<b>20,694</b>	<b>6,236</b>

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. The original asset transfer was based on estimated performance at 31 March 2021 and took place in 2020/21. The final transfer value, based on actual 31 March 2021 performance was made during 2021/22.

There were no material outstanding transfers due from the Pension Fund as at 31 March 2022.

## Note 10. Management Expenses

	2020/21	2021/22
	£'000	£'000
Administration Costs	985	1,189
Investment Management Expenses	9,861	12,201
Oversight and Governance Costs	755	801
<b>Total</b>	<b>11,601</b>	<b>14,191</b>

The external audit fee for the year was £0.019m (£0.019m in 2020/21).

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

2021/22	Total	Management Fees	Performance Related Fees	Transaction Costs
	£'000	£'000	£'000	£'000
Managed by Border to Coast	3,421	3,105	-	316
Unitised Insurance Policies	533	533	-	-
Unit Trusts	1,846	1,742	(19)	123
Other Managed Funds	6,179	4,301	1,768	110
Cash	-	-	-	-
	<b>11,979</b>	<b>9,681</b>	<b>1,749</b>	<b>549</b>
Custody Fees	222			
<b>Total</b>	<b>12,201</b>			

# LINCOLNSHIRE PENSION FUND 2021-22

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	-	-	-	-
	<b>9,639</b>	<b>8,103</b>	<b>263</b>	<b>1,273</b>
Custody Fees	222			
<b>Total</b>	<b>9,861</b>			

## Note 11. Investment Income

	2020/21	2021/22
	£'000	£'000
Equities	10,978	339
Managed by Border to Coast:		
- Bonds	-	69
Unitised Insurance Policies		
- Global Equities	-	60
Unit Trusts:		
- Property	2,572	2,199
Other Managed Funds:		
- Property	221	294
- Infrastructure	2,853	2,891
- Alternatives	2,006	2,287
Interest on Cash Deposits	87	233
Stock Lending	71	-
<b>Total</b>	<b>18,788</b>	<b>8,372</b>

## Note 12. Investments

	2020/21	2021/22
	£'000	£'000
Unquoted Equity Holding in Border to Coast Pensions Partnership	1,182	1,182
<b>Total Long Term Investment</b>	<b>1,182</b>	<b>1,182</b>

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	2020/21	2021/22
	£'000	£'000
<b>Investment Assets</b>		
<b>Pooled Investment Vehicles:</b>		
Managed by Border to Coast:		
- Global Equities	711,480	743,227
- UK Equities	442,899	477,827
- Multi Asset Credit	-	138,224
- Bonds	195,898	204,927
Unitised Insurance Policies:		
- Global Equities	410,865	464,046
- Bonds	153,513	150,282
Unit Trusts:		
- Property	179,603	193,810
Other Managed Funds:		
- Alternatives	392,139	445,649
- Multi Asset Credit	89,436	-
- Infrastructure	50,793	59,349
- Private Equity	13,712	7,903
- Property	19,946	25,705
<b>Total Pooled Investment Vehicles</b>	<b>2,660,284</b>	<b>2,910,949</b>
<b>Other Investment Assets:</b>		
Derivatives:		
- Open Forward Foreign Exchange (FX)	-	2,758
Cash Deposits	97,725	115,609
Investment Income Due	2,024	2,011
<b>Total Other Investment Assets</b>	<b>99,749</b>	<b>120,378</b>
<b>Total Investment Assets</b>	<b>2,760,033</b>	<b>3,031,327</b>
<b>Investment Liabilities:</b>		
Derivatives:		
- Open Forward Foreign Exchange (FX)	(1,964)	-
Investment Income Payable	(1)	(1)
Amount Payable for Purchases	(10,464)	-
<b>Total Investment Liabilities</b>	<b>(12,429)</b>	<b>(1)</b>
<b>Total Net Investment Assets</b>	<b>2,747,604</b>	<b>3,031,326</b>

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## 12A Reconciliation of Movements in Investments

2021/22	Market Value at 31 March 2021	Purchases and Derivative Payments	Sales and Derivative Receipts	Change in Value during the Year	Market Value at 31 March 2022
	£'000	£'000	£'000	£'000	£'000
<b>Long Term Investments</b>					
Unquoted Equity Holding in Border to Coast Pensions Partnership	1,182	-	-	-	1,182
<b>Total Long Term Investment</b>	<b>1,182</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,182</b>
2021/22	Market Value at 31 March 2021	Purchases and Derivative Payments	Sales and Derivative Receipts	Change in Value during the Year	Market Value at 31 March 2022
	£'000	£'000	£'000	£'000	£'000
<b>Investment Assets</b>					
<b>Pooled Investment Vehicles:</b>					
- Managed by Border to Coast	1,350,277	164,023	(42,957)	92,862	1,564,205
- Unitised Insurance Policies	564,378	5,623	(6,278)	50,605	614,328
- Unit Trusts	179,603	933	(34,037)	47,311	193,810
- Other Managed Funds	566,026	77,662	(188,281)	83,199	538,606
	<b>2,660,284</b>	<b>248,241</b>	<b>(271,553)</b>	<b>273,977</b>	<b>2,910,949</b>
<b>Other Investments:</b>					
Derivatives:					
- Open Forward Foreign Exchange (FX)	(1,964)	3,135,252	(3,113,086)	(17,444)	2,758
	<b>2,658,320</b>	<b>3,383,493</b>	<b>(3,384,639)</b>	<b>256,533</b>	<b>2,913,707</b>
<b>Other Investment Balances:</b>					
- Cash Deposits	97,725				115,609
- Amount Receivable for Sales	-				-
- Investment Income Due	2,023				2,010
- Amount Payable from Purchases	(10,464)				-
<b>Total Net Investment Assets</b>	<b>2,747,604</b>			<b>256,533</b>	<b>3,031,326</b>

# LINCOLNSHIRE PENSION FUND 2021-22

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
<b>Long Term Investments</b>					
Unquoted Equity Holding in Border to Coast Pensions Partnership	833	349	-	-	1,182
<b>Total Long Term Investment</b>	<b>833</b>	<b>349</b>	<b>-</b>	<b>-</b>	<b>1,182</b>
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
<b>Investment Assets</b>					
Equities	495,761	152,141	(826,708)	178,806	-
<b>Pooled Investment Vehicles:</b>					
- Managed by Border to Coast	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)	47,897	566,026
	<b>2,166,094</b>	<b>1,367,170</b>	<b>(1,392,584)</b>	<b>519,604</b>	<b>2,660,284</b>
<b>Other Investments:</b>					
Derivatives:					
- Open Forward Foreign Exchange (FX)	8,335	2,692,776	(2,732,762)	29,687	(1,964)
	<b>2,174,429</b>	<b>4,059,946</b>	<b>(4,125,346)</b>	<b>549,291</b>	<b>2,658,320</b>
<b>Other Investment Balances:</b>					
- Cash Deposits	23,939				97,725
- Amount Receivable for Sales	-				-
- Investment Income Due	3,705				2,023
- Amount Payable from Purchases	(127)				(10,464)
<b>Total Net Investment Assets</b>	<b>2,201,946</b>			<b>549,291</b>	<b>2,747,604</b>



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## 12B Investments Analysed by Fund Manager

Fund Manager	31 March 2021		31 March 2022	
	£'000	%	£'000	%
<b>Investments managed by Border to Coast:</b>				
- Global Equity Alpha	711,480	26.0	743,227	24.4
- Listed UK Equity	442,899	16.2	477,827	15.8
- Multi-Asset Credit	-	-	138,224	4.6
- Investment Grade Credit	195,898	7.2	204,927	6.8
<b>Unitised Insurance Policies:</b>				
- Legal and General (Future World Fund)	410,865	15.0	464,046	15.3
- Blackrock (Bond Portfolio)	153,513	5.6	150,282	5.0
<b>Investments managed outside of the asset pool:</b>				
- Invesco (Global Equities exc. UK)	2,258	0.1	-	-
- Morgan Stanley (Alternative Investments)	398,499	14.1	465,057	15.3
- Morgan Stanley (Private Equity)	14,438	0.5	8,549	0.3
- PIMCO (Multi-Asset Credit)	89,436	3.3	-	-
- Internally Managed (Property Unit Trusts)	182,326	6.7	194,136	6.4
- Internally Managed (Infrastructure)	52,800	1.9	59,590	2.0
- Internally Managed (Other Property)	21,328	0.8	25,855	0.9
- Internally Managed (Cash managed by LCC Treasury Management Team)	50,000	1.8	53,000	1.7
- Unallocated Cash	21,864	0.8	46,606	1.5
<b>Total</b>	<b>2,747,604</b>	<b>100.0</b>	<b>3,031,326</b>	<b>100.0</b>

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 2021		31 March 2022	
	£'000	%	£'000	%
Border to Coast (Global Equity Alpha)	711,480	25.7	743,227	24.4
Border to Coast (Listed UK Equity)	442,899	16.0	477,827	15.7
Border to Coast (Investment Grade Credit)	195,898	7.1	204,927	6.7
Legal and General (Future World Fund)	410,865	14.9	464,046	15.2
Morgan Stanley (Alternative Investments)	392,139	12.9	445,649	14.6

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## 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	1,587	AUD	2,876		(56)
	GBP	11,522	CAD	19,268		(196)
	GBP	15,369	EUR	18,225		(79)
	GBP	399,838	USD	522,235	3,087	
	AUD	247	GBP	139	2	
<b>Total</b>					<b>3,089</b>	<b>(331)</b>
<b>Net Forward Currency Contracts at 31 March 2022</b>						<b>2,758</b>

<b>Prior year comparative</b>				
Open forward currency contracts at 31 March 2021			98	(2,062)
<b>Net Forward Currency Contracts at 31 March 2021</b>				<b>(1,964)</b>

### 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 2021/22 this was a loss of £17.444m (£29.687m profit in 2020/21).

