AUDIT & GOVERNANCE COMMITTEE

DATE	29/09/2021
REPORT OF	Sharon Wroot - Executive Director for Environment, Economy and Resources
SUBJECT	Statement of Accounts 2020/2021
STATUS	Open

CONTRIBUTION TO OUR AIM

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

EXECUTIVE SUMMARY

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

RECOMMENDATIONS

Note the draft Statement of Accounts for 2020/2021 for approval.

REASONS FOR DECISION

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

1. BACKGROUND AND ISSUES

The Council is required to comply with the 'Code of Practice on Local Authority Accounting' which specifies the principles and practices of accounting required. The Accounts and Audit Regulations 2015 require the Council to prepare and publish its approved draft and audited accounts by 31st May and 31st July respectively.

Due to disruption caused by the COVID19 virus, legislation was passed to delay the statutory publication date until 31st July and the audit opinion until the 30th September 2021.

The 2020/2021 draft accounts, as approved for issue by the Director of Resources and Governance, are attached at Appendix 1.

Accompanying the accounts is the latest version the Annual Governance Statement (AGS). The draft AGS was approved by the Audit Committee at its meeting on 23 July 2021. The final version was dependent on the outcome of the external audit, and the AGS has been updated to reflect the position as at 21 September 2021 and states the following:

"There are no significant issues arising from the external audit of the Council's 2020/2021 financial statements. The Council's external auditors, Mazars, are proposing an unqualified opinion on the financial statements subject to a small number of outstanding issues. In relation to the VFM Conclusion this work is running later than the work on the accounts and will focus predominantly on financial sustainability, governance and decision making and improving economy, efficiency and effectiveness. The Council's external auditors have not identified any significant risks as part of their work on the VFM conclusion to

date".

If required the final wording of the AGS may be subject to final amendment once the outcome of the external audit is confirmed. An update will be provided to the Audit Committee on 29 September 2021

Since the draft was approved by the Committee no further significant control or governance issues have required reporting in the AGS.

2. RISKS AND OPPORTUNITIES

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

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

3. OTHER OPTIONS CONSIDERED

N/A

4. REPUTATION AND COMMUNICATIONS CONSIDERATIONS

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

5. FINANCIAL CONSIDERATIONS

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

6. CLIMATE CHANGE AND ENVIRONMENTAL IMPLICATIONS

The Statement of Accounts provides details, where applicable, of any climate change and environmental implications.

7. FINANCIAL IMPLICATIONS

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

8. LEGAL IMPLICATIONS

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

9. HUMAN RESOURCES IMPLICATIONS

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

10. WARD IMPLICATIONS

All wards affected

11. BACKGROUND PAPERS

Statement of Accounts (Appendix 1).

12. CONTACT OFFICER(S)

Guy Lonsdale, Head of Finance and Deputy S151 Officer

SHARON WROOT
EXECUTIVE DIRECTOR FOR ENVIRONMENT, ECONOMY AND RESOURCES

North East Lincolnshire Council Statement of Accounts

Financial Year 2020/2021

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Narrative Statement

Overview

The council reported a balanced position against its 2020/2021 budget. Despite this, financial pressures have continued to be experienced as a result of the council's Covid-19 response. A combination of additional costs, increased demand, shortfalls against income targets and delays in the delivery of savings programmes resulted in a range of service overspends. Additional funding received from Government in recognition of the pandemic has offset the financial pressures experienced in year.

During the year the council has continued to deliver a range of financial support packages within the Borough. This funding has been predominantly directed towards supporting businesses and individuals deal with the financial impacts of Covid-19. The council has acted swiftly to ensure this funding has been distributed in a timely and equitable manner.

Inevitably collection rates within both council tax and business rates have been affected by the pandemic and we are continuing to closely monitor the position given the council is largely dependent on local taxation to fund its services. The impact on future years income will be dependent upon the pace at which the local economy recovers.

During 2020/2021, the council's existing ambitious programme of investment has been progressing despite some operational challenges brought about by Covid-19. Delivery of the capital programme will continue to be closely monitored to ensure we are investing in schemes that are deliverable and affordable and deliver benefits to the place.

Governance

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

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

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

The council have an established Health and Wellbeing Board which is tasked with joining up commissioning and services across the NHS, social care, public health and the voluntary sector. In support of this aim, the council has a close working relationship with North East Lincolnshire CCG to ensure an efficient and effective working relationship with the health sector and make best use of the range of skills and capacity in both organisations. As two of the largest commissioning organisations within North East Lincolnshire, the council and CCG are well placed to influence the health and wellbeing agenda through their joint spending power and economies of scale.

In response to the impact of Covid-19 on the normal conduct of the council's business, all council meetings were held remotely during 2020/2021. Emergency decision making arrangements were implemented at the beginning of the financial year to give delegated authority to the Chief Executive to exercise all council responsibilities in respect of civil contingencies and emergency planning and urgent decisions to be made in consultation with the Leader and the Portfolio Holder for Finance, or their nominee.

In terms of staffing, the council's workforce has been required to work in different ways. In addition, staff have been redeployed to support the front-line work force and there has been increased agile working and use of technology.

Statement of Accounts and Basis of Preparation

The Statement of Accounts summarise the council's financial performance during the 2020/2021 year and its financial position as at 31 March 2021. The accounting statements comprise:

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

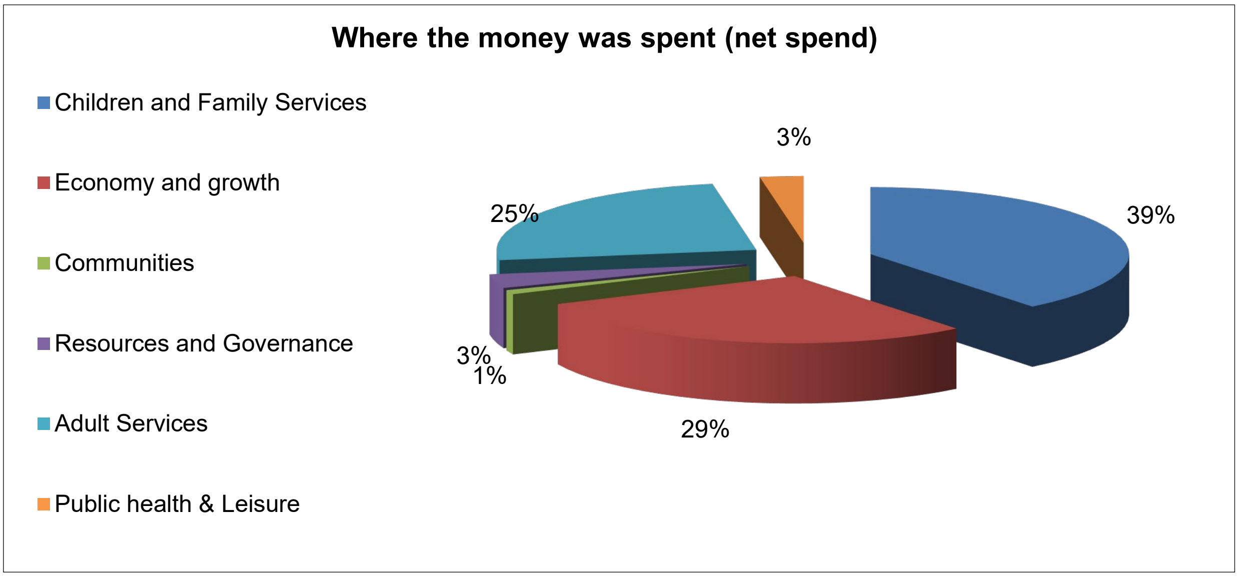
The Statement of Accounts have been prepared under the historical cost convention, as modified for the revaluation of certain non-current assets, and are presented on a going concern basis. Due to the Coronavirus pandemic an extension has been granted to the normal accounting timetable and additional disclosures have been incorporated into the accounts to reflect its widespread impact.

Performance

Income and Expenditure

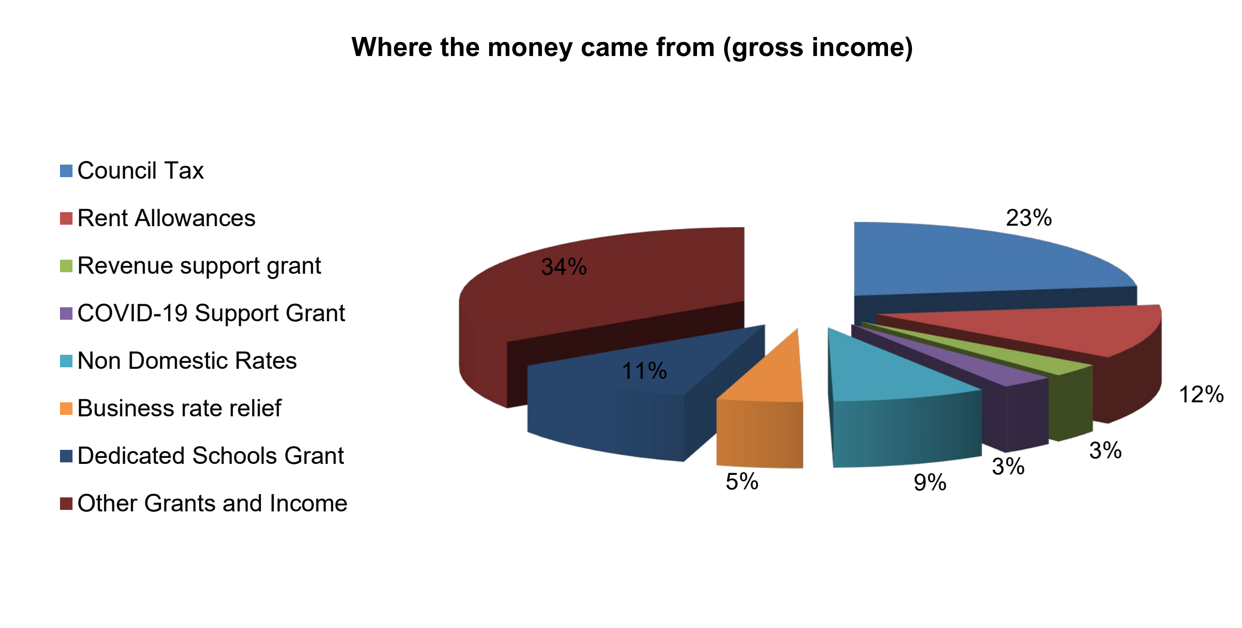
The council spent a total of £286.2m providing services to the local population during the year. After considering service-based grants and income of £148.2m, net expenditure on services totalled £138m in 2020/2021. Expenditure is incurred across a diverse range of services including adult social care, children's services, the environment, economy and housing.

The council recorded a number of overspends against its approved service budgets, in particular within children's services where demand continues to exceed available resources. However, additional Government funding received in acknowledgment of the financial challenges brought about by Covid-19 and underspends within corporate budgets have been used to offset service overspends and report a balanced position at year end. An analysis of where the money was spent is detailed in the chart below.



The council's spending was financed through a combination of local taxation (council tax and business rates), grants and fees and charges.

It should be noted that an increasing proportion of the council's spending is now funded locally with reducing reliance on central government grants. An analysis of where the money came from is detailed in the chart below.



Review of the Council's Financial Position

The council has reported a decrease of £62.1m in its overall net worth during the year with net liabilities of £72.1m reported at year end. This is predominantly due to a movement in the pension liability. The pension liability of £238m on the Balance Sheet is an estimate of the current value of pension benefits that need to be funded by the council. The liability, as assessed by an independent actuary, showed an increase of £73.5m during the year. The figure represents an estimate of the value of scheme assets and liabilities at a point in time. Importantly though contributions remain stable at present and will be subject to a triennial valuation next year.

The council has reported an overall £23.9m increase in its long-term assets balance at year end. This increase in net assets predominantly reflects the net impact of investments the council has made in its fixed asset base during the year. In terms of working capital, the council reported a £6.8m movement in its net current asset position at year end mainly as a result of an increase in short term debtors balance.

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

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

Reserves and Balances

The overall financial standing of the council is being continually monitored with a focus upon the adequacy of reserves and the stewardship of public funds. General fund reserves, set aside to deal with any unforeseen events, remain at £8.3m at the end of the 2020/2021 financial year. This is in line with the medium-term financial plan and considered to be a prudent level considering the increased level of risk to which the council is currently exposed. The general fund balance will be reviewed as we move through the 2021/2022 financial year.

Earmarked reserves have increased by £17.3m to £38.4m during 2020/2021. This is predominantly due to a technical accounting adjustment to reflect the £12.4m received in respect of the extended Retail Relief Scheme given to businesses in response to Covid-19 by Government. This will be required in the 2021/2022 financial year to offset the resulting deficit that will be seen in the Collection Fund and has therefore been transferred to the Business Rates Equalisation Reserve at the end of 2020/2021.

An additional Covid-19 reserve has been established to manage the additional funding received from Government and this is expected to be fully utilised in the 2021/2022 financial year. Other earmarked reserves will continue to be utilised to support transformational change and initiatives designed to deliver longer term returns.

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

Capital Investment

Despite ongoing challenges linked to Covid-19, an ambitious programme of investment within the Borough has been progressing. However, the council has seen some impact as a result of the Covid-19 pandemic, both financially, operationally and in our ability to deliver the capital programme. The council has delivered 85% of its revised capital programme in 2020/2021 which compares to 84% in 2019/2020. Where underspends against capital allocations have been reported, these have been challenged to ensure spending is timely and in accordance with corporate priorities.

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

However, with reducing net revenue budgets, the percentage of spend already tied up in borrowing costs may steadily increase even without additional borrowing. Borrowing therefore needs to be in accordance with prudential borrowing principles. The council has well established appraisal processes in place and any new borrowing will be predicated on the preparation of a sound business case which is closely aligned to the council's key outcomes and financial strategy. The council's current strategy is to use cash balances to fund the capital programme where possible. This approach, referred to as internal borrowing, minimises the cost of borrowing and reduces credit risk on investments. Overall borrowing levels remain manageable and under continued review.

At year end, the council had £152.0m of external borrowing, up from £148.6m last financial year. The council has operated within its prudential borrowing limit during the year and no problems are anticipated for future years at this stage. Net financing costs remained below 10% in 2020/2021 and are projected to continue to do so in 2021/2022.

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

Strategic Outlook

Covid-19 has brought widespread socio-economic impacts both nationally and internationally. Whilst the council has additional funding, the challenges are significant and wide ranging and impact on all aspects of our activities for the months and years to come.

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

Council tax, business rates and fees and charges have all been affected by the pandemic and this presents a significant risk to the 2021/2022 finance and commissioning plan and longer-term financial sustainability. The situation will also have an impact on future years in terms of income collection and bad debts and this will be dependent on how quickly the economy can recover.

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

During 2021/2022 and beyond, the council faces a range of challenges including Covid-19 recovery, NHS reform, and demographic pressures on social care demand. As in 2020/2021, the council has received a one-year financial settlement from central Government for 2021/2022 with longer term changes to the local government financial model being postponed for at least another year. This current level of uncertainty will necessitate a review of the financial strategy to ensure the council best placed to deal with the increased risks and opportunities it currently faces.

Statement of Responsibilities

The Council's Responsibilities

The council is required to:

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

The Executive Director for Environment, Economy and Resources Responsibilities

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

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

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

The Executive Director for Environment, Economy and Resources has also:

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

Certificate of the Chief Financial Officer

I certify that:

a) The Statement of Accounts for the year ended 31 March 2021 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.

Sharon Wroot
Executive Director for Environment, Economy and Resources
Date of certification: 30th June 2021

Authority Approval of Statement of Accounts

Tim Render
Audit and Governance Committee
Date of approval:

Independent auditor's report to the members of North East Lincolnshire Council

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Comprehensive Income and Expenditure Statement

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

	Note	2020/2021 Gross Expenditure £000	2020/2021 Gross Income £000	2020/2021 Net Expenditure £000	2019/2020 Gross Expenditure £000	2019/2020 Gross Income £000	2019/2020 Net Expenditure £000
Resources & Governance		56,841	(52,165)	4,676	54,236	(45,005)	9,231
Environment, Economy & Housing		60,051	(20,210)	39,841	63,250	(18,899)	44,351
Communities		3,642	(2,211)	1,431	3,831	(1,531)	2,300
Children & Family Services		108,646	(54,447)	54,199	112,210	(53,667)	58,543
Public Health & Leisure		11,666	(7,919)	3,747	11,670	(6,082)	5,588
Adult Services		43,173	(9,014)	34,159	47,617	(8,848)	38,769
Other Corporate Budgets		2,209	(2,252)	(43)	6,797	(7,547)	(750)
Cost of Services		**286,228**	**(148,218)**	**138,010**	**299,611**	**(141,579)**	**158,032**
Other operating expenditure	11	1,615	(91)	1,524	2,013	(2,032)	(19)
Financing and investment income and expenditure	12	8,637	(4,353)	4,284	11,548	(4,953)	6,595
Taxation and non-specific grant income and expenditure	13	0	(164,125)	(164,125)	0	(142,820)	(142,820)
(Surplus) or Deficit on Provision of Services				**(20,307)**			**21,788**
(Surplus) or deficit on revaluation of property, plant and equipment	14,15			**454**			(17,058)
Impairment losses and reversals on non-current assets charged to the revaluation reserve	14,15			**(396)**			74
Re-measurement of the net defined benefit liability/(asset)	39			**82,345**			(73,309)
Other Comprehensive Income and Expenditure				**82,403**			**(90,293)**
Total Comprehensive Income and Expenditure				**62,096**			**(68,505)**

Movement in Reserves Statement

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

	General Fund Balance £000	Earmarked General Fund Reserves £000	Total General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Reserves of the Authority £000
Balance as at 1 April 2019	**8,300**	**29,673**	**37,973**	**22**	**1,083**	**39,078**	**(117,595)**	**(78,517)**
Movement in Reserves during the Year:								
Total Comprehensive Income and Expenditure	(21,788)	0	**(21,788)**	0	0	**(21,788)**	**90,293**	**68,505**
Adjustments between Accounting Basis & Funding Basis Under Regulations (Note 9)	13,230	0	**13,230**	(13)	2,883	**16,100**	**(16,100)**	**0**
Net Increase / (Decrease) before Transfers to Earmarked Reserves	**(8,558)**	**0**	**(8,558)**	**(13)**	**2,883**	**(5,688)**	**74,193**	**68,505**
Transfers to or from Earmarked Reserves	8,558	(8,558)	**0**	0	0	**0**	**0**	**0**
Increase / (Decrease) In 2019/2020	**0**	**(8,558)**	**(8,558)**	**(13)**	**2,883**	**(5,688)**	**74,193**	68,505
Balance Sheet as at 31 March 2020	**8,300**	**21,115**	**29,415**	**9**	**3,966**	**33,390**	**(43,402)**	**(10,012)**
Movement in Reserves during the Year:								
Total Comprehensive Income and Expenditure	20,307	0	**20,307**	0	0	**20,307**	**(82,403)**	**(62,096)**
Adjustments Between Accounting Basis & Funding Basis Under Regulations (Note 9)	(3,032)	0	**(3,032)**	(6)	1,429	**(1,609)**	**1,609**	**0**
Net Increase / (Decrease) before Transfers to Earmarked Reserves	**17,275**	**0**	**17,275**	**(6)**	**1,429**	**18,698**	**(80,794)**	**(62,096)**
Transfers to or from Earmarked Reserves	(17,275)	17,275	**0**	0	0	**0**	**0**	**0**
Increase / (Decrease) In 2020/2021	**0**	**17,275**	**17,275**	**(6)**	**1,429**	**18,698**	**(80,794)**	**(62,096)**
Balance Sheet as at 31 March 2021	**8,300**	**38,390**	**46,690**	**3**	**5,395**	**52,088**	**(124,196)**	**(72,108)**

