

Audit and
Governance
Committee

Laura Allen

01507 613471

laura.allen@e-lindsey.gov.uk

24 October 2024

To All Members of the Audit and
Governance Committee,
Internal and External Circulation and
Press

Dear Councillor,

**Re: Audit and Governance Committee Agenda - Wednesday, 30th
October, 2024**

Further to the compilation of the above Audit and Governance Committee
Agenda, please find enclosed the following reports which were detailed to follow
on your Agenda:

Agenda Item 9. Draft Financial Statements including Annual Governance
Statement 2022/2023: (Pages 1 - 112)

To receive the Draft Financial Statements including Annual
Governance Statement 2022/23.

Agenda Item 10. Treasury Annual Report 2022/23: (Pages 113 - 138)

To receive the Annual Treasury Report 2022/23.

Please accept my apologies for any inconvenience caused.

Yours sincerely,

Laura Allen

Democratic Services Officer

Encs

This page is left intentionally blank



Report To:	Audit and Governance Committee
Date:	30 October 2024
Subject:	Draft Financial Statements including Annual Governance Statement 2022/23
Purpose:	To present the unaudited Financial Statements including Narrative Report and Draft Annual Governance Statement for the Committee's review, in line with best practice.
Key Decision:	N/A
Portfolio Holder:	Councillor Thomas Kemp
Report Of:	Christine Marshall, Deputy Chief Executive (Corporate Development) & S151
Report Author:	Ellie Stacey, Deputy Chief Finance Officer (Corporate) – PSPS Ltd
Ward(s) Affected:	All
Exempt Report:	No

Summary

This report requests that the Audit and Governance Committee review and consider the unaudited Financial Statements 2022/23 including the Annual Governance Statement.

Recommendations

It is recommended that as part of its governance role, the Audit and Governance Committee:

- Review the draft Annual Governance Statement, as contained in Appendix A.
- Review the unaudited Financial Statements 2022/23 (Appendix A), and note that there may be some further adjustments prior to publishing.

Reasons for Recommendations

To comply with best practice.

Other Options Considered

None.

1. Background

1.1 The Accounts and Audit Regulations 2015 require that:

- The Responsible Finance Officer (Section 151 Officer) signs the unaudited Financial Statements no later than 31 May each year; and
- The Financial Statements be considered and approved by a committee of the Council no later than 31 July each year.

1.2 To continue the Council's good practice, this report presents the unaudited Financial Statements including Annual Governance Statement to the Committee to enable comments, facilitate challenge and to highlight any key areas.

2. Report

2.1 The Financial Statements production is complete and shown at Appendix A is the unaudited version of the 2022/23 Financial Statements (this includes the Comprehensive Income and Expenditure Statements, Movement in Reserves Statement, and Balance Sheet as at 31 March 2023, along with the Annual Governance Statement). The information to inform the Group Accounts is currently in progress with Invest East Lindsey Limited, and once received, a revised version will be provided to the S151 Officer for review and approval for publishing.

2.2 The timescales involved with the approval and inspection of the Council's Financial Statements for 2022/23 are:

- | | |
|---|-----------------|
| • S151 Officer signs Statements | 30 October 2024 |
| • Unaudited Financial Statements to Committee | 30 October 2024 |
| • Accounts available for Public inspection from | 31 October 2024 |

2.3 The unaudited Financial Statements were not produced in line with the statutory deadline for 2022/23, and the audit by Mazars LLP has not commenced. There is a backlog of outstanding audits on historical Financial Statements nationally, and we are awaiting confirmation regarding the way forward on these, which will be communicated to the committee at the Special meeting in November 2024. At the time of writing this report, the unaudited Financial Statements 2023/24 is in progress.

Resources and robust plans are in place to produce the Financial Statements 2024/25 by the revised statutory deadline of 30 June 2025.

- 2.4 The draft Annual Governance Statement is presented within the unaudited Financial Statements.
- 2.5 The net worth of the Council, as shown in the Balance Sheet, increased by £59.178m and this is also reflected in the Comprehensive Income and Expenditure Statement. The main reasons are set out in paragraph 2.6.
- 2.6 The major changes in the Balance Sheet at the year end, considered significant enough to warrant specific reference, are:
- An increase of £6.884m in Property, Plant and Equipment and Investment Property due to increases in asset valuations at year end.
 - An increase in Short Term Investments of £22.360m due to Government funding received relating to Towns Fund, not yet utilised.
 - A decrease of £19.277m in Short Term Creditors due to grants received in advance in 2021/22, utilised in 2022/23, or repaid where unspent.
 - A reduction of £35.778m in the Pension Liability due to changes in financial assumptions.
- 2.7 The Financial Statements take into account a number of technical adjustments relating to the liquidisation of one property fund and the valuation of the remaining property funds. Part of these adjustments is voluntary revenue provision, which will need to be completely reviewed as part of the implementation of the new regulation requirements and is reversible.
- 2.8 ELDC's 51% share of PSPS Ltd has been consolidated into the group accounts of the Financial Statements.

3. Conclusion

- 3.1 The Committee are asked to review and consider the unaudited Financial Statements 2022/23 including the draft Annual Governance Statement.

Implications

South and East Lincolnshire Councils Partnership

None.

Corporate Priorities

None.

Staffing

None.

Workforce Capacity Implications

None.

Constitutional and Legal Implications

The Accounts and Audit Regulations 2015 and the Accounts and Audit (Amendments) Regulation 2024 define these arrangements.

Data Protection

None.

Financial

As contained in the unaudited Financial Statements at Appendix A.

Risk Management

None.

Stakeholder / Consultation / Timescales

None.

Reputation

None.

Contracts

None.

Crime and Disorder

None.

Equality and Diversity / Human Rights / Safeguarding

None.

Health and Wellbeing

None.

Climate Change and Environmental Implications

None.

Acronyms

Appendices

Appendices are listed below and attached to the back of the report:

Appendix A Unaudited Financial Statements 2022/23

Background Papers

Background papers used in the production of this report are listed below: -

Document title	Where the document can be viewed
CIPFA Accounting Code of Practice 2022/23 and supporting Guidance Notes	CIPFA public guidance document

Chronological History of this Report

A report on this item has not been previously considered.

Report Approval

Report author:	Ellie Stacey, Deputy Chief Finance Officer (Corporate) ellie.stacey@pspsl.co.uk
Signed off by:	Christine Marshall, Deputy Chief Executive (Corporate Development) & S151 christine.marshall@sholland.gov.uk

This page is left intentionally blank



UNAUDITED FINANCIAL STATEMENTS

For the Year Ended 31 March 2023

C o n t e n t s
FINANCIAL STATEMENTS

	Page
Narrative Report	3 – 16
Statement of Responsibilities	17
 CORE FINANCIAL STATEMENTS	
Comprehensive Income and Expenditure Statement	18
Movement in Reserves Statement	19 – 20
Balance Sheet	21
Cash Flow Statement	22
Notes to the Accounts	23 – 84
 SUPPLEMENTARY FINANCIAL STATEMENTS	
Collection Fund Statement	85
Notes to the Collection Fund Statement	86 – 87
 Annual Governance Statement	 88 – 100
 Glossary of Terms	 101 – 106

NARRATIVE REPORT 2022/23

This report seeks to provide a summary and a straightforward explanation of often complicated local government finance arrangements. It aims to summarise the key events during the year, their associated financial impact and make the Financial Statements easier to understand. The Narrative Report, together with the Annual Governance Statement and the auditor's report, are outside the scope of the formal Accounts, but all the documents constitute the Council's Financial Report for 2022/23.

The Narrative Report and the detailed Accounts aim to provide information to members of the public; electors and residents of the district; council members; partners; stakeholders and other interested parties so that they can:

- understand the financial position of the Council and its outturn for 2022/23;
- have confidence that the public money with which the Council has been entrusted has been used and accounted for in an appropriate manner;
- be assured that the financial position of the Council is secure.

To assist readers in understanding the financial position of East Lindsey District Council, the Narrative Report is structured to provide additional information in the following sections:

- An explanation of the Financial Statements
- The way we achieve best value for council taxpayers' money through effective Financial Management
- Information about East Lindsey as a place
- Information about the Council's structure and management
- A summary of performance for the Council 2022/23
- Overview of the Council's finances
- Future financial challenges that the Council faces

The Statement of Accounts were unfortunately not produced within the statutory deadlines set out in the Accounts and Audit Regulations 2015 due to significant resourcing issues and delays.

The Council's approach to finance continues to evolve, developing the self-service nature of financial/service management in all operations whilst seeking to advance business partnering skills for services and particularly those undertaking service review or transformation programmes. This working model also supports current, and future, changes in the Council as it strives to increase income, reduce costs, manage demand, transform working practices, introduce innovation, and maintain performance.

The Narrative Report aims to give a clear picture of the Statement of Accounts and shows how Council Tax, and other sources of income are used to provide the full range of Council services. The Financial Statements are required to be prepared in line with International Financial Reporting Standards (IFRS) meaning that the Council's Accounts are prepared on a similar basis to those produced in other sectors of the economy.

1. The Statement of Accounts

The accounts are available on the Council's website at www.e-lindsey.gov.uk

The Statements for the Council have been prepared on the going concern accounting basis, i.e., on the assumption that the functions of the authority will continue in operational existence for the foreseeable future. This assessment is based in part on the sound financial position of the Council in particular:

- the delivery of a balanced outturn position for 2022/23;
- the establishment of a balanced budget for 2023/24 with an embedded innovation, efficiency and transformation programme aimed at delivering ongoing efficiencies and new opportunities;
- the Council has sufficient resources to meet its immediate financial commitments, and
- has robust governance arrangements in place.

The Statement of Accounts sets out the Council's income and expenditure for the year, and its financial position at 31 March 2023. It comprises core and supplementary statements, together with disclosure notes. The format and content of the financial statements is prescribed by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, which in turn is underpinned by International Financial Reporting Standards.

The main financial statements are:

- The Comprehensive Income and Expenditure Statement which records the Council's income and expenditure for the year. The top half of the statement provides an analysis by Assistant Director area. The bottom half of the statement deals with corporate transactions and funding.
- The Movement in Reserves Statement is a summary of the changes to the Council's reserves over the course of the year. The reserves are either "usable", which can be applied to fund expenditure or reduce local taxation, or "unusable" which must be set aside for specific purposes in the future.
- The Balance Sheet is a "snapshot" of the Council's assets, liabilities, cash balances and reserves at the end of the year.
- The Cash Flow Statement shows the reason for changes in the Council's cash balances during the year.
- Accounting Policies that explain the basis of the figures presented in the accounts
- Notes to the Accounts that provide further detail relating to items in the main financial statements, assumptions made about the future and major estimations made.
- The Expenditure and Funding Analysis that shows how annual expenditure is used and funded from resources (government grants, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's services.

The Supplementary Financial Statements are:

- The Collection Fund which reflects the statutory requirement for the Council to maintain a separate account providing details of receipts of Council Tax and Business Rates, and any associated payments to precepting authorities, and the Government.

The Annual Governance Statement sets out the Council's approach to corporate governance and how it manages its governance arrangements in accordance with the Code of Governance and has been fully reviewed as part of this year's process.

A Glossary of key terms can be found at the end of this publication.

2. Financial Management

The Council remains committed to delivering the quality frontline services which its residents want, and which will deliver the Council's corporate priorities. Effective financial management at both corporate and service

levels is a key to achieving this particularly in a period when the Council's resources are reducing and likely to continue to do so.

The Council's approach to these challenges is set out in the 2022/23 Budget and the Medium-Term Financial Plan, approved by Council on 2 March 2022. These presented a balanced position after a wide-ranging review of activities as part of its new Partnership arrangement and where it is proactively looking at more efficient ways of working to ensure the Council can flex within the context of the current challenging environment. Within the capital programme, funding has been allocated to support construction of the new Public Sector Hub, and the sustainable warmth initiative. A hugely significant programme of activity supported through Towns Funding, Levelling Up Funding (LUF) and UKSPF is also now underway, which will provide exciting opportunities for the Council and its localities looking forward.

The Council achieves effective financial management through:

- Regular and informative financial management reports aligned to service performance. These are available on demand for service managers and produced quarterly for Cabinet and Scrutiny.
- Sound financial practices across the Council.
- Ensuring that money raised from public taxation is used efficiently and effectively to meet local needs and priorities.
- Ensuring that the Medium Term Financial plan projections are robust, appropriate and deliverable, so that services can be maintained at the highest quality possible despite the substantial contraction that is projected to take place in both revenue and capital budgets.
- Continuing Organisational Development which aims to reduce revenue costs and increase income in order to meet the ongoing financial challenges that the Council faces.
- Building on the South and East Lincolnshire Council Partnership (S&ELCP) to ensure best use of taxpayer resources to deliver Council services.

The Government's transparency agenda encourages local authorities to make public data openly available. Details of transparency items such as the Council's spend on items over £500, contracts and pay, and benefits for senior officers can be found on the Council's website:

<https://www.e-lindsey.gov.uk/article/5166/Data-and-Information>

3. Our District

Extending over 1,762 square kilometres, East Lindsey is the third largest district in the UK. It is also one of the most sparsely populated, with its population of 140,741 spread among some 200 settlements. The district does not have a single dominating urban center, instead, its distinctive widespread settlement pattern is a legacy of a history of small farming communities with local markets. The district is home to a greater number of older people than the national norm and its coastal towns and villages are popular retirement destinations. The district is a safe and healthy place to live with low crime rates and very little noise, air, light, or water pollution with many residents having migrated to the district for the quality of life.

There are pockets of social deprivation and unemployment is slightly higher than the national mean, average earnings are relatively low and dependence on benefits is high, particularly along the coast where seasonal and temporary employment is common. Four settlements (Louth, Horncastle, Alford and Spilsby) have built on their historic market town roles to grow and serve wider rural hinterlands. On the coast, Mablethorpe and Skegness have grown to serve both a local rural hinterland and a vibrant but seasonal tourism market which has been impacted upon, as a result of the Covid-19 pandemic.

These two different groups of settlements have contrasting characters. The former have attractive town centers, with market squares, streets typified by red brick buildings with pantile or slate roofs. The latter have a much more mixed visual character. The Lincolnshire Wolds is the only Area of Outstanding Natural Beauty in the East Midlands region and covers one third of the district's area. The holiday coast between Mablethorpe and Skegness is characterised by lively seaside resort activity. Caravan parks along the coastal plain, accommodating upward of 32,000 static vans, are a popular feature. In addition, this area contains pockets of wild coast and now encompasses a coastal country park.

Farming remains the dominant land use across the district. Farm diversification is increasing with more farm-based tourism activities becoming a growing feature in the countryside. The district's relative isolation, dispersed settlements, and thinly spread public transport services all add to a high level of car dependency. The district has a rich heritage dating from the Middle Ages with an interesting and varied history.

4. East Lindsey District Council

Organisational Structure

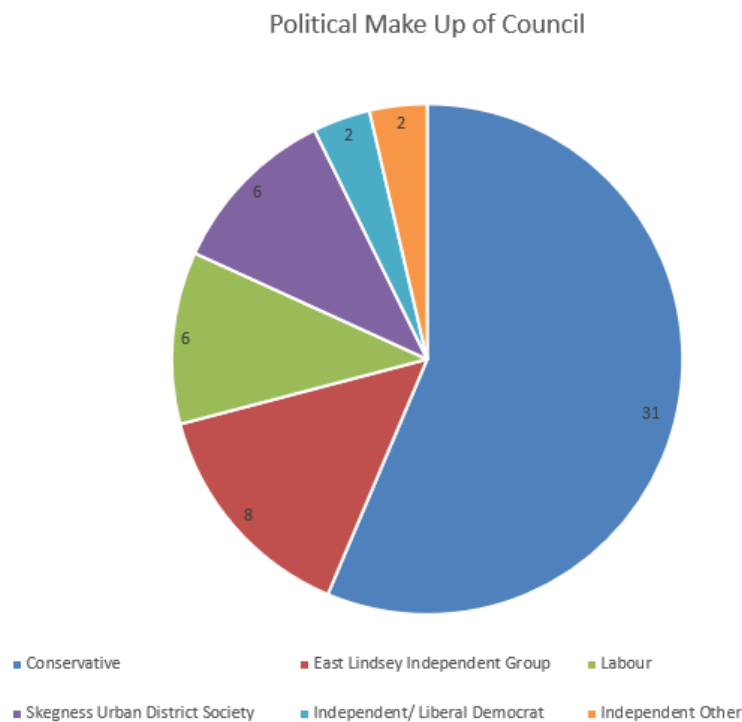
The Council, together with its partner organisations and external contractors, delivers a wide range of services to our residents, businesses and visitors.

The Council is organised into four directorates:

- Communities dealing with Wellbeing and Community Leadership, Regulatory, Leisure and Culture and Neighbourhoods
- Corporate development dealing with Corporate Strategy, Finance and Governance
- Growth dealing with Economic Growth, Planning and Strategic Infrastructure and Strategic Growth and Development
- Programme Delivery dealing with Strategic Projects and General Fund Assets.

Political Structure

East Lindsey has 37 electoral wards, and the Council consists of 55 councillors. The political makeup of the Council at the end of the year was:



East Lindsey District Council is a forward-thinking, entrepreneurial, and innovative authority, which continues to strive for excellence and deliver great value for money for its residents, whilst making the most of the huge opportunities for economic growth in the district.

The Council has adopted the Leader and Executive model as its political management structure arising from the Local Government and Public Involvement in Health Act 2007. The Leader of the Council has responsibility for the appointment of Members of the Executive, the allocation of Portfolios and the delegation of Executive Functions.

All councillors meet as the Council, here councillors decide the Council's overall policies and set the budget and council tax each year. The Council holds to account the Executive and Committees. The Executive is made up of the Leader, Deputy Leader and Portfolio Holders, each Portfolio Holder has specific responsibilities over an area of the Council's activities.

Executive Members are held to account by a system of scrutiny, which is also set out in the Constitution. Scrutiny of Executive decisions for 2022/23, including the setting of a balanced budget for 2022/23, has been undertaken by the Audit and Governance Committee

Staffing

The South and East Lincolnshire Councils Partnership (Boston Borough Council, East Lindsey District Council and South Holland District Council) launched on 1 October 2021. This created the senior management structure for the three authorities shown below. This has led to each of the Council's saving money on their previous arrangements and has created opportunity for greater cross working and to drive out further efficiencies going forward such as shared resources and expertise, exploring the opportunity for joint procurements, knowledge sharing and creating a greater voice for south and east Lincolnshire on the national stage.

Significant savings and efficiencies have already been secured by each Partnership Council. The Corporate Management Team structure is available to view on the Partnerships website – www.selcp.co.uk/managementteam.

Council Priorities, Corporate Strategy and Performance

East Lindsey District Council's Corporate Strategy sets out the direction of travel from 2020 to 2030 and is available on the Council's website:

https://www.e-lindsey.gov.uk/media/4860/Corporate-Strategy/pdf/Corporate_Strategy_2020_to_2030_single_pages.pdf?m=637189364793700000

It identifies where the Council will focus its efforts and resources to improve the area for its community. The Council is ambitious for the District. East Lindsey wants to be a Council that is looking to the future in a fast changing local, international and global environment. It is known that it is highly likely that the Council will need to adapt and flex in order to achieve its aims, but it is important to set out clearly where the Council wants to get to.

The Strategy focuses on seven priorities:

1. Help to enable a supply of homes that meet needs and aspirations
2. Support town centres to remain vital and viable as shopping habits change
3. Adapt to meet the challenge of a changing natural environment
4. Maximise healthy and active lives
5. Create an environment that helps businesses to survive and grow
6. Improve equality of opportunity across the district and in target areas
7. Be creative in generating income to the Council so that it can afford to continue delivering high quality services that make use of the latest technologies and focus on the needs and aspirations of residents.

How East Lindsey District Council performed in 2022/23

The Council proactively monitors delivery of its services through a number of Key Performance Indicators (KPIs) which are linked to priorities within the Sub-regional Strategy.

The indicators, which are included in the Partnership's Performance Management Framework are available to view at www.selcp.co.uk; alongside the Partnership's Annual Delivery Plan, which sets out the key projects to be delivered for the benefit of the people of East Lindsey.

The KPIs within the Framework are monitored by the Council's Performance Team and reported to Management Team on a quarterly basis and to the Council's Executive Board and Overview Committee on a quarterly basis.

In 2022/23 the Council monitored a total of 72 KPIs. Out of the 72 KPIs there were 29 KPI's meeting or exceeding their target, 5 KPI's are within tolerance, 10 KPI's are below target and 3 where data was unable to be provided. The remaining 25 are data only and do not have associated targets.

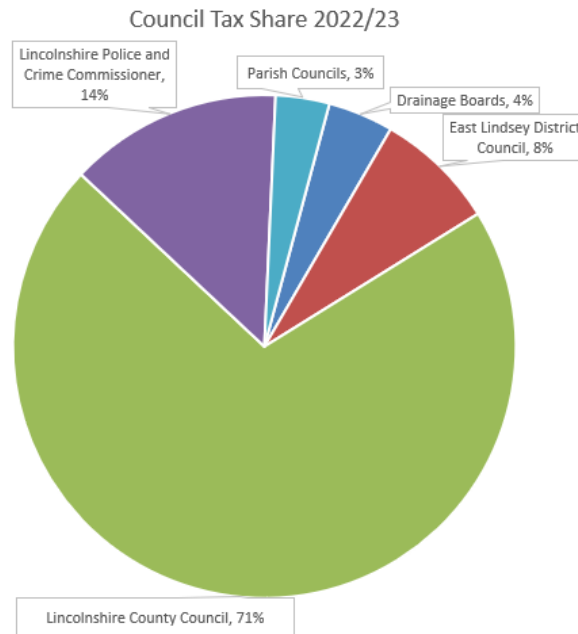
In 2022/23 the Council delivered a range of actions from the Annual Delivery Plan. Initiatives/outcomes included:

- £8m was secured by the Council through the Government's Levelling Up programme to support the Lincolnshire Wolds Culture & Heritage Programme. Investment will help enhance and sustain these cultural assets for the communities they are part of, work includes enhancements of Alford Manor House, Alford Windmill and Spilsby Theatre. The aim is for these projects to be a link between the delivery partners, people of the towns and the local economies.
- The District has successfully lobbied Government to secure funding towards the impact of Internal Drainage Board levies on the Council's finances/services.
- The adoption of the following Partnership Strategies:
 - ICT Strategy
 - Community Safety Strategy
 - Health and Wellbeing Strategy
 - Natural Tree/Environment Strategy
 - Asset Management Strategy
- The Council launched a Climate Action Network with Boston Borough and South Holland District Councils to support its ambition to create a cleaner, greener environment for its communities.
- The Council entered into an Environmental Crime contract to help clamp down on fly-tipping and other environmental crimes in the District.
- The Council implemented a Partnership approach to emergency planning to create greater resilience in this area of the Council.
- Continued to support Magna Vitae trust for Leisure and Culture enabling them to build on their activities.
- Relocated it's headquarters to Horncastle with the development of a Public Sector Hub providing a new office for the Council and a range of partners.
- Commenced delivery of most of the Towns Fund Schemes as per the Capital Programme.
- Continued to grow activities within INVEST East Lindsey.
- Spent £1.694m on Disabled Facility grants to help disabled residents to continue living independently.
- Worked proactively with many of our more vulnerable residents to provide advice on housing, health, money management and access to education and training.

6 Financial Performance

Council Tax

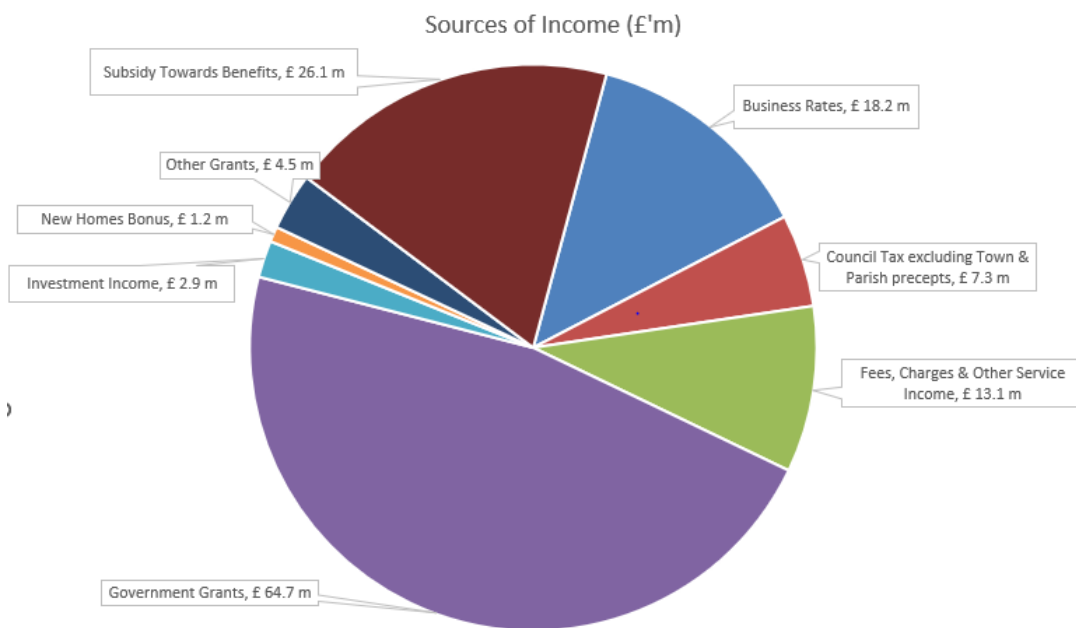
The District Council as the Billing Authority collects the council tax for the County Council, the Lincolnshire Police Authority, Parish Councils and Internal Drainage Boards. The diagram shows how it was distributed.



Where the Money Came From

East Lindsey receives income from many sources, as shown in the chart below. Income is received from council tax (received from taxpayers levied by the Council for East Lindsey), from Business Rates and Government Grants.

The majority of the income comes from housing benefit subsidy grant (which is paid out to claimants) and other non specific government grants.



Council Tax receipts (excluding town and parish precepts) totalled £7.3m (5% of income).

Business Rates receipts (net of the tariff payable, and including Section 31 grants) totalled £18.1m (13% of income).

A total of £13.1m was received from fees, charges, rents and other service income (9% of total income).

Income from investment interest totalled £2.9m (2% of income).

How the Money was Spent

Rent allowances and rebates include only costs relating to the actual Housing Benefits provided, they do not include any staffing or other related costs. These benefits are funded from Government grants as can be seen from the “where the money came from” pie chart.