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## Note 14. Fair Value – Basis of Valuation

All investments assets are valued using fair value techniques based on the characteristics of each instrument, where possible using market-based information. There has been no change in the valuation techniques used during the year.

Asset and liability valuations have been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level One – where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities, comprising quoted equities, quoted bonds and unit trusts.

Level Two – where quoted market prices are not available, or where valuation techniques are used to determine fair value based on observable data.

Level Three – where at least one input that could have significant effect on the instrument's valuation is not based on observable market data.

The basis of the valuation of each class of investment asset is set out below.

Description of Asset	Basis of Valuation	Observable and Unobservable Inputs	Key Sensitivities Affecting the Valuations Provided
<b>Level One</b>			
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.
<b>Level Two</b>			
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.

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Description of Asset	Basis of Valuation	Observable and Unobservable Inputs	Key Sensitivities Affecting the Valuations Provided
<b>Level Two (continued...)</b>			
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.
<b>Level Three</b>			
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 in the table over the page the consequent potential impact on the closing value of investments held at 31 March 2022.

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	Potential variation in fair value	Value as at 31 March 2022	Potential value on increase	Potential value on decrease
	(+/-)	£'000	£'000	£'000
Alternatives - Hedge Funds	8%	81,679	88,213	75,145
Alternatives - Unquoted Holdings	10%	265,762	292,338	239,186
Infrastructure	14%	59,349	67,658	51,040
Other Property	21%	11,645	14,090	9,200
Private Equity	20%	7,903	9,484	6,322

## 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 2022 - Observable Fair Value	Quoted Market Price Level 1	Using Observable Inputs Level 2	With Significant Unobservable Level 3	Total
	£'000	£'000	£'000	£'000
<b>Financial assets at fair value through profit and loss:</b>				
Pooled Investment Vehicles:				
Managed by Border to Coast		1,564,205		1,564,205
Unitised Insurance Policies	614,328			614,328
Unit Trusts		193,810		193,810
Other Managed Funds	65,695	46,573	426,338	538,606
Derivatives: Forward Foreign Exchange		2,758		2,758
Cash	17,666			17,666
	<b>697,689</b>	<b>1,807,346</b>	<b>426,338</b>	<b>2,931,373</b>
<b>Financial liabilities at fair value through profit and loss:</b>				
Derivatives: Forward Foreign Exchange		-		-
	-	-	-	-
<b>Financial assets at fair value through other comprehensive income and expenditure:</b>				
Unquoted Equity Holding in Border to Coast Pensions Partnership			1,182	1,182
	-	-	1,182	1,182
<b>Net Investment Assets</b>	<b>697,689</b>	<b>1,807,346</b>	<b>427,520</b>	<b>2,932,555</b>

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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
<b>Financial assets at fair value through profit and loss:</b>				
<u>Pooled Investment Vehicles:</u>				
Managed by Border to Coast		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	377,945	566,026
Derivatives: Forward Foreign Exchange				-
Cash	26,269			26,269
	<b>650,759</b>	<b>1,657,849</b>	<b>377,945</b>	<b>2,686,553</b>
<b>Financial liabilities at fair value through profit and loss:</b>				
Derivatives: Forward Foreign Exchange		(1,964)		(1,964)
	<b>-</b>	<b>(1,964)</b>	<b>-</b>	<b>(1,964)</b>
<b>Financial assets at fair value through other comprehensive income and expenditure:</b>				
Unquoted Equity Holding in Border to Coast Pensions Partnership			1,182	1,182
	<b>-</b>	<b>-</b>	<b>1,182</b>	<b>1,182</b>
<b>Net Investment Assets</b>	<b>650,759</b>	<b>1,655,885</b>	<b>379,127</b>	<b>2,685,771</b>

## 14B Reconciliation of Fair Value Measurements within Level 3

Period 2021/22	Market value at 31 March 2021	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 2022
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Other Property	6,878			7,751	(2,625)	(359)	-	11,645
Infrastructure	50,793			7,190	(2,187)	3,154	399	59,349
Private Equity	13,712			5	(5,887)	(3,593)	3,666	7,903
Alternatives	306,562			58,179	(79,752)	47,908	14,544	347,441
Unquoted Equity Holding in Border to Coast Pensions Partnership	1,182			-	-	-	-	1,182
<b>Total</b>	<b>379,127</b>	<b>-</b>	<b>-</b>	<b>73,125</b>	<b>(90,451)</b>	<b>47,110</b>	<b>18,609</b>	<b>427,520</b>

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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)	21,231	4,071	306,562
Unquoted Equity Holding in Border to Coast Pensions Partnership	833	-	-	349	-	-	-	1,182
<b>Total</b>	<b>515,071</b>	<b>-</b>	<b>(185,151)</b>	<b>66,130</b>	<b>(43,275)</b>	<b>18,672</b>	<b>7,680</b>	<b>379,127</b>

\* 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.

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## 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 2022			
	Fair value through profit & loss	Assets at amortised cost	Liabilities at amortised cost	Fair value through comprehensive income
	£'000	£'000	£'000	£'000
<b>Financial Assets</b>				
Unquoted Equity Holding in Border to Coast Pensions Partnership				1,182
Pooled Investment Vehicles:				
- Managed by Border to Coast	1,564,205			
- Unitised Insurance Policies	614,328			
- Unit Trusts	193,810			
- Other Managed Funds	538,606			
Derivatives: Forward Foreign Exchange	2,758			
Cash	17,666	113,674		
Other Investment Balances		2,011		
Sundry Debtors		248		
	<b>2,931,373</b>	<b>115,933</b>	<b>-</b>	<b>1,182</b>
<b>Financial Liabilities</b>				
Derivatives: Forward Foreign Exchange			-	
Other Investment Balances			(1)	
Sundry Creditors			(5,868)	
	<b>-</b>	<b>-</b>	<b>(5,869)</b>	<b>-</b>
	<b>2,931,373</b>	<b>115,933</b>	<b>(5,869)</b>	<b>1,182</b>



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	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
<b>Financial Assets</b>				
Unquoted Equity Holding in Border to Coast Pensions Partnership				1,182
Pooled Investment Vehicles:				
- Managed by Border to Coast	1,350,277			
- Unitised Insurance Policies	564,378			
- Unit Trusts	179,603			
- Other Managed Funds	566,026			
Derivatives: Forward Foreign Exchange	-			
Cash	26,269	96,522		
Other Investment Balances		2,024		
Sundry Debtors		431		
	<b>2,686,553</b>	<b>98,977</b>	<b>-</b>	<b>1,182</b>
<b>Financial Liabilities</b>				
Derivatives: Forward Foreign Exchange	(1,964)			
Other Investment Balances			(10,465)	
Sundry Creditors			(2,510)	
	<b>(1,964)</b>	<b>-</b>	<b>(12,975)</b>	<b>-</b>
	<b>2,684,589</b>	<b>98,977</b>	<b>(12,975)</b>	<b>1,182</b>

## 15B Net Gains and Losses on Financial Instruments

	2020/21	2021/22
	£000	£000
<b>Financial Assets</b>		
Fair Value through Profit and Loss	519,604	273,977
	<b>519,604</b>	<b>273,977</b>

The fund has not entered into any financial guarantees that are required to be accounted for as financial instruments.

## 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

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or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The Fund is exposed to share and derivative price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital. The maximum risk resulting from financial instruments is determined by the fair value of the financial instrument.

The Fund's investment managers mitigate this price risk through diversification, and the selection of securities and other financial instruments is monitored by the Council to ensure it is within limits specified in the Fund investment strategy.