Balance Sheet

The Balance Sheet shows the value as at the balance sheet date of the assets and liabilities recognised by the council. The net assets of the council (assets less liabilities) are matched by the reserves held by the council. Reserves are reported in two categories. The first category of reserve are usable reserves, i.e., those reserves that the council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example, the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserve are those that the council is not able to use to provide services. This category of reserve includes reserves that hold unrealised gains and losses (for example, the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

	Note	31 March 2021	31 March 2020
		£000	£000
Property, Plant & Equipment	14	257,571	234,143
Heritage Assets	15	1,935	1,935
Investment Property	16	53,129	51,696
Intangible Assets	17	1,094	1,506
Long Term Debtors	18, 20	1,374	1,913
Long Term Assets		**315,103**	**291,193**
Inventories		130	103
Short Term Debtors	20	42,925	35,436
Cash and Cash Equivalents	21	29,430	30,256
Assets Held for Sale	22	0	0
Current Assets		**72,485**	**65,795**
Short Term Borrowing	18	(16,929)	(32,429)
Short Term Creditors	18, 23	(48,929)	(32,952)
Provisions	24	(1,377)	(1,611)
Capital Grants Received in Advance	34	(12,842)	(12,997)
Current Liabilities		**(80,077)**	**(79,989)**
Provisions	24	(6,553)	(6,291)
Long Term Borrowing	18	(135,035)	(116,162)
Other Long Term Liabilities	39	(238,031)	(164,558)
Long Term Liabilities		**(379,619)**	**(287,011)**
Net Assets/(Liabilities)		**(72,108)**	**(10,012)**
Usable Reserves	MiRS	52,088	33,390
Unusable Reserves	25	(124,196)	(43,402)
Total Reserves		**(72,108)**	**(10,012)**

Cash Flow Statement

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

	Note	2020/2021	2019/2020
		£000	**£000**
Net surplus or (deficit) on the provision of services		**20,307**	**(21,788)**
Adjustment to surplus or deficit on the provision of services for non-cash movements	26	26,463	37,807
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	26	(29,825)	(25,967)
Net cash flows from operating activities		**16,945**	**(9,948)**
Net cash flows from investing activities	27	**(8,242)**	**1,727**
Net cash flows from financing activities	28	**(9,529)**	**21,805**
Net increase or (decrease) in cash and cash equivalents		**(826)**	**13,584**
Cash and cash equivalents at the beginning of the reporting period	21	30,256	16,672
Cash and cash equivalents at the end of the reporting period	21	**29,430**	**30,256**

NOTES TO THE ACCOUNTS

Note 1 – Accounting Policies

i. General Principles

The Statement of Accounts summarises the council's transactions for the 2020/2021 financial year and its position at the year-end of 31 March 2021. The Accounts and Audit Regulations 2015 require the council to prepare an annual Statement of Accounts in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2020/2021, supported by International Financial Reporting Standards (IFRS).

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

ii. Accruals of Income and Expenditure

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

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

iii. Cash and Cash Equivalents

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

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

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

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

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

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

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

v. Charges to Revenue for Non-current Assets

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

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

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

vi. Council Tax and Non-Domestic Rates

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

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

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

vii. Employee Benefits

Benefits Payable During Employment

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

Termination Benefits

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

Post-employment Benefits

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

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

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

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

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

The Local Government Pension Scheme

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

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

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

Service cost comprising:

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

Re-measurements comprising:

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

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

Discretionary Benefits

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

viii. Events After the Reporting Period

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

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

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

ix. Financial Instruments

Financial Liabilities

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

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

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

Financial Assets

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

<u>Financial Assets Measured at Amortised Cost</u>

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.

<u>Expected Credit Loss Model</u>

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

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

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

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

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

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

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

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

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

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

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

Instruments Entered into Before 1 April 2006

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

x. Government Grants and Contributions

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

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

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

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

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

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 and Museum Collection

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

Heritage Assets – General

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

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 £10k) the Capital Receipts Reserve.

xiii. Inventories and long-term contracts

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

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

xiv. Investment Property

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

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

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

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

xv. Leases

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

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

<u>The Council as Lessee</u>

Finance Leases

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

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

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

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

Operating Leases

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

The Council as Lessor

Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

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

Operating Leases

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

xvi. Overheads and Support Services

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

xvii. Property, Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

- Assets under construction and community assets (without a determinable finite useful life) – historical cost.
- Infrastructure, 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 and the asset is rarely sold, an estimate of current value is made on a depreciated replacement cost (DRC) basis.

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

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

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

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

Material assets are recognised into components for depreciation purposes when the component is of significant cost compared to the total cost of the item and has a materially different useful life to the main asset. Enhancement expenditure requires the de-recognition of the component replaced or refurbished, and the new component reflected in the carrying amount, even where parts of an asset have not previously been recognised as a separate component.

Impairment

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

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

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

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

Depreciation

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

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

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

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

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

Disposals and Non-current Assets Held for Sale

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

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

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

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

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

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

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

xviii. Provisions, Contingent Liabilities and Contingent Assets

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

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

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

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

Contingent Liabilities

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

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

Contingent Assets

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

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

xix. Reserves

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

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

xx. Revenue Expenditure Funded from Capital under Statute

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

xxi. Schools

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

xxii. VAT

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

xxiii. Fair Value Measurement

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

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

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

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

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

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

Note 2 – Accounting Standards Issued, Not Adopted

Under the Code of Practice on Local Authority Accounting in the United Kingdom 2020/2021 (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 and amendments to existing standards have been published but not yet adopted:

- **IFRS16 Leases:** Will require local authorities that are lessees to recognise most leases on their balance sheets as right of use assets with corresponding lease liabilities. CIPFA/LASAAC have deferred implementation of IFRS 16 for local government until 1 April 2022. The impact of implementing IFRS 16 has not yet been calculated.

Note 3 – Critical Judgements in Applying Accounting Policies

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

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends, and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. As the impact of the Covid-19 pandemic is still being realised, this continues to be a major source of uncertainty during the 2020/2021 financial year.

The items in the council's Balance Sheet at 31 March 2021 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
Property, Plant & Equipment Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. **Property, Plant & Equipment and Investment Properties** Due to the impact of the Covid-19 pandemic on global financial markets, as at the valuation date, less weight can be attached to previous market evidence to inform opinions of current value as there is an unprecedented set of circumstances on which to base a judgement. For the 2020/2021 financial year, property valuations are therefore reported by the council's valuers on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, the valuations have less certainty and should be viewed with a higher degree of caution than would normally be the case.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by approximately £0.8m if the average useful life of the council's buildings fell by one year.
Pensions Liability 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. The actuary's valuation of their property portfolio is subject to the same 'material valuation uncertainty' described in the Property, Plant and Equipment and Investment Properties section above.	The assumptions interact in complex ways. During 2020/2021, the council's actuary advised that the net pension liability had increased by £73.5m as a result of updating the assumptions and actual contributions made. A sensitivity analysis, highlighting the impact on net liability from variations to the key assumptions can be seen in Note 39 Defined Benefit Pension Schemes.

Uncertainties	Effect if Actual Results Differ from Assumptions
National Non-Domestic Rates (NNDR) Provision The council has set aside, from its Collection Fund, £14.0m 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, £6.9m, is shown in Note 24 Provisions.	 **THE IMPACT OF APPEALS IS HIGHLY UNCERTAIN AND OUTSIDE OF THE CONTROL OF THE COUNCIL.**
Fair Value Measurement 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. Where Level 1 inputs are not available, the council employs relevant experts to identify the most appropriate valuation techniques to determine fair value (for example, for investment properties, the council's chief valuation officer and external valuer). Information about the valuation techniques and inputs used in determining the fair value of the council's assets and liabilities is disclosed in Note 14 Property, Plant and Equipment, and Note 16 Investment Properties.	 The significant unobservable inputs used in the fair value measurement include management assumptions regarding rent growth, vacancy levels, occupancy levels and others. Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurements.

Note 5 – Material Items of Income and Expense

A material item of income and expense would be greater than £5m. There have been no material items of income and expenditure during 2020/2021 that are not already disclosed elsewhere in the accounts.

Note 6 – Events After the Balance Sheet Date

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

Note 7 – Expenditure and Funding Analysis and Associated Notes

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

	2020/2021	2020/2021	2020/2021	2020/2021	2020/2021	2019/2020	2019/2020	2019/2020
	Budget Monitoring Outturn	Adjustments Between Outturn and Net Expenditure Chargeable to the General Fund	Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net Expenditure in the CIES	Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net Expenditure in the CIES
	£000	£000	£000	£000	£000	£000	£000	£000
Resources & Governance	2,439	(1,355)	1,084	3,592	4,676	(2,553)	11,784	9,231
Environment, Economy & Housing	39,682	(5,770)	33,912	5,929	39,841	30,795	13,556	44,351
Communities	1,383	(158)	1,225	206	1,431	2,165	135	2,300
Children & Family Services	54,618	(4,102)	50,516	3,683	54,199	42,787	15,756	58,543
Public Health & Leisure	3,741	(132)	3,609	138	3,747	3,417	2,171	5,588
Adult Services	41,981	(4,126)	37,855	(3,696)	34,159	36,170	2,599	38,769
Other Corporate Budgets	41,829	(31,955)	9,874	(9,917)	(43)	338	(1,088)	(750)
Net Cost of Services	**185,673**	**(47,598)**	**138,075**	**(65)**	**138,010**	**113,119**	**44,913**	**158,032**
Other Income and Expenditure	(185,673)	47,598	(138,075)	(20,242)	(158,317)	(113,119)	(23,125)	(136,244)
(Surplus) or Deficit	**0**	**0**	**0**	**(20,307)**	**(20,307)**	**0**	**21,788**	**21,788**
Opening General Fund Balance			8,300			8,300		
Surplus or (Deficit) on General Fund Balance in Year			0			0		
Closing General Fund Balance			**8,300**			**8,300**		

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

2020/2021 Financial Year	Adjustments for Capital Purposes	Net Change for Pensions Adjustments	Other Differences	Total
	£000	£000	£000	£000
Resources & Governance	3,563	(620)	649	3,592
Environment, Economy & Housing	7,194	(423)	(842)	5,929
Communities	0	(62)	268	206
Children & Family Services	1,722	(1,175)	3,136	3,683
Public Health & Leisure	885	(38)	(709)	138
Adult Services	154	(5)	(3,845)	(3,696)
Other Corporate Budgets	(4,934)	(916)	(4,067)	(9,917)
Net Cost of Services	**8,584**	**(3,239)**	**(5,410)**	**(65)**
Other Income and Expenditure from the Expenditure and Funding Analysis	(23,152)	0	2,910	(20,242)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**(14,568)**	**(3,239)**	**(2,500)**	**(20,307)**

2019/2020 Financial Year	Adjustments for Capital Purposes	Net Change for Pensions Adjustments	Other Differences	Total
	£000	£000	£000	£000
Resources & Governance	6,833	3,344	1,607	11,784
Environment, Economy & Housing	8,714	2,218	2,624	13,556
Communities	0	346	(211)	135
Children & Family Services	2,441	6,654	6,661	15,756
Public Health & Leisure	1,947	173	51	2,171
Adult Services	428	30	2,141	2,599
Other Corporate Budgets	(2,119)	1,737	(706)	(1,088)
Net Cost of Services	**18,244**	**14,502**	**12,167**	**44,913**
Other Income and Expenditure from the Expenditure and Funding Analysis	(17,063)	0	(6,062)	**(23,125)**
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**1,181**	**14,502**	**6,105**	**21,788**

Segmental Income

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

Segmental Income – Revenue from External Customers	2020/2021	2019/2020
	£000	£000
Resources & Governance	(8,348)	(7,923)
Environment, Economy & Housing	(9,999)	(10,438)
Communities	(412)	(962)
Children & Family Services	(8,734)	(7,888)
Public Health & Leisure	(901)	(857)
Adult Services	(689)	(491)
Other Corporate Budgets	(1,364)	(3,326)
Total Income Analysed on a Segmental Basis	**(30,447)**	**(31,885)**

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

Note 8 – Expenditure and Income Analysed by Nature

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

Expenditure / Income	2020/2021	2019/2020
	£000	£000
Expenditure:		
Employee Benefits Expenses	72,829	85,508
Other Services Expenditure	195,577	187,196
Depreciation, Amortisation, Impairment	12,154	13,451
Interest Payments	5,173	4,679
Precepts and Levies	1,439	1,375
(Gain)/Loss on the Disposal of Assets	(202)	(1,509)
Other Expenditure	7,027	12,773
Total Expenditure	**293,997**	**303,473**
Income:		
Fees, Charges and Other Service Income	(19,034)	(21,638)
Interest and Investment Income	(34)	(207)
Income for Council Tax & Non-Domestic Rates	(98,952)	(107,575)
Government Grants and Contributions	(190,615)	(146,318)
Other Income	(5,669)	(5,947)
Total Income	**(314,304)**	**(281,685)**
(Surplus) or Deficit on the Provision of Services	**(20,307)**	**21,788**

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

2020/2021 Financial Year	Usable Reserve General Fund Balance	Usable Reserve Capital Receipts Reserve	Usable Reserve Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000
Adjustments to Revenue Resources:				
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements				
Pension Cost (transferred to (or from) the Pensions Reserve)	(422)	0	0	422
Pension prepayment adjustment	(2,817)	0	0	2,817
Council Tax and NDR (transfers to or from the Collection Fund)	14,002	0	0	(14,002)
Dedicated Schools Grant Deficit (transfers to or from the DSG Adjustment Account)	761	0	0	(761)
Holiday pay (transferred to the Accumulated Absences Reserve)	12	0	0	(12)
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(7,531)	0	0	7,531
Total Adjustments to Revenue Resources	**4,005**	**0**	**0**	**(4,005)**
Adjustments between Revenue and Capital Resources:				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(463)	463	0	0
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	17	(17)	0	0
Statutory provision for the repayment of debt (transfer to the Capital Adjustment Account)	(4,395)	0	0	4,395
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(331)	0	0	331
Total Adjustments between Revenue and Capital Resources	**(5,172)**	**446**	**0**	**4,726**
Adjustments to Capital Resources:				
Use of the capital receipts reserve to finance capital expenditure	0	(1,009)	0	1,009
Application of capital grants to finance capital expenditure	(1,865)		1,429	436
Cash payments in relation to deferred capital receipts	0	557	0	(557)
Total Adjustments to Capital Resources	**(1,865)**	**(452)**	**1,429**	**888**
Total Adjustments	**(3,032)**	**(6)**	**1,429**	**1,609**

2019/2020 Financial Year	Usable Reserve General Fund Balance	Usable Reserve Capital Receipts Reserve	Usable Reserve Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000
Adjustments to Revenue Resources:				
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements				
Pension Cost (transferred to (or from) the Pensions Reserve)	19,170	0	0	(19,170)
Pension prepayment adjustment	(4,668)	0	0	4,668
Council Tax and NDR (transfers to or from the Collection Fund)	(2,373)	0	0	2,373
Dedicated Schools Grant Deficit (transfers to or from the DSG Adjustment Account)	0	0	0	0
Holiday pay (transferred to the Accumulated Absences Reserve)	(80)	0	0	80
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	7,348	0	0	(7,348)
Total Adjustments to Revenue Resources	**19,397**	**0**	**0**	**(19,397)**
Adjustments between Revenue and Capital Resources:				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(2,301)	2,301	0	0
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	36	(36)	0	0
Statutory provision for the repayment of debt (transfer to the Capital Adjustment Account)	(457)	0	0	457
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(65)	0	0	65
Total Adjustments between Revenue and Capital Resources	**(2,787)**	**2,265**	**0**	**522**
Adjustments to Capital Resources:				
Use of the capital receipts reserve to finance capital expenditure	0	(2,970)	0	2,970
Application of capital grants to finance capital expenditure	(3,380)	0	2,883	497
Cash payments in relation to deferred capital receipts	**0**	692	0	(692)
Total Adjustments to Capital Resources	**(3,380)**	**(2,278)**	**2,883**	**2,775**
Total Adjustments	**13,230**	**(13)**	**2,883**	**(16,100)**

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 2020/2021.

	Balance as at 31 March 2019	Transfers In 2019/2020	Transfers Out 2019/2020	Balance as at 31 March 2020	Transfers In 2020/2021	Transfers Out 2020/2021	Balance as at 31 March 2021
	£000	£000	£000	£000	£000	£000	£000
Individual Schools Budget Reserve	1,220	1,097	(1,220)	1,097	1,617	(1,097)	1,617
Dedicated Schools Grant Reserve	949	57	(949)	57	0	(57)	0
Self-Insurance	3,905	0	(2,622)	1,283	0	0	1,283
Business Rates Reserve	3,219	0	(2,423)	796	12,665	(14)	13,447
Management of Change	2,511	794	(2,041)	1,264	766	(1,204)	826
Debt Financing Reserve	3,788	0	(2,750)	1,038	266	0	1,304
Transformation Programme	1,042	4,255	(2,915)	2,382	1,075	(3,457)	0
Adult Social Care Transition Funding	1,535	0	(1,350)	185	2,000	(72)	2,113
Clinical Commissioning Group Priorities	198	232	(430)	0	1,235	0	1,235
IFRS Revenue Grant	2,854	6,507	(2,036)	7,325	6,617	(5,936)	8,006
Medium Term Financial Plan	320	0	(320)	0	0	0	0
Health & Wellbeing Board Public Health Priorities	259	0	0	259	0	(50)	209
Council Tax Hardship Fund	633	100	(373)	360	330	(314)	376
Strategic Change Reserve	451	0	(250)	201	0	(139)	62
Children's Services Recruitment	0	2,000	(1,660)	340	0	(266)	74
Covid-19 Reserve	0	0	0	0	2,128	0	2,128
Pension Fund Reserve	0	0	0	0	186	0	186
Service Specific Reserves:							
Resources & Governance	733	179	(141)	771	153	(142)	782
Economy & Growth	1,474	21	(757)	738	411	(346)	803
Communities	35	0	0	35	0	0	35
Children & Family Services	431	250	(382)	299	346	(262)	383
Public Health & Wellbeing	1,336	532	(446)	1,422	920	(565)	1,777
Adult Services	2,780	489	(2,006)	1,263	1,880	(1,399)	1,744
Total Earmarked Reserves	**29,673**	**16,513**	**(25,071)**	**21,115**	**32,595**	**(15,320)**	**38,390**

Service Specific Reserves
A number of service specific reserves were established in respect of a programme of projects that met a service need identified since the Medium-Term Financial Plan (MTFP) was approved or was planned/committed spending that was not completed during 2020/2021.

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

Dedicated Schools Grant Reserve
This reserve has been created in the 2020/2021 financial year to hold surplus balances on the Dedicated Schools Grant (DSG). As DSG balances have previously been held within the Individual Schools Budget Reserve, this line in the table above has been retrospectively adjusted to move the £57k surplus reported on the DSG at the end of the 2019/2020 financial year to the new DSG earmarked reserve. Please note, as the DSG is in deficit at the end of 2020/2021, new reporting regulations require this to be held within the DSG Adjustment Account which can be seen in Note 25 Unusable Reserves.