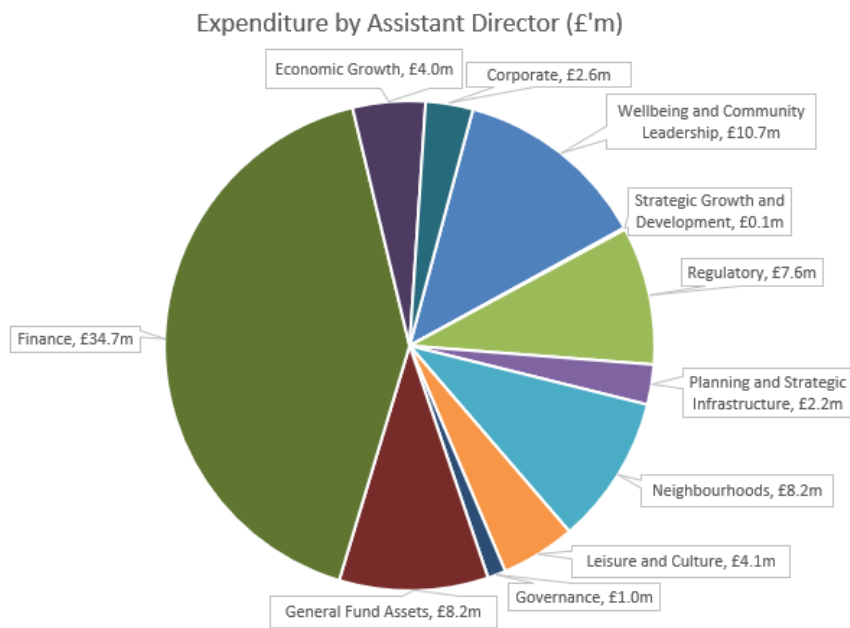
Running expenses and employee expenditure are included as part of the Assistant Director expenditure items.

Running expenses include costs relating to:

- Premises – such as rents, rates, electricity, water and similar
- Transport – such as cars, fares and similar
- Supplies and services – such as equipment, telephones, hired services and similar
- Contract payments for services provided by external contractors, e.g., Leisure

Employee’s expenditure includes costs relating to:

- Staffing – such as salaries, pensions, additional staff, professional subscriptions and similar costs.



Financial Performance

The Management Accounts below show the Council's actual financial performance for the year compared to the budget. Further information can be found in the Expenditure and Funding Analysis on page 39.

General Fund

The full year outturn delivered over budget spend of £370k. The budget deficit has been funded from Council reserves. The table below shows the outturn position.

Assistant Director	Revised Budget 2022/23 £'000	Outturn 2022/23 £'000	Variance (underspend)/overspend £'000
Corporate	242	193	(49)
Economic Growth	740	519	(221)
Finance	4,287	3,728	(559)
General Fund Assets	(1,836)	(1,271)	565
Governance	1,262	1,282	20
Leisure & Culture	2,320	2,456	136
Neighbourhoods	5,390	5,800	410
Planning & Strategic Infrastructure	690	1,086	396
Regulatory	1,586	1,846	260
Strategic Growth & Development	-	1	1
Wellbeing & Community Leadership	1,862	1,629	(233)
Directorates – Net Costs	16,543	17,269	726
Internal Drainage Boards and Parish Precepts	7,147	7,147	-
Cost of Borrowing	494	494	-
Investment Income	(1,304)	(2,623)	(1,319)
Minimum Revenue Provision	-	301	301
Impairment Allowance	50	191	141
Capital Expenditure Charged In Year	16,309	4,171	(12,138)
Transfers to/(from) Earmarked Reserves - Capital	(16,309)	(3,932)	12,377
Transfers to/(from) Earmarked Reserves	(4,554)	(4,930)	(376)
Efficiencies Requirement	(685)	-	685
Other Income and Expenditure	1,148	819	(329)
General Fund Budget net costs	17,691	18,088	397
Council Tax	(10,459)	(10,459)	-
Business Rates	(3,626)	(3,640)	(14)
Government Grants	(3,606)	(3,619)	(13)
Total Funding	(17,691)	(17,718)	(27)
Total Budget - (Surplus)/Deficit	-	370	370

Capital Financial Performance

The capital outturn for 2022/23 by scheme is as follows:

Scheme	Revised Budget 2022/23 £'000	Actual 2022/23 £'000	Variance (under)/over £'000
Capitalised Planned Enhancements	492	367	(125)
Car Park Resurfacing	250	70	(180)
Gibraltar Rd Wall Collapse	179	167	(12)
Disabled Facilities Grants	1,562	1,694	132
Pumping Works on Foreshore	146	-	(146)
Vehicle Purchases	27	-	(27)
IT Investment	1,185	880	(305)
Community Housing Fund	654	-	(654)
Traveller Sites	690	-	(690)
PSPS Investment	249	68	(181)
Public Sector Hub	4,006	3,906	(100)
London Road	175	5	(170)
Kingfisher Enhancements	109	6	(103)
Green Homes Grants	1,979	2,257	278
Sustainable Warmth	7,321	2,784	(4,537)
Fitness Suite Refurbishment	276	342	66
Pride in East Lindsey	63	65	2
Changing Places	300	-	(300)
Total Non-Towns Fund Projects	19,663	12,611	(7,052)
Leisure and Learning Hub	8,853	744	(8,109)
Sutton on Sea Colonnade	6,014	105	(5,909)
Skegness Foreshore	4,726	20	(4,706)
Skegness Railway Station	2,098	147	(1,951)
Skegness Town Centre Transformation	661	972	311
Police Training Centre	2,105	990	(1,115)
Multi-User Trail	1,427	292	(1,135)
Learning Campus	11,854	720	(11,134)
Skegness Cultural	1,402	102	(1,300)
Campus for Future Living	6,034	516	(5,518)
Sandilands	2,974	-	(2,974)
Mobihub	1,401	2	(1,399)
Mablethorpe High Street	320	44	(276)
Total Towns Fund Projects	49,869	4,654	(45,215)
Grand Total	69,532	17,265	(52,267)

The 2022/23 capital budget has not been fully utilised as these projects are still in progress and therefore, the budgets are required for commitments to complete the programmes outlined in the Council's Capital Programme 2023/24-2027/28. An analysis of non-current assets and funding of the capital expenditure is shown in notes 13-16, 20 and 34.

Collection Fund Financial Performance

The balance on the Council Tax Collection Fund at 31 March 2023 showed a £798k surplus. This was shared between the Council, Lincolnshire County Council and Lincolnshire Police and Crime Commissioner in proportion with each authority's relative precept.

The balance on the NNDR Collection Fund at 31 March 2023 showed a £4.904m surplus. This was shared between the Council, Lincolnshire County Council and the Government in proportion with each party's relative proportionate share.

Reserves and balances

The net decrease in specific and general reserves and balances for 2022/23 was £9.746m. The table below shows the balances at 31 March 2023 by reserve:

Specific and General Reserves Balance Outturn				
Reserve	Balances at 1 April 2022	Contributions into Reserves	Use of Reserve	Balances at 31 March 2023
	£'000	£'000	£'000	£'000
Investments Volatility Reserve	1,000	-	(1,000)	-
Economic Growth Reserve	7,181	2,693	(2,343)	7,531
Business Rates Volatility Reserve	7,901	-	(6,000)	1,901
Property Fund Reserve	547	-	(409)	138
Housing Reserve	2,031	213	-	2,244
Repairs and Maintenance Reserve	1,358	278	(601)	1,035
Carbon Reduction Reserve	106	292	-	398
Insurance Reserve	827	-	-	827
Capital Reserve	6,173	1,244	(2,595)	4,822
Service Transformation Reserve	1,093	37	(105)	1,025
Legal and Appeals Reserve	431	116	(27)	520
Technology Reserve	792	68	(458)	402
Wellbeing Reserve	805	-	(342)	463
COVID-19 Budget Pressures Smoothing Reserve	1,178	293	(1,100)	371
Specific Reserves Total	31,423	5,234	(14,980)	21,677
General Fund	1,822	-	-	1,822
Total	33,245	5,234	(14,980)	23,499

The funds are defined by different reserves and their usage has been closely monitored throughout 2022/23:

- Investments Volatility Reserve:
 - This fund was used to offset the reduction in fair value of property funds (voluntary revenue provision).
- Economic Growth Reserve:
 - This fund received additions from transfers from other reserves to support ongoing projects. It also benefitted from Business Rates pooling, Levelling-Up funding, payback of capital expenditure from previous years and leisure investment payback.
 - This fund was used to drive growth by funding the Public Sector Hub, post-Covid support projects, providing town centre grants, etc.
- Business Rates Volatility Reserve:
 - The purpose of this fund is to smooth heavy fluctuations in the Business Rates fund.
 - The drawdown in year was to fund the budgeted Business Rates deficit.
- Property Fund Reserve:
 - Receipts received in 2021/22 were allocated to this reserve, and drawn down in 2022/23 to fund the minimum revenue provision charge in year.

- Housing Reserve:
 - Additions to the housing reserve are for future funding requirements.
- Repairs and Maintenance Reserve:
 - This fund was built up when services made savings, e.g., Solar PV FIT income. It received vehicle purchases payback during the year.
 - This fund was used for fleet maintenance works and fitness suite refurbishment.
- Carbon Reduction Reserve:
 - This reserve holds the sustainable warmth funding for future years' spend.
- Insurance Reserve:
 - There has been no movement on this reserve in year, though the purpose is to fund de minimis insurance claims.
- Capital Reserve:
 - The capital reserves fund received transfers to specifically fund the Capital Programme
 - The fund was used for the capital projects: capitalised planned enhancements, PSPS investment, and other capital works. A transfer of £1.5m was made into the Economic Growth Reserve to support ongoing capital projects.
- Service Transformation Reserve:
 - This fund received underspends from staff training budgets to be utilised next year. Where services made savings, funds were returned back into this fund from when they originated.
 - This fund was used for local plan development.
- Legal and Appeals Reserve:
 - This fund is used to hold receipts from legal agreements.
- Technology Reserve:
 - This fund received additions from previous savings in the IT budget (6 years at £68K) and other service contributions.
 - The fund was used for IT projects in the Capital Programme.
- Wellbeing Reserve:
 - This reserve funded costs relating to the Wellbeing contract.
- COVID-19 Budget Pressures Smoothing Reserve:
 - This fund was used to fund the General Fund deficit (£370k) in year, along with budgeted drawdowns for the General Fund shortfall, climate change and community support.

Further information on reserves can be found in the Movement in Reserves Statement and note 24.

Pension Fund

The accounts and notes with relation to the pension fund have been prepared in accordance with International Accounting Standard (IAS) 19. The Pension Fund liability shown in the Balance Sheet as at 31 March 2023 stands at £7.792m compared with £43.570m the previous year, this represents the liability to the Lincolnshire Pension Fund. This amount is matched by a pension reserve also shown in the Balance Sheet and therefore has no impact on the Council's overall financial position at 31 March 2023. The IAS 19 Balance Sheet position for the Council shows a reduced obligation and the net liability to the Council under IAS 19 pension deficit is lower in monetary terms at 31 March 2023. The actuary uses a set of demographic assumptions that are consistent with those used for the Lincolnshire Pension Fund. These are highlighted in note 36. Following the results of the triennial review in 2022, the Council's budget includes both a pension contribution percentage and also a lump sum payment each year which is forecast to bring the pension scheme into a fully funded position over a defined term.

Cash Flows

The cash flow statement shows the level of investments held by the Council which are used to fund day to day cash flow requirements, achieve a return on investments to help support the low levels of Council Tax,

support the reserves expenditure and to fund capital expenditure. Short term investments maturing in 2022/23 and long term investments mature beyond this or are open-ended.

Capital spend will reduce the cash held, however the Council does not currently have a need to borrow over the medium term. The Council's overall Capital Financing Requirement (CFR) which details the Council's underlying need to borrow can be found at note 34.

There were no significant provisions, contingencies or write offs during the year. Full details on provisions and contingencies can be found at note 22. However, appeals from Business Rates (NNDR) continue to be a risk to the Council.

7 Current Economic Climate, Outlook and Risk

The creation of next year's budget has been most challenging. It has been set within a background of unprecedented inflationary pressures and significant changes in resident, customer and business needs. Despite these challenges, the Council's financial position means that it is well placed and able to take a considered approach to mitigating these exceptional challenges. The Government has provided a one-year settlement which has taken some uncertainty away regarding certain grants, however, the uncertainty remains significant and into the medium-term. East Lindsey District Council remains sovereign in terms of its constitution and budget, as do the Councils we partner with, and our priorities are to ensure that the Council remains financially resilient, able to deliver services it has to by law, and to provide support to the district's most vulnerable residents. Secondly, to continue the process of redressing the imbalances created by the COVID-19 pandemic by appropriately focussing on the provision of financial support to underpin economic recovery for the district and seeking to invest in our places. Despite the challenges of the pandemic over the past few years, work to develop new opportunities, efficiencies and income streams to support the Council's revenue budget have continued. The Council had made representations regarding the Internal Drainage Board pressures and some initial one-off funding has been awarded. A new internal Innovation, Transformation and Efficiency Board has been established to give oversight, support and steer to new opportunities and this board will oversee the efficiency targets for the Council.

The Council remains in a strong financial position over the medium term, with plans for transformation, capital spend and delivery of services as well as investment in its communities. The Council needs to deal with any changes in funding levels resulting from the Fair Funding review and changes to Business Rates Retention with a measured and planned approach. The Medium Term Financial Plan (MTFP) provides information on the Council's budget, transformation programme and reserves and can be found on the Council's website:

[Agenda item - Annual Budget Report 2023/24, Medium Term Financial Strategy, Capital Programme and Capital Strategy, Treasury Management Policy/Strategy and Annual Delivery Plan: - East Lindsey District Council \(e-lindsey.gov.uk\)](#)

The current level of reserves held by the Council is considered adequate to withstand current pressures and to invest in transformation projects, but it would not be financially sustainable to rely on these reserves to continue to fund the reduction in Central Government funding.

The impact of international events on the delivery of the Council's corporate objectives and finances continues to be monitored, particularly in relation to inflation levels (which impact on major contracts) and the impact on businesses and licensing.

Key Risks

The internal Performance, Risk and Audit Board reviews updates on corporate and operational risks on a quarterly basis and takes any remedial actions as necessary (for example, escalation to the Senior Leadership Team or Audit and Governance committee). Quarterly updates on the corporate risk register are provided to both the Leadership Team and the Audit and Governance Committee who is responsible for monitoring the arrangements in place for identification, monitoring and management of strategic risk.

Future Opportunities

The Council is always looking for new opportunities, such as through the South and East Lincolnshire Council Partnership, service improvements and cost reductions through digitalisation of services, etc. All opportunities will be examined on their own merits and detailed business cases completed if the opportunity is considered worthy of implementation.

The 2023/24 Annual Delivery Plan sets out the projects to be brought forward by the Partnership Councils during this municipal year.

Further information on the Statement of Accounts is available from Public Sector Partnership Services Ltd (formerly Compass Point Business Services), who provide all financial services for the Council. This is available as follows:

- In writing – to Financial Services, The Hub, Mareham Road, Horncastle, LN9 6PH.
- By telephone – 01507 601111
- By e-mail – to Customer Services at Customer.Contact@pspsl.co.uk

Christine Marshall, Deputy Chief Executive Corporate Development and Section 151 Officer

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 Deputy Chief Executive – Corporate Development (S151)
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets
- approve the Financial Statements, delegated to the Audit and Governance Committee.

The Chief Financial Officer's Responsibilities

The Chief Financial Officer is responsible for the preparation of the Council's Financial Statements in accordance with proper practices as set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom (the Code)*.

In preparing the Financial Statements, the Chief Financial Officer has:

- selected suitable accounting policies and then applied them consistently
- made judgements and estimates that were reasonable and prudent
- complied with the local authority Code
- kept proper accounting records which were up to date and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Certification by the Chief Financial Officer

I hereby certify that the unaudited Financial Statements give a 'true and fair' view of the financial position of the Council at the reporting date and of its expenditure and income for the year ended 31 March 2023.

Christine Marshall
Section 151 Officer

Date: 30 October 2024

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The Council raises taxation to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

	2021/22				2022/23		
	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
	3,745	(5,361)	(1,616)	General Fund Assets	8,168	(5,708)	2,460
	35,833	(30,456)	5,377	Finance	34,701	(30,048)	4,653
	4,238	(5,226)	(988)	Economic Growth	4,087	(503)	3,584
	-	-	-	Strategic Growth and Development	95	(93)	2
	1,323	(440)	883	Governance	1,048	(69)	979
	8,810	(7,365)	1,445	Wellbeing and Community Leadership	10,651	(8,852)	1,799
	3,803	(409)	3,394	Leisure and Culture	4,066	(18)	4,048
	2,513	(165)	2,348	Corporate	2,581	(43)	2,538
	8,909	(2,015)	6,894	Neighbourhoods	8,177	(2,072)	6,105
	2,137	(1,757)	380	Planning and Strategic Infrastructure	2,211	(1,458)	753
	3,024	(3,118)	(94)	Regulatory	7,622	(956)	6,666
	74,335	(56,312)	18,023	Cost of Services	83,407	(49,820)	33,587
	7,373	(233)	7,140	Other operating expenditure (Note 10)	9,776	(2,619)	7,157
	4,987	(10,480)	(5,493)	Financing and investment income and expenditure (Note 11)	12,477	(11,958)	519
	8,094	(41,295)	(33,201)	Taxation and non-specific grant income and expenditure (Note 12)	8,368	(65,824)	(57,456)
	94,789	(108,320)	(13,531)	(Surplus) or Deficit on the Provision of Services	114,028	(130,221)	(16,193)
			(6,845)	Surplus on revaluation of property, plant and equipment assets			(5,392)
			(15,794)	Remeasurements of the net defined benefit liability			(37,593)
			(22,639)	Other Comprehensive Income and Expenditure			(42,985)
			(36,170)	Total Comprehensive Income and Expenditure			(59,178)

Page 24

The notes to the accounts on pages 23 - 84 form an integral part of the Financial Statements.

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' (ie those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Statement shows how the movements in year of the Council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The Net Increase/Decrease line shows the statutory General Fund Balance movements in the year following those adjustments.

2022/23	General Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2022	1,822	31,423	3,068	11,239	47,552	65,687	113,239
Movement in Reserves during 2022/23							
Total Comprehensive Income and Expenditure	16,193	-	-	-	16,193	42,985	59,178
Adjustments between accounting basis and funding basis under regulations (Note 8)	(25,939)	-	427	14,925	(10,587)	10,587	-
Increase/(Decrease) in Year	(9,746)	-	427	14,925	5,606	53,572	59,178
Transfers to/(from) Earmarked Reserves	9,746	(9,746)	-	-	-	-	-
Balance at 31 March 2023 carried forward	1,822	21,677	3,495	26,164	53,158	119,259	172,417

The notes to the accounts on pages 23 – 84 form an integral part of the Financial Statements.

2021/22	General Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2021	2,351	35,291	2,962	2,553	43,157	25,000	68,157
Adjustment to opening balance: Share of PSPS Ltd	(529)	-	-	-	(529)	9,441	8,912
Movement in Reserves during 2021/22							
Total Comprehensive Income and Expenditure	13,531	-	-	-	13,531	22,639	36,170
Adjustments between accounting basis and funding basis under regulations (Note 8)	(17,399)	-	106	8,686	(8,607)	8,607	-
Increase/(Decrease) in Year	(3,868)	-	106	8,686	4,924	31,246	36,170
Transfers to/(from) Earmarked Reserves	3,868	(3,868)	-	-	-	-	-
Balance at 31 March 2022 carried forward	1,822	31,423	3,068	11,239	47,552	65,687	113,239

The notes to the accounts on pages 23 – 84 form an integral part of the Financial Statements.

BALANCE SHEET

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

31 March 2022 £'000		Note	31 March 2023 £'000
95,311	Property, Plant & Equipment	13	100,630
1,201	Heritage Assets	14	1,701
13,618	Investment Property	15	15,183
302	Intangible Assets	16	199
676	Assets Held for Sale	20	277
30,473	Long Term Investments	17	22,761
3,150	Long Term Debtors	17	2,394
144,731	Long Term Assets		143,145
31,218	Short Term Investments	17	53,578
621	Assets Held for Sale	20	31
16,790	Short Term Debtors	18	17,478
17,627	Cash and Cash Equivalents	19	3,928
66,256	Current Assets		75,015
(33,044)	Short Term Creditors	21	(13,767)
(149)	Short Term Borrowing	17	(149)
-	Cash and Cash Equivalents – Bank Overdraft	19	(227)
(985)	Provisions	22	(571)
(34,178)	Current Liabilities		(14,714)
(20,000)	Long Term Borrowing	17	(20,000)
-	Other Long Term Liabilities – S106 Deposits*		(3,237)
(43,570)	Other Long Term Liabilities	24	(7,792)
(63,570)	Long Term Liabilities		(31,029)
113,239	Net Assets		172,417
47,552	Usable Reserves	23	53,158
65,687	Unusable Reserves	24	119,259
113,239	Total Reserves		172,417

The notes to the accounts on pages 23 – 84 form an integral part of the Financial Statements.

* No prior year comparator

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 to the Council.

2021/22 £'000	2021/22 £'000		2022/23 £'000	2022/23 £'000
	13,531	Net surplus/(deficit) on the provision of services		16,193
(1,823)		Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 25)	864	
(12,449)	(14,272)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 25)	(28,800)	(27,936)
	(741)	Net cash flows from Operating Activities		(11,743)
	1,149	Investing Activities (Note 26)		(1,076)
	1,827	Financing Activities (Note 27)		(1,107)
	(529)	Non-cash movement relating to the reversal of opening General Fund balance for PSPS Ltd		-
	1,706	Net increase/(decrease) in cash and cash equivalents		(13,926)
	15,921	Cash and cash equivalents at the beginning of the reporting period		17,627
	17,627	Cash and cash equivalents at the end of the reporting period (Note 19)		3,701

The notes to the accounts on pages 23 – 84 form an integral part of the Financial Statements.

NOTES TO THE ACCOUNTS

NOTE 1 – ACCOUNTING POLICIES

1. General Principles

The Financial Statements summarise the Council's transactions for the 2022/23 financial year and its position at the year-end of 31 March 2023. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which must be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, 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.

2. 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 not carried as inventories on the Balance Sheet due to their immateriality;
- 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.

3. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

4. 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.

5. 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 determined by the Council in accordance with statutory guidance. This is referred to as the Minimum Revenue Provision (MRP) and Voluntary Revenue Provision (VRP). The Council's policy on MRP is approved by Council each year as part of the Treasury Management Strategy.

Depreciation, revaluation and impairment losses and amortisation are replaced by a 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.

6. Council Tax and Non-Domestic Rates

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

Accounting for Council Tax and NDR

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.

Business Improvement Districts

During 2022/23, a business improvement district (BID) scheme applies across parts of the authority. The scheme was funded by a BID levy paid by non-domestic ratepayers. The authority acted as a billing authority under the scheme, and the income collected was passed to Lincolnshire Coastal Business Improvement District. No income or expenditure relating to the BID is included in the Council's accounts.

7. Employee Benefits

Benefits Payable during Employment

Short term employee benefits are those due to be settled wholly within 12 months of the year end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Council.

An accrual is made for the cost of holiday entitlements, or any form of leave e.g. time off in lieu, earned by employees but not taken before the year end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service segment or, where applicable, to a corporate service segment at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

Post-Employment Benefits

Employees of the Council are members of the Local Government Pension Scheme, administered by Lincolnshire County Council. The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

The Local Government Pension Scheme

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

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

Liabilities are discounted to their value at current prices, using a discount rate of 4.8% (2.6% in 2021/22), based on the indicative rate of return on high quality corporate bonds.

The assets of the Lincolnshire County Council pension fund attributable to the Council are included in the Balance Sheet at their fair value:

- quoted securities – current bid price
- unquoted securities – professional estimate
- unlisted securities – current bid price
- property – market 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**, i.e. net interest expense for the Council – the change during the period in the net defined benefit liability 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 at the beginning of the period – taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

Remeasurements comprising

- **the return on plan assets** – excluding amounts included in the net interest on the net defined benefit liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- **actuarial gains and losses** – changes in the net pension's liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- **contributions paid to the Lincolnshire County Council 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 also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

8. 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 Financial Statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Financial Statements are adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the Financial Statements are 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 Financial Statements.

9. 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 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 the long term borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable plus accrued interest; and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Financial Assets

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

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI)

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (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 authority 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 authority recognises expected credit losses on all of its financial assets held at amortised cost, or where relevant FVOCI, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the authority. 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.

Financial Assets Measured at Fair Value through Profit or Loss

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 arise in the Surplus or Deficit on the Provision of Services. However, in November 2018 Ministry of Housing, Communities and Local Government (MHCLG) granted a 5 year statutory override which permits fair value gains and losses to be reversed out in the Movement in Reserves Statement and taken to a Financial Instruments Restatement Reserve. This has been extended for a further two years, to 31 March 2025.

For Financial Assets measured at Fair Value through Profit and Loss, monthly dividend/distribution income receivable is credited to the Financial and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

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.

Financial Assets Measured at Fair Value through Other Comprehensive Income

Financial assets that are measured at FVOCI 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. A gain or loss on a financial asset measured at fair value through other comprehensive income shall be recognised in other comprehensive expenditure and taken to the financial instruments revaluation reserve, except for impairment gains or losses until the financial asset is derecognised or reclassified.

Where financial assets are measured at FVPL or FVOCI, the fair value measurements 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.

10. 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-ringfenced 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.

11. Heritage Assets

Heritage assets are held to help 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 heritage assets fall into three categories; Statues and Monuments, Civic Regalia and Land Sites of Special Interest, and are accounted for as follows:

Statues and Monuments

- The Clock Tower, Skegness – Historic Cost
- Stanhope Memorial Horncastle, Sir John Franklin Memorial Spilsby, Buttercross Monument Spilsby, Clock Tower Old Market Hall Louth, Jolly Fisherman Statue Compass Gardens Skegness – included in the balance sheet at their insurance valuations.
- Dambusters Memorial Woodhall Spa – Historic Cost.

Civic Regalia – included in the balance sheet at their insurance valuations.

Land Sites

- Gibraltar Point Nature Reserve Skegness, St Mary's Burial Ground Louth, Site of Special Scientific Interest Skegness Foreshore – Recorded at Historic Cost.

The acquisition of heritage assets is considered on an asset by asset basis as and when they arise. The carrying amounts of heritage assets are reviewed when there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment – see item 18 in this summary of significant accounting policies. Depreciation is not charged as the assets are deemed to be held in perpetuity. Should any heritage assets be disposed of, the proceeds are accounted for in accordance with the Council's general provisions relating to the disposal of property, plant and equipment.

12. 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.