## Other Price Risk - Sensitivity Analysis

Following analysis of historical data and expected investment return during the financial year, the Fund, in consultation with a fund manager, has determined that the following movements in market price are reasonably possible for 2022/23; 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 2022	Potential market movements (+/-)	Value on Increase	Value on Decrease
	£'000		£'000	£'000
UK Equities	477,827	14%	544,723	410,931
Overseas Equities	1,207,273	14%	1,376,291	1,038,255
Bonds	355,209	6%	376,522	333,896
UK Property	205,125	21%	248,201	162,049
Overseas Property	14,390	18%	16,980	11,800
Alternatives - Hedge Funds	88,609	8%	95,698	81,520
Alternatives - Other	357,040	10%	392,744	321,336
Multi Asset Credit	138,224	10%	152,046	124,402
Infrastructure	59,349	14%	67,658	51,040
Private Equity	7,903	20%	9,484	6,322
<b>Total Assets Available</b>	<b>2,910,949</b>		<b>3,280,347</b>	<b>2,541,551</b>
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	79,483	6%	84,252	74,714
Alternatives - Other	312,656	10%	343,922	281,390
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
<b>Total Assets Available</b>	<b>2,660,284</b>		<b>3,035,889</b>	<b>2,284,679</b>

# LINCOLNSHIRE PENSION FUND 2021-22

## 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.

## 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 2022	Percentage movement on 1% change in Interest Rates	Impact of 1% increase	Impact of 1% decrease
	£'000	£'000	£'000	£'000
Cash and Cash Equivalents	115,609	-	115,609	115,609
Cash Balances	15,731	-	15,731	15,731
Bonds	355,209	3,552	358,761	351,657
<b>Total</b>	<b>486,549</b>	<b>3,552</b>	<b>490,101</b>	<b>482,997</b>

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
<b>Total</b>	<b>472,202</b>	<b>3,494</b>	<b>475,696</b>	<b>468,708</b>

# LINCOLNSHIRE PENSION FUND 2021-22

Income Exposed to Interest Rate Risk	Interest Receivable 2021/22	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	233	2	235	231
Bonds	-	-	-	-
<b>Total</b>	<b>233</b>	<b>2</b>	<b>235</b>	<b>231</b>

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	-	-	-	-
<b>Total</b>	<b>87</b>	<b>1</b>	<b>88</b>	<b>86</b>

## 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 7%, as measured by one standard deviation (8% in 2020/21). A 7% 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 2022	Percentage Market Movement	Value on Increase	Value on Decrease
	£'000	£'000	£'000	£'000
Overseas Alternatives	413,846	28,969	442,815	384,877
Overseas Infrastructure	11,243	787	12,030	10,456
Overseas Private Equity	7,903	553	8,456	7,350
Overseas Property	14,390	1,007	15,397	13,383
<b>Total</b>	<b>447,382</b>	<b>31,316</b>	<b>478,698</b>	<b>416,066</b>

# LINCOLNSHIRE PENSION FUND 2021-22

Asset Exposed to Currency Risk	Value at 31 March 2021	Percentage Market Movement	Value on Increase	Value on Decrease
	£'000	£'000	£'000	£'000
Overseas Alternatives	366,004	29,280	395,284	336,724
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
<b>Total</b>	<b>400,624</b>	<b>32,049</b>	<b>432,673</b>	<b>368,575</b>

## **b) Credit Risk**

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. Assets potentially affected by this are investment assets and cash deposits. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities.

The Fund is additionally exposed to credit risk through its daily treasury activities. Credit risk may also occur if an employing body, not supported by central government, does not pay its contributions promptly, or defaults on its obligations.

The Pension Fund's bank account is held at Barclays, which holds an 'A+' long term credit rating (Fitch Credit Rating Agency) and it maintains its status as a well-capitalised and strong financial organisation. The management of the cash held in this account is carried out by the Council's Treasury Manager, in accordance with an agreement signed by the Pensions Committee and the Council. The agreement stipulates that the cash is pooled with the Council's cash and managed in line with the policies and practices followed by the Council, as outlined in the CIPFA Code of Practice for Treasury Management in the Public Services and detailed in its Treasury Management Practices. At 31 March 2022 the balance at Barclays was £67.731m (£74.066m at 31 March 2021).

The Pension Fund closely monitors employer contributions each month. All contributions from employers due to the Fund for March 2022 were received by the beginning of May 2022. 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.

# LINCOLNSHIRE PENSION FUND 2021-22

## **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 2022, these assets totalled £2,040.309m (£1,914.655m as at 31 March 2021), with a further £131.340m held in cash (£122.791m as at 31 March 2021).

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.

## 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 Taxpayers).
- 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

# LINCOLNSHIRE PENSION FUND 2021-22

- to use reasonable measures to reduce the risk to other employers and ultimately to the Council Taxpayer 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.
- 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.



# LINCOLNSHIRE PENSION FUND 2021-22

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.

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.

# LINCOLNSHIRE PENSION FUND 2021-22

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.

## Assets

Returns over the year to 31 March 2022 have been strong, helping to offset the significant fall in asset values at the end of the 2019/20 Scheme year. As at 31 March

# LINCOLNSHIRE PENSION FUND 2021-22

2022, 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.

Melanie Durrant FIA CERA  
Partner, Barnett Waddingham LLP  
20 May 2022

## 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 2022 (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 2022. We have taken account of current LGPS Regulations, as amended, as at the date of this report.

# LINCOLNSHIRE PENSION FUND 2021-22

The LGPS is a defined benefit statutory scheme administered in accordance with the year and currently provides benefits based on career average revalued earnings. Full details of the benefits being valued are as set out in the Regulations as amended and summarised on the LGPS website here and the Fund's membership booklet.

This report is prepared in accordance with our understanding of IAS26 and complies with Technical Actuarial Standard 100: Principles for Technical Actuarial Work (TAS 100). In calculating the disclosed numbers, we have adopted methods and assumptions that are consistent with IAS19.

This report should be read in conjunction with the post accounting date briefing note for disclosures as at 31 March 2022. A copy of this can be requested from the Fund.

## Valuation Data

### Data Used

In completing our calculations, we have used the following items of data which we received from the administering authority:

- 31 March 2019 - results of the latest funding valuation.
- 31 March 2021 - results of the latest IAS26 report.
- 31 March 2022 - actual Fund returns to.
- 31 March 2022 - Fund asset statement.
- 31 March 2022 - Fund income and expenditure items (estimated where necessary) to; and
- 31 March 2022 - details of any new unreduced early retirement payments out to.

The data has been checked for reasonableness and we are happy that the data is sufficient for the purposes of our advice. 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. We are not aware of any material changes or events since we received the data.

### Employer 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

# LINCOLNSHIRE PENSION FUND 2021-22

## Unfunded benefits

We have excluded any unfunded benefits as these are liabilities of employers rather than the Fund.

## Early retirements

We requested data on any early retirements in respect of the Fund from the administering authority for the year ending 31 March 2022.

We have been notified of 49 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 £413,300.

## Assets

The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2022 is 10.73%, as advised by the Fund. The estimated asset allocation for Lincolnshire Pension Fund as at 31 March 2022 is as follows (noting that due to roundings they may not total 100%):

Asset Breakdown	31 March 2021		31 March 2022	
	£'000	%	£'000	%
Equities	1,960,020	72%	2,192,561	72%
Bonds	376,330	14%	384,648	13%
Property	285,890	10%	334,480	11%
Cash	111,144	4%	119,399	4%
	<b>2,733,384</b>	<b>100%</b>	<b>3,031,088</b>	<b>100%</b>

## Actuarial methods and assumptions

Details of the actuarial methods and derivation of the assumptions used can be found in the 31 March 2022 briefing note issued alongside this report unless noted otherwise below. The key assumptions used are set out over the page.

The financial assumptions have been set with consideration of the duration of the Fund's past service liabilities, estimated to be 20 years.

# LINCOLNSHIRE PENSION FUND 2021-22

Post Retirement Mortality	31 March 2021	31 March 2022
Base table	Club Vita tables	Club Vita tables
Multiplier (MF)	100%	100%
Future Improvements model	CMI_2020	CMI_2020
Long term rate of improvement	1.25% p.a.	1.25% p.a.
Smoothing parameter	7.0	7.0
Initial additional parameter	0.50% p.a. for males, 0.25% p.a. for females	0.50% p.a. for males, 0.25% p.a. for females
2020 weight parameter	25%	25%

Life Expectancy from age 65 years	31 March 2021	31 March 2022
<b>Retiring Today</b>		
Males	21.1	21.2
Females	23.6	23.7
<b>Retiring in 20 years</b>		
Males	22.0	22.1
Females	25.0	25.1

Financial Assumptions	31 March 2021 % p.a.	31 March 2022 % p.a.
Discount Rate	2.0%	2.6%
Pension Increases	2.8%	3.2%
Salary Increases	3.1%	3.5%

We have allowed for actual pension increase experience for the period from 2021-2022. This assumes that pension increases are in line with the annual pension increases set by the HM Treasury Revaluation Order.

## Results

We estimate that the net liability as at 31 March 2022 is a liability of £1,196,655m.

Net pension asset in the statement of financial position as at:	31 March 2021 £'000	31 March 2022 £'000
Present value of the defined benefit obligation	(4,257,607)	(4,227,743)
Fair value of Fund assets (bid value)	2,733,384	3,031,088
<b>Net liability in balance sheet</b>	<b>(1,524,223)</b>	<b>(1,196,655)</b>

# LINCOLNSHIRE PENSION FUND 2021-22

The present value of the defined benefit obligation consists of £4,194,375,000 in respect of vested obligation and £33,368,000 in respect of non-vested obligation.