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

Business Rates Reserve
A specific reserve to account for potential shortfalls in the Collection Fund as a result of various elements including a significant number of outstanding appeals against rateable value. The Government's response to the Covid-19 pandemic included the extension of the scope and scale of retail relief to help support many businesses through the crisis, and additional S31 grant funding was received by the council to offset the loss of income

arising from the provision of such reliefs. £12.4m has been transferred to the Business Rates reserve at the end of the 2020/2021 financial year which, due to the technical working of the Collection Fund, will be used to offset the council's share of the 2020/2021 deficit on the Collection Fund which will not be realised in revenue until 2021/2022.

Management of Change
Reserve in respect of the costs of managing organisational change in particular those that arise from transformation programmes.

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

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

Adult Social Care Transition Funding
Reserve for transition funding to mitigate the impact of loss of NHS grant in future years.

North East Lincolnshire Clinical Commissioning Group Strategic Priorities
Reserve set aside to support CCG priorities.

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

Medium Term Financial Plan
Reserve established to manage and mitigate risk over the Medium-Term Financial Planning period including delivery of the strategic cost reduction and transformation programmes.

Health and Well Being Board Public Health Priorities
Reserve established to support public health priorities.

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

Strategic Change Reserve
Reserve to support ongoing regeneration activity in the borough.

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

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

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

Note 11 – Other Operating Expenditure

	2020/2021 £000	2019/2020 £000
Parish Council Precepts	747	708
Levies	692	667
(Gains)/Losses on Disposal of Non-Current Assets	85	(1,394)
Total	**1,524**	**(19)**

Note 12 – Financing and Investment Income and Expenditure

	2020/2021 £000	2019/2020 £000
Interest Payable and Similar Charges	5,173	4,679
Net Interest on the Net Defined Benefit Liability/(Asset)	3,830	5,415
Interest Receivable and Similar Income	(34)	(207)
Income and Expenditure in relation to Investment Properties and Changes in their Fair Value	(4,685)	(3,292)
Total	**4,284**	**6,595**

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

	2020/2021 £000	2019/2020 £000
Council Tax Income	(71,607)	(68,981)
Non-Domestic Rates Income and Expenditure	(27,345)	(38,594)
Business Rates Relief	(15,244)	(3,646)
Covid-19 Support Grant	(9,618)	(5,216)
Revenue Support Grant	(9,142)	(8,995)
Social Care Grant	(4,787)	0
Other Non-Ring-Fenced Government Grants	(3,229)	(325)
Capital Grants and Contributions	(23,153)	(17,063)
Total	**(164,125)**	**(142,820)**

Note 14 – Property, Plant and Equipment

2020/2021 Financial Year	Other Land and Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	PPE Under Construction	Surplus Assets	Total
	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation:							
Balance as at 1 April 2020	94,460	17,659	158,194	20,386	6,178	6,383	**303,260**
Additions	3,913	3,686	24,236	108	3,811	5	**35,759**
Donations	0	0	0	0	0	0	**0**
Revaluation increases/(decreases) to Revaluation Reserve	(2,692)	0	0	0	0	72	**(2,620)**
Revaluation increases/(decreases) to Surplus or Deficit on the Provision of Services	(3,131)	0	0	0	0	(145)	**(3,276)**
De-Recognition - Disposals	(93)	(167)	0	0	0	(81)	**(341)**
De-Recognition - Other	0	0	0	0	0	0	**0**
Reclassifications & Transfers	1,444	0	0	252	(1,455)	107	**348**
Reclassified to/from Held for Sale	0	0	0	0	0	0	**0**
Other Movements	0	0	0	0	0	0	**0**
Balance as at 31 March 2021	**93,901**	**21,178**	**182,430**	**20,746**	**8,534**	**6,341**	**333,130**
Depreciation and Impairment:							
Balance as at 1 April 2020	(8,061)	(12,083)	(41,541)	(7,382)	(1)	(49)	**(69,117)**
Depreciation Charge	(5,051)	(1,739)	(4,501)	0	0	(10)	**(11,301)**
Depreciation written out on Revaluation Reserve	2,166	0	0	0	0	0	**2,166**
Depreciation written out on Revaluation taken to Surplus or Deficit on the Provision of Services	1,870	0	0	0	0	10	**1,880**
Impairment losses/reversals to Revaluation Reserve	396	0	0	0	0	0	**396**
Impairment losses/reversals To Surplus or Deficit on the Provision of Services	271	0	0	(99)	0	64	**236**
De-Recognition - Disposals	15	167	0	0	0	0	**182**
De-Recognition - Other	0	0	0	0	0	0	**0**
Reclassifications & Transfers	54	0	0	(30)	0	(25)	**(1)**
Eliminated on reclassification to Held for Sale	0	0	0	0	0	0	**0**
Balance as at 31 March 2021	**(8,340)**	**(13,655)**	**(46,042)**	**(7,511)**	**(1)**	**(10)**	**(75,559)**
Net Book Value:							
Balance as at 31 March 2021	**85,561**	**7,523**	**136,388**	**13,235**	**8,533**	**6,331**	**257,571**
Balance as at 31 March 2020	86,399	5,576	116,653	13,004	6,177	6,334	234,143

2019/2020 Financial Year	Other Land and Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	PPE Under Construction	Surplus Assets	Total
	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation:							
Balance as at 1 April 2019	86,758	14,291	140,811	20,348	3,521	7,567	**273,296**
Additions	3,910	3,368	17,383	38	3,060	123	**27,882**
Donations	0	0	0	0	0	0	**0**
Revaluation increases/(decreases) to Revaluation Reserve	9,992	0	0	0	0	(418)	**9,574**
Revaluation increases/(decreases) to Surplus or Deficit on the Provision of Services	(6,467)	0	0	0	(11)	(294)	**(6,772)**
De-Recognition - Disposals	(8)	0	0	0	0	(595)	**(603)**
De-Recognition - Other	0	0	0	0	0	0	**0**
Reclassifications & Transfers	275	0	0	0	(392)	0	**(117)**
Reclassified to/from Held for Sale	0	0	0	0	0	0	**0**
Other Movements	0	0	0	0	0	0	**0**
Balance as at 31 March 2020	**94,460**	**17,659**	**158,194**	**20,386**	**6,178**	**6,383**	**303,260**
Depreciation and Impairment:							
Balance as at 1 April 2019	(10,483)	(9,331)	(37,649)	(7,347)	0	(71)	**(64,881)**
Depreciation Charge	(6,329)	(2,752)	(3,892)	0	0	(19)	**(12,992)**
Depreciation written out on Revaluation Reserve	7,450	0	0	0	0	34	**7,484**
Depreciation written out on Revaluation taken to Surplus or Deficit on the Provision of Services	883	0	0	0	0	5	**888**
Impairment losses/reversals to Revaluation Reserve	(86)	0	0	0	0	12	**(74)**
Impairment losses/reversals To Surplus or Deficit on the Provision of Services	504	0	0	(35)	(1)	(11)	**457**
De-Recognition - Disposals	0	0	0	0	0	1	**1**
De-Recognition - Other	0	0	0	0	0	0	**0**
Reclassifications & Transfers	0	0	0	0	0	0	**0**
Eliminated on reclassification to Held for Sale	0	0	0	0	0	0	**0**
Balance as at 31 March 2020	**(8,061)**	**(12,083)**	**(41,541)**	**(7,382)**	**(1)**	**(49)**	**(69,117)**
Net Book Value:							
Balance as at 31 March 2020	**86,399**	**5,576**	**116,653**	**13,004**	**6,177**	**6,334**	**234,143**
Balance as at 31 March 2019	76,275	4,960	103,162	13,001	3,521	7,496	208,415

Capital Commitments

At 31 March 2021, the council has entered into a number of contracts for the construction or enhancement of property, plant and equipment in future years. Of these contracts, those considered to be major contracts are those having outstanding commitments in excess of £1m. As at 31 March 2021, the following contracts met this criterion:

- Immingham Cycle Superhighway – £2.6m.
- Western Site Accelerated Housing Construction – £1.1m.

Effects of Changes in Estimates

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

Revaluations

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

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

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

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

Valuation Of PPE	Land and Buildings	Vehicles, Plant & Equipment	Surplus Assets	Other PPE	Total PPE
	£000	£000	£000	£000	£000
Carried at Historical Cost	0	7,523	0	158,156	165,679
Valued at Fair Value as at:					
01/04/2020	60,967	0	6,331	0	67,298
01/04/2019	24,577	0	0	0	24,577
01/04/2018	0	0	0	0	0
01/04/2017	17	0	0	0	17
01/04/2016	0	0	0	0	0
Total Cost or Valuation	**85,561**	**7,523**	**6,331**	**158,156**	**257,571**

Fair Value Measurement for Surplus Assets and Investment Properties

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

Fair Value Hierarchy

Details of the council's surplus assets and investment properties, as at 31 March 2021, are as follows:

Recurring Fair Value Measurements Using Significant Unobservable Inputs (Level 3)	Fair Value as at 31st March 2021	Fair Value as at 31st March 2020
	£000	£000
Surplus Assets:		
All Surplus Assets	6,331	6,334
Total Surplus Assets	**6,331**	**6,334**
Investment Properties:		
Agricultural Properties	1,078	1,078
Office Units	5,452	5,556
Commercial Units	46,599	45,062
Total Investment Properties	**53,129**	**51,696**

Determined Value Level, Valuation Process and Techniques

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

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

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

Due to the current Covid-19 pandemic, the valuers have reported the valuations on the basis of 'material valuation uncertainty' as per the RICS Red Book Global. The valuers advise that less certainty and a higher degree of caution should be attached to the valuations than would normally be the case.

Reconciliation of Fair Value Measurements

Assets Categorised Within Level 3	Surplus Assets 31 March 2021	Investment Properties 31 March 2021	Surplus Assets 31 March 2020	Investment Properties 31 March 2020
	£000	£000	£000	£000
Opening Balance	**6,334**	**51,696**	**7,496**	**51,376**
Reclassifications in at Level 3	82	0	0	0
Reclassifications out at Level 3	0	(347)	0	0
Transfers into Level 3	0	0	0	0
Transfers out of Level 3	0	0	0	0
Total gains/losses for the period included in the Surplus or Deficit on the Provision of Services resulting from changes in fair value	(81)	1,427	(319)	162
Total to Revaluation Reserve	72	0	(372)	0
Additions	5	438	123	312
Disposals	(81)	(85)	(594)	(154)
Closing Balance	**6,331**	**53,129**	**6,334**	**51,696**

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

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

Quantitative Information about Fair Value

Subcategory at Fair Value Level 3	31 March 2021 £000	Valuation Technique used to measure Fair Value	Unobservable Inputs	Sensitivity
Surplus Assets:				
Land	6,087	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	244	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
Investment Properties:				
Industrial and Commercial Units	46,599	Market Comparison / Investment Method	Rent Growth Vacancy Levels Yields	Significant changes in rental income, rent growth, vacancy levels or yields will result in a significantly lower or higher fair value
Office Units	5,452	Market Comparison / Investment Method	Rent Growth Vacancy Levels Yields	Significant changes in rental income, rent growth, vacancy levels or yields will result in a significantly lower or higher fair value
Agricultural Units	1,078	Market Comparison	Rent Growth Vacancy Levels Yields	Significant changes in sales comparables and certain tenancies affecting when vacant possession can be achieved will significantly lower or higher fair value

Note 15 – Heritage Assets

Cost or Valuation	Civic Regalia	Museum Collection	Other Heritage Assets	Total Heritage Assets
	£000	£000	£000	£000
Balance as at 1 April 2019	**426**	**1,426**	**83**	**1,935**
Additions	0	0	0	0
Movements – Revaluations	0	0	0	0
Reclassifications	0	0	0	0
Balance as at 31 March 2020	**426**	**1,426**	**83**	**1,935**
Additions	0	0	0	0
Movements – Revaluations	0	0	0	0
Reclassifications	0	0	0	0
Balance as at 31 March 2021	**426**	**1,426**	**83**	**1,935**

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:

	2020/2021	2019/2020
	£000	£000
Rental income from investment property	(3,947)	(4,315)
Direct operating expenses arising from investment property	976	1,300
Net (Gain)/Loss	**(2,971)**	**(3,015)**

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

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

	2020/2021	2019/2020
	£000	£000
Balance at start of the year	**51,696**	**51,376**
Additions	438	312
Disposals	(85)	(154)
De-recognitions	0	0
Net gains/losses from fair value adjustments	1,427	162
Transfers:		
To/from Property, Plant and Equipment	(347)	0
Balance at end of the year	**53,129**	**51,696**

Due to the current Covid-19 pandemic, the valuers have reported the valuations on the basis of 'material valuation uncertainty' as per the RICS Red Book Global. The valuers advise that less certainty and a higher degree of caution should be attached to the valuations than would normally be the case.

Note 17 – Intangible Assets

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

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

- Refurb / Refresh – five years (updating software to support our systems, applications and websites).
- Digital Strategy Delivery System – four years.

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £1,089k charged to revenue in 2020/2021 was charged to the following lines in the Cost of Services – £670k Resources & Governance, £411k Children and Family Services and £8k Environment, Economy & Housing.

	2020/2021 £000	2019/2020 £000
Balance at start of the year	3,347	2,723
Accumulated amortisation	(1,841)	(925)
Net carrying amount at start of year	**1,506**	**1,798**
Additions	677	507
Reclassifications	0	117
Disposals	0	0
Amortisation for the period	(1,089)	(916)
Amortisation written off on disposal	0	0
Net carrying amount at the end of the year	**1,094**	**1,506**
Comprising:		
Gross carrying amount	4,024	3,347
Accumulated amortisation	(2,930)	(1,841)
Net carrying amount at the end of the year	**1,094**	**1,506**

Note 18 – Financial Instruments

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

	31 March 2021 Long Term £000	31 March 2020 Long Term £000	31 March 2021 Short Term £000	31 March 2020 Short Term £000
Financial Assets:				
Loans and Receivables at Amortised Cost	1,374	1,913	974	977
Debtors carried at Amortised Cost	0	0	17,463	19,584
Total Financial Assets	**1,374**	**1,913**	**18,437**	**20,561**
Financial Liabilities:				
Borrowings at Amortised Cost	135,035	116,162	16,929	32,429
Creditors carried at Contract Amount	0	0	44,871	23,014
Total Financial Liabilities	**135,035**	**116,162**	**61,800**	**55,443**

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

Financial Liabilities Measured at Amortised Cost	2020/2021 £000	2019/2020 £000
Interest Expense	4,988	4,557
Total Expense in Surplus or Deficit on the Provision of Services	**4,988**	**4,557**

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

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

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

- For loans from the Public Works Loans Board (PWLB) payable, PWLB premature repayment rates have been applied to provide the fair value under PWLB debt redemption procedures.
- For non-PWLB loans payable, as market lenders to the sector compete with PWLB their rates have to be comparable, therefore PWLB premature repayment rates have been applied to provide the fair value under PWLB debt redemption procedures. The value of "Lender's Option Borrower's Option" (LOBO) loans have been increased by the value of the embedded options. Lender's options to propose an increase to the interest rate on the loan have been valued according to a proprietary model for Bermudan

cancellable swaps. Borrower's contingent options to accept the increase rate or repay the loan have been valued at zero, on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate.

- For loans receivable prevailing benchmark market rates have been used to provide the fair value.
- No early repayment or impairment is recognised.
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

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

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

	Fair Value Level	31 March 2021 Carrying Amount	31 March 2021 Fair Value	31 March 2021 Effect of 1% Rise in Interest Rates	31 March 2020 Carrying Amount	31 March 2020 Fair Value
		£000	£000	£000	£000	£000
PWLB Debt	2	74,468	112,242	(17,485)	75,794	127,423
Non PWLB Debt	2	63,207	120,098	(29,788)	42,641	119,337
Temporary Borrowing	2	14,290	14,294	(5)	30,155	30,239
Total Debt		**151,965**	**246,634**	**(47,278)**	**148,590**	**276,999**

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 2021) 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:

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

The council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by the council in the annual Treasury Management Strategy – the Treasury Management Strategy for 2020/2021 was approved by full Council in February 2020. The council maintains written principles for overall risk management, as well as written policies (covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash).

Credit risk

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

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

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

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

The council's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. A risk of non-recovery applies to all of the council's deposits, but there was no evidence at the 31 March 2021 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 from the money markets to cover any day to day cash flow need, and the PWLB and money markets for access to longer term funds. The council is also required to set a balanced budget through the Local Government Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is no significant perceived risk that the council will be unable to raise finance to meet its commitments under financial instruments.

Re-financing and Maturity Risk

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

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

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

The maturity analysis of financial liabilities is as follows:

Timescale	31 March 2021 £000	31 March 2020 £000
Less than one year	17,596	32,704
Between one and two years	2,329	1,506
Between two and five years	6,874	3,765
Between five and ten years	17,842	9,628
Between 10 and 20 years	12,953	12,626
Over 20 years	73,370	67,361
Uncertain date*	21,000	21,000
Total	**151,964**	**148,590**

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

Interest rate risk

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

- Borrowings at variable rates – the interest expense will rise.
- Borrowings at fixed rates – the fair value of the borrowings will fall.
- Investments at variable rates – the interest income 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 any units in pooled bond funds are governed by prevailing interest rates and the market risk associated with these instruments is managed alongside interest rate risk. This will typically only apply where an investment is held as Fair Value through Profit and Loss or Fair Value through Other Comprehensive Income.

Note 20 – Debtors

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

Debtor	2020/2021 Long Term £000	2019/2020 Long Term £000	2020/2021 Short Term £000	2019/2020 Short Term £000
Central Government Bodies	0	0	5,739	5,818
Other Local Authorities	0	0	1,965	1,201
NHS Bodies	0	0	146	110
Other Entities and Individuals	0	0	14,665	17,298
Impairment Allowances	0	0	(5,052)	(4,843)
Loans and Advances	1,374	1,913	974	977
Total – Financial Instruments	**1,374**	**1,913**	**18,437**	**20,561**
Non-Domestic Rates & Council Tax	0	0	21,435	12,583
Value Added Tax	0	0	3,053	2,292
Total – Non-Financial Instruments	**0**	**0**	**24,488**	**14,875**
Total Debtors	**1,374**	**1,913**	**42,925**	**35,436**

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

Aged Debt	2020/2021 £000	2019/2020 £000
1 year	5,265	4,674
1 – 2 years	2,889	2,414
2 – 3 years	1,842	1,416
3 – 4 years	1,176	1,077
Over 4 years	2,717	2,104
Total	**13,889**	**11,685**

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

Note 21 – Cash and Cash Equivalents

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

	2020/2021 £000	2019/2020 £000
Cash and Bank Balances	1,020	(144)
Short Term Investments	28,410	30,400
Total - Current Asset	**29,430**	**30,256**

Note 22 – Assets Held for Sale

There are currently no assets that meet the necessary conditions to be classed within this category.

