

## AUDIT & GOVERNANCE COMMITTEE

<b>DATE</b>	14/09/2023
<b>REPORT OF</b>	Sharon Wroot – Executive Director, Place and Resources
<b>SUBJECT</b>	Statement of Accounts and Annual Governance
<b>STATUS</b>	Statement update Open

### CONTRIBUTION TO OUR AIM

The publication of the annual Statement of Accounts and associated Annual Governance Statement supports the Council's overall commitment to openness and transparency.

### EXECUTIVE SUMMARY

The Council is required to prepare a Statement of Accounts which presents a true and fair view of the financial position and transactions during the financial year. The Annual Governance Statement is published alongside the Statement of Accounts.

### RECOMMENDATIONS

Note the draft Statement of Accounts for 2021/2022 and Annual Governance Statement for approval.

### REASONS FOR DECISION

The Council is required to inform local residents and taxpayers how money is spent. There is a statutory requirement to publish accounts and details of spending on an annual basis.

### 1. BACKGROUND AND ISSUES

The Council is required to comply with the 'Code of Practice on Local Authority Accounting' which specifies the principles and practices of accounting required. The Accounts and Audit Regulations 2015 require the Council to prepare and publish its approved draft and audited accounts by 31st May and 31st July respectively. As part of Governments response to the Redmond Review, the deadline for publishing the 2021/2022 audited accounts was extended to 30th November 2022.

However, as previously reported to this committee, there were two national issues holding up the issue of the 2021/22 audit opinion. Neither of these issues represent specific issues with the Council's accounts or accounting arrangements. The two issues are as follows:-

- CIPFA guidance on the accounting for infrastructure assets. A statutory override has now been issued to allow local government audits to be completed.
- Pension fund valuations provided updated membership information which need to be accounted for as an adjusting post balance sheet event.

The updated 2021/2022 draft accounts and Annual Governance Statement, taking into account these issues, are attached at Appendix 1.

## **2. RISKS AND OPPORTUNITIES**

The Statement of Accounts are an opportunity for the Council to provide local residents and taxpayers within the Borough details of its financial performance and position.

Failure to produce the Statement of Accounts and Annual Governance Statement in accordance with the statutory timetable could lead to negative reputational issues and an adverse opinion from the Council's external auditor.

## **3. OTHER OPTIONS CONSIDERED**

N/A

## **4. REPUTATION AND COMMUNICATIONS CONSIDERATIONS**

The Statement of Accounts and Annual Governance Statement are published on the Council's website alongside the audit report once complete.

## **5. FINANCIAL CONSIDERATIONS**

The Statement of Accounts provide details of financial spending and transactions on an annual basis.

## **6. CHILDREN AND YOUNG PEOPLE IMPLICATIONS**

There are no specific Children and Young People implications as a result of this report.

## **7. CLIMATE CHANGE AND ENVIRONMENTAL IMPLICATIONS**

The Statement of Accounts and associated Annual Governance Statement provide details, where applicable, of any climate change and environmental implications.

## **8. FINANCIAL IMPLICATIONS**

As detailed above, the publication of the Statement of Accounts and Annual Governance Statement complies with the requirement to inform local residents and taxpayers how money is spent.

## **9. LEGAL IMPLICATIONS**

The publication of the Statement of Accounts and Annual Governance Statement is a statutory requirement. There are no other legal issues immediately arising from the content of this report.

## **10. HUMAN RESOURCES IMPLICATIONS**

There are no direct implications arising from the contents of this report.

## **11. WARD IMPLICATIONS**

All wards affected

## **12. BACKGROUND PAPERS**

Statement of Accounts & Annual Governance Statement (attached)

## **13. CONTACT OFFICER**

Guy Lonsdale, Assistant Director Finance and Deputy S151 Officer  
Clare Swainson, Strategic Lead, Finance

**SHARON WROOT**  
**EXECUTIVE DIRECTOR – PLACE AND RESOURCES**





2021/22

North East Lincolnshire Council

# Annual Governance Statement



Stronger Economy: Stronger Communities. **Together we can be stronger.**

## **Executive Summary**

North East Lincolnshire Council fully recognises its responsibility for having effective governance and internal control arrangements in place. This is demonstrated by its commitment to the principles of good governance as identified in Delivering Good Governance in Local Government Framework 2016.

The annual review of the Council's arrangements, as described in this Annual Governance Statement, provides assurance that its governance arrangements and system of control are robust and reflect the principals of the Code of Corporate Governance. Over the coming year the Council will take steps to further, strengthen its governance arrangements as highlighted in section 7.

Signed:

Cllr. Philip Jackson  
Leader of the Council

Date

Rob Walsh  
Head of Paid Service

Date

## **1. Introduction**

North East Lincolnshire Council (the Council) is required by the Accounts and Audit (England) Regulations 2015, regulation 10(1), to prepare and publish an Annual Governance Statement in order to report on the extent to which we comply with our Local Code of Corporate Governance. This Statement provides an overview of how the Council's governance arrangements operate, including how they are reviewed annually to ensure they remain effective. A summary of significant issues/challenges that the Council faces is also given. This provides transparency and gives assurance that the Council is committed to continuously improvement in the way in which it functions.

The 2020/21 reported that the review of governance arrangements had identified four main areas where the Council would need to focus its efforts during 2021/22 to address changing circumstances and challenges identified. These were:

- Children and Family services
- The continued response to COVID-19
- Programme management
- The capacity to deliver Council outcomes
- Health and Social Care System

As part of the compilation of the AGS the current position in relation to these areas were reviewed and consideration was made as to whether they remained areas of focus in 2022/23.

## **2. Scope of Responsibility**

The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards that public money is safeguarded and properly accounted for and used economically, efficiently and effectively.

The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

## **3. The Purpose of the Governance Framework**

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

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at North East Lincolnshire Council for the year ended 31 March 2022 and up to the date of approval of the Statement of Accounts.

#### **4. The Governance Framework**

The new Council Plan was approved by Cabinet 16 February 2022. The Council has defined its key strategic priorities as, all people should:

- Reach their full potential through skills and learning
- Benefit from a green economy and high quality environment
- Enjoy good health and wellbeing
- Benefit from a strong local economy
- Live in a safe environment, can have their say about things that are important to them and participate fully in their community

Good governance processes are critical in supporting the delivery of strategic outcomes. The Council operates to a Code of Corporate Governance, which forms part of the Constitution. It is based on the guidance provided by the Chartered Institute for Public Finance and Accountancy (CIPFA) and the Society of Local Government Chief Executives (SOLACE) “Delivering Good Governance in Local Government – a framework” (April 2016). It was subjected to its annual review in December 2020 to ensure that it reflected the Council’s current governance arrangements and the revisions made were approved by the Audit & Governance Committee in April 2022. A copy of the code is on the link below.

[Part-3-Codes-and-Protocols-v2.pdf \(nelincs.gov.uk\)](#)

It is based on the following principles:

- A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
- B. Ensuring openness and comprehensive stakeholder engagement
- C. Defining outcomes in terms of sustainable economic, social, and environmental benefits
- D. Determining the interventions necessary to optimise the achievement of the intended outcomes
- E. Developing the entity’s capacity, including the capability of its leadership and the individuals within it
- F. Managing risks and performance through robust internal control and strong public financial management
- G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability

#### **5. Review of the Effectiveness of the Governance Framework**

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The Council’s Corporate Governance Group, made up of the Council’s key senior officers with governance role and chaired by the Executive Director Environment, Economy & Resources and Governance, is responsible for coordinating this review.

The three lines of assurance model is central to the review of effectiveness as follows:

## **First Line of Assurance – Management of the control environment at delivery/operational level**

Each Assistant Director is annually required to complete an annual self-assessment as to how they seek assurance that their services/functions comply with each of the seven principles. This showed that the principles in the main are embedded in practice in all significant areas of the Council's operations. Two issues were highlighted as a concern, these being capacity and budget constraints, the former of which has been reported in section 7 of the Statement.

In addition Directors produce reports for Cabinets, Scrutiny and Audit Committees which provide assurance on governance and the control environment in specific areas e.g.

- [\*\*Children's Social Care Statutory Complaints and Compliments Annual Report 2021/22\*\*](#) – reported to Cabinet 8 September 2022. It provides an overview of the activity and analysis of complaints and compliments. During 2021/2022 the Council received 105 complaints and 32 compliments concerning children's social care statutory services. This compares with 118 and 18 in 2020/21. 30.4% of stage one complaints were not upheld.
- [\*\*Director of Public Health Annual Report \(DPHAR\) 2021\*\*](#) – reported to Cabinet 15 June 2022. The topic of the DPHAR 2021 is 'The impact of the Covid-19 pandemic on Mental Health and Wellbeing in North East Lincolnshire'. The report brings together local insight and data to form a picture around mental health and emotional well-being locally following the pandemic. The report takes a life course approach, and makes recommendations for future focus, to help ensure resources are allocated most appropriately and residents supported as best as possible.
- [\*\*Virtual School Headteacher Annual Report 2021\*\*](#) – reported to the Children & Lifelong Learning Scrutiny Panel 4 November 2021. The Virtual School is the key education advocacy service for all Children Looked After (CLA) whether they are attending a school within North East Lincolnshire or for those placed out of area. The report provides statistics on CLA in mainstream education, attendance data and attainment.

During the year, some reports are received relating to the previous year's data. These are listed below:

- [\*\*Adult Social Care and Health Statutory Complaints and Compliments Annual Report 2020/21\*\*](#) – reported to the Health and Adult Social Care Scrutiny Panel 24 November 2021. It provides an overview of the complaints received by the North East Lincolnshire Clinical Commissioning Group (NELCCG). It also highlights service improvements implemented as a result of a complaint. During 2020/21 45 complaints were received by NELCCG, a fall of 41% on the previous year. 23 were either upheld or partially upheld.
- [\*\*Safeguarding Adults Board Annual Report\*\*](#) - reported to the Health and Adults Social Care Scrutiny Panel 2 February 2022. This sets out the activities and work undertaken by North East Lincolnshire Safeguarding Adults Board and its

members to deliver on the aims and objectives of its Strategic Plan. It also includes performance data including the number of concerns received.

- **Safeguarding Children's Partnership Annual report 2020/21** – reported to Children & Lifelong Learning Scrutiny Panel 10 March 2022. The report outlines what the Partnership has achieved, further developments and priorities for the following year.

### **Second Line of Assurance - (oversight of management activity and separate from those responsible for delivery)**

As part of the process for completing the AGS those responsible for the oversight of management activity, separate from those responsible for delivery were asked to provide statements on the overall operation of the control environment in their particular areas of oversight:

- **Assurance provided by the Monitoring Officer in relation to operating within the rule of the law and constitutional arrangements including member code of conduct** – no material issues were identified.
- **Assurance provided by the Head of People and Culture on human resources policy frameworks and arrangements** - no material issues were identified.
- **Assurance provided by the Deputy Section 151 Officer on finance issues** - no material issues were identified. On 1 April 2022 a new financial system was implemented and in advance of this, policies and procedures have been reviewed.
- **Assurance provided by the Health and Safety Manager** – no material issues were identified.
- **Assurance provided by the Head of Procurement** - no breaches were identified however there is an issue with capacity within the procurement team and have difficulty recruiting and retaining staff. There are plans to address this as part of the new operating model.
- **Assurance provided by the Head of Information Governance and Complaints** – no material issues were identified.
- **Assurance provided by the Assistant Director Policy Strategy and Resources** - the Ofsted report published in October 2021 identified ineffective performance management arrangements in Children's Services, stating that they did not provide senior leaders with an accurate understanding of practice quality, or children's experiences, to drive service improvement or target resources where needed. The report acknowledged that mechanisms to gather performance data had improved; the required improvements continue to be monitored. This is being addressed through the Improvement Plan for Children's Services.

In addition a range of reports is produced annually or throughout the year which provide assurance from a second line perspective e.g.

- **CIPFA Code of Financial Management Self-Assessment – reported to Audit and Governance Committee.** The Financial Management Code (FM Code) provides guidance for good and sustainable financial management in local authorities. By complying with the principles and standards within the Code authorities will be able to demonstrate their financial sustainability.

A self-assessment of the Council's current standing against each of the Financial Management Standards has been carried out. The self-assessment concluded that the Council has strong financial leadership and management which is underpinned by clear financial strategy. There is good engagement through the financial planning process which is underpinned by an integrated budget and commissioning process.

Positive assurance has been received in relation to the Council's system of internal control and there is a clear accountability framework in place for budgetary control with regular financial performance reporting. In terms of challenge and review processes, these are considered to be robust with challenge received through Audit and Governance Committee, star chamber and internal business case processes. The Council has a clear and affordable capital investment strategy which is underpinned by robust business development process.

However, there are a range of challenges and opportunities that the Council faces. Financial challenges linked to increasing social care demand are acknowledged and the Council's ability to deal with these challenges will be informed by the outcome of the new Local Government funding model. The Council will need to review its level of reserves in the context of fast moving and challenging economic environment.

- **Annual Review of the Constitution** – a review was carried out by the Monitoring Officer and reported to Full Council on 26 May 2022. Various changes were made to the Constitution including the Scheme of Delegation. It also included a review of the Council's scrutiny arrangements which resulted in a number of recommendations being made.
- **Annual Fraud Report 2021/22** – reported to Audit and Governance Committee 21 April 2022. It highlights the work that has been undertaken for the prevention and detection of fraud, corruption and financial misconduct. The report also highlighted the work undertaken to prevent fraud in relation to business grants.
- **Annual Scrutiny Report 2021/22** – reported to Full Council on 26 May 2022. It provides a summary of the work undertaken by scrutiny in 2021-22 and outlines future work programmes. During the year, the Council also conducted a review of scrutiny arrangements which included the involvement of "Centre for Governance and Scrutiny." The review found good arrangements in place with some recommendations to the Constitution as referred to above.
- **Annual Standards and Adjudication Committee Report** – reported to the Standards and Adjudication Committee 21 September 2022. This report presents

the latest annual report of the Standards and Adjudication Committee. In addition to general information about the committee, it provides an overview of the committee's work on handling complaints alleging breaches of the Members' Code of Conduct. During the period covered by this report 15 new complaints were received involving members, compared to 7 received during the previous Municipal Year. It is noted that the number of complaints received during 2021/22 is similar to that of 2019/20 after a lower figure in 2020/21 during the time of the COVID pandemic.

- **Audit and Governance Committee Annual Report 2021/22** – reported to Audit and Governance Committee 21 April 2022 and Full Council July 2022. It summarises the activities of the Committee and demonstrates how it has discharged its duties. It also reports on the outcome of the Audit Committee's self-assessment against good practice. No issues of non-compliance were identified.
- **Capital Programme Quarterly Update Reports** – the Estates and Business Development Manager, provides quarterly update reports on the delivery of the Capital Programme to the Corporate Governance Group and Major Projects Group. These reports provide an update on the overall status and highlight any specific risks, including slippage on projects. Any significant risks identified in relation to delivery could impact on the delivery of the Council's Economic and Financial Strategy, therefore mitigation may be required, and further actions agreed. The Major Projects group can also share lessons learned with Project leads from project exceptions. In recent months, some projects have quoted increased construction costs, as a direct impact of Covid, Brexit and the Ukrainian conflict, as having some impact on delivery.
- **Information Governance and Security Annual Governance Report 2021/22** – reported to the Audit and Governance Committee 21 April 2022. This report outlines the key Information Governance activities undertaken by the Council in 2021 and provides assurance that the Council across all of its work areas and functions remains compliant with its legal obligations and follows good practice. Three incidents met the criteria requiring reporting to the Information Commissioner's Office (ICO), who determined that no further action was necessary.
- **Risk Management Annual Report** – reported to the Audit and Governance Committee on 21 July 2022.
- **Treasury Management Policy and Statement Strategy Statement** – reported to Cabinet 16 February 2022 and Full Council 24 February 2022. The Statement conformed with Treasury Management regulations and no material breaches were reported.
- **Treasury Management Annual Report** – reported to Cabinet on 8 September 2022.
- **Value for Money Annual Report 2021/22** - prepared by the Deputy Section 151 Officer and reported to the Audit and Governance Committee 21 April 2022. This report summarises activity during 2021/22 and identifies additional actions for

2022/23 and beyond. Despite the impact of COVID-19, a range of service reviews have been undertaken during 2021/22, with further service reviews planned across all areas of the Council's activities in 2022/23.

### **Third Line of Assurance (independent oversight)**

**Head of Internal Audit Annual Report and Opinion 2021/22** – reported to the Audit and Governance Committee 21 July 2022. The report provided satisfactory assurance on the Council's systems of internal control, governance and risk management. It identified weaknesses in the control environment relating to Children's Services and highlighted risks around capacity within the first and second line of assurance to ensure that an effective control environment is maintained.

**External Audit** – There were no significant issues arising from the external audit of the Council's 2021/2022 financial statements. The Council's external auditors, Mazars, have proposed an unqualified opinion on the financial statements, subject to the satisfactory resolution of national issues in relation to infrastructure assets. In relation to the VFM Conclusion, auditors continue to reference Ofsted's inspection report which has graded the overall effectiveness of Children's Services as 'inadequate'. It is expected that this judgement will lead to a qualification of the VFM conclusion.

### **The Office for Standards in Education, Children's Services and Skills (Ofsted)**

- Inspection of Safeguarding and Looked After Children (November 2021):

- [50172853 \(ofsted.gov.uk\)](https://www.ofsted.gov.uk/reviews/50172853)

The inspection concluded that the arrangements in place were inadequate.

- Following the issue of the report the Council was issued with a Statutory Direction Notice and a Commissioner was appointed to work with the Council. The Commissioner reported his findings and recommendations to the DfE and a report was published on their website on 1 June 2022. The key points to note from his report are:

- "The DFE will now commission a third party to undertake an options appraisal with a view to this Council entering a strategic partnership with another Local Authority.
  - The scope of any strategic partnership (in other words, what aspects of children's social care should be part of it) will be a key consideration as part of the options appraisal.
  - A new Improvement Board has been established and is operational. Membership includes the Council's statutory safeguarding partners (health and police), the DFE and colleagues from Lincolnshire County Council (our designated Sector Led Improvement Partner or 'SLIP').
  - In their capacity as SLIP, senior colleagues from Lincolnshire County Council are already engaged with the Council, supporting the work in respect of our Improvement Plan.
  - The DFE have appointed a new Commissioner to work with the Council for at least the next 10 months and will Chair the Improvement Board.

- The Children's Services Oversight Group will continue to meet, feeding into the work of the Improvement Board and supporting the maintenance and importance of cross political group engagement in this agenda - and without prejudice to the role or remit of the Children and Lifelong Learning Scrutiny Panel."
- Special Educational Needs and Disability Inspection (March 2022):
  - [50183876 \(ofsted.gov.uk\)](https://www.ofsted.gov.uk/reviews/50183876)

The Inspection concluded that "the area has made sufficient progress in addressing all three of the significant weaknesses identified at the (previous) inspection."

- Recent Children's Homes Inspections:

<b>Children's Home Ofsted Placement Code</b>	<b>Date of Full Inspection</b>	<b>Most recent full inspection Judgement</b>
SC394101	29/09/2021	Requires Improvement
SC380956	03/11/2021	Inadequate
SC477428	05/01/2022	Good
SC069618	20/10/2021	Requires Improvement
SC367802	08/12/2021	Good
SC441553	12/10/2021	Good
SC033127	14/07/2021	Good

**Other External Inspections and peer reviews** - other Inspections have taken place in year:

- Youth Justice services in North East Lincolnshire were rated as 'Good' in an inspection by Her Majesty's Inspectorate of Probation (HMIP)
- PSN Code of Connection IT Health Check
- The NHS Data Security and Protection Toolkit assessment
- General Register Office Local Authority Annual Performance Report - annual assurance to the Registrar General in relation to service delivery, performance, public protection & counter fraud and the requirements set out in the Registration Acts
- Parking Services team was awarded a green assurance rating by the DVLA

**Local Government and Social Care Ombudsman** - The Ombudsman is responsible for independently investigating complaints that have not been resolved by the organisation. Its Annual Letter was issued in July 2022. No major issues of concern were raised in the letter.

## 6. Response to COVID-19

The Council remains vigilant around extant and emerging COVID risks whilst being cognisant of the guidance around Living with COVID safely. Whilst the Council clearly

accepts that the pandemic is not yet over it is returning to normal operations amidst a removal of all previous COVID restrictions. As such there are no specific COVID related governance issues nor special arrangements in place.

## **7. Governance Challenges for 2022/23**

The review of governance arrangements has identified the main areas where the Council will need to focus its efforts during 2022/23 to address changing circumstances and challenges identified. Clearly these and other areas will be underpinned by a need to deliver value for money, referenced elsewhere in this statement. Value for Money is defined as the relationship between:

- Economy (cost) - the price paid for providing a service.
- Efficiency (performance) - how much is obtained for what is paid; and
- Effectiveness (quality) - the impact of the service, how successful it is.

Value for Money is not an absolute end in itself and should be considered as a compromise between cost, performance and satisfaction. It is an outcome of the Council's activities and not a process in its own right. Furthermore, it should not be seen in isolation from day to day activities.

The areas of challenge are detailed below:

- **Children and Family Services:**

Following the Ofsted inspection in October 21 which graded the Council's Children's Social Care as inadequate, a formal Improvement Board has been formed chaired by the DfE Commissioner. The Local Authority will be subject to quarterly monitoring visits by Ofsted and have now received a statutory Direction Notice from the DfE detailing next steps for the LA and the improvements that need to be made. A revised Improvement plan is now in place and is overseen by the Improvement Board and a Board made up of cross party elected members.

- **Programme Management/Project Management:**

Project and programme management is critical to the delivery of the Council's regeneration and transformation agendas. Major projects and programmes follow a governance route that assesses the business case against HM Treasury 5 case model (strategic, economic, commercial, financial and management case) before being taken forward. The Council is working alongside Government and private investors to regenerate and accelerate growth across the Borough. Major projects within the Port of Immingham, Stallingborough Enterprise Zone and in the Town Centres are planned and factored into the Council's capital investment programme. In addition the Council has developed an ambitious transformation programme, particularly in relation to the challenges within Children and Family Services outlined above.

