

# Public Document Pack

## NORTH LINCOLNSHIRE COUNCIL

### AUDIT COMMITTEE

22 November 2023

**Chairman:** Councillor Keith Vickers

**Venue:** Room F01e,  
Conference Room  
Church Square House

**Time:** 10.00 am

**E-Mail Address:**  
matthew.nundy@northlincs.gov.uk

### AGENDA

1. Substitutions (if any)
2. Declarations of Disclosable Pecuniary Interests and Personal or Personal and Prejudicial Interests (if any).
3. To take the minutes of the meeting held on 6 October 2023 as a correct record and authorise the chairman to sign. (Pages 1 - 8)
4. Audit Completion Report - Year Ending 31 March 2023 - Report by Mazars (Pages 9 - 44)
5. Audited Accounts 2022-23 (Pages 45 - 132)
6. Treasury Management Mid-Year Report 2023-24 (Pages 133 - 148)
7. Anti Fraud and Corruption Strategy Review Report (Pages 149 - 172)
8. Counter Fraud Progress Report (Pages 173 - 190)
9. Any other items which the chairman decides are urgent by reasons of special circumstances which must be specified.

**The public are likely to be excluded from the meeting for consideration of the following item on the grounds that it involves the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972.**

10. Questions to the council's External Auditors and Head of Internal Audit and Assurance (if required)

**Note: Reports are by the Director: Outcomes unless otherwise stated.**



# Public Document Pack Agenda Item 3

## NORTH LINCOLNSHIRE COUNCIL

### AUDIT COMMITTEE

6 October 2023

**PRESENT:** - Councillor K Vickers (Chairman)

Councillors T Foster (Vice-Chair), P Clark, A Davison, H Yates, D Wells and L Yeadon.

Councillor R Waltham MBE attended the meeting in accordance with Procedure Rule 1.37(b).

The meeting was held in Room F01e, Conference Room, Church Square House, Scunthorpe.

- 741 **SUBSTITUTIONS (IF ANY)** - Councillor D Wells substituted for Councillor T Mitchell.
- 742 **DECLARATIONS OF DISCLOSABLE PECUNIARY INTERESTS AND PERSONAL OR PERSONAL AND PREJUDICIAL INTERESTS (IF ANY)** - There were no declarations of Disclosable Pecuniary Interests and Personal or Personal and Prejudicial Interests.
- 743 **TO TAKE THE MINUTES OF THE MEETING HELD ON 12 JULY 2023 AS A CORRECT RECORD AND AUTHORISE THE CHAIRMAN TO SIGN** - That the minutes of the proceedings of the meeting held on 12 July 2023, having been printed and circulated amongst the members, be taken as read and correctly recorded and be signed by the Chairman.
- 744 **POST ELECTION INDEPENDENT REVIEW** - The Director: Outcomes circulated a report that informed members of the outcome of the independent review undertaken by the Association of Electoral Administrators (AEA) into the failure to count some postal ballots for the Broughton and Scawby ward in the May 2023 local elections.

Members were informed that at its last meeting, the Committee received a report on the draft Annual Governance Statement for 2022-23. Within that report reference was made to the Returning Officer having made a referral to the Electoral Commission following the Local Elections in May 2023 when it was identified that some postal ballots for the Broughton and Scawby ward had not been counted.

The committee heard that in addition to informing the Electoral Commission, the Returning Officer commissioned, via the Director: Governance and Communities, a post-election independent review by the Association of Electoral Administrators (AEA). The review was undertaken by the AEA's Chief Executive, Peter Stanyon and his report was attached at appendix 1.

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The AEA's report had been shared with the relevant candidates and agents that, in addition to relevant officers, took part in the review. Officers had carefully considered the review recommendations and prepared an action plan in response which was attached at appendix 2 and would assist the Returning Officer in administering future elections.

The AEA's report had also been shared with the Electoral Commission, which had referenced the referral in its post poll report into Performance Standards for the May 2023 elections.

The Chair then facilitated a discussion amongst the committee and the Director on the Association of Electoral Administrators report, including the action plan.

**Resolved** – That the Association of Electoral Administrators report and the subsequent action plan be referred to the council's Governance Scrutiny Panel for their consideration.

- 745 **ANNUAL INFORMATION GOVERNANCE UPDATE** - The Director: Outcomes circulated the annual Information Governance update for members consideration. Members were informed that an assurance report was presented to the committee each year to provide an update on the council's information governance arrangements and associated compliance.

The committee heard that the council had a legal obligation to comply with information legislation, notably the UK General Data Protection Regulation (UK GDPR)/Data Protection Act 2018, Freedom of Information Act, and the Environmental Information Regulations. Collectively these requirements were referred to as "information governance".

An Information Governance Framework comprising a series of individual policy schedules sets out how the council would comply with legislation and good practice. Its implementation was led and overseen by the Data Protection Officer with support from the Senior Information Risk Owner.

Members were informed that the council was committed to the ongoing strengthening of its Information Governance arrangements and continued to strive to meet the standards set by both internal audit and external assessments, with a high standard of compliance evidenced.

The Director guided members through the key developments and assurance highlights over the last 12 months.

The Chair then facilitated a discussion between the committee and Director.

**Resolved** – That the annual Information Governance update provided sufficient assurance of the adequacy of the council's Information Governance arrangements.

- 746 **SICKNESS ABSENCE 2022-23** - The Director: Outcomes circulated a report

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that informed the committee of the council's 2022-23 sickness absence levels including the year-end position.

Members heard that the average number of working days lost due to sickness absence in 202-23 was 10.16 days. This indicated a 6% increase in overall sickness absence levels compared to 2021-22. The average number of days lost had also increased by 0.57 days.

The report provided details on the –

- Average number of days lost per full time equivalent employee during 2022-23
- Number of full time equivalent days lost due to sickness absence during 2022-23.
- Periods of sickness absence
- Reasons for sickness absence
- Covid-19 related sickness absence
- Key activities the council had put in place to keep its workforce safe and well during the pandemic to support good levels of attendance and a reduction in sickness absence.

Following the Directors verbal presentation, the Chairman facilitated a discussion on the sickness absence report for 2022-23.

**Resolved** – (a) That following consideration of the report, and discussion on its content, the attendance management annual report for 2022-23 provided the committee with sufficient assurance that the risk to capacity due to sickness absence was being managed through adequate controls, and (b) that members be provided details on the sickness absence statistics for individual service areas.

747 **AUDITED ACCOUNTS 2021-22** - The Chairman welcomed Mr Stuart Fair to the meeting, the council's interim Chief Financial Officer. Mr Fair informed the meeting that the Accounts and Audit Regulations 2015 (England) required the council to publish a statement of accounts each financial year. These accounts were the formal statement of the council's financial performance for the year and its financial position at the end of that period. A financial year ran from April to March.

The legislation relating to the timescale for the production and audit of the accounts was amended for the 2021-22 financial years. This change was incorporated into the Accounts and Audit (Amendment) Regulations 2021 (SI 2021/263).

Members heard that the production of the draft accounts deadline moved from 31 May to 31 July 2022 and the audit completion date moved from 31 July to 30 September 2022.

The council's unaudited accounts were approved by the Director: Governance and Communities on 28 July 2022. This met the statutory

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requirement that they be approved by 31 July 2022.

During 2022, the Government became aware of an issue relating to the reporting of infrastructure assets. This led to delays in local authority audits. In response, CIPFA LASAAC Code Board agreed to try to assist in the resolution of the issue through changes to the Code of Practice on Local Authority Accounting (the Code) and in January 2023 they produced guidance on the temporary solution they put in place.

The temporary solution was brought into statute via a statutory override in the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulation 2022 SI 1232/2022.

The statutory override required some extra information to be included within the property, plant and equipment note relating to the infrastructure assets. This would remain in place until 31 March 2025 to allow for a permanent solution to be fully formed and implemented.

The implementation of the statutory override also allowed the audit of the accounts to continue once the changes had been carried out.

As the infrastructure assets issue delayed the audit sign off of the accounts, this then raised the issue of the triennial valuation of the local Government Pensions Scheme (LGPS) being produced before the auditors had provided their opinion.

The actuarial valuation referred to an authority's triennial valuation of the LGPS as its starting point as it was the best measurement of an authority's obligations for pensions.

The council had to assess whether amendments needed to be made as an Event after the Reporting Period following receipt of the final triennial valuation. This was done and it was determined that, following receipt of an updated actuarial report, this was an adjusting event due to the figures involved being material (£29.9m).

Following the comprehensive update, the Chairman facilitated a discussion on the council's audited accounts for 2021-22.

**Resolved** – (a) That the reasons for the delay in the signing of the 2021-2022 statement of accounts be noted, and (b) that delegated approval be given to the Interim Chief Financial Officer in consultation with the Chair of the Audit Committee to approve the audited set of accounts and final Annual Governance Statement on behalf of the Audit Committee following the satisfactory completion of all audit work.

748 **GOING CONCERN ASSESSMENT AS AT 31 MARCH 2023** - The Director: Outcomes submitted a report that summarised the management assessment of the council continuing to operate as a going concern for the purposes of producing the Statement of Accounts for 2022-

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Members heard that the council prepared its Statement of Accounts in accordance with the Code of Practice for Local Authority Accounting (the Code) as published by the Chartered Institute of Public Finance and Accountancy (CIPFA). In presenting information in its financial statements, the council was required to have regard to the going concern assumption (which was attached to the report at appendix 1). The detailed requirements of the code were considered in further detail in appendix 2, together with the responsibilities placed on the council's external auditors in obtaining sufficient assurance via an annual management assessment.

The concept of 'going concern' assumed that an authority, its functions, and services, would continue in operational existence for the foreseeable future. This assumption underpinned the accounts drawn up under the Code of Practice for Local Authority Accounting and was made because local authorities carry out functions essential to the local community and were themselves revenue raising bodies (with limits on their revenue raising powers arising only at the discretion of central government).

If an authority were in financial difficulty, alternative arrangements would be made by central government either for the continuation of the services it provided or for assistance with the recovery of a deficit over more than one financial year.

If the going concern assumption was deemed not to apply, this would have a material impact on the financial statements. Adjustments would be needed in the valuation of assets, as inventories and property, plant and equipment may not be realisable at their book values and provisions may be needed for closure costs or redundancies. An inability to apply the going concern concept potentially had a fundamental impact on the financial statements.

In accordance with the Code, the Council's Statement of Accounts had been prepared on a going concern basis assuming the council would continue to operate in the foreseeable future and was able to do so within the current and anticipated resources available. This meant the council would realise its assets and settle its obligations in the normal course of business.

This was supported by the going concern assessment undertaken by the Section 151 officer which concluded that the council could operate in the foreseeable future as a going concern.

The going concern assessment had been completed as at the Balance Sheet date of 31st March 2023. It included consideration of the impact that increased inflation and interest rates, as well as the residual impact of Covid-19 had had, and continue to have, on the council's finances.

**Resolved** – That the outcome of the Section 151 Officer's assessment of the council's going concern status for the purpose of preparing the Statement of Accounts as at the Balance Sheet date of 31st March 2023 be accepted.

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Chairman welcomed representatives from the council's external auditors Mazars to the meeting, who were in attendance to present the Audit Strategy Memorandum for North Lincolnshire Council for the year ending 31 March 2023.

The purpose of the document was to summarise Mazars audit approach, highlight significant audit risks and areas of key judgements and provide the committee with the details of the audit team.

It was a fundamental requirement that an auditor was, and was seen to be, independent of its clients. Section 7 of the document also summarised Mazars considerations and conclusions on its independence as auditors.

Mazars consider two-way communication with the council to be key to a successful audit and important in:

- Reaching a mutual understanding of the scope of the audit and the responsibilities of each of each party;
- Sharing information to assist each party to fulfil our respective responsibilities;
- Providing the council with constructive observations arising from the audit process; and
- Ensuring that Mazars, as external auditors, gain an understanding of the council's attitude and views in respect of the internal and external operational, financial, compliance and other risks facing the council which may affect the audit, including the likelihood of those risks materialising and how they were monitored and managed.

The document, which had been prepared following Mazars initial planning discussions with management, was the basis for discussion of its audit approach, and any questions or input the council had on their approach or role as auditor.

The document also contained specific appendices that outlined Mazars key communications with the council during the audit, and forthcoming accounting issues and other issues that may be of interest.

Members commented on aspects of the report to which the representatives of Mazars responded to.

**Resolved** – That the Audit Strategy Memorandum be received with thanks.

750 **TREASURY MANAGEMENT QUARTER ONE 2023-24** - The Director: Outcomes submitted a report that provided an overview of the council's treasury performance during the first three months of 2023-24 and set out national factors that affected the council's Treasury activity.

Members heard that the report fulfilled the council's legal obligation under the Local Government Act to have regard to both the CIPFA Code and the Department for Levelling Up, Housing and Communities (DLUHC). The



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Treasury Management Code of Practice 2021 stipulated that quarterly update reports on treasury management were required from 2023-24, providing assurance on the effectiveness of the council's treasury management arrangements.

The CIPFA Code set out the following objectives for treasury management: "It was important that treasury management policies adequately reflected risk and in particular security, liquidity and yield risk, in that order of importance. No treasury management transaction was without risk and management of risks was the key purpose of the treasury management strategy."

Full Council agreed the Treasury Management Strategy Statement (TMSS) for 2023-24 in February 2023. The report highlighted the key financial messages affecting its financial performance during quarter one of 2023-24.

**Resolved** – (a) That the report and the treasury management activity during the first quarter of 2023-24 be noted, and (b) that following consideration of the report and appendices, and discussion of their content, the Treasury Management quarter one report provided sufficient assurance on the effectiveness of the arrangements for treasury management.

751 **INTERNAL AUDIT PLAN 2023-24 UPDATE** - The Director: Outcomes submitted a report that updated the committee on the Internal Audit Plan for 2023-24.

Members heard that at the meeting of the Audit Committee held on 15 March 2023, the Head of Audit and Assurance presented the Internal Audit Plan 2023-24. The report provided an outline of the audit priorities and activities for 2023-24, how it would be delivered and resourced, a commentary on the methodology for its compilation, and assurance on compliance with auditing standards.

As previously reported the section relating to strategic risks/operational risks/governance was subject to final discussion with the council's senior leadership team, as well as further developments so that any risks raised through the completion of the Annual Governance Statement could be factored into the Plan.

Members were informed that a final detailed plan would be shared with the Audit Committee later in the year.

The updated Audit Plan 2023-24 was attached to the report as an appendix. This included a breakdown of the planned audits relating to strategic risks / operational risks / governance, their links to Council Plan Outcomes, and as requested by the Audit Committee, when they were last subject to audit.

The Chair then facilitated a discussion with the members on the audit plan, including changes in planned days since March 2023.

**Resolved** - That the updates to the strategic risks, operational risks and

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governance section of the Internal Audit Plan 2023-24 be noted.

- 752 **ANY OTHER ITEMS WHICH THE CHAIRMAN DECIDES ARE URGENT BY REASONS OF SPECIAL CIRCUMSTANCES WHICH MUST BE SPECIFIED** - The Chairman informed the meeting that the Assistant Director: Governance and Partnerships (and the council's Monitoring Officer) had been successful in obtaining a new position at Lincolnshire County Council, leaving his current position on 10 November 2023. The Chair thanked the Assistant Director for his help, advice, commitment, guidance professionalism and patience with the council and committee and wished him every success in his new role.
- 753 **EXCLUSION OF PRESS AND PUBLIC - Resolved** - That the public be excluded from the meeting for consideration of the following item (Minute 754 refers) on the grounds that it involves the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 (as amended).
- 754 **QUESTIONS TO THE COUNCIL'S EXTERNAL AUDITORS AND HEAD OF INTERNAL AUDIT AND ASSURANCE (IF REQUIRED)** - The committee had no questions for the council's External Auditors or Head of Internal Audit and Assurance.

# Audit Completion Report

## North Lincolnshire Council – Year ended 31 March 2023

20 November 2023  
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[Appendix A: Draft management representation letter](#)

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Our reports are prepared in the context of the 'Statement of Responsibilities of auditors and audited bodies' and the 'Appointing Person Terms of Appointment' issued by Public Sector Audit Appointments Limited.

Reports and letters prepared by appointed auditors and addressed to the Council are prepared for the sole use of the Council and we take no responsibility to any member or officer in their individual capacity or to any third party.

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Audit Committee  
North Lincolnshire Council  
Church Square House  
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Scunthorpe  
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22 November 2023

Dear Committee Members

## **Audit Completion Report – Year ended 31 March 2023**

We are pleased to present our Audit Completion Report for the year ended 31 March 2023. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum which we presented on 6 October 2023. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate.

We would like to express our thanks for the assistance of your team during our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 07747764529.

Yours faithfully



Mark Kirkham

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# 01

Section 01:

**Executive summary**

# 1. Executive summary

## Principal conclusions and significant findings

The detailed scope of our work as your appointed auditor for 2022/23 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 and, as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards on Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

In section 4 of this report we have set out our conclusions and significant findings from our audit. This section includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum, which include:

- management override of controls;
- net defined benefit asset/liability valuation; and
- valuation of property, plant and equipment.

## Misstatements and internal control recommendations

Section 5 sets out internal control recommendations and section 6 sets out audit misstatements; there are no unadjusted misstatements. Section 7 outlines our work on the Council's arrangements to achieve economy, efficiency and effectiveness in its use of resources.

## Status and audit opinion

We have substantially completed our audit in respect of the financial statements for the year ended 31 March 2023. At the time of preparing this report, there are significant matters remaining outstanding as outlined in section 2. We will provide an update to you in relation to the significant matters outstanding through issuance of a follow up letter.

Subject to the satisfactory conclusion of the remaining audit work, we have the following conclusions:



### Audit opinion

We anticipate issuing an unqualified opinion, without modification, on the financial statements. Our proposed audit opinion is included in the draft auditor's report in Appendix B.



### Value for money arrangements

We anticipate having no significant weaknesses in arrangements to report in relation to the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources. Further detail on our work is provided in section 7 of this report.



### Whole of Government Accounts (WGA)

We anticipate completing our work on the Council's WGA submission, in line with the group instructions issued by the NAO, by the deadline of 22 December 2023. We anticipate reporting that the WGA submission is consistent with the audited financial statements.



### Wider powers

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and to consider any objection made to the accounts. There have been no matters arising for the 2022/23 audit.

# 02

Section 02:

## Status of the audit

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## 2. Status of the audit

Our work is substantially complete and there are currently no matters of which we are aware that would require modification of our audit opinion, subject to the outstanding matters detailed below.

Audit area	Risk of material adjustment or significant change	Description of the outstanding matters
Cost of services – expenditure	Low	We are finalising our work on the housing benefit control account reconciliation. We are also working with officers to address our final queries in respect of our payroll testing.
Property, plant and equipment	Medium	We are finalising our testing of the valuation, existence and rights and obligations of property, plant and equipment. We are also finalising our testing of capital additions, minimum revenue provision, as well as the revised asset lives applied to infrastructure assets and the associated impact on depreciation charged.
Pensions	High	We are working with officers to ascertain whether an asset ceiling calculation is required for the asset surplus recognised within the draft accounts and, if required, the level of that asset ceiling. Officers are liaising with Hymans Robertson (the actuary) to determine the asset ceiling that should be applied to the pension fund asset. We are also awaiting assurance from the pension fund auditor.
IT testing	Low	We are finalising our work on the implementation of Unit 4, the Council's new general ledger system, which went live from 1 April 2022. We are also completing our standard procedures in respect of IT.
WGA	Low	We have yet to complete our procedures in respect of the Council WGA return.
Audit quality control and completion procedures	Low	Our audit work is undergoing final stages of review. In addition, there are residual procedures to complete, including agreeing the expected amendments to the final Statement of Accounts, updating post balance sheet event considerations to the point of issuing the opinion and reviewing managements going concern assertion.

**High** - Likely to result in material adjustment or significant change to disclosures within the financial statements.

**Medium** - Potential to result in material adjustment or significant change to disclosures within the financial statements.

**Low** - Not considered likely to result in material adjustment or change to disclosures within the financial statements.

# 03

## Section 03: **Audit approach**

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# 3. Audit approach

## Changes to our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum in October 2023. We have not made any changes to our audit approach since we presented our Audit Strategy Memorandum.

## Materiality

Our provisional materiality at the planning stage of the audit was set at £8.6m using a benchmark of 2% of gross revenue expenditure (at surplus/deficit on provision of services level). No changes to the materiality level set at the planning stage have been made.

## Use of experts

We provide information below on the use of experts as part of the audit. There were no changes to the planned approach as outlined in the ASM.

Item of account	Management's expert	Our expert
Defined benefit asset/liability	Actuary (Hymans Robertson)	PwC actuarial experts provided a review of the key assumptions used by Hymans Robertson.
Property, plant and equipment valuation	In-house valuer District Valuer	We used available third party information to challenge the key valuation assumptions.
Financial instrument disclosures	Link Asset Services	No expert required.

# 04

## Section 04: **Significant findings**

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## 4. Significant findings

In this section we outline the significant findings from our audit. These findings include:

- our audit conclusions regarding other significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 15 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year;
- any further significant matters discussed with management; and
- any significant difficulties we experienced during the audit;

# 4. Significant findings

## Significant risks

**Management override of controls**

**Description of the risk**

In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.

**How we addressed this risk**

We addressed this risk by carrying out audit work in the following areas:

- accounting estimates impacting amounts included in the financial statements;
- consideration of identified significant transactions outside the normal course of business; and
- journals recorded in the general ledger and other adjustments made in preparation of the financial statements.

**Audit conclusion**

Subject to satisfactory completion of the outstanding work noted in section 2 of this report, there are no matters to report in respect of the risk of management override of controls.

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## 4. Significant findings

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**Net defined benefit  
asset/liability valuation****Description of the risk**

The net pension asset/liability represents a material value within the Council's balance sheet. The Council is an admitted body of the East Riding of Yorkshire Pension Fund, which had its last triennial valuation completed as at 31 March 2022.

The valuation of the Local Government Pension Scheme relies on a number of assumptions, most notably around the actuarial assumptions, and actuarial methodology which results in the Council's overall valuation.

There are financial and demographic assumptions used in the calculation, such as the discount rate, inflation rates and mortality rates. The assumptions should also reflect the profile of the Council's employees and should be based on appropriate data. The basis of the assumptions is derived on a consistent basis year to year, updated to reflect any changes.

There is a risk that the assumptions and methodology used in valuing the pension obligation are not reasonable or appropriate to the Council's circumstances. This could have a material impact on the net pension asset/liability in 2022/23.

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**How we addressed this risk**

We addressed this risk by:

- evaluating the Council's arrangements (including relevant controls) for making estimates in relation to pension entries within the financial statements;
  - evaluating the competency, objectivity and independence of the scheme Actuary, Hymans Robertsons; and
  - considering the reasonableness of the actuary's assumptions that underpin the relevant entries made in the financial statements, through the use of an expert commissioned by the National Audit Office.
- 

**Audit conclusion**

We still have the outstanding work noted in section 2 of this report to complete. It is possible that on conclusion of this work there are matters to report in respect of the net defined benefit/liability valuation risk. We will provide an update to you on this matter through issuance of a follow up letter.

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# 4. Significant findings

**Valuation of property, plant and equipment**

**Description of the risk**

The financial statements contain material entries on the Balance Sheet as well as material disclosure notes in relation to the Council’s holding of property, plant and equipment.

Although the Council employs a valuation expert to provide information on valuations, there remains a high degree of estimation uncertainty associated with the revaluation of property, plant and equipment as a result of the significant judgements and number of variables involved. We have therefore identified the revaluation of property, plant and equipment to be an area of risk.

**How we addressed this risk**

We addressed this risk by:

- considering the Council’s arrangements for ensuring that property, plant and equipment values are reasonable;
- challenging the reasonableness of the valuations provided by the Council’s valuer using other sources of data;
- assessing the competence, skills and experience of the valuer and the instructions issued to the valuer; and
- where necessary, performing further audit procedures on individual assets to ensure the basis of valuation is appropriate.

**Audit conclusion**

Subject to satisfactory completion of the outstanding work noted in section 2 of this report, there are no matters to report in respect of the risk of valuation of property, plant and equipment.

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## 4. Significant findings

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

We have reviewed the Council's accounting policies and disclosures and concluded they comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets, published in November 2022, appropriately tailored to the Council's circumstances.

Draft accounts were received from the Council on 31 May 2023 and were of a good quality.

### Significant matters discussed with management

We discussed the need to determine whether an asset ceiling should be applied to the net defined benefit asset recognised within the draft accounts, as well as the need to ascertain the value of the asset ceiling to be applied.

We discussed with management whether there was any new litigation or claims which could give rise to liabilities for the Council.

We made enquiries of officers in respect of Reinforced Autoclaved Aerated Concrete (RAAC) being present in any Council-owned buildings and obtained assurance that there was no indication of any material issues affecting the Council's assets.

### Significant difficulties during the audit

During the course of the audit we did not encounter any significant difficulties and we have had the full co-operation of management.

### Wider responsibilities

Our powers and responsibilities under the 2014 Act are broad and include the ability to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law;
- make an application for judicial review; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these powers as part of our 2022/23 audit.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. No such objections have been raised.

# 05

## Section 05: **Internal control recommendations**

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# 5. Internal control recommendations

As part of our audit of the financial statements, we obtained an understanding of internal controls sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to the Audit Committee any significant deficiencies identified during the course of our work.

The purpose of our audit was to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place relevant to the preparation of the financial statements in order to design audit procedures to allow us to express an opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of internal control or to identify any significant deficiencies in their design or operation.

The matters reported are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and that we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control we might have identified more deficiencies to be reported or concluded that some of the reported deficiencies need not in fact have been reported. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

No significant findings or recommendations in relation to internal controls have been noted as at the date of this memorandum.

Priority ranking	Description	Number of issues
<b>1 (high)</b>	In our view, there is potential for financial loss, damage to reputation or loss of information. This may have implications for the achievement of business strategic objectives. The recommendation should be taken into consideration by management immediately.	0
<b>2 (medium)</b>	In our view, there is a need to strengthen internal control or enhance business efficiency. The recommendations should be actioned in the near future.	0
<b>3 (low)</b>	In our view, internal control should be strengthened in these additional areas when practicable.	0

# 5. Internal control recommendations

## Follow up on previous internal control points

### Description of deficiency

#### Leases – Level 3

Review of the leases disclosure and supporting working papers highlighted there is no consistent de minimis value applied to the accounting for leases.

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### Potential effects

Lease disclosures within the accounts are understated.

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### Recommendation

The Council set a de minimis value over which all leases are recorded in the financial statements.

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### 2022/23 update

Leases have been reviewed and a de minimis of £100 has been set. A protocol has been written to guide the preparer on how to create the note and which leases should/should not be excluded.

---

# 06

Section 06:

## Summary of misstatements

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## 6. Summary of misstatements

This section outlines the misstatements identified during the course of the audit, above the trivial threshold for adjustment of £258k.

### Unadjusted misstatements

To date there are no unadjusted misstatements identified through the course of our audit.

### Adjusted misstatements

To date there are no adjusted misstatements identified through the course of our audit (other than the minor disclosure amendments noted below)

### Disclosure Amendments

We identified the following disclosure amendments during our audit that have been corrected by management:

Note 14 Property, plant and equipment – the table showing the property, plant and equipment held on the asset register valued at historical cost or at the current value of the asset at the time of valuation, has been updated. The amendment is to exclude the land value for those assets where indexation had been applied as at 31 March 2023, as the indexation only applies to the building value. As such the value of land and buildings valued at current value as at 31 March 2023 has been reduced from £385,736k to £378,862k and the value as at 31 March 2022 and as at 31 March 2021 has been increased from £47,393k to £53,923 and from £12,896k to £13,240k respectively.

Note 37 Leases – the disclosure of future minimum lease payments receivable under non-cancellable leases in future years has been updated to amend for a new lease that had been included at twice its lease value. The total value of the amendment is £272k.

# 07

Section 07:

**Value for money arrangements**

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# 7. Value for money arrangements

## Our approach

We are required to consider whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out and sets out the reporting criteria that we are required to consider. The reporting criteria are:

- **Financial sustainability** - How the Council plans and manages its resources to ensure it can continue to deliver its services.
- **Governance** - How the Council ensures that it makes informed decisions and properly manages its risks.
- **Improving economy, efficiency and effectiveness** - How the Council uses information about its costs and performance to improve the way it manages and delivers its services.

At the planning stage of the audit, we undertake work to understand the arrangements that the Council has in place under each of the reporting criteria and we identify risks of significant weaknesses in those arrangements. Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest significant weaknesses in arrangements exist.

Our work has not identified a risk of significant weakness in arrangements.

Where our risk-based procedures identify actual significant weaknesses in arrangements we are required to report these and make recommendations for improvement. Where such significant weaknesses are identified, we report these in the audit report.

The primary output of our work on the Council's arrangements is the commentary on those arrangements that forms part of the Auditor's Annual Report. We intend to issue the Auditor's Annual Report within three months of issuing the audit opinion on the financial statements.

## Status of our work

We are yet to complete our work in respect of the Council's arrangements for the year ended 31 March 2023. At the time of preparing this report, we have not identified any significant weaknesses in arrangements that requires us to make a recommendation but we continue to undertake work on the Council's arrangements.

Our draft audit report at Appendix B outlines that we have not yet completed our work in relation to the Council's arrangements. As noted above, our commentary on the Council's arrangements will be provided in the Auditor's Annual Report.



# Appendices

A: Draft management representation letter

B: Draft audit report

C: Independence

D: Other communications

# Appendix A: Draft management representation letter

Mazars LLP  
5th Floor  
3 Wellington Place  
Leeds  
LS1 4AP

XX November 2023

Dear Mark

## **North Lincolnshire Council - Audit for Year Ended 31 March 2023**

This representation letter is provided in connection with your audit of the financial statements of North Lincolnshire Council the Council for the year ended 31 March 2023 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the Code), as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (“the Code Update”), published in November 2022 and applicable law.

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy ourselves that I can properly make each of the following representations to you.

### **My responsibility for the financial statements and accounting information**

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the Code), as amended by the Code Update and applicable law.

### **My responsibility to provide and disclose relevant information**

I have provided you with:

- access to all information of which I am aware that is relevant to the preparation of the financial statements such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the Council you determined it was necessary to contact in order to obtain audit evidence.

# Appendix A: Draft management representation letter

I confirm as Director of Finance & S151 Officer (Interim) Governance and Communities that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information.

As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

## Accounting records

I confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Council and committee meetings, have been made available to you.

## Accounting policies

I confirm that I have reviewed the accounting policies applied during the year in accordance with International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Council's financial position, financial performance and cash flows.

## Accounting estimates

I confirm that any significant assumptions used by the Council in making accounting estimates, including those measured at fair value, are reasonable.

## Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the company have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the Code, as amended by the

# Appendix A: Draft management representation letter

Code Update and applicable law.

## Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

## Fraud and error

I acknowledge my responsibility as Director of Finance & S151 Officer (Interim) Governance and Communities for the design, implementation and maintenance of internal control to prevent and detect fraud and error and I believe I have appropriately fulfilled those responsibilities.

I have disclosed to you:

- all the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the Council involving:
- management and those charged with governance;
- employees who have significant roles in internal control; and
- others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, analysts, regulators or others.

## Related party transactions

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the requirements of the Code, as amended by the Code Update and applicable law.

I have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which I am aware.

## Future commitments

The Council has no plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

# Appendix A: Draft management representation letter

## Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Code, as amended by the Code Update and applicable law, require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

## Impacts of Russian Forces entering Ukraine

I confirm that I have carried out an assessment of the potential impact of Russian Forces entering Ukraine on the Council, including the impact of mitigation measures and uncertainties, and that the disclosure in the Narrative Report fairly reflects that assessment.