Note 23 – Creditors

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

Creditor	2020/2021 £000	2019/2020 £000
Central Government Bodies	24,367	12,180
Other Local Authorities	248	1,206
NHS Bodies	4,887	3,161
Other Entities and Individuals	15,369	6,467
Total – Financial Instruments	**44,871**	**23,014**
Non-Domestic Rates & Council Tax	2,961	8,919
Tax & National Insurance	1,097	1,019
Total – Non-Financial Instruments	**4,058**	**9,938**
Total Creditors	**48,929**	**32,952**

Note 24 – Provisions

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

Details of the provisions set aside as at 31 March 2021 are as follows:

Provision	Opening Balance 1 April 2020 £000	Increase / (Reduction) In Provision During Year £000	Utilised During Year £000	Unused Amounts Reversed £000	Closing Balance 31 March 2021 £000	Estimated Settlement Within One Year £000	Estimated Settlement Beyond One Year £000
NNDR Appeals	6,532	1,137	(823)	7	**6,853**	1,097	5,756
Self-Insurance	1,169	1,551	(1,724)	0	**996**	199	797
Other	201	61	(181)	0	**81**	81	0
Totals	**7,902**	**2,749**	**(2,728)**	**7**	**7,930**	**1,377**	**6,553**

National Non-Domestic Rates Appeals (NNDR)

This provision has been established to meet the council's share of the estimated costs of settling appeals against the NNDR valuation of properties currently lodged with the Valuation Office Agency (VOA). In 2020/2021, the total appeals provision in the Business Rates Collection Fund is £13.986m; the council's share of this under the Local Business Rates Retention Scheme is 49%.

Self-Insurance

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

Other

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

Note 25 – Unusable Reserves

Unusable Reserves

	2020/2021 £000	2019/2020 £000
Capital Adjustment Account	77,709	62,107
Revaluation Reserve	54,350	56,865
Pensions Reserve	(243,664)	(164,558)
Collection Fund Adjustment Account	(10,636)	3,366
Accumulated Absences Account	(1,194)	(1,182)
Dedicated Schools Grant Adjustment Account	(761)	0
Total Unusable Reserves	**(124,196)**	**(43,402)**

Capital Adjustment Account

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

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the council. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

	2020/2021 £000	2020/2021 £000	2019/2020 £000	2019/2020 £000
Balance at 1 April		**62,107**		**62,376**
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	(11,065)		(12,535)	
Revaluation losses on Property, Plant and Equipment	(1,396)		(5,884)	
Amortisation of Intangible Assets	(1,089)		(916)	
Revenue expenditure funded from capital under statute	(7,058)		(7,049)	
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	(244)		(756)	
		(20,852)		**(27,140)**
Adjusting amounts written out of the Revaluation Reserve		1,900		3,090
Net written out amount of the cost of non-current assets consumed in the year		**(18,952)**		**(24,050)**
Capital financing applied in the year:				
Use of the Capital Receipts Reserve to finance new capital expenditure	1,009		2,970	
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	26,956		19,630	
Application of grants to capital financing from the Capital Grants Unapplied Account	436		497	
Statutory provision for the financing of capital investment charged against the General Fund	4,395		457	
Capital expenditure charged against the General Fund	331		65	
		33,127		**23,619**
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		1,427		162
Balance at 31 March		**77,709**		**62,107**

Revaluation Reserve

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

The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost,
- Used in the provision of services and the gains are consumed through depreciation, or
- Disposed of and the gains are realised.

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

	2020/2021 £000	2019/2020 £000
Balance at 1 April	**56,865**	**43,663**
Net revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(58)	16,984
Difference between fair value depreciation and historical cost depreciation	(2,338)	(3,314)
Revaluation balances on assets scrapped or disposed of	(119)	(468)
Amount written off to the Capital Adjustment Account	**(2,457)**	**(3,782)**
Balance at 31 March	**54,350**	**56,865**

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.

	2020/2021 £000	2019/2020 £000
Balance at 1 April	**(164,558)**	**(223,365)**
Re-measurements of the net defined benefit liability/(asset)	(82,345)	73,309
Pension prepayment adjustment	2,817	4,668
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	(8,184)	(25,074)
Employer's pensions contributions and direct payments to pensioners payable in the year	8,606	5,904
Balance at 31 March	**(243,664)**	**(164,558)**

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.

	2020/2021 £000	2019/2020 £000
Balance at 1 April	**3,366**	**993**
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	(14,002)	2,373
Balance at 31 March	**(10,636)**	**3,366**

Accumulated Absences Account

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

	2020/2021 £000	2019/2020 £000
Balance at 1 April	**(1,182)**	**(1,262)**
Settlement or cancellation of accrual made at the end of the preceding year	1,182	1,262
Amounts accrued at the end of the current year	(1,194)	(1,182)
Balance at 31 March	**(1,194)**	**(1,182)**

Dedicated Schools Grant Adjustment Account

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

Further information on the deployment of the DSG in 2020/2021 is provided in Note 33.

	2020/2021 £000	2019/2020 £000
Balance at 1 April	**0**	**0**
Deficit Balance on Dedicated Schools Grant	(761)	0
Balance at 31 March	**(761)**	**0**

Note 26 – Cashflow from Operating Activities

The cash flows from operating activities include the following items:

	2020/2021 £000	2019/2020 £000
Interest Paid	(4,531)	(4,468)
Interest Received	34	218
Total	**(4,497)**	**(4,250)**

	2020/2021 £000	2019/2020 £000
Adjustment to Surplus or Deficit on the Provision of Services for Non-Cash Movements:		
Depreciation	11,065	12,535
Impairment & Downward Valuations	1,396	5,884
Amortisation	1,089	916
(Increase)/Decrease in Debtors	(220)	(3,999)
Increase/(Decrease) in Creditors	23,237	1,073
(Increase)/Decrease in Inventories	(26)	(5)
Movement in Pension Liability	(422)	19,170
Prepayment of Pension Contributions	(8,450)	0
Carrying Amount of Non-Current Assets, and Non-Current Assets Held for Sale, Sold or De-recognised	244	756
Other items charged to the Net Surplus or Deficit on Provision of Services	(1,450)	1,477
Total	**26,463**	**37,807**
Adjustment for items included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities:		
Proceeds from the sale of PPE, Investment Property and Intangible Assets	(446)	(2,265)
Any other items for which the cash effects are Investing or Financing Cash Flows	(29,379)	(23,702)
Total	**(29,825)**	**(25,967)**

Note 27 – Cashflow from Investing Activities

	2020/2021 £000	2019/2020 £000
Purchase of PPE, Investment Property and Intangible Assets	(38,317)	(25,770)
Other payments for Investing Activities	(45)	(122)
Proceeds from the sale of PPE, Investment Property and Intangible Assets	446	2,265
Other receipts from investing activities	29,674	25,354
Net Cash Flows from Investing Activities	**(8,242)**	**1,727**

Note 28 – Cashflow from Financing Activities

	2020/2021	2019/2020
	£000	£000
Cash receipts of Short Term and Long Term Borrowing	39,470	51,419
Repayment of Short Term and Long Term Borrowing	(36,325)	(31,111)
Other payments for Financing Activities	(12,674)	1,497
Net cash flows from Financing Activities	**(9,529)**	**21,805**

Reconciliation of Liabilities arising from Financing Activities:

		CASH CHANGE	NON-CASH CHANGE	NON-CASH CHANGE	
	Balance as at 1 April 2020	Financing Cash Flows	Movement from Long-Term to Short-Term	Interest Accruals	Balance as at 31 March 2021
	£000	£000	£000	£000	£000
Long-Term Borrowings	116,162	19,145	(272)	0	135,035
Short-Term Borrowings	32,429	(16,000)	272	228	16,929
Total Liabilities from Financing Activities	**148,591**	**3,145**	**0**	**228**	**151,964**

Note 29 – Pooled Budgets

Better Care Fund

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

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

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

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

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

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

	2020/2021 £000	2019/2020 £000
Funding Provided to the pooled budget:		
North East Lincolnshire CCG	(12,625)	(12,033)
North East Lincolnshire Council	(11,741)	(10,661)
Total Funding	**(24,366)**	**(22,694)**
Expenditure met from the pooled budget:		
North East Lincolnshire CCG	12,625	12,033
North East Lincolnshire Council	10,777	9,889
Total Expenditure	**23,402**	**21,922**
Net surplus arising on the pooled budget during the year	**(964)**	**(772)**

Note 30 – Members' Allowances

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

	2020/2021 £000	2019/2020 £000
Allowances	502	501
Expenses	0	2
Total	**502**	**503**

The reduction in expenses paid in 2020/2021 has resulted due to the Covid-19 pandemic requiring almost all business to be completed online.

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

Note 31 – Officers' Remuneration

Senior Officer Remuneration

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

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

LEADERSHIP TEAM STRUCTURE 2019/2020	Financial Year	Basic Salary	Salary Supplement	Expense Allowance	Compensation for Loss of Office	Pension Contribution	Total
Post Title		£	£	£	£	£	£
Chief Executive – R Walsh [(1)]	2019/20	165,000	0	0	0	24,750	**189,750**
Chief Operating Officer	2019/20	129,948	0	0	0	19,492	**149,440**
Director – Children & Family Services [(2)] (Vacant with effect from 30 November 2019)	2019/20	100,893	0	0	52,480	9,428	**162,801**
Director – Health & Wellbeing	2019/20	96,475	4,074	43	0	14,459	**115,051**
Director – Resources & Governance	2019/20	97,428	0	0	0	14,614	**112,042**
Director – Economy & Growth (Vacant with effect from 30 January 2019)	2019/20	0	0	0	0	0	**0**
Director – Adult Services	2019/20	88,812	0	0	0	13,322	**102,134**
Director – Communities	2019/20	88,812	0	0	0	13,322	**102,134**
Chief Legal Officer (Monitoring Officer)	2019/20	76,500	0	13	0	11,475	**87,988**
Assistant Director – Communications	2019/20	71,400	0	84	0	10,710	**82,194**

Notes – Senior Officer Remuneration

1. From August 2017 a new joint role of Chief Executive North East Lincolnshire Council and North East Lincolnshire Clinical Commissioning Group (NELCCG) was created to facilitate greater partnership working between the two organisations. The council receives a contribution of £39k per annum from NELCCG in relation to this arrangement.

2. With effect from December 2019, and continuing throughout the 2020/2021 financial year, the responsibilities of the post of Director of Children & Family Services have been undertaken by the Chief Operating Officer. The vacant post has been recruited to at the start of the 2021/2022 financial year.

3. The Director of Public Health (previously Director of Health & Wellbeing) provides services for both North East Lincolnshire and North Lincolnshire Councils. The Director is formally employed by North East Lincolnshire Council and North Lincolnshire Council is recharged 50% of the salary costs and other remuneration. This arrangement commenced with effect from 1 November 2020.

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

Senior Employee Remuneration

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

Remuneration Bands	**2020/2021** Number of Employees	**2019/2020** Number of Employees
£50,001 to £55,000	15	21
£55,001 to £60,000	27	13
£60,001 to £65,000	8	11
£65,001 to £70,000	9	9
£70,001 to £75,000	5	5
£75,001 to £80,000	5	2
£80,001 to £85,000	1	2
£85,001 to £90,000	1	0
£90,001 to £95,000	2	0
£95,001 to £100,000	0	0
£100,001 to £105,000	1	0
£105,001 to £110,000	0	0
£115,001 to £120,000	0	0
£120,001 to £125,000	0	1
Total	**74**	**64**

Exit Packages

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

Exit Package Cost Band (Including Special Payments)	2020/2021 Number of Compulsory Redundancies	2019/2020 Number of Compulsory Redundancies	2020/2021 Number of Other Agreed Departures	2019/2020 Number of Other Agreed Departures	2020/2021 Total Number of Exit Packages by Cost Band	2019/2020 Total Number of Exit Packages by Cost Band	2020/2021 Total Cost of Exit Packages in each Band	2019/2020 Total Cost of Exit Packages in each Band
							£000	£000
£0 - £20,000	2	28	9	12	11	40	70	234
£20,001 - £40,000	0	5	2	3	2	8	65	229
£40,001 - £150,000	0	2	2	2	2	4	158	422
£150,001 - £250,000	2	1	0	1	2	2	433	417
Total Cost included in CIES							**726**	**1,302**

Note 32 – External Audit Costs

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

	2020/2021 £000	2019/2020 £000
Fees payable with regards to external audit services carried out by the appointed auditor for the year	105	96
Fees payable to the appointed auditor for the certification of grant claims and returns for the year	9	11
Fees payable in respect of other services provided by the appointed auditor during the year	0	0
Total fees payable	**114**	**107**

The fees payable to the appointed auditor for the certification of grant claims and returns for the 2019/2020 financial year includes the Teacher's Pension Grant fees payable for both 2018/2019 and 2019/2020.

Note 33 – Dedicated Schools Grant

The council's expenditure on schools is funded primarily by grant monies provided by the Education Funding Agency, 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 2020. 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.

Details of the deployment of DSG receivable for 2020/2021 are as follows:

Dedicated Schools Grant Deployment 2019/2020	Central Expenditure £000	Individual Schools Budget £000	Total £000
Final DSG for 2019/2020 before Academies recoupment			139,586
Academy figure recouped for 2020/2021			(105,105)
Total DSG after Academy recoupment for 2020/2021	**17,090**	**17,391**	**34,481**
Plus: Brought forward from 2019/2020	26	30	56
Agreed initial budgeted distribution in 2020/2021	**17,116**	**17,421**	**34,537**
In year adjustments	0	(69)	(69)
Final budget distribution for 2020/2021	**17,116**	**17,352**	**34,468**
Less: Actual central expenditure	(17,928)		(17,928)
Less: Actual ISB deployed to schools		(17,301)	(17,301)
Carry forward to 2021/2022	**(812)**	**51**	**(761)**

The deficit DSG balance carried forward as at the 31 March 2021 mainly relates to the cost of additional out of borough placements and higher numbers and more complex needs of pupils with Special Educational Needs (SEN). Plans and proposals are being developed with the aim of addressing the on-going in year position and repaying the DSG overspend over the coming years in line with DfE guidance.

Note 34 – Grant Income

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

Credited to Taxation and Non-Specific Grant Income	2020/2021 £000	2019/2020 £000
Council Tax Income	(71,607)	(68,981)
Non-Domestic Rates Income and Expenditure	(27,345)	(38,594)
Business Rates Relief	(15,244)	(3,646)
Covid-19 Support Grant	(9,618)	(5,216)
Revenue Support Grant	(9,142)	(8,995)
Social Care Grant	(4,787)	0
Other Non-Ring-Fenced Grants	(3,229)	(325)
Capital Grants	(23,153)	(17,063)
Total	**(164,125)**	**(142,820)**

Credited to Services	2020/2021 £000	2019/2020 £000
Rent Allowances	(37,522)	(37,835)
Dedicated Schools Grant	(34,095)	(32,442)
Improved Better Care Fund	(7,822)	(7,042)
Public Health Grant	(11,469)	(10,735)
Additional Restrictions Grant	(4,609)	0
Other Grants & Contributions	(29,925)	(23,019)
Total	**(125,442)**	**(111,073)**

The council received a grant of £358k from the Youth Justice Board which is reflected in the above figures. The grant was expended in accordance with the conditions attached to the grant award.

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

Grants Received in Advance	2020/2021 £000	2019/2020 £000
Capital Grants	(12,842)	(12,997)
Revenue Grants	(16,998)	(4,252)
Total	**(29,840)**	**(17,249)**

Note 35 – Related Parties

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

Central Government

Central government has significant control over the general operations of the council – it is responsible for providing statutory framework within which the council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the council has with other parties (e.g., council tax bills, housing benefits). Grant receipts are shown in Note 34 Grant Income.

Members and Officers

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid during the year is shown in Note 30 Members Allowances, and the Register of Members' Interests is available to be viewed on the council's website. During the 2020/2021 financial year, one member of the council has registered an interest as a member of the Board of Lincs Inspire, with whom the council has a 25-year contract for the provision of library, leisure and cultural services. Further information on this contractual arrangement is detailed in Note 44 Long Term Contracts. The Grant Contributions to Charities line in the table below includes all in-year transactions and outstanding year-end balances with Lincs Inspire.

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

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

Related Party Interests 2019/2020	In-Year Expenditure £000	In-Year Income £000	Year-End Creditor £000	Year-End Debtor £000	Number of Members Declaring an Interest	Number of Officers Declaring an Interest
Works and Services commissioned from Companies	561	(536)	0	(185)	10	0
Grants to Voluntary Organisations	404	(11)	0	(6)	25	0
Grant contributions to Charities	3,435	(501)	0	(153)	15	0
Grant contributions to Not-for-Profit Organisations	29	(431)	0	(325)	8	0

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

Other Public Bodies

Lincolnshire Partnership NHS Foundation Trust

During the 2020/2021 financial year, a member of the council has registered a pecuniary interest due to their position of non-executive director of the Lincolnshire Partnership NHS Foundation Trust, with whom the council has a current contractual agreement for the provision of mental health and emotional wellbeing services (as reported in Note 44 Long Term Contracts). Expenditure of £3,015k has been incurred during the year.

North East Lincolnshire Clinical Commissioning Group (NELCCG)

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

A 'Union Board' was also established to integrate both organisations, as far as practicable and appropriate, in order to maximise use of combined resources and focus – the focus being to improve the health, care and wellbeing, of the local population of North East Lincolnshire. Additionally, a Section 75 Agreement is in place which allows the council and NELCCG to jointly commission social care and public health services. Further information relating to the financial relationship with NELCCG is provided in Note 44 Long Term Contracts.

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

Note 36 – Capital Expenditure and Capital Financing

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

Capital Expenditure and Capital Financing	2020/2021 £000	2019/2020 £000
Opening Capital Financing Requirement	**171,820**	**159,567**
Capital Investment:		
Property, Plant and Equipment	35,759	27,882
Investment Properties	438	312
Intangible Assets	677	507
Heritage Assets	0	0
Revenue Expenditure Funded from Capital Under Statute	7,058	7,049
Other	44	122
	43,976	**35,872**
Sources of Finance:		
Capital Receipts	(1,009)	(2,970)
Government Grants and Other Contributions	(27,392)	(20,127)
Sums set aside from Revenue:		
Direct Revenue Contributions	(331)	(65)
Minimum/Voluntary Revenue Provision	(4,395)	(457)
	(33,127)	**(23,619)**
Closing Capital Finance Requirement	**182,669**	**171,820**
Explanation of Movements in Year:		
Increase in underlying need to borrow (unsupported by government financial assistance)	10,849	12,253
Increase/(Decrease) In Capital Financing Requirement	**10,849**	**12,253**

Note 37 – Leases

Council as Lessee

Finance Leases

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

Operating Leases

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

The council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the council and finance costs that will be payable by the council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

Minimum lease payments due:	2020/2021 £000	2019/2020 £000
No later than 1 year	264	262
Later than 1 year and no later than 5 years	958	988
Later than 5 years	1,509	1,736
Total	**2,731**	**2,986**

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

	2020/2021 £000	2019/2020 £000
Minimum lease payments	228	275
Less: Sublease payments receivable	0	0
Total	**228**	**275**

Council as Lessor

Operating Leases

The council leases out property under operating leases:

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

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

Minimum lease rentals receivable:	2020/2021 £000	2019/2020 £000
No later than 1 year	(2,799)	(2,458)
Later than 1 year and no later than 5 years	(9,937)	(9,202)
Later than 5 years	(116,463)	(114,306)
Total	**(129,199)**	**(125,966)**

Note 38 – Pension Schemes Accounted for as Defined Contribution Schemes

Teachers

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

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

The Scheme has many participating employers and consequently the council is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2020/2021, the council paid £1,049k to the Teachers' Pension Scheme in respect of teachers' retirement benefits, representing a contribution rate of 23.68% of pensionable pay. In 2019/2020 the council paid £922k to the Teachers' Pension Scheme, which represented a contribution rate of 16.48% of pensionable pay for the period April to August 2019, increasing to 23.68% from 1 September 2019. There were no contributions remaining payable at the year-end. Contributions due to be paid in the 2021/2022 financial year are estimated to be £1,100k.