The figures presented in this report are prepared on an IAS19 basis and therefore will differ from the results of the 2019 triennial funding valuation (as Note 17) because IAS19 stipulates the discount rate applied.

## Note 19. Current Assets

	31 March 2021	31 March 2022
	£'000	£'000
<b>Short Term Debtors:</b>		
Contributions due - Employers	4,575	5,614
Contributions due - Employees	1,387	1,442
Debtors Relating to Members	126	704
VAT Debtor	194	299
Sundry Debtors	431	248
<b>Short Term Debtors</b>	<b>6,713</b>	<b>8,307</b>
Cash Balances	25,066	14,731
<b>Cash Balances</b>	<b>25,066</b>	<b>14,731</b>
<b>Total Current Assets</b>	<b>31,779</b>	<b>23,038</b>

## Note 20. Current Liabilities

	31 March 2021	31 March 2022
	£'000	£'000
<b>Creditors:</b>		
Contributions - paid in advance	(45)	(42)
Creditors Relating to Members	(475)	(1,414)
Sundry Creditors	(2,510)	(5,868)
<b>Total Current Liabilities</b>	<b>(3,030)</b>	<b>(7,324)</b>

## 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 2021/22 had not been received from Prudential plc.

# LINCOLNSHIRE PENSION FUND 2021-22

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

## Note 22. Related Party Transactions

### Lincolnshire County Council

The Lincolnshire Pension Fund is administered by Lincolnshire County Council. During the reporting period, the council incurred costs of £0.258m (£0.247m in 2020/21) 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 £41.404m (£36.270m in 2020/21) to the Fund in 2021/22. 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 £69.945m (£18.931m in 2020/21) and interest of £0.199m (£0.090m in 2020/21) 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. Two Committee members: A Antcliff (Employee Representative) and S Larter (Small Scheduled Bodies Representative) were contributing members of the Pension Fund during 2021/22. Cllr R Waller's daughter and partner (District Council Representative) were also contributing members of the scheme during 2021/22. S Larter (Small Scheduled Bodies Representative) is also a deferred member of the scheme and Cllr M Allen is in receipt of a pension from the Fund.

### Border to Coast Pensions Partnership

Lincolnshire Pension Fund is a minority shareholder in Border to Coast Pensions Partnership. It holds a £1 A share which gives the Fund one vote. The Fund also holds £1.182m (£1.182m in 2020/21) of regulatory share capital (B shares). These are included within long term investments in the net asset statement. At 31 March 2022 the Fund had invested in four sub-funds managed by Border to Coast Pensions Partnership: Global Equity Alpha, UK Listed Equities, Investment Grade Credit and Multi-Asset Credit (details shown in Note 12). During 2021/21 the Fund paid Border to Coast £3.421m (£2.495m in 2020/21) to manage these assets and the company.



# LINCOLNSHIRE PENSION FUND 2021-22

## 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: £0.136m short term benefits (£0.131m in 2020/21) and £0.024m post-employment benefits (£0.023m in 2020/21).

## Note 24. Contingent Liabilities and Contractual Commitments

At 31 March 2022 the Fund had outstanding capital commitments (investments) to twenty-one investment vehicles, amounting to £79.172m (£58.989m as at 31 March 2021). 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 2021/22 (or for 2020/21).

## 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.

# LINCOLNSHIRE PENSION FUND 2021-22

## Glossary of Terms

**Actuary** – An independent consultant who advises the Fund and every three years formally reviews the assets and liabilities of the Fund and produces a report on the Fund's financial position, known as the Actuarial Valuation.

**Admitted Body** – Private contractors that are admitted to the LGPS to protect member pension rights following a TUPE transfer, or a body which provides a public service which operates otherwise than for the purposes of gain.

**Alternatives** – Investment products other than traditional investments of stocks, bonds, cash or property. The term is used for tangible assets such as infrastructure and property and financial assets such as private equity and derivatives.

**Asset Allocation** – Distribution of investments across asset categories, such as cash, equities and bonds. Asset allocation affects both risk and return and is a central concept in financial planning and investment management.

**Asset Pooling** – In the context of the LGPS, this is the collaboration of several LGPS Funds to pool their investment assets in order to generate savings from economies of scale, as requested by MHCLG: 'significantly reducing costs whilst maintaining investment performance'.

**Auto Enrolment** – UK employers have to automatically enrol their staff into a workplace pension if they meet certain criteria and repeat this process every three years to re-enrol any employees who have opted out.

**Bonds** – Certificate of debt issued by a government or company, promising regular payments on a specified date or range of dates, usually with final capital payment at redemption.

**Career Average Revalued Earnings (CARE) Scheme** – The pension at retirement will relate to your average salary over your career (while paying into the pension scheme). More precisely for the LGPS, it is based on pensionable earnings, increased in line with inflation as measured by the Consumer Price Index (CPI).

**CIPFA** – Chartered Institute of Public Finance & Accountancy.

**Consumer Price Index (CPI)** – The rate of increase in prices for goods and services. CPI is the official measure of inflation of consumer prices of the United Kingdom.

**Counterparty** – The other party that participates in a financial transaction. Every transaction must have a counterparty in order for the transaction to complete. More

# LINCOLNSHIRE PENSION FUND 2021-22

specifically, every buyer of an asset must be paired up with a seller that is willing to sell and vice versa.

**Custodian** – Organisation which is responsible for the safekeeping of assets, income collection and settlement of trades for a portfolio, independent from the asset management function.

**Defined Benefit** – An employer-sponsored retirement plan where employee benefits are assessed based on a formula using factors such as salary history and duration of employment.

**Derivative** – Financial instrument whose value is dependent on the value of an underlying index, currency, commodity or other asset.

**Diversification** – Risk management technique which involves spreading investments across a range of different investment opportunities, thus helping to reduce overall risk. Risk reduction arises from the different investments not being perfectly correlated. Diversification can apply at various levels, such as diversification between countries, asset classes, sectors and individual securities.

**Equities** – Ordinary shares in UK and overseas companies traded on a stock exchange. Shareholders have an interest in the profits of the company and are entitled to vote at shareholders' meetings.

**Fiduciary Duty** – A legal obligation of one party to act in the best interest of another. The obligated party is typically a fiduciary, that is, someone entrusted with the care of money or property.

**Final Salary** – One type of defined benefit pension scheme where employee benefits are based on the person's final salary when they retire. The LGPS Scheme has moved from this to a CARE (career average) scheme from 2014.

**Funding Level** – The ratio of a pension fund's assets to its liabilities. Normally relates to defined benefit pension funds and used as a measure of the fund's ability to meet its future liabilities.

**IFRS** – International Financial Reporting Standards. Aim to standardise the reporting and information disclosed in the financial accounts of companies and other organisations globally.

**Infrastructure** – The public facilities and services needed to support residential development, including highways, bridges, schools, and sewer and water systems. A term usually associated with investment in transport, power and utilities projects.

# LINCOLNSHIRE PENSION FUND 2021-22

**Investment Strategy** – The investor's long-term distribution of assets across various asset classes, taking into consideration their objectives, their attitude to risk and timescale.

**Liabilities** – Financial liabilities are debts owed to creditors for outstanding payments due to be paid. Pensions liabilities are the pension benefits and payments that are due to be paid when someone retires.

**Market Value** – The price at which an investment can be bought or sold at a given date.

**Pooled Investment Fund** – A fund managed by an external Fund Manager in which a number of investors buy units. The total fund is then invested in a particular market or region. The underlying assets the funds hold on behalf of clients are quoted assets such as fixed interest bonds and equity shares. They are used as an efficient low-risk method of investing in the asset classes.

**Portfolio** – Block of assets generally managed under a single mandate.

**Private Equity** – Shares in unquoted companies. Usually high risk, high return in nature.

**Return** – Increase in value of an investment over a period of time, expressed as a percentage of the value of the investment at the start of the period.

**Risk** – Likelihood of a return different from that expected and the possible extent of the difference. Also used to indicate the volatility of different assets.

**Scheduled Body** – Public sector employers or designating bodies that have an automatic right and requirement to be an employer within the LGPS.

**Settlement** – Payment or collection of proceeds after trading a security. Settlement usually takes place sometime after the deal and price are agreed.

**Stock Lending** – Lending of stock from one investor to another that entitles the lender to continue to receive income generated by the stock plus an additional payment by the borrower.

**Target** – Managers are set a target for investment performance such as 1% above benchmark per year over three year rolling periods.

# LINCOLNSHIRE PENSION FUND 2021-22

**Triennial Actuarial Valuation** – Every three years the actuary formally reviews the assets and liabilities of the Lincolnshire Fund and produces a report on the Fund's financial position.

# AUDIT OPINIONS 2021-22

This page is intentionally blank until the Auditors have formed their opinion.