## Covid-19

I confirm that I have carried out an assessment of the potential impact of the Covid-19 Virus pandemic on the business, including the impact of mitigation measures and uncertainties, and that the disclosure in the Narrative Report fairly reflects that assessment.

## Going concern

To the best of my knowledge there is nothing to indicate that the Council will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

## Unadjusted misstatements

I confirm that the effects of the unadjusted misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. Please make sure the appendix is attached to the letter and not cross-referenced to the appendix in the ACR.

Yours faithfully

Director of Finance & S151 Officer (Interim) Governance and Communities

# Appendix B: Draft audit report

## Independent auditor's report to the Members of North Lincolnshire Council

### Report on the audit of the financial statements

#### Opinion on the financial statements

We have audited the financial statements of North Lincolnshire Council ("the Council") for the year ended 31 March 2023, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, Collection Fund and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets ("the Code Update"), published in November 2022.

In our opinion, the financial statements:

- Give a true and fair view of the financial position of the Council as at 31st March 2023 and of its expenditure and income for the year then ended; and
- Have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Code Update.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report. We are independent of the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Director of Finance & S151 Officer (Interim) Governance and Communities use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, and taking into account the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Code Update, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Council's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

# Appendix B: Draft audit report

Our responsibilities and the responsibilities of the Director of Finance & S151 Officer (Interim) Governance and Communities with respect to going concern are described in the relevant sections of this report.

## **Other information**

The other information comprises the Annual Governance Statement and information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. The Director of Finance & S151 Officer (Interim) Governance and Communities is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## **Responsibilities of the Director of Finance & S151 Officer (Interim) Governance and Communities for the financial statements**

As explained more fully in the Statement of the Director of Finance & S151 Officer (Interim) Governance and Communities Responsibilities, the Director of Finance & S151 Officer (Interim) Governance and Communities is responsible for the preparation of the Statement of Accounts, which includes the 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 2022/23 as amended by the Code Update, and for being satisfied that they give a true and fair view. The Director of Finance & S151 Officer (Interim) Governance and Communities is also responsible for such internal control as the Director of Finance & S151 Officer (Interim) Governance and Communities determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Director of Finance & S151 Officer (Interim) Governance and Communities is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Code Update and prepare the financial statements on a going concern basis on the assumption that the functions of the Council will continue in operational existence for the foreseeable future. The Director of Finance & S151 Officer (Interim) Governance and Communities is responsible for assessing each year whether or not it is appropriate for the Council to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

## **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an

# Appendix B: Draft audit report

auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the Council, we identified that the principal risks of non-compliance with laws and regulations related to the Local Government Act 2003 (and associated regulations made under section 21), the Local Government Finance Acts of 1988, 1992 and 2012, and the Accounts and Audit Regulations 2015, and we considered the extent to which non-compliance might have a material effect on the financial statements.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- enquiring with management and the Audit Committee, as to whether the Council is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- considering the risk of acts by the Council which were contrary to applicable laws and regulations, including fraud.

We evaluated the Director of Finance & S151 Officer (Interim) Governance and Communities incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates and significant one-off or unusual transactions.

Our audit procedures in relation to fraud included but were not limited to:

- making enquiries of management and the Audit Committee on whether they had knowledge of any actual, suspected or alleged fraud;
- gaining an understanding of the internal controls established to mitigate risks related to fraud;
- discussing amongst the engagement team the risks of fraud; and
- addressing the risks of fraud through management override of controls by performing journal entry testing.



# Appendix B: Draft audit report

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management and the Audit Committee. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

We are also required to conclude on whether the Director of Finance & S151 Officer (Interim) Governance and Communities use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We performed our work in accordance with Practice Note 10: Audit of financial statement and regularity of public sector bodies in the United Kingdom, and Supplementary Guidance Note 01, issued by the National Audit Office in February 2023.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## **Report on the Council's arrangements for securing economy, efficiency, and effectiveness in its use of resources**

### **Matter on which we are required to report by exception**

We are required to report to you if, in our opinion, we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

We have not completed our work on the Council's arrangements. On the basis of our work to date, having regard to the guidance issued by the Comptroller and Auditor General in January 2023, we have not identified any significant weaknesses in arrangements for the year ended 31 March 2023.

We will report the outcome of our work on the Council's arrangements in our commentary on those arrangements within the Auditor's Annual Report. Our audit completion certificate will set out any matters which we are required to report by exception.

### **Responsibilities of the Accounting Officer**

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in the Council's use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources, and to report where we have not been able to satisfy ourselves that it has done so. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

# Appendix B: Draft audit report

We have undertaken our work in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in January 2023.

Matters on which we are required to report by exception under the Code of Audit Practice

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

## Use of the audit report

This report is made solely to the Members of North Lincolnshire Council, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Members of the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume any responsibility to anyone other than the Members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.

## Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed:

- the work necessary to issue our assurance statement in respect of the Council's Whole of Government Accounts consolidation pack;
- the work necessary to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency, and effectiveness in its use of resources.

Mark Kirkham Partner

For and on behalf of Mazars LLP

5th Floor

3 Wellington Place

Leeds

LS1 4AP





XX November 2023

# Appendix C: Independence



As part of our ongoing risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.

# Appendix D: Other communications

Other communication	Response
 <b>Compliance with Laws and Regulations</b>	<p>We have not identified any significant matters involving actual or suspected non-compliance with laws and regulations. Or detail significant matters identified.</p> <p>We will obtain written representations from management that all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements have been disclosed.</p>
 <b>External confirmations</b>	<p>We are still awaiting the 3<sup>rd</sup> party confirmation for the short-term investments held with Bank of Scotland as at 31 March 2023.</p>
 <b>Related parties</b>	<p>We did not identify any significant matters relating to the audit of related parties.</p> <p>We will obtain written representations from management confirming that:</p> <ol style="list-style-type: none"><li>they have disclosed to us the identity of related parties and all the related party relationships and transactions of which they are aware; and</li><li>they have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the applicable financial reporting framework.</li></ol>
 <b>Going concern</b>	<p>We have not identified any evidence to cause us to disagree with the Director of Finance &amp; S151 Officer (Interim) Governance and Communities will be a going concern, and therefore we consider that the use of the going concern assumption is appropriate in the preparation of the financial statements.</p> <p>We will obtain written representations from management, confirming that all relevant information covering a period of at least 12 months from the date of approval of the financial statements has been taken into account in assessing the appropriateness of the going concern basis of preparation of the financial statements.</p>

# Appendix D: Other communications (continued)

Other communication	Response
 <b>Subsequent events</b>	<p>We are required to obtain evidence about whether events occurring between the date of the financial statements and the date of the auditor’s report that require adjustment of, or disclosure in, the financial statements are appropriately reflected in those financial statements in accordance with the applicable financial reporting framework.</p> <p>We will obtain written representations from management that all events occurring subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed.</p>
 <b>Matters related to fraud</b>	<p>We have designed our audit approach to obtain reasonable assurance whether the financial statements as a whole are free from material misstatement due to fraud. In addition to the work performed by us, we will obtain written representations from management, and the Audit Committee, confirming that</p> <ol style="list-style-type: none"> <li>a. they acknowledge their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud;</li> <li>b. they have disclosed to the auditor the results of management’s assessment of the risk that the financial statements may be materially misstated as a result of fraud;</li> <li>c. they have disclosed to the auditor their knowledge of fraud or suspected fraud affecting the entity involving:             <ol style="list-style-type: none"> <li>i. Management;</li> <li>ii. Employees who have significant roles in internal control; or</li> <li>iii. Others where the fraud could have a material effect on the financial statements; and</li> </ol> </li> <li>d. they have disclosed to the auditor their knowledge of any allegations of fraud, or suspected fraud, affecting the entity’s financial statements communicated by employees, former employees, analysts, regulators or others.</li> </ol>

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## Mark Kirkham - Partner

### Mazars

5<sup>th</sup> Floor  
3 Wellington Place  
Leeds  
LS1 4AP

Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services\*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

\*where permitted under applicable country laws.

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## NORTH LINCOLNSHIRE COUNCIL

### AUDIT COMMITTEE

#### AUDITED ACCOUNTS 2022-2023

#### 1. OBJECT AND KEY POINTS IN THIS REPORT

- 1.1 The council's unaudited accounts were approved by the Director Governance and Communities on 30 May 2023. This met the statutory requirement that they be approved by 31 May 2023.
- 1.2 The accounts have since been audited and the external auditors have set out their findings in their audit completion report. This committee now needs to consider the proposed amendments and approve the changes to the accounts that result from it.
- 1.3 It is expected that the council's external auditors will issue an unqualified opinion on the accounts.
- 1.4 To seek approval to delegate the signing of the Letter of Representation and the Statement of Accounts 2022-23 once all Audit work is complete.

#### 2. BACKGROUND INFORMATION

- 2.1. The Accounts and Audit Regulations 2015 (England) require the council to publish a statement of accounts each financial year. These accounts are the formal statement of the council's financial performance for the year and its financial position at the end of that period. A financial year runs from April to March.
- 2.2. The legislation relating to the timescale for the production and audit of the accounts was amended for the 2020-2021 and 2021-2022 financial years. These changes were incorporated into the Accounts and Audit (Amendment) Regulations 2021 (SI 2021/263).
- 2.3. The production of the draft accounts deadline moved from 31 May to 31 July and the audit completion date moved from 31 July to 30 September during those years.
- 2.4. For 2022-2023 the deadlines reverted back to 31 May for the draft accounts and the 30 September deadline remained for the audited accounts.
- 2.5. The council's unaudited accounts were approved by the Director Governance and Communities on 30 May 2023. This met the statutory requirement that they be approved by 31 May 2023.

- 2.6. The International Standard on Auditing 260 – ‘The Auditor's Communication with Those Charged with Governance (ISA 260)’ requires auditors to report certain matters arising from the audit of the council’s financial statements before giving an opinion on them.
- 2.7. The Audit Completion Report (ACR) from the council’s auditors (Mazars) will be presented separately by Mazars. It will set out the matters arising from the audit of the council’s 2022-2023 accounts.
- 2.8. It is expected that an unqualified opinion on the council’s accounts will be given following the outstanding work being completed.
- 2.9. It is expected that an unqualified opinion on the council’s arrangements for securing Value for Money will be issued but this work is not yet complete.
- 2.10. International Standard on Auditing 580 ‘Management Representations’ requires auditors to obtain written confirmations of appropriate representations from management before the audit report is issued. A proposed letter of representation is included within the Audit Completion Report, which the Committee is asked to approve and authorise the Chair of the Audit Committee and the Director of Finance & S151 Officer (Interim) to sign.
- 2.11. Additionally, IAS 570 requires a specific statement on the applicability of the ‘Going Concern’ concept to the council. The accounts have been prepared on a going concern basis. A review of the applicability of the concept to the council can be seen in a separate report to this Committee.

### **3. OPTIONS FOR CONSIDERATION**

- 3.1. The Statement of Accounts for 2022-2023 be received and approved.
- 3.2. The Audit Committee are also invited to endorse the signing of the Letter of Representation.
- 3.3. Delegate approval to the Chair and the Director of Finance & S151 Officer (Interim) to approve the audited set of accounts on behalf of the Audit Committee following the satisfactory completion of all audit work.

### **4. ANALYSIS OF OPTIONS**

- 4.1. Statutorily the accounts must be approved by the 30 September 2023. The Committee should ask sufficient questions to gain assurance that the draft accounts present fairly the financial position of the council.

### **5. FINANCIAL AND OTHER RESOURCE IMPLICATIONS (e.g. LEGAL, HR, PROPERTY, IT, COMMUNICATIONS etc.)**



5.1 The accounts present the council's financial position as at 31 March 2023.

**6. OTHER RELEVANT IMPLICATIONS (e.g. CRIME AND DISORDER, EQUALITIES, COUNCIL PLAN, ENVIRONMENTAL, RISK etc.)**

6.1 The Accounts and Audit Regulations 2015 (England), amended by the Accounts and Audit (Amendment) Regulations 2021 (SI 2021/263), require that each authority prepare and approve its accounts by 31 May 2023 and publish them by 30 September 2023. The format and content of the accounts is also governed by the IFRS Code of Practice issued by CIPFA.

**7. OUTCOMES OF INTEGRATED IMPACT ASSESSMENT (IF APPLICABLE)**

7.1 Not applicable.

**8. OUTCOMES OF CONSULTATION AND CONFLICTS OF INTERESTS DECLARED**

8.1 Not applicable.

**9. RECOMMENDATIONS**

9.1 The Statement of Accounts for 2022/2023 be approved.

9.2 The Audit Committee endorse the signing of the Letter of Representation by the Chair of the Audit Committee and the Director of Finance & S151 Officer (Interim).

9.3 Delegate approval to the Chair of the Audit Committee and the Director of Finance & S151 Officer (Interim) to approve the audited set of accounts on behalf of the Audit Committee following the completion of all audit work.

**DIRECTOR: OUTCOMES**

Church Square House  
30-40 High Street  
Scunthorpe  
North Lincolnshire  
DN15 6NL

Author: Mark Kitching/Sarah Milburn  
Date: 3 November 2023

**Background Papers used in the preparation of this report**

- Statement of Accounts 2022/2023
- CIPFA Accounting Code of Practice

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# North Lincolnshire Council

[www.northlincs.gov.uk](http://www.northlincs.gov.uk)

## North Lincolnshire Council Draft Statement of Accounts

FINANCIAL YEAR 2022/2023



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## Narrative Statement

These financial statements have been prepared in line with the Code of Practice on Local Authority Accounting in the United Kingdom 2022/2023 (the Code). The purpose of this narrative statement is to explain, in an easy-to-understand way, the financial facts in relation to the council.

This Statement of Accounts explains North Lincolnshire Council's financial performance during the year 2022/2023 and its financial position at the end of that year. It follows approved accounting standards and is necessarily technical in parts.

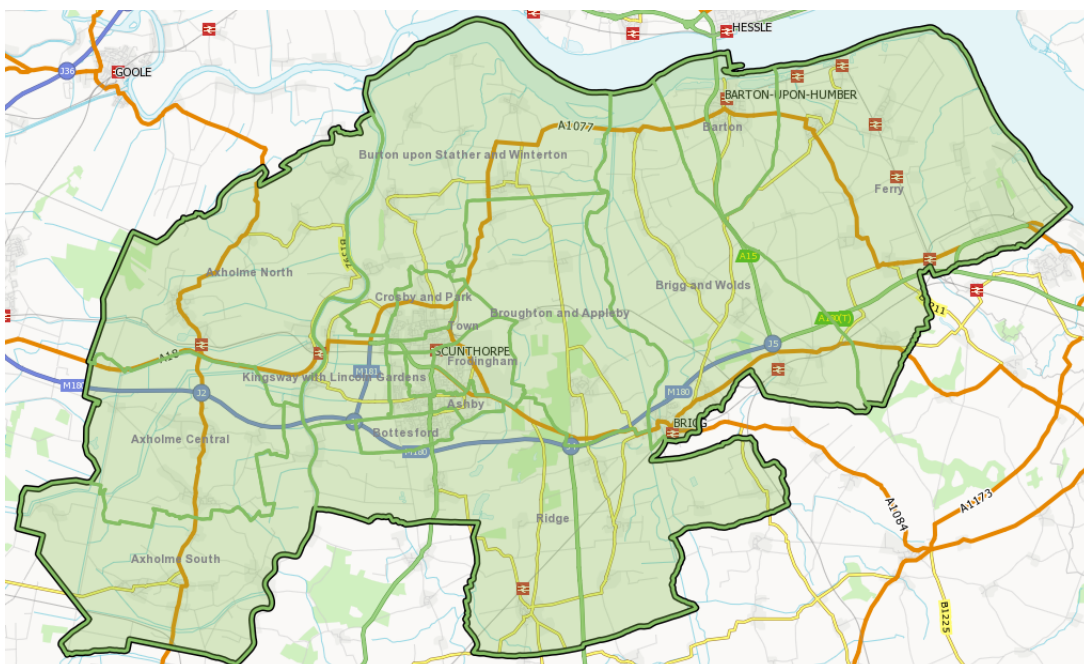
The Narrative Statement is not part of the financial statements but is prepared on the basis that it is consistent with the financial statements. Its purpose is to comment on the financial performance of the council and the economy, efficiency and effectiveness in its use of resources over the financial year.

## Overview of the Area and Council

North Lincolnshire Council is a Unitary Authority with the powers of a Non-Metropolitan County and a District Council. This means it is responsible for hundreds of essential local government services. To deliver these services it employs a workforce of around 3,000 people, making it a major local employer.

The council operates a Leader and Cabinet model. 2022/2023 was the final year of a third four-year term for the ruling Conservative group with the council consisting of 43 elected members representing 17 wards through 28 Conservative, 14 Labour and 1 independent councillor. The Conservative group retained control in the local elections in May 2023.

North Lincolnshire has an estimated population of around 169,700 people and an area of 849 km<sup>2</sup>. It is largely rural, including market towns and settlements of Brigg, Crowle, Epworth, Barton upon Humber, Winterton, Broughton, Kirton in Lindsey, Barnetby Le Wold, Haxey and Messingham. The major sub-regional towns of Scunthorpe and Bottesford are home to almost half of North Lincolnshire residents. It has excellent links with the national road and rail network.





## Accounts Timetable

The Government has recognised issues with auditing the accounts and the Department for Levelling Up Housing and Communities, following consultation with key stakeholders, introduced legislation to amend the deadlines for the audit of accounts. The draft accounts must be approved by the council's Chief Financial Officer by 31st May 2023 and the audit of accounts concluded by 30<sup>th</sup> September 2023 (previously 31<sup>st</sup> July 2023). The extension to the audit deadline will remain in place until after the financial year 2027/2028. The accounts inspection period is 30 working days which must include the first 10 working days of June.

## Vision and Ambition

We are proud of our place, communities and people and are committed to work hard to achieve our ambition for North Lincolnshire to be the best place for our residents.

As we look to the future, we will continue to lead by example and promote positive behaviours. Our priorities ensure that people remain at the heart of everything we do and working with our partners, we aim to maximise our impact by enabling and encouraging our residents, communities, and businesses to achieve their full potential.

Our organisational goals are to be, progressive and enabling in our approach and financially and environmentally sustainable.

## Priorities and Outcomes

The council's priorities and outcomes are themed under four areas:

### **Priority 1 - Keeping people safe and well**

Keeping people safe and well – to achieve a longer and better quality of life for our residents

### **Priority 2 - Enabling resilient and flourishing communities**

Enabling resilient and flourishing communities – to develop greater resilience and community spirit and enable people to identify and meet their ambitions.

### **Priority 3 - Enabling economic growth and renewal**

Enabling economic growth and renewal – to ensure there are highly skilled jobs and opportunities for a highly skilled workforce and the local economy supports efforts to reduce carbon emissions.

### **Priority 4 - Providing value for money for local taxpayers**

Providing value for money for local taxpayers – to ensure high quality services are provided for residents and the council is well-led.

Each priority includes more detailed areas of focus describe our intent. Impact against these is summarised in the recent achievements and performance section below.

## Outcomes

Our priorities will enable the council and our partners to achieve these outcomes for the people and place of North Lincolnshire.



## Strategies

The Council Plan provides a strong frame that guides activity across the council. This is supported and achieved through several key strategies.



## Good track record of effective financial management

Since the creation of North Lincolnshire Council the accounts have been 'unqualified'; with a positive value for money judgement. This position is supported by examples of good practice and financial management across the council, including:



- Consistently well managed demand in children's and adults social care over a long period
- Effective partnership working with the education sector – for example school's budgets are well managed with healthy school's balances and an underspend on the Dedicated Schools Grant
- Systems leadership across Health and Care sectors– with, for example, integrated commissioning, urgent and intermediate care and Neighbourhood Teams.
- Growth of both the Council Tax and Business Rates tax base, enabling economic growth and renewal in the local economy and housing market.

## Review of financial position

Service budgets are monitored on a regular basis throughout the year, and a council level budget position is collated quarterly, focussing on the forecast financial position at year-end and actions required to remedy any issues.

The council has deployed revenue investment of £175.5m against a revised budget of £173.1m, which represents a 1.4% variance. At the beginning of the year the estimated variance was spend 6.5% above the budget, reflecting mainly the impact of the wider economic conditions. Based upon anticipated mitigating actions including a mixture of proactive cost management initiatives and appropriate use of specific and non-specific government grants, it was agreed that an increase to the planned use of reserves by £5m would be required. The final position required £5.5m additional draw down of reserves.

## Revenue

Service Area	Approved Budget £'000	Outturn £'000	Variance £'000
Adult Social Services	23,003	24,180	1,177
Integrated Health & Care	4,654	5,100	446
Adults Early Help & Prevention	22,524	23,850	1,326
<b>Adults &amp; Health</b>	<b>50,181</b>	<b>53,130</b>	<b>2,949</b>
Education	4,710	4,886	176
Children's Help & Protection	10,296	9,486	-810
Children's Standards & Regulation	10,891	8,693	-2,198
<b>Children &amp; Families</b>	<b>25,897</b>	<b>23,065</b>	<b>-2,832</b>
Place	30,323	32,950	2,627
Public Protection	1,711	2,297	586
Organisational Development	16,925	16,841	-84
<b>Economy &amp; Environment</b>	<b>48,959</b>	<b>52,087</b>	<b>3,128</b>
Governance & Partnerships	5,109	5,197	88
Resources & Performance	8,512	7,831	-681
Community Enablement	8,286	8,737	451
<b>Governance &amp; Communities</b>	<b>21,907</b>	<b>21,765</b>	<b>-142</b>
Public Health	7,281	7,206	-75
<b>Public Health</b>	<b>7,281</b>	<b>7,206</b>	<b>-75</b>
<b>Service Total</b>	<b>154,225</b>	<b>157,252</b>	<b>3,027</b>
Central & Technical	18,845	18,212	-633
Funding	-173,070	-175,464	-2,394
<b>Council Position</b>	<b>0</b>	<b>0</b>	<b>0</b>

## Capital

The capital programme investment was £39.7m with areas of spend being rephased to future years due to ongoing effects of external factors on supply chain resourcing and cost impacts. The change of phasing of the programme has meant a reduction in both interest costs and funding costs.

## Reserves

The council's unallocated general fund reserve increased by £0.5m at the end of the financial year being £8.99m, which equates to 4.7% of its 2023/2024 net revenue expenditure.

The net movement on the Earmarked general fund reserves was a £0.9m reduction in 2022/2023. This is made up of £7.8m use of the Risk and Transformation Reserve to fund the cost of services, mostly offset by the setting aside of grants and the establishment of two new earmarked reserves. In addition, there has been an increase in schools' reserves of £0.3m. Note 10 provides more detail on the council's reserves.

## Priority: Keeping people safe and well

### What did we do?

North Lincolnshire Council has worked to prevent harm and protect the most vulnerable by offering a range of care services for both children and adults. Some we provide directly, others alongside partners and others are provided by outside organisations, but in each instance, we ensure that people using these services can actively participate in shaping them to meet their needs. Recognising that our population is aging rapidly, we have placed great emphasis on supporting people to live well for longer in their own homes, families and communities, and strive to create an environment that empowers individuals to take charge of their own health and wellbeing. We work towards making healthy choices an easier option and instilling these habits from an early age.

Area of Focus	Progress
<p>Safeguard and support everyone to live safely and independently within their families and communities.</p>	<p>We have developed an Adults Strategy and a new Childrens' Commissioning Strategy that prioritises keeping people in their own homes, families and communities. We continue to work in partnership with the local NHS and police through the Safeguarding Adults Board and Children's Multi Agency Resilience and Safeguarding Board to make sure vulnerable adults and children are protected and feel safe.</p> <p>We prevented 800 potential cases of homelessness and the number of people sleeping rough remains low thanks to targeted work tackling the underlying issues causing homelessness. We hosted the inaugural meeting of the Housing and Homelessness Reduction Partnership to bring together all partners with an interest in preventing homelessness in North Lincolnshire.</p> <p>We handled over 72,000 calls through the Care Call personal alarm service to help people continue living independently for longer. 98% of calls were answered within 60 seconds. We also supported over 1,700 people to recover after a hospital stay through providing rehabilitation and reablement support, with around 360 people also supported in their recovery from a stroke.</p> <p>We have designated all council buildings, including community hubs, leisure facilities and visitor attractions as 'safe spaces', enabling people to access facilities, advice and guidance in the heart of their community.</p>

	<p>We have worked with communities and partners such as Ongo Homes to welcome and support refugees fleeing conflict. We helped 124 refugees from Ukraine and Afghanistan to settle in North Lincolnshire over the past year.</p>
<p>Ensure the care sector is of high quality and care leavers receive the ongoing support they need</p>	<p>Our services for children and families were rated outstanding in all areas by Ofsted, with inspectors recognising the positive progress made by children in need of help and protection and children in care and care leavers. We join only four other local authorities nationally that have achieved the highest possible rating. No child was on a protection plan for two years or more, in line with the best performers across the country and 100% of child protection conferences were held within 15 days, above the national average of 79%.</p> <p>Adult social care support in North Lincolnshire has also been ranked among the best in the country, according to an independent survey of service users and carers. Our performance in 24 out of the 26 indicators was above the England average, and we were in the top quarter of local authorities in over three-quarters of the measures. 92 per cent of people who used adult social care services said the support they received made them feel safe and secure and 100 per cent of adult care provided by the council is rated good or outstanding. We have also invested £2.7m of capital in the provision of complex care facilities to improve the lives of disabled people.</p> <p>We recognise that we need more people working in the care sector, so have worked to raise the profile of a career in care through the Proud to Care campaign. A new recruitment hub and agency bank has been launched to make it easier to discover the opportunities available in this sector, with further incentives on offer including free childcare and subsidised electric transport.</p> <p>We continue to support carers to stay healthy, connected, realise their education and employment potential and have a life of their own alongside their caring responsibilities. We supported around 2,800 carers over the course of the year and are continuing to implement our Carers Strategy to make further positive progress.</p> <p>We work with partners from the emergency services, health and education through the Corporate Parenting Board and Multi Agency Looked After Children's Partnership to create a secure and nurturing environment for children in care and care leavers. We have also committed to increasing the offer of support and advice beyond the age of 25 to ensure care leavers have someone to support and advise them when they need it throughout their lives.</p>

<p>Reduce health inequalities and promote wellbeing</p>	<p>We work with a range of health and social care agencies through the Health and Wellbeing Board to promote good health and wellbeing for our residents. We also take collective responsibility with NHS organisations and others for planning services and reducing health inequalities by chairing the new North Lincolnshire Integrated Care Partnership.</p> <p>We helped around 400 people to stop smoking. At 12.3%, North Lincolnshire’s adult smoking rate is below the national average and at its lowest level to date, demonstrating the positive impact of the Northern Lincolnshire Smoke Free Alliance partnership.</p> <p>We continue to promote healthier lifestyles, attracting 9,300 participants to our programme of around 690 health walks. We also enabled 300 people to help maintain a healthy weight. We continue to promote and develop Live Well North Lincolnshire, a service helping residents to stay informed and connected to community organisations, support, and activities to improve health and wellbeing.</p> <p>We continue to make sure all in our community can stay healthy and well. North Lincolnshire’s COVID-19 vaccination programme was shortlisted for a national excellence award, recognising that staff worked tirelessly to encourage vaccine confidence among our culturally diverse communities via outreach sessions and videos and leaflets translated into several languages.</p> <p>We have worked well with partners across North Lincolnshire through the new Northern Lincolnshire Combatting Drugs Partnership, created to reduce drug use, crime and other drug related harms.</p>
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## Priority: Enabling resilient and flourishing communities

### What did we do?

North Lincolnshire Council has strived to ensure that the 86 settlements across North Lincolnshire are places where residents are proud to live, where neighbours support each other and where people enjoy a strong sense of belonging. Key to achieving this is working directly with local people to understand what they love about their communities, what needs improving, and empowering them to drive these changes. We support local volunteers and offer community grants to enable residents to make improvements themselves, in addition to working with our partners to provide a range of services that keep North Lincolnshire safe, clean, vibrant and easy to travel around.

Area of Focus	Progress
<p>Maintain a safe, clean and green local environment</p>	<p>We look after 66 parks and gardens across North Lincolnshire, with five receiving the Green Flag award, recognising them among the best maintained parks in the country. Continual efforts are made to enhance our green spaces, with a wellbeing garden at Normanby Hall Country Park and improvements to Haxey Nature Reserve completed over the year. We planted over 5,000 trees with the help of volunteers, and we continue to make good progress towards our 172,000 trees target.</p> <p>We made over 7.5 million waste and recycling collections, with 99.9% completed on time. 51.6% of household waste gets reused, recycled or composted, putting us in the top quarter of local authorities nationally, while less than 1% of waste collected from green bins now goes to landfill. We have invested in more efficient and sustainable refuse collection vehicles and joined an ambitious new waste partnership to drive further progress.</p> <p>We worked with Humberside Police, the probation service and other partners to produce a new Crime and Disorder Strategy, designed to coordinate efforts to make North Lincolnshire an even safer place. We have also taken a leading role in preventing violent crime through our involvement in the new Humber Violence Prevention Partnership. Our work supporting over 200 Neighbourhood Watch groups continues in order to help communities feel safe. To create a stronger and more visible police presence in Scunthorpe town centre, plans to use Towns Fund investment to build a new police station have been announced.</p> <p>We have made creating a cleaner and more attractive North Lincolnshire a priority and have developed a new Litter Plan that focuses on education, infrastructure and enforcement. Hundreds of bins will be doubled in size and emptied more frequently, enhancing the network of more than 1,500</p>

	<p>already in place. This new regime already appears to be paying dividends, with 100% of litter inspections in 2022/2023 finding rubbish to be at good or acceptable levels.</p> <p>We carried out 245 food hygiene inspections and 95 food standards inspections to protect the public, with the vast majority of establishments graded good or better. 100% of licencing applications were processed within statutory timescales.</p>
<p>Support our volunteers and create stronger communities with access to a range of leisure, culture and other facilities</p>	<p>We have worked with local tourism businesses through Visit North Lincolnshire and the Tourism Partnership Scheme to promote the area as a visitor destination of choice and help the industry recover from the impact of the COVID-19 pandemic. Latest data shows North Lincolnshire attracted nearly 3 million visitors in 2021, up 75% on the previous year.</p> <p>We operate seven community hubs to make it easier for residents to access information, advice and support and take part in activities to improve their health and wellbeing. We have invested £0.2m in 2022/2023 to make further hub enhancements, with plans also announced to refurbish the Epworth Hub, bringing together new facilities such as a library and community kitchens alongside the existing leisure centre. A new Armed Forces Hub also opened in Scunthorpe to provide a welcoming environment for armed forces personnel and veterans to meet others and access advice and guidance.</p> <p>We recognise that local residents and community groups are best placed to know what their community needs, so have invested £0.3m in community grants to support local projects. There are so many people giving their time to support each other and make their community better, and we recognised the dedication of local volunteers by hosting the Community Champions Awards. 150 nominations were received across the 15 award categories.</p> <p>We saw over 400,000 visits to our cultural facilities, a total that includes our museum, arts centre, country park and theatres, an increase of 56% on the previous year. In 2022/2023, North Lincolnshire has showcased the works of renowned artists such as Banksy and Tracey Emin, and we secured further Arts Council funding so we can continue to bring blockbuster exhibitions to the area for the whole family, take culture into communities and inspire more people to get involved with the arts. Levelling Up Fund money has also been allocated to develop a new science and technology centre that will serve as a valuable addition to the existing cultural facilities at Church Square in Scunthorpe.</p>

	<p>We attracted 830,000 visits to our leisure facilities, which include 5 swimming pools, 7 gyms, a golf course and bowls centre. As well as promoting good value leisure memberships, we are also committed to providing ways for people to stay active for free, such as through the opening of a new outdoor gym at Baysgarth Park, Barton. To help children on free school meals stay active and healthy over the school holidays, we organised activities for 1,501 children through the Fuelled programme.</p>
<p>Make it easier and safer to travel sustainably</p>	<p>We look after 1,467 miles of roads and pavements and have invested £8.6m in enhancing roads and carriageways and keeping them safe. Thanks to a new pothole machine that fills potholes four times faster than previous machinery, we have filled 1,592 potholes over the last year, investing £2.7m in pothole repair and prevention in 2022/2023. To keep the roads safe over the winter, the gritters were out 41 times, travelling over 15,000 miles and using 2,000 tonnes of salt. We continue to work with National Highways and the emergency services through the Safer Roads Humber partnership in order to keep road casualties to a minimum. £0.1m has also been invested in improving street lighting.</p> <p>We recognise that for people to transition to more sustainable transport options, it is essential to put the necessary infrastructure place to make switching a seamless and convenient choice. Over the year, the popular Scunthorpe Ridgeway has been further extended, making cycling across the town from north to south easier. Moreover, we have developed an Electric Vehicle Chargepoint Delivery Plan, with 35 new charging points set to be installed on streets across North Lincolnshire in the near future.</p> <p>We provided free transport so over 2,800 children could get to school safely. £0.5m was invested in 2022/2023 replacing council vehicles with more efficient and modern models, with transport for vulnerable children and adults set to be further transformed with the announcement of future investment in cleaner, greener buses. A range of greener and more reliable minibuses will be purchased with features including tail-lifts for easy wheelchair access.</p> <p>We invested £0.1m in the Wheels to Work scheme, providing mopeds and electric bicycles for people with transport difficulties to get to work, college or training. 20 new mopeds have been designated for care workers, making it easier for them to travel and deliver care across communities.</p> <p>We continue to try and make public transport a more convenient and affordable option for residents, promoting the £2 bus fare cap and securing funding to pilot two new routes, one between Brigg and</p>



	Barton and the other on the Isle of Axholme. The Just Go on-demand bus service carried nearly 18,000 passengers over the year.
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## Priority: Enabling economic growth and renewal

### What did we do?

North Lincolnshire Council has collaborated closely with residents and businesses to drive economic growth in North Lincolnshire and promote prosperity for everyone. Despite the challenges created by recent high inflation, we have worked to support local people and firms navigate the current situation while simultaneously laying the groundwork for a more prosperous future. We work with education and housing providers to ensure North Lincolnshire remains a place where people have easy access to excellent education and training opportunities and affordable, high-quality housing. By promoting and maximising North Lincolnshire's assets, we are able to promote the area as an attractive investment destination, helping not only bringing more prosperity to local people but also contributing to a more resilient tax base.