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

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

Public Health staff

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

In 2020/2021, the council paid £317k to the NHS Pension Scheme in respect of the retirement benefits of public health staff, representing a contribution rate of 14.38% of pensionable pay. In 2019/2020, the council paid £312k to the NHS Pension Scheme, representing 14.38% of pensionable pay. There were no contributions remaining payable at the year-end. Contributions due to be paid in the 2021/2022 financial year are estimated to be £292k.

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

Note 39 – Defined Benefit Pension Schemes

Participation in the Local Government Pension Scheme

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

The council participates in two post-employment schemes:

(i) The Local Government Pension Scheme, administered locally by East Riding of Yorkshire Council - this is a funded defined benefit final salary scheme, meaning that the council and employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets.

(ii) Arrangements for the award of discretionary post-retirement benefits upon early retirement - this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

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

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

Discretionary Post-retirement Benefits

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

Transactions relating to Post-Employment Benefits

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

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

	2020/2021 Local Government Pension Scheme £000	2019/2020 Local Government Pension Scheme **£000**	2020/2021 Discretionary Benefits £000	2019/2020 Discretionary Benefits **£000**
Comprehensive Income and Expenditure Statement				
Cost of services:				
Service cost comprising:				
Current service cost	4,308	16,622	0	0
Past service cost	46	3,037	0	0
Financing and investment income and expenditure:				
Net interest expense	3,830	5,415	0	0
Total post-employment benefits charged to the Surplus or Deficit on the Provision of Services	**8,184**	**25,074**	**0**	**0**
Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement:				
Re-measurement of the net defined benefit liability comprising:				
Return on plan assets (excluding the amount included in the net interest expense)	(68,184)	43,244	0	0
Actuarial gains and losses arising on changes in demographic assumptions	9,285	(26,902)	0	0
Actuarial gains and losses arising on changes in financial assumptions	147,691	(46,982)	842	(296)
Other	(7,289)	(42,373)	0	0
Total post-employment benefits charged to the Comprehensive Income and Expenditure Statement	**89,687**	**(47,939)**	**842**	**(296)**
Movement in Reserves Statement				
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	**(8,184)**	**(25,074)**	**0**	**0**
Actual amount charged against the General Fund balance for pensions in the year:				
Employers' contributions payable to scheme	**6,631**	**3,857**		
Retirement benefits payable to pensioners			**1,975**	**2,047**

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:

	2020/2021 Local Government Pension Scheme £000	2019/2020 Local Government Pension Scheme £000	2020/2021 Discretionary Benefits £000	2019/2020 Discretionary Benefits £000
Present value of the defined obligation	(741,943)	(590,877)	(20,971)	(22,104)
Fair value of plan assets	524,883	448,423	0	0
Net liability arising from the defined benefit obligation	**(217,060)**	**(142,454)**	**(20,971)**	**(22,104)**
Total liability	**(238,031)**	**(164,558)**		

Reconciliation of movements in the fair value of scheme assets:

	2020/2021 Local Government Pension Scheme £000	2019/2020 Local Government Pension Scheme £000	2020/2021 Discretionary Benefits £000	2019/2020 Discretionary Benefits £000
Opening fair value of scheme assets	**448,423**	**494,286**	**0**	**0**
Interest income	10,188	11,716	0	0
Re-measurement gain / (loss):				
The return on plan assets, excluding the amount included in the net interest expense	68,184	(43,244)	0	0
Contributions from employer (excluding prepayment)	6,631	3,857	1,975	2,047
Prepayment of secondary contributions	8,450	0	0	0
Contributions from employees into the scheme	2,514	2,431	0	0
Benefits/transfers paid	(19,507)	(20,623)	(1,975)	(2,047)
Closing value of scheme assets	**524,883**	**448,423**	**0**	**0**

Reconciliation of present value of the scheme liabilities:

	2020/2021 Local Government Pension Scheme £000	2019/2020 Local Government Pension Scheme £000	2020/2021 Discretionary Benefits £000	2019/2020 Discretionary Benefits £000
Opening balance at 1 April	**(590,877)**	**(688,536)**	**(22,104)**	**(24,447)**
Current service cost	(4,308)	(16,622)	0	0
Interest cost	(14,018)	(17,131)	0	0
Contributions from scheme participants	(2,514)	(2,431)	0	0
Re-measurement (gains) and losses:				
Actuarial (gains)/losses from changes in demographic assumptions	(9,285)	26,902	0	0
Actuarial (gains)/losses from changes in financial assumptions	(147,691)	46,982	(842)	296
Other	7,289	42,373	0	0
Past service cost	(46)	(3,037)	0	0
Benefits/transfers paid	19,507	20,623	1,975	2,047
Balance as at 31 March	**(741,943)**	**(590,877)**	**(20,971)**	**(22,104)**

Local Government Pension Scheme assets comprised:

	2020/2021 £000	2019/2020 £000
Cash and Cash Equivalents	**14,578**	**21,212**
Equities: *by industry type*		
Other	**63,613**	**38,977**
Debt Securities: *by sector*		
Corporate Bonds (Non-Investment Grade)	45,179	30,780
UK Government	16,235	19,913
Other	9,857	8,492
Sub-Total Debt Securities	**71,271**	**59,185**
Real Estate - UK	**61,020**	**59,675**
Private Equity - All	**29,931**	**23,807**
Investment Funds and Unit Trusts:		
Equities	214,175	191,297
Bonds	22,249	10,346
Infrastructure	31,542	26,557
Other	16,504	17,367
Sub-Total Investment Funds and Unit Trusts	**284,470**	**245,567**
Total Assets	**524,883**	**448,423**

In March 2020, the World Health Organisation declared the outbreak of Covid-19 as a global pandemic which led initially to a material negative impact in publicly quoted markets. This caused additional uncertainty in the valuation of unquoted investments which are challenging to value even in normal market conditions. With regards to property valuations undertaken at 31 March 2021, valuers noted that they considered less weight could be attached to previous market evidence for comparison purposes, to inform opinions of value. As such, where valuations were undertaken by external valuers at 31 March 2021, these were therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to the valuations of unquoted investments than would normally be the case.

Basis for estimating assets and liabilities

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

Both the Local Government Pension Scheme and discretionary benefits liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for the East Riding Pension Fund being based on the latest full valuation of the scheme as at 31 March 2019.

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

	2020/2021	2019/2020
Mortality assumptions:		
Longevity at 65 current pensioners (years):		
Men	21.0	20.9
Women	23.7	23.3
Longevity at 65 for future pensioners (years):		
Men	22.2	21.8
Women	25.5	24.8
Financial assumptions:		
Rate of increase in salaries	3.75%	2.80%
Rate of increase in pensions	2.85%	1.90%
Discount rate	2.00%	2.30%
Rate of inflation (CPI)	2.85%	1.90%

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

Change in Assumption at 31 March 2021	Approximate % increase to Defined Benefit Obligation	Approximate monetary amount
		£000
0.5% decrease in Real Discount Rate	9%	72,449
0.5% increase in the Salary Increase Rate	1%	5,549
0.5% increase in the Pension Increase Rate (CPI)	8%	65,471

Impact on the Council's Cash Flows

It has been estimated that the contributions to the scheme for 2021/2022 will be approximately £5.960m.

Note 40 – Contingent Liabilities

General Business Rate Appeals

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

In 2017 a new rating list opened, and the 2010 rating list closed; local businesses can only now appeal against their rateable value in the 2010 list in limited circumstances. Due to this, the provision for the 2010 list has been estimated using trend analysis of the success and rate change based on each type of business rate category since the 2010 list opened. The provision for the 2017 list has been calculated using an average percentage rate in line with the multiplier uplift advised by central government. As a result, the council has included a total provision, covering both the 2010 and 2017 lists, of £6.9m – this represents the council's 49% share of the Local Business Rates Retention Scheme (the overall provision in the Business Rates Collection Fund is £14.0m).

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

NHS Trust Business Rate Appeal

The council's statement of accounts for the 2019/2020 financial year included a contingent liability in relation to an ongoing business rate appeal, whereby a number of NHS Trusts were taking forward a claim for NNDR Mandatory Charitable Relief to the High Court. The case was initially rejected by the High Court in 2019 with the ruling that NHS Trusts were not eligible to be treated the same as charities with regards to business rates. An appeal against this ruling was subsequently lodged with The Court of Appeal by the NHS Trusts, however, this has now been withdrawn. There is therefore no ongoing potential liability to the council in relation to this matter.

Note 41 – Contingent Assets

The council does not have any material contingent assets.

Note 42 – Trust Funds

The council administers various funds that are not included within the council's Balance Sheet. These include the Charter Trustees for Grimsby and Cleethorpes (precepting bodies set up to preserve the historic rights and memorabilia of the former boroughs of Grimsby and Cleethorpes). There are a further three miscellaneous funds that retained balances at 31 March 2021. The movements on which during the year were as follows:

	2020/2021 Charter Trustees	2020/2021 Other Funds	2020/2021 Total	2019/2020 Charter Trustees	2019/2020 Other Funds	2019/2020 Total
	£000	£000	£000	£000	£000	£000
Opening Balance at 1 April	**221**	**27**	**248**	**167**	**26**	**193**
In Year Movement	21	0	21	54	1	55
Closing Balance At 31 March	**242**	**27**	**269**	**221**	**27**	**248**

Note 43 – Agency Income & Expenditure

During 2020/2021, central government's response to the Covid-19 pandemic included the provision of certain mandatory grants to businesses and individuals which were administered on their behalf by North East Lincolnshire Council acting in the role of agent. As the council has only acted as an intermediary, the actual income received from government to pay over to eligible parties, and the subsequent payments made, are not reflected in the council's Comprehensive Income and Expenditure Statement. £57.4m was received in relation to these grants, with £6.0m remaining unspent as at 31 March 2021 – this is held within the short-term creditor element of the Balance Sheet.

The council has received £76.5k of 'New Burdens' funding in 2020/2021 to help cover any additional costs incurred in the administering of these grant payments – this income is included within the Resource and Governance line of the Cost of Services.

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

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

Note 44 – Long Term Contracts

Engie

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

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

The initial value of the contract over the 10 years was £155m – payments of £10.9m were made in 2020/2021. Contract payments are revised annually for both inflation and efficiencies identified by the partnership, in accordance with the terms of the Services Agreement.

Lincs Inspire Ltd

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

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

Lincs Inspire deliver and improve outcomes via a rolling three year business plan. In 2020/2021 they received £2.3m of contract payments from the council.

Newlincs

The council has a 25 year waste management contract with Newlincs Development Ltd. This has been extended by five years and runs until 2029. Contract payments for 2020/2021 were £6.8m.

Financial Relationship with Clinical Commissioning Group

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

The financial relationship between NELCCG and NELC is governed by a Section 75 (S75) agreement for the delivery of adult services (value of work currently £46.5m, which in 2020/2021 includes the transfer of £5.3m Covid-19 related grant funding received from central government) and children's services (value of work currently £4.8m). This agreement also references that the council has direct responsibility for the delivery of public health and health improvement functions.

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

On 11 February 2021, the Department of Health and Social Care published its legislative proposals for a new Health and Care Bill. The White Paper 'Integration and Innovation: working together to improve health and social care for all', aims to introduce changes that support better health and wellbeing for everyone, better quality of health services and the sustainable use of NHS resources. It is planned that the proposals within the White Paper will be implemented in 2022, at which point new Integrated Care Systems (ICSs) Health and Care Partnerships will incorporate the functions currently undertaken by CCGs, thus resulting in a change being required to the councils current commissioning arrangements for adult and children's services.

Lincolnshire Partnership Foundation Trust

The contract for the provision of Mental Health & Emotional Wellbeing services to children and adolescents living or registered with a GP in North East Lincolnshire, which initially was effective until 31 March 2021, has now been extended by one year to 31 March 2022. The contract has an option to be extended for a further year.

We Are With You

The contract to deliver an integrated substance misuse service for young people and adults within North East Lincolnshire, which initially was effective until the 31 March 2021, has now been extended by two years to 31 March 2023.

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.

	2020/2021 Business Rates £000	2020/2021 Council Tax £000	2020/2021 Total £000	2019/2020 Business Rates £000	2019/2020 Council Tax £000	2019/2020 Total £000
Income						
Council Tax Receivable		(87,095)	**(87,095)**		(82,909)	**(82,909)**
Business Rates Receivable	(40,685)		**(40,685)**	(64,994)		**(64,994)**
Total Amounts to Be Credited	**(40,685)**	**(87,095)**	**(127,780)**	**(64,994)**	**(82,909)**	**(147,903)**
Expenditure						
Apportionment of Previous Year Surplus/Deficit:						
Central Government	664		664	(1,309)		**(1,309)**
Billing Authority	650	1,593	2,243	(1,282)	1,113	**(169)**
Fire Authority	13	88	101	(26)	61	**35**
Police Authority		230	230		148	**148**
Precepts, Demands and Shares:						
Central Government	30,576		30,576	29,587		**29,587**
Billing Authority	29,965	71,266	101,231	28,995	66,866	**95,861**
Fire Authority	612	3,840	4,452	592	3,673	**4,265**
Police Authority		10,116	10,116		9,656	**9,656**
Charges to Collection Fund:						
Write-offs of uncollectable amounts	235	385	620	789	(270)	**519**
Increase/(Decrease) in allowance for impairment	(110)	1,073	963	111	470	**581**
Appeals charged to appeals provision	(1,679)		(1,679)	(1,943)		**(1,943)**
Change in provision for appeals	2,335		2,335	3,366		**3,366**
Charge to General Fund for allowable collection costs for non-domestic rates	221		221	220		**220**
Payments in respect of Transitional protection	3,181		3,181	2,560		**2,560**
Other transfers to General Fund in accordance with non-domestic rates regulations:						
Enterprise Zone Growth	193		193	88		**88**
Renewable Energy	176		176	169		**169**
Total amounts to be debited	**67,032**	**88,591**	**155,623**	**61,917**	**81,717**	**143,634**
(Surplus) / deficit arising during the year	**26,347**	**1,496**	**27,843**	**(3,077)**	**(1,192)**	**(4,269)**
(Surplus) / deficit brought forward at 1 April	(1,541)	(3,185)	**(4,726)**	1,536	(1,993)	**(457)**
(Surplus) / deficit carried forward at 31 March	**24,806**	**(1,689)**	**23,117**	**(1,541)**	**(3,185)**	**(4,726)**

Collection Fund Note 1 – Council Tax Income

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

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

For the Year Ended 31 March 2021

Council Tax Band	Valuation Band Limits	Calculated Number of Dwellings	Ratio to Band D	Band D Equivalent Dwellings	Council Tax Payable
	£				£
AR	Reduced Rate	65	5/9	36	1,068
A	Up to & including 40,000	26,230	6/9	17,487	1,282
B	40,001 - 52,000	14,382	7/9	11,186	1,495
C	52,001 - 68,000	7,661	8/9	6,810	1,709
D	68,001 - 88,000	4,589	9/9	4,589	1,923
E	88,001 - 120,000	1,954	11/9	2,388	2,350
F	120,001 - 160,000	723	13/9	1,044	2,777
G	160,001 - 320,000	441	15/9	735	3,204
H	More Than 320,001	26	18/9	52	3,845
			Council Tax Base	**44,327**	

The amount of Council Tax required for Band D, for North East Lincolnshire Council and its major preceptors, in 2020/2021 was calculated on the following basis:

(i) Preceptor's Council Tax Requirements	£85,221,961
(ii) Number of Band D equivalent Dwellings	44,327
Band D – (i) divided by (ii)	**£1,923**

Collection Fund Note 2 – Non-Domestic Rates

Non-domestic rates are determined on a national basis by central government which sets an annual non-domestic rating multiplier amounting to 51.2p in 2020/2021 (50.4p in 2019/2020). The non-domestic rate multiplier for small businesses is 49.9p in 2020/2021 (49.1p in 2019/2020). Subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by this multiplier. Local rateable values were £152.2m in 2020/2021 (£152.6m in 2019/2020).

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

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

GLOSSARY OF FINANCIAL TERMS

Financial Abbreviations and Roundings

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

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

Glossary

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

Actuary
Pension expert.

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

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

Capital Receipts
Income received from the sale of capital assets.

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

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

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

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

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

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

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

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

De minimis
An immaterial amount or balance.

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

Dedicated Schools Grant (DSG)
School funding for local authorities in England is provided by a ring-fenced grant.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Long Term Borrowing
Amounts repayable in more than 12 months.

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

Minimum Revenue Provision (MRP)
The minimum amount which must be charged to an authority's revenue account each year for the repayment of loan principal.

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

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

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

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

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

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

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

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

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

Public Works Loan Board (PWLB)
A central government agency, which lends money to local authorities usually at interest rates which are more favourable than those found elsewhere.

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

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

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

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

Revenue Expenditure Financed from Capital Under Statute (REFCUS)
Expenditure which may be properly capitalised, but which does not result in, or remain matched with, tangible non-current assets. An example would be capital expenditure on improvement grants.

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

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

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

AUDIT & GOVERNANCE COMMITTEE

DATE	29/09/2021
REPORT OF	Sharon Wroot - Executive Director for Environment, Economy and Resources
SUBJECT	Going Concern
STATUS	Open

CONTRIBUTION TO OUR AIM

The Council is required to obtain an external audit opinion on its statutory accounts on an annual basis. The statutory accounts provide an analysis of how public funds have been spent.

EXECUTIVE SUMMARY

The Council is required to assess and determine that it is appropriate to prepare its financial statements on a going concern basis. The going concern basis assumes that the Council will be able to realise its assets and liabilities in the normal course of business and that it will continue in business for the foreseeable future.

Whilst there remains a significant risk attached to the Council’s future financial standing, arrangements are in place to manage and mitigate against this risk.

Overall, we conclude that the financial statements should be prepared on a going concern basis and there are no matters that give rise to a material uncertainty over the going concern assertion in relation to the financial statements as a whole.

RECOMMENDATIONS

Note the contents of the going concern assessment as part of the approval of the 2020/21 accounts.

REASONS FOR DECISION

External Audit (Mazars) require the Council to produce a summary report to the Audit Committee (or equivalent) to validate the going concern assertion.

1. BACKGROUND AND ISSUES

Attached at Appendix 1 is the Council’s Going Concern Assessment. This provides details of the Council’s self-assessment of its financial standing. The main factors which underpin this assessment are the current financial position (2021/22), the projected financial position (2022/2025), the funding outlook, relative financial standing and governance arrangements including budget setting processes.

2. RISKS AND OPPORTUNITIES

Key risks and opportunities are detailed within Appendix 1.

3. OTHER OPTIONS CONSIDERED

N/A

4. REPUTATION AND COMMUNICATIONS CONSIDERATIONS

The financial environment in which the Council is operating remains challenging and any significant financial issues will be communicated externally through a variety of media.

5. FINANCIAL CONSIDERATIONS

As set out in the report.

6. CLIMATE CHANGE AND ENVIRONMENTAL IMPLICATIONS

The Council's financial strategy looks towards consuming resources more efficiently, eliminating waste and supporting and developing the green economy and infrastructure. This includes recognising and realising the economic and social benefits of a high-quality environment.