Intangible assets are measured initially at cost and are carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line in the Comprehensive Income and Expenditure Statement. Amortisation is calculated on the following basis:

- Computer software and licences – straight line basis

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, the amortisation charge is not permitted to have an impact on the General Fund Balance. It is therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

13. Interest in Companies and Other Entities

The Council has material interests in companies and other entities that have the nature of subsidiaries, associates and joint ventures and require it to prepare group accounts. In the Council's own single entity accounts, the interests in companies and other entities are recorded as financial assets at cost. The Group Accounts included with the financial statements incorporate Invest East Lindsey Limited and the Council's 51% interest in Public Sector Partnership Services Ltd from 2021/22 onwards.

14. Joint Operations

Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement.

15. 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.

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. Assets are transferred into or out of the Investment Property class only when there is evidence of a change of use.

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 £10,000) the Capital Receipts Reserve.

16. 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 has no material finance lease commitments as at 31 March 2023.

The Council as Lessee - *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 - 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 relevant 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 a 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.

17. Material Items of Income or Expense

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

18. Overheads and Support Services

Following revisions to the Accounting Code, the cost of overheads and support services are not charged to service segments, within the Financial Statements, in accordance with the Council's arrangements for accountability and financial performance. However, they are apportioned to comply with the requirements of various government returns.

19. Property, Plant and Equipment

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

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is 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 (e.g. 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 bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

The de minimis level set for recognising eligible capital expenditure is £10,000. Any expenditure below this value is classed as a revenue expense.

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 authority). 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 authority.

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure assets, community assets and assets under construction – depreciated historical cost

- surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective
- all other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV)

Where there is no market based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.

Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current 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 in the Comprehensive Income and Expenditure Statement.

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

Impairment

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

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

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

Where an impairment loss is reversed subsequently, 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 useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- Dwellings and other buildings – straight line allocation over the life of the property as estimated by the valuer

- Vehicles, plant and equipment – straight line allocation over the life of the asset, as advised by a suitably qualified officer
- Infrastructure – straight line allocation.

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. Materiality levels have been assessed and a materiality level of £0.5m for major components has been applied.

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

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an asset held for sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on assets held for sale.

If assets no longer meet the criteria to be classified as assets held for sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation 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 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 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 £10,000 are categorised as capital receipts. The balance of receipts remains within the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

20. 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 authority 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.

21. Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

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, 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.

22. 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.

23. 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.

24. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingences. Reserves are created by transferring amounts out of the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance 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 and retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

25. 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.

26. 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.

27. Foreign Currency Translation

Where the Council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. If there is a non-monetary asset or liability arising due to a payment or receipt in advance, the date of initial recognition of the asset or liability is used for the purpose of determining the exchange rate. Where material amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses, if material, are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

NOTE 2 – ACCOUNTING STANDARDS ISSUED, NOT ADOPTED

The Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (the Code) has introduced several changes in accounting standards which will be required from 1 April 2023.

- IFRS 16 Leases, where authorities decide to implement the standard in 2023/24
- Definition of Accounting Estimates (amendments to IAS8)
- Disclosure of Accounting Policies (amendments to IAS1 and IFRS Practice Statement 2)
- Deferred Tax related to assets and liabilities arising from a single transaction (amendments to IAS12)
- Update of reference to the Conceptual Framework (amendments to IFRS3)

The Code requires the disclosure of information relating to the impact of an accounting change that will be required by a new accounting standard, but one which has not yet been implemented.

It is not anticipated that the above amendments will have a material impact on the information provided in the financial statements, i.e., there is unlikely to be material change to the reported information in the net cost of services or the surplus or deficit on the provision of services.

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. The critical judgements made in the Financial Statements are:

- There is a large degree of uncertainty about future levels of funding for local government. The council has determined that this high level of uncertainty is not yet sufficient to provide an indication that the assets of the authority might be impaired as a result of a need to close facilities and reduce levels of service provision.
- At the time the accounts were authorised for issue, the Council's valuers have provided values for the Council's assets taking into account what was known at the time. The Council's judgement was that there was not enough information to indicate that the assets were impaired and that balance sheet values should be reduced.
- The Council has examined its leases, and classified them as either operating leases or finance leases. In some cases the lease transaction is not always conclusive and the Council uses judgements in determining whether the lease is a finance lease that transfers substantially all the risks and rewards incidental to ownership. With effect from 2024/25 financial accounts all lessee operational agreements (apart from those of less than 12 months or those of low value assets) are required to be shown on the balance sheet.
- One factor that has had a demonstrable impact on the accounts in the past five years concerns the assumptions surrounding pensions and the likelihood of legislative change and the impact of such change. The sensitivity analysis, shown in note 36, estimates the likely impact of changes to the assumptions used when reporting the pension liability.
- Investments - Investment in banks and other financial institutions are secure and will not suffer impairments. A certain amount of volatility in financial markets was apparent at the time the accounts were authorised for issue and expected credit losses were calculated based on information available at the time.

NOTE 4 – ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The Financial Statements contain estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates have been made taking into account historical experience, current trends and other relevant factors. The assumptions and other sources of estimation uncertainty disclosed below relate to the estimates that require the council's most difficult, subjective or complex judgements. As a number of variables and assumptions affecting the possible future resolution of the uncertainties increases, those judgements become more subjective and complex. As a result, balances cannot be determined with certainty and actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2023 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Pensions Liability

The estimation of the net liability (£7.792m at 31 March 2023) 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. A firm of consulting actuaries is engaged to provide expert advice about the assumptions to be applied.

For 2022/23, the actuaries advised that the net pension liability had decreased by £35.778m. This is made up of:

- £37.592m actuarial gain
- £1.814m loss arising from employer contributions of £3.069m being less than the pension obligations of £4.883m

Debt Impairment

At 31 March 2023, the Council had a balance of sundry debtor and housing benefit overpayments of £4.067m. The Council's normal approach to review significant items suggested that an impairment allowance for doubtful debts of just under 48% (£1.936m) was appropriate. However, in the current economic climate it is not certain that the allowance will be sufficient.

If collection rates were to deteriorate, increasing the impairment for doubtful debts to 60% of the total debt would require an additional £0.504m to be set aside as an allowance.

The change in the impairment allowance for bad debts is presented within Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement.

Business Rates

Since the introduction of the Business Rates Retention Scheme effective from 1 April 2013, local authorities need to account for any reduction in Business Rates income and repayment to ratepayers, in respect of successful appeals against business rates for current and earlier years. A provision has been made in the accounts based on the best estimate of the amount that the Council might need to repay as a result of successful appeals up to 31 March 2023.

For appeals already lodged, this estimate has been calculated using the latest Valuation Office Agency list of outstanding appeals with an assessment being made of the likely impact of those appeals, taking into account past national decisions together with any specific / local implications. This assessment has been undertaken by an external provider, and reviewed by officers to reflect local circumstances. The Council's share of the provision as at 31 March 2023 is £0.358m (40% of £0.895m).

If the appeals provision increased by 10% the Council's share would increase to £0.394m.

Fair Value Measurements of Financial Assets

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 authority's assets and liabilities.

Where Level 1 inputs are not available, the authority employs relevant experts to identify the most appropriate valuation techniques to determine fair value (for example for investments and borrowing Link Asset Services, the Council's treasury management advisers). Information about the valuation techniques and inputs used in determining the fair value of the authority's assets and liabilities is disclosed in notes 17 and 34.

Property, Plant and Equipment

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. The current economic climate makes it uncertain that the authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.

If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. If asset lives were reduced by one year the impact on the depreciation charged to the CIES would be immaterial.

NOTE 5 – EVENTS AFTER THE BALANCE SHEET DATE

The unaudited Financial Statements were authorised for issue by the Chief Financial Officer on 30 October 2024. Events taking place after this date are not reflected in the Financial Statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2023, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The financial statements and notes have not been adjusted for the following event, which took place after 31 March 2023, as they provide information that is relevant to an understanding of the authority's financial position but do not relate to conditions at that date.

- The long term borrowing held on the Balance Sheet contains £20m of PWLB borrowing. On 5 October 2023, the decision was made to redeem this debt before its redemption date resulting in a discount of £8.344m.

NOTE 6 – EXPENDITURE AND FUNDING ANALYSIS

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

2021/22				2022/23		
Net Expenditure Chargeable to the General Fund Balance £'000	Adjustments between the Funding and Accounting Basis £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000		Net Expenditure Chargeable to the General Fund Balance £'000	Adjustments between the Funding and Accounting Basis £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
(2,286)	670	(1,616)	General Fund Assets	(841)	3,301	2,460
4,574	803	5,377	Finance	4,276	377	4,653
(1,257)	269	(988)	Economic Growth	380	3,204	3,584
-	-	-	Strategic Growth and Development	2	-	2
850	33	883	Governance	962	17	979
981	464	1,445	Wellbeing and Community Leadership	1,970	(171)	1,799
1,931	1,463	3,394	Leisure and Culture	2,100	1,948	4,048
2,155	193	2,348	Corporate	2,305	233	2,538
5,412	1,482	6,894	Neighbourhoods	5,106	999	6,105
296	84	380	Planning and Strategic Infrastructure	684	69	753
1,281	(1,375)	(94)	Regulatory	925	5,741	6,666
13,937	4,086	18,023	Net Cost of Services	17,869	15,718	33,587
(10,069)	(21,485)	(31,554)	Other Income and Expenditure	(8,123)	(41,657)	(49,780)
3,868	(17,399)	(13,531)	(Surplus) or Deficit	9,746	(25,939)	(16,193)
2,351			Opening General Fund Balance	1,822		
(529)			Adjustment for share of PSPS Ltd	-		
-			(Surplus) or Deficit on the General Fund Balance in Year (after transfers to/from earmarked reserves)	-		
1,822			Closing General Fund Balance	1,822		

NOTE 6A – NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

2022/23				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Amounts	Adjustments for Capital Purposes £'000	Net Change for the Pensions Adjustments £'000	Other Differences £'000	Total Adjustments £'000
General Fund Assets	3,230	71	-	3,301
Finance	-	418	(41)	377
Economic Growth	3,186	18	-	3,204
Strategic Growth and Development	-	-	-	-
Governance	-	17	-	17
Wellbeing and Community Leadership	(335)	164	-	(171)
Leisure and Culture	1,948	-	-	1,948
Corporate	210	23	-	233
Neighbourhoods	787	212	-	999
Planning and Strategic Infrastructure	-	69	-	69
Regulatory	5,656	85	-	5,741
Net Cost of Services	14,682	1,077	(41)	15,718
Other Income and Expenditure from the Funding Analysis	(36,187)	737	(6,207)	(41,657)
Difference between General Fund (Surplus)/Deficit and Comprehensive Income and Expenditure Statement (Surplus)/Deficit	(21,505)	1,814	(6,248)	(25,939)

2021/22				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Amounts	Adjustments for Capital Purposes £'000	Net Change for the Pensions Adjustments £'000	Other Differences £'000	Total Adjustments £'000
General Fund Assets	573	96	-	669
Finance	172	633	(2)	803
Economic Growth	243	26	-	269
Governance	-	33	-	33
Wellbeing and Community Leadership	259	205	-	464
Leisure and Culture	1,464	-	-	1,464
Corporate	155	38	-	193
Neighbourhoods	1,175	307	-	1,482
Planning and Strategic Infrastructure	-	84	-	84
Regulatory	(1,516)	141	-	(1,375)
Net Cost of Services	2,525	1,563	(2)	4,086
Other Income and Expenditure from the Funding Analysis	(14,369)	1,107	(8,223)	(21,485)
Difference between General Fund (Surplus)/Deficit and Comprehensive Income and Expenditure Statement (Surplus)/Deficit	(11,844)	2,670	(8,225)	(17,399)

Adjustments for Capital Purposes

This column adds in depreciation and impairment and revaluation gains and losses in the service lines, and for:

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

Net Change for the Pensions Adjustments

Net change for the removal of pension contributions and the addition of IAS19 Employee Benefits pension related expenditure and income are reflected as follows:

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

Other Differences

Other differences between amounts debited or credited to the Comprehensive Income and Expenditure Statement and amounts payable or receivable to be recognised under statute are as follows:

- **For services** – the other differences column recognises adjustments to the General Fund for accumulated absences.
- The charge under **Taxation and non-specific grant income and expenditure** represents the difference between what is chargeable under statutory regulations for council tax and business rates that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

NOTE 6B – SEGMENTAL INCOME

Trading Income received on a segmental basis is analysed as follows:

Service Segment	Income Area	2022/23 Income from Services £'000	2021/22 Income from Services £'000
Neighbourhoods	Markets	99	68
General Fund Assets	Kingfisher Caravan Park	893	997
Regulatory	Licensing	294	280
General Fund Assets	Commercial Rents	1,424	1,713
Neighbourhoods	Green Waste	1,571	1,332
General Fund Assets	Car Parking	3,275	3,412
Planning and Strategic Infrastructure	Planning	1,420	1,407
Planning	Land Charges	111	94
Planning	Building Control	330	391
Total Income analysed on a segmental basis		9,417	9,694

NOTE 7 – EXPENDITURE AND INCOME ANALYSED BY NATURE

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

2021/22 £'000		2022/23 £'000
	<u>Expenditure</u>	
16,905	Employee benefits expenses	18,066
26,255	Other service expenses	32,750
3,695	Depreciation, amortisation, impairment	6,106
494	Interest payments	494
28,178	Benefits expenditure	26,485
6,848	Precepts and levies	7,147
	Expenditure and losses in fair value of investment property	748
1,094		
8,094	Business Rates tariff and levy	8,368
75	Increase in impairment allowance	191
525	Loss on disposal of non-current assets	2,629
	Change in fair value of financial assets at fair value through profit and loss	7,712
-		
2,626	Pensions interest cost	3,332
94,789	Total Expenditure	114,028
	<u>Income</u>	
(20,694)	Income from council tax and non-domestic rates	(30,082)
(50,632)	Grants and contributions	(17,159)
(8,171)	Capital grants and contributions	(25,118)
(17,292)	Fees, charges and other service income	(16,316)
(1,975)	Interest and investment income	(6,012)
(233)	Gain on disposal of non-current assets	(2,619)
	Change in fair value of financial assets at fair value through profit and loss	-
(3,938)		
-	Benefits income	(26,909)
(109)	Decrease in impairment allowance for bad debts	(58)
(1,593)	Income and gains in fair value of investment property	(3,293)
(2,164)	Asset exchange	(60)
(1,519)	Expected return on pension assets	(2,595)
(108,320)	Total Income	(130,221)
(13,531)	(Surplus) or Deficit on the Provision of Services	(16,193)

Note: Additional analysis lines have been added in 2022/23 for transparency, prior year comparators have not been amended.

NOTE 8 – ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to arrive at the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure. The following sets out a description of the reserves that the adjustments are made against.

General Fund Balance

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

Capital Receipts Reserve

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

Capital Grants Unapplied

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

2022/23	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied
	£'000	£'000	£'000
Adjustments to Revenue Resources			
<i>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:</i>			
• Pension costs	1,814	-	-
• Statutory over-ride for unrealised fair value movements in pooled funds	7,712	-	-
• Council Tax and Non-Domestic Rates	(13,919)	-	-
• Holiday pay	(41)	-	-
• Movements in the market value of Investment Properties	(1,949)	-	-
• Capital grants and contributions applied to capital financing	(7,324)	-	(4,302)
• Capital grants and contributions not applied to capital financing in year	(19,227)	-	19,227
• Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure	18,374	-	-
Total Adjustments to Revenue Resources	(14,560)	-	14,925
Adjustments between Revenue and Capital Resources			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(1,894)	1,894	-
Administrative costs of non-current asset disposals	-	-	-
Payments to the government housing receipts pool	-	-	-
Statutory provision for the repayment of debt	-	-	-
Voluntary provision for the repayment of debt	(4,898)	-	-
Capital expenditure financed from revenue balances	(416)	-	-
Other income that cannot be credited to the CIES	(4,171)	(1,467)	-
Total Adjustments between Revenue and Capital Resources	(11,379)	427	-
Adjustments to Capital Resources			
Use of Capital Receipts Reserve to finance capital expenditure	-	-	-
Use of capital grants to finance capital expenditure	-	-	-
Cash payments in relation to deferred capital receipts	-	-	-
Total Adjustments to Capital Resources	-	-	-
Total Adjustments	(25,939)	427	14,925

2021/22	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied
	£'000	£'000	£'000
Adjustments to Revenue Resources			
<i>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:</i>			
• Pension costs	2,670	-	-
• Statutory over-ride for unrealised fair value movements in pooled funds	(3,938)	-	-
• Council Tax and Non-Domestic Rates	(4,285)	-	-
• Holiday pay	(2)	-	-
• Movements in the market value of Investment Properties	(499)	-	-
• Capital grants and contributions applied to capital financing	(3,259)	-	(270)
• Capital grants and contributions not applied to capital financing in year	(8,957)	-	8,957
• Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure	7,096	-	-
Total Adjustments to Revenue Resources	(11,174)	-	8,687
Adjustments between Revenue and Capital Resources			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(236)	236	-
Administrative costs of non-current asset disposals	3	(3)	-
Payments to the government housing receipts pool	-	-	-
Statutory provision for the repayment of debt	-	-	-
Voluntary provision for the repayment of debt	1,194	-	-
Capital expenditure financed from revenue balances	(5,022)	-	-
Other income that cannot be credited to the CIES	(2,164)	22	-
Total Adjustments between Revenue and Capital Resources	(6,225)	255	-
Adjustments to Capital Resources			
Use of Capital Receipts Reserve to finance capital expenditure	-	(149)	-
Use of capital grants to finance capital expenditure	-	-	-
Cash payments in relation to deferred capital receipts	-	-	-
Total Adjustments to Capital Resources	-	(149)	-
Total Adjustments	(17,399)	106	8,687

NOTE 9 – TRANSFERS TO/FROM EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund Balance in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2022/23.

	Balance at 1 April 2021 £'000	Transfers Out 2021/22 £'000	Transfers In 2021/22 £'000	Balance at 31 March 2022 £'000	Transfers Out 2022/23 £'000	Transfers In 2022/23 £'000	Balance at 31 March 2023 £'000
Capital Reserve	7,319	(1,737)	591	6,173	(2,595)	1,244	4,822
Housing Reserve	2,277	(525)	279	2,031	-	213	2,244
Technology Reserve	1,521	(797)	68	792	(458)	68	402
Insurance Reserve	746	(19)	100	827	-	-	827
Service Transformation Reserve	598	(421)	916	1,093	(105)	37	1,025
Carbon Reduction Reserve	106	-	-	106	-	292	398
Legal and Appeals Reserve	414	(6)	23	431	(27)	116	520
Repair and Renewals Reserve	1,448	(762)	672	1,358	(601)	278	1,035
Economic Growth Reserve	5,476	(4,250)	5,955	7,181	(2,343)	2,693	7,531
Business Rates Volatility Reserve	13,410	(11,042)	5,533	7,901	(6,000)	-	1,901
Investments Volatility Reserve	-	-	1,000	1,000	(1,000)	-	-
Wellbeing Reserve	798	-	7	805	(342)	-	463
Property Funds Reserve	-	-	547	547	(409)	-	138
COVID-19 Budget Pressures Smoothing Reserve	1,178	-	-	1,178	(1,100)	293	371
Total Earmarked Reserves	35,291	(19,559)	15,691	31,423	(14,980)	5,234	21,677

NOTE 10 – OTHER OPERATING EXPENDITURE

2021/22 £'000		2022/23 £'000
3,041	Parish Council Precepts	3,206
3,807	Internal Drainage Board Levies	3,941
292	(Gains)/Losses on the disposal of non-current assets	10
7,140	Total	7,157

NOTE 11 – FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2021/22 £'000		2022/23 £'000
494	Interest payable and similar charges	494
1,107	Net interest on the net defined benefit liability	737
	Discount, impairment and exchange rate movements on Icelandic	
(2)	Investments	-
(1,973)	Interest receivable and similar income	(2,896)
-	Income receivable from property fund holdings	(3,116)
	Income and Expenditure in relation to investment properties and	
(1,147)	changes in their fair value	(2,545)
(34)	Movement in impairment allowance for bad debts	133
(3,938)	Movement in fair value of financial assets through profit and loss	7,712
(5,493)	Total	519

NOTE 12 – TAXATION AND NON SPECIFIC GRANT INCOME AND EXPENDITURE

2021/22 £'000		2022/23 £'000
(9,985)	Council Tax income	(10,483)
(2,615)	Retained Business Rates income and expenditure	(11,231)
(935)	Revenue Support Grant	(964)
(9,331)	Non-ringfenced government grants	(9,599)
(8,171)	Capital grants and contributions	(25,119)
(2,164)	Gain on asset exchange	(60)
(33,201)	Total	(57,456)

NOTE 13 – PROPERTY, PLANT AND EQUIPMENT - Movements on Balances

2022/23	Other Land and Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Assets Under Construction £'000	Surplus Assets £'000	Total Property, Plant and Equipment £'000
<u>Movements on balances</u>							
Cost or Valuation							
At 1 April 2022	81,283	8,726	1,169	2,850	5,505	45	99,578
Adjustment to Opening Balance: Asset reinstatement	-	12	-	-	-	-	12
Additions	599	1,211	-	224	5,193	-	7,227
Donations	-	60	-	-	-	-	60
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	1,767	28	-	-	(1)	-	1,794
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(1,748)	-	-	-	1	-	(1,747)
Derecognition – disposals	(867)	(833)	-	-	-	(10)	(1,710)
Assets reclassified (to)/from Other Categories	8,182	-	-	-	(8,182)	-	-
Other movements in Cost or Valuation	46	18	-	-	-	(10)	54
At 31 March 2023	89,262	9,222	1,169	3,074	2,516	25	105,268
Accumulated Depreciation and Impairment							
At 1 April 2022	-	(3,978)	(204)	(85)	-	-	(4,267)
Adjustment to Opening Balance: Asset reinstatement	-	(10)	-	-	-	-	(10)
Depreciation charge	(3,261)	(1,026)	(53)	(70)	-	-	(4,410)
Depreciation written out to the Revaluation Reserve	3,100	-	-	-	-	-	3,100
Depreciation written out to the Surplus/Deficit on the Provision of Services	131	-	-	-	-	-	131
Impairment (Losses) Reversals recognised in Revaluation Reserve	-	-	-	-	-	-	-
Derecognition – disposals	30	790	-	-	-	-	820
Other movements in Depreciation and Impairment	-	(2)	-	-	-	-	(2)
At 31 March 2023	-	(4,226)	(257)	(155)	-	-	(4,638)
Net Book Value							
At 31 March 2023	89,262	4,996	912	2,919	2,516	25	100,630
At 31 March 2022	81,283	4,748	965	2,765	5,505	45	95,311

2021/22	Other Land and Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Assets Under Construction £'000	Surplus Assets £'000	Total Property, Plant and Equipment £'000
<u>Movements on balances</u>							
Cost or Valuation							
At 1 April 2021	80,046	8,872	1,169	2,375	399	45	92,906
Adjustment to opening balance: Share of PSPS Ltd	-	(192)	-	-	-	-	(192)
Additions	129	702	-	503	5,106	-	6,440
Donations	14	-	-	-	-	-	14
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	3,078	-	-	-	-	-	3,078
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	376	-	-	-	-	-	376
Derecognition – disposals	(303)	(656)	-	(27)	-	-	(986)
Assets reclassified (to)/from Other Categories	(1,981)	-	-	(1)	-	-	(1,982)
Other movements in Cost or Valuation	(76)	-	-	-	-	-	(76)
At 31 March 2022	81,283	8,726	1,169	2,850	5,505	45	99,578
Accumulated Depreciation and Impairment							
At 1 April 2021	(725)	(3,834)	(150)	(42)	-	-	(4,751)
Adjustment to opening balance: Share of PSPS Ltd	-	189	-	-	-	-	189
Depreciation charge	(3,025)	(989)	(54)	(43)	-	-	(4,111)
Depreciation written out to the Revaluation Reserve	3,492	-	-	-	-	-	3,492
Depreciation written out to the Surplus/Deficit on the Provision of Services	237	-	-	-	-	-	237
Impairment (Losses) Reversals recognised in Revaluation Reserve	-	-	-	-	-	-	-
Derecognition – disposals	21	656	-	-	-	-	677
Other movements in Depreciation and Impairment	-	-	-	-	-	-	-
At 31 March 2022	-	(3,978)	(204)	(85)	-	-	(4,267)
Net Book Value							
At 31 March 2022	81,283	4,748	965	2,765	5,505	45	95,311
At 31 March 2021	79,321	5,038	1,019	2,333	399	45	88,155

Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

- Property, Land and Buildings – 2-49 years
- Vehicles, Plant, Furniture & Equipment – 1-46 years

Effects of Changes in Estimates

In 2022/23, no material changes were made to the Council's accounting estimates for Property, Plant and Equipment.

Revaluations

The Council's revaluations were undertaken by the Council's qualified in-house valuer – Edward Cox MRICS.

The Council ensures that all Property, Plant and Equipment required to be measured at current value is revalued each year. 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.

	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Surplus Assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Carried at historical cost	-	4,996	912	2,919	2,516	25	11,368
Valued at fair value as at: 31 March 2023	89,262	-	-	-	-	-	89,262
Total Cost or Valuation at 31 March 2023	89,262	4,996	912	2,919	2,516	25	100,630

The Council does not have material surplus assets.

NOTE 14 – HERITAGE ASSETS

Reconciliation of the carrying value of Heritage Assets held by the Council:

2021/22 £'000		Statues and Monuments 2022/23 £'000	Civic Regalia 2022/23 £'000	Land Sites of Special Interest 2022/23 £'000	Total 2022/23 £'000
1,201	Cost or valuation	739	25	437	1,201
-	1 April	500	-	-	500
1,201	Revaluations in year 31 March	1,239	25	437	1,701

Heritage assets, held by the Council fall into three categories; Statues and Monuments, Civic Regalia and Land Sites of Special Interest. All the assets have been in the Council's ownership for a number of years and are held for their intrinsic worth as opposed to financial gain. As such they are unlikely to be sold. According to the Code there is no prescribed minimum period between valuations. However, the valuers are asked to confirm that the last valuations are still appropriate on a regular basis.

Movements in financial year 2022/23

There were no movements in year.

Heritage assets recognised on the Council's Balance Sheet

Statutes and Monuments:

- The Clock Tower, Skegness – Historic Cost £431,000.
- Stanhope Memorial Horncastle, Sir John Franklin Memorial Spilsby, Buttercross Monument Spilsby, Clock Tower Old Market Hall Louth, Jolly Fisherman Statue Compass Gardens Skegness – included in the balance sheet at their insurance valuations. The valuations as at 31 March 2023 were provided by Bonhams (external specialist valuer).
- Dambusters Memorial Woodhall Spa – Revalued as at the Insurance Valuation.
- Civic Regalia – included in the Balance Sheet at their insurance valuations. The valuations as at 31 March 2023 were provided by Bonhams (external specialist valuer).