Area of Focus	Progress
<p>Encourage personal ambition through access to life-long, high quality education, guidance, training and opportunities to upskill and gain experience through volunteering</p>	<p>We supported parents to prepare their children for school, holding a series of well-attended 'Let's Get Ready for School' events. The vast majority of 2, 3 and 4 year olds also benefit from funded early education in good and outstanding providers.</p> <p>We have continued to promote the Imagination Library, with a further 87,000 books issued to under-fives over the year. 800,000 books have now been sent out since the scheme began ten years ago. Children who are registered with the library do better in school, with 67% of children receiving books from the Imagination Library achieving a good level of development at 5 years old compared to 53% of children who are not registered.</p> <p>We continue to work with head teachers and local schools to support school improvement through the Education Standards Board, and 87% of children now attend good or outstanding schools. We have also delivered £7.3m in capital investment to make a range of improvements to schools to ensure learning environments remain well maintained.</p>

	<p>We strive to provide children with early opportunities to explore future skills and careers. Our two Discover events held over the year successfully attracted thousands of people, featuring free and enjoyable activities for families to help youngsters uncover opportunities to pursue in the future.</p> <p>We offer training and development opportunities for people of all ages. Specifically for adults, we delivered 242 adult education courses attended by 1,819 people, while through the Multiply programme we assisted 589 adults to improve their numeracy skills.</p>
<p>Regenerate town centres and expand the local economy to secure more highly skilled jobs and encourage the business sector to transition to a net-zero carbon position</p>	<p>We have invested in our town centres to help them evolve to remain attractive places to live, work and visit. £5.6m of Future High Street and Towns Fund money was invested in the regeneration of Scunthorpe High Street over the year, and we have developed a new public garden in the heart of the town that we hope will become a focal point for events and other community activities. We also issued more than 1 million free two-hour parking tickets to support local high streets.</p> <p>We recognise the ongoing necessity to modernise our infrastructure and continue to be successful in bids for further funding. In 2022/2023, we received nearly £20m from the Levelling Up Fund for a new link road for Barton, as well as £5.5m from the Shared Prosperity Fund and £800,000 from the Rural England Prosperity Fund.</p> <p>We have developed a new Economic Growth Plan that sets out our approach to economic growth and renewal over the next five years. Alongside this, we have worked with businesses to develop a new Skills and Employability Plan to make North Lincolnshire an even better place to build a career and for businesses to grow. As of December 2022, 54.4% of jobs in North Lincolnshire were highly skilled, up from 51.3% at the same time the previous year.</p> <p>We have worked to keep employment levels high. At the end of 2022, 78.3% of North Lincolnshire residents aged 16 to 64 were working, above the national average and a clear step forward from the 72.3% achieved in December 2021. Initiatives such as the Youth Hubs and Jobs Expo help to connect jobseekers with businesses, with September's Expo attended by 700 people and 40 businesses.</p> <p>We made nearly 9,000 contacts with over 300 businesses over 2022/2023, supporting them to navigate immediate challenges such as rising prices and high vacancy levels as well as to develop and adapt for the future. Firms and employees alike now expect excellent digital connectivity, so we invested £1.3m</p>

	in improving access to the internet across North Lincolnshire. The percentage of households able to access full fibre broadband stands at 46.4% in March 2023, up from 16.8% twelve months before.
Work with home builders to develop high quality and environmentally sustainable homes	<p>We facilitated the completion of 450 homes and enabled many more to be improved, granting over 1,300 planning application approvals. £0.3m has been invested in providing infrastructure to enable the development of the Lincolnshire Lakes, a key housing growth area for the future.</p> <p>We eliminated health and safety hazards from 42 homes in the private rented sector, with the financial return on our investment to the NHS and society as a whole as a result of this work estimated to be over £380,000.</p> <p>We responded to rising energy costs by investing £1.3m to help 73 households on low incomes improve the energy efficiency of their homes, reducing their energy bills.</p>

<b>Priority: Providing value for money for local taxpayers</b>	
<b>What did we do?</b>	
North Lincolnshire Council is a publicly accountable body providing hundreds of essential services; therefore it is essential we are running the business well and continue to be able to operate as a going concern. That means spending money wisely, looking after our assets and demonstrating to our residents, customers and regulators that we can get things done as promised. We continually strive to keep our running costs as low as possible and adapt the way we work to remain financially sustainable. We also recognise that it is essential we leave the environment in a better state than we found it, so we have been working towards an ambitious plan to become a more environmentally sustainable organisation.	
<b>Area of Focus</b>	<b>Progress</b>
Get it right for our customers, first time	<p>We remained open and accountable to the public by responding to nearly 1,000 freedom of information requests and environmental information requests. The average response time was 16 days. Our information governance and data protection team also received an award for Initiative of the Year at the eCase Freedom of Information Awards.</p> <p>We completed and registered 550 marriages, also registering 1,534 births and 2,073 deaths. 100% of registrar certificates were issued within 5 days.</p>

	<p>We assisted people with their property purchases by processing 100% of land charge searches within 10 days.</p> <p>We restored faulty street lamps to working condition in an average of less than 2 days, making repairs much faster than the national average of 10.93 days.</p> <p>We processed over 95% of applications for in-year school transfers within 15 days and the vast majority of free school meals claims within 10 days.</p>
Meet our environmental responsibilities	<p>We have started working with communities and businesses to implement A Green Future, our plan to bring about positive environmental change in North Lincolnshire. As well as leading by example, we are encouraging everyone in North Lincolnshire to make positive changes, with a number of useful resources available on our website to help people to take action.</p> <p>We calculated our council-wide carbon footprint, including emissions generated from the goods and services we purchase from other organisations. With input from the Carbon Trust, we have developed an action plan that sets out a path to reducing our emissions from our current footprint of 85,000 tonnes of CO2 per year.</p> <p>We invested in enhanced air quality monitoring systems that deliver accurate real-time data. 98% of people in North Lincolnshire live in areas where air quality is at acceptable levels.</p> <p>We have set up North Lincolnshire Community Energy, giving local people the opportunity to invest in solar panels that will cut energy costs for local schools as well as reducing carbon emissions. We have installed over 1,350 solar panels across 6 local schools in 2022/2023, with panels planned for a further 10 schools later in 2023.</p> <p>We are exploring options for transitioning towards a greener, more sustainable fleet, including trialling an electric refuse truck, conducting a feasibility study on electrifying the depots for charging infrastructure and engaging with the market around costs and suitability of alternative sustainable fuelled vehicles.</p>

<p>Maintain our position as a well-managed and well-governed council and remain financially sustainable</p>	<p>We conducted 343 council business meetings to advance efficient decision-making, with 121 members of the public making contributions.</p> <p>We ensured our operations complied with industry standards and good practice, with 100% of externally regulated services receiving a good or better rating from assessors. We also invested £0.9m in modernising council IT systems and enhancing cyber-security.</p> <p>We maximised income collection so we can properly resource our priorities, achieving collection rates of 95.3% for non-domestic rates and 94.1% for council tax.</p> <p>Our finances were given a clean bill of health by our external auditors, and they were also satisfied with our arrangements to secure value for money.</p> <p>The council's cash balances remained healthy during 2022/2023. This, combined with the rephasing of some of the larger capital investment schemes to the later part of the year, meant that new borrowing could be deferred. As a result, the cost of borrowing was temporarily less in 2022/2023 than planned. The annual Treasury Management report to the Audit Committee provides further detail on the investment and borrowing strategy and demonstrates effective deployment and probity regarding handling of the council's cash balances.</p>
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## Financial Outlook

### Medium Term Financial Strategy

The council has made significant progress in maintaining and improving services to local people, risen to the challenge of increasing pressures on locally generated income and ensuring value for money is achieved. It has responded to and effectively managed the impact of wider economic changes alongside a range of social, demographic, and legislative challenges which increase demand on the council's resources.

It is paramount that the council takes the right steps to drive a robust and financially sustainable position. Without that, achievement of better outcomes for local people is compromised. For that reason, the council must continue to develop, modernise and change the way it operates.

The mechanisms for translating this Financial Strategy into action are the annual budget and Medium-Term Financial Plan (MTFP). These are the means for allocating resources to priorities, identifying areas for investment and disinvestment and for directing organisational delivery of statutory duties and council ambitions. To provide appropriate discipline to the MTFP process, the council works to a set of budget principles to guide resource decisions.

The financial strategy for achieving a sustainable council is therefore to:

- Grow the tax base – enabling economic growth and renewal in the local economy and housing market.
- Maximise income by investing wisely in commercial activity and ensuring traded services fully recover costs.
- Take full advantage of opportunities to access external funding sources which will support achieving the council's ambitions.
- Finding innovative ways of preventing need and minimising demand.
- Ensure decision making is based on the context of agreed and emerging policy informed by insight and demonstrates value for taxpayers' money.
- Continuous process of evaluation to ensure sufficient value to the experience and outcomes for residents is being achieved.
- Balance robust challenge and support to meet financial stewardship requirement and advance sustainability aspirations.
- Seek opportunities with partners to maximise economies of scale whilst enabling communities to take more responsibility for their local facilities.

In recent years the Council has responded to and supported recovery from the Covid-19 pandemic. The Council co-ordinated an unprecedented support response to the public health emergency which strengthened integration with partners and a focus on enabling through targeted early intervention and prevention. This legacy continues in the approach

the Council and partners take, working together to improve health and social care outcomes.

The Council is now dealing with a challenging economic environment. Inflation remains at high levels. The Bank of England's Monetary Policy Committee's (MPC) updated projections expect the impact on inflation of the higher prices of global energy and tradeable goods to reduce throughout 2023 with Annual CPI inflation expected to fall to below the Bank of England's target of 2% in quarter one of 2024 (source CPI forecast 19<sup>th</sup> April 2023 | Office of Budget Responsibility).

Council spending is exposed to the impact of inflation primarily either through contractual application of an inflation measure (e.g. CPI/RPI) or national pay awards. The current economic environment may impact on the council's normal activity levels, revenue and funding streams and as our cost base is likely to grow faster than our ability to grow our income, the impact will be closely monitored throughout the year.

The demand for, and cost of adult social care is one of the other main pressures on the council. The Local Government finance settlement has provided additional grant funding and precept funding in 2023/2024 relating to adult social care. The Council's sound financial resilience enabled a prudent release of reserves in year to meet externally driven pressures whilst a review of policy, redesign and transformation is confirmed and implemented.

All these factors have combined resulting in the medium-term financial plan having a gap to close by 2025/2026 between the cost base and availability of income. A motion was presented and approved by Full Council to support communities at this time by freezing general council tax and support older and disabled residents by setting the adult social care precept at 1.75% for 2023/2024. Although the proposal represented a balanced budget, this was achieved by increasing the planned use of reserves in 2023/2024 which in turn places a higher risk on the Council's financial resilience. This means that a higher level of savings is required to be confirmed over the medium-term financial plan period and accelerated to maintain the recommended level of risk reserves.

A strategic frame has been set to achieve this challenge and the Council's organisational goal – enabling, progressive and sustainable. There is an opportunity to re-set at a functional level, through improvement, innovation, and business change; at an organisational level through OD and transforming design, space, resources, and people and at a system level with partners and stakeholders. There is a clear democratic mandate confirmed through the recent local election, as the majority group take up a fourth term of office for the next four years.

## National Context

The Government set out the national spending and taxation position for 2022/2023 in the Autumn Budget, with indicative allocations for 2023/2024 and 2024/2025. The Autumn Statement set out taxation changes, public sector investment and support measures designed to tackle inflation as a top priority in the face of unprecedented global pressures brought about by the pandemic and the war in Ukraine.

However, considerable risks with regards to inflation exist. The consumer prices index (CPI) rose by 10.1% in the 12 months to March 2023, down from 10.4% in February 2023.

This has prompted the Bank of England to increase the base rate earlier and faster than expected over the last year with the rate currently at 4.25%. Persistent high inflation continues to present fiscal and demand related risks through increasing the cost of goods and services faster than increases in income, with implications for individuals and organisations.

## Conclusion

North Lincolnshire Council remains a high performing and ambitious council. It has a clear set of priorities that are outcomes focussed and continues to transform its services and processes to achieve its ambition. The environment in which the council operates has seen major changes over the past decade and this will continue for the foreseeable future, with economic conditions adding additional uncertainty to an already uncertain future. These changes bring with them their own set of opportunities and risks. The council is adopting a transformational approach to maximise the potential from the opportunities and manage the risks. At the same time setting a clear strategic intent to become financially sustainable to ensure the vital services it provides continue. The council's financial performance in 2022/2023 has built on existing financial resilience and continues to provide the foundations for ongoing financial planning and management to smooth the transition to financial sustainability.



## 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 Director Governance and Communities.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

### The Director Governance and Communities' Responsibilities

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

In preparing this Statement of Accounts, the Director Governance and Communities has:

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

The Director Governance and Communities has also:

- kept proper accounting records which were up to date
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

## Certificate of the Chief Financial Officer

I certify that:

- a) the Statement of Accounts for the year ended 31<sup>st</sup> March 2023 has been prepared in the form directed by the Code and under the accounting policies set out in note 1.
- b) in my opinion the Statement of Accounts presents fairly the income and expenditure and cash flows for the financial year and the financial position as at the end of the financial year.
- c) The statement of accounts is unaudited and may be subject to change.



R McIntyre  
Director Governance and Communities  
Date of certification: 30<sup>th</sup> May 2023

## Audit Committee Approval of Statement of Accounts

In accordance with Regulation 9 (2) of the Accounts and Audit Regulations 2015, I certify that these Accounts were approved by the Audit Committee at the meeting held on 22 November 2023.

Councillor K Vickers  
Chair of Audit Committee  
Date of Approval:

## Comprehensive Income and Expenditure Statement

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

2021/2022			Note Number	2022/2023		
Expenditure £000	Income £000	Net £000		Expenditure £000	Income £000	Net £000
81,939	(40,264)	41,675		86,685	(38,784)	47,901
64,869	(33,630)	31,239		73,384	(39,546)	33,838
14,094	(6,450)	7,644		845	(6,273)	(5,428)
77,135	(16,043)	61,092		83,325	(15,204)	68,121
64,831	(40,912)	23,919		70,337	(42,894)	27,443
7,842	(8,154)	(312)		7,898	(8,240)	(342)
80,991	(74,052)	6,939		86,408	(79,196)	7,212
<b>391,701</b>	<b>(219,505)</b>	<b>172,196</b>		<b>408,882</b>	<b>(230,137)</b>	<b>178,745</b>
5,449		5,449	11	2,965		2,965
20,845	(6,001)	14,844	12	18,127	(5,417)	12,710
	(157,705)	(157,705)	13		(180,082)	(180,082)
<b>417,995</b>	<b>(383,211)</b>	<b>34,784</b>		<b>429,974</b>	<b>(415,636)</b>	<b>14,338</b>
		(28,177)	14			(22,482)
		(201)	14			(40)
		(165,115)	39			(333,130)
		<b>(193,493)</b>				<b>(355,652)</b>
		<b>(158,709)</b>				<b>(341,314)</b>

## Movement in Reserves Statement

The Movement in Reserves Statement shows the movement from the start of the year to the end on the different reserves held by the council, analysed into usable reserves and other unusable reserves. The statement shows how the movements in year of the council's reserves are broken down between gains and losses incurred in accordance with International Financial Reporting Standards (IFRS) and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The Net Increase/Decrease line shows the statutory General Fund Balance movements in the year following these adjustments.

	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Reserves of the Council
	£000	£000	£000	£000	£000	£000	£000
<b>Balance Sheet as at 31 March 2021</b>	<b>7,158</b>	<b>66,649</b>	<b>2,756</b>	<b>27,912</b>	<b>104,475</b>	<b>(61,981)</b>	<b>42,494</b>
<b>Movement in reserves during 2021/2022</b>							
Total Comprehensive Income and Expenditure	(34,784)	0	0	0	<b>(34,784)</b>	193,493	<b>158,709</b>
Adjustments from income and expenditure charged under the accounting basis to the funding basis	33,677	0	271	(2,564)	<b>31,384</b>	(31,384)	<b>0</b>
<b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>	<b>(1,107)</b>	<b>0</b>	<b>271</b>	<b>(2,564)</b>	<b>(3,400)</b>	<b>162,109</b>	<b>158,709</b>
Transfer to or from Earmarked Reserves	2,442	(2,442)	0	0	0	0	0
<b>Increase/(Decrease) in 2021/2022</b>	<b>1,335</b>	<b>(2,442)</b>	<b>271</b>	<b>(2,564)</b>	<b>(3,400)</b>	<b>162,109</b>	<b>158,709</b>
<b>Balance Sheet as at 31 March 2022</b>	<b>8,493</b>	<b>64,207</b>	<b>3,027</b>	<b>25,348</b>	<b>101,075</b>	<b>100,128</b>	<b>201,203</b>
<b>Movement in reserves during 2022/2023</b>							
Total Comprehensive Income and Expenditure	(14,338)	0	0	0	<b>(14,338)</b>	355,652	<b>341,314</b>
Adjustments from income and expenditure charged under the accounting basis to the funding basis	13,902	0	246	2,665	<b>16,813</b>	(16,813)	<b>0</b>
<b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>	<b>(436)</b>	<b>0</b>	<b>246</b>	<b>2,665</b>	<b>2,475</b>	<b>338,839</b>	<b>341,314</b>
Transfer to or from Earmarked Reserves	936	(936)	0	0	0	0	0
<b>Increase/(Decrease) in 2022/2023</b>	<b>500</b>	<b>(936)</b>	<b>246</b>	<b>2,665</b>	<b>2,475</b>	<b>338,839</b>	<b>341,314</b>
<b>Balance Sheet as at 31 March 2023</b>	<b>8,993</b>	<b>63,271</b>	<b>3,273</b>	<b>28,013</b>	<b>103,550</b>	<b>438,967</b>	<b>542,517</b>

## Balance Sheet

The Balance Sheet shows the value as at the balance sheet date of the assets and liabilities recognised by the council. The net assets of the council (assets less liabilities) are matched by the reserves held by the council. Reserves are reported in two categories. The first category of reserve are usable reserves, i.e. those reserves that the council may use to fund service provision, 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 fund service provision. This category of reserve includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to fund service provision 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 <sup>st</sup> March 2022			31 <sup>st</sup> March 2023	
£000		Note Number	£000	
577,633	Property, Plant & Equipment	14	614,009	
1,621	Heritage Assets	15	1,929	
2,150	Investment Property	16	2,125	
1,403	Intangible Assets	17	1,769	
23	Long Term Debtors	18/20	15	
0	Other Long Term Asset	39	63,247	
<b>582,830</b>	<b>Long Term Assets</b>		<b>683,094</b>	
172	Inventories	40	188	
34,668	Short Term Debtors	18/20	37,701	
39,215	Cash and Cash Equivalents	21	8,963	
4,029	Assets held for sale	22	3,490	
<b>78,084</b>	<b>Current Assets</b>		<b>50,342</b>	
(8,422)	Short Term Borrowing	18	(10,584)	
(60,613)	Short Term Creditors	18/23	(39,043)	
(3,402)	Provisions	24	(2,705)	
<b>(72,437)</b>	<b>Current Liabilities</b>		<b>(52,332)</b>	
(5,467)	Provisions	24	(4,283)	
(144,571)	Long Term Borrowing	18	(134,304)	
(237,236)	Other Long-Term Liabilities	39	0	
<b>(387,274)</b>	<b>Long Term Liabilities</b>		<b>(138,587)</b>	
<b>201,203</b>	<b>Net Assets</b>		<b>542,517</b>	
101,075	Usable Reserves	MIRS	103,550	
100,128	Unusable Reserves	25	438,967	
<b>201,203</b>	<b>Total Reserves</b>		<b>542,517</b>	

## 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 service provided by the council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the council.

2021/2022 £000		Note	2022/2023 £000
(34,784)	Net surplus or (deficit) on the provision of services		(14,338)
74,989	Adjustment to surplus or deficit on the provision of services for non-cash movements	26	23,750
(15,366)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	26	(26,892)
24,839	Net Cash flows from operating activities		(17,480)
(6,208)	Net Cash flows from Investing Activities	27	(2,831)
1,965	Net Cash flows from Financing Activities	28	(9,941)
20,596	Net increase or (decrease) in cash and cash equivalents		(30,252)
18,619	Cash and cash equivalents at the beginning of the reporting period	21	39,215
39,215	Cash and cash equivalents at the end of the reporting period	21	8,963

## Notes to the Accounts

### Note 1 Accounting Policies

#### i. General Principles

The Statement of Accounts summarises the council's transactions for the 2022/2023 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 require it to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2022/2023, 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.

The Statement of Accounts is produced on a Going Concern basis.

#### ii. Accruals of Income and Expenditure

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

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet where individual inventory categories are above £100,000.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected. In respect of both capital and revenue transactions, the council operates on the normal accruals concept of income and expenditure above the council's de minimis threshold of £10,000. (The de minimis threshold does not apply to creditor accruals auto identified within the finance system, or where failure to accrual would result in the loss of a time limited grant.) Exceptions to this policy are:
  - Housing Benefit payments
  - Social services Income for home care
  - Travel payments and supply teachers
  - Property Trading account Income for commercial properties

These exceptions still mean a full 12 months of income and expenditure are accounted for in a financial year.

### iii. Cash and Cash Equivalents

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

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

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

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

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

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

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

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

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

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

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

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

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

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the council's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the council's General Fund. Therefore, the difference between the income included in the



Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

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

## vii. Employee Benefits

### Benefits Payable During Employment

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

### Termination Benefits

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

### Post-employment Benefits

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

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

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

However, the arrangements for the teachers' and NHS schemes mean that liabilities for these benefits cannot ordinarily be identified specifically to the council. These schemes are therefore accounted for as if they were defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Schools' service line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year. Various lines within the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to the NHS Pension Scheme in the year.

### The Local Government Pension Scheme

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

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

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

Service cost comprising:

- current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
- past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement
- net interest on the net defined benefit liability (asset), i.e. net interest expense for the council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

Re-measurements comprising:

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

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

#### Discretionary Benefits

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

#### viii. Events After the Reporting Period

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

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events

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

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

## ix. Financial Instruments

### Financial Liabilities

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

For most of the borrowings that the council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (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.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

### Financial Assets

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

### Financial Assets Measured at Amortised Cost

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

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

### Expected Credit Loss Model

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

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

### Financial Assets Measured at Fair Value through Profit of 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 arrive in the Surplus or Deficit on the Provision of Services.

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

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

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

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

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

### x. Government Grants and Contributions

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

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

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

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or

contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-specific Grant Income and Expenditure (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

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

#### xi. Heritage Assets

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

##### Civic Regalia, Museum Collection and Memorials

The asset will be accounted for at the value used for insurance purposes or its fair value as determined by a qualified valuer.

##### Heritage Assets – General

The carrying amounts of heritage assets are reviewed where 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. The council will occasionally dispose of heritage assets which have a doubtful provenance or are unsuitable for public display. The proceeds of such items are accounted for in accordance with the council's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts.

#### xii. Intangible Assets

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

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

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

abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

### xiii. Inventories

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The council has set a de minimis value of £100,000, below which inventories are not held on balance sheet.

### xiv. Investment Property

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

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

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

The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

### xv. Leases

Leases are classified as finance leases where the terms transfer substantially all the risks and rewards of ownership of the asset 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.

#### The Council as Lessee

##### Finance Leases

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

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and



- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

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

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

### Operating Leases

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

### The Council as Lessor

#### Finance Leases

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

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

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

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

## Operating Leases

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

## xvi. Overheads and Support Services

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

## xvii. Property, Plant and Equipment

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

### 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 and providing that the expenditure is above the council's de minimis threshold of £20,000.

Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance), is charged as an expense when it is incurred.

### Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

The council does not capitalise borrowing costs incurred while assets are under construction.

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

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



Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Highways Infrastructure assets are generally measured at depreciated historical cost. However, this is a modified form of historical cost – opening balances for highways infrastructure assets were originally recorded in balance sheets at amount of capital undischarged for sums borrowed as at 1 April 1994, which was deemed at that time to be historical cost.

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

- assets under construction and community assets (without a determinable finite useful life) – historical cost
- infrastructure, community assets (with a determinable finite useful life) – depreciated historical cost
- all other assets are measured at current value

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

Where non-property assets that 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(s) 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 finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction). Depreciation is normally charged in the first full year of operational use, except where stated, and calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer.
- vehicles, plant, furniture and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer. Depreciation is charged on vehicles from the point of initial use.
- infrastructure – straight-line allocation over its technically assessed life.

Where an item of property, plant and equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

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

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

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an asset held for sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any losses previously recognised in the Surplus or Deficit on Provision of Services.

Depreciation is not charged on assets held for sale.

If assets no longer meet the criteria to be classified as assets held for sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as held for sale, and their recoverable amount at the date of the decision not to sell.

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

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. The receipts are transferred to the Capital Receipts Reserve from the General Fund

Balance in the Movement in Reserves Statement. The reserves can then only be used for new capital investment or set aside to reduce the council's underlying need to borrow (the capital financing requirement).

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

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

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

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement when the council has an obligation and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

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

#### Contingent Liabilities

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

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

#### Contingent Assets

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

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

### xix. Reserves

The council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of

Services in the Comprehensive Income and Expenditure Statement. The reserve is then transferred back into the General Fund Balance so that there is no net charge against council tax for the expenditure.

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

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

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

#### xxi. Schools

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

#### xxii. VAT

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

#### xxiii. Fair Value Measurement

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

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

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

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

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

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

## Note 2 Accounting Standards Issued, Not Adopted

Under the Code of Practice on Local Authority Accounting in the United Kingdom 2022/2023 (the Code), the council is required to disclose information setting out the impact of an accounting change required by a new accounting standard that has been issued but not yet adopted by the Code.

At the Balance Sheet date, the following new standards, or amendments to existing standards, have been issued but not adopted:

- **Definition of Accounting Estimates (Amendments to IAS 8) issued in February 2021:** For changes in accounting estimates, an authority should disclose the nature and the amount of the change that affects the current period or that it is expected to have in future periods. It should be noted that IAS 8 does permit an exception where it is impracticable to estimate the effect of future periods. Where the effect on future periods is not disclosed because it is impracticable, that fact should be disclosed.
- **Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) issued in February 2021:** Requires authorities to disclose its material accounting policies instead of its significant accounting policies.

The following details are provided for information purposes:

- **IFRS 16 - Leases:** This Standard removes the previous lease classifications of operating and finance leases and will require local authorities that are lessees to recognise all leases on their balance sheets as right-of-use assets (there are exemptions for short-term and low value leases) with a corresponding lease liability representing the lessee's obligation to make lease payments for the asset. However, it should be noted that CIPFA/LASAAC have deferred implementation of IFRS 16 for local government to 1 April 2024.
- **Infrastructure Assets – Temporary Relief:** Following a consultation in the summer of 2022, CIPFA/LASAAC issued a code update on 29 November 2022. The update amends both the 2021-2022 and 2022-2023 Codes and includes specifications for future codes on the disclosure of gross cost and accumulated depreciation for infrastructure assets.

The temporary relief will remain in place until 31 March 2025.

### **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 most critical judgement made in the Statement of Accounts is that there remains a high degree of uncertainty about future levels of funding for local government. However, the council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the council might be impaired as a result of a need to close facilities and reduce levels of service provision.

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

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

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

Uncertainties	Effect if Actual Results Differ from Assumptions
<p><b>Property, Plant and Equipment</b> Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets.</p>	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets fall. It is estimated that the annual depreciation charge for buildings would increase by £0.4m if the average useful life of the council's buildings fell by one year.</p> <p>Other Land and buildings and Investment properties have a net book value of £449m. A 1% difference in the valuations would be £4.5m.</p>
<p><b>Pensions Liability</b> Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the council with expert advice about the assumptions to be applied.</p>	<p>The assumptions interact in complex ways. During 2022/2023 the council's actuary advised that the net pension liability had decreased by £300.5m as a result of updating the discount rate, assumptions and actual contributions made. A sensitivity analysis can be seen in the Defined Benefit Pension Schemes note 39.</p>
<p><b>Impairment</b> At 31 March 2023, the council had a balance of sundry debtors of £14.2m. A review of significant balances suggested that an impairment of doubtful debts of £2.7m was appropriate. However, it is not certain that such an allowance would be sufficient.</p>	<p>If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £2.7m to be set aside as an allowance.</p>
<p><b>National Non-Domestic Rates (NNDR) Provision</b> The council set aside, from its collection fund, £11.1m as a provision against the cost of the future settlement of current appeals outstanding against NNDR rateable values. The council's share of this provision of £5.4m is shown in the Provisions Note.</p>	<p>The impact of appeals is highly uncertain and outside of the control of the council.</p>
<p><b>Fair Value Measurement</b> When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for similar assets or liabilities in active markets or the discounted cash flow (DCF) model). Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the council's assets and liabilities.</p> <p>Where Level 1 inputs are not available, the council employs relevant experts to identify the most appropriate valuation techniques to determine fair value (for example for investment properties, the council's chief valuation officer and external valuer). Information about the valuation techniques and inputs used in determining the fair value of the council's assets and liabilities is disclosed in notes 14 and 18 below.</p>	<p>The significant unobservable inputs used in the fair value measurement include management assumptions regarding rent growth, vacancy levels, occupancy levels and others.</p> <p>Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurements.</p>

## Note 5 Material Items of Income and Expense

For this council, a material item of income and expense would be around £5m or more. There have been no material items of income or expenditure during 2022/2023 that are not already disclosed elsewhere within the accounts.