# **Draft Annual Governance Statement 2022**



# ANNUAL GOVERNANCE STATEMENT 2022



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# ANNUAL GOVERNANCE STATEMENT 2022

## 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.

Our strong governance arrangements enabled us to continue to adapt and provide our services effectively but also gave us the opportunity to do things differently. We are very proud of how the Council has continued to adapt and support our communities during the pandemic and challenging economic environment – working with private, public and voluntary partners.

We recognise the importance of having good leadership and management, effective processes and other appropriate controls in place to have a well-run Council.

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<sup>[1]</sup>.

## 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

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Councillor Martin Hill OBE  
***Leader of the Council***

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Debbie Barnes OBE  
***Chief Executive***

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Andrew Crookham  
***Executive Director Resources***

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1 CIPFA / SOLACE: Delivering Good Governance in Local Government – Framework and associated guidance (2016).

# ANNUAL GOVERNANCE STATEMENT 2022

## 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).

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.

The final Annual Governance Statement will be formally approved by the Audit Committee and recommended for signing by the Leader of the Council, Chief Executive and the Executive Director – Resources.

# ANNUAL GOVERNANCE STATEMENT 2022

## 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

# ANNUAL GOVERNANCE STATEMENT 2022

## How the Council works

The Annual Governance Statement covers the 2021/22 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 two members and a maximum of ten.**

- In 2021/22 the Leader and eight councillors sat on the Executive.

**The remaining 61 councillors form Scrutiny and Regulatory committees.**

These committees develop policy and scrutinise decisions made by the Executive and Executive Councillors – holding them to account.

A number of these committees deal with regulatory issues.



Scrutiny support arrangements have recently been reviewed by the Centre for Governance and Scrutiny. They concluded that the Council's scrutiny arrangements perform well compared to other authorities – suggesting improvements to enhance decision making.

The Council's governance arrangements responded well to the challenges presented by a return to face-to-face public meetings. Members adapted well to the health and safety disciplines required to ensure that decision-making continued in a legally correct, transparent, and safe way.



# ANNUAL GOVERNANCE STATEMENT 2022

## Outcomes – Working for a better future.

Lincolnshire is a place which we are proud of, and we will continue to ensure that our residents enjoy the lifestyle they deserve. We will work together to enhance services and ensure we can 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 continue working for a better future. We are determined that in the coming years people and communities will have:



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 Council has continued to support high quality education offer across the county. The proportion of schools judged as good or outstanding has improved this quarter and is now 84.1%, this is a 0.9% increase and is now above statistical neighbours by 0.2%.

The work completed over the last twelve months has directed resources to those in greatest need to help them thrive and maximise independence during a particularly challenging year. A new Emotional Based School Avoidance (ESBA) strategy has been developed to provide advice to schools

# ANNUAL GOVERNANCE STATEMENT 2022

in how best to address children's needs where there was an emotional barrier to attending/returning to school.

Lincolnshire has secured funding from the Department for Education for the development of a new children's home, the first to open in September 2022. Along with this, there is further activity underway for another two homes to increase Lincolnshire's capacity even further enabling more children to remain within Lincolnshire and their support network. Lincolnshire's semi-independent living accommodation, alongside the contracted supported living offer is enabling us to safely support a much larger number of older children with more complex needs, keeping them closer to home in Lincolnshire.

Apprenticeships are an important aspect of the Council's Corporate Plan and People Strategy, to aid attraction and retention. There continues to be healthy take up, including across maintained schools and corporate areas. The total number of apprentices is 294 on roll, with a levy allocation of £ 2.7m. This is an increase of 59 apprenticeships since September 2021. 68% of training provision is also being delivered by local providers, which is a further 7% increase

## Enable everyone to enjoy life to the full



The Connect to Support Lincolnshire mobile app was launched in October 2021 and provides a simple, convenient source of information that is accessible to a wide range of people. The Council have worked with colleagues from the Mental Health, Learning Disability and Autism group to identify a proposed set of actions for 2022 to support mental health promotion and mental illness prevention across Lincolnshire enabling individuals to enjoy life to its full potential.

The development of a multi-agency prevention strategy with Lincolnshire Safeguarding Adults Board (LSAB) to protect people from harm and to promote community wellbeing has now been completed. The strategy was agreed by LSAB and Team around the Adult (TAA) strategy was implemented. This has been shortlisted for a national award and has been recognized as an example of excellent practice.

The Suicide Prevention Steering Group, led by Public Health, has developed a new multi-agency action plan for 2022. The actions are in line with the priorities of the 2020-23 Suicide Prevention Strategy and build on work completed in 2021

# ANNUAL GOVERNANCE STATEMENT 2022

There has been a continuation of support for the 'Falls Service', helping those affected to recover better without the need for hospital intervention. A multi-agency summit was recently undertaken, chaired by the Leader of LCC. This has also supported further investment in the Falls Service that will build on the existing service and provide a programme of support to people to help prevent falls from occurring in specified at risk groups. Public Health division are developing a strength and balance programme for fall prevention and a budget of £160,000 a year has been identified to implement the programme for a 2-year period.

Lincolnshire also supports the Alternative Travel Group that is implementing local Cycling and Walking Infrastructure Plans (CWIPs). The Public Health Division has also worked with Development Management and the appointed consultants on outline proposals for a 'Broadgate City Park' in Lincoln.

## 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. Work commenced on the ground on Phase 5 of the Spalding Western Relief Road on 10<sup>th</sup> January 2022. The road network is being further enhanced as work is proceeding to seek approval to enter into a design contract for North Hykeham Relief Road in the summer of 2022 which would enable the project to proceed in line with the current programme.

Lincolnshire County Council continues to champion projects that are outside of the county boundary, but which will improve the lives of those who live, work, and visit Lincolnshire, through improvements to road and rail at Newark.

Lincolnshire continue to support keeping the roads safe to use, including through the purchase of a new fleet of gritting vehicles, on standby, 24/7. This gives Lincolnshire County Council the ability to update its Fleet with the latest technology and brings improvements in delivering the gritting service. As of Winter season 2021/2022, thirteen new machines are on the network out of the forty-seven strong gritter fleet. On order to join the Fleet in September 2022 for the 2022/2023 season are further thirteen, with a further fourteen to follow in September 2023. This will make a total of forty gritters being replaced by the 2023/24 Winter season. The last seven will be replaced in 2025 and 2026 – this will complete the programme.

# ANNUAL GOVERNANCE STATEMENT 2022

## Provide good value council services



As the year comes to end the UK economy is seeing inflation and an increase in interest rates, known as the cost-of-living crisis. The Council will need to adapt its approach to support its residents through the crisis.

The Transformation Programme has been created to provide Lincolnshire County Council with the opportunity for us to learn better from each other and work collaboratively to identify new and improved ways to support wider council objectives. We have for many years undertaken and been excellent at service led transformation; enabling us to become a strong council with nationally recognised services. We want to continue to build on that success for all parts of the council.

The Transformation Programme brings some of our most high-profile projects together to give far greater visibility, corporate oversight and accountability of key activity, assurance of funding being spent on Council priorities and confidence that benefits are being realised. So far, we have achieved the following:

- £1.1m of budget savings achieved through Smarter Working
- £0.9m of budget savings anticipated from the Adults Improvement Project
- £0.8m of budget savings achieved through the Business Support Review
- Increasing number of children returning to Lincolnshire from out of county placements improving outcomes and avoiding future costs
- Greater inclusion for children & young people and a reduction in requests for Education, Health & Care Plan's and resulting plans with cost avoidance of £2.4m.

### Council's Response and Recovery 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.



# ANNUAL GOVERNANCE STATEMENT 2022

Lincolnshire's response to covid, stood up in late January 2020 and overseen by the Strategic Command Group (SCG), under the Local Resilience Forum (LRF) was stood down on 24 February 2022 as the country transitioned into a recovery phase.

Leadership of the recovery fell to the Recovery Strategic Command Group (RSCG) through the leadership of LCC's Executive Director, Place. This helped to provide leadership and co-ordination among all the partner organisations in understanding and responding to the impacts of the pandemic in a proactive and co-ordinated manner.

In its turn, the recovery phase was stood down in December 2021 with organisations largely returning to individual responses and adjusting their operations to a 'new normal'.

## **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. A Covid-19 LOMP was in place from June 2020 and updated in line with national requirements. Following the easing of restrictions in February 2022, the Covid-19 LOMP has been replaced by the 'Living Safely with Covid' Plan (approved by the Local Outbreak Engagement Board at its meeting on 2 March 2022).

## **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. Given the resilience of the national supply chain (largely due to 70% of PPE now being produced by UK manufacturing firms), Government has now ceased to provide the LRF with PPE and all those eligible for free PPE are now able to continue accessing this via the national PPE Portal. A plan is in place to distribute and reduce the remaining surplus stocks of PPE held by the LRF whilst retaining a local emergency stockpile for the purposes of resilience to deal with potential future surges of COVID-19, outbreaks in the community and care sector and future pandemic preparedness.