During 2021/22 the Council introduced the cross council major projects group to review and provide challenge to the delivery of the Council's key capital programmes, and to report back progress to cabinet members. It also brought the project management office which is primarily responsible for delivery of major regeneration programmes back in-house from EQUANS to improve the focus, co-ordination and control of such programmes and reduce duplication of resources. The Council recognises the importance of strengthening and embedding its project management arrangements for all types of projects, and initiatives which are the process of being introduced such as the 'new operating model' (which will re-design the provision of many support and strategic functions) part of which is intended to ensure that support from project management

specialists for managers leading projects is focused on strategic priorities, and that there is revised guidance for managers leading smaller projects themselves.

- **Capacity:**

The People Strategy recognises the Council's ambitious agenda to improve the place, continue to implement the Children's Improvement Plan and manage the response and recovery from the pandemic. The Council acknowledges that capacity to deliver on our outcomes will be challenging, the People Strategy aims to address these concerns through the introduction of a robust workforce planning process, which will encompass our succession planning framework, widening our reach to trainees through a well-planned and ambitious approach. We will aim to become an employer of choice by ensuring that our policies are fit for purpose and reflect the ever-changing nature of the public sector workforce through hybrid working arrangements, improvements to our terms and conditions and by ensuring that we maintain the health, safety and wellbeing of our people.

The development of Academy, a leadership competency framework and a review of our appraisal process will support the development of our workforce and the recruitment of people who have the needed skills, values and behaviours to thrive within NELC, and therefore supporting on the delivery of our outcomes. The establishment of a Recruitment & Retention working group to support the Children Services Improvement plan is seeking to address the capacity issues within Social Care, by exploring retention initiatives, having a continued presence in the recruitment market place through partnerships with Community Care and focussed digital marketing campaigns as well as seeking to recruit from overseas.

- **Health and Social Care System:**

Under the Health and Care Act 2022, from the 1 July 2022 Integrated Care Boards (ICBs) replace Clinical Commissioning Groups (CCGs). North East Lincolnshire (NEL) will be part of the Humber and North Yorkshire ICB geography. The governance of the NEL health and care system will be overseen by a combination of the Health and Wellbeing Board, a proposed statutory joint committee of the Council and the ICB and a place based Health and Care Partnership (HCP) that brings health and care providers together to act as the delivery and transformation arm under the new arrangements. In relation to Adult Social Care the Council's Section 75 Agreement with the CCG will be replaced by new arrangements involving the ICB and other partners which are currently being progressed. This is a significant NHS reorganisation that seeks to bring local government and the NHS closer together, through a population health management approach, to improve outcomes and experiences for the local population.





# **North East Lincolnshire Council**

## **Statement of Accounts**

**Financial Year 2021/2022**

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## **Narrative Statement**

### **Overview**

The council reported a balanced position against its 2021/2022 revenue budget. Whilst the council continued to experience significant demand pressures within social care, the cost impacts were offset by additional funding streams and underspends on borrowing costs and other budgets.

During the year, the council has faced a range of challenges including Covid-19 recovery, NHS reform, increased demand and economic instability. Inflationary pressures are impacting across the board, leading to cost pressures across a range of areas, including within the capital programme.

As in 2020/2021, the council has delivered a range of financial support packages within the Borough to mitigate against the socio-economic effects of Covid-19. The council has acted swiftly to ensure this funding has been distributed in a timely and equitable manner.

The council's long term financial strategy remains focused on the achievement of financial sustainability through economic and housing growth. It is therefore pleasing to note that we are starting to see growth in the tax base and this is expected to accelerate over time.

During 2021/2022, the council's programme of capital investment has been progressing despite some challenges brought about by Covid-19. The council has delivered £32m of its approved capital programme in year on a range of schemes designed to deliver significant benefits to the place.

Whilst borrowing costs are increasing, the council continues to operate within its approved Treasury Management Strategy, and investment plans are designed to deliver long term payback in terms of additional income or reduced costs.

### **Governance**

The ultimate decision-making body of the council is the Full Council which is made up of 42 elected councillors. Decisions on the setting of the council's budget and adoption of key strategies are taken by the Full Council. Key decisions which are those with a significant impact are made by the council's Cabinet. The current Cabinet is made up of eight elected members, including the Leader and Deputy Leader of the Council. Each Cabinet member has responsibility and individual decision-making powers for a 'portfolio' of services.

There is a process of overview and scrutiny to make sure that Councillors are fully accountable for decisions. This process allows elected members who are not on the Cabinet to act as a check and balance to the council's decision makers and to contribute to the development of future policies and strategies that will help improve services for local people.

The Audit and Governance Committee holds responsibility for monitoring the council's financial controls as well as its risk management, anti-fraud and partnership governance arrangements. The Committee is led by an independent Chair who brings external expertise and provides stability within a political environment.

The council have an established Health and Wellbeing Board which is tasked with joining up commissioning and services across the NHS, social care, public health and the voluntary sector. In support of this aim, the council had a close working relationship with North East Lincolnshire CCG to ensure an efficient and effective working relationship with the health sector and make best use of the range of skills and capacity in both organisations. As two of the largest commissioning organisations within North East Lincolnshire, the council and CCG are well placed to influence the health and wellbeing agenda through their joint spending power and economies of scale. Joint working arrangements have been revised following NHS reform which took effect in July 2022 and a new relationship is being developed with NHS Humber and North Yorkshire ICB.

In terms of staffing, the council's workforce has been required to work in different ways at times during the year as a consequence of Covid-19. In addition, staff have been redeployed to support the administration and delivery of support packages and there has been increased agile working and use of technology.

## Statement of Accounts and Basis of Preparation

The Statement of Accounts summarise the Council's financial performance during the 2021/2022 year and its financial position as at 31 March 2022. The accounting statements comprise:

- Comprehensive Income and Expenditure Statement – a summary of the resources generated and used over the year.
- Movement in Reserves Statement – the in-year movement in reserves held.
- Balance Sheet – a summary of assets, liabilities, and reserves at the year end.
- Cash Flow Statement – the inflow and outflow of cash during the year.
- Collection Fund – the level of non-domestic rates and council tax that has been received during the year and the distribution of these funds.

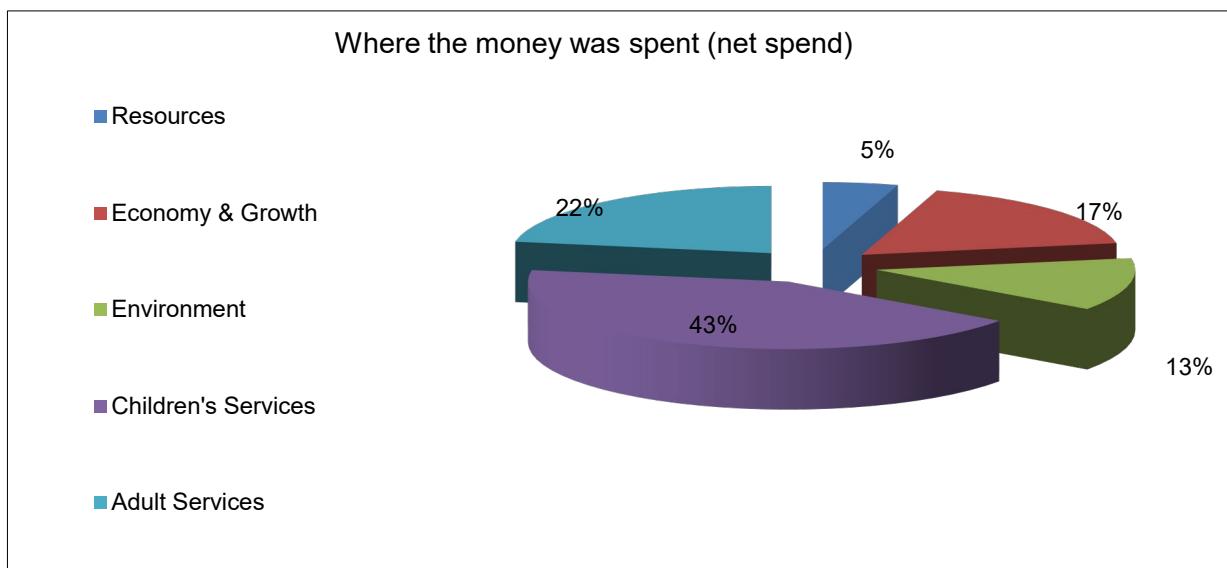
The Statement of Accounts have been prepared under the historical cost convention, as modified for the revaluation of certain non-current assets, and are presented on a going concern basis. In order to support the timely completion of local government audits and the ongoing stability of the local audit market, an extension has been granted to the normal accounting timetable to the end of November 2022.

## Performance

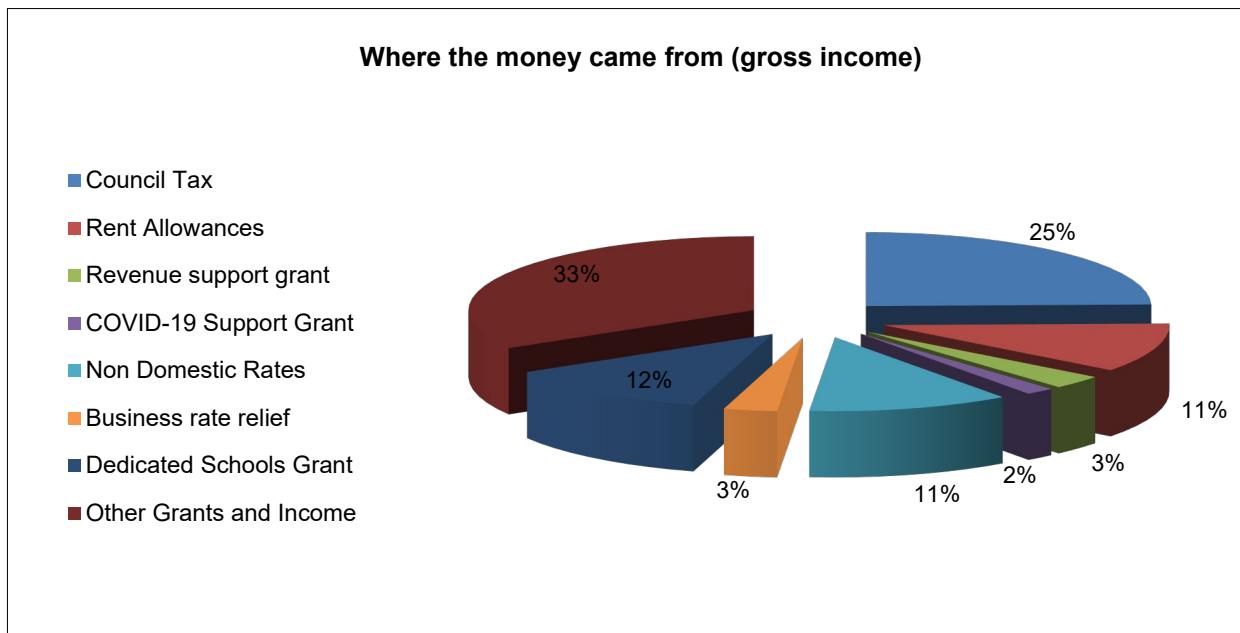
### Income and Expenditure

The council spent a total of £307.2m providing services to the local population during the year. After considering service-based grants and income of £153.3m, net expenditure on services totalled £153.9m in 2021/2022. Expenditure is incurred across a diverse range of services including adult social care, children's services, the environment, economy and housing.

The council recorded an overspend against its approved service budget, in particular within children's services where demand continues to exceed available resources. However, additional funding streams and underspends on borrowing costs and other budgets enabled a balanced overall position to be reported at year end. An analysis of where the money was spent is detailed in the chart below.



The council's spending was financed through a combination of local taxation (council tax and business rates), grants and fees and charges. It should be noted that an increasing proportion of the council's spending is now funded locally with reducing reliance on central government grants. An analysis of where the money came from is detailed in the chart below.



## Review of the Council's Financial Position

The council has reported an increase of £77.3m in its overall net worth during the year with net liabilities of £3.3m reported at year end. This is predominantly due to a positive movement in the pension liability. The pension liability of £176.9m on the Balance Sheet is an estimate of the current value of pension benefits that need to be funded by the council. The liability, as assessed by an independent actuary, showed a decrease of £69.6m during the year. The figure represents an estimate of the value of scheme assets and liabilities at a point in time. Importantly though contributions remain stable at present although will be subject to a triennial valuation this year.

The council has reported an overall £8.0m increase in its long-term assets balance at year end. This increase in net assets predominantly reflects the net impact of investments the council has made in its fixed asset base during the year. In terms of working capital, the council reported a £0.1m movement in its net current asset position at year end with an increase in cash and cash equivalents offset by increases in short term borrowing, short term creditors and receipts in advance.

The council continues to operate within its approved treasury management strategy and focus is on the efficient management of working capital. Returns on investments remain lower than those payable on borrowing and therefore the strategy is to minimise cash balances to reduce the cost of carry. Covid-19 has led to some material changes in the council's normal cash flows and this has necessarily required increased oversight in terms of the treasury management function.

The council is experiencing ongoing pressures and uncertainty in relation to business rates which are being negatively affected by valuations and appeals and ongoing economic uncertainty brought about through Covid-19. The council continues to hold a provision in its accounts based upon the level of appeals received from businesses, the likelihood of success and potential write offs. The provision is subject to regular review considering the number of appeals and the latest information on the probability of success.

## Reserves and Balances

The overall financial standing of the council is being continually monitored with a focus upon the adequacy of reserves and the stewardship of public funds. General fund reserves, set aside to deal with any unforeseen events, remain at £8.3m. This is in line with the medium-term financial plan and considered to be a prudent level taking into account the increased level of risk to which the council is currently exposed.

In addition, the council maintains earmarked reserves to address key risk areas such as business rate income fluctuations, the management of change, debt financing and self-insurance. These are reviewed regularly and considered as part of the monitoring and planning process throughout the year. Earmarked reserves will continue to be utilised to support transformational change and initiatives designed to deliver long term returns.

Whilst earmarked reserves are significant in value it should be noted that balances can only be used once and that in the main there are plans in place to utilise them over the coming medium-term financial planning period. Exceptions include the individual schools budget reserve held by schools and the self-insurance reserve.

## **Capital Investment**

Despite ongoing budget challenges, an ambitious programme of investment within the Borough has been progressing. However, the council has seen some impact as a result of the Covid-19 pandemic, both financially, operationally and in our ability to deliver the capital programme. The council has delivered 59% of its revised capital programme in 2021/2022. Where underspends against capital allocations have been reported, these have been challenged to ensure spending is timely and in accordance with corporate priorities.

The council continues to fund its capital programme through a mix of borrowing, capital receipts, grants and other contributions. Funding for capital projects is integrated into financial planning processes and aligned to the delivery of the council's strategic priorities. Capital and long-term investment is necessary to deliver the council's key priorities and ambitions. However, affordability is a key factor when considering any long-term investment. Based upon the current approved capital programme, financing costs are forecast to be maintained within an affordable envelope.

Borrowing therefore needs to be in accordance with prudential borrowing principles. The council has well established appraisal processes in place and any new borrowing will be predicated on the preparation of a sound business case which is closely aligned to the council's key outcomes and financial strategy. The council's current strategy is to use cash balances to fund the capital programme where possible. This approach, referred to as internal borrowing, minimises the cost of borrowing and reduces credit risk on investments. Overall borrowing levels remain manageable and under continued review.

At year end, the council had £156.7m of external borrowing, up from £152.0m last financial year. The council has operated within its prudential borrowing limit during the year and no problems are anticipated for future years at this stage. Net financing costs remained below 10% in 2021/2022 and are projected to continue to do so in 2022/2023.

Whilst the council is undertaking further borrowing over the medium-term financial planning period to support its economic and regeneration ambitions, these investments are expected to lead to an overall increase in the council's tax base.

## **Strategic Outlook**

The council faces a range of challenges including Covid-19 recovery, NHS reform, demographic demand and economic instability. Inflationary pressures are impacting across the board, leading to potential further cost pressures across a range of areas, including within the capital programme. In addition, the collection of council tax, business rates and fees and charges present a significant risk to the 2022/2023 finance and commissioning plan and longer-term financial sustainability. These will need further consideration and mitigation during the next planning phase.

North East Lincolnshire, along with many other areas across the country, continues to face significant challenges in relation to social care – both adults and children – with demand currently outstripping available resources. In response, the council is continuing to support the vulnerable and focus upon system wide review and transformation.

However, the council's long term financial strategy remains focused on the achievement of financial sustainability by embracing economic potential and growing the tax base. Increasingly, the council is taking a more commercial approach and is working alongside Government and private investors to accelerate growth across the Borough. Notably, significant external funding has been generated through the Towns Fund and Future High Streets Fund to support the council's regeneration ambitions. Opportunities around Freeports and Carbon Zero agenda also offer unique and ambitious growth potential across the Borough. Our focus remains firmly on Place, reflected within our vision for a Stronger Economy and Stronger Community, and this includes our approach to integrated Health and Social Care.

As in 2021/2022, the council received a one year financial settlement from Government for 2022/2023 with changes to the financial model being postponed. This uncertainty will necessitate a review of the council's financial strategy during 2022/2023 to ensure the council is best placed to deal with the increased risks and opportunities it currently faces.

## **Statement of Responsibilities**

### **The Council's Responsibilities**

The council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this council, that officer is the Executive Director for Environment, Economy and Resources.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

### **The Executive Director for Environment, Economy and Resources Responsibilities**

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

In preparing this Statement of Accounts, the Executive Director for Environment, Economy and Resources has:

- Selected suitable accounting policies and then applied them consistently.
- Made judgements and estimates that were reasonable and prudent.
- Complied with the local authority Code.

The Executive Director for Environment, Economy and 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.

## **Certificate of the Chief Financial Officer**

I certify that:

- a) The Statement of Accounts for the year ended 31 March 2022 has been prepared in the form directed by the Code and under the accounting policies set out in Note 1.
- b) In my opinion the Statement of Accounts presents fairly the income and expenditure and cash flows for the financial year and the financial position as at the end of the financial year.

Sharon Wroot  
Executive Director for Environment, Economy and Resources

Date of certification:

## **Authority Approval of Statement of Accounts**

Tim Render  
Audit and Governance Committee  
Date of approval:

## **Independent Auditor's Report to the Members of North East Lincolnshire Council**

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# Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with International Financial Reporting Standards (IFRS), rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with statutory requirements, which may be different from the accounting cost. The taxation position is shown in both the Expenditure Funding Analysis and the Movement in Reserves Statement.

	Note	2021/2022 Gross Expenditure £000	2021/2022 Gross Income £000	2021/2022 Net Expenditure £000	2020/2021* Gross Expenditure £000	2020/2021* Gross Income £000	2020/2021* Net Expenditure £000
Resources		58,162	(48,592)	9,570	62,957	(54,130)	8,827
Economy & Growth		40,418	(13,418)	27,000	42,265	(13,663)	28,602
Environment		26,347	(6,843)	19,504	24,454	(6,811)	17,643
Children's Services		126,783	(60,854)	65,929	112,919	(54,447)	58,472
Public Health		11,254	(12,411)	(1,157)	6,681	(6,848)	(167)
Adult Services		43,405	(9,120)	34,285	43,193	(9,014)	34,179
Other Corporate Budgets		875	(2,084)	(1,209)	2,209	(2,252)	(43)
<b>Cost of Services</b>		<b>307,244</b>	<b>(153,322)</b>	<b>153,922</b>	<b>294,678</b>	<b>(147,165)</b>	<b>147,513</b>
Other operating expenditure	11	1,881	(804)	1,077	1,615	(91)	1,524
Financing and investment income and expenditure	12	13,536	(4,545)	8,991	8,637	(4,353)	4,284
Taxation and non-specific grant income and expenditure	13	0	(154,595)	(154,595)	0	(165,178)	(165,178)
<b>(Surplus) or Deficit on Provision of Services</b>				<b>9,395</b>			<b>(11,857)</b>
(Surplus) or deficit on revaluation of property, plant and equipment	14,15			(262)			454
Impairment losses and reversals on non-current assets charged to the revaluation reserve	14,15			1,089			(396)
Re-measurement of the net defined benefit liability/(asset)	39			(115,362)			82,345
<b>Other Comprehensive Income and Expenditure</b>				<b>(114,535)</b>			<b>82,403</b>
<b>Total Comprehensive Income and Expenditure</b>				<b>(105,140)</b>			<b>70,546</b>

\* The 2020/2021 comparator figures have been both restated, for a prior period adjustment (see Note 45), and reanalysed, to reflect a management restructure within the council during the 2021/2022 financial year.

## 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, analysed into ‘usable reserves’ and other ‘unusable reserves’. The statement shows how the in-year movements of the council’s reserves are broken down between gains and losses incurred in accordance with International Financial Reporting Standards (IFRS) and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The Net Increase / Decrease line shows the statutory General Fund Balance movements in the year following these adjustments.

