

## AUDIT & GOVERNANCE COMMITTEE

<b>DATE</b>	13/02/2025
<b>REPORT OF</b>	Sharon Wroot – Executive Director Place and Resources
<b>SUBJECT</b>	Statement of Accounts
<b>STATUS</b>	Open

### CONTRIBUTION TO OUR AIM

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

### EXECUTIVE SUMMARY

The Council is required to prepare a Statement of Accounts which presents a true and fair view of the financial position and transactions during the financial year. This is accompanied by an Annual Governance Statement which provides assurance as to the effectiveness of the Council's system of internal control.

### RECOMMENDATIONS

- To approve the Annual Governance Statement for 2023/2024
- To approve the Statement of Accounts for 2023/2024.
- To note Managements response to external audit's (Mazars) request for information.
- To note the updated Going Concern Assessment.

### 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, alongside an annual governance statement.

#### 1. BACKGROUND AND ISSUES

- 1.1 The Council is required to comply with the 'Code of Practice on Local Authority Accounting' which specifies the principles and practices of accounting required to give a 'true and fair' view of the financial position, financial performance, and cash flows of a local authority.
- 1.2 The Accounts and Audit Regulations 2015 require the Council to prepare and publish its approved draft and audited accounts by 31<sup>st</sup> May and 31<sup>st</sup> July respectively. As part of Governments ongoing response to the Redmond Review, the statutory deadline for publishing the 2023/2024 audited accounts was extended to 30<sup>th</sup> September 2024.
- 1.3 Delays to the achievement of the statutory deadline for the publication of the audited accounts are allowed for under the Accounts and Audit Regulations 2015, as amended by the Accounts and Audit (Amendment) Regulations 2022. However, as an additional measure to aid the recovery of the audit system and ensure timely financial reporting, a statutory backstop arrangement is now in place which stipulates that all local

authority audits must conclude, and the audited accounts be published, by 28<sup>th</sup> February 2025.

- 1.4 The Annual Governance Statement, which provides assurance that the Council's governance arrangements and system of control are robust and reflect the principals of the Code of Corporate Governance, is attached at Appendix 1.
- 1.5 The 2023/2024 draft accounts, as approved for issue by the Executive Director Place and Resources, are attached at Appendix 2. The accounts have been updated to reflect any changes that have been actioned during the audit process.
- 1.6 The Councils external auditors are required to make annual enquiries of Management and the Audit and Governance Committee (representing 'those charged with governance') as part of their audit procedures. Managements responses to the key questions for the year ended 31 March 2024 are included in Appendix 3.
- 1.7 The 'Code of Practice on Local Authority Accounting' also requires the Council to prepare its financial statements on a going concern basis. The current going concern assessment of management is included at Appendix 4.

## **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**

Not applicable.

## **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 implications arising from the contents of this report.

**10. WARD IMPLICATIONS**

All wards affected.

**11. BACKGROUND PAPERS**

Annual Governance Statement (Appendix 1).

Statement of Accounts (Appendix 2).

Management response to request for information (Appendix 3).

Going Concern Assessment (Appendix 4).

**12. CONTACT OFFICER(S)**

Guy Lonsdale, Assistant Director - Finance (Deputy S151 Officer)

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





# **ANNUAL GOVERNANCE STATEMENT**

**2023/24**

**February 2025**

## **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 principles of the Code of Corporate Governance. Over the coming year the Council will take steps to further, strengthen its governance arrangements as highlighted in section 7.

Signed:

Cllr. Philip Jackson  
Leader of the Council

Date

Rob Walsh  
Head of Paid Service

Date

## **1. Introduction**

North East Lincolnshire Council (the Council) is required by the Accounts and Audit (England) Regulations 2015, regulation 10(1), to prepare and publish an Annual Governance Statement (AGS) 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 continuous improvement in the way in which it functions.

The 2023/24 AGS reported that the review of governance arrangements had identified four main areas where the Council would need to focus its efforts during 2023/24 to address changing circumstances and challenges identified. These were:

- Children and Family services
- The capacity to deliver Council outcomes
- Health and Social Care System

As part of the compilation of the AGS the current position in relation to these areas was reviewed and consideration given as to whether they remained areas of focus in 2024/25 (See section 6).

## **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 2024 and up to the date of approval of the Statement of Accounts.