## **Outbreak Management Approach**

The Local Outbreak Control Plan identified all high-risk settings and proactively provided those settings with targeted advice to enable them to take steps to prevent infection and therefore cases from arising. The high-risk settings included 289 care homes, schools and early year settings, two universities, two prisons and one detention centre, a large number of houses 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 was identified including how to deal with the premises and the individuals and equipment within it. These action cards remain in place presently. In accordance with good health protection practice the main emphasis is to provide advice and guidance to settings, thereby assisting them to help contain the outbreak. The aim is therefore to continue to work, through persuasion and co-operation, in getting agreement to take voluntary actions necessary to prevent further spread of the infection.

# ANNUAL GOVERNANCE STATEMENT 2022

## Living Safely with Covid (Test and Trace)

Throughout the pandemic, the targeted community testing programme supported local hard to reach populations to access free lateral flow testing. The programme handed out 255,361 test kits and provided 39,053 supervised tests during the life of the programme. The PCR network and mobile testing provisions continued to operate throughout 2021 and up to the end of March 2022. This network provided PCR testing in; Lincoln, Gainsborough, Grantham, Boston, Skegness Louth, Horncastle Mablethorpe, Stamford, and Spalding.

The local contact tracing offer continued last year alongside the PCR and LFT coverage, supporting 8,965 individuals with a local contact tracing offer to gather vital information and provide advice and guidance where needed. As part of the national approach to living safely with covid, free testing, both symptomatic and asymptomatic were paused at the end of March 2022. The PCR testing network is currently being dismantled, with work expected to be completed across all PCR sites across the county by June 2022.

Only the following are now able to access free testing:

- Individuals eligible for COVID-19 treatments
- Individuals being admitted into hospital
- Those who work in the NHS or in adult social care
- Those who's GP or healthcare professional has recently asked them to get a test.

Free testing will also remain, via institutional testing, within care homes and hospital settings. Local health protection teams will continue to support the settings with a contact tracing offer, moving away from the paused national model for contact tracing.

The outreach testing bus which supported the targeted testing programme during 21-22 has now been repurposed to provide outreach vaccination provisions in hard to reach and underserved areas across Lincolnshire.

## Outbreak Management Governance Arrangements

### a) Strategic oversight

A Local Outbreak Engagement Board (LOEB) for Lincolnshire provided political ownership and governance for the local outbreak management response and ensured consistent messaging with Lincolnshire's population by overseeing public facing engagement and communication. The LOEB discharged its responsibilities by means of recommendations to appropriate governance boards and relevant partner organisations. The LOEB was 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. LOEB was formally stood down on 2 March 2022.

The Covid-19 Health Protection Board (HPB) chaired by the DPH as an advisory board to LOEB was stood down on 4 April 2022. The remaining covid work is now incorporated into the main Health Protection Board, the membership of which includes senior officers from all relevant partner organisations. The Public Health Intelligence Team continues high level epidemiology and monitoring in relation to covid testing, cases, outcomes and system service pressures that has informed decision making throughout the pandemic.

# ANNUAL GOVERNANCE STATEMENT 2022

## **b) Operational planning & Coordination**

The System Co-ordination Centre (SCC) was set up as part of the LRF cell structure in September 2020 and continued to play a vital role in the covid response until being stood down in April 2022. The SCC had an operational level oversight of the response. This included 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, UKHSA, communications, and the third sector, to ensure a system response is delivered accordingly. The SCC ensured that if pressures on the system increased then resources from the Public Health division were diverted to the COVID-19 response as and where necessary.

The Covid-19 Outbreak Management and Rapid Response Sub-Cell also sat within the LRF structure to oversee the implementation of outbreak management plan and deliver specific actions. It was chaired by the Public Health Programme Manager (Health Protection) 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. Both of these boards have now been stood down with the responsibility now sitting within the ongoing work programme of the Health Protection Team.

## **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 2021](#) which focused on the impact and recovery of Covid-19 on Lincolnshire.

## **Support for Self-Isolation**

The Community and Volunteer Cell (CVC) of the LRF which had operated since late March 2020, stood down in early 2022. The CVC Cell brought together the LRF, district councils, LCC Customer Service Centre, Wellbeing Service, and community and volunteer groups to provide support people during self-isolation and shielding, and to coordinate and organise voluntary organisations, spontaneous volunteers and community assets and support to mitigate negative impacts. The LCC CSC dedicated website and Covid-19 helpline, in place since 29 March 2020 as a first point of contact for vulnerable people were stood down on 31 March 2022. At this point, self-isolation payments made via District Councils also ceased.

## **Integrated Care System**

As part of the Health and Care Act 2022, the Council is required to work with our NHS partners to formalise the arrangements that will form our local Integrated Care System (ICS), known as Better Lives Lincolnshire. This includes nominating a representative to sit of the Integrated Care Board (ICB) and working jointly with the ICB to set up our local Integrated Care Partnership (ICP). This will strengthen further our relationships across the system to enable us to better deliver quality health and care services for Lincolnshire residents.

# ANNUAL GOVERNANCE STATEMENT 2022

## **Greater Lincolnshire Public Health Pilot**

On 10 December 2021, the Greater Lincolnshire Joint Oversight Committee agreed in principle to pilot a single public health arrangement across Greater Lincolnshire for 12 to 18 months starting on 21 February 2022 and agreed that each constituent local authority seeks, in principle, approval to proceed in accordance with any necessary constitutional requirements.

During the pilot, the LCC Director of Public Health (DPH) is seconded, on a fixed term basis, to NLC and NELC to act as their DPH with all the relevant authority which comes with the post.

A Greater Lincolnshire Public Health Oversight Board (GLPHOB) has been established to oversee and provide a steer for the pilot. This will include making recommendations to the constituent local authorities at the 12 month point on whether the single Greater Lincolnshire Public Health model should be formalised, stood down or extended in time as a pilot to allow further evaluation. The board is made up of Executive Councillors and senior officers from each authority along with Integrated Care System representatives.

The Local Government Association has been commissioned to carry out an independent evaluation of the pilot with the outcome feeding into the decision-making process about next steps at the 12 month point

# ANNUAL GOVERNANCE STATEMENT 2022

## Value for money

The council has a duty to demonstrate value for money in how it operates. Our auditors are required to report on our arrangements for securing economy, efficiency and effectiveness ensuring the maximum benefits with the resources available to us.

<b>ECONOMY</b>  Minimising cost of resources used ( <b>inputs</b> )  <i>Spending less</i>	<b>EFFICIENCY</b>  Relationship between <b>outputs</b> and resources used to produce them  <i>Spending well</i>	<b>EFFECTIVENESS</b>  Expected <b>outcomes</b> compared to those achieved as result of spending  <i>Spending wisely</i>
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The Council's initial self-assessment against areas of reporting and 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 and adequate earmarked reserves to support the continued volatility of funding and demand on our services

The Council has had a medium-term financial strategy for a number of years now which has combined:

- service efficiency savings
- modest service reductions
- prudent use of reserves

The government has committed to review the resources and revenue requirements for local government but has once again provided us a single year funding settlement. To reflect this funding uncertainty and in line with its current financial strategy, **the Council has set a one-year budget up to March 2023.**

**The Council is constantly monitoring its long-term financial position** and our medium term financial strategy includes Medium Term Financial Plan (MTFP) which forecasts our financial position over four years to March 2026. Future years consider known cost pressures, planned savings and use of reserves to produce a balanced budget. The MTFP predicts a budget shortfall and modest use of reserves in each year for the period of the MTFP.

The **Budget setting process for 2022/23** built into our base budget cost pressures which have continued to emerge prior to and during the Covid-19 pandemic. To support financial resilience, our contingency budget was significantly increased to reflect the current rises in inflation and cost of goods and services.

## ANNUAL GOVERNANCE STATEMENT 2022

Following Covid restrictions being removed and a successful vaccination programme, the government has indicated that general grants supporting Covid costs will not continue beyond the current year. **The Council has actively sought to maximise the use of Covid grants when resources have been redirected to support the Covid response.** This has ensured this funding is retained within Lincolnshire to benefit our residents and has created underspends on our business as usual budgets. This will support the Council's financial position as we continue to monitor any ongoing impact of the pandemic on our budgets.

**The 2022/23 budget includes low risk efficiency savings and income increases but does not include any significant service reductions.**

Our savings strategy looks to optimize our back-office services and is supported by our Transformation Programme which incorporates process 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.

The **10-year capital programme** has been refreshed to reflect current scheme costs 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 working to provide on-going challenge and transparency to projects within the programme.

Our **in-year budget monitoring** continues to improve with increased reporting to members and the Corporate Leadership Team 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, the grants supporting it and the impact this has on our service budgets.

We will continue to develop our financial reporting to identify key risks to delivery and financial sustainability. We will look to ensure our budgets align and support the ambitions within the Council's Corporate Plan.

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 introduced the Financial Management (FM) Code designed to support good practice in financial management and demonstrating financial sustainability. Proportionate compliance with the code is required from April 2021 and our self-assessment is that we have proportionate compliance as required. Areas for continued improvement have been identified and an action plan is being put into place.