	General Fund Balance £000	Earmarked General Fund Reserves £000	Total General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Reserves of the Authority £000
<b>Balance Sheet as at 1 April 2020</b>	<b>8,300</b>	<b>21,115</b>	<b>29,415</b>	<b>9</b>	<b>3,966</b>	<b>33,390</b>	<b>(43,402)</b>	<b>(10,012)</b>
<b>Movement in Reserves during the Year:</b>								
Total Comprehensive Income and Expenditure	11,857	0	<b>11,857</b>	0	0	11,857	(82,403)	<b>(70,546)</b>
Adjustments between Accounting Basis & Funding Basis Under Regulations (Note 9)	5,418	0	<b>5,418</b>	(6)	1,429	6,841	(6,841)	<b>0</b>
<b>Net Increase / (Decrease) before Transfers to Earmarked Reserves</b>	<b>17,275</b>	<b>0</b>	<b>17,275</b>	<b>(6)</b>	<b>1,429</b>	<b>18,698</b>	<b>(89,244)</b>	<b>(70,546)</b>
Transfers to or from Earmarked Reserves	(17,275)	17,275	<b>0</b>	0	0	0	0	<b>0</b>
<b>Increase / (Decrease) In 2020/2021</b>	<b>0</b>	<b>17,275</b>	<b>17,275</b>	<b>(6)</b>	<b>1,429</b>	<b>18,698</b>	<b>(89,244)</b>	<b>(70,546)</b>
<b>Balance Sheet as at 31 March 2021*</b>	<b>8,300</b>	<b>38,390</b>	<b>46,690</b>	<b>3</b>	<b>5,395</b>	<b>52,088</b>	<b>(132,646)</b>	<b>(80,558)</b>
<b>Movement in Reserves during the Year:</b>								
Total Comprehensive Income and Expenditure	(9,395)	0	<b>(9,395)</b>	0	0	(9,395)	114,535	<b>105,140</b>
Adjustments Between Accounting Basis & Funding Basis Under Regulations (Note 9)	8,704	0	<b>8,704</b>	6	(657)	8,053	(8,053)	<b>0</b>
<b>Net Increase / (Decrease) before Transfers to Earmarked Reserves</b>	<b>(691)</b>	<b>0</b>	<b>(691)</b>	<b>6</b>	<b>(657)</b>	<b>(1,342)</b>	<b>106,482</b>	<b>105,140</b>
Transfers to or from Earmarked Reserves	691	(691)	<b>0</b>	0	0	0	0	<b>0</b>
<b>Increase / (Decrease) In 2021/2022</b>	<b>0</b>	<b>(691)</b>	<b>(691)</b>	<b>6</b>	<b>(657)</b>	<b>(1,342)</b>	<b>106,482</b>	<b>105,140</b>
<b>Balance Sheet as at 31 March 2022</b>	<b>8,300</b>	<b>37,699</b>	<b>45,999</b>	<b>9</b>	<b>4,738</b>	<b>50,746</b>	<b>(26,164)</b>	<b>24,582</b>

\* The 2020/2021 comparator figures have been restated to reflect the prior period adjustment that was made during the 2021/2022 financial year (see Note 45)

## Balance Sheet

The Balance Sheet shows the value as at the balance sheet date of the assets and liabilities recognised by the council. The net assets of the council (assets less liabilities) are matched by the reserves held by the council. Reserves are reported in two categories. The first category of reserve are usable reserves, i.e., those reserves that the council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example, the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserve are those that the council is not able to use to provide services. This category of reserve 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'.

	Note	31 March 2022 £000	31 March 2021* £000
Property, Plant & Equipment	14	267,254	257,571
Heritage Assets	15	1,935	1,935
Investment Property	16	51,569	53,129
Intangible Assets	17	1,105	1,094
Long Term Debtors	18, 20	1,207	1,374
<b>Long Term Assets</b>		<b>323,070</b>	<b>315,103</b>
Inventories	-	152	130
Short Term Debtors	20	40,437	42,925
Cash and Cash Equivalents	21	43,650	29,430
Assets Held for Sale	22	338	0
<b>Current Assets</b>		<b>84,577</b>	<b>72,485</b>
Short Term Borrowing	18	(21,370)	(16,929)
Short Term Creditors	18, 23	(54,414)	(48,929)
Provisions	24	(1,262)	(1,377)
Capital Grants Received in Advance	34	(15,024)	(12,842)
<b>Current Liabilities</b>		<b>(92,070)</b>	<b>(80,077)</b>
Provisions	24	(6,673)	(6,553)
Long Term Borrowing	18	(135,317)	(135,035)
Other Long Term Liabilities	39	(149,005)	(246,481)
<b>Long Term Liabilities</b>		<b>(290,995)</b>	<b>(388,069)</b>
<b>Net Assets/(Liabilities)</b>		<b>24,582</b>	<b>(80,558)</b>
Usable Reserves	MiRS	50,746	52,088
Unusable Reserves	25	(26,164)	(132,646)
<b>Total Reserves</b>		<b>24,582</b>	<b>(80,558)</b>

\* The 2020/2021 comparator figures have been restated to reflect the prior period adjustment that was made during the 2021/2022 financial year (see Note 45)

## Cash Flow Statement

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

	Note	2021/2022 £000	2020/2021* £000
<b>Net surplus or (deficit) on the provision of services</b>		(9,395)	11,857
Adjustment to surplus or deficit on the provision of services for non-cash movements	26	35,081	34,913
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	26	(18,405)	(29,825)
<b>Net cash flows from operating activities</b>		7,281	16,945
<b>Net cash flows from investing activities</b>	27	(2,866)	(8,242)
<b>Net cash flows from financing activities</b>	28	9,805	(9,529)
<b>Net increase or (decrease) in cash and cash equivalents</b>		14,220	(826)
Cash and cash equivalents at the beginning of the reporting period	21	29,430	30,256
<b>Cash and cash equivalents at the end of the reporting period</b>	21	<b>43,650</b>	<b>29,430</b>

\* The 2020/2021 comparator figures have been restated to reflect the prior period adjustment that was made during the 2021/2022 financial year (see Note 45)

# **NOTES TO THE ACCOUNTS**

## **Note 1 – Accounting Policies**

### **i. General Principles**

The Statement of Accounts summarises the council's transactions for the 2021/2022 financial year and its position at the year-end of 31 March 2022. The Accounts and Audit Regulations 2015 require the council to prepare an annual Statement of Accounts in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2021/2022, supported by International Financial Reporting Standards (IFRS).

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

### **ii. Accruals of Income and Expenditure**

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

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet where individual inventory categories are above £100k.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected. In respect of both capital and revenue transactions, the council operates on the normal accruals concept of income and expenditure above the council's de minimis threshold of £10k. However, this de minimis threshold does not apply to creditor accruals auto identified within the finance system, or where failure to accrue would result in the loss of a time limited grant.

### **iii. Cash and Cash Equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with a low risk of change in value.

Cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the council's cash management.

### **iv. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors**

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

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the council's financial position or financial performance.

Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

## **v. Charges to Revenue for Non-current Assets**

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

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

The council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement, equal to an amount calculated on a prudent basis in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance (MRP), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

## **vi. Council Tax and Non-Domestic Rates**

The Collection Fund shows the transactions of the billing authority in relation to the collection from taxpayers and the distribution to local authorities, central government and precepting bodies of council tax and non-domestic rates (NDR). There is no requirement for a separate Collection Fund Balance Sheet since the assets and liabilities arising from the collecting non-domestic rates and council tax belong to the bodies (i.e., major preceptors, central government and billing authorities).

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

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

## **vii. Employee Benefits**

### **Benefits Payable During Employment**

Short-term employee benefits such as wages and salaries, paid annual leave, sick leave and expenses are paid on a monthly basis and reflected as expenditure in the relevant service line in the Comprehensive Income and Expenditure Statement.

### **Termination Benefits**

When the council is demonstrably committed to the termination of the employment of an officer or group of officers, or making an offer to encourage voluntary redundancy, these costs are charged on an accruals basis to the respective service line in the Comprehensive Income and Expenditure Statement.

### **Post-employment Benefits**

Employees of the council are members of three separate pension schemes:

- The Local Government Pension Scheme, administered by East Riding of Yorkshire Council.
- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE).
- The NHS Pension Scheme, administered by the NHS Business Services Authority

These schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees worked for the council.

However, the arrangements for the Teachers' and NHS schemes mean that liabilities for these benefits cannot ordinarily be identified specifically to the council. These schemes are therefore accounted for as if they were defined contribution schemes and no liability for future payments of benefits is recognised in the Balance Sheet.

The Children's Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to the Teachers' Pension Scheme in the year. The Public Health line within the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to the NHS Pension Scheme in the year.

### **The Local Government Pension Scheme**

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

- The liabilities of the East Riding pension fund attributable to the council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e., an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees.
- The assets of East Riding pension fund attributable to the council are included in the Balance Sheet at their fair value.

The change in the net pension 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 as a result of a scheme amendment or curtailment 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.
- Net interest on the net defined benefit liability (asset), i.e. net interest expense for the council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

Re-measurements 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.
- 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 East Riding pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are 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.

### **Discretionary Benefits**

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

## **viii. Events After the Reporting Period**

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

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

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

## **ix. Financial Instruments**

### **Financial Liabilities**

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

For most of the borrowings that the council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

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. The council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge 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.

### **Financial Assets**

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

#### Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

#### Expected Credit Loss Model

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

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

lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

The council has a small portfolio of loans to individuals, small businesses and other entities, which have been grouped as follows when assessing expected loss allowances:

- Group 1 – these loans, which are secured against the property, were issued to home owners and owners of derelict land and commercial properties to help pay for repairs and other urgent works to bring accommodations up to current decency standards or to facilitate bringing the properties back into use within the community. Loss allowances for these loans can be assessed on an individual basis.
- Group 2 – under a government initiative that aimed to release the economic and productivity potential of the most deprived areas across the country, the council provided loans to individuals and small businesses to aid entrepreneurial activity and support sustainable growth.
- Group 3 – for the residual group of loans, the council relies on past due information and calculates losses based on expected lifetime credit losses.

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

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the authority 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.

The fair value measurements of the financial assets are based on the following techniques:

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

The inputs to the measurement techniques are categorised in accordance with the following three levels:

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

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

#### **Instruments Entered into Before 1 April 2006**

The council entered into a number of financial guarantees that are not required to be accounted for as financial instruments. These guarantees are reflected in the Statement of Accounts to the extent that provisions might be required or a contingent liability note is needed under the policies set out in the section on Provisions, Contingent Liabilities and Contingent Assets.

#### **x. Government Grants and Contributions**

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

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

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

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

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

## **xii. Heritage Assets**

The council holds several assets which are held to increase the knowledge, understanding and appreciation of the council's history and local area. Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the council's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below. The council's collections of heritage assets are accounted for as follows:

### **Civic Regalia and Museum Collection**

These items are reported in the Balance Sheet at insurance valuation which is based on market values. The civic regalia and museum collection are deemed to have indeterminate lives and a high residual value; hence the authority does not consider it appropriate to charge depreciation.

### **Heritage Assets – General**

The carrying amounts of heritage assets are reviewed where there is evidence of impairment, e.g., where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the council's general policies on impairment. The council will occasionally dispose of heritage assets which have a doubtful provenance or are unsuitable for public display. The proceeds of such items are accounted for in accordance with the council's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts.

## **xiii. Intangible Assets**

Expenditure on non-monetary assets that do not have physical substance but are controlled by the council as a result of past events (e.g., software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the council.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase.

Intangible assets are measured initially at cost and then carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

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

## **xiv. Inventories and long-term contracts**

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The council has set a de minimis value of £100k, below which inventories are not held on balance sheet.

Long term contracts are accounted for on the basis of charging the Comprehensive Income and Expenditure Statement with the value of works and services received under the contract during the year.

#### **xiv. Investment Property**

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

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use.

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

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

#### **xv. Leases**

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

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

##### **The Council as Lessee**

###### **Finance Leases**

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

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

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

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

###### **Operating Leases**

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

## **The Council as Lessor**

### **Finance Leases**

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

Lease rentals receivable are apportioned between:

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

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against council tax, as the cost of 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 in the Movement in Reserves Statement.

### **Operating Leases**

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

### **xvi. Overheads and Support Services**

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

### **xvii. Property, Plant and Equipment**

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

### **Property Plant & Equipment Asset Categories**

The following six reporting categories fall within the classification of property, plant and equipment:

- Other Land & Buildings
- Vehicles, Plant & Equipment
- Infrastructure Assets – Inalienable assets, expenditure on which is only recoverable by continued use of the asset created, i.e., there is no prospect of sale or alternative use; examples include highways infrastructure assets, coastal defences, water supply and drainage systems. Highways infrastructure assets include carriageways, footways and cycle tracks, structures (e.g., bridges), street lighting, street furniture (e.g., illuminated traffic signals, bollards), traffic management systems and land which together form a single integrated network.

- Community Assets - Assets that an authority intends to hold in perpetuity, which have no determinable useful life and that may, in addition, have restrictions on their disposal.
- Assets Under Construction
- Surplus Assets – Assets that are not being used to deliver services, but that do not meet the Code criteria to be classified as either investment properties or non-current assets held for sale.

## **Recognition**

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e., repairs and maintenance) is charged as an expense when it is incurred.

## **Measurement**

Assets are initially measured at cost, comprising:

- The purchase price.
- Any costs attributable to bring the asset to the location and condition necessary for it to be capable of operation in the manner intended by management.

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

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-specific Grant Income and Expenditure line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement. Assets are then carried in the Balance Sheet using the following measurement bases:

- Assets under construction and community assets (without a determinable finite useful life) – historical cost.
- Infrastructure assets and community assets (with a determinable finite useful life) – depreciated historical cost. However, with regards to highways infrastructure assets, this is a modified form of historical cost – opening balances for highways infrastructure assets were originally recorded in balance sheets at amounts of capital undischarged for sums borrowed as at 1<sup>st</sup> April 1994, which was determined at that time to be historical cost.
- All other assets are measured at current value.

Where there is no market-based evidence of current value, because of the specialist nature of an asset and the asset is rarely sold, an estimate of current value is made on a depreciated replacement cost (DRC) basis.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Surplus or Deficit on the Provision of Services where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income & Expenditure Statement.

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

Material assets are recognised into components for depreciation purposes when the component is of significant cost compared to the total cost of the item and has a materially different useful life to the main asset.

Enhancement expenditure requires the de-recognition of the component replaced or refurbished, and the new component reflected in the carrying amount, even where parts of an asset have not previously been recognised as a separate component.

## **Impairment**

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

Where impairment losses are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

## **Depreciation**

Depreciation is provided for on all property, plant and equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e., freehold land and certain community assets) and assets that are not yet available for use (i.e., assets under construction).

Deprecation is normally charged in the first full year of operational use, except where stated, and calculated on the following bases:

- Dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer.
- Vehicles, plant, furniture and equipment – straight-line allocation over estimated life of the asset or as advised by a suitably qualified officer.
- Infrastructure – straight-line allocation over the estimated useful life.

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.

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

## **Disposals and Non-current Assets Held for Sale**

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an asset held for sale.

The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any losses previously recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on assets held for sale.

If assets no longer meet the criteria to be classified as assets held for sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale;

adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as held for sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as assets held for sale.

When an asset, or component of the highways network, is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or assets held for sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e., netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10k are categorised as capital receipts. The receipts are transferred to the Capital Receipts Reserve from the General Fund Balance in the Movement in Reserves Statement. The reserves can then only be used for new capital investment or set aside to reduce the council's underlying need to borrow (the capital financing requirement).

The written-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 appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

## **xviii. Provisions, Contingent Liabilities and Contingent Assets**

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

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

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

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

### **Contingent Liabilities**

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

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

### **Contingent Assets**

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

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

## **xix. Reserves**

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

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

## **xx. Revenue Expenditure Funded from Capital under Statute**

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

## **xxi. Schools**

The Code of Practice on Local Authority Accounting in the United Kingdom confirms that the balance of control for local authority maintained schools (i.e., those categories of school identified in the School Standards and Framework Act 1998, as amended) lies with the local authority. The Code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the local authority financial statements (and not the Group Accounts). Therefore, schools' transactions, cash flows and balances are recognised in each of the financial statements of the council as if they were the transactions, cash flows and balances of the council.

## **xxii. VAT**

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

## **xxiii. Fair Value Measurement**

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

- 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.

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

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

The council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the council's financial statements are categorised within the fair value hierarchy, as follows:

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

## **Note 2 – Accounting Standards Issued, Not Adopted**

Under the Code of Practice on Local Authority Accounting in the United Kingdom 2021/2022 (the Code), the council is required to disclose information setting out the impact of an accounting change required by a new accounting standard that has been issued but not yet adopted by the Code.

At the Balance Sheet date, there are no relevant new standards, or amendments to existing standards, which have been issued but not adopted.

## **Note 3 – Critical Judgements in Applying Accounting Policies**

In applying the accounting policies set out in Note 1, the council has had to make certain judgements about complex transactions or those involving uncertainty about future events. There are no specific judgements that require disclosure at this point in time.

## **Note 4 – Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty**

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

The items in the council's Balance Sheet at 31 March 2022 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Uncertainties	Effect if Actual Results Differ from Assumptions
<b>Property, Plant &amp; Equipment</b>	
Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by approximately £0.9m if the average useful life of the council's buildings fell by one year.
<b>Pensions Liability</b>	
Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets.	The assumptions interact in complex ways. During 2021/2022, the council's actuary advised that the net pension liability had decreased by £97.5m as a result of updating the assumptions and actual contributions made.
A firm of consulting actuaries is engaged to provide the council with expert advice about the assumptions to be applied.	A sensitivity analysis, highlighting the impact on net liability from variations to the key assumptions can be seen in Note 39 Defined Benefit Pension Schemes.
<b>National Non-Domestic Rates (NNDR) Provision</b>	
The council has set aside, from its Collection Fund, £14.4m as a provision against the cost of the future settlement of current appeals outstanding against NNDR rateable values. The council's share of this provision, £7.1m, is shown in Note 24 Provisions.	The impact of appeals is highly uncertain and outside of the control of the council.

Uncertainties	Effect if Actual Results Differ from Assumptions
<p><b>Fair Value Measurement</b></p> <p>When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e., Level 1 inputs), their fair value is measured using valuation techniques (e.g., quoted prices for similar assets or liabilities in active markets or the discounted cash flow (DCF) model). Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the council's assets and liabilities.</p> <p>Where Level 1 inputs are not available, the council employs relevant experts to identify the most appropriate valuation techniques to determine fair value (for example, for investment properties, the council's chief valuation officer and external valuer). Information about the valuation techniques and inputs used in determining the fair value of the council's assets and liabilities is disclosed in Note 14 Property, Plant and Equipment, and Note 16 Investment Properties.</p>	<p>The significant unobservable inputs used in the fair value measurement include management assumptions regarding rent growth, vacancy levels, occupancy levels and others.</p> <p>Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurements.</p>

## **Note 5 – Material Items of Income and Expense**

A material item of income and expense would be greater than £5m. There have been no material items of income and expenditure during 2021/2022 that are not already disclosed elsewhere in the accounts.

## **Note 6 – Events After the Balance Sheet Date**

The council is not aware of any significant post balance sheet events.

## Note 7 – Expenditure and Funding Analysis and Associated Notes

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, fees and charges, council tax and business rates) by local authorities in comparison with those resources consumed or earned by councils in accordance with International Financial Reporting Standards (IFRS). It also shows how this expenditure is allocated for decision making purposes between the council's directorates. Income and expenditure accounted for under IFRS is presented more fully in the Comprehensive Income and Expenditure Statement.

	2021/2022	2021/2022	2021/2022	2021/2022	2021/2022	2020/2021*	2020/2021*	2020/2021*
	Budget Monitoring Outturn	Adjustments Between Outturn and Net Expenditure Chargeable to the General Fund	Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net Expenditure in the CIES	Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net Expenditure in the CIES
	£000	£000	£000	£000	£000	£000	£000	£000
Resources	7,128	(7,537)	(409)	9,979	9,570	2,549	6,278	8,827
Economy & Growth	26,976	(7,852)	19,124	7,876	27,000	22,134	6,468	28,602
Environment	19,038	(4,026)	15,012	4,492	19,504	15,778	1,865	17,643
Children's Services	65,872	(8,723)	57,149	8,780	65,929	50,516	7,956	58,472
Public Health	(1,158)	1,484	326	(1,483)	(1,157)	422	(589)	(167)
Adult Services	42,106	(3,682)	38,424	(4,139)	34,285	37,856	(3,677)	34,179
Other Corporate Budgets	(6,759)	16,988	10,229	(11,438)	(1,209)	9,873	(9,916)	(43)
<b>Net Cost of Services</b>	<b>153,203</b>	<b>(13,348)</b>	<b>139,855</b>	<b>14,067</b>	<b>153,922</b>	<b>139,128</b>	<b>8,385</b>	<b>147,513</b>
Other Income and Expenditure	(153,203)	13,348	(139,855)	(4,672)	(144,527)	(139,128)	(20,242)	(159,370)
<b>(Surplus) or Deficit</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>9,395</b>	<b>9,395</b>	<b>0</b>	<b>(11,857)</b>	<b>(11,857)</b>
Opening General Fund Balance			8,300			8,300		
Surplus or (Deficit) on General Fund Balance in Year			0			0		
<b>Closing General Fund Balance</b>			<b>8,300</b>			<b>8,300</b>		

\* The 2020/2021 comparator figures have been both restated, for a prior period adjustment (see Note 45), and reanalysed, to reflect a management restructure within the council during the 2021/2022 financial year.

### Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts

2021/2022 Financial Year	Adjustments for Capital Purposes	Net Change for Pensions Adjustments	Other Differences	Total
				£000
Resources	4,814	4,210	955	9,979
Economy & Growth	6,761	468	647	7,876
Environment	1,865	2,242	385	4,492
Children's Services	2,273	7,348	(841)	8,780
Public Health	(15)	286	(1,754)	(1,483)
Adult Services	108	46	(4,293)	(4,139)
Other Corporate Budgets	(5,791)	469	(6,116)	(11,438)
<b>Net Cost of Services</b>	<b>10,015</b>	<b>15,069</b>	<b>(11,017)</b>	<b>14,067</b>
Other Income and Expenditure from the Expenditure and Funding Analysis	(10,870)	0	6,198	(4,672)
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>(855)</b>	<b>15,069</b>	<b>(4,819)</b>	<b>9,395</b>

2020/2021 Financial Year*	Adjustments for Capital Purposes £000	Net Change for Pensions Adjustments £000	Other Differences £000	Total £000
Resources	3,563	1,798	917	6,278
Economy & Growth	6,794	192	(518)	6,468
Environment	1,285	924	(344)	1,865
Children's Services	1,722	3,098	3,136	7,956
Public Health	0	101	(690)	(589)
Adult Services	154	14	(3,845)	(3,677)
Other Corporate Budgets	(4,934)	(916)	(4,066)	(9,916)
<b>Net Cost of Services</b>	<b>8,584</b>	<b>5,211</b>	<b>(5,410)</b>	<b>8,385</b>
Other Income and Expenditure from the Expenditure and Funding Analysis	(23,152)	0	2,910	(20,242)
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>(14,568)</b>	<b>5,211</b>	<b>(2,500)</b>	<b>(11,857)</b>

\* The 2020/2021 comparator figures have been both restated, for a prior period adjustment (see Note 45), and reanalysed, to reflect a management restructure within the council during the 2021/2022 financial year.