Land Sites:

- Gibraltar Point Nature Reserve Skegness, St Mary's Burial Ground Louth, Site of Special Scientific Interest Skegness Foreshore – recorded at Historic Cost.

The Council does not have any heritage assets other than those reported on the Balance Sheet. These heritage assets are in locations which are accessible to the public, with the exception of civic regalia which is held in the Council offices.

NOTE 15 – INVESTMENT PROPERTY

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:

2021/22 £'000		2022/23 £'000
(1,345)	Rental Income from investment property	(1,299)
	Direct operating expenses arising from investment property:	
208	Employee benefit expenses	241
489	Other service expenses	462
(499)	Net (gains)/losses from fair value adjustments	(1,949)
(1,147)	Net (gain)/loss	(2,545)

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

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

2021/22 £'000		2022/23 £'000
8,988	Balance at start of the year	13,618
53	Additions – Subsequent Expenditure	6
2,150	Donations	-
1,928	Assets reclassified (to)/from Property, Plant and Equipment	-
-	Disposals	(390)
499	Net gains/(losses) from fair value adjustments	1,949
13,618	Balance at end of the year	15,183

Fair Value Hierarchy

Details of the authority's investment properties and information about the fair value hierarchy as at 31 March 2023 and 2022 are as follows:

	Level 2 2022/23 £'000	Level 3 2022/23 £'000	Fair Value 2022/23 £'000
Office Units	-	-	-
Commercial Retail Units	-	3,659	3,659
Commercial Storage Units	-	24	24
Commercial Unit Caravan Park	-	11,500	11,500
	-	15,183	15,183

2021/22 Comparative Figures

	Level 2 2021/22 £'000	Level 3 2021/22 £'000	Fair Value 2021/22 £'000
Office Units	-	390	390
Commercial Retail Units	-	3,704	3,704
Commercial Storage Units	-	24	24
Commercial Unit Caravan Park	-	9,500	9,500
	-	13,618	13,618

Transfers between Levels of Fair Value Hierarchy

There were no transfers between levels of fair value hierarchy in year.

Valuation Techniques Used to Determine Level 2 and 3 Fair Values for Investment Properties

Significant Observable Inputs – Level 2

The fair value of investment properties has been measured using two main approaches - the investment method and the comparable method.

The comparable method of valuation is relied upon in the case of plots of similar size and location. It is relatively simple to achieve a direct comparison with one plot against another which has been sold recently.

Using the investment methodology, the valuers have relied upon data ascertained from current evidence of passing rents on comparable properties. Yields have been taken from the sale of comparable investments having regard to the type of property, covenant strength and lease terms. Valuation inputs for rental and yield which are directly applicable are said to be a valuation input 2 because they are directly comparable with limited adjustment.

Significant Unobservable Inputs – Level 3

Where the comparable data needs to be adjusted by the valuer in order to reflect the specific circumstances of the valuation subject, the valuer uses his judgement and experience. This includes assumptions regarding rent level and prospective rental growth, occupancy levels, floor area and state of repair.

These adjustments are the valuer's opinion and therefore subjective and considered to be Level 3 in the fair value hierarchy. The measurement technique uses significant unobservable inputs to determine the fair value measurements.

Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement of the assets.

Highest and best use of investment properties

In estimating the fair value of the Council's investment properties, the highest and best use of the properties is deemed to be their current value.

Valuation Techniques

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

Reconciliation of Fair Value Measurements (Using Significant Unobservable Inputs) categorised within Level 3 of the Fair Value Hierarchy

	31 March 2023 £'000	31 March 2022 £'000
Opening Balance	13,618	8,988
Transfers into Level 3	-	1,928
Total gains (or losses) for the period included in Surplus or deficit on the Provision of Services resulting from changes in the fair value	1,949	499
Additions	6	53
Donated assets	-	2,150
Disposals	(390)	-
Closing Balance	15,183	13,618

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

Valuation Process for Investment Properties

The fair value of the Council's investment property is measured at each reporting date. All valuations are carried out internally, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The Council's valuation experts work closely with finance officers regarding all valuation matters.

NOTE 16 – INTANGIBLE ASSETS

The Council accounts for its software as intangible assets. Intangible assets include purchased licenses.

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 carrying amount of intangible assets is amortised on a straight-line basis over 7 years. The amortisation of £23,000 was charged to an overhead account and then absorbed across service headings in the Cost of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

The movement on Intangible Asset balances during the year is as follows:

2021/22 £'000		2022/23 £'000
	Balance at start of year:	
2,132	Gross carrying amounts	512
(1,689)	Adjustment to opening balance: Share of PSPS Ltd	-
(1,480)	Accumulated amortisation	(210)
1,330	Adjustment to opening balance: Share of PSPS Ltd	-
293	Net carrying amount at start of year	302
	Additions:	
69	Purchases	24
-	Derecognition – Others	(88)
(60)	Amortisation for the period	(23)
-	Other Changes	(14)
302	Net carrying amount at end of year	199
	Comprising:	
512	Gross carrying amounts	432
(210)	Accumulated amortisation	(233)
302		199

NOTE 17 – FINANCIAL INSTRUMENTS

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

Financial Assets	Non-Current				Current				Total	
	Long-term Investments		Long-term Debtors		Short-term Investments		Short-term Debtors		31 March 2022	31 March 2023
	31 March 2022	31 March 2023	31 March 2022	31 March 2023	31 March 2022	31 March 2023	31 March 2022	31 March 2023		
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fair Value through profit and loss	30,473	22,761	-	-	185	154	-	-	30,658	22,915
Amortised cost										
Investments	-	-	-	-	31,033	53,424	-	-	31,033	53,424
Cash and cash equivalents	-	-	-	-	17,627	3,928	-	-	17,627	3,928
Mortgages and car loans	-	-	9	3	-	-	7	2	16	5
Loans to businesses	-	-	3,141	2,391	-	-	500	1,750	3,641	4,141
Trade debtors	-	-	-	-	-	-	3,892	2,975	3,892	2,975
Total financial assets	30,473	22,761	3,150	2,394	48,845	57,506	4,399	4,727	86,867	87,388

Financial Liabilities	Non-Current				Current				Total	
	Long-term Borrowings		Long-term Creditors		Short-term Borrowings		Short-term Creditors		31 March 2022	31 March 2023
	31 March 2022	31 March 2023	31 March 2022	31 March 2023	31 March 2022	31 March 2023	31 March 2022	31 March 2023		
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Amortised cost										
External borrowing	(20,000)	(20,000)	-	-	(149)	(149)	-	-	(20,149)	(20,149)
Bank Overdraft	-	-	-	-	-	(227)	-	-	-	(227)
Trade creditors	-	-	-	-	-	-	(4,734)	(3,051)	(4,734)	(3,051)
Total financial liabilities	(20,000)	(20,000)	-	-	(149)	(376)	(4,734)	(3,051)	(24,883)	(23,427)

Income, expense, gains and losses

	2021/22 Surplus or Deficit on the Provision of Services £'000	2022/23 Surplus or Deficit on the Provision of Services £'000
Net gains/losses on:		
Financial assets measured at fair value through profit and loss	3,938	(7,712)
Derecognition of financial assets	(2)	-
Total net gains/losses	3,936	(7,712)
Interest Revenue		
Financial assets measured at amortised cost	(186)	(1,792)
Financial assets measured at fair value through profit and loss	(1,787)	(4,221)
Total interest revenue	(1,973)	(6,013)
Interest expense	494	494
Fee expense		
Property fund management fees	226	202
Brokers fees	-	9
Total fee expense	226	211

Fair Value of Financial Assets

Some of the Council's financial assets are measured at fair value on a recurring basis and are described in the following table, including the valuation techniques used to measure them.

The Council held £22.761m in property funds at 31 March 2023 (£30.473m at 31 March 2022). These represent level 1 inputs in the fair value hierarchy. Fair Value has been assessed using the published Net Asset Value of the funds and the Balance Sheet reflects these valuations.

The Council is the sole shareholder of Invest East Lindsey Limited, which is the Council's wholly owned Commercial Project Company. The Council has a £100 equity interest at cost with a fair value of zero. This equity is categorised as Level 3 inputs due to there being no active market for the shares. The Company accounts reported net liabilities as at 31 March 2023. The authority did not intend to dispose of the shares at the Balance Sheet date.

Financial assets measured at fair value				
Recurring fair value measurements	Input level in the fair value hierarchy	Valuation technique used to measure fair value	31 March 2022 £'000	31 March 2023 £'000
Financial instruments classified as fair value through profit and loss				
Hermes Property Unit Trust Fund (Revenue)	Level 1	Unadjusted quoted prices in active markets for identical units	4,783	4,021
Schroder UK Real Estate Property Fund	Level 1	Unadjusted quoted prices in active markets for identical units	5,889	4,755
Threadneedle Property Unit Trust	Level 1	Unadjusted quoted prices in active markets for identical units	5,033	4,158
M & G UK Property Fund	Level 1	Unadjusted quoted prices in active markets for identical units	4,439	1,203
BlackRock UK Property Fund	Level 1	Unadjusted quoted prices in active markets for identical units	5,450	4,471
AEW UK Core Property Fund	Level 1	Unadjusted quoted prices in active markets for identical units	4,879	4,153
Financial instruments classified as fair value through other comprehensive income				
Equity in Subsidiaries	Level 1	PWLB market rate plus 1%	-	-
TOTAL			30,473	22,761

The combined purchase price of property fund investments was £27.999m so the decrease in value as at 31 March 2023 was £5.238m. The M&G UK Property Fund is currently being liquidated and as at 31 March 2023 the Council has received £3.112m in revenue distributions from property sale proceeds which mitigates the reduction in fair value as at 31 March 2023.

The net decrease in the fair value of the revenue fund during the year of £0.762m has been debited to the Pooled Investment Funds Adjustment Account in accordance with the statutory override for qualifying pooled investments (SI2018/1207).

The net decrease in value of the capital funds during the year of £6.950m has been credited to the Capital Adjustment Account in line with the statutory override.

In accordance with the Council's Minimum Revenue Provision Policy approved by Council on 3 March 2021 consideration has been given to the combined fair value of the capital property funds. Based on the decreased values a Voluntary Revenue Provision of £1.301m has been made in the 2022/23 financial year. In addition to this amount, a £3.597m Minimum Revenue Provision has been made in relation to the M&G property fund following additional distributions being received during the year in respect of the liquidation process.

Transfers between Levels of the Fair Value Hierarchy

There were no transfers between input levels 1 and 2 during the year.

Changes in the Valuation Technique

There has been no change in the valuation technique used during the year for the financial instruments.

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 PWLB payable, PWLB prevailing market rates have been applied to provide the fair value under PWLB debt redemption procedures. An additional note to the tables sets out the alternative fair value measurement applying the premature repayment highlighting the impact of the alternative valuation;
- 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.

The fair values calculated are as follows:

LIABILITIES	31 March 2022		31 March 2023	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Borrowing	(20,149)	(20,457)	(20,149)	(12,395)

For long term borrowing, the fair value is lower than the carrying amount because the authority's portfolio of loans includes fixed rate loans where the interest rate payable is lower than the prevailing rates at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31 March 2023) arising from a commitment to pay interest to lenders below current market rates.

The fair value of Public Works Loan Board (PWLB) loans of £12.395m included above measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value measures the reduced interest that the authority will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

However, the Council has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets, termed the PWLB Certainty Interest rates. A supplementary measure of the fair value as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB. If a value is calculated on this basis, the carrying amount of £20m would be valued at £12.395m. But, if the Council were to seek to take advantage of the projected gain by repaying the loans to the PWLB, the PWLB would grant a discount for early redemption. The exit price for the PWLB loans at 31 March 2023 including the discount was £15.335m.

ASSETS	31 March 2022		31 March 2023	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Short term investments	31,218	31,218	53,578	53,578
Loans to Subsidiaries	3,641	3,478	4,142	3,659
TOTAL	34,859	34,696	57,720	57,237

As the investments referred to in the above table are short term the fair value is assumed to be the carrying value.

The short and long term loans to subsidiaries are loans to Invest East Lindsey Limited, which is the Council's wholly owned Commercial Project Company. The Council has made loans totalling £4.142m with a fair value of £3.659m. These loans are categorised under Level 1 inputs and the fair value has been calculated using the appropriate PWLB new loan rates + 1%.

NOTE 18 – DEBTORS

31 March 2022 Net £'000		31 March 2023 Gross £'000	31 March 2023 Impairment £'000	31 March 2023 Net £'000
569	Trade debtors	1,121	(408)	713
9,772	Council Tax & NDR debtors	7,806	(1,720)	6,086
3,450	Related parties	5,443	-	5,443
597	Prepayments	2,506	-	2,506
293	Costs	936	(589)	347
2,109	Other entities and individuals	3,923	(1,540)	2,383
16,790	Total	21,735	(4,257)	17,478

NOTE 18A – DEBTORS FOR LOCAL TAXATION

The past due but not impaired amount for local taxation (council tax and non-domestic rates) can be analysed by age as follows:

31 March 2022 £'000		31 March 2023 £'000
960	Less than one year	2,438
1,977	More than one year	3,323
2,937	Total	5,761

NOTE 19 – CASH AND CASH EQUIVALENTS

The balance of Cash and Cash Equivalents is made up of the following elements:

31 March 2022 £'000		31 March 2023 £'000
1	Cash held by the Council	1
209	Bank current accounts	10
17,417	Deposits with Banks on Instant Access	3,917
17,627	Cash and Cash Equivalents categorised as Current Assets	3,928
-	Bank current accounts	(227)
-	Cash and Cash Equivalents categorised as Current Liabilities	(227)
17,627	Total Cash and Cash Equivalents	3,701

NOTE 20 – ASSETS HELD FOR SALE

The following tables summarises the movements in the fair value of assets held for sale over the year.

	Current assets		Non-Current assets	
	2022/23 £'000	2021/22 £'000	2022/23 £'000	2021/22 £'000
Balance outstanding at start of year	621	638	676	609
Assets newly classified as held for sale:				
Property, Plant and Equipment	-	53	-	-
Revaluation gains & losses recognised in the Revaluation Reserve	-	-	(2)	275
Revaluation gains & losses recognised in the Surplus/Deficit on provision of Services	-	(145)	-	7
Additions	-	-	-	-
Assets sold	(590)	-	(359)	(215)
Other Movements in Cost or Valuation	-	75	(38)	-
Balance outstanding at year end	31	621	277	676

NOTE 21 – CREDITORS

2021/22 £'000		2022/23 £'000
(3,365)	Trade Payables	(2,994)
(1,360)	Council Tax & NDR Payables	(1,666)
(7,497)	Other Payables – Central Government	(1,514)
(1,383)	Other Payables – Other Local Authorities	(2,611)
(152)	Other Payables	(155)
(19,287)	Receipts in Advance	(4,827)
(33,044)	Total	(13,767)

NOTE 22 – PROVISIONS

	Business Rate Appeals £'000	Compulsory Purchase Orders £'000
Balance at 1 April 2022	(772)	(213)
Additional provisions made in 2022/23	(160)	-
Amounts used in 2022/23	6	-
Unused amounts reversed in 2022/23	568	-
Balance at 31 March 2023	(358)	(213)

The Business Rates Appeal provision represents East Lindsey's share (40% of £0.895m) of the total provision for appeals against the rateable values set by the Valuation Office Agency (VOA) not settled as at 31 March 2023. The total provision has been recognised in the Collection Fund Statement (page 85). Whilst the expected timing of the outflows is uncertain as the decision on these appeals is made by the Valuation Office Agency, it is assumed these will be settled within the next 12 months.

The compulsory purchase order provision relates to monies held by the Council from asset sales awaiting identification of the property owners by legal requirement. The outflows to settle these compulsory purchase orders are assumed to occur within the next 12 months.

NOTE 23 – USABLE RESERVES

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement.

NOTE 24 – UNUSABLE RESERVES

31 March 2022 £'000		31 March 2023 £'000
49,470	Revaluation Reserve	51,468
65,320	Capital Adjustment Account	67,563
(43,570)	Pensions Reserve	(7,792)
783	Pooled Investment Funds Adjustment Account	20
-	Deferred Capital Receipts	356
(6,180)	Collection Fund Adjustment Account	7,739
(136)	Accumulated Absences Account	(95)
65,687	Total Unusable Reserves	119,259

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. 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.

2021/22 £'000	2021/22 £'000		2022/23 £'000	2022/23 £'000
	44,859	Balance at 1 April		49,470
10,879		Upward revaluation of assets	8,424	
(4,034)		Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(3,031)	
	6,845	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		5,393
(1,970)		Difference between fair value depreciation and historical cost depreciation	(2,231)	
(264)		Accumulated gains on assets sold or scrapped	(1,164)	
	(2,234)	Amount written off to the Capital Adjustment Account		(3,395)
	49,470	Balance at 31 March		51,468

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 additions to those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or subsequent costs as depreciation, impairment losses and amortisation are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert current and 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 subsequent costs.

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

Note 8 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2021/22 £'000	2021/22 £'000		2022/23 £'000	2022/23 £'000
	57,171	Balance at 1 April		65,320
	(382)	Adjustment to opening balance: share of PSPS Ltd		-
		Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement		
(4,111)		Charges for depreciation and impairment of non-current assets	(4,417)	
476		Revaluation (losses)/gains on Property, Plant and Equipment	(1,617)	
(60)		Amortisation of intangible assets	(72)	
(2,876)		Revenue expenditure funded from capital under statute	(10,008)	
(525)		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	(2,261)	
	(7,096)			(18,375)
	264	Adjusting amounts written out of the Revaluation Reserve		1,164
	1,971	Net written out amount of the cost of non-current assets consumed in the year		2,231
		Capital financing applied in the year:		
149		Use of the Capital Receipts Reserve to finance new capital expenditure	1,467	
3,258		Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	7,325	
270		Application of grants to capital financing from the Capital Grants Unapplied Account	4,302	
-		Statutory provision for the financing of capital investment charged against the General Fund balance	-	
(1,194)		Voluntary Revenue Provision for Repayment of debt due to Property Funds	4,898	
3,245		Property Funds Increase or Decrease in NAV	(6,950)	
5,022		Capital expenditure charged against the General Fund balance	4,171	
	10,750			15,213
	-	Statutory override for unrealised fair value movements in capital property funds		-
	2,143	Movements in Donated Assets credited to the Comprehensive Income and Expenditure Statement		61
	499	Movements in the market value of Investment Properties credited to the Comprehensive Income and Expenditure Statement		1,949
	65,320	Balance at 31 March		67,563

Pooled Investment Funds Adjustment Account

The Pooled Investment Funds Adjustment Account contains the gains/losses made by the Council arising from increases in the value of its pooled investment funds which are classified as revenue. These gains/losses will now be posted to the Comprehensive Income & Expenditure Statement, however statutory override SI 2018/1207 has provided a five year exemption allowing Councils to post unrealised fair value gains/losses to the Pooled Investment Funds Adjustment Account so they do not affect the General Fund.

2021/22 £'000		2022/23 £'000
90	Balance at 1 April	783
693	Upward/(Downward) revaluation of Pooled Investment Funds	(763)
783	Balance at 31 March	20

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

2021/22 £'000		2022/23 £'000
-	Balance at 1 April	-
-	Transfer to the Capital Receipts Reserve upon receipt of cash	356
-	Balance at 31 March	356

Pensions Reserve

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

2021/22 £'000		2022/23 £'000
(66,500)	Balance at 1 April	(43,570)
9,806	Adjustment to opening balance: share of PSPS Ltd	-
15,794	Remeasurement of the net defined benefit liability	37,592
(5,383)	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	(4,883)
2,713	Employer's pensions contributions and direct payments to pensioners payable in the year	3,069
(43,570)	Balance at 31 March	(7,792)

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 payers and business rate payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2021/22 £'000		2022/23 £'000
(10,465)	Balance at 1 April	(6,180)
	Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	
4,285		13,919
(6,180)	Balance at 31 March	7,739

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.

2021/22 £'000	2021/22 £'000		2022/23 £'000	2022/23 £'000
	(155)	Balance at 1 April		(136)
	18	Adjustment to opening balance: share of PSPS Ltd		-
151		Settlement or cancellation of accrual made at the end of the preceding year	136	
(150)		Amounts accrued at the end of the current year	(95)	
	1	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		41
	(136)	Balance at 31 March		(95)

NOTE 25 – CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items

2021/22 £'000		2022/23 £'000
1,428	Interest received	986
(494)	Interest paid	(494)

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

2021/22 £'000		2022/23 £'000
4,110	Depreciation	4,417
(474)	Impairment and downward revaluations	1,617
60	Amortisation of intangible assets	72
-	(Increase)/decrease in interest debtors	-
1,646	(Decrease)/increase in creditors	(7,321)
(3,548)	(Increase)/decrease in debtors	(7,285)
2,670	Movement in Pension Liability	1,814
525	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	2,261
(499)	Movement in Investment Property Values	(1,949)
(205)	Contribution to/(from) Provisions	(414)
(3,938)	Adjustment for movement in fair value of investments classified as Fair Value through Profit and Loss	7,712
(2,164)	Items categorised as donated assets	(60)
(6)	Other non-cash items	-
(1,823)		864
	The surplus or deficit on the provision of services has been adjusted for the following items that are investing or financing activities:	
(12,216)	Capital Grants credited to surplus or deficit on the provision of services	(26,550)
-	Proceeds from long term investments	-
(233)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(2,250)
(12,449)		(28,800)

NOTE 26 – CASH FLOW STATEMENT – INVESTING ACTIVITIES

2021/22 £'000		2022/23 £'000
(5,800)	Purchase of property, plant and equipment, investment property, plant and intangible assets	(8,020)
(31,000)	Purchase of short term investments	(52,500)
-	Other payments for investing activities	-
233	Proceeds from the sale of property, plant and equipment, investment property	1,894
25,500	Proceeds from short term investments	31,000
12,216	Other receipts from investing activities	26,550
1,149	Net cash flows from investing activities	(1,076)

NOTE 27 – CASH FLOW STATEMENT – FINANCING ACTIVITIES

2021/22 £'000		2022/23 £'000
-	Cash payment for the reduction of outstanding liabilities relating to finance leases	-
-	Cash receipts Short and Long Term Borrowing	-
1,827	Council Tax and NNDR adjustments	(1,107)
1,827	Net cash flows from financing activities	(1,107)

NOTE 28 - RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	2022/23 1 April £'000	Financing Cashflows £'000	Non-Cash Changes £'000	2022/23 31 March £'000
Cash receipts from Short Term Borrowing	-	-	-	-
Council Tax & NNDR Debtors	(8,917)	-	6,849	(2,068)
Council Tax & NNDR Creditors	7,956	-	(7,956)	-
Total Liabilities from Financing Activities	(961)	-	(1,107)	(2,068)

NOTE 29 – MEMBERS’ ALLOWANCES

The Council paid the following amounts to members of the Council during the year.

	2022/23 £'000	2021/22 £'000
Basic Allowance	275	268
Special Responsibility Expenses	91	83
	11	6
Total	377	357

NOTE 30 – OFFICERS’ REMUNERATION

The tables below include those officers who report directly to members or the Chief Executive and who have responsibility for the strategies of the Council. During 2021/22 a partnership was created between East Lindsey District Council, Boston Borough Council and South Holland District Council to form the South and East Lincolnshire Council’s Partnership (S&ELCP) where senior officers are shared between the three authorities. This includes the Deputy Chief Executive (Corporate Development & S151) and Assistant Director (Governance and MO to 31 May) who are employed by South Holland District Council and the Deputy Chief Executive (Growth) being employed by Boston Borough Council, with their costs being recharged to the Council. The total remuneration for these employees are as follows; East Lindsey District Council’s costs for these roles are shown separately. Details relating to other costs of the partnership arrangements are included in the Related Party Transactions Note 33.

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

2022/23	Salary, fees and allowances	Expenses Allowances	Pension Contribution	Redundancy Payments	Total	ELDC Costs Only
Job Title	£	£	£	£	£	£
Chief Executive	142,887	109	24,437	-	167,433	77,019
*Deputy Chief Executive (Growth)	108,051	2,006	18,695	-	128,752	59,226
Deputy Chief Executive (Programme Delivery & SIRO)	108,415	-	18,434	-	126,849	58,351
* Deputy Chief Executive (Corporate Development & S151)	126,610	1,310	20,585	-	148,504	68,312
Deputy Chief Executive (Communities)	109,974	-	18,974	-	128,948	59,316
* Assistant Director (Governance and MO) to 31/05/22	16,364	125	2,639	36,949	56,078	25,796
Assistant Director (Governance and MO) from 01/06/22	68,321	779	11,597	-	80,698	37,121

2021/22	Salary, fees and allowances	Expenses Allowances	Pension Contribution	Redundancy Payments	Total	ELDC Costs Only
Job Title	£	£	£	£	£	£
Chief Executive	130,527	-	22,823	-	153,350	69,390
*Deputy Chief Executive (Growth)	99,391	-	17,506	-	116,897	72,851
Deputy Chief Executive (Programme Delivery & SIRO)	85,265	-	14,897	-	100,162	49,778
* Deputy Chief Executive (Corporate Development & S151)	118,088	15	18,562	-	136,665	49,786
* Assistant Director (Governance and MO)	77,601	-	-	12,803	90,404	34,749

The Council's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

Remuneration Band	2022/23 Number of Employees	2021/22 Number of Employees
£50,000 - £54,999	10	3
£55,000 - £59,999	2	1
£60,000 - £64,999	-	-
£65,000 - £69,999	-	-
£70,000 - £74,999	-	-
£75,000 - £79,999	1	-
£80,000 - £84,999	-	-
£85,000 - £89,999	4	-

The Council agreed five exit package in 2022/23 incurring liabilities of £33,087. The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below.

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22
£0 - £20,000	2	-	2	-	4	-	10,475	-
£20,001 - £40,000	1	-	-	-	1	-	22,612	-
£40,001 - £60,000	-	-	-	-	-	-	-	-
£60,001 - £80,000	-	-	-	1	-	1	-	70,746
£80,001 - £100,000	-	-	-	-	-	-	-	-
£100,001 - £150,000	-	-	-	-	-	-	-	-
£150,001 - £200,000	-	-	-	-	-	-	-	-
£200,001 - £250,000	-	-	-	-	-	-	-	-
Total cost included in CIES	3	-	2	1	5	1	33,087	70,746

NOTE 31 – EXTERNAL AUDIT COSTS

The Council has incurred the following costs in relation to the audit of the Financial Statements.