7. FINANCIAL IMPLICATIONS

As set out in the report

8. LEGAL IMPLICATIONS

There are no legal issues immediately arising from the content of this report given that it is a vehicle to advise the committee on the current position.

9. HUMAN RESOURCES IMPLICATIONS

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

10. WARD IMPLICATIONS

All wards affected

11. BACKGROUND PAPERS

Outcomes Framework, Commissioning Plan and Budget 2021/22 – 2023/24.

12. CONTACT OFFICER(S)

Guy Lonsdale, Head of Finance and Deputy S151 Officer

SHARON WROOT
EXECUTIVE DIRECTOR – ENVIRONMENT, ECONOMY & RESOURCES

Appendix 1 – 2020/21 Financial Accounts – Going Concern Assessment

Introduction

The Council is required to assess and determine that it is appropriate to prepare the financial statements on a going concern basis. The review should take account of all available information about the future, which is at least, but not limited to the next twelve months from the end of the reporting period.

The going concern basis assumes that the Council will be able to realise its assets and liabilities in the normal course of business and that it will continue in business for the foreseeable future.

The statutory nature of the Council's activities mean that it is reasonable a 'continued provision of service approach' is assumed unless there is clear evidence to the contrary. Indeed, the financial reporting framework for local government bodies presumes going concern and the continuation of provision of the services provided by the Council in any event.

The main factors which underpin this assessment are the current financial position (2021/22), the projected financial position (2022/2025), the funding outlook, relative financial standing and governance arrangements including budget setting processes.

Background

The CIPFA Code states "an authority's financial statements shall be prepared on a going concern basis; that is, the accounts should be prepared on the assumption that the functions of the authority will continue in operational existence for the foreseeable future. Transfers of services under combinations of public sector bodies (such as local government reorganisation) do not negate the presumption of going concern."

International Accounting Standard (IAS) 1 requires management to make an assessment of an entity's ability to continue as a going concern. In other financial reporting frameworks, there may be no explicit requirement for management to make a specific assessment of the entity's ability to continue as a going concern.

Nevertheless, where the going concern basis of accounting is a fundamental principle in the preparation of financial statements, the preparation of the financial statements requires management to assess the entity's ability to continue as a going concern even if the financial reporting framework does not include an explicit requirement to do so.

Where there is an 'material uncertainty' in the period to at least 12 months from the date of authorisation of the financial statements for publication e.g. up to

September 2022, external audit expect the Council to produce a summary report to the Audit Committee (or equivalent) to validate the going concern assertion.

Current year forecast (2021/22)

At the end of first quarter of the financial year, the Council is forecasting a £8.1M overspend against its 2021/22 budget.

COVID19 continues to have an impact on the Council's finances through increased social care demand, reduced fees and charges and delays to the delivery of the Council's commissioning priorities.

REVENUE	Original Budget £'M	Revised Budget £'M	Forecast £'M	Variance £'M
Resources	2.7	2.7	3.8	1.1
Environment	16.2	16.2	16.3	0.1
Economy & Growth	27.5	27.5	27.1	(0.4)
Children & Family Services	44.2	44.2	51.5	7.3
Public Health	0.2	0.2	0.2	0.0
Adult Services	48.8	48.8	48.8	0.0
	139.6	**139.6**	**147.7**	**8.1**
Corporate Budgets	4.7	4.7	4.7	0.0
	144.3	**144.3**	**152.4**	**8.1**
Earmarked reserves	4.2	4.2	4.2	0.0
School Balances	0.0	0.0	0.0	0.0
Total	**148.5**	**148.5**	**156.6**	**8.1**
Funding	(148.5)	(148.5)	(148.5)	0.0
Net	**0.0**	**0.0**	**8.1**	**8.1**

The forecast reflects the continued levels of uncertainty in relation to the on-going impact of the pandemic and the subsequent risks and demands services are experiencing, in particular within Children and Family Services.

However we are continuing to work with services to manage and mitigate overspends where appropriate. The financial position is expected to move during the rest of the year as uncertainties are managed.

There is still a degree of uncertainty attached to the current forecast position and it is important to note that the position is before any agreed mitigating actions have been factored in along with the application of COVID reserves and contingencies designed to mitigate the overspend reported.

Medium Term Financial Plan

The current financial plan, its priorities and programmes will be revisited during 2021/22 and this will include an updated assessment of the continued impact of COVID19. COVID19 has led to a rise in demand for services particularly within Adults and Children's Social care although the longer-term impact is still to be understood. The new local government funding model and approach to funding health and social care will be critical in this regard.

It is acknowledged that the Council has a statutory responsibility to set a balanced budget for the next 12 months, along with a realistic medium-term financial plan and that will be achieved through a variety of ways including managing costs effectively and efficiently, becoming more commercial in our outlook, collaborating with public and private partners and commissioning for key outcomes.

Through our financial planning process, we are modelling a range of funding assumptions and spending plans to deal with any budget gaps. This process will follow our internal governance process, engaging informally and formally with Elected Members throughout.

A refreshed medium-term financial plan will cover the three year period 2022-2025 and acknowledge uncertainties in relation to the comprehensive spending review, local government funding reform and potential local government reorganisation.

Funding outlook

Based upon the information that the council has available to it at the present time a range of potential funding scenarios have been modelled for 2022/23 and beyond.

These assume that the fair funding review and extension of business rate retention have been postponed and existing grants are maintained at their current level or above. It has also been assumed that business rate income protection arrangements will remain in place through the safety net arrangement.

Indications are that central government has recognised challenges in relation to social care spending and demand. The detail of this will be included within the CSR at the end of October.

The current medium-term financial plan assumes that the council would see continued economic and housing growth over the medium term. However some of this growth will be slower than pre pandemic levels.

Capital investment

The Council's long term financial strategy remains focused on the achievement of financial sustainability by embracing economic potential and growing the tax base. Increasingly, the Council is taking a more commercial approach and investments are anticipated to make a significant contribution to the Council's strategic objective of enabling the growth of a strong and sustainable local economy.

The Council is working alongside Government and private investors to accelerate growth across the Borough. Major projects within the Port of Immingham, Stallingborough Enterprise Zone and in the Town Centres are planned and factored into the capital investment programme.

It is anticipated that we will deliver £60.4M of the approved capital programme in 2021/22. Importantly though, the Council continues to operate within its approved Treasury Management Strategy and the Council's capital investment plans remain affordable, prudent and sustainable

Reserves and provisions

The Council holds reserves for three specific purposes:

- General reserves to deal with unexpected events and help smooth the impact of uneven cash flows;
- Corporate and technical reserves to smooth the Council's financial position and prevent knee-jerk reactions that would otherwise impact on service budgets; and
- Partner & Service Reserves - held for specific purposes relating to service delivery. These are held in addition to defined budget envelopes and used to support defined activity and outcomes over and above business as usual

The overall financial standing of the Council is being continually monitored with a focus upon the adequacy of reserves and the stewardship of public funds. COVID19 has undoubtedly put additional pressure on reserves over the short to medium term and this is being addressed as part of ongoing monitoring.

General fund reserves, set aside to deal with any unforeseen events, remained at £8.3m at the end of the 2020/21 financial year. This is in line with the medium-term financial plan and considered to be a prudent level considering the increased level of risk to which the Council is currently exposed. As part of the forthcoming planning process, we are reviewing the level of this reserve to ensure its continued adequacy.

An additional earmarked reserve was established as part of the 2021/22 budget setting process to manage the additional Coronavirus funding received from Government. These reserves are being drawn down during 2021/22 as the impacts of Coronavirus are recognised. Other earmarked reserves will continue to be utilised to support transformational change and initiatives designed to deliver longer term returns.

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

Cash

The Council continues to operate within its approved treasury management strategy and focus is on the efficient management of working capital. Returns on investments remain lower than those payable on borrowing and therefore the council maintains minimum cash balances to reduce the cost of carry.

COVID19 has led to some changes in the Council's normal cash flows and this has necessarily required increased oversight in terms of the treasury management function. Maintaining liquidity in the current environment is considered essential.

The Council maintains short and long-term cash flow projections, and manages its cash, investments and borrowing in line with the Council approved Treasury Management Strategy. No cash flow concerns are anticipated during the 2021/22 financial year.

Governance and Oversight

The Council has a well-established and robust corporate governance framework. The latest Annual Governance Statements (AGS) has been reviewed taking into account external and internal audit reviews, our risk assessments and knowledge of our control environment. The review of our governance arrangements has concluded that they are effective.

A Star Chamber approach has been introduced to deal with a major suite of challenges, across our responsibilities and our budget. The Star Chamber is effectively an informal meeting of cabinet members supported by senior officers. Its primary purpose is to examine current and future finance and commissioning plans with the aim of achieving improved value for money, identifying efficiencies and ensuring resources focused on priority areas. The forum provides a focus for ensuring that existing finance and commissioning plans are being delivered or alternative plans are being brought forward. These enhanced governance arrangements will review delivery and progress against existing commissioning plans and shape Service Plan objectives and key actions for 2022/23 and beyond.

Conclusion

The Council’s accounts have been prepared on the presumption of going concern but acknowledge the significant impact that COVID19 has had.

At the present time there is a significant degree of uncertainty attached to the Council’s future funding position. Therefore a range of potential scenarios have been modelled and preparatory work is already underway to assess the impact on budgets and future service provision. A clear budget timetable has been established and enhanced governance arrangement put in place to challenge assumptions.

In conclusion, whilst there remains a significant risk attached to the council’s future financial standing, arrangements are in place to manage and mitigate against this risk.

Overall, we conclude that the financial statements should be prepared on a going concern basis and there are no matters that give rise to a material uncertainty over the going concern assertion in relation to the financial statements as a whole.

NORTH EAST LINCOLNSHIRE COUNCIL
www.nelincs.gov.uk

North East Lincolnshire Council

Annual Governance Statement

2020/21

Stronger Economy, Stronger Communities

FINAL SUBJECT TO CONFIMATION OF THE EXTERNAL AUDIT OPINION

Executive Summary

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

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

Signed:

Cllr. Philip Jackson
Leader of the Council

Rob Walsh
Head of Paid Service

1. Introduction

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

The 2019/20 reported that the review of governance arrangements had identified two main areas where the Council would need to focus its efforts during 2020/21 to address changing circumstances and challenges identified. These were:

- the continued response to COVID-19; and
- the response to recent OFSTED reports relating to Children's Services and the subsequent implementation of an Improvement plan

In line with CIPFA guidance there is a separate section on the impact of COVID-19 on governance arrangements (Section 6) and the outcome of the most recent OFSTED visits shown on (Section 5).

2. Scope of Responsibility

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

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

3. The Purpose of the Governance Framework

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

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

The governance framework has been in place at North East Lincolnshire Council for the year ended 31 March 2021 and up to the date of approval of the Statement of Accounts.

4. The Governance Framework

The Council has defined its key strategic outcomes as all people:

- Enjoy and benefit from a strong economy
- Feel safe and are safe
- Enjoy good health and well being
- Benefit from sustainable communities
- Fulfil their potential through skills and learning

Good governance processes are critical in supporting the delivery of strategic outcomes. The Council operates to a Code of Corporate Governance, which forms part of the Constitution. It is based on the guidance provided by the Chartered Institute for Public Finance and Accountancy (CIPFA) and the Society of Local Government Chief Executives (SOLACE) “Delivering Good Governance in Local Government – a framework” (April 2016). It was subjected to its annual review in December 2020 to ensure that it reflected the Council’s current governance arrangements and the revisions made were approved by the Audit & Governance Committee in January 2021.

A copy of the code is on the attached link. Code of Corporate Governance

It is based on the following principles:

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

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

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

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

Each Assistant Director is annually required to complete an annual self-assessment as to how they seek assurance that their services/functions comply with each of the seven principles. This showed that the principles in the main are embedded in practice in all significant areas of the Council's operations, and there were no issues of such significance that required reporting in the AGS.

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

- **Children's Social Care Statutory Complaints and Compliments Annual Report 2021/21 -** reported to Cabinet 11 August 2021 – provides an overview of the activity and analysis of complaints and compliments. No issues were identified.

- **Director of Public Health Annual Report 2020** – reported to Union Board 16 March 2021.The focus of this year's annual report was health inequalities. The report explores the challenges faced by those living in more deprived areas, the way that these challenges accumulate to influence health throughout the life course, as well as the further impact on health inequalities by the pandemic. Place based recommendations have been made for how to reduce health equalities.

- **Virtual School Headteacher Annual Report**– reported to the Children & Lifelong Learning Scrutiny Panel 19 November 2020. The Virtual School is the key education advocacy service for all Children Looked After (CLA) whether they are attending a school within North East Lincolnshire or for those placed out of area. The report provides statistics on CLA in mainstream education, attendance data and attainment.

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

- **Adult Social Care Statutory Complaints and Compliments Annual Report** – reported to the Health and Adult Social Care Scrutiny Panel 20 November 2020. It provides an overview of the activity and analysis of complaints and representations during 2019/20. It also highlights service improvements implemented as a result of complaints and representations. Of the 54 complaint investigations concluded in 2019/20, only nine were either fully or partially upheld.

- **Safeguarding Adults Board Annual Report** - reported to the Health and Adults Scrutiny Panel 20 January 2021. This sets out the activities and work undertaken by North East Lincolnshire Safeguarding Adults Board and its members to deliver on the aims and objectives of its Strategic Plan. It also includes performance data including the number of concerns received and the number of Deprivation of Liberties authorisation requests received and processed.

- **Safeguarding Children's Partnership Annual report 2019/20** – reported to Children & Lifelong Learning Scrutiny Panel 24 September 2020. The report outlines what the Partnership has achieved, further developments and priorities for the following year.

- **Independent Reviewing Officers Annual Report** reported to the Safeguarding Children's Partnership Full Board 6 November 2020. It focuses on the work of the IROs for Children Looked After in 2019/20. It provides a context to the work of IROs and summarises key issues emerging that are relevant to Children's Services. Action Plan. A Service Improvement Plan is to be developed which will include reference to statutory requirements and capacity with areas of work being targeted.

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

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

- **Assurance provided by the Monitoring Officer in relation to operating within the rule of the law and constitutional arrangements including member code of conduct** – no material issues were identified.

- **Assurance provided by the Head of People and Culture on human resources policy frameworks and arrangements** - no material issues were identified.

- **Assurance provided by the Deputy Section 151 Officer on finance issues** - no material issues were identified.

- **Assurance provided by the Health and Safety Manager** - policies and procedures relating to occupational health and safety are reviewed to ensure that they are fit for purpose, in relation to the organisation and reflect any changes from a legal point of view.

- A**ssurance provided by the Head of Procurement** - no material issues were identified.

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

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

  An initial self-assessment of the Council's current standing against each of the Financial Management Standards was carried out in March 2021. The self-assessment concluded that the Council has strong financial leadership and management which is underpinned by clear financial strategy. There is good engagement through the financial planning process which is underpinned by an integrated budget and commissioning process.

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

  However, there are a range of challenges and opportunities that the Council faces. Longer term financial planning is challenging in the absence of a clear strategy for local government funding and pressures on income collection rates are likely as we recover from COVID-19. Financial challenges linked to increasing demand particularly in relation to social care agenda are acknowledged and the Council will need to review its level of reserves in the context of fast moving and challenging economic environment. A new financial system with updated processes designed to further improve financial management information and financial governance is planned to be implemented 2022/23.

- **Annual Review of the Constitution** – a comprehensive review was carried out by the Monitoring Officer and reported to Full Council on 27 May 2021. Various changes were made to the Constitution including the Scheme of Delegation and Contract procedure Rules.

- **Annual Fraud Report 2020/21** – reported to Audit and Governance Committee 22 April 2021. It highlights the work that has been undertaken for the prevention and detection of fraud, corruption and financial misconduct In 2020/21. No Major were reported. The report highlighted the work undertaken to prevent fraud in relation to business grants. It was also reported that the number of external and internal referrals relating to allegations of fraud or financial misconduct, significantly fewer than in previous years. The Council's is reviewing the content and promotion of its Whistleblowing Policy and other reporting mechanisms.

- **Annual Scrutiny report –** reported to Full Council on 27 May 2021. It provides a summary of the work undertaken by scrutiny in 2019-20 and outlines future work programmes.

- **Annual Standards and Adjudication Committee Report** – reported to the Standards and Adjudication Committee 16 December 2020. This report presents the latest annual report of the Standards and Adjudication Committee. In addition to general information about the committee, it provides an overview of the committee's work on handling complaints alleging breaches of the Members' Code of Conduct. No major issues were identified.

- **Audit and Governance Committee Annual Report 2020/21** – reported to Audit and Governance Committee 22 April 2021 and Full Council June/July 2021. It summarises the activities of the Committee and demonstrates how it has discharged its duties. It also reports on the outcome of the Audit Committee's self-assessment against good practice. No issues of non-compliance were identified.

- **Capital Programme Quarterly Update Reports** – the Estates and Business Development Manager, provides quarterly update reports on the delivery of the Capital Programme. These reports provide an update on the overall status and highlight any specific risks, including slippage on major projects, where additional mitigation may be required and further actions are agreed. In 20/21 some significant risks were identified in relation to delivery which could impact on the delivery of the Councils Economic and Financial Strategy. Several projects quoted Covid-19 as having some impact on delivery. Also, an exercise was undertaken to understand schemes in the programme which could be specifically reprioritised/reprofiled to improve the revenue position during unprecedented times.

- **Information Governance and Security Annual Governance Report 2020/21** – reported to the Audit and Governance Committee 22 April 2021. This report outlines the key Information Governance activities undertaken by the Council in 2020 and provides assurance that the Council across all of its work areas and functions remains compliant with its legal obligations and follows good practice. Only one incident met the criteria requiring reporting to the Information Commissioner's Office (ICO), who determined that no further action was necessary.

- **Risk Management Annual Report** –presented to the Audit and Governance Committee on 24 June 2021**.** This provided assurance on the design and operation of the Council's risk management arrangements, as well as identifying areas for future development.

- **Treasury Management Strategy Statement** – reported to Cabinet 10 February 2021 and Full Council 18 February 2021. The Statement conformed with Treasury Management regulations and no material breaches were reported.

- **Treasury Management Annual Report –** reported to the Audit and Governance Committee 24 June 2021 and then to cabinet on 11 August 2021. The report provided assurance that all investment and borrowing transactions were in line with the approved 2020-21 treasury Strategy.

- **Value for Money Annual Report 2020/21**- prepared by the Deputy Section 151 Officer and reported to the Audit and Governance Committee 24 June 2021. This report summarises activity during 2020/21 and identifies additional actions for 2021/22 and beyond. Despite the impact of COVID-19, a range of service reviews have been undertaken during 2020/21, with further service reviews planned across all areas of the Council's activities in 2021/22. These are detailed within the Council's latest approved Finance and Commissioning Plans. The report stated that inevitably COVID-19 will continue to have significant impact upon the Council's activities and the impacts are anticipated to continue well into 2021/22. Nevertheless, the pandemic has required the Council to work differently and in some ways more effectively. The Council plans to build upon these more effective ways of working to improve its overall value for Money.