#### 4. The Governance Framework

The Council adopted a Council Plan covering the period 2022-2025 in February 2022. The refresh of the Plan was approved by Full Council on 22 February 2024. The Council has defined its key strategic priorities as, all people should:

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

Good governance processes are critical in supporting the delivery of strategic outcomes. The Council operates to a Code of Corporate Governance, which forms part of the Constitution. It is based on the guidance provided by the Chartered Institute for Public Finance and Accountancy (CIPFA) and the Society of Local Government Chief Executives (SOLACE) “Delivering Good Governance in Local Government – a framework” (April 2016). It was subjected to its annual review in December 2022 to ensure that it reflected the Council’s current governance arrangements and the revisions made were approved by the Audit & Governance Committee in February 2023.

[The Constitution | NELC \(nelincs.gov.uk\)](https://nelincs.gov.uk)

It is based on the following principles:

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

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

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

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

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

Each Assistant Director is annually required to complete an annual self-assessment as to how they seek assurance that their services/functions comply with each of the seven principles. This showed that the principles in the main are embedded in practice in all significant areas of the Council's operations.

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

- **Adult Social Care Complaints and Ombudsman Annual Report 2023/24** – reported to the Health and Adult Social Care Scrutiny Panel 25 September 2024. It provides an overview of the complaints received by the North East Lincolnshire Clinical Commissioning Group (NELCCG). It also highlights service improvements implemented as a result of a complaint. Of the 29 formal complaints received, 18 (62%) relate to Focus. This is a slight increase from the previous year when 11 complaints related fully or partially to Focus. Of the complaints investigated and closed, 6 (35%) were partially upheld, 9 (53%) were not upheld and 2 (12%) were fully upheld. Of the complaints investigated and closed 3 (18%) were re-opened.
- **Childrens Social Care Statutory Complaints and Compliments Annual Report 2023/24** – was reported to Cabinet on 21 August 2024. It provides an overview of the activity and analysis of complaints and compliments, and the lessons learnt and improvements identified.
- **Director of Public Health Annual** – reported to the Health and Well Being Board on 8 July 2024. The report focusses on 'what makes us healthy' and the role all partners and stakeholders have in improving health and wellbeing and tackling health inequalities.
- **Safeguarding Adults Board Annual Report 2023/24** - reported to the Health and Adults Social Care Scrutiny Panel 29 January 2025. This sets out the activities and work undertaken by North East Lincolnshire Safeguarding Adults Board and its members to deliver on the aims and objectives of its Strategic Plan. It also includes performance data including the number of concerns received.
- **Safeguarding Children Partnership Annual Report 2023/24** – reported to Children's Scrutiny July 2024 and Health and Wellbeing Board 18 November 2024. The report outlines what the Partnership has achieved, further developments and priorities for the following year.

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

As part of the process for completing the AGS those responsible for the oversight of management activity, separate from those responsible for 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. The recommendations contained in an independent report into “Nurseries” and outputs of that in terms of potential governance improvements are being considered and progressed.
- **Assurance provided by the Head of People and Culture on human resources policy frameworks and arrangements** – Completion of the induction procedure across the organisation was low. To mitigate this and to ensure that all new starters receive the same experience on their first day, the Council have moved towards a static monthly start date for all new starters. This is proving successful and has been well received.
- **Assurance provided by the Deputy Section 151 Officer on finance issues** – No material issues were identified.
- **Assurance provided by the Health and Safety Manager** – No material issues were identified
- **Assurance provided by the Strategic Lead Business Practice and Performance on the performance framework** – No material issues were identified.
- **Assurance provided by the Assistant Director Policy Strategy and Resources on procurement issues** - There is one procurement challenge which is on-going. The procurement support and advice for that piece of work was provided through an external contractor. The Council has now terminated the agreement with that contractor.

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

- **CIPFA Code of Financial Management Self-Assessment** – reported to Audit and Governance Committee 25 July 2024. 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.
- **[Annual Review of the Constitution](#)** – a review was conducted by the Monitoring Officer and the amendments were reported to Full Council on 23 May 2024. Various changes were made to the Constitution including the Scheme of Delegation. It also included a review of the Council’s scrutiny arrangements.
- **[Annual Fraud Report 2023/2024](#)** – reported to Audit and Governance Committee 18 April 2024. It highlighted the work that has been undertaken for the prevention and detection of fraud, corruption and financial misconduct. No issues of material concern were identified.