## Segmental Income

The following analysis shows revenues from external customers included within the Net Expenditure chargeable to the General Fund in the Expenditure and Funding Analysis:

Segmental Income – Revenue from External Customers	2021/2022	2020/2021
	£000	£000
Resources	(10,629)	(8,736)
Economy & Growth	(5,129)	(3,548)
Environment	(6,955)	(6,498)
Children's Services	(11,793)	(8,734)
Public Health	(1,372)	(878)
Adult Services	(523)	(689)
Other Corporate Budgets	(1,353)	(1,364)
<b>Total Income Analysed on a Segmental Basis</b>	<b>(37,754)</b>	<b>(30,447)</b>

\* The 2020/2021 comparator figures have been reanalysed to reflect a management restructure within the council during the 2021/2022 financial year.

**Revenue from External Customers:** Income from organisations/individuals from outside the council, excluding any grant income.

## Note 8 – Expenditure and Income Analysed by Nature

The council's expenditure and income are analysed as follows:

Expenditure / Income	2021/2022 £000	2020/2021* £000
<b>Expenditure:</b>		
Employee Benefits Expenses	95,090	81,279
Other Services Expenditure	196,439	195,577
Depreciation, Amortisation, Impairment	12,544	12,154
Interest Payments	4,996	5,173
Precepts and Levies	1,475	1,439
(Gain)/Loss on the Disposal of Assets	(474)	(202)
Other Expenditure	9,699	7,027
<b>Total Expenditure</b>	<b>319,769</b>	<b>302,447</b>
<b>Income:</b>		
Fees, Charges and Other Service Income	(21,833)	(19,034)
Interest and Investment Income	(43)	(34)
Income for Council Tax & Non-Domestic Rates	(111,055)	(98,952)
Government Grants and Contributions	(170,732)	(190,615)
Other Income	(6,711)	(5,669)
<b>Total Income</b>	<b>(310,374)</b>	<b>(314,304)</b>
<b>(Surplus) or Deficit on the Provision of Services</b>	<b>9,395</b>	<b>(11,857)</b>

\* The 2020/2021 comparator figures have been restated to reflect the prior period adjustment that was made during the 2021/2022 financial year (see Note 45)

## Note 9 – Adjustments between Accounting Basis and Funding Basis under Regulations

2021/2022 Financial Year	Usable Reserve	Usable Reserve	Usable Reserve	Movement in Unusable Reserves
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	
	£000	£000	£000	£000
<b>Adjustments to Revenue Resources:</b>				
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements				
Pension Cost (transferred to (or from) the Pensions Reserve)	17,886	0	0	(17,886)
Pension prepayment adjustment	(2,817)	0	0	2,817
Council Tax and NDR (transfers to or from the Collection Fund)	(6,408)	0	0	6,408
Dedicated Schools Grant Deficit (transfers to or from the DSG Adjustment Account)	772	0	0	(772)
Holiday pay (transferred to the Accumulated Absences Reserve)	126	0	0	(126)
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	6,018	0	0	(6,018)
<b>Total Adjustments to Revenue Resources</b>	<b>15,577</b>	<b>0</b>	<b>0</b>	<b>(15,577)</b>
<b>Adjustments between Revenue and Capital Resources:</b>				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(927)	927	0	0
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	15	(15)	0	0
Statutory provision for the repayment of debt (transfer to the Capital Adjustment Account)	(5,211)	0	0	5,211
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(85)	0	0	85
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>(6,208)</b>	<b>912</b>	<b>0</b>	<b>5,296</b>
<b>Adjustments to Capital Resources:</b>				
Use of the capital receipts reserve to finance capital expenditure		(1,070)		1,070
Application of capital grants to finance capital expenditure	(665)		(657)	1,322
Cash payments in relation to deferred capital receipts		164		(164)
<b>Total Adjustments to Capital Resources</b>	<b>(665)</b>	<b>(906)</b>	<b>(657)</b>	<b>2,228</b>
<b>Total Adjustments</b>	<b>8,704</b>	<b>6</b>	<b>(657)</b>	<b>(8,053)</b>

2020/2021 Financial Year*	Usable Reserve	Usable Reserve	Usable Reserve	Movement in Unusable Reserves
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	
	£000	£000	£000	£000
<b>Adjustments to Revenue Resources:</b>				
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements				
Pension Cost (transferred to (or from) the Pensions Reserve)	8,028	0	0	(8,028)
Pension prepayment adjustment	(2,817)	0	0	2,817
Council Tax and NDR (transfers to or from the Collection Fund)	14,002	0	0	(14,002)
Dedicated Schools Grant Deficit (transfers to or from the DSG Adjustment Account)	761	0	0	(761)
Holiday pay (transferred to the Accumulated Absences Reserve)	12	0	0	(12)
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(7,531)	0	0	7,531
<b>Total Adjustments to Revenue Resources</b>	<b>12,455</b>	<b>0</b>	<b>0</b>	<b>(12,455)</b>
<b>Adjustments between Revenue and Capital Resources:</b>				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(463)	463	0	0
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	17	(17)	0	0
Statutory provision for the repayment of debt (transfer to the Capital Adjustment Account)	(4,395)	0	0	4,395
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(331)	0	0	331
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>(5,172)</b>	<b>446</b>	<b>0</b>	<b>4,726</b>
<b>Adjustments to Capital Resources:</b>				
Use of the capital receipts reserve to finance capital expenditure	0	(1,009)	0	1,009
Application of capital grants to finance capital expenditure	(1,865)		1,429	436
Cash payments in relation to deferred capital receipts	0	557	0	(557)
<b>Total Adjustments to Capital Resources</b>	<b>(1,865)</b>	<b>(452)</b>	<b>1,429</b>	<b>888</b>
<b>Total Adjustments</b>	<b>5,418</b>	<b>(6)</b>	<b>1,429</b>	<b>(6,841)</b>

\* The 2020/2021 comparator figures have been restated to reflect the prior period adjustment that was made during the 2021/2022 financial year (see Note 45)

## Note 10 – Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund Expenditure in 2021/2022.

	Balance as at 31 March 2020 £000	Transfers In 2020/2021 £000	Transfers Out 2020/2021 £000	Balance as at 31 March 2021 £000	Transfers In 2021/2022 £000	Transfers Out 2021/2022 £000	Balance as at 31 March 2022 £000
Individual Schools Budget Reserve	1,097	1,617	(1,097)	1,617	1,765	(1,617)	1,765
Dedicated Schools Grant Reserve	57	0	(57)	0	0	0	0
Self-Insurance	1,283	0	0	1,283	0	0	1,283
Business Rates Reserve	796	12,665	(14)	13,447	0	(5,930)	7,517
Management of Change	1,264	766	(1,204)	826	1,995	(2,821)	0
Debt Financing Reserve	1,038	266	0	1,304	933	0	2,237
Transformation Programme	2,382	1,075	(3,457)	0	5,935	(1,624)	4,311
Adult Social Care Transition Funding	185	2,000	(72)	2,113	1,918	(4,031)	0
Clinical Commissioning Group Priorities	0	1,235	0	1,235	1,750	(2,985)	0
IFRS Revenue Grant	7,325	6,617	(5,936)	8,006	4,673	(6,154)	6,525
Health & Wellbeing Board Public Health Priorities	259	0	(50)	209	0	(58)	151
Council Tax Hardship Fund	360	330	(314)	376	100	(243)	233
Strategic Change Reserve	201	0	(139)	62	0	(47)	15
Children's Services Recruitment	340	0	(266)	74	0	(47)	27
Covid-19 Reserve	0	2,128	0	2,128	2,416	(4,128)	416
Pension Fund Reserve	0	186	0	186	176	0	362
Social & Democratic Demand Reserve	0	0	0	0	7,408	0	7,408
<b>Service Specific Reserves:</b>							
Resources	806	153	(142)	817	302	(414)	705
Economy & Growth	918	431	(346)	1,003	40	(369)	674
Children's Services	299	346	(262)	383	451	(351)	483
Public Health & Wellbeing	1,242	900	(565)	1,577	363	(111)	1,829
Adult Services	1,263	1,880	(1,399)	1,744	852	(838)	1,758
<b>Total Earmarked Reserves</b>	<b>21,115</b>	<b>32,595</b>	<b>(15,320)</b>	<b>38,390</b>	<b>31,077</b>	<b>(31,768)</b>	<b>37,699</b>

### **Service Specific Reserves**

A number of service specific reserves were established in respect of a programme of projects that met a service need identified since the Medium-Term Financial Plan (MTFP) was approved or was planned/committed spending that was not completed during 2021/2022.

### **Individual Schools Budget Reserve**

This balance is comprised of unspent revenue balances of schools and other educational establishments at the year-end, which may be applied in the following year. The balances are not available for general use.

### **Dedicated Schools Grant Reserve**

This reserve holds surplus balances on the Dedicated Schools Grant (DSG). However, as the DSG is in deficit at the end of 2021/2022 this is held within the DSG Adjustment Account which can be seen in Note 25 Unusable Reserves.

### **Self-Insurance**

This reserve is held to meet the costs of claims which are insured internally.

### **Business Rates Reserve**

A specific reserve to account for potential shortfalls in the Collection Fund as a result of various elements including a significant number of outstanding appeals against rateable value. On-going technical adjustments to the Collection Fund have been necessary to account for the continued provision of various Covid-19 rates reliefs during 2021/2022. These funding streams offset losses of income resulting from rate reliefs that were provided by the Government to businesses in response to Covid-19 – this loss of income is reflected in the deficit balance on the Collection Fund for the past two years. Due to the technical working of the Collection Fund, the council's share of any deficit, or surplus, arising at the end of one financial year will not be realised in revenue until the following financial year. The net movement on this reserve during 2021/2022 therefore reflects the utilisation of reliefs placed into the reserve at the end of 2020/2021 to offset the councils share of the deficit as at 31 March 2021, and new funding received in 2021/2022 that will be utilised in 2022/2023 to cover the share of the deficit as at 31 March 2022.

### **Management of Change**

Reserve in respect of the costs of managing organisational change, in particular, those that arise from transformation programmes. The balance on this reserve at the end of the 2021/2022 financial year has now been incorporated within the Transformation Reserve.

### **Debt Financing Reserve**

This reserve is to mitigate the risks associated with treasury management activity (cash flow, interest rate volatility, debt restructuring and use of internal borrowing) and to cushion the increasing debt management costs in the Medium-Term Financial Plan.

### **Transformation Reserve**

Funding set aside to support the delivery of the council's transformation programme.

### **Adult Social Care Transition Funding**

Reserve for transition funding to mitigate the impact of loss of NHS grant in future years. The balance on this reserve at the end of the 2021/2022 financial year has been transferred into a new Social and Demographic Demand reserve.

### **North East Lincolnshire Clinical Commissioning Group Strategic Priorities**

Reserve set aside to support CCG priorities. The balance on this reserve at the end of the 2021/2022 financial year has been transferred into a new Social and Demographic Demand reserve.

### **Social and Demographic Demand Reserve**

This reserve is held to smooth demand cost fluctuations.

### **IFRS Revenue Grant Reserve**

Under IFRS, revenue grants that do not have outstanding conditions attached at the year-end must be recognised as income immediately, even if specific plans and restrictions for spending the grant are in place. These grants are carried forward and utilised through this earmarked reserve to ensure that they can continue to be used to match future service spending plans.

### **Health and Well Being Board Public Health Priorities**

Reserve established to support public health priorities.

### **Council Tax Hardship Fund**

Reserve to specifically support council taxpayers who fall within the scope of the Council Tax Support Scheme.

### **Strategic Change Reserve**

Reserve to support ongoing regeneration activity in the borough.

### **Children's Services Recruitment**

Reserve to support the increase in capacity of the children's social care and related functions.

### **Covid-19 Reserve**

This reserve has been established to support the ongoing impact of the Covid-19 pandemic on service budgets.

### **Pension Fund Reserve**

Pension costs can change year on year in accordance with actuary reviews. A small saving was realised in 2020/2021 which has been set aside to help cover future fluctuations in pension liabilities.

## Note 11 – Other Operating Expenditure

	<b>2021/2022</b> £000	<b>2020/2021</b> £000
Parish Council Precepts	768	747
Levies	707	692
(Gains)/Losses on Disposal of Non-Current Assets	(398)	85
<b>Total</b>	<b>1,077</b>	<b>1,524</b>

## Note 12 – Financing and Investment Income and Expenditure

	<b>2021/2022</b> £000	<b>2020/2021</b> £000
Interest Payable and Similar Charges	4,996	5,173
Net Interest on the Net Defined Benefit Liability/(Asset)	5,054	3,830
Interest Receivable and Similar Income	(43)	(34)
Income and Expenditure in relation to Investment Properties and Changes in their Fair Value	(1,016)	(4,685)
<b>Total</b>	<b>8,991</b>	<b>4,284</b>

## Note 13 – Taxation and Non-specific Grant Income and Expenditure

	<b>2021/2022</b> £000	<b>2020/2021</b> £000
Council Tax Income	(75,917)	(71,607)
Non-Domestic Rates Income and Expenditure	(35,138)	(27,345)
Business Rates Relief	(9,281)	(15,244)
Revenue Support Grant	(9,192)	(9,142)
Social Care Grant	(6,068)	(4,787)
Covid-19 Support Grant	(4,998)	(9,618)
Other Non-Ring-Fenced Government Grants	(3,131)	(4,282)
Capital Grants and Contributions	(10,870)	(23,153)
<b>Total</b>	<b>(154,595)</b>	<b>(165,178)</b>

## Note 14 – Property, Plant and Equipment

2021/2022 Financial Year	Other Land and Buildings £000	Vehicles, Plant & Equipment £000	Community Assets £000	PPE Under Construction £000	Surplus Assets £000	Total £000
<b>Cost or Valuation:</b>						
Balance as at 1 April 2021	93,901	21,178	20,746	8,534	6,341	150,700
Additions	3,577	4,161	559	1,875	0	10,172
Donations	0	0	0	0	0	0
Revaluation increases/(decreases) to Revaluation Reserve	(1,477)	0	0	0	(80)	(1,557)
Revaluation increases/(decreases) to Surplus or Deficit on the Provision of Services	(424)	0	0	0	80	(344)
De-Recognition - Disposals	0	(1,136)	0	0	(380)	(1,516)
De-Recognition - Other	0	0	0	0	0	0
Reclassifications & Transfers	0	0	0	2,390	(2,539)	(149)
Reclassified to/from Held for Sale	0	0	0	0	(92)	(92)
Other Movements	0	0	0	0	0	0
<b>Balance as at 31 March 2022</b>	<b>95,577</b>	<b>24,203</b>	<b>21,305</b>	<b>12,799</b>	<b>3,330</b>	<b>157,214</b>
<b>Depreciation and Impairment:</b>						
Balance as at 1 April 2021	(8,340)	(13,655)	(7,511)	(1)	(10)	(29,517)
Depreciation Charge	(5,050)	(2,288)	0	0	(10)	(7,348)
Depreciation written out on Revaluation Reserve	1,819	0	0	0	0	1,819
Depreciation written out on Revaluation taken to Surplus or Deficit on the Provision of Services	1,185	0	0	0	2	1,187
Impairment losses/reversals to Revaluation Reserve	(1,089)	0	0	0	0	(1,089)
Impairment losses/reversals To Surplus or Deficit on the Provision of Services	(111)	0	0	0	0	(111)
De-Recognition - Disposals	0	1,121	0	0	4	1,125
De-Recognition - Other	0	0	0	0	0	0
Reclassifications & Transfers	0	0	0	0	10	10
Eliminated on reclassification to Held for Sale	0	0	0	0	4	4
<b>Balance as at 31 March 2022</b>	<b>(11,586)</b>	<b>(14,822)</b>	<b>(7,511)</b>	<b>(1)</b>	<b>0</b>	<b>(33,920)</b>
<b>Net Book Value:</b>						
<b>Balance as at 31 March 2022</b>	<b>83,991</b>	<b>9,381</b>	<b>13,794</b>	<b>12,798</b>	<b>3,330</b>	<b>123,294</b>
Balance as at 31 March 2021	85,561	7,523	13,235	8,533	6,331	121,183

2020/2021 Financial Year	Other Land And Buildings £000	Vehicles, Plant & Equipment £000	Community Assets £000	PPE Under Construction £000	Surplus Assets £000	Total £000
<b>Cost or Valuation:</b>						
Balance as at 1 April 2020	94,460	17,659	20,386	6,178	6,383	145,066
Additions	3,913	3,686	108	3,811	5	11,523
Donations	0	0	0	0	0	0
Revaluation increases/(decreases) to Revaluation Reserve	(2,692)	0	0	0	72	(2,620)
Revaluation increases/(decreases) to Surplus or Deficit on the Provision of Services	(3,131)	0	0	0	(145)	(3,276)
De-recognition - Disposals	(93)	(167)	0	0	(81)	(341)
De-recognition - Other	0	0	0	0	0	0
Reclassifications & Transfers	1,444	0	252	(1,455)	107	348
Reclassified to/from Held for Sale	0	0	0	0	0	0
Other Movements	0	0	0	0	0	0
<b>Balance as at 31 March 2021</b>	<b>93,901</b>	<b>21,178</b>	<b>20,746</b>	<b>8,534</b>	<b>6,341</b>	<b>150,700</b>
Depreciation and impairment:						
Balance as at 1 April 2020	(8,061)	(12,083)	(7,382)	(1)	(49)	(27,576)
Depreciation charge	(5,051)	(1,739)	0	0	(10)	(6,800)
Depreciation written out on Revaluation Reserve	2,166	0	0	0	0	2,166
Depreciation written out on revaluation taken to Surplus or Deficit on the Provision of Services	1,870	0	0	0	10	1,880
Impairment losses/reversals to Revaluation Reserve	396	0	0	0	0	396
Impairment losses/reversals to Surplus or Deficit on the Provision of Services	271	0	(99)	0	64	236
De-recognition – Disposals	15	167	0	0	0	182
De-recognition – Other	0	0	0	0	0	0
Reclassifications & Transfers	54	0	(30)	0	(25)	(1)
Eliminated on reclassification to Held for Sale	0	0	0	0	0	0
<b>Balance as at 31 March 2021</b>	<b>(8,340)</b>	<b>(13,655)</b>	<b>(7,511)</b>	<b>(1)</b>	<b>(10)</b>	<b>(29,517)</b>
<b>Net Book Value:</b>						
<b>Balance as at 31 March 2021</b>	<b>85,561</b>	<b>7,523</b>	<b>13,235</b>	<b>8,533</b>	<b>6,331</b>	<b>121,183</b>
Balance as at 31 March 2020	86,399	5,576	13,004	6,177	6,334	117,490

## Infrastructure Assets – Additional Disclosure

### Movements on balances

In accordance with the temporary relief offered by the Update to the Code on infrastructure assets, this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.

The council has chosen not to disclose this information as the previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide the basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets.

Infrastructure Assets	2021/2022 £000	2020/2021 £000
<b>Net Book Value - Modified Historical Cost:</b>		
<b>Balance as at 1 April</b>	<b>136,388</b>	<b>116,653</b>
Additions	12,073	24,236
Depreciation	(4,501)	(4,501)
<b>Balance as at 31 March</b>	<b>143,960</b>	<b>136,388</b>

The council has determined, in accordance with Regulation 30M of the Local Authorities (Capital Finance and Accounting) (England/Wales) (Amendment) Regulations 2022, that the carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is nil.

### **Reconciliation of Infrastructure Assets and Other Property Plant and Equipment**

<b>Net Book Value</b>	<b>31 March 2022</b>	<b>31 March 2021</b>
	£000	£000
Infrastructure Assets	143,960	136,388
Other property, plant & equipment	123,294	121,183
<b>Total Property, Plant &amp; Equipment as per the Balance Sheet</b>	<b>267,254</b>	<b>257,571</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 future years. Of these contracts, those considered to be major contracts are those having outstanding commitments in excess of £1m. As at 31 March 2022, there were no contracts that met this criterion.

### **Effects of Changes in Estimates**

No material changes in estimates have been made in year. Useful lives are assessed as part of the valuation rolling programme.

### **Depreciation**

The following asset lives have been used in the calculation of depreciation:

- Other Land and Buildings – Up to 999 years
- Vehicles, Plant, Furniture and Equipment – Between 1 and 10 years
- Infrastructure – 40 years

### **Revaluations**

The council carries out a rolling programme that ensures that all property, plant and equipment required to be measured at fair value is revalued at least every five years. 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 of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset.

The significant assumptions applied in estimating the current values of property, plant and equipment are:

- That good title can be shown, and all valid planning permissions and statutory approvals are in place.
- That the occupier will have the benefit of access, services and rights to enable occupation on a normal commercial basis.
- That all easements, rights of way, restrictions or other encumbrances have been considered.
- That the properties are in good repair unless otherwise stated.
- That no deleterious or hazardous materials have been used in the construction, nor any existing or potential environmental factors are known, that could affect the values.

The table below shows the property, plant and equipment held on the asset register valued at historical cost or at the fair value of the asset at the time of valuation.