## Note 6 Events after the Balance Sheet Date

The council has not identified any material adjusting events occurring after the reporting date.

## Note 7 Expenditure and Funding Analysis and Associated Notes

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

Net Expenditure Chargeable to the General Fund Balances £'000	2021/2022			2022/2023		
	Adjustments between the Funding and Accounting Basis £'000	Net Expenditure in the CIES £'000		Net Expenditure Chargeable to the General Fund Balances £'000	Adjustments between the Funding and Accounting Basis £'000	Net Expenditure in the CIES £'000
45,038	(3,363)	41,675	Adults and Health	53,129	(5,228)	47,901
22,555	8,684	31,239	Children and Families	23,065	10,773	33,838
25,613	(17,969)	7,644	Central and Technical	17,712	(23,140)	(5,428)
42,221	18,871	61,092	Economy and Environment	52,087	16,034	68,121
18,174	5,745	23,919	Governance and Communities	21,656	5,787	27,443
6,619	(6,931)	(312)	Public Health	7,207	(7,549)	(342)
0	6,939	6,939	Schools	0	7,212	7,212
<b>160,220</b>	<b>11,976</b>	<b>172,196</b>	<b>Net Cost of Services</b>	<b>174,855</b>	<b>3,889</b>	<b>178,745</b>
(161,555)	24,143	(137,412)	Other Income and Expenditure	(175,355)	10,949	(164,407)
<b>(1,335)</b>	<b>36,119</b>	<b>34,784</b>	<b>(Surplus) or Deficit</b>	<b>(500)</b>	<b>14,838</b>	<b>14,338</b>
7,158			<b>Opening General Fund Balance</b>	8,493		
1,335			Surplus or (Deficit) on General Fund Balance in Year	500		
<b>8,493</b>			<b>Closing General Fund Balance</b>	<b>8,993</b>		

Adjustments from general fund to arrive at the Comprehensive Income and Expenditure Statement amounts:

2022/2023	Adjustments for Capital purposes £000	Net change for the Pensions Adjustments £000	Other Statutory Adjustments £000	Other Non-Statutory Adjustments £000	Total Adjustments £000
Adults and Health	969	3,822	(1,896)	(8,123)	(5,228)
Children and Families	7,725	4,518	(1,094)	(376)	10,773
Central and Technical	(10,606)	(4,605)	(1,309)	(6,620)	(23,140)
Economy and Environment	11,058	7,026	(181)	(1,868)	16,035
Governance and Communities	2,929	4,699	(524)	(1,317)	5,787
Public Health	0	228	(436)	(7,341)	(7,549)
Schools	(48)	7,184	76	0	7,212
<b>Net Cost of Services</b>	<b>12,027</b>	<b>22,872</b>	<b>(5,364)</b>	<b>(25,645)</b>	<b>3,890</b>
Other income and expenditure from the EFA	(25,194)	6,748	3,749	25,645	10,948
<b>Difference between General Fund (surplus) or deficit and CIES (surplus) or deficit on the Provision of Services</b>	<b>(13,167)</b>	<b>29,620</b>	<b>(1,615)</b>	<b>0</b>	<b>14,838</b>



2021/2022	Adjustments for Capital purposes £000	Net change for the Pensions Adjustments £000	Other Statutory Adjustments £000	Other Non-Statutory Adjustments £000	Total Adjustments £000
Adults and Health	166	3,846	(78)	(7,297)	(3,363)
Children and Families	6,492	4,911	(2,454)	(265)	8,684
Central and Technical	(1,291)	(4,666)	(4,226)	(7,786)	(17,969)
Economy and Environment	11,646	8,079	882	(1,736)	18,871
Governance and Communities	2,696	4,648	(295)	(1,304)	5,745
Public Health	0	241	172	(7,344)	(6,931)
Schools	(86)	7,340	(315)	0	6,939
<b>Net Cost of Services</b>	<b>19,623</b>	<b>24,399</b>	<b>(6,314)</b>	<b>(25,732)</b>	<b>11,976</b>
Other income and expenditure from the EFA	(10,813)	7,613	1,611	25,732	24,143
<b>Difference between General Fund (surplus) or deficit and CIES (surplus) or deficit on the Provision of Services</b>	<b>8,810</b>	<b>32,012</b>	<b>(4,703)</b>	<b>0</b>	<b>36,119</b>

**Adjustments for Capital Purposes** – include the charge to services for depreciation, impairment and revaluation gains and losses.

**Net change for the Pensions Adjustments** – includes 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, alongside the net interest on the defined benefit liability charged within other income and expenditure.

**Other Statutory Adjustments** – between amounts charged/credited to the CIES and amounts payable/receivable to be recognised under statute – accumulated absences charges as required by IAS19 to services and adjustments involving the amount by which council tax and NDR income credited to the Comprehensive Income and Expenditure Statement is different from the amount calculated in accordance with statutory requirements.

**Other Non-Statutory Adjustments** – represents amounts charged/credited to service segments which need to be adjusted against the 'Other income and expenditure from the Expenditure and Funding Analysis' line to comply with the presentational requirements in the Comprehensive Income and Expenditure Statement – e.g. interest income and expenditure, changes in the fair values of investment properties, trading operations and non-ring-fenced government grants.

### Segmental Income

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

	2022/2023 Revenue from External Customers £000	2021/2022 Revenue from External Customers £000
Adults and Health	(16,368)	(16,090)
Children and Families	(1,620)	(975)
Central and Technical	(256)	(120)
Economy and Environment	(15,267)	(16,052)
Governance and Communities	(9,804)	(6,243)
Public Health	(481)	(243)
Schools	(2,327)	(1,606)
<b>Total income analysed on a segmental basis</b>	<b>(46,123)</b>	<b>(41,329)</b>

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

## Note 8 Expenditure and Income Analysed by Nature

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

	2022/2023 £000	2021/2022 £000
<b>Expenditure/Income</b>		
<b>Expenditure</b>		
Employee benefits expenses	207,136	194,159
Other services expenses	185,629	185,972
Depreciation, amortisation, impairment	19,715	20,339
Interest payments	5,697	5,918
Precepts and levies	3,188	3,133
(Gain)/Loss on the disposal of assets	(223)	2,316
Other Expenditure (REFCUS)	8,832	6,158
<b>Total expenditure</b>	<b>429,974</b>	<b>417,995</b>
<b>Income</b>		
Fees, charges and other service income	(50,990)	(47,486)
Interest and investment income	(989)	(16)
Income from council tax, non-domestic rates income	(125,359)	(118,771)
Government grants and contributions	(238,286)	(216,928)
Other Income	(12)	(10)
<b>Total income</b>	<b>(415,636)</b>	<b>(383,211)</b>
<b>Surplus or Deficit on the Provision of Services</b>	<b>14,338</b>	<b>34,784</b>

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

2022/2023	Usable Reserves			Movement in Unusable Reserves £000
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	
<b>Adjustments to the Revenue Resources</b>				
<b>Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements.</b>				
Pension cost (transferred to (or from) the Pensions Reserve)	32,647			(32,647)
Pension Prepayment	(3,026)			3,026
Council tax and NDR (transfers to or from the Collection Fund)	(2,646)			2,646
Holiday pay (transferred to the Accumulated Absences reserve)	97			(97)
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	13,467			(13,467)
<b>Total Adjustments to Revenue Resources</b>	<b>40,539</b>	<b>0</b>	<b>0</b>	<b>(40,539)</b>
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(2,329)	2,329		
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	88	(88)		
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the CIES	450			(450)
Statutory Provision for the repayment of debt (Minimum Revenue Provision transfer to the Capital Adjustment Account)	(5,952)			5,952
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(167)			167
<b>Total Adjustments to Revenue Resources</b>	<b>(7,910)</b>	<b>2,241</b>	<b>0</b>	<b>5,669</b>
Use of the Capital Receipts Reserve to finance capital expenditure		(1,995)		1,995
Application of capital grants to finance capital expenditure	(18,727)		2,665	16,062
Cash payments in relation to deferred capital receipts		0		0
<b>Total Adjustments to Capital Resources</b>	<b>(18,727)</b>	<b>(1,995)</b>	<b>2,665</b>	<b>18,057</b>
<b>Total Adjustments</b>	<b>13,902</b>	<b>246</b>	<b>2,665</b>	<b>(16,813)</b>

2021/2022	Usable Reserves			Movement in Unusable Reserves £000
	General	Capital	Capital	
	Fund Balance £000	Receipts Reserve £000	Grants Unapplied £000	
<b>Adjustments to the Revenue Resources</b>				
<b>Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements.</b>				
Pension cost (transferred to (or from) the Pensions Reserve)	35,039			(35,039)
Pension Prepayment	(3,027)			3,027
Council tax and NDR (transfers to or from the Collection Fund)	(7,431)			7,431
Holiday pay (transferred to the Accumulated Absences reserve)	(34)			34
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	28,952			(28,952)
<b>Total Adjustments to Revenue Resources</b>	<b>53,499</b>	<b>0</b>	<b>0</b>	<b>(53,499)</b>
<b>Adjustments between Revenue and Capital Resources</b>				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(2,023)	2,023		
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	76	(76)		
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the CIES	(450)			450
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	(6,538)			6,538
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(250)			250
<b>Total Adjustments to Revenue Resources</b>	<b>(9,185)</b>	<b>1,947</b>	<b>0</b>	<b>7,238</b>
<b>Adjustments to Capital Resources</b>				
Use of the Capital Receipts Reserve to finance capital expenditure		(1,676)		1,676
Application of capital grants to finance capital expenditure	(10,637)		(2,564)	13,201
Cash payments in relation to deferred capital receipts				0
<b>Total Adjustments to Capital Resources</b>	<b>(10,637)</b>	<b>(1,676)</b>	<b>(2,564)</b>	<b>14,877</b>
<b>Total Adjustments</b>	<b>33,677</b>	<b>271</b>	<b>(2,564)</b>	<b>(31,384)</b>

## Note 10 Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund Expenditure in 2022/2023.

	2021/2022			2022/2023			Balance as at 31 March 2023 £000
	Balance as at 1 April 2021 £000	Transfers In £000	Transfers Out £000	Balance as at 31 March 2022 £000	Transfers In £000	Transfers Out £000	
	<b>General Fund:</b>						
Risk and Transformation Reserve	24,331	6,750	0	31,081	2,292	(7,751)	25,622
Revenue Grants	15,001	6,145	(7,473)	13,673	10,827	(9,764)	14,736
Schools Delegated Reserve	6,218	725	(86)	6,857	315	(2)	7,170
Dedicated Schools Grant	3,860	2,255	(550)	5,565	2,367	(1,072)	6,860
Public Health	1,752	677	(93)	2,336	772	(392)	2,716
NNDR Smoothing Reserve	12,460	0	(9,898)	2,562	0	0	2,562
Feasibility Studies	0	0	0	0	1,300	0	1,300
Dedicated Schools Grant-De-delegated	391	58	0	449	20	0	469
Licensing	274	33	(18)	289	80	(16)	353
Safety Camera Partnership	255	0	0	255	0	0	255
Care Leavers	218	14	0	232	0	0	232
Finance Systems Implementation	200	0	0	200	90	(90)	200
Devolution	0	0	0	0	200	0	200
Adult Social Care - Staffing	430	0	(218)	212	0	(29)	183
Scunthorpe Special Expenses	206	67	(141)	132	96	(120)	108
ICT SharePoint	50	0	0	50	37	0	87
Freeport	0	75	0	75	0	0	75
Org Development – Additional Training	65	0	(18)	47	56	(36)	67
Commuted Sums	94	0	(61)	33	0	(1)	32
Crematorium Enhancement Fund	30	0	0	30	0	0	30
Royal Events	0	20	0	20	14	(20)	14
Planning Improvements	46	30	(30)	46	0	(46)	0
Highways – Developer Contributions	18	0	(8)	10	0	(10)	0
Cultural Offer Transformation	53	0	0	53	0	(53)	0
Personal Protective Equipment	697	0	(697)	0	0	0	0
<b>Total Earmarked Reserves</b>	<b>66,649</b>	<b>16,849</b>	<b>(19,291)</b>	<b>64,207</b>	<b>18,466</b>	<b>(19,402)</b>	<b>63,271</b>

### Risk and Transformation Reserve

This reserve is held for two main purposes: -

- To give the council sufficient resilience to withstand funding or expenditure shocks. These include risks associated with funding, increased demand, delayed savings and the costs of self-insurance.
- To facilitate transformation and transition to a lower cost council

### Revenue Grants

This reserve has been set aside to hold the balances of revenue grants where the conditions of use have been met but remain unapplied at year end.

### Dedicated Schools Grant

This reserve has been set aside to hold the balance of the ring-fenced Dedicated Schools Grant, but not yet spent.

### Public Health Grant

This reserve has been set aside to hold the balance of the ring-fenced Public Health Grant received, but not yet spent.

### NNDR Smoothing Reserve

A specific reserve to alleviate future pressures as a result of Collection Fund deficits being transferred into General Fund.

## Note 11 Other Operating Expenditure

	2022/2023 £000	2021/2022 £000
Parish council precepts	1,701	1,686
Levies	1,487	1,447
(Gains)/losses on the disposal of non-current assets	(223)	2,316
<b>Total</b>	<b>2,965</b>	<b>5,449</b>

## Note 12 Financing and Investment Income and Expenditure

	2022/2023 Net £000	2021/2022 Net £000
Interest payable and similar charges	5,697	5,918
Net interest on the net defined benefit liability (asset)	6,748	7,614
Interest receivable and similar income	(989)	(16)
Income and expenditure in relation to investment properties and changes in their fair value	(321)	(159)
Other investment income	1,575	1,487
<b>Total</b>	<b>12,710</b>	<b>14,844</b>

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

	2022/2023 £000	2021/2022 £000
Council Tax Income	(83,860)	(81,199)
Non-Domestic Rates Income and Expenditure	(41,499)	(37,572)
Capital Grants, Contributions and Donations	(24,651)	(12,969)
<b>Non-ring-fenced Government Grants:</b>		
Business Rates Relief Grant	(12,279)	(7,829)
Social Care Grant	(7,614)	(5,559)
Revenue Support Grant	(6,426)	(6,232)
2022/2023 Services Grant	(2,287)	0
New Homes Bonus	(673)	(206)
Other Non-ring-fenced Government Grants	(303)	(23)
Lower Tier Services Grant	(271)	(252)
Rural Services Grant	(216)	(216)
COVID-19 Hardship Fund Grant	(3)	0
COVID-19 Emergency Grant	0	(4,544)
COVID-19 Local Council Tax Support	0	(1,163)
Tax Income Guarantee Compensation – Council Tax	0	59
<b>Total</b>	<b>(180,082)</b>	<b>(157,705)</b>

## Note 14 Property, Plant and Equipment

### Current Year

	Property, Plant & Equipment (PP&E)					
	Other Land and Buildings £000	Vehicles, Plant & Equipment £000	Community Assets £000	PP&E Under Construction £000	Surplus Assets £000	Total PP&E £000
<b>Cost or Valuation</b>						
Balance as at 1 April 2022	427,295	17,096	10,885	16,013	3,118	474,407
Additions	6,654	1,137	1,588	6,692	68	16,139
Donations	0	0	0	0	0	0
Revaluation increases/(decreases) to Revaluation Reserve	13,586	0	0	0	(783)	12,803
Revaluation increases/(decreases) to Surplus or Deficit on the Provision of Services	5,393	0	0	0	(1,818)	3,575
De-recognition - Disposals	0	(23)	0	0	0	(23)
De-recognition - Other	0	(632)	0	(63)	(20)	(715)
Reclassifications & Transfers	(3,416)	0	1,839	0	3,416	1,839
Reclassified to/from Held for Sale	(856)	0	0	0	17	(839)
Other movements	0	0	0	0	0	0
<b>Balance as at 31 March 2023</b>	<b>448,656</b>	<b>17,578</b>	<b>14,312</b>	<b>22,642</b>	<b>3,998</b>	<b>507,186</b>
<b>Depreciation and Impairment</b>						
Balance as at 1 April 2022	(1,643)	(10,339)	(1,527)	(109)	0	(13,618)
Depreciation Charge	(10,656)	(1,531)	(162)	0	0	(12,349)
Depreciation written out on Revaluation Reserve	9,352	0	0	0	119	9,471
Depreciation written out on Revaluation taken to Surplus or Deficit on the Provision of Services	629	0	0	0	0	629
Impairment losses/reversals to Revaluation Reserve	40	0	0	0	0	40
Impairment losses/reversals to Surplus or Deficit on the Provision of Services	308	0	(4)	0	0	304
De-recognition - Disposals	0	19	0	0	0	19
De-recognition - Other	0	632	0	63	0	695
Reclassifications & Transfers	119	0	(76)	0	(119)	(76)
Eliminated on reclassification to Held for Sale	14	0	0	0	0	14
<b>Balance as at 31 March 2023</b>	<b>(1,837)</b>	<b>(11,219)</b>	<b>(1,769)</b>	<b>(46)</b>	<b>0</b>	<b>(14,871)</b>
<b>Net Book Value</b>						
<b>Balance as at 31 March 2023</b>	<b>446,819</b>	<b>6,359</b>	<b>12,543</b>	<b>22,596</b>	<b>3,998</b>	<b>492,315</b>
Balance as at 31 March 2022	425,652	6,757	9,358	15,904	3,118	460,789

## Comparator Year

	Property, Plant & Equipment (PP&E)					
	Other Land and Buildings £000	Vehicles, Plant & Equipment £000	Community Assets £000	PP&E Under Construction £000	Surplus Assets £000	Total PP&E £000
<b>Cost or Valuation</b>						
Balance as at 1 April 2021	368,854	17,867	11,672	14,300	3,282	415,975
Additions	3,887	1,320	51	1,031	157	6,446
Donations	0	0	0	0	0	0
Revaluation increases/(decreases) to Revaluation Reserve	14,403	0	0	0	(3,668)	10,735
Revaluation increases/(decreases) to Surplus or Deficit on the Provision of Services	(3,312)	0	0	0	(4,973)	(8,285)
De-recognition - Disposals	(3,825)	0	(51)	0	0	(3,876)
De-recognition - Other	0	(2,091)	(787)	0	0	(2,878)
Reclassifications & Transfers	46,838	0	0	682	7,018	54,538
Reclassified to/from Held for Sale	450	0	0	0	1,302	1,752
Other movements	0	0	0	0	0	0
<b>Balance as at 31 March 2022</b>	<b>427,295</b>	<b>17,096</b>	<b>10,885</b>	<b>16,013</b>	<b>3,118</b>	<b>474,407</b>
<b>Depreciation and Impairment</b>						
Balance as at 1 April 2021	(12,742)	(11,006)	(2,154)	(1)	(281)	(26,184)
Depreciation Charge	(9,758)	(1,424)	(160)	0	(273)	(11,615)
Depreciation written out on Revaluation Reserve	17,030	0	0	0	412	17,442
Depreciation written out on Revaluation taken to Surplus or Deficit on the Provision of Services	1,982	0	0	0	545	2,527
Impairment losses/reversals to Revaluation Reserve	194	0	0	0	7	201
Impairment losses/reversals to Surplus or Deficit on the Provision of Services	680	0	0	(63)	8	625
De-recognition - Disposals	508	0	0	0	0	508
De-recognition - Other	0	2,091	787	0	0	2,878
Reclassifications & Transfers	463	0	0	(45)	(418)	0
Eliminated on reclassification to Held for Sale	0	0	0	0	0	0
<b>Balance as at 31 March 2022</b>	<b>(1,643)</b>	<b>(10,339)</b>	<b>(1,527)</b>	<b>(109)</b>	<b>0</b>	<b>(13,618)</b>
<b>Net Book Value</b>						
<b>Balance as at 31 March 2022</b>	<b>425,652</b>	<b>6,757</b>	<b>9,358</b>	<b>15,904</b>	<b>3,118</b>	<b>460,789</b>
Balance as at 31 March 2021	356,112	6,861	9,518	14,299	3,001	389,791

## Infrastructure Assets

Highways infrastructure assets include carriageways, footways and cycle tracks, structures (e.g. bridges), street lighting, street furniture, traffic management systems and land which together form a single integrated network.

### Movements on balances

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

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

	2022/2023 £000	2021/2022 £000
Net Book Value (modified historical cost) at 1 April	116,844	110,341
Additions	13,952	15,217
Derecognition	0	0
Depreciation	(7,339)	(8,714)
Transfers	(1,763)	0
<b>Net Book Value at 31 March</b>	<b>121,694</b>	<b>116,844</b>

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

Table reconciling Infrastructure and other property, plant and equipment back to the face of the balance sheet.

	2022/2023 £000	2021/2022 £000
Infrastructure Assets	121,694	116,844
Other Property, Plant and Equipment	492,315	460,789
<b>Total Property, Plant and Equipment on Balance Sheet</b>	<b>614,009</b>	<b>577,633</b>

A breakdown of the Infrastructure Assets into the different categories is below:

	2022/2023 Net Book Value £000	2021/2022 Net Book Value £000
Carriageways	85,787	80,460
Footpaths and cycle tracks	7,278	8,291
Structures	17,358	17,471
Street Lighting	10,168	10,305
Street Furniture	736	141
Traffic Management	367	176
<b>Total Infrastructure Asset</b>	<b>121,694</b>	<b>116,844</b>

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

### Depreciation

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

- Other Land and Buildings – 1–99 years
- Vehicles, Plant, Furniture & Equipment – 1-30 years
- Infrastructure – straight-line allocation over their useful life:
  - Carriageways – 10 – 50 years
  - Footways and cycle tracks – 11 – 50 years
  - Structures – 20 – 50 years
  - Street Lighting – 20 – 32 years
  - Street Furniture – 20 years
  - Traffic Management Systems – 20 – 33 years

### Capital Commitments

At 31 March 2023, the council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in future years. Of these contracts, those considered to be major contracts are those having outstanding commitments in excess of £1m. As at 31 March 2023, the following contracts met this criterion:

- Project Anchor - £10.184m
- Complex Care Children's Home - £2.403m
- Epworth Community Hub - £2.170m
- Crowle Godnow Road - £1.869m



## Effects of Changes in Estimates

In 2022/23, the council made one material change to its accounting estimates for property, plant and equipment as the remaining useful lives of all infrastructure assets were critically reviewed. As a result, the depreciation charge for the infrastructure assets of £7.339m for 2022/23 was £1.996m lower than it would have been if the useful lives assessed in 2021/22 had been used for the calculations. The impact of this change will carry forward into 2023/24 and future years.

## Revaluations

The council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at current value is revalued at least every five years. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset.

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

- that good title can be shown, and all valid planning permissions and statutory approvals are in place.
- that all easements, rights of way, restrictions and other encumbrances have been considered.
- that the properties are in good repair unless otherwise stated.
- that any services are in good working order or free from defect unless otherwise stated.
- that no deleterious or hazardous materials have been used in the construction nor any existing or potential environmental factors are known that could affect the values.

The table below shows the property, plant and equipment held on the asset register valued at historical cost or at the current value of the asset at the time of valuation (5-year rolling programme).

	Land and Buildings £000	Vehicles, Plant & Equipment £000	Surplus Assets £000	Other PPE £000	Total PPE £000
<b>Carried at historical cost</b>	0	6,359	0	154,837	161,196
<b>Valued at current value as at:</b>					
31/03/2023	378,862	0	3,998	0	<b>389,734</b>
31/03/2022	53,923	0	0	0	<b>47,393</b>
31/03/2021	13,240	0	0	0	<b>12,896</b>
31/03/2020	794	0	0	0	<b>794</b>
31/03/2019	0	0	0	0	<b>0</b>
<b>Total Cost or Valuation</b>	<b>446,819</b>	<b>6,359</b>	<b>3,998</b>	<b>154,837</b>	<b>612,013</b>

## Fair Value Measurement for Surplus Assets and Investment Properties

See Note 1 (xxiii) for an explanation of fair value and the fair value levels.



## Fair Value Hierarchy

Details of the council's surplus assets and investment properties as at 31 March 2023 are as follows:

Recurring fair value measurements using:	2022/2023				2021/2022			
	Quoted Prices (Level 1)	Inputs other than quoted prices (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair Value £000	Quoted Prices (Level 1)	Inputs other than quoted prices (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair Value £000
<b>Surplus Assets:</b>								
All Surplus Assets	0	0	3,998	<b>3,998</b>	0	0	3,118	<b>3,118</b>
<b>Total Surplus Assets</b>	<b>0</b>	<b>0</b>	<b>3,998</b>	<b>3,998</b>	<b>0</b>	<b>0</b>	<b>3,118</b>	<b>3,118</b>
<b>Investment Properties:</b>								
Office Units	0	0	0	<b>0</b>	0	0	0	<b>0</b>
Commercial Units	0	2,125	0	<b>2,125</b>	0	2,150	0	<b>2,150</b>
Agricultural Units	0	0	0	<b>0</b>	0	0	0	<b>0</b>
<b>Total Investment Properties</b>	<b>0</b>	<b>2,125</b>	<b>0</b>	<b>2,125</b>	<b>0</b>	<b>2,150</b>	<b>0</b>	<b>2,150</b>

### Determined Fair value level, valuation process and techniques

All valuations have been undertaken using the combined resource of internal and external valuers, 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 reporting directly to the chief financial officer on a regular basis regarding all valuation matters.

The council's investment and surplus assets are valued on the basis of Fair Value – highest and best use, in accordance with the IFRS13 definition of Fair Value – *'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 inputs for each valuation have been categorised against the fair value hierarchy of evidence in accordance with IFRS 13 and rated as Level 1, 2 or 3.

Level 2 inputs are inputs that are observable for the asset, either directly or indirectly. The inputs used took the form of analysed and weighted market evidence such as sales, rentals and yields in respect of comparable properties in the same or similar locations at or around the valuation date.

Where the inputs in a valuation are classed as level 3 (unobservable) this is primarily due to the lack of evidence in the principal or most advantageous market or the number and type of adjustments made, for example adjustments for location, size, repair of a comparable. Each valuation has been assessed based on the inputs and the hierarchy level is reported on the Schedule of Valuations.

Industrial and commercial units located in the local authority area are valued on an income approach that is based on capitalisation of current rental income and taking into account existing lease terms, any increases at the next review and other lease terms. Rentals and yields are derived from market evidence for similar properties in the local authority area adjusted to reflect each asset. The rental comparables are measured from a mixture of deals on council assets and third-party assets. The yields are derived from third party sales and discussions with other agents and the District Valuer.

Agricultural valuations are based on market comparable rents and yields for similar properties in the local authority area, taking into account existing lease terms, any increases at the next review and other lease terms. Rentals and yields are derived from market evidence for similar properties in the local authority area adjusted to reflect each

asset. The rental comparables are a mixture of deals on council assets and third-party assets. The yields are derived from third party sales and discussions with other agents and the District Valuer.

### Reconciliation of Fair Value Measurements

	2022/2023			2021/2022		
	Level 3 Surplus Assets £000	Level 2 Investment Properties £000	Level 3 Surplus Assets £000	Level 1 Investment Properties £000	Level 2 Investment Properties £000	Level 3 Investment Properties £000
Opening Balance	3,118	2,150	3,001	500	24,670	31,619
Reclassifications out at Level 1	0	0	0	(500)	0	0
Reclassifications out at Level 2	0	0	0	0	(22,420)	0
Reclassifications in at Level 3	3,314	0	8,320	0	0	0
Reclassifications out of at Level 3	0	0	(418)	0	0	(31,619)
Total gains [or losses] for the period included in the Surplus or Deficit on the Provision of Services resulting from changes in fair value	(1,818)	(25)	(4,693)	0	(100)	0
Total to Revaluation Reserve	(664)	0	(3,249)	0	0	0
Additions	68	0	157	0	0	0
Disposals	(20)	0	0	0	0	0
<b>Closing Balance</b>	<b>3,998</b>	<b>2,125</b>	<b>3,118</b>	<b>0</b>	<b>2,150</b>	<b>0</b>

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

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

### Quantitative Information about Fair Value measurement using significant unobservable inputs – Level 3

Subcategory at Fair Value Level 3	2022/2023 £000	Valuation technique used to measure fair value	Unobservable inputs	Sensitivity
<b>Surplus Assets:</b>				
Land	3,558	market comparison/ residual	sale levels finance / construction costs build period	significant changes in sale levels, finance and construction costs will result in a significantly lower or higher fair value
Buildings	440	market comparison/ residual	sale levels finance / construction costs build period	significant changes in sale levels, finance and construction costs will result in a significantly lower or higher fair value

## Note 15 Heritage Assets

Cost or Valuation	2022/2023				2021/2022			
	Civic Regalia £000	Normanby Park and Hall £000	Other Heritage Assets £000	Total Assets £000	Civic Regalia £000	Normanby Park and Hall £000	Other Heritage Assets £000	Total Assets £000
<b>Balance as at 1 April</b>	93	332	1,196	<b>1,621</b>	93	287	1,196	<b>1,576</b>
Additions	0	103	0	<b>103</b>	0	45	0	<b>45</b>
Revaluations	(21)	0	229	<b>208</b>	0	0	0	<b>0</b>
Impairment recognised in Surplus or deficit	0	(3)	0	<b>(3)</b>	0	0	0	<b>0</b>
<b>Balance as at 31 March</b>	<b>72</b>	<b>432</b>	<b>1,425</b>	<b>1,929</b>	<b>93</b>	<b>332</b>	<b>1,196</b>	<b>1,621</b>

### Civic Regalia

This category includes a variety of items including items held by the council's predecessors Scunthorpe and Glanford Borough Councils.

### Normanby Park and Hall

Normanby Hall is a Grade 1 listed building and is of local historical importance.

### Other Heritage Assets

This category includes the exhibits on display and in storage at Scunthorpe Museum and Normanby Hall, as well as war memorials around the county and a Sculpture within the centre of Scunthorpe.

## Note 16 Investment Properties

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

### Income and Expenditure from Investment Properties

	2022/2023 £000	2021/2022 £000
Rental income from investment property	(346)	(264)
Direct operating expenses arising from investment property	0	5
Net (Gain)/Loss	<b>(346)</b>	<b>(259)</b>

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

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

	2022/2023 £000	2021/2022 £000
Balance at start of the year	2,150	56,789
Additions:		
- Purchases	0	0
- Subsequent expenditure	0	0
Disposals	0	0
Net gains/(losses) from fair value adjustments	(25)	(100)
Transfers:		
- to/from Assets Held for Sale	0	0
- to/from Property, Plant and Equipment	0	(54,538)
Other changes	0	(1)
Balance at end of the year	<b>2,125</b>	<b>2,150</b>

## Note 17 Intangible Assets

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

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

- Finance, Human Resources and Payroll – 8 years
- Fleet Management System – 3 years

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £328k charged to revenue in 2022/2023 was charged £22k to Governance and Communities and £306k to Economy and Environment in the Cost of Services.