- [Annual Scrutiny Report 2023/2024](#) – reported to Full Council on 23 May 2024. It provided a summary of the work undertaken by Scrutiny in 2023-24 and outlined future work programmes.
- **Annual Report of the Standards and Adjudication Committee 2023/24** – reported to the Standards and Adjudication Committee on 24 July 2024. It provides a summary of the work carried out by the Committee.
- [Audit and Governance Committee Annual Report 2023/2024](#) – reported to Audit and Governance Committee 18 April 2024 and Full Council on 18 July 2024. 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 Head of Estates provides quarterly update reports on the delivery of the Capital Programme to the Corporate Governance Group and Major Projects Group. These reports provide an update on the overall status and highlight any specific risks, including slippage on projects. Any significant risks identified in relation to delivery could impact on the delivery of the Councils Economic and Financial Strategy, therefore mitigation may be required, and further actions agreed.
- [Annual Equality Report](#) – reported to Cabinet 12 June 2024. It provides an overview of equalities activity and achievements at the Council over the year and outlines key activities planned for the future year. It includes key information about the Council’s workforce and its community. It provides a brief commentary on some of the key data, particularly where there has been a notable change over time, or where the local population needs are different to that of the general population.
- [Information Governance and Security Annual Governance Report 2023/2024](#) – reported to the Audit and Governance Committee 18 April 2024. This report outlines the key Information Governance activities undertaken by the Council in the calendar year 2022 and provides assurance that the Council across all of its work areas and functions remains compliant with its legal obligations and follows good practice. Four incidents met the criteria requiring reporting to the Information Commissioner’s Office (ICO), who determined that no further action was necessary. A further two incidents were reported to the ICO by the data subject, one is still under investigation, whilst for the other the ICO required the Council to take steps to improve its information rights practices.
- [Our Green Annual Report](#) – reported to Cabinet 13 March 2024. The report sets out the Council’s aspirations and progress in relation to the following three strategies and its contribution to delivering net zero by 2030:
  - North East Lincolnshire Council’s Waste Management Strategy (2020)
  - North East Lincolnshire Council’s Carbon Roadmap (2021)
  - North East Lincolnshire Council’s Natural Assets Plan (2021)

- **Risk Management Annual Report** –reported to the Audit and Governance Committee on 25 July 2024. The report highlights the work that has been undertaken in relation to risk management. The report concluded that on the whole the arrangements for managing risk within the council are satisfactory. Whilst there is some understanding of the risk management framework it is not always consistently applied. A review of operational risk registers revealed that in some areas they are not up to date. Work is planned to rectify this issue.
- **[Treasury Management Policy and Statement Strategy Statement](#)** – reported to Cabinet 14 February 2024 and Full Council 22 February 2024. The Statement conformed with Treasury Management regulations and no material breaches were reported.
- **Treasury Management Outturn** – reported to the Audit and Governance Committee on 7 November 2024. This provided assurance that the Council complied with its legislative and regulatory requirements.
- **[Value for Money Annual Report 2023/2024](#)** - prepared by the Deputy Section 151 Officer and reported to the Audit and Governance Committee 18 April 2024. This report summarises activity during 2022/23 and identifies additional actions for 2023/24 and beyond. A range of service reviews have been undertaken during 2022/23, with further service reviews planned across all areas of the Council's activities in 2023/24. It was concluded that the Council has effective arrangements in place for the achievement of Value for Money.

### Third Line of Assurance (independent oversight)

#### Local Government Association Corporate Peer Challenge

In February 2023, the Local Government Association conducted a peer review of the Council. The outcome of this peer review was reported to Cabinet on 14 June 2023 [6.- Corporate-Peer-Challenge-Report.docxPDF-358KBicon-namepaperclip-prefixfa.pdf \(nelincs.gov.uk\)](#).

The peer team noted the strength of our partnerships, particularly with health, our ambitions for regeneration, our relationship with government and the enthusiasm and commitment of our workforce. A number of areas were identified for improvement including: the need to clarify and communicate priorities; strengthen our approach on skills, equality, diversity and inclusion; address the financial position and member understanding and maximise opportunities to deliver our net zero ambition. An action plan has been agreed to address the recommendations

A progress review was carried out in November 2023. It concluded that:

*“North East Lincolnshire Council has made significant progress and can evidence progress on the range of recommendations made in the Corporate Peer Challenge of March 2023. Over the last 8 months members and officers appear to have grown in confidence and focus and are increasingly optimistic about the future and the council’s role in delivering improvement for communities”*

[NELC-CPC-Progress-Review.docx \(live.com\)](#)

## Adult Social Care Peer Review

In February 2024, a peer review was carried out on Adult Social Care. The peer review identified areas of strength in the integrated arrangements but more attention needs to be given to the capacity in joint commission to further strengthen the arrangement. Strong and stable leadership is apparent but needs to firmly establish under the new s75 arrangements with the ICB.