<b>Valuation Of PPE</b>	<b>Land and Buildings</b>	<b>Vehicles, Plant &amp; Equipment</b>	<b>Surplus Assets</b>	<b>Other PPE</b>	<b>Total PPE</b>
	£000	£000	£000	£000	£000
Carried at Historical Cost	0	9,381	0	170,552	179,933
Valued at Fair Value as at:					
31/03/2022	14,540	0	3,330	0	17,870
31/03/2021	58,207	0	0	0	58,207
31/03/2020	11,244	0	0	0	11,244
31/03/2019	0	0	0	0	0
31/03/2018	0	0	0	0	0
<b>Total Cost or Valuation</b>	<b>83,991</b>	<b>9,381</b>	<b>3,330</b>	<b>170,552</b>	<b>267,254</b>

## Fair Value Measurement for Surplus Assets and Investment Properties

See Note 1 Accounting Policies (section xxiii. Fair Value Measurement) for an explanation of fair value and the fair value level.

### Fair Value Hierarchy

Details of the council's surplus assets and investment properties, as at 31 March 2022, are as follows:

Recurring Fair Value Measurements Using Significant Unobservable Inputs (Level 3)	Fair Value as at 31st March 2022 £000	Fair Value as at 31st March 2021 £000
<b>Surplus Assets:</b>		
All Surplus Assets	3,330	6,331
<b>Total Surplus Assets</b>	<b>3,330</b>	<b>6,331</b>
<b>Investment Properties:</b>		
Agricultural Properties	1,053	1,078
Office Units	4,572	5,452
Commercial Units	45,944	46,599
<b>Total Investment Properties</b>	<b>51,569</b>	<b>53,129</b>

### Determined Value Level, Valuation Process and Techniques

There is limited evidence in respect of actual transactions for this region and no publicly available market reports for North East Lincolnshire. Much of the evidence of actual sales comes from North East Lincolnshire Council itself. Adjustments are required to reflect the location, size, age, use and condition of the assets. The council's assets are therefore categorised as Level 3 in the fair value hierarchy as the measurement technique uses significant unobservable inputs to determine the fair value measurements and there is no reasonably available information that indicates that market participants would use different assumptions.

The assets have been valued by the council's partner EQUANS in accordance with the methodologies and bases for estimation set out in the Valuation Terms of Engagement and professional standards of the Royal Institution of Chartered Surveyors (RICS). In estimating the fair value of the council's surplus assets and investment properties, the highest and best use of the properties is their current use.

There has been no change in the valuation techniques used during the year.

### Reconciliation of Fair Value Measurements

Assets Categorised Within Level 3	Surplus Assets 31 March 2022	Investment Properties 31 March 2022	Surplus Assets 31 March 2021	Investment Properties 31 March 2021
	£000	£000		£000
<b>Opening Balance</b>	<b>6,331</b>	<b>53,129</b>	<b>6,334</b>	<b>51,696</b>
Reclassifications in at Level 3	0	139	82	0
Reclassifications out at Level 3	(2,617)	(25)	0	(347)
Total gains/losses for the period included in the Surplus or Deficit on the Provision of Services resulting from changes in fair value	72	(2,615)	(81)	1,427
Total to Revaluation Reserve	(80)	0	72	0
Additions	0	988	5	438
Disposals	(376)	(47)	(81)	(85)
<b>Closing Balance</b>	<b>3,330</b>	<b>51,569</b>	<b>6,331</b>	<b>53,129</b>

Gains arising from changes in the fair value of surplus assets are recognised in the Revaluation Reserve, unless they reverse a previous impairment charged to the Surplus or Deficit on the Provision of Services. Losses arising from changes in the fair value of surplus assets firstly reduce any Revaluation Reserve balance relating to that asset and, thereafter, are recognised in the Surplus or Deficit on the Provision of Services.

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

## Quantitative Information about Fair Value

Subcategory at Fair Value Level 3	31 March 2022 £000	Valuation Technique used to measure Fair Value	Unobservable Inputs	Sensitivity
<b>Surplus Assets:</b>				
Land	3,138	Market Comparison / Residual	Sale Levels Finance / Construction Costs Build Period	Significant changes in sale levels, finance and construction costs will result in a significantly lower or higher fair value
Buildings	192	Market Comparison / Residual	Sale Levels Finance / Construction Costs Build Period	Significant changes in sale levels, finance and construction costs will result in a significantly lower or higher fair value
<b>Investment Properties:</b>				
Industrial and Commercial Units	45,944	Market Comparison / Investment Method	Rent Growth Vacancy Levels Yields	Significant changes in rental income, rent growth, vacancy levels or yields will result in a significantly lower or higher fair value
Office Units	4,572	Market Comparison / Investment Method	Rent Growth Vacancy Levels Yields	Significant changes in rental income, rent growth, vacancy levels or yields will result in a significantly lower or higher fair value
Agricultural Units	1,053	Market Comparison	Rent Growth Vacancy Levels Yields	Significant changes in sales comparables and certain tenancies affecting when vacant possession can be achieved will significantly lower or higher fair value

## Note 15 – Heritage Assets

Cost or Valuation	Civic Regalia £000	Museum Collection £000	Other Heritage Assets £000	Total Heritage Assets £000
<b>Balance as at 1 April 2020</b>	<b>426</b>	<b>1,426</b>	<b>83</b>	<b>1,935</b>
Additions	0	0	0	0
Movements – Revaluations	0	0	0	0
Reclassifications	0	0	0	0
<b>Balance as at 31 March 2021</b>	<b>426</b>	<b>1,426</b>	<b>83</b>	<b>1,935</b>
Additions	0	0	0	0
Movements – Revaluations	0	0	0	0
Reclassifications	0	0	0	0
<b>Balance as at 31 March 2022</b>	<b>426</b>	<b>1,426</b>	<b>83</b>	<b>1,935</b>

## Note 16 – Investment Properties

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

	2021/2022 £000	2020/2021 £000
Rental income from investment property	(4,379)	(3,947)
Direct operating expenses arising from investment property	1,039	976
<b>Net (Gain)/Loss</b>	<b>(3,340)</b>	<b>(2,971)</b>

There are no restrictions on the council's ability to realise the value inherent in its investment property and none on the council's right to the remittance of income and the proceeds of disposal. The council has no contractual obligations to purchase, construct or develop investment property or on repairs, maintenance, or enhancement.

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

	2021/2022 £000	2020/2021 £000
<b>Balance at start of the year</b>	<b>53,129</b>	<b>51,696</b>
Additions	988	438
Disposals	(47)	(85)
De-recognitions	0	0
Net gains/losses from fair value adjustments	(2,400)	1,427
<b>Transfers:</b>		
To/from Assets Held for Sale	(250)	0
To/from Property, Plant and Equipment	149	(347)
<b>Balance at end of the year</b>	<b>51,569</b>	<b>53,129</b>

## **Note 17 – Intangible Assets**

The council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of property, plant and equipment. The intangible assets include both purchased licenses and internally generated software.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the council. The useful lives assigned to the major software suites used by the council are as follows:

- Refurb / Refresh – five years (updating software to support our systems, applications and websites).
- Finance System – ten years.

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £584k charged to revenue in 2021/2022 was charged to the following lines in the Cost of Services – £386k Resources and £198k Children’s Services.

	2021/2022 £000	2020/2021 £000
Balance at start of the year	4,024	3,347
Accumulated amortisation	(2,930)	(1,841)
<b>Net carrying amount at start of year</b>	<b>1,094</b>	<b>1,506</b>
Additions	595	677
Reclassifications	0	0
Disposals	0	0
Amortisation for the period	(584)	(1,089)
Amortisation written off on disposal	0	0
<b>Net carrying amount at the end of the year</b>	<b>1,105</b>	<b>1,094</b>
<b>Comprising:</b>		
Gross carrying amount	4,619	4,024
Accumulated amortisation	(3,514)	(2,930)
<b>Net carrying amount at the end of the year</b>	<b>1,105</b>	<b>1,094</b>

## **Note 18 – Financial Instruments**

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

	31 March 2022 Long Term £000	31 March 2021 Long Term £000	31 March 2022 Short Term £000	31 March 2021 Short Term £000
<b>Financial Assets:</b>				
Loans and Receivables at Amortised Cost	1,207	1,374	974	974
Debtors carried at Amortised Cost	0	0	16,463	17,463
<b>Total Financial Assets</b>	<b>1,207</b>	<b>1,374</b>	<b>17,437</b>	<b>18,437</b>
<b>Financial Liabilities:</b>				
Borrowings at Amortised Cost	135,317	135,035	21,370	16,929
Creditors carried at Contract Amount	0	0	46,943	44,871
<b>Total Financial Liabilities</b>	<b>135,317</b>	<b>135,035</b>	<b>68,313</b>	<b>61,800</b>

Amounts relating to financial instruments recognised in the Comprehensive Income and Expenditure Statement:

Financial Liabilities Measured at Amortised Cost	2021/2022 £000	2020/2021 £000
Interest Expense	4,902	4,988
<b>Total Expense in Surplus or Deficit on the Provision of Services</b>	<b>4,902</b>	<b>4,988</b>

Information as to the council's treatment of financial assets and liabilities within the accounts, including the basis of fair value measurements, is included within Note 1 Accounting Policies (section ix. Financial Instruments).

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

Except for the financial assets carried at fair value, all other financial liabilities and financial assets represented by amortised cost and long-term debtors and creditors 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 Public Works Loans Board (PWLB) payable, PWLB premature repayment rates have been applied to provide the fair value under PWLB debt redemption procedures. The council has a continuing ability to borrow at concessionary rates from the PWLB rather than from markets.
- For non-PWLB loans payable, as market lenders to the sector compete with PWLB their rates have to be comparable, therefore PWLB premature repayment rates have been applied to provide the fair value under PWLB debt redemption procedures. The value of "Lender's Option Borrower's Option" (LOBO) loans have been increased by the value of the embedded options. Lender's options to propose an increase to the interest rate on the loan have been valued according to a proprietary model for Bermudan cancellable swaps. Borrower's contingent options to accept the increase rate or repay the loan have been valued at zero, on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate.
- For loans receivable prevailing benchmark market rates have been used to provide the fair value.
- No early repayment or impairment is recognised.
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

Local Authorities sometimes give financial guarantees that require them to make specified payments to reimburse the holder of a debt if the debtor fails to make payment when due. The council has provided a financial guarantee in respect of Lincs Inspire Limited. The fair values of financial guarantees are measured at the higher of the amount recognised initially and the amount determined in accordance with IAS 37. Therefore, the carrying amount of the financial guarantee will remain at the original amount estimated at inception (less cumulative amortisation) unless payment under the guarantee becomes probable.

This table shows the carrying value and fair value of the loans to the council by the PWLB and other organisations.

	Fair Value Level	31 March 2022	31 March 2022	31 March 2022	31 March 2021	31 March 2021
		Carrying Amount	Fair Value	Effect of 1% Rise in Interest Rates	Carrying Amount	Fair Value
		£000	£000	£000	£000	£000
PWLB Debt	2	73,137	101,165	(15,033)	74,468	112,242
Non PWLB Debt	2	65,315	108,601	(24,892)	63,207	120,098
Temporary Borrowing	2	18,235	18,220	(53)	14,290	14,294
<b>Total Debt</b>		<b>156,687</b>	<b>227,986</b>	<b>(39,978)</b>	<b>151,965</b>	<b>246,634</b>

The fair value of the liabilities is greater than the carrying amount because the council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date. This shows a notional loss (based on economic conditions as at 31 March 2022) arising from the commitment to pay interest to lenders above current market rates.

## **Note 19 – Nature and Extent of Risks Arising from Financial Instruments**

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 and Maturity risk – the possibility that the council might need 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 rates and stock market movements.

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

Risk management is carried out by a central treasury team, under policies approved by the council in the annual Treasury Management Strategy – the Treasury Management Strategy for 2021/2022 was approved by full Council in February 2021. 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).

### **Credit risk**

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the council's customers.

This risk is managed through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, as laid down by S & P Global, Fitch, and/or Moody's Ratings Services. This council further uses the creditworthiness service provided by Link Asset Services. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- Credit watches and credit outlooks from credit rating agencies.
- CDS spreads to give early warning of likely changes in credit ratings.
- Sovereign ratings to select counterparties from only the most creditworthy countries.

The Annual Investment Strategy also imposes a maximum amount and time limits with any financial institution located within each category.

The council's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. A risk of non-recovery applies to all of the council's deposits, but there was no evidence at the 31 March 2022 that this was likely to crystallise.

## **Amounts Arising from Expected Credit Losses**

Analysis shows that the application of the above Strategies (in particular the monitoring of counterparty rating and management of deposit term) results in a non-material (£0.011m) Expected Credit Loss on its investments when applying an historic rating-linked default probability.

## **Liquidity Risk**

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

The council has ready access to borrowing from the money markets to cover any day-to-day cash flow need, and the PWLB and money markets for access to longer term funds. The council is also required to set a balanced budget through the Local Government Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is no significant perceived risk that the council will be unable to raise finance to meet its commitments under financial instruments.

## **Re-financing and Maturity Risk**

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

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

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

The maturity analysis of financial liabilities is as follows:

Timescale	31 March 2022 £000	31 March 2021 £000
Less than one year	21,371	17,596
Between one and two years	5,318	2,329
Between two and five years	7,629	6,874
Between five and ten years	16,597	17,842
Between 10 and 20 years	12,741	12,953
Over 20 years	72,031	73,370
Uncertain date*	21,000	21,000
<b>Total</b>	<b>156,687</b>	<b>151,964</b>

\* The council has £21m of "Lender option, borrower's option" (LOBO) loans where the lender has the option to propose an increase in the rate payable; the council will then have the option to accept the new rate or repay the loan without penalty. Due to current low interest rates, in the unlikely event that the lender exercises its option, the council is likely to repay those loans. The maturity date is therefore uncertain.

## **Interest rate risk**

The council is exposed to risk arising from 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 will rise.
- Borrowings at fixed rates – the fair value of the borrowings will fall.
- Investments at variable rates – the interest income rise.
- Investments at fixed rates – the fair value of the assets will fall.

The council has strategies in place for managing interest rate risk. The Annual Treasury Management Strategy draws together council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The central treasury team monitor market 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, similarly the drawing of longer term fixed rates borrowing would be postponed.

The Treasury Management Strategy also aims to mitigate these risks by setting upper limits on its net exposures to fixed and variable interest rates.

### **Price risk**

The market prices of any council fixed rate bond investments and any units in pooled bond funds are governed by prevailing interest rates and the market risk associated with these instruments is managed alongside interest rate risk. This will typically only apply where an investment is held as Fair Value through profit and Loss or Fair Value through other Comprehensive Income.

### **Note 20 – Debtors**

Debtors are financial assets not traded in an active market with fixed or determinable payments that are contractual rights to receive cash or cash equivalents.

<b>Debtor</b>	<b>2021/2022 Long Term £000</b>	<b>2020/2021 Long Term £000</b>	<b>2021/2022 Short Term £000</b>	<b>2020/2021 Short Term £000</b>
Central Government Bodies	0	0	4,268	5,739
Other Local Authorities	0	0	455	1,965
NHS Bodies	0	0	78	146
Other Entities and Individuals	0	0	16,530	14,665
Impairment Allowances	0	0	(4,868)	(5,052)
Loans and Advances	1,207	1,374	974	974
<b>Total – Financial Instruments</b>	<b>1,207</b>	<b>1,374</b>	<b>17,437</b>	<b>18,437</b>
Non-Domestic Rates & Council Tax	0	0	19,854	21,435
Value Added Tax	0	0	3,146	3,053
<b>Total – Non-Financial Instruments</b>	<b>0</b>	<b>0</b>	<b>23,000</b>	<b>24,488</b>
<b>Total Debtors</b>	<b>1,207</b>	<b>1,374</b>	<b>40,437</b>	<b>42,925</b>

The past due, but not impaired, amount for local taxation (council tax and non-domestic rates) is analysed as follows:

<b>Aged Debt</b>	<b>2021/2022 £000</b>	<b>2020/2021 £000</b>
1 year	6,154	5,265
1 – 2 years	2,964	2,889
2 – 3 years	2,014	1,842
3 – 4 years	1,374	1,176
Over 4 years	2,753	2,717
<b>Total</b>	<b>15,259</b>	<b>13,889</b>

This analysis only shows those balances where assessment has indicated that, by exception, no impairment is required.

## Note 21 – Cash and Cash Equivalents

For the purposes of the Cash Flow Statement, cash and cash equivalents include cash in hand/bank and short-term deposits and investments (considered to be cash equivalents), net of outstanding bank overdrafts. Cash and cash equivalents at the end of the reporting period as shown in the Cash Flow Statement can be reconciled to the related items in the Balance Sheet as follows:

	2021/2022 £000	2020/2021 £000
Cash and Bank Balances	(846)	1,020
Short Term Investments	44,496	28,410
<b>Total - Current Asset</b>	<b>43,650</b>	<b>29,430</b>

## Note 22 – Assets Held for Sale

The value of assets currently being actively marketed for sale is as follows:

	2021/2022 £000	2020/2021 £000
<b>Balance Outstanding at Start of Year</b>	<b>0</b>	<b>0</b>
Transferred from Non-Current Assets during Year:		
Property Plant & Equipment	88	0
Investment Properties	250	0
Assets Sold	0	0
<b>Total Unusable Reserves</b>	<b>338</b>	<b>0</b>

## Note 23 – Creditors

The following amounts are owed by the council within the next twelve months:

Creditor	2021/2022 £000	2020/2021 £000
Central Government Bodies	30,817	24,367
Other Local Authorities	190	248
NHS Bodies	5,651	4,887
Other Entities and Individuals	10,285	15,369
<b>Total – Financial Instruments</b>	<b>46,943</b>	<b>44,871</b>
Non-Domestic Rates & Council Tax	6,070	2,961
Tax & National Insurance	1,401	1,097
<b>Total – Non-Financial Instruments</b>	<b>7,471</b>	<b>4,058</b>
<b>Total Creditors</b>	<b>54,414</b>	<b>48,929</b>

## Note 24 – Provisions

Provisions are recognised where the council has a legal or constructive obligation arising from a past event that will probably require settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

Details of the provisions set aside as at 31 March 2022 are as follows:

Provision	Opening Balance 1 April 2021 £000	Increase / (Reduction) In Provision During Year £000	Utilised During Year £000	Unused Amounts Reversed £000	Closing Balance 31 March 2022 £000	Estimated Settlement Within One Year £000	Estimated Settlement Beyond One Year £000
NNDR Appeals	6,853	460	(711)	469	7,071	1,089	5,982
Self-Insurance	996	1,408	(1,540)	0	864	173	691
Other	81	0	(81)	0	0	0	0
<b>Totals</b>	<b>7,930</b>	<b>1,868</b>	<b>(2,332)</b>	<b>469</b>	<b>7,935</b>	<b>1,262</b>	<b>6,673</b>

## National Non-Domestic Rates Appeals (NNDR)

This provision has been established to meet the council's share of the estimated costs of settling appeals against the NNDR valuation of properties currently lodged with the Valuation Office Agency (VOA). In 2021/2022, the total appeals provision in the Business Rates Collection Fund is £14.431m; the council's share of this under the Local Business Rates Retention Scheme is 49%.

### Self-Insurance

To obtain insurance in the most cost-effective manner, the council has chosen to carry excesses in respect of claims under various insurance policies covering property, public liability and employer's liability, subject to an annual review of the appropriate level at which any 'stop-loss' arrangements apply. The amount set aside to cover the uninsured risks is based on the assessed liability in respect of known claims at that date.

### Other

Small provisions are held to account for potential liabilities that are likely to result in a payment having to be made by the council but for which the timing and amount is currently uncertain.

## Note 25 – Unusable Reserves

### Unusable Reserves

	2021/2022 £000	2020/2021 £000
Capital Adjustment Account	81,813	77,709
Revaluation Reserve	50,925	54,350
Pensions Reserve	(151,821)	(252,114)
Collection Fund Adjustment Account	(4,228)	(10,636)
Accumulated Absences Account	(1,320)	(1,194)
Dedicated Schools Grant Adjustment Account	(1,533)	(761)
<b>Total Unusable Reserves</b>	<b>(26,164)</b>	<b>(132,646)</b>

### Capital Adjustment Account

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

	2021/2022 £000	2021/2022 £000	2020/2021 £000	2020/2021 £000
<b>Balance at 1 April</b>		<b>77,709</b>		<b>62,107</b>
<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Charges for depreciation and impairment of non-current assets	(11,960)		(11,065)	
Revaluation losses on Property, Plant and Equipment	853		(1,396)	
Amortisation of Intangible Assets	(584)		(1,089)	
Revenue expenditure funded from capital under statute	(8,153)		(7,058)	
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(438)		(244)	
		<b>(20,282)</b>		<b>(20,852)</b>
Adjusting amounts written out of the Revaluation Reserve		2,434		1,900
<b>Net written out amount of the cost of non-current assets consumed in the year</b>		<b>(17,848)</b>		<b>(18,952)</b>
<b>Capital financing applied in the year:</b>				
Use of the Capital Receipts Reserve to finance new capital expenditure	1,070		1,009	
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	16,664		26,956	
Application of grants to capital financing from the Capital Grants Unapplied Account	1,322		436	
Statutory provision for the financing of capital investment charged against the General Fund	5,211		4,395	
Capital expenditure charged against the General Fund	85		331	
		<b>24,352</b>		<b>33,127</b>
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		(2,400)		1,427
<b>Balance at 31 March</b>		<b>81,813</b>		<b>77,709</b>

### 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.

	2021/2022 £000	2020/2021 £000
<b>Balance at 1 April</b>	<b>54,350</b>	<b>56,865</b>
Net revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(827)	(58)
Difference between fair value depreciation and historical cost depreciation	(2,337)	(2,338)
Revaluation balances on assets scrapped or disposed of	(261)	(119)
Amount written off to the Capital Adjustment Account	(2,598)	(2,457)
<b>Balance at 31 March</b>	<b>50,925</b>	<b>54,350</b>

### Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs.

However, statutory arrangements require benefits earned to be financed, as the council makes employer's contributions to pension funds, or eventually pays any pensions for which it is directly responsible. The 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.