# ANNUAL GOVERNANCE STATEMENT 2022

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.

As in previous years, **the public are generally satisfied** with the standard of services delivered. Ofsted assessed our Children's Services are **outstanding** in 2019. An Ofsted focused visit undertaken in March 2022 acknowledged that services for children had remained a high priority throughout the pandemic and resources had been protected and enhanced since the last inspection in 2019. They found that the Council ensured families received the right help at the right time, with a clear focus on the needs of the children. This led to a strong focus on reducing risk faced by children and improving their chances in life.

Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services published the outcome of their inspection of Lincolnshire Fire and Rescue Service (December 2021) – which received a **requires improvement** rating. They confirmed that whilst the service **has made good progress** since the last inspection in 2018, **progress has been slow**, and the service still has **a lot of work to do**. An action plan is place to address recommended improvement which is monitored through our performance management framework. Our Annual Governance Statement for 2023 will provide an update on progress and the status of any improvement plans arising from these inspections.

We also work with our care providers promoting high quality care - providing appropriate support where the Care Quality Commission or our own contract management arrangements identified areas of improvement.

The Council has four 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 nominated Director and shareholder representative that attend Board meetings and who receive regular management accounts from the company's accountants. The LCC Strategic Finance Team review management accounts with the shareholder representative on a monthly basis, annual accounts are also received and reviewed by officers. The Company continues to achieve the primary objectives set at the time of its inception. It operated throughout the Covid pandemic, providing essential transport services for key workers, communities and scholars and although trading conditions in the transport market have been difficult post-pandemic, through robust financial management, the Company achieved a surplus in 2021/22, whilst servicing all loans and operating in line with Teckal Company requirements. Projections indicate that the Company will continue to trade at a surplus for the foreseeable future.

**Legal Services Lincolnshire (Trading) Ltd** – In 2020 the Council approved the creation of a company to provide legal services to other public bodies to which the Council would not otherwise be able to provide services. The company is awaiting confirmation of a licence from the Solicitor's Regulation Authority before it can begin trading.



# ANNUAL GOVERNANCE STATEMENT 2022

**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 260 contributing employer organisations and just over 73,600 members. This is made up of 24,422 active contributing members, 25,650 deferred members (who are no longer contributing to the scheme but will be entitled to a pension when they retire) and 23,536 pensioners.

The Fund's value is currently £3.049bn. It 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 2021/22

To ensure the Pension Fund is achieving its overarching objectives:

- The pensions administration service, provided by WYPF in a shared service, is monitored and reported to the Pensions Committee and Board on a quarterly basis. During 2021/22 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.



## ANNUAL GOVERNANCE STATEMENT 2022

Where employers fall short of expected standards, the Fund actively manages this through assistance and education.

- Investment performance of the assets held by the Fund is also report and monitored by the Pensions Committee on a quarterly basis. There have been no concerns regarding manager performance during 2021/22.

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 2021/22 were completed except for the implementation of the Good Governance Review. This was deferred as the guidance was not published during the year. Consultation on the Good Governance Review is now expected in the Autumn of 2022, once enacted the Fund will review and implement its recommendations.

During 2021/22 no significant governance concerns or areas for improvement where identified.

# ANNUAL GOVERNANCE STATEMENT 2022

## 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 2022](#)

### 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.

# ANNUAL GOVERNANCE STATEMENT 2022

## **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 ongoing 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 impact of Covid-19 on children and young people 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.**

# ANNUAL GOVERNANCE STATEMENT 2022

## 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.

More details on Audit Committee work can be found in the [Audit Committee Annual Report 2021](#).

[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.

# ANNUAL GOVERNANCE STATEMENT 2022

The full terms of reference for the Pensions Committee are set out in Part 2 of the Council's Constitution, which you can find embedded within this document.

## **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 2022](#).

# ANNUAL GOVERNANCE STATEMENT 2022

## How we carry out assurance

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.

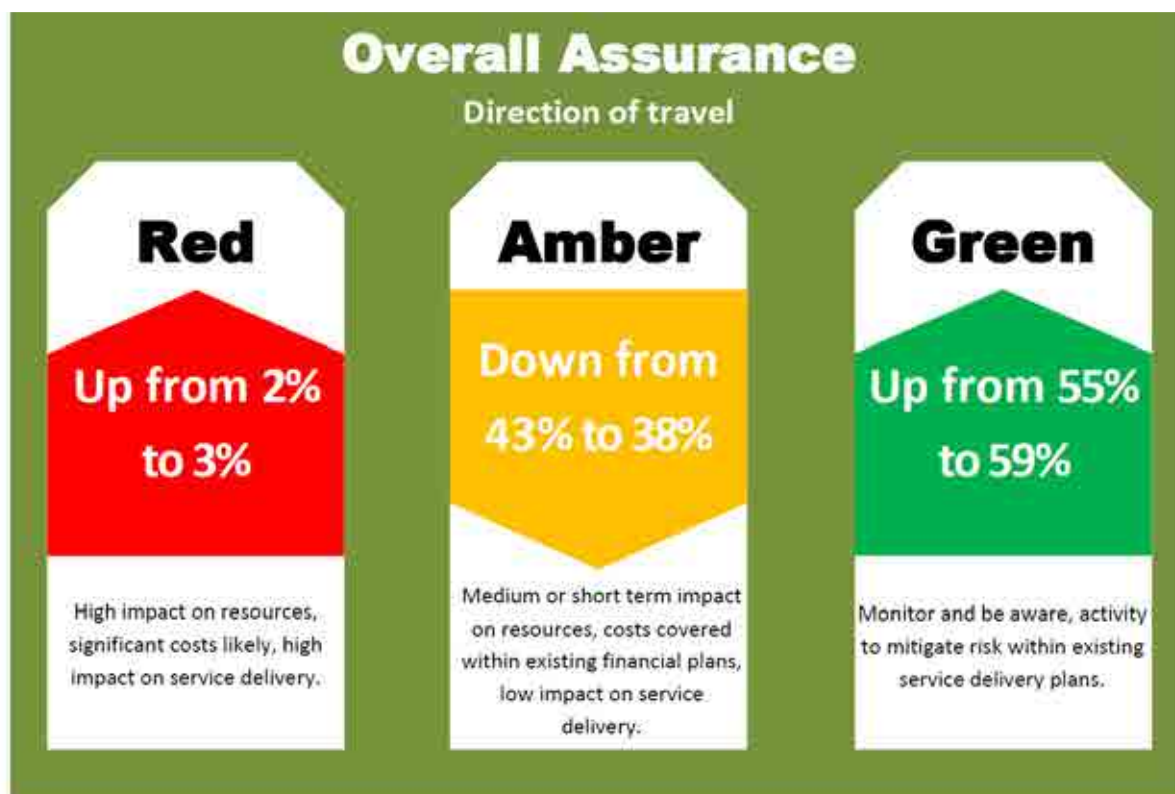
Considering other information and business intelligence that feed into and has potential to impact on assurance

# ANNUAL GOVERNANCE STATEMENT 2022

## 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. We therefore identified a number of areas of continuous improvement as part of our review to help us move forward.

More details on the Combined Assurance report can be found in the [Audit Committee –7<sup>th</sup> February 2022](#).



We therefore identified a number of areas of continuous improvement as part of our review to help us move forward: These will be discussed with the Governance Group and Corporate Leadership Team.

### Governance and Oversight

- Accountability & Assurance Framework – raising awareness and understanding of Council's governance / decision making process – including financial regulations / procedures. Workshops are planned in 2022.
- Commercial Activities – Review effectiveness of governance and oversight ensuring appropriate transparency and accountability framework in place. Reference CIPFA good practice guide on 'Local authority owned companies' – 2022 edition.
- Partnership Governance & Oversight – improve insight and oversight of our corporate plan ambitions / priorities delivered through partnership and / or collaboration.

# ANNUAL GOVERNANCE STATEMENT 2022

## **Demand Management**

- Building upon our current systems and processes 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.
- Capacity to deliver – responding to the changing regulatory framework. Ensuring that our change programme is effectively delivered. Understanding the impact on our business and usual activities and workforce and we implement these changes.

Implementation of agreed actions will be monitored through the Council's performance management systems – including its transformation programme and success framework.



# ANNUAL GOVERNANCE STATEMENT 2022

## 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

It has been another challenging year for the Council – responding, supporting, and recovering from the pandemic. Its systems and processes have operated effectively during this time both remotely and more latterly in a hybrid way – with staff working at home and in the office.