**Head of Internal Audit Annual Report and Opinion 2023/24** – reported to the Audit and Governance Committee 25 July 2024. With the exception of the control environment in Children’s and the need to fully implement the partnership arrangements with the ICB no issues of significant concern were identified

**External Audit** – the Council’s External Auditors, Forvis Mazars, are timetabled to provide an opinion on the Council’s statement of accounts and on value money by 28 February 2025.

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

As previously reported an inspection of the Council’s provision of services to Look After Children it was provided with an inadequate rating. In 2023/24 there has been three subsequent monitoring visits by OFSTED

- [May 2023](#) with a focus on the front door, identified that:
  - The front door response to children in need of help and protection has improved
  - Leaders continue to understand the key strengths and areas for development
  - Strategic improvement plans have gathered pace and momentum (after a very slow start)
  - There have been improvements in workforce quality and processes leading to better overall management of demand
- [October 2023](#) with a focus on child exploitation, identified that:
  - There was an effective multi agency response to children missing or at risk of exploitation
  - Some improvements in the quality of assessments of need and a strengthened partnership approach to disruption activity
  - Workforce stability had improved
- [January 2024](#), with a focus on permanence, identified that:
  - The response to planning and achieving permanence has improved for some children
  - There are clear and ambitious targets for priority areas for improvement

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

- CQC inspection of the Public Health Nursing service during 2023/24. A “good” rating was received. Inspectors noted staff’s “compassion and kindness” and the “good care” towards children, young people and families.
- IPCO RIPA Inspection - No significant concerns identified.
- Internal Audit- The five yearly External Quality Assessment was carried out in November 2023. It concluded that Internal Audit “Generally conforms to audit standards” in all areas. This is the highest score available.
- The Council’s approach to managing its fleet effectively is subject to external verification by the Driver and Vehicle Standards Agency (DVSA). The DVSA operate a traffic light system to ensure targeted enforcement and the Council currently has a green rating.
- As part of the ongoing model of sector led improvement across Yorkshire and Humber, a Front Door Health check was undertaken in March 2024, led by system leaders across the region. The feedback from this was overwhelmingly positive, highlighting that we know ourselves, the practice and system changes made to date have been right for children and families and confirmed the developments identified to be appropriate. This will be repeated again in October 2024 with the same health check team to consider ongoing progress.
- Following concerns about the consultation process around future provision of nurseries a report was commissioned from Wilkin Chapman. It identified some areas of potential improvement to the governance framework. Having received the nursery report in February 2024 the matter was referred by Children and Lifelong Learning Scrutiny Panel to full council for review on 7 July 2024. That is due to come before full council on 18<sup>th</sup> July. In the meantime, the Monitoring Officer has accepted the recommendations, reported to Corporate Governance Group and achieved support, and is in the midst of convening a Member led Constitutional Review Working Group, as reported at the Council’s AGM on 23<sup>rd</sup> May 2024.

[Nursery Consultation Review \(nelincs.gov.uk\)](https://nelincs.gov.uk)

### **Local Government and Social Care Ombudsman**

The Ombudsman is responsible for independently investigating complaints that have not been resolved by the organisation. The Annual Letter of the Ombudsman was issued in July 2024. Of the nine complaints investigated during 2023/24 89% were upheld (compared to the national average of 79%). In 100% of cases the Ombudsman was satisfied that the council had successfully implemented their recommendations.

<https://www.lgo.org.uk/documents/councilperformance/2024/north%20east%20lincolnshire%20council.pdf>

## 6. Progress on areas identified as areas of focus in 2023/24

The position as of May 2024 as reported by the relevant officers is as follows:

- **Children's Services**

North East Lincolnshire Council's Children's Services has been and continues to be on a transformation journey. Following the outcomes of the ILACS inspection in October 2021, Children's Services were appointed a DfE Commissioner in August 2022, Lincolnshire County Council were identified as Sector Led Improvement Partners and the improvement journey was overseen via the Continuous Improvement Board.