	2022/23 £'000	2021/22 £'000
Statutory Audit Services		
Fees payable to Mazars with regard to external audit services carried out by the appointed auditor for the year	71	64
Fees payable to Mazars for external audit services carried out for previous year	-	-
Fees payable to KPMG with regard to certification of grants and claims	11	8
TOTAL	82	72

NOTE 32 – GRANT INCOME

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2022/23:

	2022/23 £'000	2021/22 £'000
Credited to Taxation and Non Specific Grant Income and Expenditure		
Revenue Support Grant	(964)	(935)
S31 Grant – Small Business Rates Relief	(6,945)	(7,493)
New Homes Bonus Scheme Grant	(1,244)	(879)
Other non-ring fenced Government grants	(26,529)	(9,130)
Total	(35,682)	(18,437)
Credited to Services		
Housing Benefit Subsidy	(26,091)	(27,816)
Council Tax Support and Housing Benefit Administration	(818)	(648)
Disabled Facilities Grant	(2,040)	(2,079)
Elections	(79)	(64)
Discretionary Housing Payment	(217)	(84)
Other Housing Benefit grants to deliver Local Initiatives & Wellbeing	(95)	(71)
COVID-19 Funding	(476)	(5,083)
Homelessness and Rough Sleepers Grants	(1,242)	(804)
Green Homes and Sustainable Warmth	(44)	(1,932)
Household Support Fund	(1,174)	(669)
Uk Shared Prosperity Fund	(84)	-
Ukraine Support	(623)	-
Other grants	(523)	(1,117)
Total	(33,506)	(40,367)
Sources of Grant Income:		
Central Government	(64,692)	(52,596)
Other Local Authorities	(4,451)	(5,321)
Other Bodies	(45)	(887)
Total	(69,188)	(58,804)

NOTE 33 – 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

UK Central Government has significant influence over the general operations of the Council - it is responsible for providing the statutory framework within which the Council operates, provides 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. housing benefits).

Details of material transactions with Central Government are shown below. 2021/22 comparators shown in brackets.

• Funding from Government	Note 32	£64.692m	(£52.596m)
• Non-Domestic Rates Share Payable	Collection Fund	£14.915m	(£18.630m)
• Debtors	Note 18	£1.656m	(£1.034m)
• Creditors	Note 21	£1.514m	(£7.665m)

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2022/23 is shown in Note 29. During 2022/23, a number of Members were also Directors of Public Sector Partnership Services, Magna Vitae Trust for Leisure & Culture and Invest East Lindsey Limited. Two Members were also an elected member at Lincolnshire County Council, three Members were also an elected member for Town Councils or Parish Councils. A number of Members were also involved with the Internal Drainage Board and other Local Community Associations.

Payments to Companies during the year (other than to those companies mentioned above) for which members are directors, amounted to £54,610 (£53,450 in 2021/22).

Details of specific transactions where members declared their interests are recorded in the Register of Members' Interest, open to public inspection at the Council Offices during office hours. The Council is compliant with the Localism Act 2012.

Management Team Officers

Management Team Officers have a requirement to declare their interests in associated companies and organisations in the year. In 2022/23, a number of Officers were also directors of Invest East Lindsey Limited, Public Sector Partnership Services Board Member and held roles within Local Community Associations.

Payments to Companies during the year (other than to those companies mentioned above) for which officers had an interest in, amounted to £0.

Other Public Bodies

During 2021/22 a partnership was created between East Lindsey District Council, Boston Borough Council and South Holland District Council to form the South and East Lincolnshire Council's Partnership (S&ELCP). The partnership shares a Chief Executive, Deputy Chief Executives, Assistant Directors along with a number of shared officers.

In 2022/23, East Lindsey District Council were charged by South Holland District Council £516,040 and by Boston Borough Council £448,742 for their share of these posts. East Lindsey received income of £368,629 from South Holland District Council and £575,640 from Boston Borough Council for the share of the costs it incurred in the year.

Entities Controlled or Significantly Influenced by the Council

Public Sector Partnership Services (formerly Compass Point Business Services)

Joint merged service organisation arrangements for the shared provision of a number of back office services with South Holland District Council were implemented with effect from 1 August 2010, delivered through Public Sector Partnership Services Ltd (PSPS, formerly Compass Point Business Services (CPBS) (East Coast) Ltd). The company added a further shareholder on 1 April 2021 in Boston Borough Council and has since accounted for this as an associate within the Group Accounts. The net balance outstanding between the Council and the Company at the 31 March 2023 was £0.216m.

Further information about the accounts of PSPS is available from the Company Secretary, New Bailey, 4 Stanley Street, Manchester M3 5JL.

Magna Vitae Trust for Leisure and Culture

From 1 January 2015 the delivery and operation of leisure, cultural and health related services were transferred to Magna Vitae Trust for Leisure and Culture, a registered charity. During the financial year 2022/23, three Members were also trustees of Magna Vitae. The Council paid a service fee of £1.523m to Magna Vitae for the 2022/23 financial year (£1.527m in 2021/22). In addition to the annual service fee, ELDC contributed £50,000 towards the PID Inland project in 2022/23.

The net balance outstanding between the Council and the Company at 31 March 2023 was £90,000.

Invest East Lindsey Limited

The Council has a wholly owned subsidiary company, Invest East Lindsey Limited. One Member and two Officers were directors of the company during 2022/23.

NOTE 34 – CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR). This is 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 this note.

	2022/23	2021/22
	£'000	£'000
Opening Capital Financing Requirement	24,018	22,426
Adjustment to opening balance: share of PSPS Ltd	-	18
Capital Investment		
Property, Plant and Equipment	7,227	6,441
Long Term Debtors	-	(357)
Intangible Assets	24	69
Revenue Expenditure Funded from Capital Under Statute	10,008	2,876
Investment Properties	6	53
Sources of finance		
Capital receipts	(1,467)	(149)
Government grants and other contributions	(11,627)	(3,530)
Sums set aside from revenue:		
Direct revenue contributions	(4,171)	(5,023)
Minimum/Voluntary Revenue Provision	(4,898)	1,194
Closing Capital Financing Requirement	19,120	24,018
Explanation of movements in year		
Adjustment to opening balance: Share of PSPS Ltd	-	18
Increase in underlying need to borrow	-	380
Minimum/Voluntary Revenue Provision	(4,898)	1,194
Increase/(Decrease) in Capital Financing Requirement	(4,898)	1,592

NOTE 35 – LEASES**Council as Lessee - Operating Leases**

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

	31 March 2023 £'000	31 March 2022 £'000
Not later than 1 year	93	93
Later than 1 year and not later than 5 years	197	267
Later than 5 years	27	27
	317	387

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

	31 March 2023 £'000	31 March 2022 £'000
Minimum lease payments	105	105
	105	105

Council as Lessor - Operating Leases

The Council leases out property under operating leases for the following purposes:

- For the provision of community services, such as sports facilities, tourism services and community centres, and
- For economic development purposes to provide suitable affordable accommodation for local businesses.

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

	31 March 2023 £'000	31 March 2022 £'000
Not later than 1 year	1,179	1,593
Later than 1 year and not later than 5 years	3,846	3,451
Later than 5 years	14,593	13,006
	19,618	18,050

In addition, the Council received £203,174 as a charge for office space (£203,174 in 2021/22) from Public Sector Partnership Services (formerly Compass Point Business Services (East Coast) Ltd) in respect of the usage of office space only. Following the relocation of the Council offices to the Hub in Horncastle, a formal agreement is now in place.

There are no contingent rents payable to/from the Council, both as lessee and lessor.

NOTE 36 – DEFINED BENEFIT PENSION SCHEMES**Participation in Pension Schemes**

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

The Council participates in the Local Government Pension Scheme, administered by Lincolnshire County Council. This is a funded defined benefit scheme, meaning that the employer and employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets.

The Lincolnshire 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 Lincolnshire County 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, 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.

Transactions Relating to Post-employment Benefits

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

	Local Government Pension Scheme	
	2022/23 £'000	2021/22 £'000
Comprehensive Income and Expenditure Statement		
<i>Cost of Services:</i>		
<i>Service cost comprising</i>		
Current service cost	4,074	4,221
Past Service costs (including curtailments)	10	-
Administration Expenses	62	55
<i>Financing and Investment Income and Expenditure</i>		
Net interest expense	737	1,107
Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services	4,883	5,383
<i>Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement</i>		
Remeasurement of net defined benefit liability comprising:		
Return on plan assets (excluding the amount included in the net interest expense)	3,051	(7,200)
Other Actuarial gains/(losses) on assets	-	121
Actuarial (gains) and losses arising on changes in demographic assumptions	-	(6,160)
Actuarial (gains) and losses arising on changes in financial assumptions	(51,657)	(3,985)
Other experience	11,014	1,430
Total Remeasurements recognised in Other Comprehensive Income and Expenditure	(37,592)	(15,794)
Total Post-employment Benefit charged to the Comprehensive Income and Expenditure Statement	(32,709)	(10,411)
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(1,814)	(2,670)
Actual amount charged against the General Fund Balance for pensions in the year:		
Employers' contributions payable to scheme	2,942	2,589
Contributions in respect of unfunded benefits	127	124

Pensions Assets and Liabilities Recognised in the Balance Sheet

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

	Local Government Pension Scheme	
	2022/23 £'000	2021/22 £'000
Present Value of the defined obligation	(91,787)	(127,886)
Fair Value of plan assets	83,995	84,316
Net Liability arising from defined benefit obligation	(7,792)	(43,570)

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

	Local Government Pension Scheme	
	2022/23 £'000	2021/22 £'000
Opening fair value scheme assets	84,316	100,062
Adjustment to opening balance: PSPS Ltd	-	(23,893)
Interest Income	2,595	1,519
Remeasurement gain/(loss)		
The return on plan assets, excluding the amount included in the net interest expense	(3,051)	7,200
Other actuarial gains/(losses)	-	(121)
Contributions from employer	2,942	2,589
Contributions from employees into the scheme	704	598
Contributions in respect of unfunded benefits	127	124
Administration Expenses	(62)	(55)
Benefits Paid	(3,576)	(3,707)
Closing fair value of scheme assets	83,995	84,316

Reconciliation of Present Value of Scheme Liabilities (Defined Benefit Obligation)

	Funded Liabilities: Local Government Pension Scheme	
	2022/23 £'000	2021/22 £'000
Opening Balance at 1 April	127,886	166,565
Adjustment to opening balance: PSPS Ltd	-	(33,702)
Current Service Cost	4,074	4,221
Interest Cost	3,332	2,626
Contributions from scheme participants	704	598
<i>Remeasurements (gains) and losses:</i>		
Actuarial losses arising from changes in demographic assumptions	-	(6,160)
Liabilities assumed/(extinguished) on settlements	-	-
Actuarial losses arising from changes in financial assumptions	(51,657)	(3,985)
Other experience	11,014	1,430
Past service cost	10	-
Benefits paid	(3,576)	(3,707)
Closing Balance at 31 March	91,787	127,886

Local Government Pension Scheme assets comprised:

	2022/23		2021/22	
	Quoted prices in active markets £'000	% of Total assets	Quoted prices in active markets £'000	% of Total assets
Cash and Cash Equivalents	2,520	3%	3,204	4%
Equity Instruments				
UK	12,598	15%	13,238	16%
Overseas	33,598	40%	33,305	40%
Debt Securities				
Corporate Bonds - UK	7,560	9%	7,757	9%
Corporate Bonds - Overseas			-	0%
Fixed Interest Government - UK	840	1%	843	1%
Fixed Interest Government - Overseas			-	0%
Index Linked Government - UK	840	1%	1,265	1%
Index Linked Government - Overseas			-	0%
Property	5,040	6%	5,733	7%
Private equity	-	0%	253	0%
Others				
Hedge Fund	-	0%	169	0%
Infrastructure	-	0%	506	1%
Bonds	-	0%	-	0%
Commodities	-	0%	506	1%
Credit Diversified Income	4,200	5%	3,794	5%
Other Diversified Alternatives	-	0%	1,180	1%
Net Current Assets – Debtors	840	1%	-	0%
Forward Currency Contracts	-	0%	169	0%
Total	68,036	81%	71,922	86%

	2022/23		2021/22	
	Unquoted prices in active markets £'000	% of Total assets	Unquoted prices in active markets £'000	% of Total assets
Cash and Cash Equivalents	-	0%	-	0%
Equity Instruments				
UK	-	0%	-	0%
Overseas	-	0%	-	0%
Debt Securities				
Corporate Bonds - UK	-	0%	-	0%
Corporate Bonds - Overseas	-	0%	-	0%
Fixed Interest Government - UK	-	0%	-	0%
Fixed Interest Government - Overseas	-	0%	-	0%
Index Linked Government - UK	-	0%	-	0%
Index Linked Government - Overseas	-	0%	-	0%
Property	839	1%	337	0%
Private equity	6,720	8%	5,902	7%
Others				
Hedge Fund	3,360	4%	2,361	3%
Infrastructure	3,360	4%	2,867	3%
Bonds	-	0%	-	0%
Commodities	-	0%	-	0%
Credit Diversified Income	-	0%	-	0%
Other Diversified Alternatives	-	0%	84	0%
Private Debt	1,680	2%	843	1%
Forward Currency Contracts	-	0%	-	0%
Total	15,959	19%	12,394	14%

Basis for estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc.

The financial assumptions have been set with consideration of the duration of the Employer's past service liabilities, estimated to be 16 years.

The Local Government Pension Scheme has been assessed by Barnett Waddingham, an independent firm of actuaries; estimates for the Lincolnshire Pension Fund are based on the latest full valuation of the scheme as at 31 March 2022. The next actuarial valuation of the Fund will be carried out as at 31 March 2025.

The significant assumptions, for the Council, used by the actuary have been:

Local Government Pension Scheme		
	2022/23	2021/22
<i>Mortality assumptions:</i>		
Longevity at 65 for current pensioners (years):		
- Men	19.8	19.8
- Women	22.9	22.9
Longevity at 65 for future pensioners (years):		
- Men	21.1	21.0
- Women	24.4	24.3
Rate of inflation (RPI)		3.2%
Rate of increase in salaries	3.95%	4.2%
Rate of increase in pensions	2.95%	3.2%
Rate for discounting scheme liabilities	4.80%	2.6%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Impact on the Defined Benefit Obligation in the Scheme		
	Present Value of Obligation £'000	Projected Service Cost £'000
0.1% decrease in Discount Rate	93,180	2,409
0.1% increase in the Salary Increase Rate	91,884	2,332
0.1% increase in the Pension Increase Rate	93,107	2,410

Impact on the Council's Cash Flows

The contributions paid by the Council are set by the Fund Actuary at each triennial actuarial valuation, the most recent being 31 March 2022. The employer's contributions rate, over the period to 31 March 2023 will be 23.8%.

Employer contributions payable to the scheme in 2023/24 are estimated to be £3.628m.

NOTE 37 – CONTINGENT LIABILITIES

At 31 March 2023 the Council has identified no material contingent liabilities.

NOTE 38 – CONTINGENT ASSETS

At 31 March 2023 the Council has identified the following material contingent assets:

S106 Agreements

The Council has signed a number of S106 agreements that require developers to make payments to the Council at some future date, dependent upon certain events taking place such as when the development actually starts on site. The contributions generally have conditions requiring the Council to spend the monies in specific areas and on specific items. The total value of the contributions is unknown but is expected to be in excess of £1m.

NOTE 39 – NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Key risks

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

- **credit risk** – the possibility that other parties might fail to pay amounts due to the Council
- **liquidity risk** – the possibility that the Council might not have funds available to meet its commitments to make payments
- **re-financing risk** – the possibility that the Council might be requiring 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 or stock market movements.

Overall procedures for managing risk

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

Risk management is carried out by a central treasury team, under policies approved by the Council in the annual treasury management strategy. The Council provides written principles for overall risk management, as well as written policies (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 minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poor's Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits with a financial institution located in each category.

The credit criteria in respect of financial assets held by the Council are detailed below:

This Council uses the creditworthiness service provided by Link Group. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moody's and Standard and Poor's, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

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

The full Investment Strategy for 2022/23 was approved by Full Council on 2 March 2022 and is available on the Council's website.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Council.

The following analysis summarises the Council's maximum exposure to credit risk as at 31 March 2023. The table (composite defaults from Fitch & Moody's and Standard & Poor's) gives details of global corporate finance average cumulative default rates for the period to 2020. Defaults shown are by long term rating category on investments out to one year, which were the most commonly held investments during the year.

	Credit Risk Rating %	Gross Carrying Amount £'000	Potential Credit Risk £'000
'AA' rated counterparties	0.02	12,730	3
'A' rated counterparties	0.05	40,694	20
Total		53,424	23

The Council maintains strict credit criteria for investment counterparties. As a result of these high credit criteria, we have maintained historical default rates as a good indicator under these current conditions. No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits.

The following analysis summarises the Council's maximum exposure to credit risk on other financial assets, based on experience of default, adjusted to reflect current market conditions:

	Amount at 31 March 2023 £'000	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2023 %	Estimated maximum exposure to default and uncollectability at 31 March 2023 £'000	Estimated maximum exposure at 31 March 2022 £'000
	A	B	C	(A X C)	
Debtors	2,975	0.02%	0.02%	1	2
Loans to Businesses	4,141	0%	0%	-	4
Mortgages & Car Loans	5	0%	0%	-	-

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

The Council does not generally allow credit for its customers, such that £2,865,350 of the £5,661,160 trade debtor balance is past its due date for payment. The past due amount can be analysed by age as follows:

	31 March 2023 £'000	31 March 2022 £'000
Less than three months	2,884	1,605
Three to six months	11	(3)
Six months to one year	462	90
More than one year	2,304	401
Total	5,661	2,093

During the reporting period the Council held no collateral as security.

Liquidity Risk

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

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

All trade and other payables are due to be paid in less than one year except for some of the loans made to Invest East Lindsey Limited.

Refinancing and maturity risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures are considered against the refinancing risk procedures, the longer-term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to the maturity 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 for greater than one year in duration are the key parameters used to address this risk. The approved treasury and investment strategies address the main risks and the treasury team address the operational risks within the approved parameters. This includes:

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

Market Risk

Interest Rate Risk - The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise
- borrowings at fixed rates – the fair value of the borrowing will fall
- investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and
- investments at fixed rates – the fair value of the assets will fall

Borrowings are not carried at fair value on the Balance Sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the Other Comprehensive Income and Expenditure Statement.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's prudential 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 treasury team monitors 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 rate borrowing would be postponed.

According to this assessment strategy, at 31 March 2023, if all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

		£'000
Increase in interest receivable on variable rate investments		375
Impact on Surplus or Deficit on the Provision of Services		375

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

Price Risk - The Council does not generally invest in equity shares or marketable bonds.

However it does have a shareholding in Public Sector Partnership Services, a joint venture with South Holland District Council and Boston Borough Council. These shares have been elected/classified as Fair Value through Other Comprehensive Income, meaning that all movements in price will impact on gains and losses recognised in the Financial Instruments Revaluation Reserve.

The Council held £30.473m in property funds at the start of the financial year which are classified as 'fair value through profit and loss' meaning that all movements in price will impact on gains and losses recognised within the cost of services in the Comprehensive Income and Expenditure Statement, with the statutory override currently providing an opposite entry in the Capital Adjustment Account or Pooled Investment Adjustment Account. A general shift of 5% in the general price of units (positive or negative) would therefore result in a £1.524m gain or loss being reflected in these statements for 2022/23.

Foreign Exchange Risk

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

COLLECTION FUND STATEMENT

2021/22			2022/23			
Council Tax £'000	Non-Domestic Rates £'000	Total £'000		Council Tax £'000	Non-Domestic Rates £'000	Total £'000
(85,179)		(85,179)	Income	(90,441)		(90,441)
	(25,938)	(25,938)	Council Tax (Note 2)		(37,788)	(37,788)
	(265)	(265)	Non-Domestic Rates (Note 3)			
			Transitional Protection Payments receivable			
	(11,399)	(11,399)	Contribution towards previous year's Collection Fund deficit			
	(9,119)	(9,119)	Central Government		(8,732)	(8,732)
	(2,280)	(2,280)	East Lindsey District Council		(6,986)	(6,986)
			Lincolnshire County Council		(1,746)	(1,746)
(85,179)	(49,001)	(134,180)	Total Income	(90,441)	(55,252)	(145,693)
			Expenditure			
			Precepts, demands and shares			
	18,630	18,630	Central Government		14,915	14,915
9,879	14,904	24,783	East Lindsey District Council	10,381	11,932	22,313
61,478	3,726	65,204	Lincolnshire County Council	65,583	2,983	68,566
12,002		12,002	Police and Crime Commissioner for Lincolnshire	12,653		12,653
			Impairment of debts/appeals			
920	265	1,185	Increase/(decrease) in allowance for impairment	959	(1,157)	(198)
	(152)	(152)	Increase/(decrease) in provision for appeals (Note 4)		(1,019)	(1,019)
			Transitional Protection Payments payable		204	204
	256	256	Cost of Collection Allowance		256	256
	818	818	Renewable Energy		6,610	6,610
			Contributions towards previous year's Collection Fund surplus			
			Central Government			
36		36	East Lindsey District Council	78		78
227		227	Lincolnshire County Council	484		484
43		43	Police and Crime Commissioner for Lincolnshire	95		95
84,585	38,447	123,032	Total Expenditure	90,233	34,724	124,957
(594)	(10,554)	(11,148)	Deficit/(Surplus) arising during year	(208)	(20,528)	(20,736)
4	26,178	26,182	Deficit/(Surplus) at beginning of year	(590)	15,624	15,034
(590)	15,624	15,034	Deficit/(Surplus) at end of year (Note 5)	(798)	(4,904)	(5,702)

NOTES TO THE COLLECTION FUND STATEMENT

NOTE 1 – PURPOSE OF COLLECTION FUND STATEMENT

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

NOTE 2 – COUNCIL TAX RECEIVABLE

Council Tax income derives from charges raised according to the value of residential properties that have been classified into eight Valuation Bands (A to H). Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Lincolnshire County Council, Police and Crime Commissioner for Lincolnshire and East Lindsey District Council, together with the relevant Parish requirement.

This is then divided by the Council Tax base, i.e. the number of properties in each valuation band, converted to an equivalent number of band D dwellings and adjusted for discounts and exemptions.

The Council Tax base was calculated as follows:

Band	No. of properties on Valuation List	No. of dwellings after discounts and exemptions	Ratio	Band D equivalent dwellings
A (with Disabled Relief)		56	5/9	31
A	27,554	18,102	6/9	12,068
B	14,880	11,865	7/9	9,228
C	15,933	13,505	8/9	12,004
D	6,668	6,236	9/9	6,236
E	3,569	3,300	11/9	4,033
F	1,321	1,259	13/9	1,819
G	568	518	15/9	863
H	53	37	18/9	74
Band D Equivalentents				46,356
Allowance for non-collection (1.82%)				(834)
Armed forces contribution				271
District Tax Base				45,793

The basic amount of Council Tax for a band D property including an average parish charge, £1,935.17 (2021/22 £1,849.68), is then multiplied by the ratio specified for the particular band to give an individual amount due.

NOTE 3 – NON-DOMESTIC RATES RECEIVABLE

Under the arrangements for non-domestic rates, the Council collects rates for its area based on local rateable values (determined by the Valuation Office Agency, an executive agency of HM Revenue and Customs) multiplied by the multiplier (determined by the Government). For 2022/23 there are two multipliers, the non-domestic rating multiplier of 51.2p and the small business non-domestic rating multiplier of 49.9p. The Council's total Non-Domestic Rates Rateable Value at 31 March 2023 was £108.823m (31 March 2022 £101.086m).

NOTE 4 – NON-DOMESTIC RATES PROVISION FOR APPEALS

The Collection Fund provides for a provision for appeals against the Rateable Value set by the Valuation Office Agency (VOA) not settled at 31 March 2023.

	Business Rate Appeals	
	£'000	£'000
Balance at 1 April 2022		(1,929)
Amounts used in 2022/23		15
Additional provisions made in 2022/23	(401)	
Unused amounts reversed in 2022/23	1,420	
		1,019
Balance at 31 March 2023		(895)

NOTE 5 – COLLECTION FUND DEFICIT/ (SURPLUS)

As at 31 March 2023, the net surplus on the Collection Fund is £5.702m (31 March 2022, a net deficit of £15.034m).

The Council Tax surplus is apportioned to the relevant precepting bodies based on the following year's Council Tax requirement. Whereas, the Non-Domestic Rates surplus relating to 2022/23 is apportioned to East Lindsey (40%), Central Government (50%) and Lincolnshire County Council (10%).

The balance on the Collection Fund is allocated as follows:

2021/22			2022/23	
Council Tax £'000	Non-Domestic Rates £'000		Council Tax £'000	Non-Domestic Rates £'000
	7,812	Central Government		(2,452)
(69)	6,250	East Lindsey District Council	(93)	(1,962)
(437)	1,562	Lincolnshire County Council	(590)	(490)
(84)		Police and Crime Commissioner for Lincolnshire	(115)	
(590)	15,624	(Surplus)/deficit	(798)	(4,904)

EAST LINDSEY DISTRICT COUNCIL ANNUAL GOVERNANCE STATEMENT

1. Scope of Responsibility

- 1.1 East Lindsey District Council (ELDC) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. ELDC 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.
- 1.2 In discharging this overall responsibility, ELDC is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, including arrangements for the management of risk.
- 1.3 The Council has approved and adopted a code of corporate governance, which is currently under review and will be concluded in 2023. This will be to ensure it is consistent with the principles of the latest CIPFA / SOLACE Framework *Delivering Good Governance in Local Government guidance*. A copy of the Council's code is on our website at www.e-lindsey.gov.uk or can be obtained from the Council offices. This statement explains how the Council has met the requirements of the Accounts and Audit (England) Regulations 2015, which requires all relevant bodies to prepare an annual governance statement.

2. The Purpose of the Governance Framework

- 2.1 The governance framework comprises the systems and processes, culture and values by which the authority is directed and controlled and its 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.
- 2.2 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 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.
- 2.3 The governance framework has been in place at the Council for the year ended 31 March 2023 and up to the date of approval of the annual Accounts.

3. The Governance Framework

- 3.1 The Council's review of the effectiveness of its governance arrangements is set out below against the key elements identified in *Delivering Good Governance in Local Government: Framework*.