For the twelve months ended 31 March 2022 - 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 2022

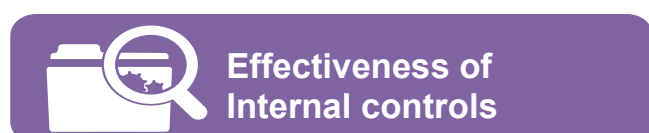
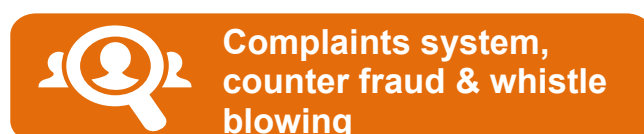
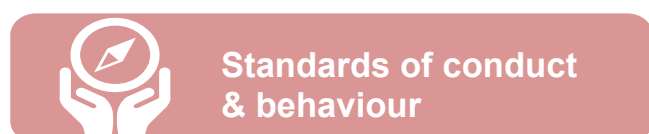
<b>Governance</b> 	<b>Performing Well</b> - No concerns that significantly affect the governance, risk and control framework and successful delivery of the Council priorities.
<b>Risk</b> 	<b>Performing Well</b> - No concerns that significantly affect the governance, risk and control framework and successful delivery of the Council priorities.
<b>Internal Control</b> 	<b>Performing Adequately</b> – Some improvement required to manage a high risk in a specific business area and medium risks across the Council.
<b>Financial Control</b> 	<b>Performing Well</b> - No concerns that significantly affect the governance, risk and control framework and successful delivery of the Council priorities.

# ANNUAL GOVERNANCE STATEMENT 2022

## Appendix 1 – Governance framework

### Where do we need assurance?

### Where can / do we get assurance from?



# ANNUAL GOVERNANCE STATEMENT 2022





## 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.


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	Excellent outcome of Ofsted focused inspection.  Majority of KPIs being met and any outstanding, having action plans in place.  Assurance frameworks in place.	Amber	Substantial	↑
Safeguarding adults	Prevention strategy in place.  Multiagency Safeguarding policy in place and being implemented.  Assurance frameworks in place.	Amber	Substantial	↑
Business continuity & resilience	Programme in place to review & test continuity & recovery plans.  Ongoing development of training for Lincolnshire Resilience forum	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,  Robust contract management – new contract specification 1/4/22.  Carer attraction campaign in progress.	Amber	Limited	=

## ANNUAL GOVERNANCE STATEMENT 2022

Risk	Mitigating Actions	Risk Rating	Level of Assurance	Direction of Travel
Ability to deliver our programme of designated projects	Robust programme and project arrangements in place.  Corporate oversight on progress, delivery, risk and assurance.	Amber	Substantial	
Funding & maintaining financial resilience	Balanced budget with MTFP in place.  Good financial management & monitoring.	Amber	Substantial	=
Ability to recruit & retain staff in high risk areas	Proactive work continuing in this area	Amber	Limited	
Ensuring contracts & markets (other than adult care) are fit for purpose	Commercial team supports the business with ongoing 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 an inherently high risk area 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	On-going investment and delivery in IT projects and infrastructure.  Review of delivery arrangements post 2024.	Amber	Limited	

# ANNUAL GOVERNANCE STATEMENT 2022

Risk	Mitigating Actions	Risk Rating	Level of Assurance	Direction of Travel
Outstanding debt - Securing efficient and effective end-to-end processes for the recovery of income due to the Council.	Established systems in place  Implementation of action in the improvement plan.  Internal Audit planned 2022/23.	Amber	Substantial	
Serco Contract - Exit of Serco contract ending and transition into the new arrangements	Programme Director in place to lead transition and implementation.  Governance and oversight arrangements in place.	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 2022

## GLOSSARY

<b><u>A</u> Academy Schools</b>	<b>Academy schools are directly funded by central government (the Department for Education) and are independent of local Council control.</b>
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"> <li>• 'Current assets' are intended for use or to be sold within the normal operating cycle. They are held for</li> </ul>

## 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"> <li>• '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).</li> <li>• 'Donated assets' are assets which transferred to the Council at nil value or acquired at less than fair value.</li> <li>• 'Heritage Assets' are of an historic nature, including buildings and collections, which are held by the Council.</li> <li>• 'Intangible Assets' are without physical substance. Examples include computer software and licences.</li> </ul>
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.
<b>B Balances</b>	<b>The total revenue reserves required to provide a working balance during the financial year, for example in periods when expenditure exceeds income.</b>
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.

## GLOSSARY

Borrowing costs	Interest and other costs that an entity incurs in connection with the borrowing of funds.
Budget	The forecast of net revenue and capital expenditure over the accounting period.
<b>C Capital Charges</b>	<b>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).</b>
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).



## GLOSSARY

Cash Flow Statement	This consolidated statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes
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.
<b><u>D</u> Debtors</b>	<p><b>Sums of money owed to the Council but unpaid at 31 March.</b></p> <p><b>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.</b></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

## GLOSSARY

	all costs of meeting the quoted benefits are the responsibility of the employer.
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 asset's 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.
<b>E</b> 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.
<b>F</b> Fair Value	The amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's-length deal.

## GLOSSARY

Fiduciary Duty	A legal obligation of one party to act in the best interest of another. The obligated party is typically a fiduciary, that is, someone entrusted with the care of money or property.
Final Salary	One type of defined benefit pension scheme where employee benefits are based on the person's final salary when they retire. The LGPS Scheme has moved from this to a CARE (career average) scheme from 2014.
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.
<b>G</b> General Fund	<b>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.</b>
Going Concern	The going concern accounting concept assumes that the organisation will not significantly curtail the scale of its operation in the foreseeable future.
Government Grants	Payments by central government towards Council expenditure. They are receivable in respect of both revenue and capital expenditure.

## GLOSSARY

Grants and Contributions	Assistance in the form of transfers of resources to the Council in return for past or future compliance with certain conditions relating to the operation of activities.
<b>I IFRS</b>	<b>International Financial Reporting Standards. Aim to standardise the reporting and information disclosed in the financial accounts of companies and other organisations globally.</b>
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.
<b>L Leases</b>	<p><b>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.</b></p> <ul style="list-style-type: none"> <li><b>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.</b></li> <li><b>Operating Lease – a lease where the risks and rewards, and therefore ownership, of the asset remains with the lessor.</b></li> </ul>

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Lessee	The person or organisation that is using or occupying an asset under lease (tenant).
Lessor	The person or organisation that owns an asset under lease (landlord).
Liabilities	A present obligation to transfer economic benefits. Current liabilities are payable within one year.
Liquid Resources	Cash and current asset investments that can be easily converted to known amounts of cash without penalty or can be traded in an active market.
Long-Term Contract	A contract entered into for the design, manufacture or construction of a single substantial asset, or the provision of a service (or a combination of assets and services which together constitute a single project), where the project life falls into more than one accounting period.
<b><u>M</u> Market Value</b>	<b>The price at which an investment can be bought or sold at a given date.</b>
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).
<b><u>N</u> Net Book Value</b>	<b>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.</b>
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.
<b><u>O</u> Off Balance Sheet</b>	<b>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'.</b>

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Operations (Acquired & Discontinued)	<p>Operations comprise services and division of service as defined in SERCOP.</p> <ul style="list-style-type: none"> <li>- Acquired operations are those that are acquired in the period by the Council.</li> <li>- Discontinued operations are those that are discontinued in the period. Responsibilities that are transferred from one part of the public sector to another are not discontinued operations.</li> </ul>
<b>P</b> Pension fund accounts	<b>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.</b>
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

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	<p>accrued benefits valuation method is a method in which the scheme liabilities at the valuation date relate to:</p> <ul style="list-style-type: none"> <li>the benefits for pensioners and deferred pensioners and their dependants, allowing where appropriate for future increases, and</li> <li>the accrued benefits for members in service on the valuation date.</li> </ul>
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"> <li>Land and buildings.</li> <li>Vehicles, plant, furniture and equipment.</li> <li>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).</li> <li>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 &amp; coastal parks and picnic sites).</li> <li>Surplus assets are non-current assets held by the Council but not directly occupied, used or consumed in the delivery of services.</li> <li>Investment properties are land or buildings held to earn rental income or for capital appreciation or both.</li> <li>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.</li> <li>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.</li> </ul>
Provision	<p>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.</p>
Prudential Indicators	<p>A set of financial indicators and limits that are calculated in order to demonstrate that Councils' capital investment plans are affordable, prudent and sustainable.</p>

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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.
<b><u>R</u> Recognition</b>	<b>The process upon which assets are deemed to belong to the Council either by purchase, construction or other forms of acquisition.</b>
Related party	These are parties which are considered to be related if one party has the ability to control the other party, or exercise significant influence over the other party in making financial and operating decisions, or if the related party entity and another entity are subject to common control. Related party transactions are transfers of resources or obligations between related parties, regardless of whether a price is charged. Related party transactions exclude transactions with any other entity that is a related party solely because of its economic dependence on the Council or the Government of which it forms part.
Reserves	<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>



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- Events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or
- The actuarial assumptions have changed.

Current service cost is the increase in the present value of a defined benefit obligation resulting from employee service in the current period.

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the increase in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (where benefits are introduced or improved) or negative (where existing benefits are reduced).

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.

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<b><u>S</u></b>	<b>Scheduled Body</b>	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.
	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.
<b><u>T</u></b>	<b>Target</b>	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.
<b><u>U</u></b>	<b>Useful Life</b>	The period with which an asset is expected to be useful to the Council in its current state.