The inaugural Improvement Plan was endorsed through the Continuous Improvement Board in March 2023 which outlined an ambitious and detailed programme of improvement work, and through the board's governance arrangements, there has been regular and routine reporting around the identified workstreams aligned to the priority areas.

Since December 2023, a permanent, experienced senior leadership team has been recruited to drive forward ongoing transformation and sustainable change across the system leading to improved outcomes. A stocktake was undertaken at the end of 2023/24, which demonstrated that progress had been made in relation to the 2023/24 improvement plan. As part of this, there had been a recent amplified focus on rearticulating and embedding the Children's Services Assurance Framework so that it contributes to a safe, sustainable system across the scope of children's services at all levels, with a focus on improving outcomes for children, young people and families,

In lieu of the investment in recruiting a whole scale permanent, experienced leadership team, who have clear strategic intent, and building on the progress made in year, a mutual decision was made between Lincolnshire County Council SLIP, NELC and the DfE that NELC would take on the responsibility for facilitating its own SLIP activity. This is set in the context of work undertaken to develop a new Improvement Plan for 2024/25, to which progress is already being made.

In the context of the Children's Services Assurance Framework, work has been progressed to further strengthen governance and reporting arrangements to ensure effective oversight of SLIP delivery, and to ensure it is contributing to the improvement priorities and to making a difference to children, young people and families in the Borough.

- **Capacity**

Succession planning was completed across the Council, reviewing, and refreshing our plans and ensuring we have clear actions plans in place for identified internal successors to key roles or where we would be seeking external recruitment. Planning for 2024 is now taking place. We continue to make appointments from our graduate programmes into permanent roles across the Council as well as

people identified as part of succession planning in 2022/2023. The Council continues to invest in our Grow Your Own strategy with opportunities for interns and undergraduate summer placements and the two-year graduate programme. Since 2019 we have a 95% retention rate of our graduates after year 1, and an average 68% retention rate for years 2, 3 and 4 after their start date. Apprenticeship retention stands at 61% for new starter apprentices and 85% for staff who have undertaken an apprenticeship for upskilling, since 2020.

Academy NEL has had a soft launch throughout 2023, with a formal launch in 2024 planned. The Academy plays a critical part in the attraction, retention and progression of talent through our Grow your Own strategies, it provides development pathways for our Graduates and Apprentices and also facilitates opportunities for employees at all levels wishing to explore and progress their careers through our 5As Leadership Programme. Through continuous performance management of supervision we are able to align the individuals' aspirations and performance needs to the right program or individual learning requirements, this also informs our succession process and enables the right learning for the right person at the right time. A dedicated resourcing team established in 2022/2023 is delivering positive results across the board from Director level down with its progressive recruitment approach to recruiting in a very competitive market. Our relationships with agencies and the engagement of agency workers continues to improve, with plans in 2024 to procure a new agency framework following a period of discovery.

The Council's ambitious capital and regeneration plans, the transformation programme in children and family services as well as changes on the horizon around adult social care do present challenges of capacity and resource to meet competing priorities. Transferring the PMO into the council and transforming the way we deliver and manage projects enables the Council to identify issues and risks quicker so to enable us to address those risks and put in place resolutions. In addition a service transformation team has established a clear process to identify projects and determine level of priority and risk to support the deployment of resources to support the projects. This is reviewed by Assistant Directors on a regular basis and highlights issues around resource and enables broader discussions to take place

- **Health and Social Care System**

The Section 75 agreement with the North Yorkshire and Humber Integrated Care Board is now due to be signed in July 2024.

## **7. Governance Challenges for 2024/25**

The review of governance arrangements has identified the main areas where the Council will need to focus its efforts during 2023/24 to address changing circumstances and challenges identified. Clearly these and other areas will be underpinned by a need to deliver value for money, referenced elsewhere in this statement. Value for Money is defined as the relationship between:

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

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

Of the three previously identified challenges as shown in section 6 it has been recommended by the Corporate Governance Group that they should remain as areas of focus.:

- **Childrens**

North East Lincolnshire Children's Services will continue to build on the recent progress to further deliver against the identified priorities within the Improvement Plan, in the context of the wider planning framework. Children's Services will also continue to co-ordinate and facilitate Sector Led Improvement activity to add value to the associated actions and workstreams. Through the DfE Commissioner and Ofsted, there will continue to be an external focus to monitor the pace and progress of change in our local systems and practice and to ensure its impact on children, young people and families. Through the Council's corporate and political leadership, there will continue to be high level challenge and support in our determination to be ensure that children, young people and families are at the centre of all we do and that they grow up happy and healthy, safe in their homes and communities with people that love them.