	2022/2023 £000	2021/2022 £000
Balance at start of the year	2,323	2,481
Accumulated Amortisation	(920)	(1,577)
Net carrying amount at start of year	<b>1,403</b>	<b>904</b>
Additions:		
- Purchases	694	816
- Other Movements	0	0
Disposals	(402)	(974)
Amortisation for the period	(328)	(317)
Amortisation written off on disposal	402	974
Net carrying amount at the end of the year	<b>1,769</b>	<b>1,403</b>
Comprising:		
- Gross carrying amounts	2,615	2,323
- Accumulated amortisation	(846)	(920)
	<b>1,769</b>	<b>1,403</b>

## Note 18 Financial Instruments

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

	Long-term		Current	
	2022/2023 £000	2021/2022 £000	2022/2023 £000	2021/2022 £000
<b>Financial Assets</b>				
Loans and receivables	15	23	24	13
Debtors carried at amortised cost	0	0	22,943	21,818
<b>Total Financial Assets</b>	<b>15</b>	<b>23</b>	<b>22,967</b>	<b>21,831</b>
<b>Financial Liabilities</b>				
Borrowings at amortised cost	(134,304)	(144,571)	(10,584)	(8,422)
Creditors carried at amortised cost	0	0	(26,422)	(44,429)
<b>Total Financial Liabilities</b>	<b>(134,304)</b>	<b>(144,571)</b>	<b>(37,006)</b>	<b>(52,851)</b>

Amounts relating to Financial Instruments recognised in the Comprehensive Income and Expenditure Account:

	2022/2023 Liabilities measured at amortised cost £000	2021/2022 Liabilities measured at amortised cost £000
Interest expense	5,697	5,918
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>5,697</b>	<b>5,918</b>

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

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

Except for the financial assets carried at fair value, all other financial liabilities and financial assets represented by amortised cost and long-term debtors and creditors are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- For loans from the PWLB payable, PWLB premature repayment rates have been applied to provide the fair value under PWLB debt redemption procedures.
- For non-PWLB loans payable, as market lenders to the sector compete with PWLB their rates must be comparable, therefore PWLB premature repayment rates have been applied to provide the fair value under PWLB debt redemption procedures.
- For loans receivable prevailing benchmark market rates have been used to provide the fair value.
- No early repayment or impairment is recognised.
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

This table shows the carrying value and fair value of the loans to the council by the Public Works Loans Board and other organisations.

	2022/2023		2021/2022	
	Carrying amount £000	Fair value* £000	Carrying amount £000	Fair value* £000
<b>Financial liabilities:</b>				
PWLB	141,571	141,707	146,616	160,647
Other Borrowing	3,000	3,000	6,000	6,124
<b>Total</b>	<b>144,571</b>	<b>141,707</b>	<b>152,616</b>	<b>166,771</b>

\*Fair value hierarchy: Quoted prices in active markets for identical assets / liabilities (level 1)

The fair value of the liabilities is greater than the carrying amount because the council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date. This shows a notional loss (based on economic conditions as at 31 March 2023) arising from the commitment to pay interest to lenders above current market rates.

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

The council's activities expose it to a variety of financial risks, including:

- Credit risk – the possibility that other parties might fail to pay amounts due to the council
- Liquidity risk – the possibility that the council might not have funds available to meet its commitments to make payments
- Re-financing and Maturity risk – the possibility that the council might 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 and market pricing of financial instruments.

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.

### 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 Treasury Management Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, as laid down by Standard & Poor's Global, Fitch and Moody's Ratings Services. The Treasury Management Strategy also imposes a maximum sum and time limits with a financial institution located within each category.

The council manages credit risk by ensuring that investments are only placed with organisations of high credit quality as set out in the Treasury Management Strategy approved by Full Council on the 24 February 2022. These include commercial entities with a minimum long-term credit rating of A- and the UK government. Recognising that credit ratings are imperfect predictors of default, the council has regard to other measures including credit default swap and equity prices when selecting commercial entities for investment.

The council's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of non-recovery applies to all the council's deposits, but there was no evidence at the 31 March 2023 that this was likely to crystallise.

### Liquidity Risk

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

The council has ready access to borrowing at favourable rates from the Public Works Loans Board (PWLB) and other local authorities. The council is also required to set a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure.

There is no significant perceived risk that the council will be unable to raise finance to meet its commitments.

### Re-financing and Maturity Risk

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

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

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

The maturity analysis of financial liabilities is as follows:

	2022/2023 £000	2021/2022 £000
Less than 1 year	10,267	8,045
Between 1 and 2 years	10,398	10,267
Between 2 and 5 years	27,473	31,710
Between 5 and 10 years	47,079	51,832
Between 10 and 20 years	25,533	26,254
Over 20 years	23,821	24,508
	<b>144,571</b>	<b>152,616</b>

### Interest rate risk

The council faces a risk in terms of its exposure to interest rate movements on its investments and to a lesser extent borrowings. Movements in interest rates have a complex impact on the council. For instance, a rise in interest rates would have the following effects:

- Borrowings at variable rates – the interest expense will rise
- Borrowings at fixed rates – the fair value of the liabilities borrowings will fall
- Investments at variable rates – the interest income credited will rise
- Investments at fixed rates – the fair value of the assets will fall.

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

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

### Price risk

The market prices of any council fixed rate bond investments and its units in pooled bond funds are governed by prevailing interest rates and the market risk associated with these instruments is managed alongside interest rate risk.

This will typically only apply where an investment is held as fair value through profit and loss or fair value through other comprehensive income.



## 2022/2023 Market Volatility

During 2022/2023 market volatility increased significantly before reducing towards the year-end. The council's investment strategy was designed to manage the increased level of risk. The council only invests with a limited number of counterparties, mainly the UK Government and a small number of financial institutions. As at 31 March 2023 it had investments with only three counterparties, the UK Government and two UK banks.

There was no indication that the volatility had a material impact on the estimates and assumptions the council has made around its investments at year-end. After the balance sheet dates the credit ratings for the council's counterparties at year-end have either remained stable or improved. As such there is no indication that any impairment of financial assets was required.

Interest rates rose significantly during the year but all the council's loans are on a fixed rate, so this had no immediate impact. The increase in interest rates will have a longer-term impact on the affordability of the council's internally funded capital programme.

## Note 20 Debtors

	Long term debtors		Short term debtors	
	2022/2023 £000	2021/2022 £000	2022/2023 £000	2021/2022 £000
Central Government Bodies	0	0	3,338	3,366
Other Local Authorities	0	0	1,145	4,434
NHS Bodies	0	0	7,581	2,584
Other entities and individuals	0	0	11,637	12,089
Prepayments	0	0	2,871	2,246
Impairment of loans and receivables	0	0	(3,629)	(2,901)
Loans and Advances	15	23	24	13
<b>Total Financial Instruments</b>	<b>15</b>	<b>23</b>	<b>22,967</b>	<b>21,831</b>
NDR & Council Tax	0	0	11,555	10,115
Value Added Tax	0	0	3,179	2,722
<b>Total Non-Financial Instruments</b>	<b>0</b>	<b>0</b>	<b>14,734</b>	<b>12,837</b>
<b>Total Debtors</b>	<b>15</b>	<b>23</b>	<b>37,701</b>	<b>34,668</b>

A breakdown of the local taxation (council tax and non-domestic rates) figure, in the table above, can be seen in the table below, analysed by age. The analysis only shows those balances where assessment has indicated that, by exception, no impairment is required.

The amounts due, but not impaired, for local taxation is analysed as follows:

	2022/2023	2021/2022
	£000	£000
Major Preceptors, not past due	1,663	1,545
1 year	6,022	5,172
1 – 2 years	1,973	1,622
2 – 3 years	1,153	1,136
3 – 4 years	744	640
<b>Total</b>	<b>11,555</b>	<b>10,115</b>

## Note 21 Cash and Cash Equivalents

For the purposes of the cash flow statement, cash and cash equivalents include cash in hand and in bank and short-term deposits and investments (considered to be cash equivalents), net of outstanding bank overdrafts.



Cash and cash equivalents at the end of the reporting period as shown in the statement of cash flows can be reconciled to the related items in the Balance Sheet as follows:

	2022/2023 £000	2021/2022 £000
Cash and Bank balances	(6,975)	(9,836)
Short Term Investments	15,938	49,051
<b>Total</b>	<b>8,963</b>	<b>39,215</b>

## Note 22 Assets Held for Sale

These assets are being actively marketed for sale:

	2022/2023 £000	2021/2022 £000
<b>Balance outstanding at start of year</b>	<b>4,029</b>	<b>6,805</b>
Additions	4	2
Transferred from Non-Current Assets during year:		
- Property Plant and Equipment	842	188
Depreciation written out to Surplus/Deficit	14	0
Revaluation gains/losses	162	319
Impairment gains/losses to revenue	0	0
Impairment gains/losses to revaluation reserve	0	0
Assets declassified as held for sale to PPE	(17)	(1,940)
Assets sold	(1,544)	(1,345)
Other movement	0	0
<b>Balance outstanding at year-end</b>	<b>3,490</b>	<b>4,029</b>

## Note 23 Creditors

These are amounts owed by the council in the next twelve months:

	2022/2023 £000	2021/2022 £000
Central government bodies	3,880	26,517
COVID-19 Grants due back to central government	1,046	3,320
Other local authorities	864	399
NHS bodies	1,231	1,092
Accumulated Absences	2,848	2,751
Bodies external to general government	16,553	10,350
<b>Total Financial Instruments</b>	<b>26,422</b>	<b>44,429</b>
NNDR & Council Tax	9,928	13,103
Tax and National Insurance	2,693	3,081
<b>Total Non-Financial Instruments</b>	<b>12,621</b>	<b>16,184</b>
<b>Total Short-Term Creditors</b>	<b>39,043</b>	<b>60,613</b>

## Note 24 Provisions

A provision is a liability of uncertain timing or amount. Amounts and timings are subject to future insurance, NNDR appeal and legal decisions.

	Balance as at 1 April 2022	Increase in provision during year	Utilised during year	Unused Amounts Reversed	Balance as at 31 March 2023	Estimated to be settled:	
						Current Provision	Long Term Provision
	£000	£000	£000	£000	£000	£000	
NNDR Appeals	7,452	2,373	(4,337)	0	5,488	2,211	3,277
Insurance Claims	1,417	601	(518)	0	1,500	494	1,006
	<b>8,869</b>	<b>2,974</b>	<b>(4,855)</b>	<b>0</b>	<b>6,988</b>	<b>2,705</b>	<b>4,283</b>

### National Non-Domestic Rates Appeals (NNDR)

This provision has been established to meet the council's share of the estimated costs of settling appeals against the NNDR valuation of properties, currently lodged with the Valuation Office Agency (VOA). The figure of £5.4m is the council's share of the full £11.2m appeals provision made from the collection fund.

## Insurance Claims

This provision has been set aside to meet the estimated costs of current insurance claims that will not be met by the council's insurance policies.

## Note 25 Unusable Reserves

### Unusable Reserves

	2022/2023 £000	2021/2022 £000
Capital Adjustment Account	202,210	187,325
Revaluation Reserve	173,440	155,094
Deferred Capital Receipts Reserve	160	610
Pensions Reserve	63,247	(240,262)
Collection Fund Adjustment Account	2,758	112
Accumulated Compensated Absences Adjustment Account	(2,848)	(2,751)
<b>Total Unusable Reserves</b>	<b>438,967</b>	<b>100,128</b>

### Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or 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 amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by the council as finance for the costs of acquisition, construction and subsequent costs.

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

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

	2022/2023 £000		2021/2022 £000	
<b>Balance at 1 April</b>		<b>187,325</b>		<b>185,630</b>
<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Charges for depreciation and impairment of non-current assets	(19,387)		(20,022)	
Revaluation losses on Property, Plant and Equipment	4,380		(5,439)	
Amortisation of Intangible Assets	(328)		(317)	
Revenue expenditure funded from capital under statute (REFCUS)	(2,463)		(693)	
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	(1,568)		(4,713)	
		<b>(19,366)</b>		<b>(31,184)</b>
Adjusting amounts written out of the Revaluation Reserve		4,176		8,983
<b>Net written out amount of the cost of non-current assets consumed in the year</b>		<b>(15,190)</b>		<b>(22,201)</b>
<b>Capital financing applied in the year:</b>				
Use of the Capital Receipts Reserve to finance new capital expenditure	1,995		1,675	
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	5,924		2,332	
Application of grants to capital financing from the Capital Grants Unapplied Account	16,062		13,201	
Statutory provision for the financing of capital investment charged against the General Fund balance	5,952		6,538	
Capital expenditure charged against the General Fund balance	167		250	
		<b>30,100</b>		<b>23,996</b>
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		(25)		(100)
Donated Asset credited to the Comprehensive Income and Expenditure Statement		0		0
<b>Balance at 31 March</b>		<b>202,210</b>		<b>187,325</b>

## Revaluation Reserve

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

The balance is reduced when assets with accumulated gains are:

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

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

	2022/2023 £000	2021/2022 £000
<b>Balance at 1 April</b>	<b>155,094</b>	<b>135,700</b>
Net revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	22,522	28,378
Difference between fair value depreciation and historical cost depreciation	(4,176)	(3,853)
Revaluation balances on assets scrapped or disposed of	0	(5,131)
Amount written off to the Capital Adjustment Account	<b>(4,176)</b>	<b>(8,984)</b>
<b>Balance at 31 March</b>	<b>173,440</b>	<b>155,094</b>

## 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 takes place, amounts are transferred to the Capital Receipts Reserve.

	2022/2023 £000	2021/2022 £000
<b>Balance at 1 April</b>	<b>610</b>	<b>160</b>
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(450)	450
<b>Balance at 31 March</b>	<b>160</b>	<b>610</b>

## Pensions Reserve

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

	2022/2023 £000	2021/2022 £000
<b>Balance at 1 April</b>	<b>(240,262)</b>	<b>(373,367)</b>
Re-measurements of the net defined benefit liability	333,130	165,117
Prepayment	3,026	3,027
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	(49,828)	(50,941)
Employer's pensions contributions and direct payments to pensioners payable in the year	17,181	15,902
<b>Balance at 31 March</b>	<b>63,247</b>	<b>(240,262)</b>

## Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and non-domestic rates income in the Comprehensive Income

and Expenditure Statement as it falls due from council tax and business rate payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

	2022/2023 £000	2021/2022 £000
<b>Balance at 1 April</b>	<b>112</b>	<b>(7,319)</b>
Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	2,646	7,431
<b>Balance at 31 March</b>	<b>2,758</b>	<b>112</b>

### Accumulated Absences Account

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

	2022/2023 £000	2021/2022 £000
<b>Balance at 1 April</b>	<b>(2,751)</b>	<b>(2,785)</b>
Settlement or cancellation of accrual made at the end of the preceding year	2,751	2,785
Amounts accrued at the end of the current year	(2,848)	(2,751)
<b>Balance at 31 March</b>	<b>(2,848)</b>	<b>(2,751)</b>

### Note 26 Cash flow from Operating Activities

The cash flows for operating activities include the following items:

	2022/2023 £000	2021/2022 £000
Interest Paid	(5,757)	(5,939)
Interest Received	989	16

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

	2022/2023 £000	2021/2022 £000
<b>Adjustment to surplus or deficit on the provision of services for noncash movements</b>		
Depreciation and Impairment	19,387	20,022
Revaluations	(4,380)	5,439
Amortisation	328	317
Increase/(Decrease) in impairment for bad debts	728	(906)
(Increase)/Decrease in Inventories	(16)	1,123
(Increase)/Decrease in Debtors	(6,517)	(3,635)
Increase/(Decrease) in Creditors	(18,139)	13,662
Movement in pension liability	32,647	35,039
Carrying amount of non-current assets sold	1,568	4,712
Movement in provisions	(1,881)	(884)
Movement in value of investments properties	25	100
	<b>23,750</b>	<b>74,989</b>
<b>Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities</b>		
Proceeds from the sale of PP&E, investment property and intangible assets	(2,241)	(2,397)
Capital grants include in Taxation & non-specific grant income	(24,651)	(12,969)
	<b>(26,892)</b>	<b>(15,366)</b>

## Note 27 Cash flow from Investing Activities

The surplus or deficit on the provision of services has been adjusted for the following items that are investing activities:

	2022/2023 £000	2021/2022 £000
Purchase of PP&E, investment property and intangible assets	(29,723)	(21,574)
Proceeds from the sale of PP&E, investment property and intangible assets	2,241	2,397
Capital Grants and Contributions Received	24,651	12,969
<b>Net Cash flows from Investing Activities</b>	<b>(2,831)</b>	<b>(6,208)</b>

## Note 28 Cash flow from Financing Activities

The surplus or deficit on the provision of services has been adjusted for the following items that are financing activities:

	2022/2023 £000	2021/2022 £000
Cash Receipts of Short and Long-term borrowing	0	3,000
Repayment of Short and Long-term Borrowing	(8,044)	(11,629)
Council Tax and NNDR Adjustments	(1,897)	10,594
<b>Net Cash flows from Financing Activities</b>	<b>(9,941)</b>	<b>1,965</b>

## Reconciliation of Liabilities Arising from Financing Activities

	Cash Changes		Non-Cash Changes		Balance at 31-Mar-2023 £000
	Balance as 1-Apr-2022 £000	Financing Cash Flows £000	Movement from long-term to short-term £000	Interest Accruals £000	
Long-term Borrowings	144,571	(5,044)	(5,222)	0	134,305
Short-term Borrowings	8,422	(3,000)	5,222	(60)	10,584
<b>Total Liabilities from Financing Activities</b>	<b>152,993</b>	<b>(8,044)</b>	<b>0</b>	<b>(60)</b>	<b>144,889</b>

## Note 29 Pooled Budgets

North Lincolnshire Council and Humber and North Yorkshire Integrated Care Board (ICB) are involved in a pooled budget scheme for the Better Care Fund.

The Better Care Fund is a government plan to integrate health and social care which is implemented via a Section 75 pooled budget arrangement. This council is a partner within the pooled budget with the ICB.

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

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

- Avoidable admissions
- Length of stay
- Discharge to normal place of residence
- Residential admissions
- Reablement

Funding of services to support these performance metrics focuses on supporting elderly service users, rapid response and reablement services to prevent people from needing to access hospital care.

	2022/2023 Better Care Funds £000	2021/2022 Better Care Funds £000
<b>Funding provided to the pooled budget:</b>		
The Authority	14,591	17,286
NHS ICB	16,191	5,603
	<b>30,782</b>	<b>22,889</b>
<b>Expenditure met from the pooled budget:</b>		
The Authority	24,128	16,727
NHS ICB	6,510	5,603
	<b>30,638</b>	<b>22,330</b>
<b>Net surplus/(deficit) arising on the pooled budget during the year</b>	<b>144</b>	<b>559</b>

## Note 30 Members' Allowances

Members' allowances, including Employer's costs, are as follows:

	2022/2023 £000	2021/2022 £000
Allowances	555	547
Expenses	9	7
<b>Total</b>	<b>564</b>	<b>554</b>

## Note 31 Officers' Remuneration

### Senior Officer Remuneration

Continuing Employees		Basic Salary £	Salary Supplement £	Compensation for Loss of Office £	Contribution to Pension Fund £	Total £
Chief Executive – P Thorpe (Head of Paid Service) Wef 06.09.2021	<b>2022/2023</b>	<b>161,313</b>	<b>9,679</b>	<b>0</b>	<b>25,326</b>	<b>196,318</b>
	2021/2022	90,763	5,446	0	14,250	110,459
Deputy Chief Executive	<b>2022/2023</b>	<b>151,353</b>	<b>9,082</b>	<b>0</b>	<b>23,762</b>	<b>184,197</b>
	2021/2022	149,428	8,966	0	23,460	181,854
Director of Adults and Health	<b>2022/2023</b>	<b>106,925</b>	<b>6,416</b>	<b>0</b>	<b>16,787</b>	<b>130,128</b>
	2021/2022	105,000	6,300	0	16,485	127,785
Director of Economy and Environment	<b>2022/2023</b>	<b>105,925</b>	<b>6,356</b>	<b>0</b>	<b>16,630</b>	<b>128,911</b>
	2021/2022	100,149	6,009	0	15,723	121,881
Director of Children and Families Wef 02.08.2021	<b>2022/2023</b>	<b>110,425</b>	<b>6,625</b>	<b>0</b>	<b>17,337</b>	<b>134,387</b>
	2021/2022	72,042	4,323	0	11,311	87,676
Director of Governance and Communities (Chief Financial Officer)	<b>2022/2023</b>	<b>105,925</b>	<b>6,356</b>	<b>0</b>	<b>16,630</b>	<b>128,911</b>
	2021/2022	100,226	5,980	0	15,735	121,941
Director of Public Health <sup>(1)</sup>	<b>2022/2023</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	2021/2022	0	0	0	0	0
Head of Legal and Democracy (Monitoring Officer)	<b>2022/2023</b>	<b>71,795</b>	<b>4,308</b>	<b>0</b>	<b>11,272</b>	<b>87,375</b>
	2021/2022	65,398	3,924	0	10,267	79,589

(1) Director of Public Health – From February 2022, a joint arrangement is in place with Lincolnshire County Council and North East Lincolnshire Council where a third of the costs are recharged to North Lincolnshire Council

Resigned, Redundant, Redesignated or Retired Employees		Basic Salary £	Salary Supplement £	Compensation for Loss of Office £	Contribution to Pension Fund £	Total £
Director of Learning, Skills & Culture <sup>(2)</sup>	<b>2022/2023</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	2021/2022	43,368	2,602	0	6,809	52,779

(2) The Director of Learning, Skills and Culture post was deleted in the Senior Leadership review with effect from January 2022.

## Senior Employee Remuneration

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

	2022/2023			2021/2022		
	Teachers	Other Staff	Total	Teachers	Other Staff	Total
£50,001 to £55,000	42	42	84	39	32	71
£55,001 to £60,000	20	26	46	17	42	59
£60,001 to £65,000	15	31	46	16	6	22
£65,001 to £70,000	15	8	23	13	6	19
£70,001 to £75,000	10	5	15	7	5	12
£75,001 to £80,000	7	4	11	6	6	12
£80,001 to £85,000	2	5	7	1	3	4
£85,001 to £90,000	2	1	3	3	1	4
£90,001 to £95,000	2	0	2	3	0	3
£95,001 to £100,000	2	1	3	0	0	0
£100,001 to £105,000	0	0	0	2	0	2
£105,001 to £110,000	1	1	2	1	0	1
£110,001 to £115,000	1	0	1	0	0	0
£115,001 to £120,000	0	0	0	0	0	0
£120,001 to £125,000	1	1	2	1	0	1
	120	125	245	109	101	210

## Exit Packages

The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below (excluding any Senior Officers which are listed individually above):

	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	
	2022/2023	2021/2022	2022/2023	2021/2022	2022/2023	2021/2022	2022/2023	2021/2022
							£000	£000
£0-£20,000	7	5	11	19	18	24	109	204
£20,001 - £60,000	0	2	8	2	8	4	305	122
<b>Total cost included in CIES</b>							<b>414</b>	<b>326</b>

## Note 32 External Audit Costs

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

	2022/2023	2021/2022
	£000	£000
Fees payable regarding external audit services carried out by the appointed auditor for the year	125	110
Fees payable in respect of grant claims during the year	17	17
Fees payable in respect of other services provided during the year	0	0
	<b>142</b>	<b>127</b>

## Note 33 Dedicated Schools Grant

The council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools' Budget, as defined in the School Finance and Early Years (England) Regulations 2022. The Schools' Budget includes elements for a range of educational services provided on a council-wide basis and for the Individual Schools' Budget, which is divided into a budget share for each maintained school.



Distribution of DSG receivable for 2022/2023 is as follows:

	Central Expenditure £000	Individual Schools Budget £000	Total £000
Final DSG for 2022/2023 before Academies recoupment			159,920
Academy figure recouped for 2022/2023			62,456
<b>Total DSG after academy recoupment for 2022/2023</b>			<b>97,464</b>
Plus: Brought forward from 2021/2022			5,565
Less: Carry forward to 2023/2024 (agreed in advance)			(5,128)
<b>Agreed initial budgeted distribution in 2022/2023</b>	<b>31,248</b>	<b>66,653</b>	<b>97,901</b>
In year adjustments	59		59
<b>Final budget distribution for 2021/2022</b>	<b>31,307</b>	<b>66,653</b>	<b>97,960</b>
Less: Actual central expenditure	29,576		29,576
Less: Actual ISB deployed to schools		66,653	66,653
Plus: Local Authority contribution for 2022/2023			0
<b>In-Year Carry Forward to 2023/2024</b>	<b>1,731</b>	<b>0</b>	<b>1,731</b>
Plus/Minus: Carry Forward to 2023/2024 agreed in advance			5,128
<b>Carry Forward to 2023/2024</b>			<b>6,859</b>
DSG in unusable reserve at the end of 2021/2022			0
Addition to DSG unusable reserve at the end of 2022/2023			0
Total DSG in unusable reserve at the end of 2022/2023			0
<b>Net DSG position at the end of 2022/2023</b>			<b>6,859</b>

## Note 34 Grant Income

The council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement during the year.

	Note	2022/2023 £000	2021/2022 £000
<b>Credited to Taxation and Non-Specific Grant Income</b>			
Council Tax Income	13	(83,860)	(81,199)
Non-Domestic Rates Income and Expenditure	13	(41,499)	(37,572)
Capital Grants	13	(24,651)	(12,969)
<b>Non-ring-fenced Government Grants:</b>			
Business Rates Relief Grant	13	(12,279)	(7,829)
Social Care Grant	13	(7,614)	(5,559)
Revenue Support Grant	13	(6,426)	(6,232)
2022/2023 Services Grant	13	(2,287)	0
New Homes Bonus	13	(673)	(206)
Other Non-ring-fenced Government Grants	13	(303)	(23)
Lower Tier Services Grant	13	(271)	(252)
Rural Services Grant	13	(216)	(216)
COVID-19 Hardship Fund Grant	13	(3)	0
COVID-19 Emergency Grant	13	0	(4,544)
COVIC-19 Local Council Tax Support	13	0	(1,163)
Tax Income Guarantee Compensation – Council Tax	13	0	59
<b>Total</b>		<b>(180,082)</b>	<b>(157,705)</b>
<b>Credited to Services</b>			
Dedicated Schools Grant		(96,036)	(92,128)
DWP - Rent Allowance Subsidy		(21,983)	(25,635)
Public Health England		(9,700)	(9,435)
Better Care Fund		(8,109)	(7,674)
Improved Better Care Fund		(7,238)	(7,025)
EFSA- Pupil Premium		(5,307)	(4,784)
Household Support Fund		(2,648)	(1,324)
ESFA – Supplementary Grant		(1,851)	0
DLUHC – Homes for Ukraine Tariff Grant		(1,754)	0
EFSA – Free School Meals		(1,124)	(1,120)
Skills Funding Agency		(1,034)	(1,125)
COVID-19 Discharge Arrangements		0	(2,082)
Workforce Recruitment and Retention Fund		0	(1,466)
Contain Outbreak Management Fund		0	(1,173)
COVID-19 Income Compensation Scheme		0	(763)
<b>Total</b>		<b>(156,784)</b>	<b>(155,734)</b>



The authority has received grants that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at year-end are as follows:

	2022/2023 £000	2021/2022 £000
<b>Grants received in advance</b>		
Capital Grants	(18,726)	(10,637)
Revenue Grants	(3,434)	(22,987)
<b>Total</b>	<b>(22,160)</b>	<b>(33,624)</b>

The large decrease in revenue grants received in advance relates to the Council Tax Energy Rebate and COVID-19 Additional Relief Grant being prepaid by DLUHC.

## Note 35 Related Parties

### Related Parties

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

### Central Government

Central government has significant 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. council tax bills, housing benefits). Grant receipts are shown in Note 34.

### Members and officers

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid during the year is shown in Note 30. The Register of Members' Interests is available to be viewed on the council's website. Officers that might be in a position to significantly influence the policies of the council are considered to be members of the Senior Leadership Team. All senior officers have been required to complete a related declaration identifying organisations with which they have influence/or control, and which may have a related party interest with the council.

2022/2023	In-Year Expenditure	In-Year Income	Year-end Creditor	Year-end Debtor	Number of parties declaring an interest	
	£000	£000	£000	£000	Members	Officers
<b>Related Party Interests:</b>						
Works and Services commissioned from companies	453	(18)	0	0	11	0
Grants to Voluntary Organisations	323	(34)	0	(3)	25	0
Grant contributions to Charities	2,085	(13)	1	(49)	9	1
Grant to Non-Profit Organisations	570	(7)	0	(4)	6	0

2021/2022	In-Year Expenditure	In-Year Income	Year-end Creditor	Year-end Debtor	Number of parties declaring an interest	
	£000	£000	£000	£000	Members	Officers
<b>Related Party Interests:</b>						
Works and Services commissioned from companies	372	(4)	0	(1)	12	0
Grants to Voluntary Organisations	385	(62)	0	(4)	31	0
Grant contributions to Charities	1,775	(20)	0	(12)	12	1
Grant to Non-Profit Organisations	380	(17)	0	(5)	9	0

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

## Note 36 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), a measure of the capital expenditure incurred historically by the council that has yet to be financed.

	2022/2023 £000	2021/2022 £000
Opening Capital Financing Requirement	244,416	245,188
<b>Capital Investment</b>		
Property, Plant and Equipment	30,095	21,665
Investment Properties	0	0
Intangible Assets	694	816
Heritage Assets	103	45
Revenue Expenditure Funded from Capital under Statute (REFCUS)	8,832	6,158
	<b>39,724</b>	<b>28,684</b>
<b>Sources of finance</b>		
Capital receipts	(1,995)	(1,675)
Government grants and other contributions	(28,355)	(20,998)
<b>Sums set aside from revenue:</b>		
Direct revenue contributions	(167)	(245)
Minimum and Voluntary Revenue Provision	(5,952)	(6,538)
	<b>(36,469)</b>	<b>(29,456)</b>
<b>Closing Capital Finance Requirement</b>	<b>247,671</b>	<b>244,416</b>
<b>Explanation of movements in year</b>		
Increase/(decrease) in underlying need to borrow (unsupported by government financial assistance)	3,255	(772)
<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>3,255</b>	<b>(772)</b>

## Note 37 Leases

### Operating Leases (council as lessor)

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

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

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

	2022/2023 Land and Buildings £000	2021/2022 Land and Buildings £000
No later than 1 year	3,572	3,878
Later than 1 year and no later than 5 years	10,035	10,645
Later than 5 years	96,496	98,774
	<b>110,103</b>	<b>113,297</b>

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

### Teachers

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

The Scheme is a multi-employer defined benefit scheme. The Scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. Valuations of the notional fund are undertaken every four years.

The arrangements for the teachers' scheme mean that the council is not able to identify its share of the underlying financial position and performance within the scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2022/2023, the council paid £7.4m to Teachers' Pensions in respect of teachers' retirement benefits, representing 23.68% of pensionable pay. The figures for 2021/2022 were £7.0m and 23.68% of pensionable. The contributions due to be paid in the next financial year are estimated to be £7.6m.

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

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

### Public Health staff

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

In 2022/2023 the council paid £34k to the NHS Pension Scheme in respect of the retirement benefits of public health staff representing 14.38% of pensionable pay. In 2021/2022 the council paid £35k to the NHS Pension Scheme, representing 14.38% of pensionable pay. Contributions due to be paid in the next financial year are estimated to be £25k.