Third Line of Assurance (independent oversight)

Head of Internal Audit Annual Report and Opinion 2020/21 – reported to the Audit and Governance Committee on 22 July 2021. A satisfactory opinion on the control environment was provided. The report also concluded that Covid-19 has not had a significant adverse impact on the Council's systems of control, whilst recognising that some planned enhancements to them have inevitably had to be delayed during 2020/21. The opinion also made reference for the need for the Council to ensure there is sufficient and appropriate capacity within its governance and internal control arrangements to support its ambitious aspirations to make sustained improvements to the "Place", as well the implementation of its Post-Pandemic Recovery Programme.

External Audit – There are no significant issues arising from the external audit of the Council's 2020/2021 financial statements. The Council's external auditors, Mazars, are proposing an unqualified opinion on the financial statements subject to a small number of outstanding issues. In relation to the VFM Conclusion this work is running later than the work on the accounts and will focus predominantly on financial sustainability, governance and decision making and improving economy, efficiency and effectiveness. The Council's external auditors have not identified any significant risks as part of their work on the VFM conclusion to date.

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

Ofsted inspects and regulates services that care for children and young people and those providing education and skills for learners. As was reported previously a focused visit to the “front door” in March 2019 was carried out. A detailed improvement plan was developed by the Director of Children’s Services and approved by the DfE and Ofsted, which focused improvement across four priority areas. A second visit was subsequently undertaken in October 2019. This reported that there continued to be significant weaknesses in the quality of services for children in need and those in need of help and protection. The DfE identified a set of nine escalation measures and set a minimum target of achievement against each by the 31 March 2020. Through focused drive, the target for all escalation measures were met by the deadline set.

The Council received formal notification from the Parliamentary Under-Secretary of State for Children and Families that they were satisfied that sufficient progress had been made and that the Council could now focus on embedding quality of practice across Children’s Social Care. A number of actions were put in place which were described in the 2019/20 AGS.

During 2020 South Tyneside Council carried out a “Practice in Partners Peer Review” of the Front Door and Early Help Service. It reported that the Council had come a long way at a significant pace and acknowledged “the extent and urgency of the ambition to ensure that children and families receive a high-quality service which makes a real difference to the lives”. It made some suggestions for management and practice development.

In May 2021 OFSTED carried out a further focused visit of the “front door”. The outcome of the inspection found that significant progress had been made and that children in NEL were safe. However, Ofsted advised that the scope of the assurance visit was relatively narrow and the DfE may not remove the Improvement Notice until Ofsted have undertaken a full ILACS inspection which scrutinises every element of the early help and social care system. Therefore, the Improvement Board, underpinned by the Transformation Plan remains in place. Governed by the DfE, with representation from Chief Executive, Portfolio Holder for Children, DCS and lead officers from partner organisations.

The Ofsted findings were positive and supported the Council’s own understanding that its improvement plan has been successful, albeit slowed down by the impact of the pandemic. This has predominantly affected its ability to recruit new permanent social workers, as people have been less willing to travel across local authority areas, and NELC is reliant on a workforce supply from neighbouring authority areas.

In addition during 2020/21 the Council appointed a new Director of Children’s Services reporting to the Deputy Chief Executive, whilst subsequent appointments have been made to all senior manager posts within Children’s Services.

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

- PSN Code of Connection IT Health Check
- The NHS Data Security and Protection Toolkit assessment
- Virtual inspection by Environment Agency in relation to waste transfer station and storage of waste

- General Register Office Local Authority Annual Performance Report - annual assurance to the Registrar General in relation to service delivery, performance, public protection & counter fraud and the requirements set out in the Registration Acts.

Local Government and Social Care Ombudsman - The Ombudsman is responsible for independently investigating complaints that have not been resolved by the organisation. Its Annual Letter was issued in July 2021. No major issues of concern were raised in the letter.

6. Response to COVID-19

COVID-19 has had considerable impact on the delivery of the Council's responsibilities and governance arrangements to support them. In line with the guidance from CIPFA the Council has assessed its response in three areas:

- *Adaptations to reflect new ways of working and emergency arrangements*
- *Changes to 'business as usual' activities, including cessation or reduced frequency or scale of activities*
- *Longer-term changes to priorities, programmes, strategies and plans as a result of the impact of the pandemic on the organisation and the local area*

The Council carried out a detailed assessment against each of three areas as shown on Appendix 1. The assessment demonstrated that:

- The Council responded quickly to the pandemic and put in new working and emergency arrangements at an early stage. Its swift and flexible approach, including the implementation of emergency decision making ensured that it was able to operate within its agreed governance framework.
- Via the enhanced use of technology, the Council managed to maintain most of its activities. Inevitably, however, there were some its activities which were impacted, particularly those requiring face to face contact.
- Early in the pandemic, the Council developed recovery plans, and these have been consolidated into updated Commissioning Plan which were approved by Cabinet in February 2021. The development of some plans and projects have been delayed due to the impact of COVID, but other elements and areas of work have been accelerated.
- Overall, no significant control issues have been identified as a result of the pandemic. The Council, however, has recognised that the continued recovery from it will remain challenging, and as a result it has been identified as an area of focus for 2021/22 as shown in section 7 of the AGS.

7. Governance Challenges for 20/21

The review of governance arrangements has identified the main areas where the Council will need to focus its efforts during 2021/22 to address changing circumstances and challenges identified. These are detailed below:

- **Children and Family Services:**

- Following on from the notification from Ofsted that they are satisfied that progress is being made to improve services, the Improvement Board will remain in place until the improvements made have been sustained, underpinned by a refreshed transformation plan for 2021-22 which maintains the strategic position and direction of children's services, aligning to the outcome's framework and the Council Plan for 2021-24.

- The children's social care transformation action plan incorporates the areas identified for improvement through the Council's own self-assessment of social work practice, and the recommendations from the Ofsted assurance visit, to focus efforts on the priority areas for development.

Future actions identified within Children and Family Services also include:

- Refreshing of the transformation plan, to further join up Assistant Director portfolios to deliver the joint priorities; and
- Implementing quality assurance framework to further strengthen governance across children's services

- **COVID-19 Recovery:**
  The Council has recognised that the continued recovery from the impact COVID-19 will remain challenging. This is reflected in the updated Commissioning Plan approved by Cabinet in February 2021.

  The Council Plan is being developed and references the impact of COVID-19 and on-going recovery. We will also revisit our business plan through the financial planning process in the coming months, as the uncertainties surrounding the on-going impact of the pandemic begins to crystalise.

- **Programme Management:**
  The Council currently has a large number of key projects in place designed to support the Council's, the Place's aspirations and to capitalise on the Levelling Up Fund opportunities coming through government. The Council recognises that these projects will need to be tightly managed within its capacity constraints and, therefore, from March 2021, set up a Major Projects Group made up of senior officers to regularly review the progress of these key projects. The Group produces a regular update report for Leadership Team and, where the delivery of a project appears to be slipping, ensures actions are put in place by the relevant project sponsor and manager. In addition, progress on these projects will be regularly reported to Informal Cabinet and where appropriate Cabinet through the quarterly capital outturn report.

- **Capacity:**
  The People Strategy recognises the Councils ambitious agenda to improve the place, continue to implement the Children's Improvement Plan and manage the response and recovery from the pandemic. The Council acknowledges that capacity to deliver on our outcomes will be challenging, the People Strategy aims to address these concerns through the introduction of a robust workforce planning process, which will encompass our succession planning framework, widening our reach to trainees through well a planned

and ambitious approach. We will aim to become an employer of choice by ensuring that our policies are fit for purpose and reflect the ever-changing nature of the public sector workforce through hybrid working arrangements, improvements to our terms and conditions and by ensuring that we maintain the health, safety and wellbeing of our people.

- **Health and Social Care System:**
  In February 2021, the Government issued a white paper on the future of Health and Social Care. This will have significant impacts on the Health and Social Care system from 2022/23 onwards including the delivery of Public Health and the Union with CCG. The Council is already working with its NHS partners to review it partnership governance arrangements to take account of the likely changes.

Appendix 1

What adaptations have taken place to reflect new ways of working and emergency arrangements?

The Council responded quickly to the pandemic and put in new working and emergency arrangements at an early stage, including:

- An emergency governance framework was created to address lack of committee meetings at the beginning of the pandemic and to enable a swift response in direction of resources to meet COVID-19 emergency.
- Ability to hold committee meetings and whole staff group meetings remotely via Microsoft Teams using Live Events.
- The Council accelerated ICT transformation to enable staff to work from home..
- Guidance on complying with data protection and information security requirements whilst working from home was reviewed, updated, enhanced and communicated to all staff.
- Developed and implemented policy around managing staff in an emergency situation setting out how the Council will maintain critical service delivery and employee deployment to support critical services.
- For those areas where face to face contact was required essential front-line services were re-designed to minimise the risk of infection to staff remaining at work. Relevant guidance was provided to staff on how to keep safe and Council buildings were risk assessed and made COVID-19 secure
- Provided advice, guidance, support and grants to local businesses and the voluntary community sector.
- Created Covid-19 Support Team, to provide advice, guidance, support and enforcement in businesses and public open spaces.
- Public Health took the lead role in the local response to the pandemic and all the work of the whole public health team has been focussed on our local response to it. It is impossible to detail all the adaptations that have taken place in Public Health during 2020/21 as a result of the pandemic, but these are the headlines: -
    - Public Health and the CCG have led the tactical response to the covid pandemic from a health and care perspective. New ways of work have been formed and embedded for the future.
    - Numerous new boards were established including, for example, weekly Outbreak Control Steering Group and twice weekly Care Home Infection Management team meetings.
    - A whole new team has been established focussing on community Lateral Flow Testing and contract tracing and isolation support, led by a newly recruited, TTI project manager.

- Government funding has been received directly into public health to respond to the pandemic including contain outbreak management funding (COMF), community testing funding and funding to support those who are isolating due to either becoming infected with COVID-19 or being a close contact.
- Briefings to the portfolio holder have been increased to fortnightly. Updates have been provided to senior leaders on a weekly basis through leadership meetings and additional weekly COVID-19 keeping in touch meetings.
- New processes and close working relationships have been established with schools, local employers, housing providers etc. Regular tailored briefing sessions /webinars have been provided. Meetings have taken place with individual schools, employers, and care providers when and as particular outbreaks have taken place. Action plans have been put into place to contain outbreaks.
- Close working with the communications team and with the local media to ensure clear and consistent messages are provided to the public. Regular QAs with the public and appearances on local radio and TV by the DPH and public health consultants throughout 2020/21.
- There has been constant monitoring of the COVID-19 intelligence and the production of a weekly NEL COVID-19 epidemiology report.
- Production and dissemination of a rapid COVID-19 Impact Health Needs Assessment.

What changes to 'business as usual' activities, including cessation or reduced frequency or scale of activities occurred due to covid?

Via the enhanced use of technology the Council has managed to maintain most of its activities. Inevitably, however, there were some activities which were impacted, particularly those requiring face to face contact, such as:

- In Adult Social Care there was reduced face to face activity at the front line (providers), adaptations for infection control measures, and increased monitoring of providers/workforce and activity levels.
- In Children and Families there were changes to the frequency of face-to-face contacts dependent on risk assessments.
- In Public Health, following an initial cessation of front-line public health services (substance misuse, smoking cessation, sexual health, wellbeing service), they were all quickly moved onto providing targeted intervention to the most vulnerable, including virtual service delivery. They are now providing some face-to-face delivery in adherence with all COVID-19 guidance. All are continuing to adapt operating procedures based on the knowledge that they have gained over the last year and following emerging guidance.
- Many of the projects and programmes of work which form the Public Health Project Log had to be delayed in 2020/21 due to Public Health leading the response to the COVID-19 pandemic and the production, co-ordination, and delivery of the NEL Outbreak Management Plan. A number of other projects however were brought into real focus as a result of the pandemic, such as the Suicide Prevention Framework.

- Changes for registration of births, marriages, and deaths during 2020/21. Returning to normal but restrictions still in place for numbers attending marriage ceremonies and appointments with social distancing for activity not possible online.
- Some restrictions still in place at community recycling centres sites due to disruptions in waste disposal chains.
- Reduced pro-active food and trading standards inspections expected to remain until full re-opening of business economy.
- Waste and Street Cleansing Team was scaled up to manage increased demand and is expected to remain in place until September 2021.
- Significant changes were temporarily required in Bereavement Services operating hours to respond to the impact of COVID-19 at the end of 2020.
- Backlog of inquests in Coroner's Service.
- Closure of Customer Access Point with staff redeployed to the contact centre.
- Reduced on site meetings with local businesses however they are now starting to take place as COVID-19 restrictions ease.
- Closure of leisure centres, libraries and museums which have now reopened.
- A number of service improvement projects were put on hold and support staff from CSSU were redeployed to support the shielding arrangements. In the main these staff have now returned to their normal roles.
- Inevitably there was impact on some of our major projects and transformation programmes, many had to be paused or slipped into the following year. This impacted on our budget for the year, creating overspends within many areas. The impact of this is being revisited on a regular basis, and where possible and appropriate projects and programmes are running again.
- Moving to agile meetings, including Council, suspension of scrutiny initially but with a single panel meeting agilely to scrutinise decisions, Audit and Governance Committee reviewed plans and approach etc.

What longer-term changes to priorities, programmes, strategies, and plans have occurred as a result of the pandemic?

Early in the pandemic, the Council developed recovery plans, and these have been consolidated into an updated Commissioning Plan which were approved by Cabinet in February 2021. The development of some plans and projects have been delayed due to the impact of COVID-19, but other elements and areas of work have been accelerated. Examples of longer-term changes as a result of the pandemic include:

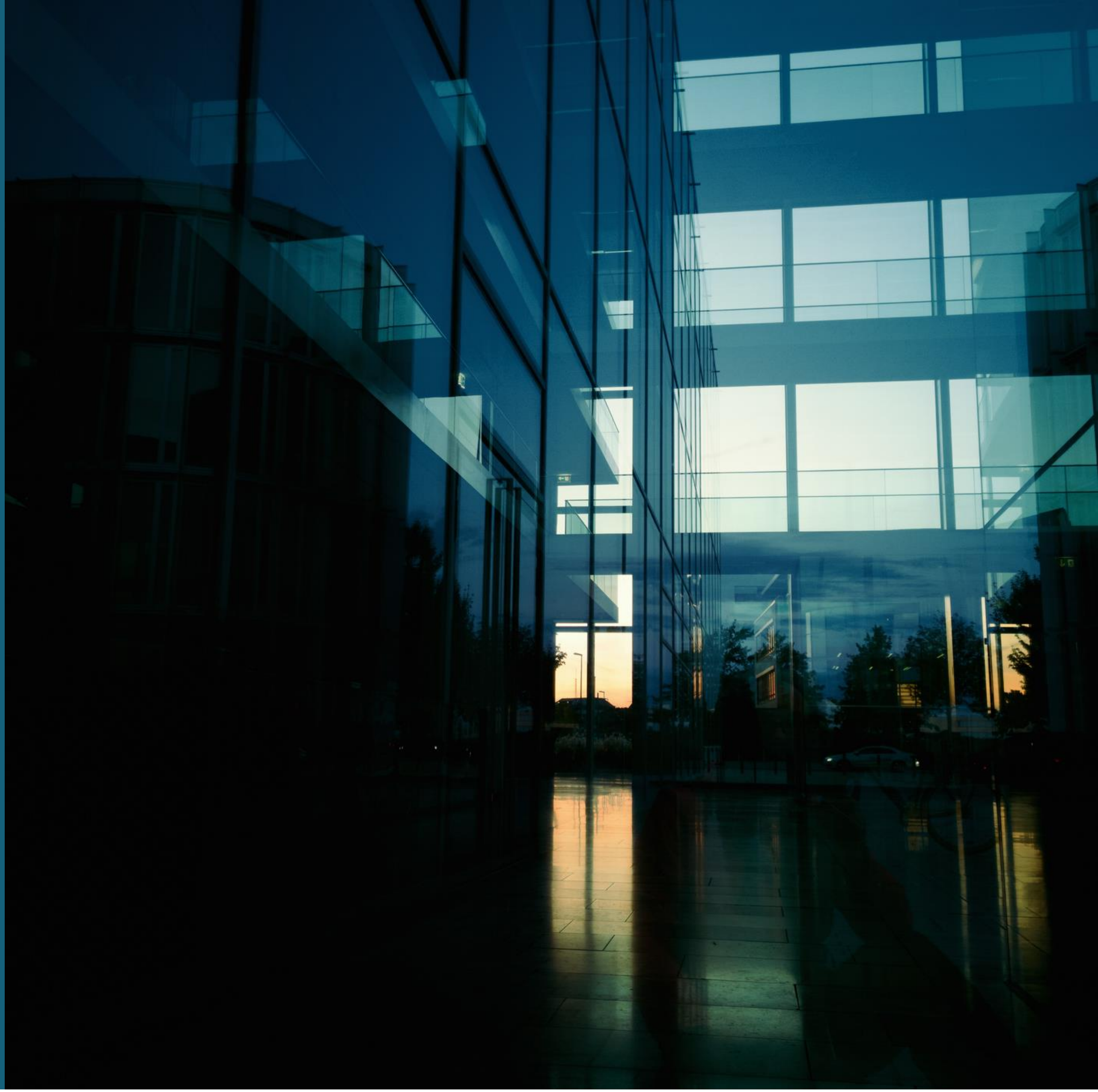
- Looking to maximise opportunities for digital enhancements within Adult Social Care, including better use of information and insight data to manage demand.
- Provider sustainability within Adult Social Care.
- Reviewing the approach to Business Continuity Planning, with a change to the response so it based on service reduction, rather than personnel reduction.
- Building on early help work to reduce the risks associated with children needing to come into care or experience harm.
- Maximising on digital opportunities to engage an increased number of children and young people in meetings where decisions are being made about them.
- Review of the children's social care recruitment and retention plan to address the reduction in recruitment to social worker posts as an impact of covid.

- Anticipating significant increased demand across Public Health services during recovery from 2021/22 onwards and expecting additional action to address increased inequalities, as a direct and indirect impact of COVID-19.
- The Public Health grant reserve will be used to progress the projects which had already started which needed to pause during the pandemic. However, it will also be used to ensure a suitable and targeted response to the impact of unemployment, social isolation, mental ill-health as well as appropriately responding to the effect's compensatory behaviours such as over-eating, reduced exercise, increased alcohol usage and drug use.
- Ensuring the Public Health project log for 2021/22 onwards is adaptable so that plans can be reviewed and revised on an ongoing basis to enable us to respond to the health and wellbeing needs of our local communities.
- A cross council wide impact assessment has been carried out to inform priorities.
- Amending the recycling programme to manage additional amounts of paper/cards resulting from increased in internet shopping.
- Reviewing the Cleethorpes Resort plans to cater for changes in visitor patterns. Also anticipating the development of a Tourism Recovery campaign to help support the recovery of the tourism, retail, and hospitality sectors.
- Adjusting the approach to housing rough sleepers has increased the pressure on finding suitable accommodation and the need to acquire additional housing stock and increased resource to deliver positive outcomes.
- Delaying the delivery of some projects such as the business intelligence hub, and the implementation of the new finance system and human resources/ payroll system.
- Accelerating elements of the M365 programme to support remote working.
- Reviewing the impact of COVID-19 on the economy and taking this into account when renewing the Council's Economic Strategy.
- Delivering the 'Reopening the High Street' project funded by ERDF, the Welcome Back fund, and the Coastal Fund.

Audit Completion Report

North East Lincolnshire Council – Year ended 31 March 2021

September 2021



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September 2021

Dear Committee Members

Audit Completion Report – Year ended 31 March 2021

We are pleased to present our Audit Completion Report for the year ended 31 March 2021. 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. 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 at mark.surridge@mazars.co.uk.