	2021/2022 £000	2020/2021* £000
<b>Balance at 1 April</b>	<b>(252,114)</b>	<b>(164,558)</b>
Re-measurements of the net defined benefit liability/(asset)	115,362	(82,345)
Pension prepayment adjustment	2,817	2,817
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(26,318)	(16,634)
Employer's pensions contributions and direct payments to pensioners payable in the year	8,432	8,606
<b>Balance at 31 March</b>	<b>(151,821)</b>	<b>(252,114)</b>

\* The 2020/2021 comparator figures have been restated to reflect the prior period adjustment that was made during the 2021/2022 financial year (see Note 45)

### Collection Fund Adjustment Account

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

	2021/2022 £000	2020/2021 £000
<b>Balance at 1 April</b>	<b>(10,636)</b>	<b>3,366</b>
Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	6,408	(14,002)
<b>Balance at 31 March</b>	<b>(4,228)</b>	<b>(10,636)</b>

### 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.

	2021/2022 £000	2020/2021 £000
<b>Balance at 1 April</b>	<b>(1,194)</b>	<b>(1,182)</b>
Settlement or cancellation of accrual made at the end of the preceding year	1,194	1,182
Amounts accrued at the end of the current year	(1,320)	(1,194)
<b>Balance at 31 March</b>	<b>(1,320)</b>	<b>(1,194)</b>

### Dedicated Schools Grant Adjustment Account

The Dedicated Schools Grant (DSG) Adjustment Account was established in the 2020/2021 financial year following new statutory provisions within the Local Authority (Capital Finance and Accounting) (England) (Amendment) Regulations 2020 regarding the accounting treatment of DSG deficits in the financial years beginning on 1 April 2020, 1 April 2021 and 1 April 2022.

Further information on the deployment of the DSG in 2021/2022 is provided in Note 33.

	2021/2022 £000	2020/2021 £000
<b>Balance at 1 April</b>	<b>(761)</b>	<b>0</b>
Deficit Balance on Dedicated Schools Grant	(772)	(761)
<b>Balance at 31 March</b>	<b>(1,533)</b>	<b>(761)</b>

## Note 26 – Cashflow from Operating Activities

The cash flows from operating activities include the following items:

	2021/2022 £000	2020/2021 £000
Interest Paid	(4,930)	(4,531)
Interest Received	43	34
<b>Total</b>	<b>(4,887)</b>	<b>(4,497)</b>
	2021/2022 £000	2020/2021* £000
<b>Adjustment to Surplus or Deficit on the Provision of Services for Non-Cash Movements:</b>		
Depreciation	11,960	11,065
Impairment & Downward Valuations	(853)	1,396
Amortisation	584	1,089
(Increase)/Decrease in Debtors	(5,068)	(220)
Increase/(Decrease) in Creditors	7,751	23,237
(Increase)/Decrease in Inventories	(22)	(26)
Movement in Pension Liability	17,886	8,028
Prepayment of Pension Contributions	0	(8,450)
Carrying Amount of Non-Current Assets, and Non-Current Assets Held for Sale, Sold or De-recognised	438	244
Other items charged to the Net Surplus or Deficit on Provision of Services	2,405	(1,450)
<b>Total</b>	<b>35,081</b>	<b>34,913</b>
<b>Adjustment for items included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities:</b>		
Proceeds from the sale of PPE, Investment Property and Intangible Assets	(912)	(446)
Any other items for which the cash effects are Investing or Financing Cash Flows	(17,493)	(29,379)
<b>Total</b>	<b>(18,405)</b>	<b>(29,825)</b>

\* The 2020/2021 comparator figures have been restated to reflect the prior period adjustment that was made during the 2021/2022 financial year (see Note 45)

## Note 27 – Cashflow from Investing Activities

	2021/2022 £000	2020/2021 £000
Purchase of PPE, Investment Property and Intangible Assets	(25,582)	(38,317)
Other payments for Investing Activities	(37)	(45)
Proceeds from the sale of PPE, Investment Property and Intangible Assets	912	446
Other receipts from investing activities	21,841	29,674
<b>Net Cash Flows from Investing Activities</b>	<b>(2,866)</b>	<b>(8,242)</b>

## Note 28 – Cashflow from Financing Activities

	2021/2022 £000	2020/2021 £000
Cash receipts of Short Term and Long Term Borrowing	26,000	39,470
Repayment of Short Term and Long Term Borrowing	(21,263)	(36,325)
Other payments for Financing Activities	5,068	(12,674)
<b>Net cash flows from Financing Activities</b>	<b>9,805</b>	<b>(9,529)</b>

Reconciliation of Liabilities arising from Financing Activities:

	Balance as at 1 April 2021	CASH CHANGE	NON-CASH CHANGE	NON-CASH CHANGE	Balance as at 31 March 2022
		Financing Cash Flows	Movement from Long-Term to Short-Term	Interest Accruals	
	£000	£000	£000	£000	£000
Long-Term Borrowings	135,035	737	(455)	0	135,317
Short-Term Borrowings	16,929	4,000	455	(14)	21,370
<b>Total Liabilities from Financing Activities</b>	<b>151,964</b>	<b>4,737</b>	<b>0</b>	<b>(14)</b>	<b>156,687</b>

## **Note 29 – Pooled Budgets**

### **Better Care Fund**

The Better Care Fund is a government plan to integrate health and social care which is implemented via a Section 75 pooled budget arrangement. The council is a partner within the pooled budget with the North East Lincolnshire Clinical Commissioning Group (NELCCG).

This funding requires the council and its health partners to agree how the money should be used to support social care activity that also has a health benefit. In accordance with national requirements, the council and NELCCG submitted its better care plan as to how it would use funding to improve its citizen's lives, and monitoring reports detailing progress continue to be submitted by NELCCG to NHS England.

The focus continues to support projects to deliver four key performance metrics and the high impact change model. The performance metrics are:

- Non elective admissions,
- Residential admissions,
- Reablement, and
- Delayed transfers of care.

Funding of services to support these performance metrics include Intermediate Tier Services (these are concerned with reablement – most often as 'half-way home' service on hospital discharge, recovery as a step down from hospital, and urgent community response with hospital avoidance potential by means of swift interventions at home or using a short term step-up bed), Single Point of Access, Assisted Living Centre, Support to Care Homes, Seven Day Service Provision and Just Checking.

Details of the in-year pooled income and expenditure are as follows:

	<b>2021/2022 £000</b>	<b>2020/2021 £000</b>
<b>Funding Provided to the pooled budget:</b>		
North East Lincolnshire CCG	(13,244)	(12,625)
North East Lincolnshire Council	(11,043)	(11,741)
<b>Total Funding</b>	<b>(24,287)</b>	<b>(24,366)</b>
<b>Expenditure met from the pooled budget:</b>		
North East Lincolnshire CCG	13,244	12,625
North East Lincolnshire Council	10,286	10,777
<b>Total Expenditure</b>	<b>23,530</b>	<b>23,402</b>
<b>Net surplus arising on the pooled budget during the year</b>	<b>(757)</b>	<b>(964)</b>

## **Note 30 – Members' Allowances**

The council paid the following amounts to elected members of the council during the year:

	<b>2021/2022 £000</b>	<b>2020/2021 £000</b>
Allowances	498	502
Expenses	0	0
<b>Total</b>	<b>498</b>	<b>502</b>

A breakdown of amounts paid directly to members can be found on the council's website ([www.nelincs.gov.uk](http://www.nelincs.gov.uk)).

## Note 31 – Officers' Remuneration

### Senior Officer Remuneration

The following tables detail the remuneration received by members of the council's Leadership Team. Due to a review of the Leadership Team during 2020/2021, the table relating to 2020/2021 has been split to clearly reflect those posts that continued within the new structure (effective from 1 January 2021) and those which have ceased.

LEADERSHIP TEAM STRUCTURE 2021/2022		Basic Salary	Salary Supplement	Benefit in Kind	Expense Allowance	Compensation for Loss of Office	Pension Contribution	Total
Post Title	Year	£	£	£	£	£	£	£
Chief Executive – R Walsh <sup>(1)</sup>	2021/22	165,000	0	0	0	0	24,750	189,750
Director – Adult Services	2021/22	96,425	0	0	0	0	14,464	110,889
Director – Children's Services <sup>(2)</sup> (Vacant with effect from 1 December 2021)	2021/22	65,845	0	276	0	23,750	9,500	99,371
Director of Public Health <sup>(3)</sup>	2021/22	102,050	1,395	0	0	0	64,617	168,062
Deputy Chief Executive & Executive Director for People, Health & Care	2021/22	135,524	0	0	0	0	20,329	155,853
Executive Director for Environment, Economy and Resources	2021/22	111,650	0	0	0	0	16,748	128,398
Assistant Chief Executive	2021/22	92,624	0	0	0	0	13,894	106,518
Assistant Director Law, Governance & Assets (Monitoring Officer)	2021/22	86,275	0	0	0	0	12,941	99,216

LEADERSHIP TEAM STRUCTURE 2020/2021		Full Year / Part Year	Basic Salary	Salary Supplement	Expense Allowance	Compensation for Loss of Office	Pension Contribution	Total
Post Title			£	£	£	£	£	£
<b>Posts in Leadership Team Structure with effect from 1 January 2021:</b>								
Chief Executive – R Walsh	Full Year	165,000	0	0	0	24,750		189,750
Director – Health & Wellbeing	Full Year	105,741	2,442	0	0	15,826		124,009
Director – Adult Services	Full Year	92,191	0	0	0	13,829		106,020
Director – Children & Family Services (Vacant with effect from 30 November 2019)	Full Year	0	0	0	0	0		0
Deputy Chief Executive & Executive Director for People, Health & Care	Jan-Mar	33,380	0	0	0	5,007		38,387
Executive Director for Environment, Economy and Resources	Jan-Mar	27,500	0	0	0	4,125		31,625
Assistant Chief Executive	Jan-Mar	22,814	0	0	0	3,422		26,236
Assistant Director Law, Governance & Assets (Monitoring Officer)	Jan-Mar	21,250	0	0	0	3,188		24,438
<b>Posts in Leadership Team Structure from April – December 2020 that were deleted in January's Leadership Team Review:</b>								
Assistant Director – Communications <sup>(4)</sup>	Full Year	80,540	0	15	16,884	11,005		108,444
Chief Operating Officer	Apr-Dec	100,141	0	0	0	15,021		115,162
Director – Resources & Governance	Apr-Dec	75,081	0	0	0	11,262		86,343
Director – Communities	Apr-Dec	68,441	0	0	0	10,266		78,707
Chief Legal Officer (Monitoring Officer)	Apr-Dec	59,486	0	3	0	8,923		68,412
Director – Economy & Growth (Vacant with effect from 30 January 2019)	Apr-Dec	0	0	0	0	0		0

### Notes – Senior Officer Remuneration

- From August 2017 a new joint role of Chief Executive North East Lincolnshire Council and North East Lincolnshire Clinical Commissioning Group (NELCCG) was created to facilitate greater partnership working between the two organisations. The council receives a contribution of £39k per annum from NELCCG in relation to this arrangement.
- With effect from December 2021, the Deputy Chief Executive and Executive Director for People, Health and Care has taken on the responsibilities of the post of Director of Children's Services.

3. The Director of Public Health role has been undertaken on the following basis over the course of the 2020/2021 and 2021/2022 financial years:

- a. With effect from 1 November 2020, the Director of Public Health (previously Director of Health & Wellbeing) provided services for both North East Lincolnshire and North Lincolnshire Council. The Director was formally employed by North East Lincolnshire Council and North Lincolnshire Council was recharged 50% of the salary costs and other remuneration. This arrangement ceased on 31 July 2021.
- b. Following the retirement of the incumbent post holder, an interim Director of Public Health was employed to undertake this role on behalf of North East Lincolnshire Council from 1 August 2021 to 20 February 2022.
- c. With effect from 21 February 2022, an arrangement has been entered into with Lincolnshire County Council and North Lincolnshire Council for the joint provision of the role of Director of Public Health. Under this arrangement, whilst the post holder is formally employed by Lincolnshire County Council, North East Lincolnshire Council is recharged one third of the salary costs and other remuneration. As the post holder is not a direct employee of North East Lincolnshire Council, these costs are not reflected in the table above.

4. The Assistant Director Communications post was deleted in the Leadership Team review with effect from January 2021. However, the Post Holder remained in post until 31 March 2021 and, therefore, the full year's salary costs for 2020/2021 are reflected within the 'leadership team structure from April to December 2020' table.

### **Senior Employee Remuneration**

Excluding Senior Officers who are listed individually in the previous tables, the number of council employees whose remuneration was £50k or more is as follows:

Remuneration Bands	2021/2022 Number of Employees	2020/2021 Number of Employees
£50,001 to £55,000	37	15
£55,001 to £60,000	19	27
£60,001 to £65,000	9	8
£65,001 to £70,000	12	9
£70,001 to £75,000	4	5
£75,001 to £80,000	5	5
£80,001 to £85,000	3	1
£85,001 to £90,000	1	1
£90,001 to £95,000	0	2
£95,001 to £100,000	0	0
£100,001 to £105,000	0	1
<b>Total</b>	<b>90</b>	<b>74</b>

### **Exit Packages**

The total number of exit packages, split between compulsory redundancies and other agreed departures, and the total cost per band are set out in the table below:

Exit Package Cost Band (Including Special Payments)	2021/2022	2020/2021	2021/2022	2020/2021	2021/2022	2020/2021	2021/2022	2020/2021
	Number of Compulsory Redundancies	Number of Compulsory Redundancies	Number of Other Agreed Departures	Number of Other Agreed Departures	Total Number of Exit Packages by Cost Band	Total Number of Exit Packages by Cost Band	Total Cost of Exit Packages in each Band £000	Total Cost of Exit Packages in each Band £000
£0 - £20,000	11	2	11	9	22	11	153	70
£20,001 - £40,000	1	0	2	2	3	2	86	65
£40,001 - £150,000	0	0	0	2	0	2	0	158
£150,001 - £250,000	0	2	0	0	0	2	0	398
<b>Total Cost included in CIES</b>							<b>239</b>	<b>691</b>

## **Note 32 – External Audit Costs**

The council has incurred the following costs relating to the annual audit of the Statement of Accounts, certification of grant claims and other services provided by the council's external auditors, Mazars.

	<b>2021/2022 £000</b>	<b>2020/2021 £000</b>
Fees payable with regards to external audit services carried out by the appointed auditor for the year	120	105
Fees payable to the appointed auditor for the certification of grant claims and returns for the year	12	9
Fees payable in respect of other services provided by the appointed auditor during the year	0	0
<b>Total fees payable</b>	<b>132</b>	<b>114</b>

## **Note 33 – Dedicated Schools Grant**

The council's expenditure on schools is funded primarily by grant monies provided by the Education and Skills Funding Agency, the Dedicated Schools Grant (DSG). The DSG is ring-fenced and can only be applied to meet expenditure properly included in the schools budget, as defined in the School Finance and Early Years (England) Regulations 2021. The schools budget includes elements for a range of educational services provided on a council-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 2021/2022 are as follows:

	<b>Central Expenditure £000</b>	<b>Individual Schools Budget £000</b>	<b>Total £000</b>
Final DSG for 2021/2022 before academy and high needs recoulement			151,668
Academy and high needs figure recouped for 2021/2022			(114,531)
<b>Total DSG after academy and high needs recoulement for 2021/2022</b>			<b>37,137</b>
Plus: Brought forward from 2020/2021			0
<b>Agreed initial budgeted distribution in 2021/2022</b>	<b>19,271</b>	<b>17,866</b>	<b>37,137</b>
In year adjustments	0	(121)	(121)
<b>Final budget distribution for 2021/2022</b>	<b>19,271</b>	<b>17,745</b>	<b>37,016</b>
Less: Actual central expenditure	(20,109)		(20,109)
Less: Actual ISB deployed to schools		(17,679)	(17,679)
<b>In-year carry forward to 2022/2023</b>	<b>(838)</b>	<b>66</b>	<b>(772)</b>
<b>Carry forward to 2022/2023</b>			<b>0</b>
DSG unusable reserve at the end of 2020/2021			(761)
Addition of unusable reserve at the end of 2021/2022			(772)
<b>Total of DSG unusable reserve at the end of 2021/2022</b>			<b>(1,533)</b>
<b>Net DSG position at the end of 2021/2022</b>			<b>(1,533)</b>

The deficit DSG balance carried forward as at the 31 March 2022 mainly relates to the cost of additional out of borough placements and higher numbers, and more complex needs, of pupils with Special Educational Needs (SEN). Plans and proposals are being developed with the aim of addressing the on-going in year position and repaying the DSG overspend over the coming years in line with DfE guidance.

## Note 34 – Grant Income

The council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement during the year:

Credited to Taxation and Non-Specific Grant Income	2021/2022 £000	2020/2021 £000
Council Tax Income	(75,917)	(71,607)
Non-Domestic Rates Income and Expenditure	(35,138)	(27,345)
Business Rates Relief	(9,281)	(15,244)
Revenue Support Grant	(9,192)	(9,142)
Social Care Grant	(6,068)	(4,787)
Covid-19 Support Grant	(4,998)	(9,618)
Other Non-Ring-Fenced Grants	(3,131)	(4,282)
Capital Grants	(10,870)	(23,153)
<b>Total</b>	<b>(154,595)</b>	<b>(165,178)</b>

Credited to Services	2021/2022 £000	2020/2021 £000
Dedicated Schools Grant	(37,137)	(34,095)
Rent Allowances	(33,131)	(37,522)
Public Health Grant	(11,562)	(11,469)
Improved Better Care Fund	(7,822)	(7,822)
Contain Outbreak Management Fund	(5,388)	(963)
Additional Restrictions Grant	(1,095)	(4,609)
Other Grants & Contributions	(31,057)	(27,909)
<b>Total</b>	<b>(127,192)</b>	<b>(124,389)</b>

The council received a grant of £388k from the Youth Justice Board which is reflected in the above figures. The grant was expended in accordance with the conditions attached to the grant award.

The council has received a number of grants and contributions that have yet to be recognised as income which have conditions attached to them that will require the monies or property to be returned to the giver. The balances at the year-end are as follows:

Grants Received in Advance	2021/2022 £000	2020/2021 £000
Capital Grants	(15,024)	(12,842)
Revenue Grants	(23,774)	(16,998)
<b>Total</b>	<b>(38,798)</b>	<b>(29,840)</b>

## Note 35 – Related Parties

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

### Central Government

Central government has significant control over the general operations of the council – it is responsible for providing 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, housing benefits). Grant receipts are shown in Note 34 Grant Income.

### Members and Officers

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid during the year is shown in Note 30 Members Allowances, and the Register of Members' Interests is available to be viewed on the council's website.

Officers that might be in a position to influence significantly the policies of the council are considered to be members of the Senior Leadership Team. All Senior Officers have been required to complete a related party declaration identifying organisations with which they have influence/or control, and which may have a related party interest with the council.

Related Party Interests 2021/2022	In-Year Expenditure	In-Year Income	Year-End Creditor	Year-End Debtor	Number of Members Declaring an Interest	Number of Officers Declaring an Interest
	£000	£000	£000	£000		
Works and Services commissioned from Companies	16,946	(857)	0	(192)	20	0
Grants to Voluntary Organisations	298	(13)	0	(1)	26	0
Grant contributions to Charities	1,403	(301)	0	(192)	15	1
Grant contributions to Not-for-Profit Organisations	138	(1,179)	0	(28)	7	0

Related Party Interests 2020/2021	In-Year Expenditure	In-Year Income	Year-End Creditor	Year-End Debtor	Number of Members Declaring an Interest	Number of Officers Declaring an Interest
	£000	£000	£000	£000		
Works and Services commissioned from Companies	345	(363)	1	(59)	12	0
Grants to Voluntary Organisations	226	(36)	6	(29)	25	0
Grant contributions to Charities	4,388	(454)	34	(188)	15	1
Grant contributions to Not-for-Profit Organisations	122	(398)	0	(272)	10	0

In all instances, the grants were made with proper consideration of declarations of interest. The relevant members or officers did not take part in any discussion or decision relating to the payments.

## Other Public Bodies

### Lincolnshire Partnership NHS Foundation Trust

During the 2021/2022 financial year, a member of the council has registered a pecuniary interest due to their position of non-executive director of the Lincolnshire Partnership NHS Foundation Trust, with whom the council has a current contractual agreement for the provision of mental health and emotional wellbeing services. Expenditure of £3,627k has been incurred during the year.

### North East Lincolnshire Clinical Commissioning Group (NELCCG)

The council and NELCCG have worked very closely together to deliver health services in North East Lincolnshire since 2007. Following a decision to take this much advanced health and social care partnership even further, the council / NELCCG 'Union' was formed, and the Chief Executive of the council, Rob Walsh, was duly appointed Chief Executive of North East Lincolnshire Council and North East Lincolnshire Clinical Commissioning Group on 1 August 2017.

A Section 75 Agreement is in place which allows the council and NELCCG to jointly commission social care and public health services. Further information relating to the financial relationship with NELCCG is provided in Note 44 Long Term Contracts.

The council also has a pooled budget arrangement with NELCCG in relation to the Better Care Fund. Further information relating to the Better Care Fund is detailed in Note 29 Pooled Budgets.

## Note 36 – Capital Expenditure and Capital Financing

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

Capital Expenditure and Capital Financing	2021/2022 £000	2020/2021 £000
<b>Opening Capital Financing Requirement</b>	<b>182,669</b>	<b>171,820</b>
<b>Capital Investment:</b>		
Property, Plant and Equipment	22,245	35,759
Investment Properties	988	438
Intangible Assets	595	677
Heritage Assets	0	0
Revenue Expenditure Funded from Capital Under Statute	8,153	7,058
Other	38	44
	<b>32,019</b>	<b>43,976</b>
<b>Sources of Finance:</b>		
Capital Receipts	(1,070)	(1,009)
Government Grants and Other Contributions	(17,986)	(27,392)
<b>Sums set aside from Revenue:</b>		
Direct Revenue Contributions	(85)	(331)
Minimum/Voluntary Revenue Provision	(5,211)	(4,395)
	<b>(24,352)</b>	<b>(33,127)</b>
<b>Closing Capital Finance Requirement</b>	<b>190,336</b>	<b>182,669</b>
<b>Explanation of Movements in Year:</b>		
Increase in underlying need to borrow (unsupported by government financial assistance)	7,667	10,849
<b>Increase/(Decrease) In Capital Financing Requirement</b>	<b>7,667</b>	<b>10,849</b>

## Note 37 – Leases

### Council as Lessee

#### **Finance Leases**

The council has minimal outstanding finance leases. All primary rental periods for those assets have now concluded.