Key Elements	Description of Governance Mechanisms	Assurance Received
Identifying and communicating the Authority's vision of its purpose and intended outcomes for citizens and service users	<ul style="list-style-type: none"> • The Corporate Strategy 2020 - 2030 was approved at the 4 March 2020 Council meeting. It sets out the vision and priorities for the Council. A quarterly report sets out the Council's targets and performance measures that reflect the priorities set by services in their Annual Delivery Plans and also reports on key financial monitoring and decision making that help the delivery of the Corporate Strategy • The Council is pro-active in reporting activity and outcomes to the public through the local press and social media, as well as through an electronic newsletter called The Messenger • The vast majority of Council business is undertaken in public meetings 	<ul style="list-style-type: none"> • The Performance Management Framework quarterly report is reported through the Executive Board and the Overview Committee. • Portfolio Holders receive monitoring reports on the indicators along with finance reports, on a regular basis • The Leadership Team receive quarterly reports to check the position on each indicator. Quarterly performance and risk clinics are also in place. • The Strategic Risk Register and Internal Audit Plan support the achievement of the Council's priorities • The Medium Term Financial Strategy which is reported at the March Council meeting not only sets the scene financially, it also identifies any change to priorities and/or new areas of focus.
Reviewing the Authority's vision and its implications for the Authority's governance arrangements	<ul style="list-style-type: none"> • Challenge sessions are held annually with Portfolio Holders and Managers to consider the service priorities and the associated targets set in the performance framework 	<ul style="list-style-type: none"> • Review of current performance against priorities reported to Portfolio Holders. • Performance reporting is aligned to the Strategic Priorities of the Corporate Strategy • Feedback from community/member/staff consultation on Council priorities
Translating the Vision into objectives	<ul style="list-style-type: none"> • The Annual Delivery Plan identifies activity that helps to deliver the Corporate priorities • The Medium Term Financial Strategy identifies risks and opportunities to achieving the delivery of the Council's priorities • The Risk Strategy and Risk Register supports the delivery of priorities. 	<ul style="list-style-type: none"> • The Annual Delivery Plan is agreed by Council setting out the deliverables in the year-ahead. • Service performance is monitored via Performance Framework which reports into Cabinet and Scrutiny quarterly. • MTFFS agreed by Executive Board and Council
Measuring the quality of service for users, for ensuring they are delivered in accordance with the Authority's objectives and for	<ul style="list-style-type: none"> • A range of surveys are carried out each year, co-ordinated through the Corporate Consultation programme • Internet questions and monitoring of social networking • Quarterly Monitoring report contains both performance and finance indicators. 	<ul style="list-style-type: none"> • Performance Management Framework quarterly report, reported through Executive Board, Overview Committee and Audit & Governance Committee; including finance data and decisions as well as performance target detail. • Feedback from service level surveys

<p>ensuring that they represent the best use of resources and value for money</p>	<ul style="list-style-type: none"> • Regular Portfolio Holder meetings held with key staff to monitor performance, project activity and new areas of work or policy. • Individual Services carry out their own customer satisfaction surveys which feed into service improvement 	<ul style="list-style-type: none"> • Portfolio Holder meetings timetabled for the full year, with updates on key actions provided to each meeting and published in the Members' Point Brief
<p>Defining and documenting the roles and responsibilities of the Executive, non-Executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication in respect of the authority and partnership arrangements</p>	<ul style="list-style-type: none"> • This is set out in the Council's Constitution • The Constitution is updated where necessary. Significant changes are reported to the Audit & Governance Committee and then to Council 	<ul style="list-style-type: none"> • Proposed changes/updates to the Constitution brought to Council for consideration including responsibility for functions. • The contract with PSPS was fully reviewed and a new contract period started in 2019. PSPS have set out a Transformation Programme as part of that process to identify and plan for further efficiencies. These have been reported to Full Council through series of formal reports. • Management Agreement and contract in place with Magna Vitae (MV), and MV produce a quarterly and annual report that is made available to all members. • The contractual arrangement and delivery priorities (Business Plan) were fully reviewed in 2021; this was reported to Full Council. • The South & East Lincolnshire Councils Partnership has a Memorandum of Agreement in place signed up to by all three Councils. • Monitoring of partnering arrangements on an ongoing basis take place through Stakeholder Board and Joint Strategy Board. Updates are also provided to Council every six months.
<p>Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff</p>	<ul style="list-style-type: none"> • This is set out in the Council Constitution • Expectations and requirements of staff behaviour are set out in the Staff Handbook provided to all new staff • The Constitution sets out expectations and guidance on Councillor/Officer working relationships • Training is provided to all members on the member code of conduct arrangements (mandatory training) 	<ul style="list-style-type: none"> • Audit & Governance Committee oversee standards arrangements including receiving reports on complaints regarding conduct and the measures taken or recommended • Audit & Governance Committee provide a Hearing Panel function for any serious complaints

	<ul style="list-style-type: none"> • Audit & Governance Committee monitor member standards arrangements. This role is set out in the Constitution. • The Monitoring Officer provides ongoing support and advice to Councillors as required and/or requested. • The Monitoring Officer is able to provide guidance to Town & Parish Councils as requested • The Monitoring Officer considers, and may investigate, complaints about ELDC Councillors, and Town and Parish Councillors 	<ul style="list-style-type: none"> • The Officer Code of Conduct is embedded in the revised Council Constitution. • A Monitoring Officer is shared with the three Councils and Deputy Monitoring Officers support Councillors as required.
<p>Reviewing the effectiveness of the Authority's decision-making framework, including delegation arrangements, decision making in partnerships and robustness of data quality</p>	<ul style="list-style-type: none"> • This is set out in the Constitution • Decision making arrangements meet legislative requirements • The Performance Team have a rolling programme of data quality checking • Data sharing protocols are in place where necessary • Service Level Agreements with partners are in place and monitored carefully (financial and performance), with named officers and Portfolio responsibilities set out • Memoranda of Understanding documents are produced/signed up to where appropriate. 	<ul style="list-style-type: none"> • All members and officers are provided with guidance on decision making arrangements with detailed delegations set out in the Constitution; these are updated when necessary and reported to Council. • Contractual developments between ELDC and Magna Vitae have been reported to Full Council during 2021/22. • A full and comprehensive review of the Constitution has taken place, and a new and updated Constitution was agreed at Full Council in April 2017. This has continued to be updated when necessary, and the Delegation section has been fully updated following senior management changes and new senior managers recruited. Contractual arrangements or partnering arrangements are subject to GDPR reviews on an ongoing basis, particularly where there are any changes.
<p>Reviewing the effectiveness of the framework for identifying and managing risks and demonstrating clear accountability</p>	<ul style="list-style-type: none"> • Partnership Risk Register in place. • Strategic Risk register in place and monitored by managers and members • Operational Risk Registers in place and monitored by the Insights and Transformation Team and Leadership Team. • Operational staff able to escalate risks reporting to Leadership Team 	<ul style="list-style-type: none"> • The Risk Strategy and Risk Registers were subject to external evaluation in 2016. The Strategy was fully refreshed and brought in-line with up to date methods of managing risk, and approved through Full Council. • An audit of our Risk Management arrangements in March 2018 resulted in Substantial Assurance and included some very positive feedback.

	<ul style="list-style-type: none"> • In 2023 the Risk Strategy will be aligned across the Partnership Councils. 	<ul style="list-style-type: none"> • Leadership Team update the Strategic Risk Register quarterly and feed into the Performance Report • Strategic Risk Register are reported in the quarterly Performance Framework and separately to the Audit & Governance Committee and Leadership Team • Service level monitoring • Risk is now an aspect of the quarterly performance clinics. • The committee report template includes risk management implications
<p>Ensuring effective counter-fraud and anti-corruption arrangements are developed and maintained</p>	<ul style="list-style-type: none"> • A Counter Fraud Policy and Fraud Response Plan is in place • Service Managers complete an on-line training programme on fraud • The Council actively takes part in the National Fraud Initiative • A counter fraud e-learning package is completed by all staff • The Council is a member of the Lincolnshire Counter Fraud Partnership with access to best practice, guidance and support 	<ul style="list-style-type: none"> • Audit & Governance Committee and Staff training is planned. • Work with DWP arrangements • Reminders provided to staff to be aware of fraud risk. • A full review of fraud arrangements is planned for 2023.
<p>Ensuring effective management of change and transformation</p>	<ul style="list-style-type: none"> • Challenge sessions with staff and members are carried out annually • Reporting of significant changes to policy or provision are reported through Portfolio and Executive Board (and Council where appropriate) • A Corporate Staff Development programme is in place • The Workforce Strategy in place to ensure appropriate levels of support and training are in place to enable staff to manage change • A Workforce Strategy Action plan reviewed and delivered annually. • Strong internal communication to keep staff and members informed • Bi-annual staff survey to help monitor impact of change, plus quarterly pulse surveys of workforce 	<ul style="list-style-type: none"> • Leadership Team decisions • Portfolio/Executive Board reports and decisions • Overview Committee reports and decisions • Client/Contractor management meetings are held regularly to discuss planned changes to service delivery and priorities • The Client Officer and members of Leadership Team are engaged with PSPS in the development of their Transformation Programme • A Workforce Strategy was approved in 2020.

	<ul style="list-style-type: none"> • A Project Management Framework is in place • Members of Corporate Management Team have corporate responsibility for projects that deliver change • Improved working relationship with PSPS that enables joint working on change programmes within back office services. • An Organisational Development function is in place to support change arrangements across the council/Partnership – providing additional support to managers; • There is now a shared management team in place to support the development of the Partnership between BBC, ELDC and SHDC. • Below Management Team, there are a range of other shared positions that support the bringing together of the Partnership. 	
<p>Ensuring the Authority's financial management arrangements conform with the governance requirements of the <i>CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010)</i> and, where they do not, explain why and how they deliver the same impact</p>	<ul style="list-style-type: none"> • Full compliance with the CIPFA guidance: <ul style="list-style-type: none"> – Role of Chief Financial Officer (CFO) is undertaken by the Section 151 Officer with responsibilities set out in the Constitution; key member of Corporate Management Team (CMT); professionally qualified accountant with direct access to the Chief Executive, Leader, Executive Board, Audit & Governance Committee & the appointed auditors – The Finance team is fit for purpose <p>The Medium Term Financial Strategy, annual budget process, compliance with CIPFA codes and guidance on capital finance, treasury management and management of reserves</p>	<ul style="list-style-type: none"> • Adequacy of financial arrangements are overseen by the s151, Portfolio Holder for Finance and Audit & Governance Committee
<p>Ensuring the authority's assurance arrangements conform with the governance requirements of the <i>CIPFA Statement on the Role of the Head of Internal Audit (2019)</i> and, where they do not, explain why and how</p>	<ul style="list-style-type: none"> • Full compliance with the CIPFA guidance: <ul style="list-style-type: none"> – The Internal Audit Team/Head of Internal Audit provide an objective and evidence based opinion on all aspects of governance, risk management and internal control – Internal Audit is delivered through Lincolnshire County Council with a principal auditor allocated to East Lindsey District Council. This has improved the resilience of the audit team and enables access to specialist audit which previously had to be commissioned. – The internal audit service is fit for purpose 	<ul style="list-style-type: none"> • The Leadership Team receives and considers all Internal Audit reports • Audit & Governance Committee monitor audit recommendations and receive updates where necessary

<p>they deliver the same impact</p>	<ul style="list-style-type: none"> - The Team and Section 151 Officer, the Audit & Governance Committee and is able to meet separately with the Chair of the Audit & Governance Committee should that be required (as set out in the Constitution) - Audit Team attend external training as necessary, and access national network of governance support through CIPFA - The service has been assessed as conforming to the UK Public Sector Internal Audit Standards, a Quality Assurance Improvement Programme is maintained as part of those standards. The next external assessment is 2026. <p>The overall themed areas of Governance, Risk Management, Internal Control and Financial Control are all assessed as performing adequately.</p>	
<p>Ensuring effective arrangements are in place for the discharge of the Monitoring Officer function</p>	<ul style="list-style-type: none"> • Set out in the Constitution • The Council shares a monitoring officer with Boston Borough Council and South Holland District Council. 	<ul style="list-style-type: none"> • Council through the Constitution • Deputy Monitoring Officers appointed • The Monitoring Officer sits on the Senior Leadership Team
<p>Ensuring effective arrangements are in place for the discharge of the head of paid service function</p>	<ul style="list-style-type: none"> • Set out in the Constitution • The Council shares a Head of Paid Service with Boston Borough Council and South Holland District Council. 	<ul style="list-style-type: none"> • Council through the Constitution
<p>Undertaking the core functions of an Audit Committee, as identified in CIPFA's <i>Audit Committees: Practical Guidance for Local Authorities</i></p>	<ul style="list-style-type: none"> • The Terms of Reference which include the core functions are set out in the Constitution • The Audit & Governance Committee have had training to help them understand their role and responsibility • Training for a new Audit & Governance Committee and substitution members is now identified as mandatory in the Constitution. • The Chair and Vice Chair attend external training as necessary 	<ul style="list-style-type: none"> • Council through the Constitution • Audit & Governance Committee
<p>Ensuring compliance with relevant laws and regulations, internal</p>	<ul style="list-style-type: none"> • Annual Internal Audit Plan work includes the review of compliance in some of these areas 	<ul style="list-style-type: none"> • Leadership Team, Audit & Governance Committee (through IA reporting)

<p>policies and procedures, and that expenditure is lawful</p>	<ul style="list-style-type: none"> • The Section 151 Officer and Monitoring Officer advise on the legality of activity where appropriate, and Legal Services Lincolnshire provides advice on legislation and law • An Assurance Framework has been created to monitor conformance with all Regulatory, Legislative, Policy and Operational requirements 	<ul style="list-style-type: none"> • External Audit Plan • Annual Assurance Report to Leadership Team and Audit and Governance Committee following the creation of the Assurance Framework
<p>Whistleblowing and for receiving and investigating complaints from the public</p>	<ul style="list-style-type: none"> • A Whistleblowing policy in place • A clear Feedback Policy and procedure is in place (including complaints) • A dedicated officer delivers the complaints process and also trains and advises staff. • MT receives a regular report setting out the number and type of complaints. 	<ul style="list-style-type: none"> • Leadership Team • Feedback levels included in the Quarterly Performance Report • Complaint statistics and trends reported to Audit and Governance Committee as part of the Annual Information Governance Report
<p>Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training</p>	<ul style="list-style-type: none"> • Reserved Member Days are held for any training or awareness sessions requested by members and/or suggested by officers – usually monthly. • A very thorough member induction programme is delivered following District Council elections • Training for named Committees is mandatory as set out in the Constitution • Training and development opportunities are circulated to members on a regular basis alongside internal training provision • Groups are encouraged to identify development priorities through local and national networks • Annual staff survey/staff appraisal with interim check-ins mid-year. • An annual corporate training programme is developed and implemented annually, linked to service requirements and development needs 	<ul style="list-style-type: none"> • Feedback through Overview Committee • Leadership Team • A corporate training system has been developed and rolled out to staff. This enables both individual staff and the organisation to more easily monitor completed training, especially where it is a requirement, and/or is linked to professional standards. • The Corporate Training Programme budget continues to be protected to ensure staff are able to access mandatory and discretionary training and development. • Corporate and Group training opportunities can be supported.
<p>Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring</p>	<ul style="list-style-type: none"> • ‘Messenger’ e-magazines are produced with a combination of Council and partner articles with a readership database that is continually growing. • A range of consultations are carried out with service users (co-ordinated through a central team) 	<ul style="list-style-type: none"> • Leadership Team • Executive Board for key pieces of consultation • Town & Parish Council Portal • Town and Parish newsletter • Information and feedback provided via the council website

<p>accountability and encouraging open consultation</p>	<ul style="list-style-type: none"> • A new Consultation Commitment was been introduced in 2018/19 following a recommendation made through a scrutiny report. • Pro-active communication through the press, along with communication through the ELDC website, Facebook and twitter • Town & Parish Portal is used proactively to push information out to local Councils • A Town and Parish newsletter is issued regularly. • Annual consultation with the community on the budget and/or corporate priorities • Thorough public consultations take place where there is a potentially significant change to a service and reported through to the decision making process 	<ul style="list-style-type: none"> • Communications Team in place to support messages to the public, including during emergency situations.
<p>Enhancing the accountability for service delivery and effectiveness of other public service providers</p>	<ul style="list-style-type: none"> • The Overview Committee take an active role in overseeing scrutiny of other public service providers e.g. Feedback from the County Health and Wellbeing Scrutiny Committee • Partner agencies are invited to Scrutiny & Policy Panels • Significant changes to other public services communicated to members through briefing or awareness sessions • Newsletters/Communications from external partners are circulated to members and managers • Members are informed of any significant consultations being held by key partner organisations (e.g. NHS) • There is now joint scrutiny of common topics for BBC, ELDC and SHDC. 	<ul style="list-style-type: none"> • Overview Committee • Scrutiny & Policy Panels • Reserved Members' Days • Member and Senior Officer contribution to the Community Safety framework. • Joint scrutiny framework in place.
<p>Incorporating good governance arrangements in respect of partnerships and other joint working as identified by the Audit Commission's report on the governance of partnerships and reflecting these in the Authority's overall</p>	<ul style="list-style-type: none"> • Operational /strategic partnering arrangements are subject to contractual agreements and performance monitoring and reported on as part of service and budget monitoring • Portfolio Holders have responsibilities for receiving reports on key partner arrangements • A management Agreement and Service Level Agreements are in place with PSPS with a single PSPS Client Liaison Officer in place at the Councils (Assistant Director – Corporate fulfils this role). • PSPS provide briefing sessions to members on a regular basis. 	<ul style="list-style-type: none"> • Audit & Governance Committee • Leadership Team • Portfolio Holder (Community Safety, Leisure and Carbon Reduction) oversees Strategic Partnerships. • Full Council • The governance arrangements of the PSPS Board have been reviewed following an external evaluation of the current contractual arrangements; and a series of reports have been

governance arrangements	<ul style="list-style-type: none"> • Joint working arrangements are subject to written agreements approved by Leadership Team and portfolio holders • The county wide Wellbeing service is led by ELDC and subject to thorough contract monitoring by Lincolnshire County Council. There is an operational board that includes the partner authorities who are delivering parts of that contract where performance is monitored. Performance Indicators are also reported in ELDC's Performance Report. • Memoranda of Understanding documents are developed and signed up to where appropriate. 	<p>submitted to Full Council setting out new contractual and governance arrangements.</p> <ul style="list-style-type: none"> • Client/Partner meetings held regularly
Information Governance	<ul style="list-style-type: none"> • Following the voluntary Information Commissioners Office (ICO) audit, the authority has built up significant expertise in the area (provided training and services to other organisations) • All staff and Members receive annual Data Protection Act (DPA) training. • Member training on GDPR is built into the post-election Induction Programme • As part of service review and alignment considerations, priority information processing requirements are reviewed, aligned and considered against IAPP best practice. • The Data Protection Officer is experienced and qualified to provide advice and shared across the Partnership. 	<ul style="list-style-type: none"> • Audit & Governance Committee • Leadership Team • Portfolio Holder • Performance Report • A Data Protection Officer (DPO) is engaged by the Council • Data Sharing Agreements and contractual arrangements are reviewed by the DPO on an ongoing basis to ensure compliance with the UK GDPR. All new DSAs are assessed by the DPO before being signed, and challenged where necessary.

4 Review of Effectiveness

4.1 The Council has responsibility for conducting, at least annually, a review of effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior managers within the authority who have responsibility for the development and maintenance of the governance environment, the head of internal audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

4.2 The effectiveness of the governance framework has been evaluated in the following ways:

The Council:	<p>The Council approves and keeps under regular review all the strategic policies which it reserves for its own consideration, including</p> <ul style="list-style-type: none"> • The Constitution, • The Corporate Strategy
--------------	--

	<ul style="list-style-type: none"> • The Medium Term Financial Plan and Capital Strategy, • The Licensing Authority Policy Statement, • The Corporate Asset Management Strategy • The plan and Strategy which comprise the Housing Investment Programme • The Treasury Management and Investment Strategies, and • The Gambling Policy Statement.
The Leader:	Executive powers vest in the Leader and the Leader may determine to exercise any of the executive functions of the Council personal or may arrange for the exercise of any of the Council's executive functions by the Executive Board.
Executive Board	<p>The Executive Board is appointed by the Leader and carries out the executive functions of the Council as required by legislation and the Council's constitution and accordingly:</p> <ul style="list-style-type: none"> • Takes executive decisions, • Approves policies other than those reserved for Council, and • Recommends to Council policies and budgetary decisions.
Scrutiny	<p>The Overview Committee may undertake any work relating to the four key principles of scrutiny as follows:</p> <ul style="list-style-type: none"> • Hold the Executive to Account (Call-In), • Performance Management, • Assist Policy Development and Review, and • Internal/External Scrutiny.
Audit and Governance Committee	<p>The Audit and Governance Committee:</p> <ul style="list-style-type: none"> • Considers and approves audit plans, • Considers audit reports, • Comments on the work of audit in addressing the authority's significant risks, • Satisfies itself that the control and governance arrangements have operated effectively by considering audit and risk reports and undertaking ad hoc reviews, • Annually self-assess themselves against best practice guidance to check their effectiveness, • Approves the Statements of Accounts, • Reviews treasury policy and performance, and • Consider standards issues.
Leadership Team (LT)	LT review corporate responsibility, direction and delivery of corporate plan, direction and delivery of resources, horizon scanning and key controls. LT has a monthly meeting focused specifically on governance and receives regular reports from a variety of governance boards which have been set up to manage corporate performance and risk. These boards cover performance and risk, employee relations, safeguarding, health and safety, emergency planning, and finance, as well as the statutory officers group. There are several other groups covering cross cutting themes and specific services.
Service Managers	Managers have carried out self-assessments of the processes and controls they have in place to allow them to achieve their service objectives. These are reviewed by Finance to provide assurance that effective controls were in place.

External Audit	External audit is provided by Mazars. Following the annual audit Mazars issues an Audit Results Report to the Governance and Audit Committee covering the opinion on the financial statements, value for money and the Whole of Government Accounts submission. The Council takes appropriate action where improvements need to be made.
Internal Audit	Internal Audit is provided by Assurance Lincolnshire. Regular reports are provided to the Audit and Governance Committee and the lead auditor attends monthly SLT meetings focused around Governance Issues.

5 Update to Significant Governance Issues 2021/22 & 2022/23

Action	Lead	Status
To review governance and oversight arrangements across the company (Invest East Lindsey) to ensure that they are fully embedded, transparent and there is clear accountability.	AD – Governance and AD – Assets	Completed and ongoing review underway, audit awaited for further recommendations
To review the governance and oversight arrangements across the council to ensure there is clear and routine monitoring and accountability.	AD – Governance	Completed
Internal Audit suggested improvements over the Company's governance and oversight arrangements are considered and results reported to the Audit and Governance Committee.	AD – Governance and AD – Assets	Completed and ongoing review underway
The two red assurance reports issued in year (Procurement and ICT Project management) are included in the AGS and progress is monitored and reported to the Audit and Governance Committee.	S151 Officer (Procurement) and AD – Corporate (IT)	Completed – action monitoring and reporting underway
Covid-19	Senior Management Team (SMT) / S151 Officer	Completed – business as usual
Formation of South & East Lincolnshire Councils Partnership	SMT / S151 Officer / Overview Committee	Completed – business as usual and partnership scrutiny in place

6 Internal Audit Report 2022/23

6.1 The Council's combined assurance report is a key element of its governance and assurance arrangements. It provides the Senior Leadership & Audit Committee with better understanding on the assurances across all the Council's critical services, key risks, partnerships, and projects – identifying any areas for greater oversight, improvement and assurance gaps. Overall, there is a positive realistic assurance picture for the Council but one that reflects the complex environment in which it operates – recognising that some areas will remain Amber. This year's assessment of the level of assurance resulted in an increase of 2% of Red Assurance to 3%, a decrease in Amber Assurance from 47% to 46% and a decrease of 1% in Green assurance to 51%. Providing a realistic assessment which aligned with results of external and internal assurance work.

- Red Assurance – 3%
- Amber Assurance – 46%
- Green Assurance – 51%

6.2 The Internal Audit Annual Report 2022/23 includes an opinion on the overall adequacy of and effectiveness of the Council’s governance, risk and control framework and therefore the extent to which the Council can rely on it. A supporting action plan is included in section 7 below.

- Governance – performing adequately
- Risk – performing well
- Internal Control – performing adequately
- Financial Control – improvement needed

7 Summary

7.1 We propose over the coming year to address and/or monitor the above matters to further enhance our governance arrangements and the understanding of those arrangements where there is any change. We are satisfied this will address the need for improvements that were identified in our review of effectiveness, or manage any significant change, and will monitor their implementations and operation as part of our annual review.

Action	Lead	Timescale
We are recommending that actions to address financial capacity and capability are included in the AGS and results are regularly reported to the Audit and Governance Committee.	S151 Officer CFO - PSPS	In AGS and to AGC meetings throughout the year
We are recommending that significant governance issues raised in the Annual Governance Statement and External Audit actions are monitored and progress is regularly reported in an action plan to the Audit and Governance Committee.	AD – Governance	To AGC meetings throughout the year

Page 106

Rob Barlow, Chief Executive
DATE:

DATE:

Cllr Craig Leyland, Leader of the Council

GLOSSARY OF TERMS

Accounting Period

This is the period of time covered by the accounts, normally twelve months commencing on 1 April. The end of the accounting period is the Balance Sheet date.

Accruals Basis

The accruals principle is that income is recorded when it is earned rather than when it is received and expenses are recorded when goods and services are received rather than when the payment is made.

Actuarial Gains and Losses

Actuaries assess financial and non-financial information by the Council to project levels of future pension fund requirements. Changes in actuarial deficits or surpluses can arise leading to a loss or gain because:

- events have not coincided with the actuarial assumptions made for the last valuation
- the actuarial assumptions have changed

Appointed Auditors

Public Sector Audit Appointments Limited (PSAA) appoints external auditors to every Local Authority from one of the major firms of registered auditors. For East Lindsey this is Mazars.

Balance Sheet

This is a statement of the recorded assets, liabilities and other balances held at the end of the accounting period.

Balances

The balances of the Council represent the accumulated surplus of income over expenditure on any of the funds.

Capital Adjustment Account

The Account accumulates (on the debit side) the write-down of the historical cost of fixed assets as they are consumed by depreciation and impairments or written off on disposal. It accumulates (on the credit side) the resources that have been set aside to finance capital expenditure. The same process applies to capital expenditure that is only capital by statutory definition (e.g. Disabled Facilities Grants). The balance on this account thus represents timing differences between the amount of the historical cost of fixed assets that has been consumed and the amount that has been financed in accordance with statutory requirements.

Capital Expenditure

This is expenditure on the acquisition of a non-current asset (fixed asset), or expenditure, which adds to, and not merely maintains, the value of an existing non-current asset.