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

## Note 39 Defined Benefit Pension Schemes

### Participation in the Local Government Pension Scheme

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

The council participates in two post-employment schemes:

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

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

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

### Discretionary Post-retirement Benefits

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

### Transactions relating to Post-Employment Benefits

The council recognises the cost of retirement benefits in the reported cost of service when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the council is required to make against council tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement on 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		Discretionary Benefits	
	2022/2023 £000	2021/2022 £000	2022/2023 £000	2021/2022 £000
<b>Comprehensive Income and Expenditure Statement</b>				
<i>Cost of services:</i>				
<i>Service cost comprising:</i>				
Current service cost	43,057	43,306	0	0
Past service cost	23	21	0	0
(Gain)/loss from settlements	0	0	0	0
<i>Financing and Investment Income and Expenditure:</i>				
Net Interest expense	6,748	7,614	0	0
<b>Total post-employment benefits charged to the Surplus of Deficit on the Provision of Services</b>	<b>49,828</b>	<b>50,941</b>	<b>0</b>	<b>0</b>
<i>Other post-employment benefits charged to the CIES</i>				
Re-measurement of the net defined benefit liability comprising:				
Return on plan assets (excluding the amount included in the net interest expense)	16,443	(53,800)	0	0
Actuarial gains and losses arising on changes in demographic assumptions	(6,807)	(17,762)	0	0
Actuarial gains and losses arising on changes in financial assumptions	(400,636)	(93,810)	(2,255)	394
Other	60,125	(139)	0	0
<b>Total post-employment benefits charged to the CIES</b>	<b>(281,047)</b>	<b>(114,570)</b>	<b>(2,255)</b>	<b>394</b>
<b>Movement in Reserves Statement</b>				
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(49,828)	(50,941)	0	0
<b>Actual amount charged against the general fund balance for pensions in the year:</b>				
Employers' contributions payable to scheme	15,580	14,241		
Retirement benefits payable to pensioners			1,601	1,661

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

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

	Local Government Pension Scheme		Discretionary Benefits	
	2022/2023 £000	2021/2022 £000	2022/2023 £000	2021/2022 £000
Present value of the defined obligation	(766,548)	(1,061,608)	(16,431)	(20,287)
Fair value of plan assets	846,226	844,659	0	0
<b>Net liability arising from the defined benefit obligation</b>	<b>79,678</b>	<b>(216,949)</b>	<b>(16,431)</b>	<b>(20,287)</b>
<b>Total Liability</b>	<b>63,247</b>	<b>(237,236)</b>		

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

	Local Government Pension Scheme		Discretionary Benefits	
	2022/2023 £000	2021/2022 £000	2022/2023 £000	2021/2022 £000
Opening fair value of scheme assets	844,659	769,331		
Interest income	22,727	15,319		
Re-measurement gain/(loss):				
the return on plan assets, excluding the amount included in the net interest expense	(16,443)	53,800		
Other	0	11,914		
The effect of changes in foreign exchange rates				
Contributions from employer	15,580	14,241	1,601	1,661
Contributions from employees into the scheme	5,837	5,277		
Benefits paid	(26,134)	(25,223)	(1,601)	(1,661)
Other	0	0		
<b>Closing value of scheme assets</b>	<b>846,226</b>	<b>844,659</b>	<b>0</b>	<b>0</b>

## Reconciliation of present value of the scheme liabilities:

	Local Government Pension Scheme		Discretionary Benefits	
	2022/2023 £000	2021/2022 £000	2022/2023 £000	2021/2022 £000
<b>Opening balance at 1 April</b>	(1,061,609)	(1,115,091)	(20,287)	(21,554)
Current service cost	(43,057)	(43,306)		
Interest cost	(29,475)	(22,933)		
Contributions from scheme participants	(5,837)	(5,277)		
Re-measurement gains and (losses):				
Actuarial gains/(losses) from changes in demographic assumptions	6,807	17,762		
Actuarial gains/(losses) from changes in financial assumptions	400,636	93,810	2,255	(394)
Other (if applicable)	(60,125)	(11,775)		
Past service cost	(23)	(21)		
Curtailments	0	0		
Benefits paid	26,134	25,223	1,601	1,661
Liabilities extinguished on settlements	0	0		
<b>Balance as at 31 March</b>	<b>(766,548)</b>	<b>(1,061,609)</b>	<b>(16,431)</b>	<b>(20,287)</b>

## Local Government Pension Scheme assets comprised:

	2022/2023 £000	2021/2022 £000
Cash and cash equivalents	15,792	10,853
Equities:		
<i>by industry type</i>		
Other	85,279	101,314
Bonds:		
<i>by sector</i>		
Corporate (non-Investment Grade)	52,627	38,802
Government	14,415	22,177
Other	7,712	13,314
sub-total bonds	<b>74,754</b>	<b>74,293</b>
UK Property	<b>76,619</b>	<b>96,262</b>
UK Private equity	<b>52,313</b>	<b>61,706</b>
Other investment funds:		
Equities	348,985	339,671
Bonds	56,849	73,595
Infrastructure	56,250	57,555
Other	79,385	29,410
sub-total other investment funds	<b>541,469</b>	<b>500,231</b>
<b>Total assets</b>	<b>846,226</b>	<b>844,659</b>

## 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 the future years dependent on assumptions about mortality rates, salary levels, etc.

Both the Local Government Pension Scheme and discretionary benefits liabilities have been estimated by Hymans Robertson LLP, an independent firm of actuaries, estimates for the Pension Fund being based on the latest full valuation of the scheme as at 31 March 2022.

The significant assumptions used by the actuary are set out below:

Local Government Pension Scheme		
	2022/2023	2021/2022
<b>Mortality assumptions:</b>		
<i>Longevity at 65 current pensioners:</i>		
Men	20.8	21.1
Women	23.7	21.9
<i>Longevity at 65 for future pensioners:</i>		
Men	21.5	24.0
Women	25.2	25.5
<b>Financial assumptions:</b>		
Rate of increase in salaries	2.95%	3.20%
Rate of increase in pensions	2.95%	3.20%
Discount Rate	4.75%	2.70%
Rate of Inflation (CPI)	2.95%	3.20%

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

Change in assumptions at 31 March 2023	Approximate increase to Employer	
	%	£000
0.1% decrease in Real Discount Rate	2%	13,435
1 year increase in member life expectancy	4%	31,319
0.1% increase in the Salary Increase Rate	0%	1,496
0.1% increase in the Pension Increase Rate	2%	12,147

### Impact on the Council's Cash Flows

The council's anticipated contributions to the scheme in 2023/2024 is £19.64m.

### Note 40 Inventories

		Balance outstanding at start of year £'000	Purchases £'000	Recognised as an expense in year £'000	Written off balances £'000	Balance outstanding at end of year £'000
Highways Materials	<b>2022/2023</b>	<b>172</b>	<b>135</b>	<b>(119)</b>	<b>0</b>	<b>188</b>
	2021/2022	426	162	(329)	(87)	172
Personal Protective Equipment Stock	<b>2022/2023</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	2021/2022	697	13	(496)	(214)	0
Waste Stock	<b>2022/2023</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	2021/2022	172	86	(252)	(6)	0
<b>Total</b>	<b>2022/2023</b>	<b>172</b>	<b>135</b>	<b>(119)</b>	<b>0</b>	<b>188</b>
	2021/2022	1,295	261	(1,077)	(307)	172

## Collection Fund

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

2021/2022			2022/2023		
Business Rates £000	Council Tax £000	Total £000	Business Rates £000	Council Tax £000	Total £000
<b>INCOME</b>					
	(99,231)	(99,231)		(103,044)	(103,044)
(81,196)		(81,196)	(79,318)		(79,318)
<b>Contribution towards previous year's deficit:</b>					
(9,947)		(9,947)	(1,577)		(1,577)
(9,748)	(1,356)	(11,104)	(1,545)		(1,545)
(199)	(75)	(274)	(32)		(32)
	(198)	(198)			
<b>(101,090)</b>	<b>(100,860)</b>	<b>(201,950)</b>	<b>(82,472)</b>	<b>(103,044)</b>	<b>(185,516)</b>
<b>EXPENDITURE</b>					
<b>Apportionment of Previous Year Surplus</b>					
		0			0
		0		1,456	1,456
		0		79	79
		0		221	221
<b>Precepts, demands and shares</b>					
37,447		37,447	35,364		35,364
36,698	80,175	116,873	34,657	84,335	118,992
749	4,385	5,134	707	4,578	5,285
	12,073	12,073		12,863	12,863
<b>Charges to Collection Fund</b>					
288	163	451	154	229	383
(426)	1,205	779	256	1,613	1,869
(1,537)		(1,537)	(4,008)		(4,008)
4,429		4,429	(54)		(54)
232		232	231		231
<b>Other transfers to General Fund in accordance with non-domestic rates regulations</b>					
160		160	68		68
6,630		6,630	9,280		9,280
<b>84,670</b>	<b>98,001</b>	<b>182,671</b>	<b>76,655</b>	<b>105,374</b>	<b>182,029</b>
<b>(Surplus) /deficit arising during the year</b>					
<b>(16,420)</b>	<b>(2,859)</b>	<b>(19,279)</b>	<b>(5,817)</b>	<b>2,330</b>	<b>(3,487)</b>
17,320	1,358	18,678	900	(1,501)	(601)
<b>900</b>	<b>(1,501)</b>	<b>(601)</b>	<b>(4,917)</b>	<b>829</b>	<b>(4,088)</b>



## Collection Fund Note 1 - Council Tax Income

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

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

Valuation Band Limits		Calculated number of dwellings	Ratio to Band D	Equated number of dwellings	Council Tax Payable (£)
A	Up to 40,000	25,887	6/9	17,245.3	1,335.62
B	40,001 - 52,000	13,300	7/9	10,344.8	1,558.22
C	52,001 - 68,000	9,865	8/9	8,769.2	1,780.82
D	68,001 - 88,000	7,012	9/9	7,012.2	2,003.42
E	88,001 - 120,000	3,615	11/9	4,418.3	2,448.63
F	120,001 - 160,000	1,501	13/9	2,168.8	2,893.84
G	160,001 - 320,000	486	15/9	810.0	3,339.04
H	More than 320,001	10	18/9	20.0	4,006.85
				<b>50,788.6</b>	
Adjustment				12.4	
				<b>50,801.0</b>	

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

(i)	Preceptors' Council Tax Requirements	£101,775,979
(ii)	Number of Band D equivalent Dwellings	50,801
	Band D – (i) divided by (ii)	£2,003.42

## Collection Fund Note 2 – Non-Domestic Rates

Non-Domestic Rates are determined on a national basis by central government which specifies a rating multiplier and subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. In 2022/2023 the amount was 51.2p (51.2p in 2021/2022) and 49.9p for small businesses (49.9p in 2021/2022).

The council is responsible for collecting rates due from the ratepayers in its area and distributing the amount collected between itself, central government and major preceptors in proportions specified by central government. The council's share of this is shown in the Comprehensive Income and Expenditure Statement and analysed at Note 13. The total rateable value as at 31 March 2023 was £204,137,677 (as at 31 March 2022 it was £198,325,059).

## Glossary of Financial Terms

### Financial Abbreviations and roundings

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

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

### Glossary

#### **Accruals**

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

#### **Actuary**

Pension expert.

#### **Amortisation**

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

#### **Capital Expenditure**

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

#### **Capital Receipts**

Income received from the sale of capital assets.

#### **Cash and Cash Equivalents**

Cash and cash equivalents include petty cash, cash in transit, bank balances (according to the ledger), and short-term, highly liquid investments that are readily convertible to known amounts of cash.

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

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

#### **Collection Fund**

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

#### **Community Assets**

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

#### **Consistency**

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

**Creditors**

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

**Current Assets**

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

**Current Liabilities**

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

**Curtailments (Pension)**

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

**De minimis**

An immaterial amount or balance.

**Debtors**

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

**Dedicated Schools Grant (DSG)**

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

**Deferred Credits**

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

**Deferred Liabilities**

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

**Depreciation**

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

**Events after the balance sheet date**

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

**Exceptional Items**

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

**Extraordinary Items**

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

**General Fund**

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

**Going Concern**

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

**Government Grants**

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

**Impairment**

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

**International Financial Reporting Standards (IFRSs)**

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

**Intangible Asset**

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

**Infrastructure Assets**

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

**Investment Properties**

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

**Leasing**

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

**Levy**

Impose or collect an amount (such as a tax) by compulsion or legal authority.

**Liquid Resources**

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

**Long Term Borrowing**

Amounts repayable in more than 12 months.

**Long Term Investments**

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

**Minimum Revenue Provision (MRP)**

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

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

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

**Net Current Replacement Cost**

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

**Net Realisable Value**

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

**Non-Operational Assets**

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

**Operational Assets**

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

**Precept**

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

**Property, Plant & Equipment**

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

**Provision**

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

**Prudence**

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

**Public Works Loan Board (PWLB)**

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

**Remuneration**

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

**Reserves**

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

**Revaluation Reserve**

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

**Revenue Expenditure**

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

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

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

**Revenue Support Grant (RSG)**

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

**Settlement (Pension)**

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

**Useful Life**

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

## NORTH LINCOLNSHIRE COUNCIL

### AUDIT COMMITTEE

#### TREASURY MANAGEMENT MID-YEAR REPORT 2023-24

#### 1. OBJECT AND KEY POINTS IN THIS REPORT

- 1.1. This report provides an overview of the Council's treasury performance during the first six months of 2023/2024 and sets out national factors that affect the Council's Treasury activity.
- 1.2. The key points are that the Council's:
  - Investment returns in the first six months of the year amounted to £1.021m due to increases in interest rates.
  - Interest Rates are currently forecast to remain at 5.25% until the middle of next year as the bank of England seeks to reduce inflation.
  - Borrowing remains comfortably within the control levels set and no new borrowing was undertaken.
  - Treasury activity was compliant with the Prudential Indicators set for the financial year.

#### 2. BACKGROUND INFORMATION

- 2.1 This report fulfils the Authority's legal obligation under the Local Government Act to have regard to both the CIPFA Code and the Department for Levelling Up, Housing and Communities (DLUHC), previously Ministry of Housing, Communities & Local Government, Investment Guidance. The CIPFA Code requires that Full Council receive a report at the start of the financial year, mid-year and year end. The Audit Committee also receive regular updates regarding treasury activity, providing assurance on the effectiveness of the Council's treasury management arrangements.
- 2.2 The CIPFA Code sets out the following objectives for treasury management:

“It is important that treasury management policies adequately reflect risk and in particular security, liquidity and yield risk, in that order of importance. No treasury management transaction is without risk and management of risks is the key purpose of the treasury management strategy.”
- 2.3 Full Council agreed the Treasury Management Strategy Statement (TMSS) for 2023/24 in February 2023.

### **3. OPTIONS FOR CONSIDERATION**

- 3.1 This is a report on past performance for Audit Committee to consider the mid-year performance and treasury management activity. Full details of the mid-year review are attached in appendix 1.

### **4. ANALYSIS OF OPTIONS**

- 4.1 The key messages are:

- 4.1.1 Interest rates remain high and are not expected to fall significantly until at least 2025. The bank rate is expected to remain at 5.25% into next year with gradual reductions during 2024, not reaching 4.00% until March 2025.
- 4.1.2 The Council aims to achieve optimum return on its investments in accordance with its priorities of security, liquidity and yield appetite.
- 4.1.3 The Council's average level of funds for investment during the first six months of the year were £44.7m and is therefore able to meet its liabilities, while managing risks associated with carrying cash balances.
- 4.1.4 Interest earned in the first six months amounted to £1.021m an average of 4.67%. This is 0.3% higher than the SONIA benchmark. We continue to prioritise security, liquidity and yield in that order.
- 4.1.5 The investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties.
- 4.1.6 The current forecast is that cash balances will continue to reduce towards year end. This being due to increased levels of capital expenditure, repayment of existing borrowing and planned use of reserves. It is anticipated that borrowing will be required towards the end of this financial year.

### **5. RESOURCE IMPLICATIONS (FINANCIAL, STAFFING, PROPERTY, IT)**

- 5.1 Not applicable

### **6. OTHER IMPLICATIONS (STATUTORY, ENVIRONMENTAL, DIVERSITY, SECTION 17 - CRIME AND DISORDER, RISK AND OTHER)**

- 6.1 Risk and external factors are considered in the monitoring report.

### **7. OUTCOMES OF INTEGRATED IMPACT ASSESSMENT (IF APPLICABLE)**

- 7.1 Not applicable.



## **8. OUTCOMES OF CONSULTATION AND CONFLICTS OF INTERESTS DECLARED**

8.1 Not applicable.

## **9. RECOMMENDATIONS**

- 9.1 That the Audit Committee considers the assurance provided by this report on the effectiveness of arrangements for treasury management, and:
- 9.2 That the Audit Committee notes the mid-year treasury management performance 2023/24.

### **DIRECTOR: OUTCOMES**

Church Square House  
30-40 High Street  
Scunthorpe  
North Lincolnshire  
DN15 6NL

Author: Tracy Falshaw  
Date: 3rd November 2023

### **Background Papers used in the preparation of this report**

#### Council

2023-24 Treasury Management Strategy 2023-24 Capital Programme

#### CIPFA Publications

Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes (2017 Edition)

The Prudential Code for Capital Finance in Local Authorities (2017 Edition)

#### Legislation and Central Government Guidance Local Government Act 2003

The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 DLUHC

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Treasury Management Strategy  
Statement and Annual Investment  
Strategy

Mid-Year Review Report 2023-24

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## **1. Background**

### **1.1 Capital Strategy**

In December 2021, the Chartered Institute of Public Finance and Accountancy, (CIPFA), issued revised Prudential and Treasury Management Codes. These require all local authorities to prepare a Capital Strategy which is to provide the following: -

- a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services;
- an overview of how the associated risk is managed;
- the implications for future financial sustainability.

### **1.2 Treasury management**

The Council operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Part of the treasury management operations ensure this cash flow is adequately planned, with surplus monies being invested in low-risk counterparties, providing adequate liquidity initially before considering optimising investment return.

The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning to ensure the Council can meet its capital spending operations. This management of longer-term cash may involve arranging long or short-term loans, or using longer term cash flow surpluses, and on occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

Accordingly, treasury management is defined as:

“The management of the local authority’s borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”

## **2. Introduction**

This report has been written in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy’s (CIPFA) Code of Practice on Treasury Management (revised 2021).

The primary requirements of the Code are as follows:

1. Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council’s treasury management activities.
2. Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives.

3. Receipt by the full Council of an annual Treasury Management Strategy Statement - including the Annual Investment Strategy and Minimum Revenue Provision Policy - for the year ahead, a Mid-year Review Report and an Annual Report, covering activities during the previous year.
4. Receipt by the audit committee of Quarterly reports for the periods ending April to June and October to December.
5. Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.
6. Delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specific named body. For this Council the delegated body is The Audit Committee:

This mid-year report has been prepared in compliance with CIPFA's Code of Practice on Treasury Management, and covers the following:

- An economic update for the first half of the 2023/24 financial year;
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
- The Council's capital expenditure, as set out in the Capital Strategy, and prudential indicators;
- A review of the Council's investment portfolio for 2023/24;
- A review of the Council's borrowing strategy for 2023/24;
- A review of any debt rescheduling undertaken during 2023/24;
- A review of compliance with Treasury and Prudential Limits for 2023/24.

### **3. Economics and Interest Rates**

#### **3.1 Economics Update**

- The first half of 2023/24 saw:
  - Interest rates rise by a further 1%, taking Bank Rate from 4.25% to 5.25%. In its latest monetary policy meeting on 20 September, the Bank of England left interest rates unchanged at 5.25%.
  - A 0.5% month on month decline in real GDP in July.
  - CPI inflation falling from 8.7% in April to 6.7% in September, its lowest rate since February 2022.
  - Core CPI inflation declining to 6.1% in September from 7.1% in May, a then 31 year high.
  - A cooling in labour market conditions, but no evidence yet that it has led to an easing in wage growth (as the 3 month year on year growth of average earnings rose to 7.8% in August, excluding bonuses).

### 3.2 Interest Rate Forecasts

The Council has appointed Link Group as its treasury advisors and part of their service is to assist the Council to formulate a view on interest rates. The PWLB rate forecasts below are based on the Certainty Rate (the standard rate minus 0.2%) which has been accessible to most authorities since 1<sup>st</sup> November 2012.

The latest forecast on 25<sup>th</sup> September sets out a view that short, medium and long-dated interest rates will be elevated for some little while, as the Bank of England seeks to squeeze inflation out of the economy.

Link Group Interest Rate View	25.09.23												
	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26
<b>BANK RATE</b>	5.25	5.25	5.25	5.00	4.50	4.00	3.50	3.00	2.75	2.75	2.75	2.75	2.75
3 month ave earnings	5.30	5.30	5.30	5.00	4.50	4.00	3.50	3.00	2.80	2.80	2.80	2.80	2.80
6 month ave earnings	5.60	5.50	5.40	5.10	4.60	4.10	3.60	3.10	2.90	2.90	2.90	2.90	2.90
12 month ave earnings	5.80	5.70	5.50	5.20	4.70	4.20	3.70	3.20	3.00	3.00	3.00	3.00	3.00
5 yr PWLB	5.10	5.00	4.90	4.70	4.40	4.20	4.00	3.90	3.70	3.70	3.60	3.60	3.50
10 yr PWLB	5.00	4.90	4.80	4.60	4.40	4.20	4.00	3.80	3.70	3.60	3.60	3.50	3.50
25 yr PWLB	5.40	5.20	5.10	4.90	4.70	4.40	4.30	4.10	4.00	3.90	3.80	3.80	3.80
50 yr PWLB	5.20	5.00	4.90	4.70	4.50	4.20	4.10	3.90	3.80	3.70	3.60	3.60	3.60

## 4. Treasury Management Strategy Statement and Annual Investment Strategy Update

The Treasury Management Strategy Statement, (TMSS), for 2023/24 was approved by this Council on 13<sup>th</sup> February 2023.

- There are no policy changes to the TMSS; the details in this report update the position in the light of the updated economic position and budgetary changes already approved.

## 5. The Council's Capital Position (Prudential Indicators)

This part of the report is structured to update:

- The Council's capital expenditure plans;
- How these plans are being financed;
- The impact of the changes in the capital expenditure plans on the prudential indicators and the underlying need to borrow; and
- Compliance with the limits in place for borrowing activity.

### 5.1 Prudential Indicator for Capital Expenditure

This table shows the revised estimates for capital expenditure and the changes since the capital programme was agreed at the Budget.

Capital Expenditure by Service	2023/24 Original Estimate £m	Current Position £m	2023/24 Revised Estimate £m
Communities	29.5	13.5	37.2
Children & Families	10.2	3.2	9.8
Adults & Health	1.7	0.7	2.4
Central & Technical	3.0	0.0	2.3
Outcomes	2.0	0.8	2.4
<b>Total</b>	<b>46.4</b>	<b>18.2</b>	<b>54.1</b>

## 5.2 Changes to the Financing of the Capital Programme

The table below draws together the main strategy elements of the capital expenditure plans (above), highlighting the original supported and unsupported elements of the capital programme, and the expected financing arrangements of this capital expenditure. The borrowing element of the table increases the underlying indebtedness of the Council by way of the Capital Financing Requirement (CFR), although this will be reduced in part by revenue charges for the repayment of debt (the Minimum Revenue Provision). This direct borrowing need may also be supplemented by maturing debt and other treasury requirements.

Capital Expenditure	2023/24 Original Estimate £m	Current Position £m	2023/24 Revised Estimate £m
<b>Total capital expenditure</b>	<b>46.4</b>	<b>21.9</b>	<b>54.1</b>
<b>Financed by:</b>			
Capital receipts	3.0	1.2	3.0
Capital grants	25.8	14.4	35.6
Revenue	0.0	0.1	0.1
<b>Total financing</b>	<b>28.8</b>	<b>15.7</b>	<b>38.7</b>
<b>Borrowing requirement</b>	<b>17.6</b>	<b>6.2</b>	<b>15.4</b>

## 5.3 Changes to the Prudential Indicators for the Capital Financing Requirement (CFR), External Debt and the Operational Boundary

The table below shows the CFR, which is the underlying external need to incur borrowing for a capital purpose. It also shows the expected debt position over the period, which is termed the Operational Boundary.

### Prudential Indicator – Capital Financing Requirement

We are currently forecasting that the Capital Financing Requirement will be £2.2m lower than estimated.

### Prudential Indicator – the Operational Boundary for external debt

	2023/24 Original Estimate £m	Current Position £m	2023/24 Revised Estimate £m
<b>Prudential Indicator – Capital Financing Requirement</b>			
<b>Total CFR</b>	<b>258.771</b>	<b>247.371</b>	<b>256.571</b>
<b>Net movement in CFR</b>	<b>11.1</b>	<b>-0.3</b>	<b>8.9</b>
<b>Prudential Indicator – the Operational Boundary for external debt</b>			
Borrowing	183.564	183.564	183.564
Other long-term liabilities*	0	0	0
<b>Total debt (year end position)</b>	<b>183.564</b>	<b>183.564</b>	<b>183.564</b>

\* On balance sheet finance leases etc.



## 5.4 Limits to Borrowing Activity

The first key control over the treasury activity is a prudential indicator to ensure that over the medium term, net borrowing (borrowings less investments) will only be for a capital purpose. **Gross external borrowing** should not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for 2023/24 and next two financial years. This allows some flexibility for limited early borrowing for future years. The Council has approved a policy of not borrowing in advance of need.

	2023/24 Original Estimate £m	Current Position £m	2023/24 Revised Estimate £m
Borrowing	134.3	136.0	154.3
Other long-term liabilities*	0.0	0.0	0.0
<b>Total debt</b>	134.3	136.0	154.3
<b>CFR* (year end position)</b>	258.8	247.4	256.6

\* Includes on balance sheet finance leases etc.

A further prudential indicator controls the overall level of borrowing. This is **the Authorised Limit** which represents the limit beyond which borrowing is prohibited and needs to be set and revised by Members. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003.

Authorised limit for external debt	2023/24 Original Indicator £m	Current Position £m	2023/24 Revised Indicator £m
Borrowing	193.6	193.6	193.6
Other long-term liabilities*	0.0	0.0	0.0
Total	193.6	193.6	193.6

\* Includes on balance sheet finance leases etc.

## 6. Borrowing

The Council's capital financing requirement (CFR) for 2023/24 is £256.6m. The CFR denotes the Council's underlying need to borrow for capital purposes. If the CFR is positive the Council may borrow from the PWLB or the market (external borrowing), or from internal balances on a temporary basis (internal borrowing). The balance of external and internal borrowing is generally driven by market conditions.

The capital programme is being kept under regular review due to the effects of inflationary pressures, shortages of materials and labour. Our borrowing strategy will, therefore, also be regularly reviewed and then revised, if necessary, to achieve optimum value and risk exposure in the long-term.

It is anticipated that further borrowing will be undertaken during this financial year.

## **7. Debt Rescheduling**

No debt rescheduling has been undertaken to date in the current financial year.

## **8. Compliance with Treasury and Prudential Limits**

It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. During the half year ended 30<sup>th</sup> September 2023, the Council has operated within the treasury and prudential indicators set out in the Council's Treasury Management Strategy Statement for 2023/24. The Director of Finance reports that no difficulties are envisaged for the current or future years in complying with these indicators.

All treasury management operations have also been conducted in full compliance with the Council's Treasury Management Practices.

## **9. Annual Investment Strategy**

The Treasury Management Strategy Statement (TMSS) for 2023/24, which includes the Annual Investment Strategy, was approved by the Council on 13<sup>th</sup> February 2023. In accordance with the CIPFA Treasury Management Code of Practice, it sets out the Council's investment priorities as being:

- Security of capital
- Liquidity
- Yield

The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with the Council's risk appetite. In the current economic climate, it is considered appropriate to keep investments short term to cover cash flow needs, but also to seek out value available in periods up to 12 months with high credit quality financial institutions, using the Link suggested creditworthiness approach.

### **Creditworthiness.**

Moody's, S&P and Fitch placed the UK sovereign debt rating on Negative Outlook for the first half of 2023-2024. Moody's and S&P have since updated this rating to stable.

### **Investment Counterparty criteria**

The current investment counterparty criteria selection approved in the TMSS is meeting the requirement of the treasury management function.

### **CDS prices**

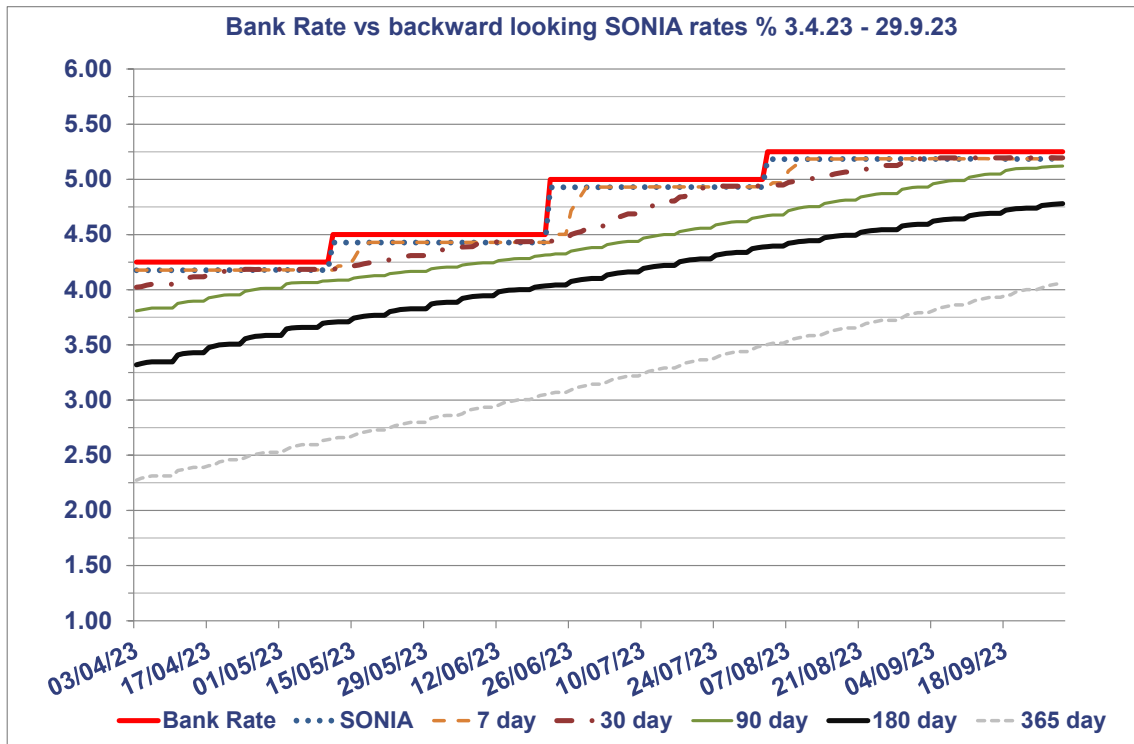
It is noted that sentiment in the current economic climate can easily shift, so it remains important to undertake continual monitoring of all aspects of risk and return in the current circumstances.

## Investment balances

The average level of funds available for investment purposes during the first half of the financial year was **£44.7m**. These funds were available on a temporary basis, and the level of funds available was mainly dependent on the timing of precept payments, receipt of grants and progress on the capital programme.

## Investment performance year to date as of 30<sup>th</sup> September 2023

The levels shown below use the traditional market method for calculating Sterling Overnight Index Average (SONIA) rates.



	Bank Rate	SONIA	7 day	30 day	90 day	180 day	365 day
<b>High</b>	5.25	5.19	5.19	5.20	5.12	4.78	4.06
<b>High Date</b>	03/08/2023	29/09/2023	04/09/2023	27/09/2023	29/09/2023	29/09/2023	29/09/2023
<b>Low</b>	4.25	4.18	4.18	4.02	3.81	3.32	2.27
<b>Low Date</b>	03/04/2023	04/04/2023	11/04/2023	03/04/2023	03/04/2023	03/04/2023	03/04/2023
<b>Average</b>	4.81	4.74	4.71	4.64	4.44	4.10	3.16
<b>Spread</b>	1.00	1.01	1.01	1.17	1.31	1.46	1.79

The table above covers the first half of 2023/24.