#### **Operating Leases**

The council leases a number of buildings, mainly for office accommodation, that are accounted for as operating leases.

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 while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

Minimum lease payments due:	2021/2022 £000	2020/2021 £000
No later than 1 year	314	264
Later than 1 year and no later than 5 years	935	958
Later than 5 years	1,282	1,509
<b>Total</b>	<b>2,531</b>	<b>2,731</b>

The expenditure charged to services in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

	<b>2021/2022</b> £000	<b>2020/2021</b> £000
Minimum lease payments	321	228
Less: Sublease payments receivable	0	0
<b>Total</b>	<b>321</b>	<b>228</b>

## **Council as Lessor**

### **Operating Leases**

The council leases out property under operating leases:

- for economic development purposes, to provide suitable affordable accommodation for local businesses, and
- for the provision of leisure and cultural purposes.

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

<b>Minimum lease rentals receivable:</b>	<b>2021/2022</b> £000	<b>2020/2021</b> £000
No later than 1 year	(3,085)	(2,799)
Later than 1 year and no later than 5 years	(10,050)	(9,937)
Later than 5 years	(114,606)	(116,463)
<b>Total</b>	<b>(127,741)</b>	<b>(129,199)</b>

## **Note 38 – Pension Schemes Accounted for as Defined Contribution Schemes**

### **Teachers**

Teachers employed by the council are members of the Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE). The Scheme provides teachers with specified benefits upon their retirement, and the council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The Scheme is a multi-employer defined benefit scheme. 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. Valuations of the notional fund are undertaken every four years.

The Scheme has many participating employers and consequently 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 2021/2022, the council paid £1,082k to the Teachers' Pension Scheme in respect of teachers' retirement benefits, representing a contribution rate of 23.68% of pensionable pay. In 2020/2021 the council paid £1,049k to the Teachers' Pension Scheme, which represented a contribution rate of 23.68% of pensionable pay. There were no contributions remaining payable at the year-end. Contributions due to be paid in the 2022/2023 financial year are estimated to be £1,057k.

The council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis as detailed in Note 39 Defined Benefit Pension Schemes.

The council is not liable to the scheme for any other entities' obligations under the plan.

### **Public Health staff**

Since 1 April 2013, public health staff have been employed by the council. These members of staff retain access to the NHS Pension Scheme administered by the NHS Business Services Authority on behalf of the Department of Health and Social Care. The Scheme is run on the same basis as the Teachers' Pension Scheme.

In 2021/2022, the council paid £296k to the NHS Pension Scheme in respect of the retirement benefits of public health staff, representing a contribution rate of 14.38% of pensionable pay. In 2020/2021, the council paid £317k to the NHS Pension Scheme, representing 14.38% of pensionable pay. There were no contributions remaining payable at the year-end. Contributions due to be paid in the 2022/2023 financial year are estimated to be £279k.

The Council is not liable to the Scheme for any other entities' obligations under the plan.

## **Note 39 – Defined Benefit Pension Schemes**

### **Participation in the Local Government Pension Scheme**

As part of the terms and conditions of employment of its officers, the council makes contributions towards the cost of post-employment benefits within the Local Government Pension Scheme. Although these benefits will not actually be payable until employees retire, the council has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

The council participates in two post-employment schemes:

- (i) The Local Government Pension Scheme, administered locally by East Riding of Yorkshire Council - this is a funded defined benefit final salary scheme, meaning that the council and employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets.
- (ii) Arrangements for the award of discretionary post-retirement benefits upon early retirement - this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

The East Riding Pension Scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the pensions committee of East Riding of Yorkshire Council. Policy is determined in accordance with the Pensions Fund Regulations.

The principal risks to the council of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e., large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund the amounts required by statute as described in the accounting policies note.

### **Discretionary Post-retirement Benefits**

Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no plan assets built up to meet these pension liabilities.

### **Transactions relating to Post-Employment Benefits**

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

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

	2021/2022	2020/2021*	2021/2022	2020/2021
	Local Government Pension Scheme £000	Local Government Pension Scheme £000	Discretionary Benefits £000	Discretionary Benefits £000
<b>Comprehensive Income and Expenditure Statement</b>				
Cost of services:				
Service cost comprising:				
Current service cost	21,165	12,758	0	0
Past service cost	99	46	0	0
Financing and investment income and expenditure:				
Net interest expense	5,054	3,830	0	0
<b>Total post-employment benefits charged to the Surplus or Deficit on the Provision of Services</b>	<b>26,318</b>	<b>16,634</b>	<b>0</b>	<b>0</b>
Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement:				
Re-measurement of the net defined benefit liability comprising:				
Return on plan assets (excluding the amount included in the net interest expense)	(36,468)	(68,184)	0	0
Actuarial gains and losses arising on changes in demographic assumptions	(6,019)	9,285	0	0
Actuarial gains and losses arising on changes in financial assumptions	(54,072)	147,691	757	842
Other	(19,560)	(7,289)	0	0
<b>Total post-employment benefits charged to the Comprehensive Income and Expenditure Statement</b>	<b>(89,801)</b>	<b>98,137</b>	<b>757</b>	<b>842</b>
<b>Movement in Reserves Statement</b>				
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(26,318)	(16,634)	0	0
<b>Actual amount charged against the General Fund balance for pensions in the year:</b>				
Employers' contributions payable to scheme	<b>6,565</b>	<b>6,631</b>		
Retirement benefits payable to pensioners			<b>1,867</b>	<b>1,975</b>

\* The 2020/2021 comparator figures have been restated to reflect the prior period adjustment that was made during the 2021/2022 financial year (see Note 45)

### Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the council's obligation in respect of its defined benefit plans is as follows:

	2021/2022	2020/2021*	2021/2022	2020/2021
	Local Government Pension Scheme £000	Local Government Pension Scheme £000	Discretionary Benefits £000	Discretionary Benefits £000
Present value of the defined obligation	(697,908)	(750,393)	(19,861)	(20,971)
Fair value of plan assets	568,764	524,883	0	0
<b>Net liability arising from the defined benefit obligation</b>	<b>(129,144)</b>	<b>(225,510)</b>	<b>(19,861)</b>	<b>(20,971)</b>
<b>Total liability</b>	<b>(149,005)</b>	<b>(246,481)</b>		

\* The 2020/2021 comparator figures have been restated to reflect the prior period adjustment that was made during the 2021/2022 financial year (see Note 45)

### Reconciliation of movements in the fair value of scheme assets:

	2021/2022	2020/2021	2021/2022	2020/2021
	Local Government Pension Scheme £000	Local Government Pension Scheme £000	Discretionary Benefits £000	Discretionary Benefits £000
<b>Opening fair value of scheme assets</b>	<b>524,883</b>	<b>448,423</b>	<b>0</b>	<b>0</b>
Interest income	10,382	10,188	0	0
Re-measurement gain / (loss):				
The return on plan assets, excluding the amount included in the net interest expense	36,468	68,184	0	0
Other	7,889	0	0	0
Contributions from employer (excluding prepayment)	6,565	6,631	1,867	1,975
Prepayment of secondary contributions	0	8,450	0	0
Contributions from employees into the scheme	2,713	2,514	0	0
Benefits/transfers paid	(20,136)	(19,507)	(1,867)	(1,975)
<b>Closing value of scheme assets</b>	<b>568,764</b>	<b>524,883</b>	<b>0</b>	<b>0</b>

### Reconciliation of present value of the scheme liabilities:

	2021/2022	2020/2021*	2021/2022	2020/2021
	Local Government Pension Scheme £000	Local Government Pension Scheme £000	Discretionary Benefits £000	Discretionary Benefits £000
<b>Opening balance at 1 April</b>	<b>(750,393)</b>	<b>(590,877)</b>	<b>(20,971)</b>	<b>(22,104)</b>
Current service cost	(21,165)	(12,758)	0	0
Interest cost	(15,436)	(14,018)	0	0
Contributions from scheme participants	(2,713)	(2,514)	0	0
Re-measurement (gains) and losses:				
Actuarial (gains)/losses from changes in demographic assumptions	6,019	(9,285)	0	0
Actuarial (gains)/losses from changes in financial assumptions	54,072	(147,691)	(757)	(842)
Other	11,671	7,289	0	0
Past service cost	(99)	(46)	0	0
Benefits/transfers paid	20,136	19,507	1,867	1,975
<b>Balance as at 31 March</b>	<b>(697,908)</b>	<b>(750,393)</b>	<b>(19,861)</b>	<b>(20,971)</b>

\* The 2020/2021 comparator figures have been restated to reflect the prior period adjustment that was made during the 2021/2022 financial year (see Note 45)

### Local Government Pension Scheme assets comprised:

	2021/2022 £000	2020/2021 £000
<b>Cash and Cash Equivalents</b>	<b>7,308</b>	<b>14,578</b>
<b>Equities: by industry type</b>		
Other	68,221	63,613
<b>Debt Securities: by sector</b>		
Corporate Bonds (Non-Investment Grade)	26,128	45,179
UK Government	14,933	16,235
Other	8,965	9,857
<b>Sub-Total Debt Securities</b>	<b>50,026</b>	<b>71,271</b>
<b>Real Estate - UK</b>	<b>64,819</b>	<b>61,020</b>
<b>Private Equity - All</b>	<b>41,551</b>	<b>29,931</b>
<b>Investment Funds and Unit Trusts:</b>		
Equities	228,723	214,175
Bonds	49,556	22,249
Infrastructure	38,756	31,542
Other	19,804	16,504
<b>Sub-Total Investment Funds and Unit Trusts</b>	<b>336,839</b>	<b>284,470</b>
<b>Total Assets</b>	<b>568,764</b>	<b>524,883</b>

## Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in the 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 Hymans Robertson LLP, an independent firm of actuaries, estimates for the East Riding Pension Fund being based on the latest full valuation of the scheme as at 31 March 2022.

The significant assumptions used by the actuary are set out in the following table:

	2021/2022	2020/2021
<b>Mortality assumptions:</b>		
Longevity at 65 current pensioners (years):		
Men	21.1	21.0
Women	24.0	23.7
Longevity at 65 for future pensioners (years):		
Men	21.9	22.2
Women	25.5	25.5
<b>Financial assumptions:</b>		
Rate of increase in salaries	3.20%	3.75%
Rate of increase in pensions	3.20%	2.85%
Discount rate	2.70%	2.00%
Rate of inflation (CPI)	3.20%	2.85%

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Change in Assumption at 31 March 2022	Approximate % increase to Defined Benefit Obligation	Approximate monetary amount £000
0.1% decrease in Real Discount Rate	2%	11,944
1 year increase in Member Life Expectancy	4%	28,711
0.1% increase in the Salary Increase Rate	0%	1,109
0.1% increase in the Pension Increase Rate (CPI)	1%	10,754

## Impact on the Council's Cash Flows

It has been estimated that the contributions to the scheme for 2022/2023 will be approximately £6.425m.

## Note 40 – Contingent Liabilities

### General Business Rate Appeals

The Local Government Finance Act 2012 introduced a business rates retention scheme that enabled local authorities to retain a proportion of the business rates generated in their area. These new arrangements for business rates came into effect on 1 April 2013. Billing authorities acting as agents on behalf of the major preceptors (1%) and Central Government (50%), and themselves (49%) are required to make provisions for refunding ratepayers who have successfully appealed against the rateable value of their properties on the rating list.

In 2017 a new rating list opened, and the 2010 rating list closed; local businesses can only now appeal against their rateable value in the 2010 list in limited circumstances. Due to this, the provision for the 2010 list has been estimated using trend analysis of the success and rate change based on each type of business rate category since the 2010 list opened. The provision for the 2017 list has been calculated using an average percentage rate in line with the multiplier uplift advised by central government. As a result, the council has included a total provision, covering both the 2010 and 2017 lists, of £7.1m – this represents the council's 49% share of the Local Business Rates Retention Scheme (the overall provision in the Business Rates Collection Fund is £14.4m).

There may be further backdated claims, but it is difficult to estimate the likelihood of businesses both submitting and being successful with any new appeals and therefore the council has made no further provision in the accounts.

## **Note 41 – Contingent Assets**

The council does not have any material contingent assets.

## **Note 42 – Trust Funds**

The Council administers various Trust Funds which are not included within the Council's Balance Sheet. These include the Charter Trustees for Grimsby and Cleethorpes (precepting bodies set up to preserve the historic rights and memorabilia of the former Boroughs of Grimsby and Cleethorpes) and a further 3 miscellaneous funds. The balances on these funds as at 31 March 2022 are as follows:

	2021/2022	2021/2022	2021/2022	2020/2021	2020/2021	2020/2021
	Charter Trustees £000	Other Funds £000	Total £000	Charter Trustees £000	Other Funds £000	Total £000
<b>Opening Balance at 1 April</b>	<b>242</b>	<b>27</b>	<b>269</b>	<b>221</b>	<b>27</b>	<b>248</b>
In Year Movement	(5)	0	(5)	21	0	21
<b>Closing Balance At 31 March</b>	<b>237</b>	<b>27</b>	<b>264</b>	<b>242</b>	<b>27</b>	<b>269</b>

## **Note 43 – Agency Income & Expenditure**

During 2021/2022, central government's ongoing response to the Covid-19 pandemic continued to include the provision of certain mandatory grants to businesses and individuals which were administered on their behalf by North East Lincolnshire Council acting in the role of agent. As the council has only acted as an intermediary, the actual income received from government to pay over to eligible parties, and the subsequent payments made, are not reflected in the council's Comprehensive Income and Expenditure Statement. A further £21.7m was received in relation to these grants in 2021/2022, with £6.3m remaining unspent as at 31 March 2021 – this is held within the short-term creditor element of the balance sheet.

The council has received £390k of 'New Burdens' funding in 2021/2022 to help cover any additional costs incurred in the administering of these grant payments – this income is included within the Resources line of the Cost of Services.

Additionally, the council provides Payroll Services for a number of academy schools. It pays the academy school employees and related deductions to third parties for such items as tax, national insurance, and pension contributions and then these are charged back to the schools. Other than the fees received for providing the service the related income and expenditure is excluded from the Council's cost of services.

The income and expenditure associated with the Payroll Service to academy schools is not material to the accounts.

## **Note 44 – Long Term Contracts**

### **EQUANS (formerly Engie)**

On the 23 April 2010, the council entered into a 10 year Strategic Partnership with EQUANS for the provision of Highways, Planning, Regeneration, Facilities Management and Strategic Housing services with services commencing on 1 July 2010. In accordance with Section 4 of the Services Agreement, the council has extended the contract term twice, with the contract now effective until 2025.

This is an outcomes based contract which requires EQUANS to achieve a series of performance targets during the contract term for which service credits can be paid back to the council if they are not met.

The initial value of the contract over the 10 years was £155m – payments of £10.9m were made in 2021/2022. Contract payments are revised annually for both inflation and efficiencies identified by the partnership, in accordance with the terms of the Services Agreement.

## **Lincs Inspire Ltd**

On 1 May 2015, the council entered into a 25 year contract with Lincs Inspire to provide the following services:

- Statutory Library Services and Northern Lincolnshire Public Archives Services
- Leisure Centres, KGV Stadium, Bradley Football Centre, and Ormiston Academy Sports Service
- Sports and Development Service
- Grimsby Auditorium entertainment and cultural development programme

Lincs Inspire deliver and improve outcomes via a rolling three year business plan. In 2021/2022 they received £2.3m of contract payments from the council.

## **Newlincs**

The council has a 30 year waste management contract with Newlincs Development Ltd. Initially a 25 year contract which commenced in 1999, this has been extended by five years so now runs to 2029. Contract payments for 2021/2022 were £7.1m.

## **Financial Relationship with Clinical Commissioning Group**

North East Lincolnshire Clinical Commissioning Group (NELCCG) and North East Lincolnshire Council's (NELC) strong established partnership in the delivery of health and social care services within North East Lincolnshire was further progressed by the creation of the 'Union' during the 2017/2018 financial year. This 'Union' enables wider integration and co-ordination of activities with the aim of ensuring the most effective and efficient use of limited resources, whilst achieving outcomes that improve the health, care, and wellbeing of the local population of North East Lincolnshire.

The financial relationship between NELCCG and NELC is governed by a Section 75 (S75) agreement for the delivery of adult services (value of work currently £47.9m, which in 2021/2022 includes the transfer of £5.3m Covid-19 related grant funding received from central government) and children's services (value of work currently £5.9m). This agreement also references that the council has direct responsibility for the delivery of public health and health improvement functions.

A S75 agreement is a statutory provision that contains powers enabling NHS bodies (including CCGs) to exercise certain local authority health related functions, and for local authorities to be able to exercise certain NHS functions. Such arrangements may include the establishing of one or more pooled funds between the CCG and local authority – further details of the NELC/NELCCG pooled budget arrangement can be seen in Note 29 Pooled Budgets.

On the 30 June 2022, NHS reform resulted in CCG's being abolished as legal entities and replaced by Integrated Care Boards. From this date, the existing S75 agreement in place with the CCG has novated to the successor body. New working arrangements may flow out of this change but at the current time the same working practices and processes have been adopted.

## **Note 45 - Prior Period Adjustment**

In May 2020, the council made a pension prepayment of £8.450m to the East Riding Pension Fund. The payment was for three years secondary employer contributions at a reduced rate thus resulting in a saving for the council.

An error on the treatment of this payment was identified during the 2021/2022 accounts process and a prior period adjustment has been made to correct the entries. This correction has had no impact on the council's useable reserves.

With regards to the 2020/2021 statements and notes that were affected by this error, the originally reported figures, the necessary correction, and the restated amounts are as detailed in the following tables. Please note that, due to a restructure during the 2021/2022 financial year, the 2020/2021 comparator figures have also been reanalysed to reflect the new service area headings.

## Comprehensive Income & Expenditure Statement

	2020/2021 Original Net Expenditure £000	2020/2021 Restatement Amount £000	2020/2021 Restated Net Expenditure £000
Resources	6,347	2,480	8,827
Economy & Growth	28,337	265	28,602
Environment	16,369	1,274	17,643
Children's Services	54,199	4,273	58,472
Public Health	(306)	139	(167)
Adult Services	34,160	19	34,179
Other Corporate Budgets	(43)	0	(43)
<b>Cost of Services</b>	<b>139,063</b>	<b>8,450</b>	<b>147,513</b>
<b>(Surplus) or Deficit on Provision of Services</b>	<b>(20,307)</b>	<b>8,450</b>	<b>(11,857)</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>62,096</b>	<b>8,450</b>	<b>70,546</b>

## Balance Sheet

	31 March 2020 Original Figures £000	Restatement Amount £000	31 March 2020 Restated £000
<b>Long Term Assets</b>	<b>315,103</b>	<b>0</b>	<b>315,103</b>
<b>Current Assets</b>	<b>72,485</b>	<b>0</b>	<b>72,485</b>
<b>Current Liabilities</b>	<b>(80,077)</b>	<b>0</b>	<b>(80,077)</b>
Other Long Term Liabilities	(238,031)	(8,450)	(246,481)
<b>Long Term Liabilities</b>	<b>(379,619)</b>	<b>(8,450)</b>	<b>(388,069)</b>
<b>Net Assets/(Liabilities)</b>	<b>(72,108)</b>	<b>(8,450)</b>	<b>(80,558)</b>
Usable Reserves	52,088	0	52,088
Unusable Reserves	(124,196)	(8,450)	(132,646)
<b>Total Reserves</b>	<b>(72,108)</b>	<b>(8,450)</b>	<b>(80,558)</b>

## Cash Flow Statement

	2020/2021 Original Figures £000	Restatement Amount £000	2020/2021 Restated £000
<b>Net surplus or (deficit) on the provision of services</b>	<b>20,307</b>	<b>(8,450)</b>	<b>11,857</b>
Adjustment to surplus or deficit on the provision of services for non-cash movements	26,463	8,450	34,913
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(29,825)	0	(29,825)
<b>Net cash flows from operating activities</b>	<b>16,945</b>	<b>0</b>	<b>16,945</b>

## Movement in Reserves Statement

2020/2021 ORIGINAL FIGURES	General Fund Balance £000	Earmarked General Fund Reserves £000	Total General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Reserves of the Authority £000
<b>Balance Sheet as at 1 April 2020</b>	<b>8,300</b>	<b>21,115</b>	<b>29,415</b>	<b>9</b>	<b>3,966</b>	<b>33,390</b>	<b>(43,402)</b>	<b>(10,012)</b>
<b>Movement in Reserves during the Year:</b>								
Total Comprehensive Income and Expenditure	20,307	0	20,307	0	0	20,307	(82,403)	(62,096)
Adjustments between Accounting Basis & Funding Basis Under Regulations (Note 9)	(3,032)	0	(3,032)	(6)	1,429	(1,609)	1,609	0
<b>Net Increase / (Decrease) before Transfers to Earmarked Reserves</b>	<b>17,275</b>	<b>0</b>	<b>17,275</b>	<b>(6)</b>	<b>1,429</b>	<b>18,698</b>	<b>(80,794)</b>	<b>(62,096)</b>
Transfers to or from Earmarked Reserves	(17,275)	17,275	0	0	0	0	0	0
<b>Increase / (Decrease) In 2020/2021</b>	<b>0</b>	<b>17,275</b>	<b>17,275</b>	<b>(6)</b>	<b>1,429</b>	<b>18,698</b>	<b>(80,794)</b>	<b>(62,096)</b>
<b>Balance Sheet as at 31 March 2021</b>	<b>8,300</b>	<b>38,390</b>	<b>46,690</b>	<b>3</b>	<b>5,395</b>	<b>52,088</b>	<b>(124,196)</b>	<b>(72,108)</b>