Capital Receipts

Income received from the sale of land or other capital assets, a proportion of which may be used to finance new capital expenditure, subject to the provisions contained within the Local Government Act 2003.

Carrying Amount

The Balance Sheet value recorded of either an asset or a liability.

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the financial year.

Chartered Institute of Public Finance and Accountancy (CIPFA)

CIPFA is the leading professional accountancy body for public services

Collection Fund

A fund administered by the Council showing the transactions of the billing authority (East Lindsey) in relation to the collection from taxpayers and the distribution to local authorities and the Government of council tax and non-domestic rates.

Community Assets

These are non-current assets that the Council intends to hold in perpetuity which have no determinable finite useful life and, in addition, may have restrictions on their disposal. Examples of community assets are parks and historical buildings.

Contingent Liabilities or Assets

These are amounts potentially due to or from individuals or organisations which may arise in the future but which at this time cannot be determined accurately and for which, provision has not been made in the Council's accounts.

Council Tax

This is one of the main sources of local taxation to local authorities. Council Tax is levied on households within its area by the Billing Authority (East Lindsey) and the proceeds are paid into its Collection Fund for distribution to precepting authorities and for use by its own General Fund.

Council Tax Requirement

This is the estimated revenue expenditure on General Fund services that is required to be financed from Council Tax after deducting income from fees and charges, certain specific grants and any funding from reserves.

Creditors

Amounts owed by the Council for work done, goods received or services rendered, for which payment has not been made at the balance sheet date.

Current Service Cost

Current Service Cost is the increase in the present value of a defined benefit pension scheme's liabilities expected to arise from employee service in the current period, i.e. the ultimate pension benefits "earned" by employees in the current year's employment.

Curtailement

Curtailements will allow the cost of the early payment of pension benefits if any employee has been made redundant in the previous financial year

Debtors

These are sums of money due to the Council that have not been received at the balance sheet date.

Deferred Capital Receipts

These represent capital income still to be received after disposals have taken place.

Defined benefit Scheme

Pension schemes in which the benefits received by the participants are independent of the contributions paid and are not directly related to the investments of the scheme. The scheme may be funded or unfunded.

Ministry of Housing, Communities and Local Government (MHCLG)

The CLG is a key Department within Central Government with the overriding responsibility for determining the allocation of general resources to local authorities.

Depreciation

This is the measure of the wearing out, consumption, or other reduction in the useful economic life of a fixed (non-current) asset.

Earmarked Reserves

The Council holds a number of reserves earmarked to be used to meet specific, known or predicted future expenditure.

Equity method

A method of accounting by which an equity investment is initially recorded at cost and subsequently adjusted to reflect the investor's share of the net assets of the Joint Operation.

Events after the Balance Sheet Date

Events after the Balance Sheet date are those events, favourable or unfavourable, that occur between the Balance Sheet date and the date when the Accounts are authorised for issue.

Exceptional Items

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

External Audit

The independent examination of the Council's activities and accounts to ensure that the accounts have been prepared in accordance with legislative requirements and proper practices and to ensure the Council has made proper arrangements to secure value for money in its use of resources.

Expenditure

This is amounts paid by the Council for goods and services rendered of either a capital or revenue nature. This does not necessarily involve a cash payment since expenditure is deemed to have been incurred once the goods or services have been received even if they have not been paid for.

Fair Value

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.

Finance Lease

A finance lease is a lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term 'financial instrument' covers both financial assets and financial liabilities and includes Investments, trade receivables and trade payables.

Future Economic Benefits

The potential for an asset to contribute to the flow of cash and cash equivalents of the Authority.

General Fund

This is the main revenue fund of the Council and includes the net cost of all services financed by local taxpayers and Government Grants.

Heritage Assets

A tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

Impairment

A reduction in the value of a fixed asset to below its carrying amount on the Balance Sheet. Examples of factors which may cause such a reduction in value include general price decreases, a significant decline in a fixed asset's market value and evidence of obsolescence or physical damage to the asset.

Income

These are amounts due to the Council for goods supplied or services rendered of either a capital or a revenue nature. This does not necessarily involve a cash payment. Income is deemed to have been earned once the goods or the services have been supplied even if the payment hasn't been received (in which case the recipient is a debtor to the Council).

Infrastructure Assets

Fixed assets belonging to the Council that cannot be transferred or sold, on which expenditure is only recoverable by the continued use of the asset created. Examples are highways, footpaths and bridges.

Intangible Assets

These are assets that do not have physical substance but are identifiable and controlled by the Council. Examples include Software Licenses.

International Financial Reporting Standards

These are defined Accounting Standards that must be applied by all reporting entities to all financial statements in order to provide a true and fair view of the entity's financial position, and a standardised method of comparison with financial statements of other entities.

Joint Arrangement

An arrangement of which two or more parties have joint control.

Joint Operation

A joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

Liabilities

These are amounts due to individuals or organisations which will have to be paid at some time in the future. Current Liabilities are usually payable within one year of the Balance Sheet date.

Materiality

The concept that the Accounts should include all amounts which, if omitted or mis-stated, could be expected to lead to a distortion of the financial statements and ultimately mislead a user of the accounts.

National Non-Domestic Rates (Business Rates)

This is one of the main sources of local taxation to local authorities. NNDR is the levy on business property, based on a national rate in the pound applied to the rateable value of the property.

Net Book Value (NBV)

The amount at which fixed assets are included in the Balance Sheet, i.e. their historical costs or current value less the cumulative amounts provided for depreciation.

Net Debt

Net debt is the Council's borrowings less cash and liquid resources.

Net Realisable Value (NRV)

NRV is the 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-Current Assets (Fixed Assets)

Assets that yield benefits to the Council and the services it provides for a period of more than one year. Examples include land, buildings and vehicles.

Non-Operational Assets

Fixed assets held by the Council but not directly occupied, used or consumed in the delivery of services. Examples are investment properties, assets under construction or assets surplus to requirements pending sale or redevelopment.

Operational Assets

Fixed assets held and occupied, used or consumed by the Council in the pursuit of its strategy and in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

Operational Boundary

This reflects the maximum anticipated level of external debt consistent with budgets and forecast cash flows.

Operating Lease

This is a type of lease usually for computer equipment or office furniture and equipment where the balance of risks and rewards of holding assets remains with the lessor. The assets remain the property of the lessor and the lease costs are revenue expenditure to the Council.

Precept

The amount levied by various Authorities that is collected by the Council on their behalf. The precepting authorities in East Lindsey are Lincolnshire County Council and the Police and Crime Commissioner for Lincolnshire.

Prior Year Adjustment

These are material adjustments which are applicable to an earlier accounting period arising from changes in accounting policies or from the correction of fundamental errors. This does not include normal recurring corrections or adjustments of accounting estimates made in prior years.

Provision

An amount put aside in the accounts for future liabilities or losses which are certain or very likely to occur but the amounts or dates of when they will arise are uncertain.

Related Parties

Related parties are Central Government, other Local Councils, precepting and levying bodies, subsidiary and associated companies. Related parties are deemed to include the Council's elected members, the Chief Executive and its directors. For individuals identified as related parties, the following are also presumed to be related parties:

- members of the close family, or the same household; and
- partnerships, companies, trusts or other entities in which the individual or member of their close family or the same household has a controlling interest.

Remuneration

All sums paid to or receivable by an employee and sums due by way of expense allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received. Pension contributions payable by the employer are excluded.

Reserves

The accumulation of surpluses, deficits and appropriations arising from previous financial years. Reserves can either be usable; that is, available to meet the Council's future expenditure plans and unusable; that is, those maintained purely for accounting purposes.

Revaluation Reserve

The Reserve records the accumulated gains on the fixed assets held by the Council arising from increases in value as a result of inflation or other factors (to the extent that these gains have not been consumed by subsequent downward movements in value).

Revenue Expenditure

Expenditure incurred on the day-to-day running of the Council. This mainly includes employee costs, general running expenses and capital financing costs.

Revenue Expenditure Funded From Capital under Statute (REFCUS)

Expenditure incurred in year that may be capitalised under statutory provision but that does not result in the creation of a non-current asset that has been charged as expenditure to the Comprehensive Income and Expenditure Statement.

Revenue Support Grant

A grant paid by Central Government towards the cost of providing General Fund services.

Service Potential

Future benefits that an asset is expected to bring to the Council.

Treasury Management

This is the process by which the Council controls its cash flow and its borrowing and lending activities.

Treasury Management Strategy

A strategy prepared with regard to legislative and CIPFA requirements setting out the framework for treasury management activity for the Council.



Report To:	Audit and Governance Committee Full Council – Wednesday 11 December 2024
Date:	Wednesday, 30 October 2024
Subject:	Annual Treasury Report 2022/23
Purpose:	To provide Members with the Annual Treasury Report 2022/23 in accordance with the Chartered Institute of Public Finance and Accountancy’s Code of Practice on Treasury Management to ensure best practice is maintained.
Key Decision:	No
Portfolio Holder:	Cllr Kemp, Portfolio Holder for Finance.
Report Of:	Christine Marshall, Deputy Chief Executive - Corporate Development (S151).
Report Author:	Sean Howsam, Interim Treasury Manager (PSPSL).
Ward(s) Affected:	None directly.
Exempt Report:	No.

Summary

Attached at Appendix A is the Annual Treasury Report detailing the Council’s activities and actual prudential and treasury indicators for 2022/23. It covers the following areas;

- An economic update for the 2022/23 financial year;
- A review of the Council’s investment portfolio for 2022/23;
- A review of the Council’s borrowing strategy for 2022/23;
- Debt position;
- Compliance with Treasury and Prudential Indicators.

This Report refers to a key element of the Council’s Governance Framework and represents an important contribution to the evidence trail in support of the Annual Governance Statement 2022/23.

Recommendations

That the Audit and Governance Committee scrutinise the Annual Treasury Management Report 2022/23 at **Appendix A** and make any comments for consideration by Council when they consider this document for approval at their meeting on 11 December 2024.

Reasons for Recommendations

The Council is required to produce an Annual Treasury Report after the end of each financial year in accordance with the Chartered Institute of Public Finance and Accountancy's Code of Practice on Treasury Management. This report has been delayed as a result of the delays in completing the financial statements for the 2022/23 financial year.

Other Options Considered

As this is an update report there are no other further options for consideration.

1. Background

- 1.1** The Council approved its Treasury Management Strategy for 2022/23 on 2 March 2022. This report now provides the Annual Treasury Report 2022/23 (Appendix A) for Audit and Governance Committee to make any comments for consideration by Council when they consider this document for approval at their meeting on 11 December 2024.

2. Report

- 2.1** Capital expenditure for 2022/23 was £17.265m which was fully financed by grants and internal resources.
- 2.2** As at 31 March 2023, treasury investment balances were £59.9m compared with £48.5m the previous year and non-treasury investment balances were £26.9m compared with £34.0m the previous year. All treasury investments will mature in less than one year and the non treasury investments are long term investments in property funds and loans to InvestEL.
- 2.3** The following table provides an analysis of the net treasury position for 2022/23:

Investment Type	2022/23 Annual Budget	2022/23 Outturn	2022/23 Variance
Treasury Investment Income	(341,914)	(1,791,169)	(1,449,255)
Property Funds			
Gross Distributions	(1,195,404)	(1,033,424)	161,980
Less Management Fees	<u>233,818</u>	<u>202,135</u>	<u>(31,683)</u>
Net Distributions	(961,586)	(831,289)	130,297
Less Total Borrowing Costs	493,000	493,000	0
Net Position	(810,500)	(2,129,458)	(1,318,958)
M&G Property Fund Liquidation Distributions (<i>to be used for MRP Contributions as the original capital purchase was unfinanced</i>)	0	(3,187,215)	(3,187,215)
Net Position (including M&G Liquidation Distributions)	(810,500)	(5,316,673)	(4,506,173)

It can be seen from the above table that the overall net treasury position for 2022/23 was net income of £2,129,458 (excluding M&G liquidation distributions) compared to a budget of £810,500 resulting in a net surplus of £1,318,958 for the year.

- 2.4** The Council's treasury investments achieved an average rate of 2.457% compared with the average 3 Month Sterling Overnight Index Average (SONIA) rate of 2.721%. Property Fund investments achieved a rate of 3.381% and loans to InvestEL a rate of 4.00%. This gave a combined rate for all investments of 2.769%.
- 2.5** A full analysis of the Council's property fund investments can be found in Section 9 of **Appendix 'A'**.
- 2.6** A full review of the economy and interest rates is detailed in Section 8 of **Appendix 'A'**.
- 2.7** The Council's Investment Policy and Strategy is kept under constant review with the aim of balancing risk and reward. The investment criteria agreed for 2022/23 permitted investments with banks whose parent bank originates from a country with a sovereign rating of A+ or higher and meets Link Groups counterparty investment criteria.
- 2.8** The Council's 2022/23 accounts are subject to external audit which may result in some amendments to the figures being reported in this Annual Report.

3. Conclusion

- 3.1** This report provides a review of treasury management performance for the financial year 2022/23, to Members to ensure best practice is maintained as required by the CIPFA Code of Practice for Treasury Management.

Implications

South and East Lincolnshire Councils Partnership

None

Corporate Priorities

None

Staffing

None

Workforce Capacity Implications

None

Constitutional and Legal Implications

The General Power of Competence in the Localism Act 2011 allows Councils a broad freedom in their operations.

Councils have the general power to borrow under Section 1 of the Local Government Act 2003.

The power to invest is set out in the Local Government Act 2003, Section 12, which gives the Council the power to invest for any purpose relevant to its functions under any enactment, or for the purposes of the prudent management of its financial affairs.

The power that allows councils to spend for capital purposes is included in the Local Government Act 2003.

Data Protection

None

Financial

The financial implications are covered in detail in **Appendix A** to this report and in section 2 above.

By making the investment criteria relating to financial institutions stringent, the Council receives lower rates of return. The Council therefore aims to strike a balance between risk and reward when considering its portfolio of investments. Treasury Management is a key financial consideration for the Authority especially in respect of its investment returns and Capital Programme.

Risk Management

The Code of Practice sets out the framework for controlling the risks associated with treasury management decisions for borrowing and investing. Ultimately investment and borrowing decisions are made in accordance with the Council's Treasury Management Strategy. The overriding priority is that the security of a deposit takes precedence over a return on investment.

The Prudential and Treasury Indicators control the limits for investing and borrowing, to ensure that any borrowing is affordable and sustainable and long term borrowing is for capital purposes only.

Stakeholder / Consultation / Timescales

The Portfolio Holder for Finance is briefed on treasury performance on a regular basis.

Reputation

The security of investments is the Council's main priority when investing surplus cash.

Contracts

None

Crime and Disorder

None

Equality and Diversity / Human Rights / Safeguarding

None

Health and Wellbeing

None

Climate Change and Environmental Implications

None

Acronyms

bps – basis points

CFR – Capital Financing Requirement

CIPFA - Chartered Institute of Public Finance and Accountancy

CPI - Consumer Price Index

ECB – European Central Bank

EZ - Eurozone

FOMC – Federal Open Market Committee

GDP – Gross Domestic Product

m/m – month on month

MPC - Monetary Policy Committee

MRP – Minimum Revenue Provision

PWLB - Public Works Loan Board

q/q - quarter on quarter

SONIA – Sterling Overnight Index Average

S&P – Standard & Poors

VRP – Voluntary Revenue Provision

y/y – year on year

Appendices

Appendices are listed below and attached to the back of the report:

Appendix A – Annual Treasury Management Review 2022/23

Background Papers

Background papers used in the production of this report are listed below: -

Document title. **Where the document can be viewed.**

Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management.	CIPFA Website
ELDC Treasury Management Strategy Statement for 2022/23	<u>(Public Pack)Agenda Document for Council, 02/03/2022 14:00</u>

Chronological History of this Report

A report on this item has not been previously considered by a Council body for the current financial year but quarterly reports have been received by the Audit and Governance Committee.

Report Approval

Report author: Sean Howsam – Interim Treasury Manager (PSPSL)
Sean.Howsam@pspsl.co.uk

Signed off by: Christine Marshall – Deputy Chief Executive (Corporate Development) & S151 christine.marshall@sholland.gov.uk

Approved for publication: Cllr Kemp, Portfolio Holder for Finance.



East Lindsey
DISTRICT COUNCIL

Annual Treasury Management Review

For scrutiny by Audit and Governance Committee
on 30 October 2024

ANNUAL TREASURY MANAGEMENT REVIEW 2022/23

1. INTRODUCTION

This Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2022/23. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management, (the Code), and the CIPFA Prudential Code for Capital Finance in Local Authorities, (the Prudential Code).

During 2022/23 the following reports have been submitted:

- an annual treasury strategy in advance of the year (Council 2 March 2022)
- a mid year (minimum) treasury update report (Audit and Governance 23 November 2022 and Council 14 December 2022)
- an annual review following the end of the year describing the activity compared to the strategy (this report)

In addition, this Council has received quarterly treasury management update reports on 5 October 2022 and 15 March 2023 which were received by the Audit and Governance Committee.

The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report is therefore important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by members.

This Council also confirms that it has complied with the requirement under the Code to give prior scrutiny to all of the above treasury management reports by the Audit and Governance Committee. Member training on treasury management has not been undertaken during the year however property fund manager presentations have been provided during the year in order to support Members' scrutiny role.

The Treasury Management function is administered by Public Sector Partnership Services Ltd on behalf of the Council.

2. THE COUNCIL'S CAPITAL EXPENDITURE AND FINANCING 2022/23

The Council undertakes capital expenditure on long-term assets. These activities may either be:

- financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which has no resultant impact on the Council's borrowing need; or
- if insufficient financing is available, or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing need.

The actual capital expenditure forms one of the required prudential indicators.

The following table summarises actual capital expenditure and how this was financed. Full details of the 2022/23 expenditure can be found at **Appendix 'A1'**.

£'000 General Fund	2021/22 Actual	2022/23 Revised Budget	2022/23 Actual
Capital expenditure	9,173	69,532	17,265
Financed in year	(8,793)	(69,532)	(17,265)
Unfinanced capital expenditure	380	0	0

3. THE COUNCIL'S OVERALL BORROWING NEED

The Council's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR). This figure is a gauge of the Council's indebtedness. The CFR results from the capital activity of the Council and resources used to pay for the capital spend. It represents the 2022/23 unfinanced capital expenditure (see above table), and prior years' net or unfinanced capital expenditure which has not yet been paid for by revenue or other resources.

Part of the Council's treasury activities is to address the funding requirements for this borrowing need. Depending on the capital expenditure programme, the treasury service organises the Council's cash position to ensure that sufficient cash is available to meet the capital plans and cash flow requirements. This may be sourced through borrowing from external bodies (such as the Government, through the Public Works Loan Board (PWLB) or the money markets), or utilising temporary cash resources within the Council.

Reducing the CFR – the Council's underlying borrowing need (CFR) is not allowed to rise indefinitely. Statutory controls are in place to ensure that capital assets are broadly charged to revenue over the life of the asset. The Council is required to make an annual revenue charge, called the Minimum Revenue Provision – MRP, to reduce the CFR. This is effectively a repayment of the borrowing need. This differs from the treasury management arrangements which ensure that cash is available to meet capital commitments. External debt can also be borrowed or repaid at any time, but this does not change the CFR.

The total CFR can also be reduced by:

- the application of additional capital financing resources, (such as unapplied capital receipts); or
- charging more than the statutory revenue charge (MRP) each year through a Voluntary Revenue Provision (VRP).

The Council's 2022/23 MRP Policy, (as required by DLUHC Guidance), was approved as part of the Treasury Management Strategy Report for 2022/23 on 2 March 2022.

The Council's CFR is shown below, and represents a key prudential indicator.

CFR (£'000)	31 March 2022 Actual	31 March 2023 Estimate	31 March 2023 Actual
Opening CFR Balance	22,444	22,444	24,018
Add Unfinanced Capital Expenditure	380	0	0
Minimum/Voluntary Revenue Provision	1,194	0	(4,898)
Total CFR	24,018	22,444	19,120

Borrowing activity is constrained by prudential indicators for gross borrowing and the CFR, and by the authorised limit.

Gross borrowing and the CFR - in order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Council should ensure that its gross external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year (2021/22) plus the estimates of any additional capital financing requirement for the current (2022/23) and next two financial years. This essentially means that the Council is not borrowing to support revenue expenditure. This indicator allows the Council some flexibility to borrow in advance of its immediate capital needs in 2022/23. The table below highlights the Council's gross borrowing position against the CFR. The Council has complied with this prudential indicator.

	31 March 2022 Actual £000's	31 March 2023 Estimate £000's	31 March 2023 Actual £000's
Gross Borrowing Position	20,000	20,000	20,000
CFR	24,018	22,444	19,120

The authorised limit - the authorised limit is the "affordable borrowing limit" required by S3 of the Local Government Act 2003. Once this has been set, the Council does not have the power to borrow above this level. The table below demonstrates that during 2022/23 the Council has maintained gross borrowing within its authorised limit.

The operational boundary - the operational boundary is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the boundary is acceptable subject to the authorised limit not being breached.

Actual financing costs as a proportion of net revenue stream - this indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

	2022/23
Authorised limit	£44m
Maximum gross borrowing position	£20m
Operational boundary	£38m
Average gross borrowing position	£20m
Financing costs as a proportion of net revenue stream	-2.89%

4. TREASURY POSITION AS AT 31 MARCH 2023

The Council's debt and investment position is organised by the treasury management service in order to ensure adequate liquidity for revenue and capital activities, security for investments and to manage risks within all treasury management activities. Procedures and controls to achieve these objectives are well established both through member reporting and through officer activity detailed in the Council's Treasury Management Practices. At the beginning and the end of 2022/23 the Council's treasury position including accrued interest was as follows:

	31/3/22 Principal & Accrued Interest £000's	Rate/ Return %	Average Life In Years	31/3/23 Principal & Accrued Interest £000's	Rate/ Return %	Average Life In Years
Fixed Rate Temporary & PWLB borrowing	20,000	2.465	46.73	20,000	2.465	45.73
CFR	24,018			19,120		
Over/(under) borrowing	(4,018)			880		
Total investments (including Cash and Cash Equivalents)	-82,514	3.343	0.49	-86,814	3.751	0.48
Net investments	-62,514			-66,814		

Investments and Cash and Cash Equivalents held as at 31 March 2023 including accrued interest were as follows:

INVESTMENT PORTFOLIO	Actual 31/03/22 £000's	Actual 31/03/22 %	Actual 31/03/23 £000's	Actual 31/03/23 %
Treasury Investments				
Banks	41,047	85	58,398	97
Local Authorities	-	-	-	-
Total managed in house	41,047	85	58,398	97
Money Market Funds	7,500	15	1,513	3
Total managed externally	7,500	15	1,513	3
Total Treasury Investments	48,547	100	59,911	100
Non Treasury Investments				
Property Funds	30,451	90	22,761	85
Invest East Lindsey	3,516	10	4,142	15
Total Non Treasury Investments	33,967	100	26,903	100

Note: The value of Property Fund investments have gone down by £4.5m during the financial year. The Council has received asset sale distribution payments from the M&G Fund of £3.2m which has contributed to the overall reduction in property fund investments at the year end. No new investments have been made in this investment type in 2023/24.

SUMMARY	Actual 31/03/22 £000's	Actual 31/03/22 %	Actual 31/03/23 £000's	Actual 31/03/23 %
Total Treasury Investments	48,547	59	59,911	69
Total Non Treasury Investments	33,967	41	26,903	31
Total of all Investments	82,514	100	86,814	100

The maturity structure of the investment portfolio was as follows:

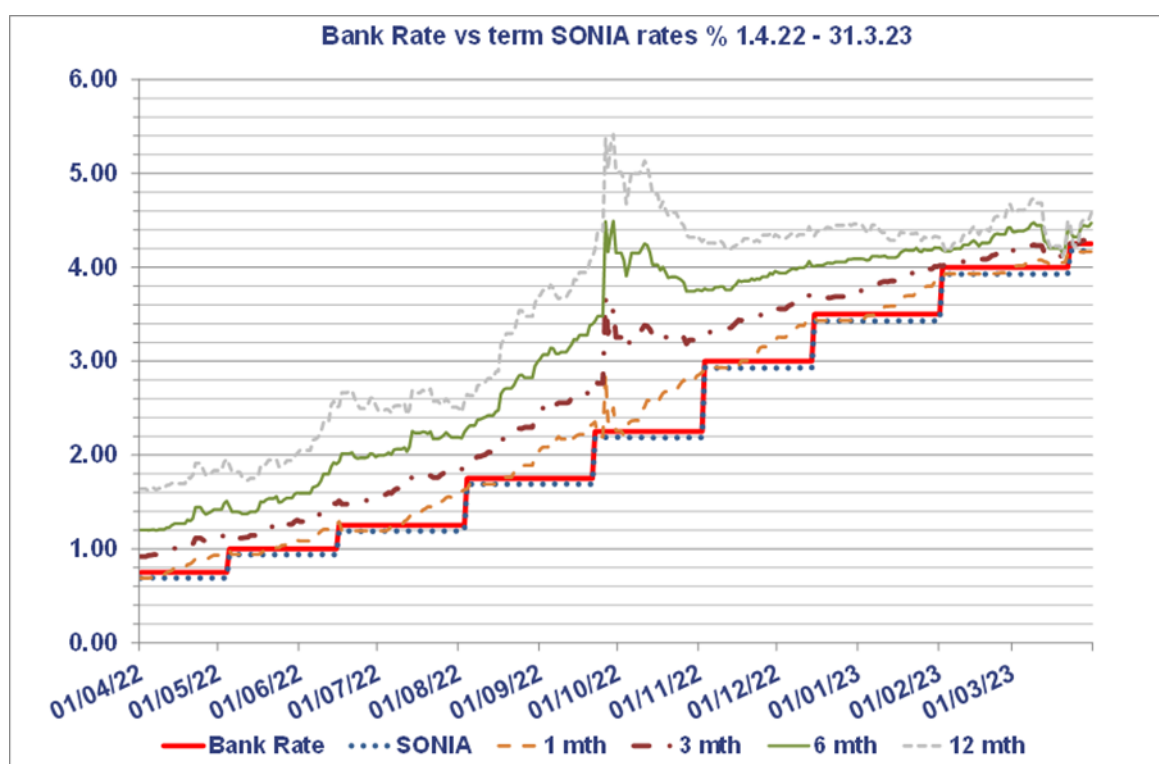
	2021/22 Actual £'000	2022/23 Actual £'000
Investments		
Longer than 1 year	33,967	25,152
Under 1 year	<u>48,547</u>	<u>61,662</u>
Total	82,514	86,814

The exposure to fixed and variable rates on investments was as follows:

	31/3/22 Actual £'000	31/3/23 Actual £'000
Fixed rate	31,000 (38%)	53,424 (62%)
Variable rate	51,514 (62%)	33,390 (38%)

5. **THE STRATEGY FOR 2022/23**

5.1 **Investment strategy and control of interest rate risk**



Investment returns picked up throughout the course of 2022/23 as central banks, including the Bank of England, realised that inflationary pressures were not transitory, and that tighter monetary policy was called for.