## Investment performance year to date as of 30<sup>th</sup> September 2023

Period	SONIA benchmark return	Council performance	Investment interest earned
<b>1 month</b>	4.64	4.67	1.021m

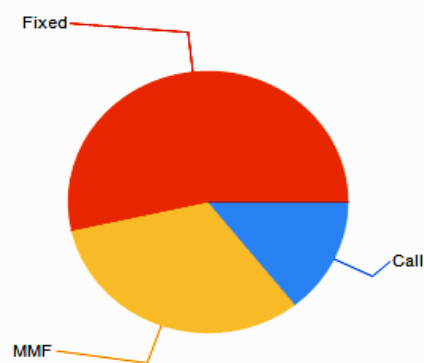
As illustrated, the Council *outperformed* the benchmark by **0.03%**. The Council's budgeted investment return for 2023/24 is **£0.525m**, the investment return to the 30<sup>th</sup> September 2023 was **£1.021m**.

### Fund investments

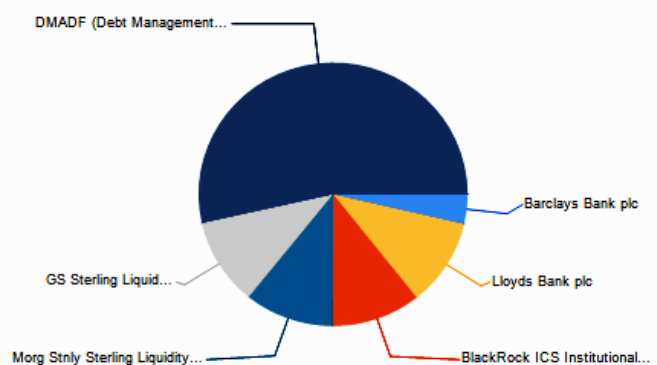
- Money Market Funds (MMFs)
- DMO Deposits
- Interest earning call accounts

Investments As at 30 September 2023			
Type	Counterparty	Rate	Principal O/S (£)
Fixed	DMADF (Debt Management Account Deposit Facility)	5.30%	24,950,000.00
Call	Barclays Bank plc	2.02%	1,686,461.12
Call	Bank Of Scotland plc	5.14%	5,000,000.00
MMF	Morgan Stanley Sterling Liquidity Inst	5.26%	5,000,000.00
MMF	BlackRock Institutional Sterling Liquidity	5.24%	5,000,000.00
MMF	Goldman Sachs MMF	5.21%	5,000,000.00
<b>Total</b>			<b>46,636,461.12</b>

**Current Deposit Allocation by Type**



**Current Deposit Allocation by Counterparty**

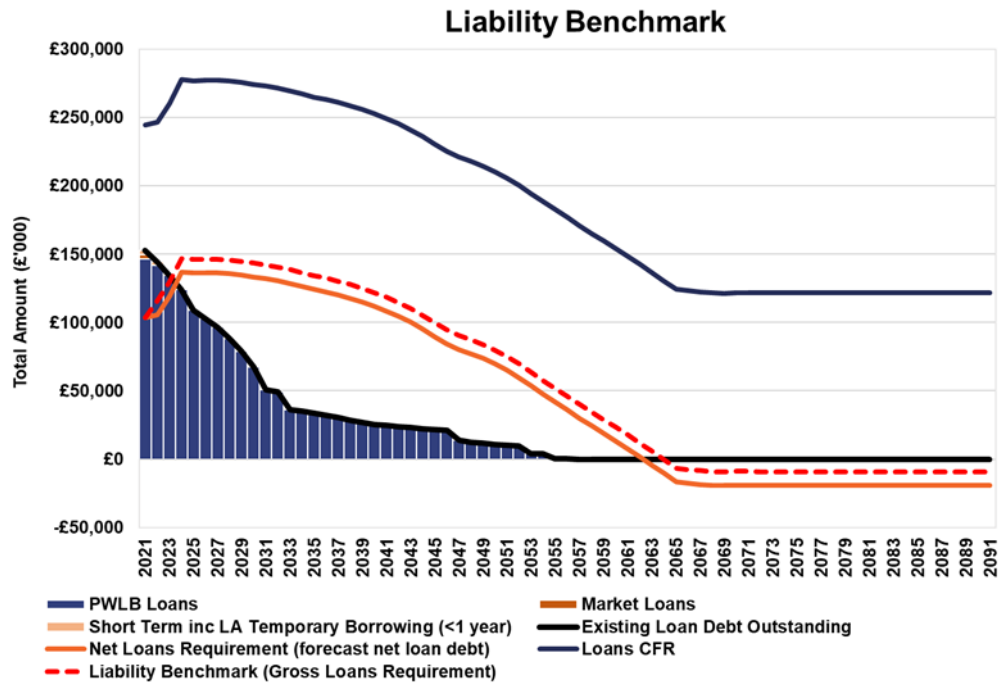


Officers can confirm that the approved li  
breached during the period ended 30th

### 10. Other

There are no other issues to report.

# APPENDIX 1: the CFR, Liability Benchmark and Borrowing



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## NORTH LINCOLNSHIRE COUNCIL

### AUDIT COMMITTEE

#### ANTI-FRAUD AND CORRUPTION STRATEGY REVIEW REPORT

##### 1. OBJECT AND KEY POINTS IN THIS REPORT

- 1.1. Effective anti-fraud and corruption arrangements support the delivery of the Council's strategic objectives by contributing to effective governance arrangements designed to underpin them. These arrangements are periodically reviewed to ensure they remain relevant and effective.
- 1.2. This report introduces the Council's updated Anti-Fraud and Corruption Strategy. Whilst there are no material changes to the strategy, its approval will provide a clear and consistent message that the risk of fraud and corruption is real, will not be tolerated and is the responsibility of all Council employees to minimise.
- 1.3. It provides a framework for the effective deterrence, detection, investigation and sanction of fraudulent or corrupt activity.
- 1.4. The accompanying fraud response plan reinforces the council's zero tolerance of fraud by setting out the ways in which employees or members of the public can voice their concerns about suspected fraud or corruption, and how the council will deal with such allegations.

##### 2. BACKGROUND INFORMATION

- 2.1. The council's anti-fraud and corruption strategy was last reviewed and approved in July 2021. It is strongly influenced by 'Fighting fraud and corruption locally – a strategy for the 2020's. The 'Fighting fraud and corruption locally' strategy is based on best practice throughout the country and has been produced specifically for the fraud challenges that councils face.
- 2.2. The strategy and accompanying fraud response plan have been reviewed to ensure that our response is as robust as possible to protect public funds, through good governance, awareness of the fraud risks, the ability to prevent and detect fraud and in taking action against those that seek to defraud us.
- 2.3. In reviewing the strategy and response plan, only minimal changes have been made to increase clarity and provide an update on the latest available data in relation to fraud losses in Local Government.

2.4. The message remains clear that fraud and corruption will not be tolerated.

### **3. OPTIONS FOR CONSIDERATION**

3.1. The committee is asked to consider the content of this report as part of their responsibilities for monitoring and reviewing the council's arrangements in relation to fraud and corruption and to approve the revised anti-fraud and corruption strategy and fraud response plan.

### **4. ANALYSIS OF OPTIONS**

4.1 No other options have been considered.

### **5. RESOURCE IMPLICATIONS (FINANCIAL, STAFFING, PROPERTY, IT)**

5.1. The 2023 national estimate for fraud losses in Local Government amounts to £8.8bn per year<sup>1</sup>. This equates to a 13% increase in the 2017 estimate of £7.8bn. Therefore, failure to implement this strategy and associated policies and procedures is likely to lead to significant loss to the Council.

5.2. There is no additional expenditure required as a consequence of this strategy.

### **6. OTHER RELEVANT IMPLICATIONS (e.g. CRIME AND DISORDER, EQUALITIES, COUNCIL PLAN, ENVIRONMENTAL, RISK etc.)**

6.1 Fraud is a risk to both the council's finances and its reputation. Resources lost to fraud, both monetary and through the provision of services are resources that are no longer available to support the council's aims and in turn the community.

6.2 Robust counter fraud arrangements support promises made in our Council Plan to safeguard public funds, ensuring that they are available and used for their intended purpose.

6.3 Regular reviews of counter fraud arrangements, including this strategy and response plan are designed to minimise the risk of fraudulent attacks on Council finances and services.

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<sup>1</sup> Annual fraud Indicator 2023



## **7. OUTCOMES OF INTEGRATED IMPACT ASSESSMENT (if required)**

7.1 There is no impact assessment required for this report. Review of this strategy does not constitute a key decision and there are no new material impacts to individuals, the community, workforce, place or other impacts as a result of this review.

## **8. OUTCOMES OF CONSULTATION AND CONFLICTS OF INTERESTS DECLARED**

8.1 There are no conflicts of interests to declare.

## **9. RECOMMENDATIONS**

9.1. The Committee is asked to consider and approve the updated anti-fraud and Corruption strategy.

9.2. The Committee is also asked to consider the appropriate signatories to endorse the foreword to emphasise the council's zero tolerance to fraud.

### **DIRECTOR: OUTCOMES**

Church Square House  
SCUNTHORPE  
North Lincolnshire  
DN15 6NL

Author: Mark Edwards  
Date: 31<sup>st</sup> October 2023

#### **Background Papers used in the preparation of this report:**

Anti-fraud and corruption strategy (June 2021).  
Fighting fraud and corruption locally – a strategy for the 2020's launched 16<sup>th</sup> October 2020.  
Annual fraud Indicator 2023

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SAFE WELL PROSPEROUS CONNECTED

# Anti-Fraud and Corruption Strategy

## **Foreword**

In keeping with our values, the public are entitled to expect the council to conduct its affairs with integrity, honesty and openness and demand the highest standards of conduct from those working for and with it. Our Council Plan confirms our promise to spend your money wisely and do our best for North Lincolnshire, this means doing all we can to safeguard public funds and ensuring that they are available and used for their intended purpose; to achieve the council's ambition for North Lincolnshire to be the best place to live, work, visit and invest and to ensure it delivers high quality services and improved outcomes for residents.

To deliver high performance at a time of financial constraint, we need to maximise the resources available to us. Any fraud against the council takes money away from services and undermines our ability to achieve our aims.

**The message is clear, the council will not tolerate fraud and corruption.**

We will take the strongest possible action against those who seek to defraud the Council. This includes our own councillors, officers, contracting partners and external individuals and organisations. Our desire is to be a model of public probity, affording maximum protection to the funds we administer

## Introduction

This Strategy sets out the council's approach to minimising the risk of fraud and corruption occurring, detecting its possible occurrence, and the actions it will take when fraudulent activity is suspected and identified.

In developing the strategy, the Council has adopted the five key principles included in 'FIGHTING FRAUD AND CORRUPTION LOCALLY -a strategy for the 2020's'<sup>1</sup>. These are:

- Govern – having robust anti-fraud arrangements embedded throughout the organisation
- Acknowledge - acknowledging and understanding fraud risks
- Prevent - preventing and detecting fraud
- Pursue - punishing fraudsters and recovering losses
- Protect – Protecting the council from fraud

The benefits of having a co-ordinated and robust approach to anti-fraud and corruption as laid out in this strategy include:

- Greater ability to prevent losses due to fraud occurring, by improving the understanding of the risk
- Being more resilient to fraud and more aware of new fraud risks
- Providing support to the national agenda for fighting fraud
- Being able to clearly account for the effectiveness of the Council's counter fraud arrangements to the public, partners and national stakeholders. This will feature as a core element in the Annual Governance Statement
- Providing assurance over counter fraud arrangements
- Ensuring that resources for counter fraud activity are in line with the potential risk
- Providing assurance that fraud risk is being managed.

## Govern

Tackling fraud is everyone's business. We are all responsible for ensuring the council does not lose vital funds to fraud.

### **The message is clear – we will not tolerate fraud and corruption**

The Council has a robust framework of procedures and controls which provide the major elements of its anti-fraud and corruption governance arrangements. This strategy is an integral part of a range of policies and procedures that provide a corporate framework to help counter any fraudulent activity. These have been formulated in line with the appropriate legislative requirements and professional best practice and include:

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<sup>1</sup> [Fighting fraud and corruption locally, a strategy for the 2020's](#) was published in March 2020

- Fraud response plan
- Raising a Concern (whistleblowing) policy
- Anti-bribery policy
- Anti-money laundering policy
- Code of Corporate Governance
- The Constitution including Contract Procedure Rules and Financial Regulations
- Finance Manual and Procurement Manual
- Human Resources manual
- Codes of conduct for councillors and officers
- Gift and Hospitality Code of Practice
- Risks and Opportunities Protocol
- IT Security Policy

## **Acknowledge**

All organisations are at increasing risk of fraud and corruption. The illegal and hidden nature of fraud makes it hard to measure accurately. To give some idea of the size of the risk, the estimated level of annual fraud loss across local government in 2010 was £0.7bn<sup>2</sup>. In 2016 this figure was estimated at £7.3bn.<sup>3</sup> The latest figures show an estimated increase from £7.8bn in 2017 to £8.8bn in 2022<sup>4</sup>.

Acknowledging this risk is essential in developing an appropriate and effective anti-fraud response. Recognising fraud must also incorporate a thorough understanding and knowledge about what the fraud problem is, where it is likely to occur, and the scale of potential losses.

The council has many of the components for a strong counter fraud response in place. These include:

- A dedicated, professionally qualified counter fraud team as part of its shared services arrangements for Audit and Assurance with North East Lincolnshire Council to promote awareness of fraud related risks and undertake criminal investigations where necessary to protect public funds
- Control arrangements for key financial systems that are robust, being underpinned by statutory requirements, council financial regulations and scrutiny through internal and external audit
- Identification of fraud risks facing the council

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<sup>2</sup> Annual Fraud Indicator 2010 – National Fraud Authority

<sup>3</sup>Annual Fraud Indicator 2016 – Experian, PKF Littlejohn & University of Portsmouth Centre for Counter Fraud Studies

<sup>4</sup> Annual Fraud Indicator 2023 – Crowe, Peters & Peters, and University of Portsmouth

- An Audit Committee that will review this strategy as part of its responsibility for considering the effectiveness of counter fraud and corruption activities at the council
- Publication of this strategy and of specific fraud initiatives to raise public awareness
- Production of an annual fraud report which is available to the public, which openly acknowledges the fraud risks the council faces, the types of fraud that have occurred during the year
- Participation in collaborative counter fraud work with other agencies, through the National Fraud Initiative
- The use of data matching to identify potential fraud
- Fraud awareness campaigns to raise awareness of fraud, money laundering and bribery within the council and how to report concerns
- An annual self-assessment of our fraud response based on the checklist provided in 'Fighting Fraud and Corruption Locally' document.
- Independent audit of our fraud arrangements.

The council recognises that new fraud risks are continually emerging and therefore, we will continually review our arrangements, taking into account the latest guidance available to ensure our counter fraud response is robust.

## **Prevent**

More than ever, preventing losses from occurring in the first place is a crucial strand of a robust counter fraud strategy. The council has well established policies, procedures and processes which incorporate efficient and effective internal controls to safeguard the council's resources. The existence, appropriateness, and effectiveness of which are independently monitored and reported on by the council's Internal Audit team.

The council will continue to:

- Ensure that anti-fraud controls are considered when developing new systems and processes
- Ensure that the testing of the effectiveness of the design and operation of those anti-fraud controls is considered when prioritising internal audit work.
- Conduct proactive exercises into high-risk areas.

However, prevention extends beyond making sure that there are appropriate system and process controls in place. It depends on the development of an effective anti-fraud culture that reinforces a zero tolerance to fraud and corruption and deters criminals from committing fraud in the first place. An anti-fraud culture should seek to motivate staff and ensure that they understand the importance of tackling fraud, are able to recognise fraud and abuse and know how and where to report suspicions of fraud.

The council develops its anti-fraud culture by:

- Making new staff aware of their responsibilities as part of the induction process;
- Regularly updating the council's Raising a Concern (whistleblowing) policy so it takes account of updated national guidance and advice, and publicising these changes;
- Reporting whistleblowing activity annually to Audit Committee
- Publicising its Counter Fraud Strategy and Annual Fraud reports

No matter how good the council's preventative measures are, fraud cannot be completely eradicated. To this end, the council has a robust Fraud Response Plan that provides a framework for the investigation of allegations of fraud.

Additionally, the council will continue to make use of information and technology to verify and validate transactions, or to uncover potential and actual fraud, including the following:

- Continued participation in the National Fraud Initiative, to investigate potential frauds identified through national data matching
- Development of other data matching techniques to prevent and detect fraud in high risk areas
- Providing a suite of fraud awareness materials to enable employees to prevent and detect fraud

## **Pursue**

The Council will take robust and appropriate action to investigate, punish and recover funds from those who seek to defraud it.

We will seek the strongest available sanctions against any member of the public, contractor, member or employee who commit fraud against the council, its clients or the public purse. This may include prosecution and additionally for employees, disciplinary action.

Where appropriate the council will also work with other public authorities, including the Police, Department for Work and Pensions and our insurance providers. We will share information to prevent, detect and investigate acts of fraud against the public purse.

The council will always seek to recover any funds or assets that have been lost due to fraud and will use all means available to do so under the council's Debt Recovery Strategy and where appropriate using Proceeds of Crime Act legislation.

The council will seek to publicise the outcomes of such investigations in the Annual Fraud Report, to provide the public with the assurance that public funds are being protected and to act as a deterrent to those that may consider committing fraud in the future.



## **Protect**

By adopting the principles of govern, acknowledge, prevent and pursue, the council can protect itself from fraud and the harm fraud can cause both to the council and to the residents of North Lincolnshire.

This strategy will be reviewed bi-annually against best available practice to ensure that the council stays protected. In addition, the Council will assess its counter fraud arrangements against the checklist produced by CIPFA to complement their 2020's strategy and will act to strengthen its arrangements where necessary.

## Appendix 1: Definition of terms

As per the Fraud Act 2006, fraud is a criminal offence. Fraud is any action taken by an individual, group or organisation which is designed to facilitate dishonest gain at the expense of (or loss to) the Council, the residents of North Lincolnshire or the wider national community and can include:

- **Fraud by False Representation:** Dishonestly making a false representation, and intend by making the representation, to make a gain for themselves or another, or cause a loss or expose another to a risk of loss.
- **Fraud by (wrongly) failing to disclose information:** Dishonestly failing to disclose information which they are under a legal duty to disclose, and intend by failing to disclose the information, to make a gain for themselves or another, or cause a loss or expose another to a risk of loss.
- **Fraud by abuse of position:** Occupying a position in which the post holder is expected to safeguard, or not act against, the financial interests of another person, dishonestly abuse that position, and intend by such abuse, to make a gain for themselves or another, or cause a loss or expose another to a risk of loss.

**Theft** is stealing any property belonging to the council or which has been entrusted to it (i.e., client funds), including cash, equipment, vehicles, data. Theft does not necessarily require fraud to be committed. Theft can also include the stealing of property belonging to our staff or members whilst on council premises.

A person is guilty of theft under the Theft Act 1968 if they 'dishonestly appropriate property belonging to another with the intent of permanently depriving the other of it' or they dishonestly retain a wrongful credit. For example, where they do not report and repay an overpayment of salary or advance.

**Corruption** is defined as an act done with the intent to give some advantage which is inconsistent with a public servant's official duty and the rights of others. In the public sector it can also be defined as the abuse of power by a public official for private gain. Forms of corruption vary but include bribery, extortion, nepotism, cronyism, embezzlement.

**Bribery** is defined as the offering, giving, soliciting or acceptance of inducements or reward designed to influence official action or decision making. Under the Bribery Act 2010, organisations are expected to implement anti-bribery measures and both organisations and individuals can face significant penalties for failure to meet these requirements.

**Money laundering** is the process by which the proceeds of crime are changed so that they appear to come from a legitimate source. Legislation concerning money laundering is included within the Proceeds of Crime Act 2002 (the POCA) and The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (as amended).

A **Whistleblower** is a person who tells someone in authority about alleged improper, unethical, dishonest or illegal conduct, including fraud occurring in any public or private organisation.

**The Public Interest Disclosure Act 1998** provides legal recourse for an employee raising the concern should they feel they have been treated unfairly as a result of "whistleblowing".

## Appendix 2: Roles and Responsibilities

Councillors	<ul style="list-style-type: none"> <li>• facilitate an anti-fraud and anti-corruption culture</li> <li>• demonstrate a commitment to this strategy and ensure it has the appropriate profile within the council</li> </ul>
Cabinet	<ul style="list-style-type: none"> <li>• ensure the strategy is effectively implemented across the Council</li> </ul>
Audit Committee	<ul style="list-style-type: none"> <li>• to approve the corporate fraud strategy</li> <li>• to monitor and review the effectiveness of the council's anti-fraud and corruption arrangements</li> <li>• ensure that there is strong political and executive support for work to counter fraud and corruption</li> <li>• ensure consistency across the council in the implementation of this strategy</li> </ul>
Chief Financial Officer (S151)	<ul style="list-style-type: none"> <li>• ensure that those working to counter fraud and corruption are professionally trained and accredited for their role and attend regular refresher courses to ensure they are up to date with new developments and legislation</li> <li>• ensure that those working to counter fraud and corruption are undertaking this work in accordance with a clear ethical framework and standards of personal conduct</li> <li>• ensure that there is a level of financial investment in counter fraud and corruption work that is proportionate to the risk that has been identified.</li> </ul>
Monitoring Officer	<ul style="list-style-type: none"> <li>• regularly publicise, and monitor compliance with, expected standards of ethical conduct</li> <li>• ensure that the progress in raising standards will be communicated to stakeholders</li> <li>• ensure registers of interests, gifts &amp; hospitality are maintained</li> <li>• ensure Councillors and officers are fully aware of their obligations in relation to probity</li> </ul>
Directors, Assistant Directors and Heads of Service	<ul style="list-style-type: none"> <li>• ensure the risks of fraud and corruption are identified, recorded on the risk register as required and action plans implemented to reduce the risk to an acceptable level</li> <li>• ensure the anti-fraud and anti-corruption strategy is implemented within their area of responsibility</li> <li>• ensure that any allegations or suspicions of fraud are reported in line with the fraud response plan or, if appropriate, the whistleblowing policy</li> <li>• ensure the risk of fraud and corruption is considered in all new processes</li> </ul>
Audit and Assurance (including counter fraud team)	<ul style="list-style-type: none"> <li>• support Directors, Assistant Directors and Heads of Service and their managers in identifying and mitigating risks for fraud and corruption</li> <li>• promote an anti-fraud culture, including awareness campaigns risk assessments, development of tools to identify potential fraudulent activity</li> <li>• ensure all allegations are recorded and risk assessed</li> </ul>

	<ul style="list-style-type: none"> <li>• conduct investigations in line with legislation, standards and rule of conduct</li> <li>• ensure that those carrying out fraud investigations are adequately trained</li> <li>• notify HR &amp; Legal Services at the outset of investigations into employees</li> <li>• make recommendations where weaknesses are identified and ensure action plans implemented to prevent reoccurrences</li> <li>• undertake proactive exercises into areas where the risk of fraud is greatest</li> <li>• take into account fraud risks when determining the annual audit plan and the content of specific audit assignments</li> </ul>
Human Resources	<ul style="list-style-type: none"> <li>• ensure that there is an effective propriety checking system (i.e., safe recruitment) implemented by appropriately trained staff in place</li> <li>• ensure employment policies support the anti-fraud and anti-corruption framework</li> <li>• ensure that effective Whistleblowing arrangements are established</li> <li>• monitor effective and appropriate sanctions are applied in all appropriate cases</li> <li>• ensure that all Human Resources staff are aware of the Fraud Response Plan and the action to take if they suspect fraudulent activity</li> <li>• inform Audit and Assurance at the outset of any conduct investigation</li> </ul>
Managers	<ul style="list-style-type: none"> <li>• ensure all employees are aware of their responsibilities under the anti-fraud and anti-corruption framework</li> <li>• ensure all employees have read the Employee code of conduct and understand their responsibilities</li> <li>• ensure all employees understand the Raising a concern policy and reporting arrangements</li> <li>• ensure employees are aware of the process for reporting allegations of fraud</li> <li>• ensure accurate and timely reporting of gifts and hospitality</li> </ul>
Employees	<ul style="list-style-type: none"> <li>• understanding of expected behaviour and of their responsibility to report suspected fraud or corruption and the appropriate methods to do so</li> </ul>

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# Fraud Response Plan

## Contents

- 1 Introduction
- 2 What is fraud and corruption?
- 3 Employee responsibilities
- 4 Human Resources responsibilities
- 5 Reporting process for members of the public, partner organisations or contractors that suspect fraud, corruption or financial misconduct
- 6 Investigation process
- 7 Conclusion of an investigation
- 8 Review



## **1. Introduction**

- 1.1. North Lincolnshire Council is committed to the highest possible standards of openness, probity, and accountability in all its affairs.
- 1.2. The council's Anti-Fraud and Corruption Strategy makes it clear that the council is committed to a zero-tolerance approach to fraud and corruption from both internal and external sources. Where fraud or corruption is suspected the council will deal with the allegations seriously.
- 1.3. The Fraud Response Plan reinforces the council's zero tolerance approach to fraud and corruption by setting out the ways in which employees or members of the public can voice their concerns about suspected fraud or corruption and how the council will deal with such allegations.

## **2. What is fraud and corruption?**

- 2.1. Fraud is any action taken by an individual, group or organisation which is designed to facilitate dishonest gain at the expense of (or loss to) the council, the residents of North Lincolnshire or the wider national community.
- 2.2. Corruption is defined as an act done with the intent to give some advantage which is inconsistent with a public servant's official duty and the rights of others. In the public sector it can also be defined as the abuse of power by a public official for private gain. Forms of corruption vary but include bribery, extortion, nepotism, cronyism, and embezzlement.
- 2.3. Examples of fraud and/or corrupt acts include:
  - Fraud committed by members of the public - where individuals or companies fraudulently obtain (or attempt to obtain) money, services, or concessions from the council, for example by making false claims for Council Tax support and discounts, Business Rates reliefs, school admissions, or for Adult Social Care payments
  - Fraud committed by employees or councillors - where an employee/councillor makes false claims for expenses, mileage claims, overtime or for hours worked (flexi time) or other concessions available to them as a council employee
  - Misuse of council equipment - where council equipment or assets are used for personal use such as council vehicles, stock, equipment, computers, or internet access
  - Abuse of position – where an employee or councillor uses their position within the council for personal gain or to the detriment of the council

- Financial misconduct – where an employee or councillor deliberately manipulates or misreports financial information, or deliberately fails to follow the council's financial procedure (and other) rules
- Bribery – where an employee or councillor offers or accepts a bribe or inducement to encourage that person to perform their functions or activities improperly, or to reward a person for having already done so, where there is an expectation that those functions are performed impartially or in good faith. For further information see the councils Anti-Bribery Policy
- Theft - includes the taking without authority of physical assets, such as computer equipment or other consumable items. It also covers the taking of personal information held by the council and intellectual property rights without consent.

2.4. This list is not exhaustive and there may be other activities undertaken by employees that may be unlawful, contravene council policies and procedures (particularly in relation to procurement or financial rules) or amount to improper conduct.

2.5. If you are in any doubt about the seriousness of your concern, advice and guidance can be obtained from Audit and Assurance.

### **3. Employee responsibilities**

3.1. All employees, partners and contractors have an obligation to report suspicions of fraud, corruption, or financial misconduct.

3.2. Where an employee suspects that a member of the public is defrauding the council, they should report their suspicions to the Audit & Assurance team. Some services have specific procedures to do this (such as local taxation and benefits). For those that do not, employees can raise their concerns by e-mail to [benefitfraud@northlincs.gov.uk](mailto:benefitfraud@northlincs.gov.uk), or by telephone to 01472 326298 option 1. Further information is available on TOPdesk (search 'fraud').

3.3. Employees are often the first to realise that there is something seriously wrong within the council. They may have suspicions about another employee's conduct, that of a councillor or of a partner organisation. However, they may not express these concerns because they feel that speaking up would be disloyal to their colleagues or to the council. They may also fear harassment or victimisation. Therefore, it is essential that employees feel safe to report these concerns.

- 3.4. The council's Reporting a concern policy (also referred to as Whistleblowing) provides a secure framework to enable staff to raise concerns within the Council. Legislation also provides protection for employees who make disclosures about alleged fraud, corruption or financial misconduct that are in the public interest. To make a disclosure about a council employee, employees should follow the Reporting a concern (whistleblowing) policy. This can be found on TOPdesk.
- 3.5. In general contact with the police should only be made by Audit and Assurance or the Monitoring Officer. This enables the police to have a single point of contact in the council, and to identify officers who will have familiarity with council affairs. It also helps in managing and reporting on fraud and corruption within the council. The Reporting a concern (whistleblowing) policy provides alternative methods of reporting, including reporting directly to the police where reporting internally may not be appropriate.
- 3.6. The employee making the allegation (or their line manager) **must not**:
- contact the suspected perpetrator to determine facts or demand restitution
  - discuss the case facts, suspicions, or allegations with anyone unless specifically asked to do so by the Head of Audit and Assurance, Assistant Director Governance and Partnerships I and Assistant Director of Organisational Development (or an officer acting on their behalf).
  - attempt to personally conduct investigations or interviews or question anyone unless asked to do so by the Head of Audit and Assurance, Assistant Director of Governance and Partnerships, or Assistant Director of Organisational and Development (or an officer acting on their behalf).

#### **4. Human Resources responsibilities**

- 4.1. Issues around staff performance or behaviour are investigated under the council's disciplinary procedures with the support of Human Resources. If the HR officer suspects that the issue involves potential fraud, corruption, or financial misconduct then they should raise their concerns with their line manager, who will alert, if necessary, the Head of Audit and Assurance (or their nominated person). That officer will assess whether the nature of the allegations come under the scope of the Fraud Response Plan.
- 4.2. Similarly, once a disciplinary investigation begins, should fraud, corruption or financial misconduct issues emerge, the Head of Audit and Assurance (or their nominated person) should be contacted as soon as possible for advice on how to proceed.

Interviews should only take place once this advice has been received (which may include an agreement on which issues could proceed and others which should not) to ensure, as far as possible, that any evidence collected will not adversely impact any potential criminal investigation.

## **5. Reporting process for members of the public, that suspect fraud, corruption, or financial misconduct**

5.1. The council encourages members of the public to contact the council should they suspect fraud, corruption, or financial misconduct.

5.2. A referral can be made:

- Using the online [fraud referral form at www.northlincs.gov.uk](http://www.northlincs.gov.uk)
- By e-mail to [benefitfraud@northlincs.gov.uk](mailto:benefitfraud@northlincs.gov.uk)
- By telephone to 01472 326298 option 1
- Or in writing to: Audit and Assurance, North Lincolnshire Council, Church Square House, 30-40 High Street, Scunthorpe DN15 6NL

5.3. Should an allegation of fraud, corruption or financial misconduct be received via the council's complaints team this should be raised with the Head of Audit and Assurance (or their nominated person) as soon as possible for advice on how to proceed.

## **6. Investigation process**

6.1. The Council will deal with all allegations of fraud in the most appropriate manner depending on the circumstances of the case. All investigations will be conducted in accordance with the relevant council policies and procedures and where appropriate criminal legislation.

6.2. For suspicions reported under the Raising a concern (whistleblowing) policy, the process for investigation is covered in that policy.

6.3. For all other allegations of fraud, corruption or financial misconduct, a suitably trained investigator will conduct a preliminary investigation and report to the Head of Audit and Assurance (or his deputy) who will decide (in conjunction with the Human Resources and relevant service leads where necessary) on the most appropriate action to take. This may include following the complaints process, the disciplinary process, making a referral to another agency (such as the Department for Work and Pensions or Police), or conducting an internal investigation.

- 6.4. This officer may also decide to take no further action where there is insufficient information to justify an investigation.
- 6.5. Investigating staff will observe the legal and procedural rights of those under investigation as defined in law and in Council policies. They will maintain the security, privacy, and integrity of the evidence they collect and ensure that it is prepared to a suitable standard for successful presentation at internal or external hearings or courts. They will therefore be appropriately trained and qualified.