RESTATEMENT AMOUNT	General Fund Balance £000	Earmarked General Fund Reserves £000	Total General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Reserves of the Authority £000
<b>Balance Sheet as at 1 April 2020</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Movement in Reserves during the Year:</b>								
Total Comprehensive Income and Expenditure	(8,450)	0	(8,450)	0	0	(8,450)	0	(8,450)
Adjustments between Accounting Basis & Funding Basis Under Regulations (Note 9)	8,450	0	8,450	0	0	8,450	(8,450)	0
<b>Net Increase / (Decrease) before Transfers to Earmarked Reserves</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(8,450)</b>	<b>(8,450)</b>
Transfers to or from Earmarked Reserves	0	0	0	0	0	0	0	0
<b>Increase / (Decrease) In 2020/2021</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(8,450)</b>	<b>(8,450)</b>
<b>Balance Sheet as at 31 March 2021</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(8,450)</b>	<b>(8,450)</b>

2020/2021 RESTATED FIGURES	General Fund Balance £000	Earmarked General Fund Reserves £000	Total General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Reserves of the Authority £000
<b>Balance Sheet as at 1 April 2020</b>	<b>8,300</b>	<b>21,115</b>	<b>29,415</b>	<b>9</b>	<b>3,966</b>	<b>33,390</b>	<b>(43,402)</b>	<b>(10,012)</b>
<b>Movement in Reserves during the Year:</b>								
Total Comprehensive Income and Expenditure	11,857	0	11,857	0	0	11,857	(82,403)	(70,546)
Adjustments between Accounting Basis & Funding Basis Under Regulations (Note 9)	5,418	0	5,418	(6)	1,429	6,841	(6,841)	0
<b>Net Increase / (Decrease) before Transfers to Earmarked Reserves</b>	<b>17,275</b>	<b>0</b>	<b>17,275</b>	<b>(6)</b>	<b>1,429</b>	<b>18,698</b>	<b>(89,244)</b>	<b>(70,546)</b>
Transfers to or from Earmarked Reserves	(17,275)	17,275	0	0	0	0	0	0
<b>Increase / (Decrease) In 2020/2021</b>	<b>0</b>	<b>17,275</b>	<b>17,275</b>	<b>(6)</b>	<b>1,429</b>	<b>18,698</b>	<b>(89,244)</b>	<b>(70,546)</b>
<b>Balance Sheet as at 31 March 2021</b>	<b>8,300</b>	<b>38,390</b>	<b>46,690</b>	<b>3</b>	<b>5,395</b>	<b>52,088</b>	<b>(132,646)</b>	<b>(80,558)</b>

## Note 7 – Expenditure & Funding Analysis

	2020/2021	2020/2021	2020/2021
	Original Net Expenditure in the CIES £000	Restatement Amount £000	Restated Net Expenditure in the CIES £000
Resources	6,347	2,480	8,827
Economy & Growth	28,337	265	28,602
Environment	16,369	1,274	17,643
Children's Services	54,199	4,273	58,472
Public Health	(306)	139	(167)
Adult Services	34,160	19	34,179
Other Corporate Budgets	(43)	0	(43)
<b>Net Cost of Services</b>	<b>139,063</b>	<b>8,450</b>	<b>147,513</b>
Other Income and Expenditure	(159,370)	0	(159,370)
<b>(Surplus) or Deficit</b>	<b>(20,307)</b>	<b>8,450</b>	<b>(11,857)</b>

## Note 7 – Adjustments to General Fund to Arrive at the Comprehensive Income & Expenditure Statement

	2020/2021	2020/2021	2020/2021
	Original Net change for Pensions Adjustments £000	Restatement Amount £000	Restated Net change for Pensions Adjustments £000
Resources	(682)	2,480	1,798
Economy & Growth	(73)	265	192
Environment	(350)	1,274	924
Children's Services	(1,175)	4,273	3,098
Public Health	(38)	139	101
Adult Services	(5)	19	14
Other Corporate Budgets	(916)	0	(916)
<b>Net Cost of Services</b>	<b>(3,239)</b>	<b>8,450</b>	<b>5,211</b>
Other Income and Expenditure	0	0	0
<b>(Surplus) or Deficit</b>	<b>(3,239)</b>	<b>8,450</b>	<b>5,211</b>

## Note 8 – Expenditure and Income Analysed by Nature

Expenditure / Income	2020/2021 Original Figures	Restatement Amount		2020/2021 Restated
		£000	£000	
<b>Expenditure:</b>				
Employee Benefits Expenses	72,829	8,450	81,279	
<b>Total Expenditure</b>	<b>293,997</b>	<b>8,450</b>	<b>302,447</b>	
<b>Total Income</b>	<b>(314,304)</b>	<b>0</b>	<b>(314,304)</b>	
<b>(Surplus) or Deficit on the Provision of Services</b>	<b>(20,307)</b>	<b>8,450</b>	<b>(11,857)</b>	

## Note 9 – Adjustments between Accounting Basis and Funding Basis under Regulations

2020/2021 Financial Year	Original	Original	Restatement Amount	Restatement Amount	Restated	Restated
	General Fund Balance	Movement in Unusable Reserves	General Fund Balance	Movement in Unusable Reserves	General Fund Balance	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000
<b>Adjustments to Revenue Resources:</b>						
Pension Cost (transferred to (or from) the Pensions Reserve)	(422)	422	8,450	(8,450)	8,028	(8,028)
<b>Total Adjustments to Revenue Resources</b>	<b>4,005</b>	<b>(4,005)</b>	<b>8,450</b>	<b>(8,450)</b>	<b>12,455</b>	<b>(12,455)</b>
<b>Total Adjustments</b>	<b>(3,032)</b>	<b>1,609</b>	<b>8,450</b>	<b>(8,450)</b>	<b>5,418</b>	<b>(6,841)</b>

## Note 25 - Unusable Reserves - Pensions Reserve

	2020/2021 Original Figures	Restatement Amount		2020/2021 Restated
		£000	£000	
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	(8,184)	(8,450)	(16,634)	
<b>Balance at 31 March</b>	<b>(243,664)</b>	<b>(8,450)</b>	<b>(252,114)</b>	

## Note 26 – Cash Flows from Operating Activities

	2020/2021 Original Figures	Restatement Amount		2020/2021 Restated
		£000	£000	
<b>Adjustment to surplus or deficit on the provision of services for noncash movements</b>				
Movement in pension liability	(422)	8,450	8,028	
<b>Total Adjustment to surplus or deficit for non-cash movements</b>	<b>26,463</b>	<b>8,450</b>	<b>34,913</b>	

## Note 39 – Defined Benefit Pension Scheme

Transactions made in the Comprehensive Income and Expenditure Statement and the General Fund balance via the Movement in Reserves Statement during the year. Local Government Pension Scheme	2020/2021	2020/2021	2020/2021
	Original Figures	Restatement Amount	Restated
		£000	£000
<b>Comprehensive Income and Expenditure Statement:</b>			
Current service cost	4,308	8,450	12,758
<b>Total post-employment benefits charged to the Surplus or Deficit on the Provision of Services</b>	<b>8,184</b>	<b>8,450</b>	<b>16,634</b>
<b>Total post-employment benefits charged to the Comprehensive Income and Expenditure Statement</b>	<b>89,687</b>	<b>8,450</b>	<b>98,137</b>
<b>Movement in Reserves Statement:</b>			
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(8,184)	(8,450)	(16,634)

<b>Pensions Assets and Liabilities Recognised in the Balance Sheet. Local Government Pension Scheme</b>	<b>2020/2021</b>	<b>2020/2021</b>	<b>2020/2021</b>
	<b>Original Figures</b>	<b>Restatement Amount</b>	<b>Restated</b>
	£000	£000	£000
Present value of the defined obligation	(741,943)	(8,450)	(750,393)
Fair value of plan assets	524,883	0	524,883
<b>Net liability arising from the defined benefit obligation</b>	<b>(217,060)</b>	<b>(8,450)</b>	<b>(225,510)</b>
<b>Total liability (including Discretionary Benefits element)</b>	<b>(238,031)</b>	<b>(8,450)</b>	<b>(246,481)</b>

<b>Reconciliation of present value of the scheme liabilities. Local Government Pension Scheme</b>	<b>2020/2021</b>	<b>2020/2021</b>	<b>2020/2021</b>
	<b>Original Figures</b>	<b>Restatement Amount</b>	<b>Restated</b>
	£000	£000	£000
Current service cost	(4,308)	(8,450)	(12,758)
<b>Balance as at 31 March</b>	<b>(741,943)</b>	<b>(8,450)</b>	<b>(750,393)</b>

## COLLECTION FUND

The Collection Fund shows the transactions of the billing council in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates. There is no requirement for a Collection Fund Balance Sheet since the assets and liabilities arising from collecting non-domestic rates and council tax belong to the bodies (i.e., major preceptors, the billing council and the Government) on behalf of which the billing council collects these taxes.

	2021/2022	2021/2022	2021/2022	2020/2021	2020/2021	2020/2021
	Business Rates £000	Council Tax £000	Total £000	Business Rates £000	Council Tax £000	Total £000
<b>Income</b>						
Council Tax Receivable		(92,584)	(92,584)		(87,095)	(87,095)
Business Rates Receivable	(55,989)		(55,989)	(40,685)		(40,685)
<b>Total Amounts to Be Credited</b>	<b>(55,989)</b>	<b>(92,584)</b>	<b>(148,573)</b>	<b>(40,685)</b>	<b>(87,095)</b>	<b>(127,780)</b>
<b>Expenditure</b>						
<b>Apportionment of Previous Year Surplus/Deficit:</b>						
Central Government	(11,445)		(11,445)	664		664
Billing Authority	(11,217)	1,008	(10,209)	650	1,593	2,243
Fire Authority	(229)	54	(175)	13	88	101
Police Authority		143	143		230	230
<b>Precepts, Demands and Shares:</b>						
Central Government	30,883		30,883	30,576		30,576
Billing Authority	30,265	74,930	105,195	29,965	71,266	101,231
Fire Authority	618	3,923	4,541	612	3,840	4,452
Police Authority		10,800	10,800		10,116	10,116
<b>Charges to Collection Fund:</b>						
Write-offs of uncollectable amounts	653	362	1,015	235	385	620
Increase/(Decrease) in allowance for impairment	32	1,387	1,419	(110)	1,073	963
Appeals charged to appeals provision	(1,451)		(1,451)	(1,679)		(1,679)
Change in provision for appeals	1,896		1,896	2,335		2,335
Charge to General Fund for allowable collection costs for non-domestic rates	215		215	221		221
Payments in respect of Transitional protection	2,234		2,234	3,181		3,181
<b>Other transfers to General Fund in accordance with non-domestic rates regulations:</b>						
Enterprise Zone Growth	186		186	193		193
Renewable Energy	179		179	176		176
<b>Total amounts to be debited</b>	<b>42,819</b>	<b>92,607</b>	<b>135,426</b>	<b>67,032</b>	<b>88,591</b>	<b>155,623</b>
<b>(Surplus) / deficit arising during the year</b>	<b>(13,170)</b>	<b>23</b>	<b>(13,147)</b>	<b>26,347</b>	<b>1,496</b>	<b>27,843</b>
<b>(Surplus) / deficit brought forward at 1 April</b>	<b>24,806</b>	<b>(1,689)</b>	<b>23,117</b>	<b>(1,541)</b>	<b>(3,185)</b>	<b>(4,726)</b>
<b>(Surplus) / deficit carried forward at 31 March</b>	<b>11,636</b>	<b>(1,666)</b>	<b>9,970</b>	<b>24,806</b>	<b>(1,689)</b>	<b>23,117</b>

## **Collection Fund Note 1 – Council Tax Income**

Income from council tax is derived from charges raised according to the value of residential properties, which have been classified into valuation bands using estimated values as at 1 April 1991. The tax base calculation is based upon the total number of properties in each band adjusted by a proportion to convert the number to a Band D equivalent and adjusted for discounts and exemptions. Individual charges are calculated by estimating the amount of income required to fund the demands on the Collection Fund and dividing this by the tax base.

The number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply) converted to an equivalent number of Band D dwellings is detailed below:

### **For the Year Ended 31 March 2022**

Council Tax Band	Valuation Band Limits	Calculated Number of Dwellings	Ratio to Band D	Band D Equivalent Dwellings	Council Tax Payable
AR	Reduced Rate	63	5/9	35	1,122
A	Up to & including 40,000	26,321	6/9	17,547	1,346
B	40,001 - 52,000	14,340	7/9	11,153	1,570
C	52,001 - 68,000	7,663	8/9	6,812	1,795
D	68,001 - 88,000	4,564	9/9	4,564	2,019
E	88,001 - 120,000	1,972	11/9	2,410	2,468
F	120,001 - 160,000	758	13/9	1,094	2,916
G	160,001 - 320,000	438	15/9	730	3,365
H	More Than 320,001	30	18/9	60	4,038
<b>Council Tax Base</b>				<b>44,405</b>	

The amount of Council Tax required for Band D, for North East Lincolnshire Council and its major preceptors, in 2021/2022 was calculated on the following basis:

(i) Preceptor's Council Tax Requirements	£89,652,495
(ii) Number of Band D equivalent Dwellings	44,405
<b>Band D – (i) divided by (ii)</b>	<b>2,019</b>

## **Collection Fund Note 2 – Non-Domestic Rates**

Non-domestic rates are determined on a national basis by central government which sets an annual non-domestic rating multiplier amounting to 51.2p in 2021/2022 (51.2p in 2020/2021). The non-domestic rate multiplier for small businesses is 49.9p in 2021/2022 (49.9p in 2020/2021). Subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by this multiplier. Local rateable values were £153.5m in 2021/2022 (£152.2m in 2020/2021).

The council is responsible for collecting rates due from the ratepayers in its area and distributing the amount collected in the following proportions:

- 50% Central Government
- 49% North East Lincolnshire Council
- 1% Humberside Fire and Rescue Service

# **GLOSSARY OF FINANCIAL TERMS**

## **Financial Abbreviations and Roundings**

Throughout this document the standard financial abbreviations 'k' and 'm' have been used. In this case 'k' means thousands and 'm' means millions e.g., £6k means £6,000 and £1.577m means £1,577,000.

Most of the numbers in the accounts are rounded, with those in the main statements being presented to the nearest 1,000 pounds. Where necessary to ensure that totals are correct, small adjustments have been made to individual figures.

## **Glossary**

### **Accruals**

This is the concept of recognising income and expenditure when earned or incurred, not as money is received or paid.

### **Actuary**

Pension expert.

### **Amortisation**

The writing off of a balance over a period of time to reflect the reduced value.

### **Capital Expenditure**

This is expenditure on the acquisition, creation or enhancement of a fixed asset.

### **Capital Receipts**

Income received from the sale of capital assets.

### **Code of Practice (The Code)**

This is a document issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). All English and Welsh Local Authorities must comply with the COP in compiling their financial statements.

### **Collection Fund**

This is a statutory fund for the receipt of Council Tax and Non-Domestic Rates collected by the authority and the payments made from these funds including precepts and payments to precepting authorities.

### **Community Assets**

Assets that the authority intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.

### **Consistency**

This is the principle that the accounting treatment of like items within an accounting period, and from one period to the next, is the same.

### **Creditors**

Amounts owed by the authority for goods and services, where payment has not been made at the end of the financial year.

### **Current Assets**

Current assets are items that can be readily converted into cash.

### **Current Liabilities**

Current liabilities are items that are due immediately or in the short term.

### **Curtailments (Pension)**

A curtailment is an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Examples might include a redundancy programme as a result of e.g. closing a factory or the introduction of a defined contribution pension arrangement covering all employees for future service.

### **De minimis**

An immaterial amount or balance.

**Debtors**

Amounts owed to the authority for goods and services, where the income has not been received at the end of the financial year.

**Dedicated Schools Grant (DSG)**

School funding for local authorities in England is provided by a ring-fenced grant.

**Deferred Credits**

These consist of deferred capital receipts, which are amounts derived from the sales of assets that will be received in instalments over agreed periods of time and deferred government grants that are grants received in advance.

**Deferred Liabilities**

These are liabilities which by arrangement are payable beyond the next year at some point in the future or are paid off by an annual sum over a period of time.

**Depreciation**

This is the measure of the wearing out, consumption, or other reduction in the useful life of a non-current asset, whether arising from use, over time or obsolescence through technological or other changes.

**Events after the balance sheet date**

Those events of such materiality that their disclosure is required for the fair presentation of the authority's statements, which occur between the balance sheet date and the date on which the Statement of Accounts is signed by the responsible financial officer.

**Exceptional Items**

Material items which derive from events or transactions that fall within the ordinary activities of the authority and which need to be disclosed separately by virtue of their size or incidence to give fair presentation to the accounts.

**Extraordinary Items**

Material items, possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the authority and which are not expected to recur. They do not include exceptional items, nor do they include any prior period items merely because they relate to a prior period.

**General Fund**

This is the main revenue account of a local authority, from which day to day spending on its services is met.

**Going Concern**

Accounting concept that the authority will remain in operational existence for the foreseeable future, in particular that the revenue accounts and balance sheet assume no intention to curtail significantly the scale of operations.

**Government Grants**

Assistance by government and inter-government agencies and similar bodies, in the form of cash or transfer of assets to an authority in return for past or future compliance with certain conditions relating to the activities of the authority.

**Impairment**

A reduction in the value of a non-current asset to below its carrying amount on the Balance Sheet.

**International Financial Reporting Standards (IFRSs)**

Statements prepared by the International Accounting Standards Board. Many of the International Financial Reporting Standards (IFRSs) and some International Public Sector Accounting Standards (IPSAS) apply to local authorities and any departure from these must be disclosed in the published accounts.

**Intangible Asset**

Assets that have a useful life of over one year but are not material or physical.

**Infrastructure Assets**

Infrastructure assets can be defined as groups of assets that together form an integrated system. Such a system could not be effectively operated if individual components were removed. Examples of such assets are highways and footpaths.

**Investment Properties**

Interest in land and/or buildings in respect of which construction work and development have been completed and which is held for its investment potential with any rental income being negotiated at arm's length.

**Leasing**

Method of financing the provision of various capital assets, usually in the form of operating leases which tend not to provide for title in the asset to transfer to the authority.

**Liquid Resources**

Current asset investments that are readily disposable by the authority without disrupting its business and are either: readily convertible to known amounts of cash at or close to the carrying amount, or traded in an active market.

**Long Term Borrowing**

Amounts repayable in more than 12 months.

**Long Term Investments**

Long-term investments are investments intended to be held for use on a continuing basis in the activities of the authority. They should be so classified only where an intention to hold the asset for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment. Where investments are not classified as long-term investments, they are classified as current assets.

**Minimum Revenue Provision (MRP)**

The minimum amount which must be charged to an authority's revenue account each year for the repayment of loan principal.

**National Non-Domestic Rate (NNDR)**

Amounts payable to the authority from non-domestic properties. National Non-Domestic Rate is a standard rate in the pound set by central government on the assessed rateable value of properties used for business purposes.

**Net Current Replacement Cost**

Cost of replacing or recreating the particular asset in its existing condition and in its existing use.

**Net Realisable Value**

Open market value of the asset in its existing use (or open market value in the case of non-operational assets), less the expenses to be incurred in realising the asset.

**Non-Operational Assets**

Non-operational assets are tangible fixed assets held by a local authority but not directly occupied, used or consumed in the delivery of services. Examples include investment properties and assets that are surplus to requirements, pending sale or redevelopment.

**Operational Assets**

Tangible fixed assets held and occupied, used or consumed by the authority in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

**Precept**

Demands made upon the collection fund by the authorities which it directly funds, i.e., the authority, Humberside Police and Humberside Fire and Rescue Service for the services they provide. Parish Councils also raise precepts which are paid by the authority and included within the precept it levies on the collection fund.

**Property, Plant & Equipment**

Tangible assets that yield benefits to the authority and the services it provides for a period of more than one year.

**Provision**

Amounts set aside to meet liabilities or losses which are likely to be incurred but where the amount remains uncertain.

**Prudence**

An accounting concept that revenue is not anticipated but is recognised only when realised in the form of either cash or of other assets, the ultimate cash realisation of which can be assessed with reasonable certainty. Proper allowance must be made for all known and foreseeable losses and liabilities.

**Public Works Loan Board (PWLB)**

A central government agency, which lends money to local authorities usually at interest rates which are more favourable than those found elsewhere.

**Remuneration**

All amounts paid to or receivable by a person and includes sums due by way of expenses allowance (so far as those sums are chargeable to United Kingdom income tax), and the estimated money value of any other benefits received by an employee otherwise than in cash.

**Reserves**

Sums set aside to meet future expenditure. Some reserves are earmarked for specific purposes only. Others are general reserves.

**Revaluation Reserve**

This is an account containing any surpluses arising from the revaluation of fixed assets.

**Revenue Expenditure**

Expenditure on the day-to-day running of the authority, including employee costs, running expenses and capital financing costs.

**Revenue Expenditure Financed from Capital Under Statute (REFCUS)**

Expenditure which may be properly capitalised, but which does not result in, or remain matched with, tangible non-current assets. An example would be capital expenditure on improvement grants.

**Revenue Support Grant (RSG)**

Grant paid to local authorities by central government to help finance its general expenditure. It is determined under the Formula Spending Share system.

**Settlement (Pension)**

A settlement is an irrevocable action that relieves the employer of the primary responsibility for a pension obligation and eliminates significant risks relating to the assets and liabilities in respect of that obligation. Examples would include purchasing annuities in respect of pensioner liabilities or making a bulk transfer payment to another arrangement.

**Useful Life**

This is the period over which the authority will derive benefits from the use of a fixed asset.