Yours faithfully

Mark Surridge

Mazars LLP

01

Section 01:

Executive summary

1. Executive summary

Principal conclusions and significant findings

The detailed scope of our work as your appointed auditor for 2020/21 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 set out our conclusions and significant findings from our audit. This section includes our conclusions on the significant and enhanced audit risks in our Audit Strategy Memorandum, which are:

- valuation of property, plant and equipment
- net defined benefit liability valuation;
- management override of controls, and
- recognition of covid-19 government grants.

Section 6 sets out audit misstatements and Section 7 outlines our work on the Councils 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 2021 and set out the areas of work we are yet to complete on page 7. We will provide an update to you in relation to the 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. A summary is provided in section 7 of this report.

Whole of Government Accounts (WGA)
We have not yet received group instructions from the National Audit Office in respect of our work on the Council's WGA submission. We are unable to commence our work in this area until such instructions have been received.

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 2020/21 audit.

02

Section 02:

Status of the audit

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	Description of the outstanding matters
Income	Work on testing of income is not yet fully completed.
Expenditure including related parties	Finalisation of detailed transaction testing on expenditure, including payroll.
Debtors and Debt impairment	Completion of residual sample testing and work to conclude whether the level of impairment provision is reasonable.
Journal Testing	Review of the supporting evidence for a number of transactions
Investment Properties and Property Plant and Equipment	Work to test that valuations are based on accurate source data is on-going.
Pensions	We are awaiting the assurance from the pension fund auditor.
Whole of Government Accounts	This will be completed as part of our closure processes
Closing Procedures	Our audit work is undergoing final stages of review by the Engagement Lead and further quality and compliance checks. In addition, we need to complete our closure processes, final checking of the updated financial statements including final consideration of post balance sheet events.

03

Section 03:

Audit approach

3. Audit approach

Changes to our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum April 2021. 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 £5.9m using a benchmark of 2% of gross operating expenditure. Our final assessment of materiality, based on the final financial statements and qualitative factors was the same at £5.9m using the same benchmark.

Use of experts

Where relevant and necessary, provide information on the planned and actual use of experts as part of the audit and any changes to the planned approach as outlined in our plan.

Item of account	Management's expert	Our expert
Pensions - Defined benefit liability	Actuary (Hymans Roberts)	PwC actuarial experts, appointed by the National Audit Office, provided a review of the key assumptions used by Hymans Roberts.
Property, plant and equipment valuation	Engie	We used available third party information to challenge the key valuation assumptions.
Financial instrument disclosures	Link Asset Services (formerly Capita)	No expert required

04

Section 04:

Significant findings

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. 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; and
- any significant difficulties we experienced during the audit.

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. Because of 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 performing 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 Whilst we have largely completed our work, we are yet to complete journals testing. To date our work our audit work has not identified any material issues to bring to your attention.

4. Significant findings

Significant risks (continued)

Valuation of property, plant and equipment (PPE): land & buildings and investment properties	
	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 PPE (land & buildings and investment properties). Although the Council uses a valuation expert to provide information on valuations, there remains a high degree of estimation uncertainty associated with the revaluation of land & buildings and investment properties due to the significant judgements and number of variables involved in providing revaluations. We have therefore identified the valuation of PPE (land & buildings and investment properties) to be an area of significant risk.
	How we addressed this risk We addressed this risk through performing the following audit work: • Assessing the Council's valuers scope of work, qualifications, objectivity and independence to carry out the required programme of revaluations; • Considering whether the overall revaluation methodology used by the Council's valuer is in line with industry practice, the CIPFA Code of Practice and the Council's accounting policies; • Assessing whether valuation movements are in line with market expectations by reference to alternative sources of valuation data to provide information on regional valuation trends; • Assessing the treatment of the upward and downward revaluations in the Council's financial statements with regards to the requirements of the CIPFA Code of Practice; and • Assessing the approach that the Council adopts to ensure that assets not subject to revaluation in year are materially correct, including considering the robustness of that approach in light of the valuation information reported by the Council's valuer.
	Audit conclusion Subject to the completion of our outstanding work we have not identified any material issues to bring to your attention at this stage. The draft financial statements referred to a material uncertainty in the valuation which we were not expecting and is not consistent with recent RICS guidance and this is subject to further discussions with Council's valuer.

Valuation of Net Defined Benefit Pension Liability	
	Description of the risk The financial statements contain material pension entries in respect of the retirement benefits. The calculation of these pension figures, both assets and liabilities, can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. This results in an increased risk of material misstatement.
	How we addressed this risk We discussed with key contacts any significant changes to the pension estimates. In addition to our standard programme of work in this area, we evaluated the management controls you have in place to assess the reasonableness of the figures provided by the Actuary and considered the reasonableness of the Actuary's output, referring to an expert's report on all actuaries nationally. We reviewed the appropriateness of the key assumptions included within the valuations, compared them to expected ranges and reviewed the methodology applied in the valuation. We considered the adequacy of disclosures in the financial statements. We have also sought assurance from the auditor of East Riding Pension Fund which is expected to be received before 30 September 2021.
	Audit conclusion Our work so far has provided the assurance sought and is subject to receiving the assurance we have requested from the Pension Fund auditor. The draft statements referred to a "material uncertainty" due to Covid-19 in respect of pensions investments but this will be removed to ensure consistency with the East Riding Pensions Fund Accounts.

4. Significant findings

Enhanced Risk

Recognition of Covid-19 Government grants	**Description of the risk** Throughout 2020/21, the Government has made available and provided substantial sums of grant support to local authorities including the general support grant, the Income Compensation and Job Retention schemes and grants that have been passed through to businesses. There is a risk the correct accounting treatment has not been applied, with the focus of our testing on the completeness and accuracy of this income in 2020/21.
	How we addressed this risk We addressed this risk by: • Reviewing the Council's approach in determining whether grants are ring-fenced for specified areas of expenditure; • Testing grant income recorded in the ledger to grant allocations/ notifications; and • Reviewing a sample of grants to establish whether conditions to recognise the income in 2020/21 have been met.
	Audit conclusion The work carried our provided the necessary assurance and we have no material matters to report.

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 2020/21 Code of Practice on Local Council Accounting, appropriately tailored to the Council’s circumstances.

Draft accounts were received from the Council in July and were completed to a very good standard.

Significant matters discussed with management

Significant matters discussed with management during the year include the on-going impact of Covid-19 on the Council's business, including any potential impact on risks of material misstatement. There were no matters arising.

Significant difficulties during the audit

During the course of the audit we have had the full co-operation of management. The audit was again carried out remotely but there were no significant difficulties in carrying out our normal audit procedures and obtaining the audit evidence required to complete the audit. We continue to work with management to complete any remaining audit work and resolve audit queries and are grateful for the co-operation and support provided.

Audit fees

As set out in our Audit Strategy Memorandum, we identified the need for a variation to the published scale fee to take account of several matters.

Public Sector Audit Appointments Ltd (PSAA) has published minimum expected fees for 2020/21 in relation to the additional audit work arising from the changes to the Audit Code of Practice and Value For Money work and new auditing standards for 2020/21:

- Between £10,000 - £19,000 for the new VFM arrangements; and
- £4,400 for new auditing standards on accounting estimates.

In addition to these are ongoing fee variations from 2019/20 and the additional testing as a result of changes arising from increased audit quality expectations involving the work on the valuation of land and buildings and on the local government pension scheme - £7,067.

We will agree the final fee, and any further variations, with management prior to reporting to the Audit and Governance Committee.

4. Significant findings

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; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these powers as part of our 2020/21 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.

Possible delay in the audit certificate

The issue of the Audit Certificate confirms that we have discharged all of our audit responsibilities and that the audit is formally ‘closed’. The Audit Certificate would normally be published in our Auditor’s Report on the Statement of Accounts. We expect to issue the audit report but delay the issue of the Audit Certificate until the following procedures are complete:

- Value for Money - We are yet to complete our work in respect of the Council's arrangements for the year ended 31 March 2021 and expect to report our findings in the 2020/21 Annual Auditors Report within 3 months of giving our audit opinion. At the time of preparing this report, we have not identified any significant weaknesses in the Council’s arrangements that require us to make a recommendation.
- Whole of Government Accounts - The NAO has not yet issued its Group Instructions for local authority audits.

We will update the Audit and Governance Committee when more information is known but at this stage the draft Auditor’s Report at Appendix B assumes that we are not able to issue the Audit Certificate at this stage.

05

Section 05:

Internal control recommendations

5. Internal control recommendations

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.

Our findings and recommendations are set out below. Whilst we did not identify any recommendations in our work in 2020/21 our prior year recommendations, with progress are summarised below. We have assigned priority rankings to each of them to reflect the importance that we consider each poses to your organisation and, hence, our recommendation in terms of the urgency of required action. In summary, the matters arising fall into the following categories:

Priority ranking	Description	Number of issues (2019/20)	Number of issues (2020/21)
1 (high)	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	0
2 (medium)	In our view, there is a need to strengthen internal control or enhance business efficiency. The recommendations should be actioned in the near future.	2	0
3 (low)	In our view, internal control should be strengthened in these additional areas when practicable.	1	0

5. Internal control recommendations

Follow up to deficiencies in internal control identified in 2019/20

Valuation of Land and Property Assets – Level 2

To manage the volume of accounting valuations, the Council bases assets valued at Depreciated Replacement Cost using November 2019 indices, which it then updates through to Q1 2020 to ensure that the valuation as at the 31 March is materially correct. Whilst we understand it is impractical to value all assets as at the closing date of the Accounting Period, a number of clients use indices from January (ie January 2020) in order to reduce the risk of material movement in the indices through to 31 March 2020

Potential effects

Material misstatements in valuations

Recommendation

The Council should consider whether updating indices to the 1 January is practical

Management response and update

Complete: March 2021 indices were used in the 2020/21 financial statements

Unidentified Accruals – Level 3

During testing of expenditure we identified one invoice for services received in 2019/20 paid in April 2020 totalling £58,297 that was not accrued for in 2019/20. This is reported as an unadjusted misstatement in Section 4 of this report.

Checks do take place at the department level, including under-spending budgets, but no detailed back-stop check is carried out within finance reviewing new year expenditure.

Potential effects

The Council could understate expenditure in the annual accounts.

Recommendation

Staff are reminded of the accrual policies as part of closedown and a central check is introduced to identify possible errors.

Management response and update

Complete: Closedown guidance is produced and circulated on an annual basis to all finance and service staff involved in the closedown process. Particular emphasis to the accruals policy was given during the 2020/21 process. A central check was also implemented as part of the process.

Follow up to deficiencies in internal control identified in 2019/20 (continued)

Member Approval of Employee settlement agreements – Level 2

Exit packages include those arising from redundancy and those which include compensation for loss of office (e.g. via reaching a settlement agreement). The Council's Constitution currently provides for delegated approval by the Chief Executive and all Directors for managing human resources including dismissal. The Appointments Committee has specific responsibility to decide if any discretionary element of the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006 should be exercised, but does not have responsibility to consider compensation for loss of office or other non-contract payments which are the responsibility of the Chief Executive or a Director.

Potential effects

Termination payments may not demonstrate value for money, or the rationale and justification may not be clear.

Recommendation

The Council should review and improve the clarity of its procedures to ensure that:

- risk management procedures are clear;
- there is a clear rationale and payments comply with legislation;
- costs are minimised;
- available options are considered; and
- amounts paid are more transparent.

Current Status

Complete: The Council has updated its arrangements in 20/21 to reflect these weaknesses.

06

Section 06:

Summary of misstatements

6. Summary of misstatements

Misstatements and disclosure amendments

This section outlines the misstatements identified during the course of the audit, above the trivial threshold for adjustment of £177,000.

We identified no misstatements.

We have discussed and agreed a small number of disclosure amendments to the draft financial statements, none of which are qualitatively material.

07

Section 07:

Value for Money

7. Value for money arrangements

Audit 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 whether there are 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.

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 in December 2021.

Status of our work

We are yet to complete our work in respect of the Council's arrangements for the year ended 31 March 2021. At the time of preparing this report, we have not identified any significant weaknesses in arrangements that require us to make a recommendation, however 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 in December 2021.

Appendices

A: Draft management representation letter

B: Draft audit report

C: Independence

D: Other communications

Appendix A: Draft management representation letter

North East Lincolnshire Council
Municipal Offices
Town Hall Square
Grimsby
North East Lincolnshire
DN31 1HU

Date: September 2021

North East Lincolnshire Council - audit for year ended 31 March 2021

This representation letter is provided in connection with your audit of the financial statements of North East Lincolnshire Council for the year ended 31 March 2021 for the purpose of expressing an opinion as to whether the statement of accounts give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Council Accounting in the United Kingdom 2020/21 (the Code).

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 myself that I can properly make each of the following representations to you.

My responsibility for the statement of accounts and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the statement of accounts in accordance with the Code.

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 statement of accounts such as records, documentation and other material;
- additional information that you have requested from me 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.

I confirm as Chief finance officer 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.

Appendix A: Draft management representation letter

Accounting records

I confirm that all transactions 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 the Code and International Accounting Standard 8 and consider them appropriate for the year.

Accounting estimates, including those measured at fair value

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

I confirm that I am satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities for IAS19 disclosures are consistent with my knowledge. I confirm that all settlements and curtailments have been identified and properly accounted for. I confirm that all significant retirement benefits have been identified and properly accounted for (including any arrangements that are statutory, contractual or implicit in the employer's actions, that arise in the UK or overseas, that are funded or unfunded).

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 Council 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 Code.

La**ws 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.

The Council has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

Appendix A: Draft management representation letter

Fraud and error

I acknowledge my responsibility as Chief Finance Officer for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

I have disclosed to you:

- all the results of my assessment of the risk that the statement of accounts 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 (including sales, purchases, loans, transfers, leasing arrangements and guarantees) have been appropriately accounted for and disclosed in accordance with the requirements of the Code. 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.

Impairment review

To the best of my knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the property, plant and equipment below their carrying value at the balance sheet date. An impairment review is therefore not considered necessary.

Charges on assets

All the Council's assets are free from any charges exercisable by third parties except as disclosed within the financial statements.

Future commitments

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

Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Code 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.

Appendix A: Draft management representation letter

Covid-19

We confirm that we have carried out an assessment of the on-going impact of the Covid-19 Virus pandemic on the Council, including the impact of mitigation measures and uncertainties, and that the disclosure in the Statement of Accounts fairly reflects that assessment.

Brexit

We confirm that we have carried out an assessment of the potential impact of the United Kingdom leaving the European Union, including the potential outcomes at the end of the Implementation Period, and that the disclosure in the Statement of Accounts fairly reflects that assessment.

Going concern

I confirm that I have carried out an assessment of the potential impact of the COVID-19 Virus pandemic on the Council, including the impact of mitigation measures and uncertainties and I am satisfied that the going concern assumption remains appropriate and that no material uncertainty has been identified.

To the best of my knowledge there is nothing to indicate that the Council will cease to 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.

Annual Governance Statement

I am satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and I confirm that I am not aware of any significant risks that are not disclosed within the AGS.

Narrative report

The disclosures within the Narrative Report fairly reflect my understanding of the Council's financial and operating performance over the period covered by the financial statements.

Unadjusted misstatements

I confirm that there are no unadjusted misstatements above the reporting threshold of £177,000

Yours sincerely

Executive Director for Environment, Economy and Resources

Appendix B: Draft audit report

Independent auditor's report to the members of North East Lincolnshire Council

Report on the audit of the financial statements

Opinion on the financial statements

We have audited the financial statements of North East Lincolnshire Council ("the Council") for the year ended 31 March 2021, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, 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 Council Accounting in the United Kingdom 2020/21.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Council as at 31st March 2021 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 Council Accounting in the United Kingdom 2020/21.

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 Executive Director for Environment, Economy and Resources use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, 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.

Our responsibilities and the responsibilities of the Chief Finance Officer with respect to going concern are described in the relevant sections of this report.

Other information

The Chief Finance Officer is responsible for the other information. The other information comprises the other information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. 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.

Appendix B: Draft audit report (continued)

We have nothing to report in this regard.

Responsibilities of the Executive Director for Environment, Economy and Resources for the financial statements

As explained more fully in the Statement of the Executive Director for Environment, Economy and Resources Responsibilities, the Executive Director for Environment, Economy and Resources 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 Council Accounting in the United Kingdom 2020/21, and for being satisfied that they give a true and fair view. The Executive Director for Environment, Economy and Resources is also responsible for such internal control as the Executive Director for Environment, Economy and Resources Executive Director for Environment, Economy and Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Executive Director for Environment, Economy and Resources is required to comply with the CIPFA/LASAAC Code of Practice on Local Council Accounting in the United Kingdom 2020/21 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 Executive Director for Environment, Economy and Resources 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 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.

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) and the Local Audit and Accountability Act 2014 (and associated regulations made under section 32), and we considered the extent to which non-compliance might have a material effect on the financial statements.

We evaluated Executive Director for Environment, Economy and Resources 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 were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to :

- discussing with management and the Audit and Governance Committee the 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.

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

- making enquiries of management and the Audit and Governance 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;

Appendix B: Draft audit report (continued)

- 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.

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 Governance, Audit and Scrutiny 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 Executive Director for Environment, Economy and Resources 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 April 2021.

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. 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 2021.

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 April 2021, we have not identified any significant weaknesses in arrangements for the year ended 31 March 2021.

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 Council

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its 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. 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.

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 April 2021.

Appendix B: Draft audit report (continued)

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 East 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 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 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; and
- the work necessary to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

[*Signature*]

Mark Surridge
Mazars LLP
Birmingham

[DATE]

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.

Issue	Perceived threats	Safeguards
Assurance services: Housing Benefits Subsidy Assurance and Teachers Pensions	Self Review	No threat identified. None of the engagements result in the auditor providing accounting services to the Council.
	Self interest	The fees for each of the engagements is neither significant to Mazars LLP nor the Council. Safeguards include clear rules set by PSAA which limit additional services an external auditor can provide.
	Management	No threat identified as none of the engagements require the auditor to make decisions on behalf of the Council.
	Advocacy	No threat identified as none of the engagements require the auditor advocating a position on behalf of the Council.
	Familiarity	No threat identified. Safeguards include firm policies and procedures detailed on previous page.
	Intimidation	No threat identified.

Appendix D: Other communications

Other communication	Response
Compliance with Laws and Regulations	We have not identified any significant matters involving actual or suspected non-compliance with laws and regulations. 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.
External confirmations	We did not experience any issues with respect to obtaining external confirmations.
Related parties	We did not identify any significant matters relating to the audit of related parties. We will obtain written representations from management confirming that: a. they have disclosed to us the identity of related parties and all the related party relationships and transactions of which they are aware; and b. they have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the applicable financial reporting framework.
Going Concern	We have not identified any evidence to cause us to disagree with the Executive Director for Environment, Economy and Resources that the Council 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. .

Appendix D: Other communications

Other communication	Response
Subsequent events	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. 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.
Matters related to fraud	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 and Governance Committee, confirming that a. they acknowledge their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud; 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; c. they have disclosed to the auditor their knowledge of fraud or suspected fraud affecting the entity involving: i. management; ii. employees who have significant roles in internal control; or iii. others where the fraud could have a material effect on the financial statements; and 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.

Contact

Mazars

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