## **7. Conclusion of an investigation**

- 7.1. Once the investigation has been completed, a report will be prepared which states the facts discovered during the investigation. A recommendation will be made as to the appropriate course of action to be followed. This may include:

- management action
- disciplinary hearing
- criminal proceedings
- no further action.

This list is not exhaustive, and decisions will be made on a case by case basis.

- 7.2. The council will seek to recover any financial loss through the appropriate mechanism. This may involve either civil or criminal proceedings where it is in the public interest to do so.
- 7.3. Where weaknesses in system controls have been identified during an investigation, a report and recommendations will be made advising management as to how the controls can be improved to prevent any recurrence of fraud or corruption.
- 7.4. Summary information about the incidence of fraud and corruption and the outcomes of investigations will be presented in the annual fraud report.
- 7.5. The results of investigations will be fed into the annual audit plan and management will be required to take measures to rectify any identified system weaknesses.

## **8. Review**

- 8.1. The Fraud Response Plan will be reviewed biannually.

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## NORTH LINCOLNSHIRE COUNCIL

### AUDIT COMMITTEE

## COUNTER FRAUD PROGRESS REPORT

### 1. OBJECT AND KEY POINTS IN THIS REPORT

- 1.1 To inform Members of key issues arising from counter fraud work.
- 1.2 Regular reporting on counter fraud issues is an important source of assurance for Members to fulfil their role and provides supporting evidence for the annual approval of the Governance Statement.

### 2. BACKGROUND INFORMATION

- 2.1. The council's framework to combat fraud, corruption and misappropriation was approved by Audit Committee in September 2021. The framework follows national guidance as laid out in the document 'Fighting Fraud and Corruption Locally -a strategy for the 2020's', and is based upon the key principles of:
  - Govern
  - Acknowledge and understand
  - Prevent and detect
  - Pursue
  - Protect
- 2.2. This update (attached in appendix 1) highlights the work carried out in each of these areas and demonstrates the Council's continuing commitment to minimise the risk of fraud.
- 2.3. During the period covered by this report, there have been no significant frauds reported and no major issues have been identified as a result of the fraud work undertaken.

### 3. OPTIONS FOR CONSIDERATION

- 3.1. The Committee is asked to consider whether regular reports on proactive and reactive fraud work will provide sufficient assurance on the adequacy of counter fraud arrangements during 2022-23. The Committee is invited to ask questions about the contents of the report and seek clarification as necessary.

#### **4. ANALYSIS OF OPTIONS**

- 4.1 The progress report is designed to provide this Committee with the assurance required to fulfil its role effectively.

#### **5. RESOURCE IMPLICATIONS (FINANCIAL, STAFFING, PROPERTY, IT)**

- 5.1. Regular reviews of counter fraud arrangements should safeguard the council's assets and ensure that value for money is achieved in the use of resources. Minor costs associated with the telephone and publicity for the Hotline will continue to be maintained within the Finance Service budget.

#### **6. OTHER RELEVANT IMPLICATIONS (e.g. CRIME AND DISORDER, EQUALITIES, COUNCIL PLAN, ENVIRONMENTAL, RISK etc.)**

- 6.1 Fraud is a risk to both the council's finances and its reputation. Resources lost to fraud, both monetary and through the provision of services are resources that are no longer available to support the council's aims and in turn the community.
- 6.2 Regular reviews of counter fraud arrangements should minimise the risk of fraudulent attacks on Council finances and services.

#### **7. OUTCOMES OF INTEGRATED IMPACT ASSESSMENT (if required)**

- 7.1 There is no impact assessment required for this report. This progress report does not constitute a key decision and there are no new material impacts to individuals, the community, workforce, place or other impacts as a result of this update.

#### **8. OUTCOMES OF CONSULTATION AND CONFLICTS OF INTERESTS DECLARED**

- 8.1 There are no conflicts of interests to declare.

#### **9. RECOMMENDATIONS**

- 9.1. That the Audit Committee considers the assurance provided by the progress report on the adequacy of counter fraud arrangements, and:
- 9.2. That the Audit Committee considers whether the counter fraud work programme delivers a sufficient level of assurance on the adequacy of counter fraud arrangements.



- 9.3. Members are also asked to consider whether a member with lead responsibility for fraud should receive a regular report that includes information, progress and barriers on the assessment against the FFCL checklist, fraud risk assessment and horizon scanning.
- 9.4. To consider whether the production of an annual fraud plan would provide additional assurance on the council's fraud arrangements, or whether the current arrangements are satisfactory.

### **DIRECTOR: OUTCOMES**

Church Square House  
SCUNTHORPE  
North Lincolnshire  
DN15 6NL

Author: Mark Edwards  
Date: 19<sup>th</sup> October 2023

#### **Background Papers used in the preparation of this report:**

NLC Anti-Fraud Strategy  
Annual fraud Indicator 2023

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# Appendix 1

SAFE WELL PROSPEROUS CONNECTED

## Counter Fraud Progress Report

## Introduction

The council's framework to combat fraud, corruption and misappropriation was approved by Audit Committee in September 2021. The framework follows national guidance as laid out in the document 'Fighting Fraud and Corruption Locally (FFCL) - a strategy for the 2020's', and is based upon the key principles of:

- Govern
- Acknowledge and understand
- Prevent and detect
- Pursue
- Protect

This update highlights the work carried out in each of these areas and demonstrates the Council's continuing commitment to minimise the risk of fraud.

## Govern

The council has a robust framework of procedures and controls to minimise the risk of losses due to fraud. Our anti-fraud and corruption strategy makes it absolutely clear that fraud and corruption will not be tolerated. The strategy is currently under review and an updated version will be brought to this committee for consideration and approval.

Our supporting policies and procedures are also reviewed on a regular basis to ensure they continue to provide clear guidance to protect the council from fraud and corruption. The Fraud Response Plan is also being reviewed and a revised version will be published shortly, ensuring that there is a clear pathway for reporting concerns and process for dealing with those concerns.

To provide assurance that our fraud response is appropriate and meets the needs of the council, we invited Lincolnshire County Council to provide an independent 'peer review' of our arrangements against the checklist in the FFCL strategy. The review is now complete and provided satisfactory assurance on the effectiveness of the control environment in relation to fraud. In coming to this conclusion, the review also made a number of findings that we will work through to improve our fraud response, including carrying out an updated fraud risk assessment.

The review identified two areas for consideration by the Audit Committee. The FFCL strategy checklist recommends that there is a member of the Cabinet with lead responsibility for fraud to receive a regular report that includes information, progress and barriers on the assessment against the FFCL checklist, fraud risk assessment and horizon scanning.

The second area for consideration is whether the Committee feels that the production of an annual fraud plan approved by the Committee is necessary to provide additional assurance on our fraud arrangements, or whether the current arrangements are satisfactory.

## Acknowledging and understanding fraud risks

There is no doubt that the past few years have seen changes on a massive scale. COVID has transformed the way we work as council, with home and hybrid working now the norm. The rise in the cost of living and conflict in Ukraine are also placing strains on finances both public and personal.

At the same time, it is reported that fraud is now the most prevalent crime<sup>1</sup> and latest estimates of fraud losses within Local Government have increased from £7.8bn in 2017 to £8.8bn in 2023<sup>2</sup>. It is clear that fraud is and will remain a significant risk.

We cannot afford to lose money to fraud. We all have a responsibility to understand what fraud looks like, what to do when we suspect it and how to report it. Advice and guidance is available on the council wiki pages and a suite of fraud awareness e-learning modules, specifically developed to raise awareness of fraud are also available on the LearningLincs platform. The more employees understand what fraud is, how their service might be targeted by fraudsters and how to respond to instances of fraud, the harder we make it for fraudsters to steal public money.

But, having the tools to prevent fraud is only effective if those tools are used and understood. Therefore, we have undertaken a short staff survey, not only to assess the level of knowledge and understanding of fraud but also to assess our employees' confidence in using those tools (such as the reporting a concern (whistleblowing) policy).

The last staff survey in relation to fraud awareness was conducted in 2018/2019. During a four month period in 2023, a refreshed survey was made available to employees to complete. A variety of methods were used to promote the completion of the survey, including the weekly corporate communication to staff and through senior leadership team. At the end of the survey period in August 2023, 72 responses had been received. Some of the key findings are shown as follows:

<b>72%</b>	of respondents are aware of the fraud awareness modules
<b>83%</b>	of respondents agreed that the council had made clear its commitment to fight fraud and corruption (7% in 2019)
<b>94%</b>	of respondents are aware of their personal responsibilities and conduct in respect of fighting fraud and corruption (89% in 2019)
<b>72%</b>	of respondents are aware of the councils fraud and corruption strategy (50% in 2019)
<b>98%</b>	of respondents understood their responsibilities under the Bribery Act (84% in 2019)
<b>73%</b>	of respondents are aware of the register of gifts and hospitality and that periodic reminders are issued

<sup>1</sup> Crime in England and Wales: year ending March 2023

<sup>2</sup> Annual Fraud Indicator 2023

Of the 15 questions asked in the survey, 12 showed improvements on the 2018/19 responses. However, the survey also identified areas where more can be done to raise awareness or confidence further including:

- Improving awareness of internal controls such as segregation of duties and how they are effective in preventing fraud and corruption
- Improving awareness of the arrangements in place to deal with allegations of money laundering
- Awareness of the register of interests
- Awareness of how the Council's disciplinary procedures provide an effective deterrent to fraud and corruption; (25% answered 'Don't know' to this question).

The full survey results can be found in Appendix 2.

A plan for proactive fraud work is being completed as part of the Internal Audit plan for 2023/24. The focus of the work within this plan will relate to the use of our own data matching systems alongside data matching that has already been produced by the National Fraud Initiative. Audit will also continue its own ongoing review of duplicate payments using data matching.

In addition, when planning individual internal audit assignments, the controls relating to the prevention of fraud are subject to risk assessment and if appropriate the effectiveness of their operation will be tested.

## Preventing and detecting fraud

We continue to undertake monthly reviews of Council Tax single residency discounts. Each month every liability with a single residency discount (SRD) is checked against credit reference agency data to identify households that may have more than one adult resident and enquiries are made with those individuals where the data indicates a change. By identifying changes on a monthly basis, this enables the Council to quickly remove any SRD's that are no longer appropriate, maximising the amount of Council Tax available for collection.

In 2023/4 to date, we have taken the following action:

Summary	Values
Number of review letters sent	270
Number of reminders sent	73
Number returned	199
Number returned with no change reported	159

Number of changes reported	53
Number of single residency discounts removed	53
Value of discounts removed	£10,669

Final figures for the 2022/23 exercise are now available and show that the review identified and removed 136 SRD's that were no longer appropriate, resulting in an additional £51,935 in Council Tax available for collection.

<b>2022/2023 Summary</b>	<b>Values</b>
Number of review letters sent	670
Number of reminders sent	226
Number returned	601
Number returned with no change reported	441
Number of changes reported	180
Number of single residency discounts removed	136
Value of discounts removed	£51,935

We continue to conduct Investigations based on referrals received from members of the public or internal sources. So far in 2023/24 we have completed the following investigations:

Council Tax Discount investigations	23
Increase in Council Tax available for collection	£9,858
Backdated liability available for collection	£13,615
Council Tax Support investigations	5
Reduction in Council Tax Support payable	£1,875
Additional Council Tax Support recoverable	£7,295

As part of its audit plan, Internal Audit is carrying out some specific proactive fraud work reviewing the controls in place for specific areas of risk, and where appropriate, carrying out substantive testing to establish the effectiveness of the controls and identify any unusual transactions. Work is currently ongoing in relation to expenses, declaration of interests and their links to payments made via the creditor system, as well as audits of establishments which receive income from the sale of goods.

All of this work is currently in progress at the time of writing of this report. An audit of the Gifts and Hospitality system will be completed in late 2023.

### Pursue - Being stronger in punishing fraud and recovering losses

All losses identified (including those identified from reviews of single residency discounts) are pursued in line with the Council's debt recovery strategy.

All appropriate cases are considered for prosecution in line with the Council's policy on prosecution, taking into consideration both the evidential and public interest tests in the Code for Crown Prosecutors.

### Protect

The actions outlined above provide a robust response to the risk of fraud occurring, its detection and investigation. They enable the council to protect itself from fraud and the harm fraud can cause, both to the council and to the residents of North Lincolnshire.

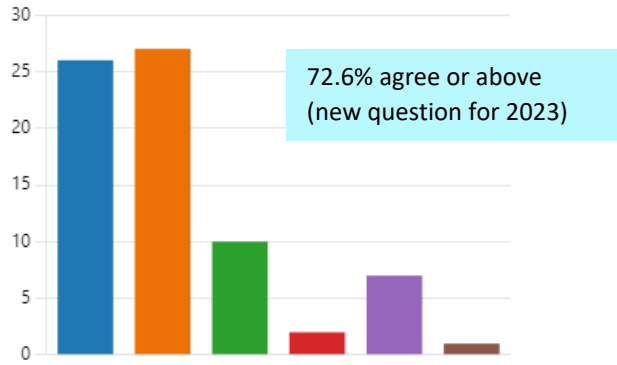


# Appendix 2

1. I am aware of the fraud e-learning modules that were released at the end of 2022.

[More Details](#)

● Strongly Agree	26
● Agree	27
● Disagree	10
● Strongly Disagree	2
● Don't Know	7
● Not Applicable	1

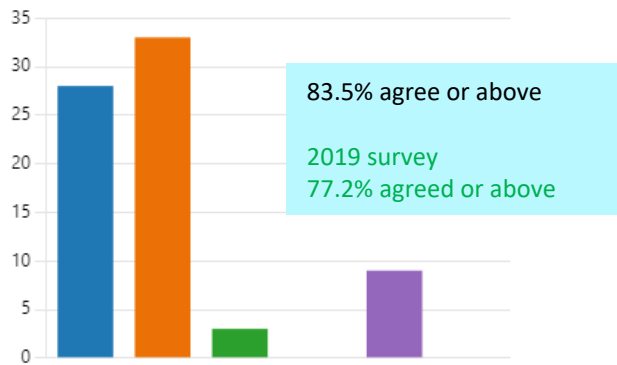


2. The Council has made clear its commitment to fight fraud and corruption.

[More Details](#)

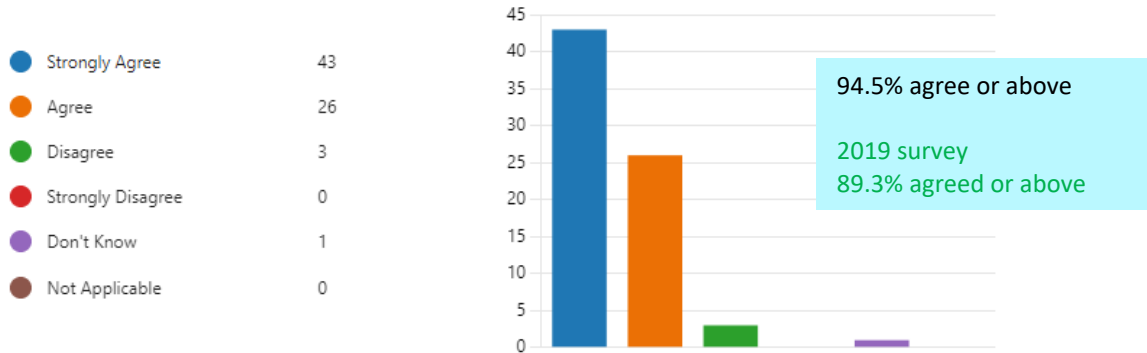
[Insights](#)

● Strongly Agree	28
● Agree	33
● Disagree	3
● Strongly Disagree	0
● Don't Know	9
● Not Applicable	0



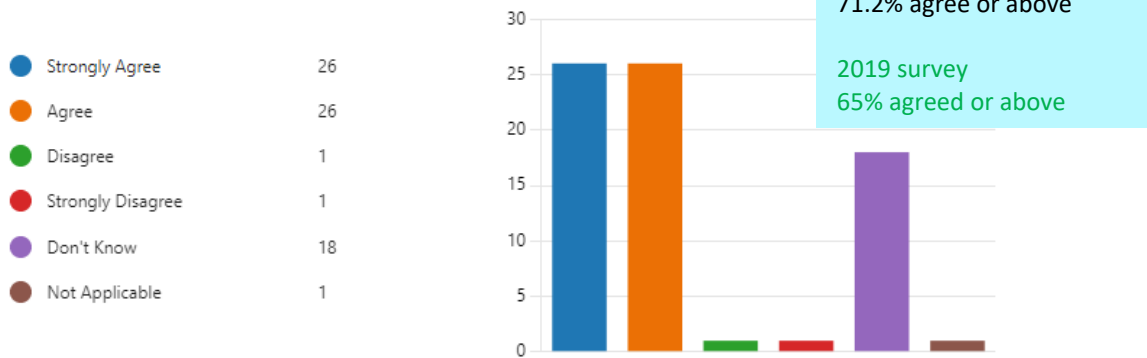
3. I am aware of my personal responsibilities and conduct in respect of fighting fraud and corruption.

[More Details](#)



4. I believe that internal controls - including proper segregation of duties exist.

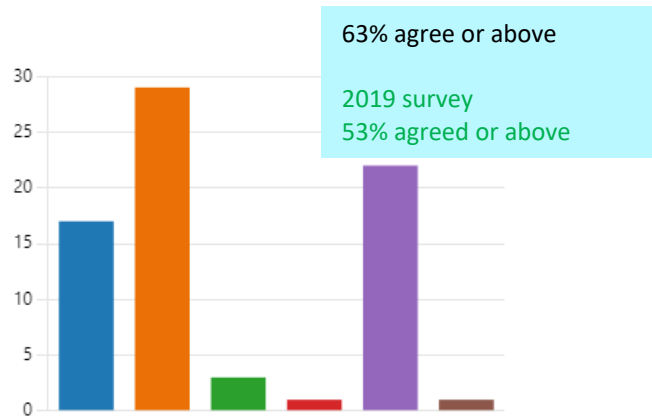
[More Details](#)



5. I believe that these internal controls work effectively.

[More Details](#)

● Strongly Agree	17
● Agree	29
● Disagree	3
● Strongly Disagree	1
● Don't Know	22
● Not Applicable	1

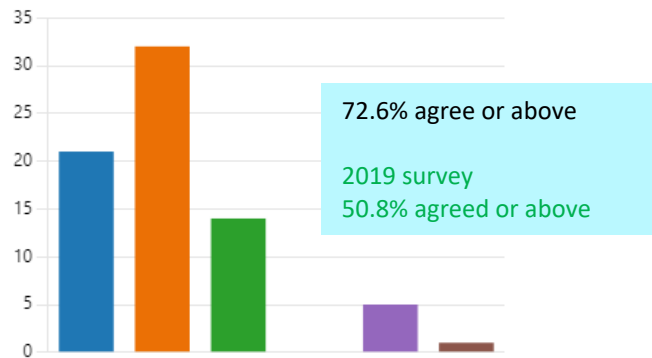


6. I am aware of the Council's anti-fraud and corruption strategy.

[More Details](#)

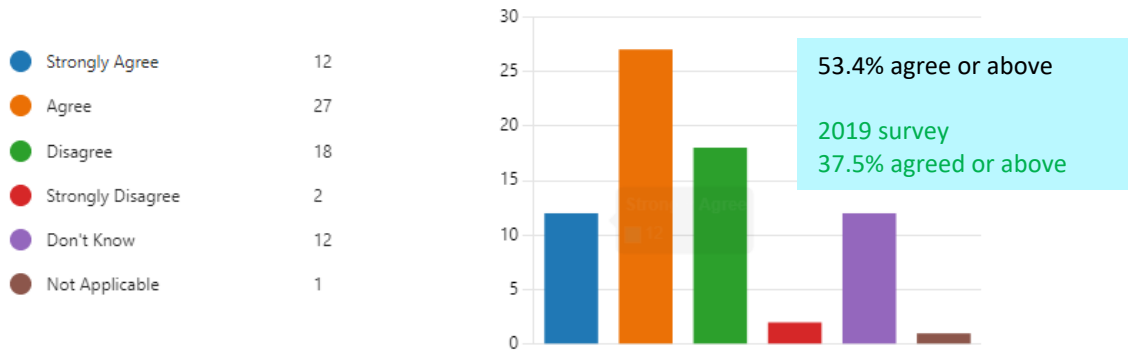
[Insights](#)

● Strongly Agree	21
● Agree	32
● Disagree	14
● Strongly Disagree	0
● Don't Know	5
● Not Applicable	1



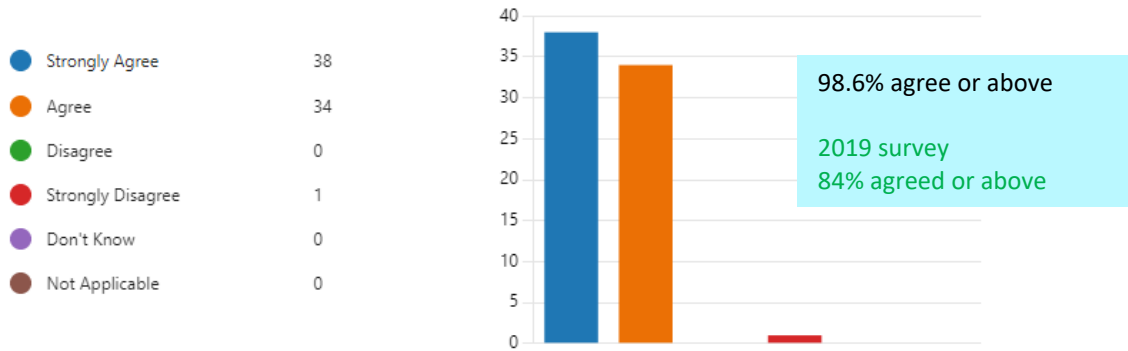
7. I am aware of the arrangements the Council has in place to deal with allegations of Money Laundering.

[More Details](#)



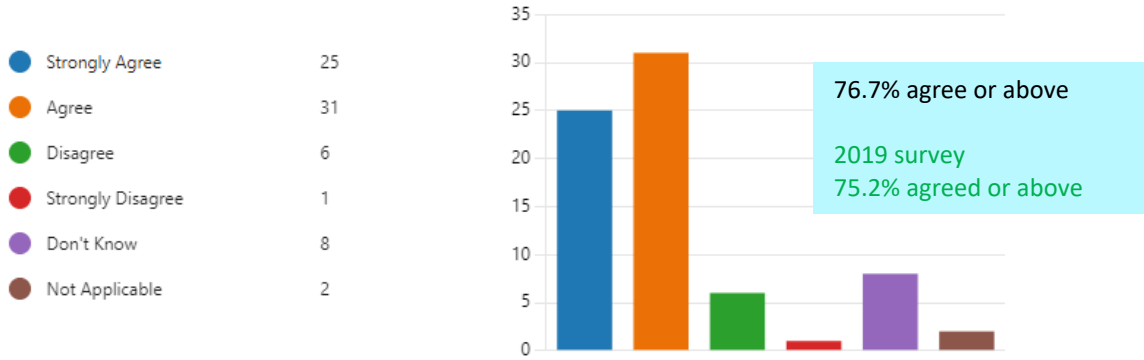
8. I am aware of my personal responsibilities under the Bribery Act 2010.

[More Details](#)



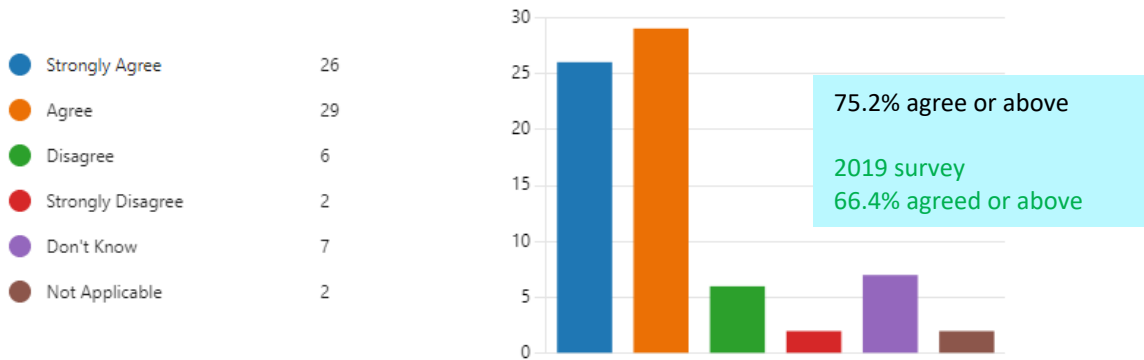
9. I am aware of the Council's Reporting a Concern Policy and how to report a suspected instance of maladministration.

[More Details](#)



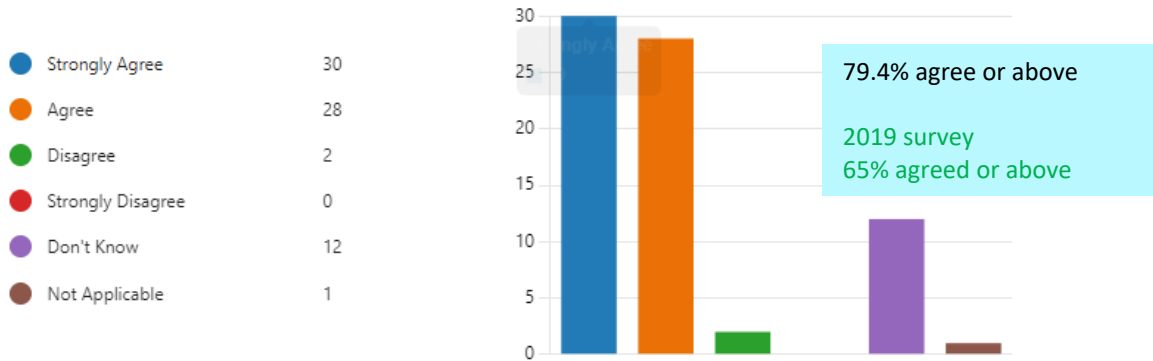
10. I would feel confident in reporting and expressing concerns regarding a suspected instance of maladministration under the Council's Reporting a Concern Policy.

[More Details](#)



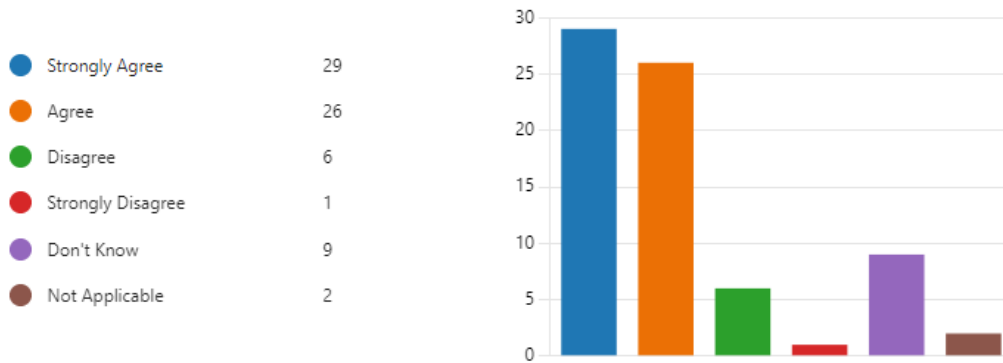
11. I believe that my concern would be dealt with in the strictest confidence.

[More Details](#)



12. I am aware of the circumstances in which I would need to make a declaration of interest and I am reminded periodically of the need to record such interests.

[More Details](#)



75.3% agree or above

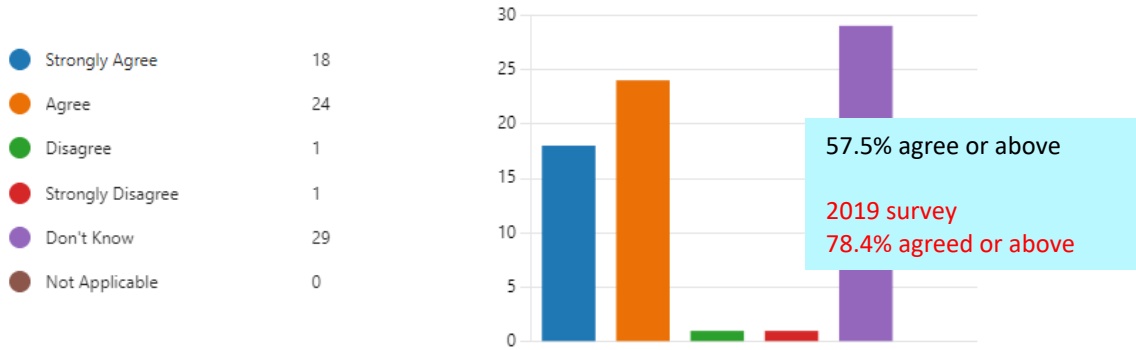
In 2019 this was asked as two separate questions

'I am aware when I would need to declare an interest'  
77.6% agreed or above

'Periodic Reminders'  
48.7% agreed or above

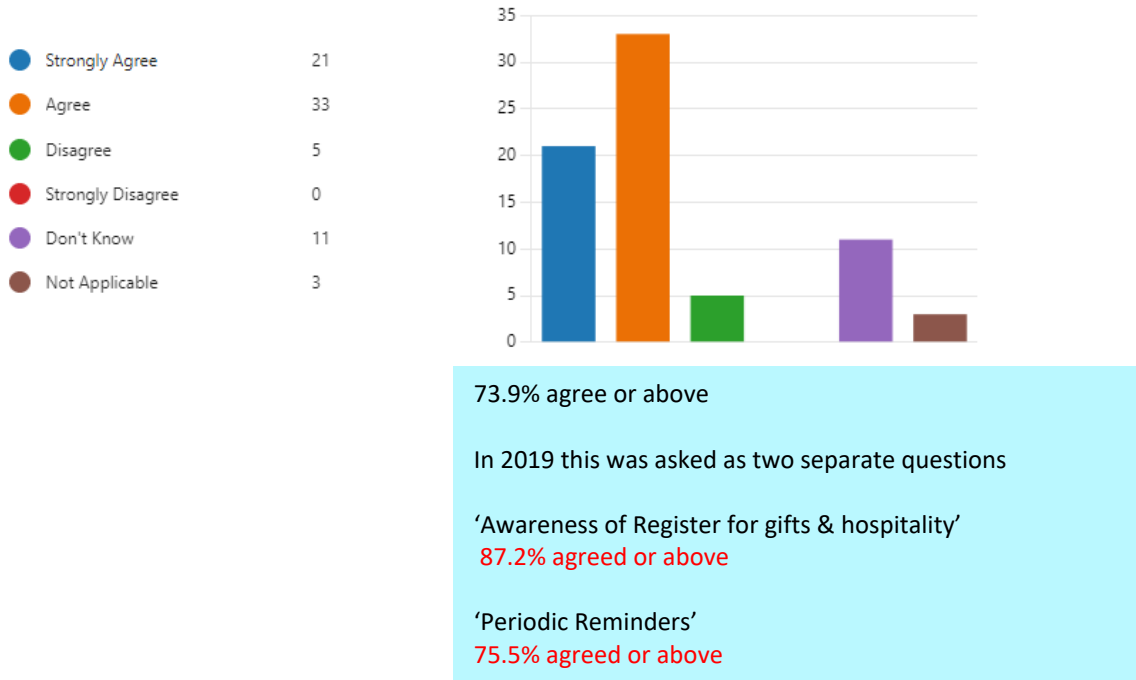
13. A register is kept to record any interests which may impair the impartiality of Council staff.

[More Details](#)



14. A register is kept to record the receipt and offering of hospitality and gifts and I am reminded periodically of the need to record such hospitality and gifts.

[More Details](#)



15. The Council's disciplinary procedures provide an effective deterrent to fraud and corruption.

[More Details](#)

Strongly Agree	19
Agree	35
Disagree	0
Strongly Disagree	0
Don't Know	18
Not Applicable	1