Starting April at 0.75%, Bank Rate moved up in stepped increases of either 0.25% or 0.5%, reaching 4.25% by the end of the financial year, with the potential for a further one or two increases in 2023/24.

The sea-change in investment rates meant local authorities were faced with the challenge of pro-active investment of surplus cash for the first time in over a decade, and this emphasised the need for a detailed working knowledge of cashflow projections so that the appropriate balance between maintaining cash for liquidity purposes, and "laddering" deposits on a rolling basis to lock in the increase in investment rates as duration was extended, became an on-going feature of the investment landscape.

With bond markets selling off, equity valuations struggling to make progress and, latterly, property funds enduring a wretched Q4 2022, the more traditional investment options, such as specified investments (simple to understand, and less than a year in duration) became more actively used.

Meantime, through the autumn, and then in March 2023, the Bank of England maintained various monetary policy easing measures as required to ensure specific markets, the banking system and the economy had appropriate levels of liquidity at times of stress.

Nonetheless, while the Council has taken a cautious approach to investing, it is also fully appreciative of changes to regulatory requirements for financial institutions in terms of additional capital and liquidity that came about in the aftermath of the Great Financial Crisis of 2008/09. These requirements have provided a far stronger basis for financial institutions, with annual stress tests by regulators evidencing how institutions are now far more able to cope with extreme stressed market and economic conditions.

5.2 Borrowing strategy and control of interest rate risk

During 2022/23, the Council maintained an under-borrowed position. This meant that the capital borrowing need, (the Capital Financing Requirement), was not fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow was used as an interim measure. This strategy was prudent as investment returns were initially low and minimising counterparty risk on placing investments also needed to be considered.

A cost of carry generally remained in place during the year on any new long-term borrowing that was not immediately used to finance capital expenditure, as it would have caused a temporary increase in cash balances; this would have incurred a revenue cost – the difference between (higher) borrowing costs and (lower) investment returns. As the cost of carry dissipated, the Council sought to avoid taking on long-term borrowing at elevated levels (>4%) and has focused on a policy of internal borrowing.

The policy of avoiding new borrowing by running down spare cash balances has served well over the last few years. However, this has been kept under review to avoid incurring higher borrowing costs in the future when this Authority may not be able to avoid new borrowing to finance capital expenditure.

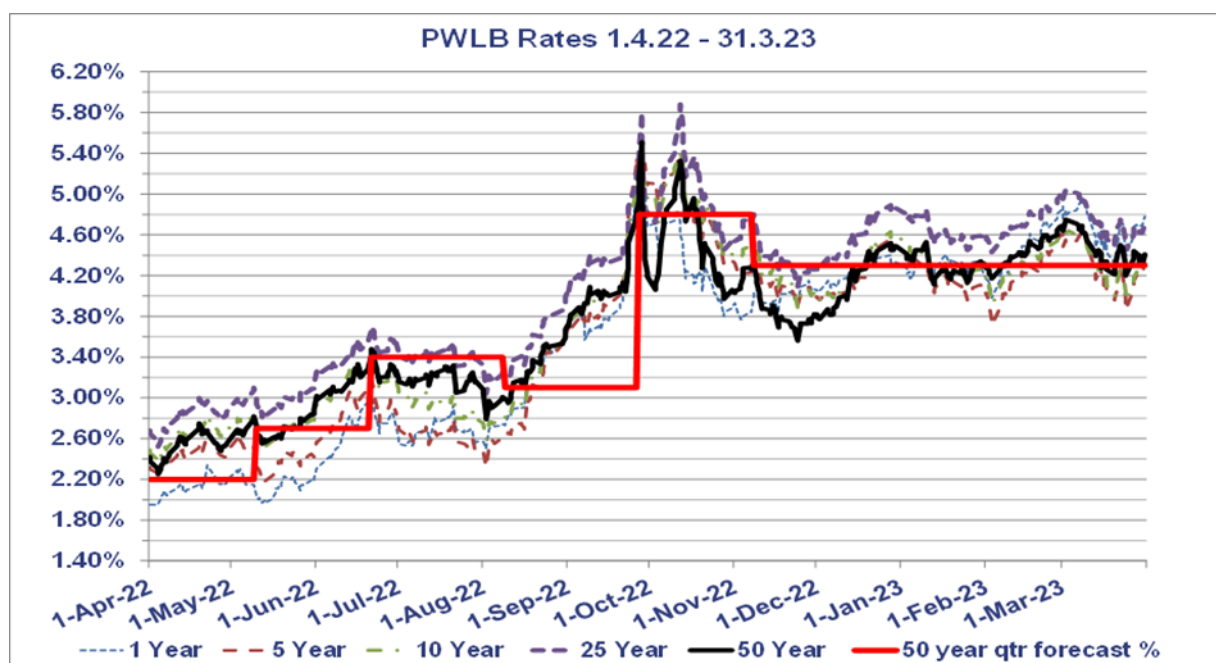
Against this background and the risks within the economic forecast, caution was adopted with the treasury operations. The Section 151 Officer therefore monitored interest rates in financial markets and adopted a pragmatic strategy based upon the following principles to manage interest rate risks:

- if it had been felt that there was a significant risk of a sharp FALL in long and short-term rates, (e.g., due to a marked increase of risks around relapse into recession or of risks of deflation), then long term borrowings would have been postponed, and potential rescheduling from fixed rate funding into short term borrowing would have been considered.
- if it had been felt that there was a significant risk of a much sharper RISE in long and short-term rates than initially expected, perhaps arising from an acceleration in the start date and in the rate of increase in central rates in

the USA and UK, an increase in world economic activity or a sudden increase in inflation risks, then the portfolio position would have been re-appraised. Most likely, fixed rate funding would have been drawn whilst interest rates were lower than they were projected to be in the next few years.

Interest rate forecasts were initially suggesting only gradual rises in short, medium and longer-term fixed borrowing rates during 2022/23 but by August it had become clear that inflation was moving up towards 40-year highs, and the Bank of England engaged in monetary policy tightening at every Monetary Policy Committee (MPC) meeting during 2022, and into 2023, either by increasing Bank Rate by 0.25% or 0.5% each time. Currently the Consumer Price Index (CPI) measure of inflation is still above 10% in the UK but is expected to fall back towards 4% by year end. Nonetheless, there remain significant risks to that central forecast.

Link Group Interest Rate View 7.2.22		Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
BANK RATE		0.75	1.00	1.00	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25
3 month av. earnings		0.80	1.00	1.00	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20
6 month av. earnings		1.00	1.10	1.20	1.30	1.30	1.30	1.30	1.30	1.30	1.30	1.30	1.30	1.30
12 month av. earnings		1.40	1.50	1.60	1.70	1.70	1.60	1.60	1.50	1.40	1.40	1.40	1.40	1.40
5 yr PWLB		2.20	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30
10 yr PWLB		2.30	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40
25 yr PWLB		2.40	2.50	2.50	2.60	2.60	2.60	2.60	2.60	2.60	2.60	2.60	2.60	2.60
50 yr PWLB		2.20	2.30	2.30	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40



PWLB rates are based on gilt (UK Government bonds) yields through HM Treasury determining a specified margin to add to gilt yields. The main influences on gilt yields are Bank Rate, inflation expectations and movements in US treasury yields. Inflation targeting by the major central banks has been successful over the last 30 years in lowering inflation and the real equilibrium rate for central rates has fallen considerably due to the high level of borrowing by consumers: this means that central banks do not need to raise rates as much now to have a major impact on consumer spending, inflation, etc. This has pulled down the overall level of interest

rates and bond yields in financial markets over the last 30 years. Indeed, in recent years many bond yields up to 10 years in the Eurozone turned negative on expectations that the EU would struggle to get growth rates and inflation up from low levels. In addition, there has, at times, been an inversion of bond yields in the US whereby 10-year yields have fallen below shorter-term yields. In the past, this has been a precursor of a recession.

However, since early 2022, yields have risen dramatically in all the major developed economies, first as economies opened post-Covid; then because of the inflationary impact of the war in Ukraine in respect of the supply side of many goods. In particular, rising cost pressures emanating from shortages of energy and some food categories have been central to inflation rising rapidly. Furthermore, at present the US Federal Open Market Committee (FOMC), European Central Bank (ECB) and Bank of England are all being challenged by persistent inflation that is exacerbated by very tight labour markets and high wage increases relative to what central banks believe to be sustainable.

Gilt yields have been on a continual rise since the start of 2021, peaking in the autumn of 2022. Currently, yields are broadly range bound between 3% and 4.25%.

At the close of the day on 31 March 2023, all gilt yields from 1 to 50 years were between 3.64% and 4.18%, with the 1 year being the highest and 6-7.5 years being the lowest yield.

Regarding PWLB borrowing rates, the various margins attributed to their pricing are as follows: -

- PWLB Standard Rate is gilt plus 100 basis points (G+100bps)
- PWLB Certainty Rate is gilt plus 80 basis points (G+80bps)
- Local Infrastructure Rate is gilt plus 60bps (G+60bps)

There is likely to be a fall in gilt yields and PWLB rates across the whole curve over the next one to two years as Bank Rate first rises to dampen inflationary pressures and a tight labour market, and is then cut as the economy slows, unemployment rises, and inflation (on the CPI measure) moves closer to the Bank of England's 2% target.

As a general rule, short-dated gilt yields will reflect expected movements in Bank Rate, whilst medium to long-dated yields are driven primarily by the inflation outlook.

The Bank of England is also embarking on a process of Quantitative Tightening, but the scale and pace of this has already been affected by the Truss/Kwarteng "fiscal experiment" in the autumn of 2022 and more recently by the financial market unease with some US (e.g., Silicon Valley Bank) and European banks (e.g., Credit Suisse). The gradual reduction of the Bank's original £895bn stock of gilt and corporate bonds will be sold back into the market over several years. The impact this policy will have on the market pricing of gilts, while issuance is markedly increasing, is an unknown at the time of writing.

6. Borrowing Outturn

Treasury borrowing – The Council has not undertaken Treasury borrowing during the financial year 2022/23.

Non-Treasury borrowing – In December 2018 the Council borrowed £20m from the Public Works Loan Board at an average fixed rate of 2.465%. This borrowing is for a period of 50 years and the loans are maturity loans meaning the £20m principal will be repayable after the 50 year period. This borrowing incurred interest charges of £493,000 during 2022/23.

Borrowing in Advance of Need - The Council has not borrowed more than, or in advance of its needs, purely in order to profit from the investment of the extra sums borrowed.

Rescheduling – No rescheduling was done during the year as the average 1% differential between PWLB new borrowing rates and premature repayment rates made rescheduling unviable.

7. INVESTMENT OUTTURN FOR 2022/23

Investment Policy – the Council's investment policy is governed by DHLUC guidance, which was been implemented in the annual investment strategy approved by the Council on 2 March 2022. This policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data (such as rating outlooks, credit default swaps, bank share prices etc).

The investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties.

Resources – the Council's cash balances comprise revenue and capital resources and cash flow monies. The Council's core cash resources comprised as follows:

Balance Sheet Resources (£'000)	31 March 2022	31 March 2023
Balances	1,822	1,822
Earmarked Reserves	31,423	24,914
Usable Capital Receipts	3,068	3,495
Capital Grants Unapplied	11,239	26,164
Total	47,552	56,395

The Council held average treasury investment balances of £66.0m during 2022/23 which were internally managed, achieving an average rate of return of 2.457% compared with the average 3 Month Sterling Overnight Index Average (SONIA) rate of 2.721%.

The Council also held average non-treasury investment balances of £24.6m at cost which were externally managed. These balances were held in property funds and achieved net average returns of 3.381%.

In addition to this the Council also held an average of £4.2m in loans to Invest East Lindsey which are classified as long term debtors at an average rate of 4.00%.

The combined rate of return on all investments averaged 2.769%.

The Council's 2022/23 original budget for net investment income was £1.303m. At the end of the financial year net investment interest earned was £2.622m which was £1.319m above the budget figure. Treasury investments interest was £1.621m, property fund investment income £831k and InvestEL loan interest £170k.

Full details of property fund investments held by the Council and the 2022/23 performance is shown in Section 9 of this report.

8. THE ECONOMY AND INTEREST RATES (Commentary provided by Link Group)

UK. Economy.

Against a backdrop of stubborn inflationary pressures, the easing of Covid restrictions in most developed economies, the Russian invasion of Ukraine, and a range of different UK Government policies, it is no surprise that UK interest rates have been volatile right across the curve, from Bank Rate through to 50-year gilt yields, for all of 2022/23.

Market commentators' misplaced optimism around inflation has been the root cause of the rout in the bond markets with, for example, UK, Eurozone (EZ) and US 10-year yields all rising by over 200bps in 2022. The table below provides a snapshot of the conundrum facing central banks: inflation is elevated but labour markets are extra-ordinarily tight, making it an issue of fine judgment as to how far monetary policy needs to tighten.

	UK	Eurozone	US
Bank Rate	4.25%	3%	4.75%-5%
GDP	0.1%q/q Q4 (4.1%y/y)	+0.1%q/q Q4 (1.9%y/y)	2.6% Q4 Annualised
Inflation	10.4%y/y (Feb)	6.9%y/y (Mar)	6.0%y/y (Feb)
Unemployment Rate	3.7% (Jan)	6.6% (Feb)	3.6% (Feb)

Q2 of 2022 saw UK Gross Domestic Product (GDP) deliver growth of +0.1% quarter on quarter (q/q), but this was quickly reversed in the third quarter, albeit some of the fall in GDP can be placed at the foot of the extra Bank Holiday in the wake of the Queen's passing. Q4 GDP was positive at 0.1% q/q. Most recently, January saw a 0.3% month on month (m/m) increase in GDP as the number of strikes reduced compared to December. In addition, the resilience in activity at the end of 2022 was, in part, due to a 1.3% q/q rise in real household disposable incomes. A big part of that reflected the £5.7bn payments received by households from the government under the Energy Bills Support Scheme.

Nevertheless, CPI inflation picked up to what should be a peak reading of 11.1% in October, although hopes for significant falls from this level will very much rest

on the movements in the gas and electricity markets, as well as the supply-side factors impacting food prices. On balance, most commentators expect the CPI measure of inflation to drop back towards 4% by the end of 2023. As of February 2023, CPI was 10.4%.

The UK unemployment rate fell through 2022 to a 48-year low of 3.6%, and this despite a net migration increase of c500k. The fact remains, however, that with many economic participants registered as long-term sick, the UK labour force shrunk by c500k in the year to June. Without an increase in the labour force participation rate, it is hard to see how the UK economy will be able to grow its way to prosperity, and with average wage increases running at over 6% the Monetary Policy Committee will be concerned that wage inflation will prove just as sticky as major supply-side shocks to food (up 18.3% year on year (y/y) in February 2023) and energy that have endured since Russia's invasion of Ukraine on 22 February 2022.

Bank Rate increased steadily throughout 2022/23, starting at 0.75% and finishing at 4.25%.

In the interim, following a Conservative Party leadership contest, Liz Truss became Prime Minister for a tumultuous seven weeks that ran through September and October. Put simply, the markets did not like the unfunded tax-cutting and heavy spending policies put forward by her Chancellor, Kwasi Kwarteng, and their reign lasted barely seven weeks before being replaced by Prime Minister Rishi Sunak and Chancellor Jeremy Hunt. Their Autumn Statement of the 17 November gave rise to a net £55bn fiscal tightening, although much of the "heavy lifting" has been left for the next Parliament to deliver. However, the markets liked what they heard, and UK gilt yields have reversed the increases seen under the previous tenants of No10/11 Downing Street, although they remain elevated in line with developed economies generally.

As noted above, GDP has been tepid throughout 2022/23, although the most recent composite Purchasing Manager Indices for the UK, US, EZ and China have all surprised to the upside, registering survey scores just above 50 (below suggests economies are contracting, and above suggests expansion). Whether that means a shallow recession, or worse, will be avoided is still unclear. Ultimately, the MPC will want to see material evidence of a reduction in inflationary pressures and a loosening in labour markets. Realistically, that is an unlikely outcome without unemployment rising and wage settlements falling from their current levels. At present, the bigger rise in employment kept the International Labour Organisation unemployment rate unchanged at 3.7% in January. Also, while the number of job vacancies fell for the ninth consecutive month in February, they remained around 40% above pre-pandemic levels.

Our economic analysts, Capital Economics, expect real GDP to contract by around 0.2% q/q in Q1 and forecast a recession this year involving a 1.0% peak-to-trough fall in real GDP.

The £ has remained resilient of late, recovering from a record low of \$1.035, on the Monday following the Truss government's "fiscal event", to \$1.23. Notwithstanding the £'s better run of late, 2023 is likely to see a housing correction of some magnitude as fixed-rate mortgages have moved above 4.5% and affordability has been squeezed despite proposed Stamp Duty cuts remaining in place.

As for equity markets, the FTSE 100 started 2023 strongly, rising to a record high of 8,014 on 20th February, as resilient data and falling inflation boosted earnings. But global equities fell sharply after concerns over the health of the global banking system emerged early in March. The fall in the FTSE 100 was bigger than the drop in the US Standard & Poors (S&P) 500. Indeed, at around 7,600 now, the FTSE is 5.2% below its record high on 20th February, while the S&P 500 is only 1.9% lower over the same period. That's despite UK banks having been less exposed and equity prices in the UK's financial sector not falling as far. It may be due to the smaller decline in UK interest rate expectations and bond yields, which raise the discounted value of future earnings, compared to the US.

USA. The flurry of comments from Fed officials over recent months suggest there is still an underlying hawkish theme to their outlook for interest rates. Markets are pricing in further interest rate increases of 25-50bps, on top of the current interest rate range of 4.75% - 5%.

In addition, the Fed is expected to continue to run down its balance sheet once the on-going concerns about some elements of niche banking provision are in the rear-view mirror.

As for inflation, it is currently at c6% but with the economy expected to weaken during 2023, and wage data already falling back, there is the prospect that should the economy slide into a recession of any kind there will be scope for rates to be cut at the backend of 2023 or shortly after.

EU. Although the Euro-zone inflation rate has fallen below 7%, the ECB will still be mindful that it has further work to do to dampen inflation expectations and it seems destined to raise rates to 4% in order to do so. Like the UK, growth has remained more robust than anticipated but a recession in 2023 is still seen as likely by most commentators.

9. OTHER ISSUES

IFRS 9 fair value of investments – When producing the 2022/23 financial statements the Council has adhered to this accounting standard. This standard prescribes the way financial instruments are valued in the accounts and also how risk is measured and accounted for.

Non Treasury Investments : Property Funds – The Council owns investments in commercial property funds and a breakdown of the initial purchase cost is shown in the following table:

Pooled Investment Fund (Revenue Expenditure)

Fund	Date of Purchase	Net Asset Value at Date of Purchase £	Premium/ (Discount) on Purchase £	Premium/ (Discount) on Purchase %	Total Cost £
Hermes Property Unit Trust	24/06/16	1,621,443	48,643	3.00	1,670,086
	30/09/16	234,555	5,435	2.32	239,990
	26/01/17	556,376	33,547	6.03	589,923
	02/10/17	344,460	9,087	2.64	353,547
	28/11/17	248,899	5,686	2.28	254,585
	26/12/17	192,410	3,517	1.83	195,927
	26/04/19	694,860	1,033	0.15	695,893
	TOTAL		3,893,003	106,948	2.75

Property Funds (Capital Expenditure)

Fund	Date of Purchase	Net Asset Value at Date of Purchase £	Premium/ (Discount) on Purchase £	Premium/ (Discount) on Purchase %	Total Cost £
Schroder UK Real Estate Fund	07/07/16	2,021,637	(25,629)	(1.27)	1,996,008
	07/10/16	505,375	(6,373)	(1.26)	499,002
	01/12/17	1,478,726	18,280	1.24	1,497,006
	07/09/18	813,680	(5,659)	(0.70)	808,021
	TOTAL		4,819,418	(19,381)	(0.40)
Threadneedle Property Unit Trust	31/08/18	2,902,441	86,572	2.98	2,989,013
	28/09/18	483,966	16,116	3.33	500,082
	31/10/18	1,267,037	42,855	3.38	1,309,892
	TOTAL	4,653,444	145,543	3.13	4,798,987
BlackRock UK Property Fund	28/09/18	4,734,550	65,482	1.38	4,800,032
M&G Investments UK Property Fund (after repayments)	14/09/18	959,583	105,707	2.25	1,065,290
AEW UK Core Property Fund	31/10/18	4,505,538	294,462	6.54	4,800,000
TOTAL		19,672,533	591,813		20,264,346

The table below provides an analysis of the revenue returns (dividend distributions) received during the financial year and an analysis of the change in the Net Asset Values of each fund since purchase and also during the 2022/23 financial year.

	Purchase Cost (£)	Revenue Received 2022/23 (£)	Projected Annualised Distribution Yield 2022/23	Net Asset Value At 31/3/23 (£)	Total Gain/ (Loss) Since Purchase (£)	2022/23 Gain/ (Loss) (£)	2022/23 Annualised Fund Capital Gain/(Loss) Since 1/4/22	2022/23 Combined Return
Federated Hermes Property Unit Trust (Revenue Fund)	3,999,951	131,406	3.29%	4,020,539	20,588	(762,204)	(15.94%)	(12.65%)
Schroder UK Real Estate Fund	4,800,037	195,247	4.00%	4,754,523	(45,514)	(1,134,076)	(19.26%)	(15.26%)
Threadneedle Property Unit Trust	4,798,987	194,887	4.06%	4,157,655	(641,332)	(875,329)	(17.39%)	(13.33%)
BlackRock UK Property Fund	4,800,032	135,231	2.82%	4,471,342	(328,690)	(979,220)	(17.97%)	(15.15%)
M&G Investments UK Property Fund (after distribution payments)	1,065,290	37,054	N/A	1,203,195	137,905	(48,942)	N/A	N/A
AEW UK Core Property Fund	4,800,000	137,464	2.86%	4,153,479	(646,521)	(725,249)	(14.87%)	(12.01%)
TOTAL	24,264,297	831,289		22,760,733	(1,503,564)	(4,525,020)		

The 2022/23 unrealised losses on the Hermes Property Fund of £762,204 have been transferred to the Pooled Investment Funds Adjustment Account in accordance with statutory override SI2018/1207. The balance on this account now stands at £20,539.

The total unrealised losses on the capital property funds during 2022/23 was £3,762,814. The total cumulative net unrealised losses on the capital property funds now stands at £2,071,647.

The M&G property fund has now paid a cumulative total of £3,734,710 in respect of property sales. These receipts have been used to finance the minimum revenue provision charge which reduces the historic unfinanced capital expenditure by a corresponding amount.

A minimum revenue provision of £3,596,806 and a voluntary revenue provision of £1,301,411 has been made in the 2022/23 accounts.

The total cumulative minimum revenue provision relating to the Council's property fund investments is £3,596,810 and a total voluntary revenue provision of £1,662,055 has been made.

The table below provides details of the 2022/23 budget for property fund distributions and borrowing costs along with the provisional returns received for the year. The final column shows the total distributions since the property funds were purchased.

Financial Institution	Actual Dividend Distribution Received Pre 2022/23	Dividend Distribution Budget 2022/23	Dividend Distribution Received 2022/23	Total Distribution Received Since Purchase
Federated Hermes Property Unit Trust	727,525	117,859	131,406	858,931
Schroder UK Real Estate Fund	779,317	141,434	195,247	974,564
Threadneedle Property Unit Trust	703,245	196,734	194,887	898,132
BlackRock UK Property Fund	531,654	144,948	135,231	666,885
M&G Investments UK Property Fund	581,963	163,395	37,054	619,017
AEW UK Core Property Fund	742,212	197,216	137,464	879,676
Total Revenue	4,065,916	961,586	831,289	4,897,205
Borrowing Costs	(1,628,308)	(493,000)	(493,000)	(2,121,308)
Net Revenue Position	2,437,608	468,586	338,289	2,775,897

It can be seen from the table above that the net revenue distribution received by the Council during 2022/23 was £338,289. The cumulative net distribution since purchase has now increased to £2,775,897.

2022/23 Capital Programme and Outturn

Scheme	Revised Budget 2022/23 £'000	Actual 2022/23 £'000	Variance (under)/over £'000
Capitalised Planned Enhancements	492	367	-125
Car Park Resurfacing	250	70	-180
Gibraltar Rd Wall Collapse	179	167	-12
Disabled Facilities Grants	1,562	1694	132
Pumping Works on Foreshore	146	0	-146
Vehicle Purchases	27	0	-27
IT Investment	1,185	880	-305
Community Housing Fund	654	0	-654
Traveller Sites	690	0	-690
PSPS Investment	249	68	-181
Public Sector Hub	4,006	3,906	-100
London Road	175	5	-170
Kingfisher Enhancements	109	6	-103
Green Homes Grants	1,979	2,257	278
Sustainable Warmth	7,321	2784	-4537
Fitness Suite Refurbishment	276	342	66
Pride in East Lindsey	63	65	2
Changing Places	300	0	-300
Total Non-Towns Fund Projects	19,663	12,611	-7,052
Leisure and Learning Hub	8,853	744	-8109
Sutton on Sea Colonnade	6,014	105	-5909
Skegness Foreshore	4,726	20	-4706
Skegness Railway Station	2,098	147	-1951
Skegness Town Centre Transformation	661	972	311
Police Training Centre	2,105	990	-1115
Multi-User Trail	1,427	292	-1135
Learning Campus	11,854	720	-11134
Skegness Cultural	1,402	102	-1300
Campus for Future Living	6,034	516	-5518
Sandilands	2,974	0	-2974
Mobihub	1,401	2	-1399
Mablethorpe High Street	320	44	-276
Total Towns Fund Projects ⁶	49,869	4,654	-45,215
Grand Total	69,532	17,265	-52,267

2022/23 Capital Expenditure Financing

General Fund 2022/23 Capital Funding and Outturn			
Financing	Revised Budget 2022/23 £'000	Outturn 2022/23 £'000	Variance (under)/overspend £'000
Grants & Contributions	(50,117)	(11,627)	(38,490)
Capital Reserves	(4,788)	(1,224)	(3,564)
Capital Receipts	(3,105)	(1,467)	(1,638)
Direct Revenue Financing	(11,522)	(2,947)	(8,575)
Total	(69,532)	(17,265)	(52,267)

This page is left intentionally blank