- **Capacity**

As part of AcademyNEL we will provide an annual curriculum of learning opportunities which will support the needs of the individual enabling them to thrive, learn and progress their careers within the Council as well as meet the needs of the organisation. In addition the Academy will continue to provide development pathways that support internships, graduates and apprenticeships supporting our Grow Your Own philosophy and linking into the succession planning framework.

The development of our employee value proposition and establishing a clear branding for TeamNEL will support our resourcing team in attracting candidates with the right skills, behaviours and values, whilst also enabling us to understand how to retain a diverse workforce.

Our employee engagement initiative "I'VE Taken Part" will see us embed our induction survey, employee survey; Employee Voice and our exit survey processes increasing our understanding of our people and place as well as promoting NELC as an inclusive employee.

With the transfer of the PMO function into the Council and the new processes to deliver and manage projects, 2024/2025 will see all new projects being managed under those new arrangements.

- **Health and Social Care System**

The following points have been added or strengthened to the governance arrangements of the section 75:

- Any statutory committee of the ICB or North East Lincolnshire Committee can call in any issue for further scrutiny, information or discussion.
- Joint audits (ICB and NELC) are to be carried out on key areas of the section 75.
- Quarterly reviews of the contractual arrangements are to be carried out between the ICB and NELC. There is now an agreed SLA and cost for each area of activity where the partner organisation is purchasing specific services. The monitoring of these is done at the quarterly reviews and any high risk issues will be escalated to the Joint Committee.
- The commissioning plan is to be reviewed annually with the option for either organisation to vary any part of the agreement in the December prior to the new financial year.



# Draft Statement of Accounts

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2023/2024 Financial Year



# Contents

<b>Narrative Statement</b>	<b>3</b>	Note 19 – Nature and Extent of Risks Arising from Financial Instruments	47
<b>Statement of Responsibilities</b>	<b>9</b>	Note 20 – Debtors	50
The Council's Responsibilities	9	Note 21 – Cash and Cash Equivalents	50
The Executive Director for Place and Resources Responsibilities	9	Note 22 – Assets Held for Sale	51
<b>Certificate of the Chief Financial Officer</b>	<b>10</b>	Note 23 – Creditors	51
<b>Authority Approval of Statement of Accounts</b>	<b>10</b>	Note 24 – Provisions	51
<b>Comprehensive Income and Expenditure Statement</b>	<b>11</b>	Note 25 – Unusable Reserves	52
<b>Movement in Reserves Statement</b>	<b>12</b>	Note 26 – Cashflow from Operating Activities	55
<b>Balance Sheet</b>	<b>13</b>	Note 27 – Cashflow from Investing Activities	55
<b>Cash Flow Statement</b>	<b>14</b>	Note 28 – Cashflow from Financing Activities	55
<b>NOTES TO THE ACCOUNTS</b>	<b>15</b>	Note 29 – Pooled Budgets	56
Note 1 – Accounting Policies	15	Note 30 – Members' Allowances	56
Note 2 – Accounting Standards Issued, Not Adopted	28	Note 31 – Officers' Remuneration	57
Note 3 – Critical Judgements in Applying Accounting Policies	29	Note 32 – External Audit Costs	59
Note 4 – Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty	29	Note 33 – Dedicated Schools Grant	60
Note 5 – Material Items of Income and Expense	30	Note 34 – Grant Income	61
Note 6 – Events After the Balance Sheet Date	30	Note 35 – Related Parties	61
Note 7 – Expenditure and Funding Analysis and Associated Notes	31	Note 36 – Capital Expenditure and Capital Financing	63
Note 8 – Expenditure and Income Analysed by Nature	33	Note 37 – Leases	64
Note 9 – Adjustments between Accounting Basis and Funding Basis under Regulations	34	Note 38 – Pension Schemes Accounted for as Defined Contribution Schemes	65
Note 10 – Transfers to/from Earmarked Reserves	35	Note 39 – Defined Benefit Pension Schemes	66
Note 11 – Other Operating Expenditure	37	Note 40 – Contingent Liabilities	71
Note 12 – Financing and Investment Income and Expenditure	37	Note 41 – Contingent Assets	71
Note 13 – Taxation and Non-specific Grant Income and Expenditure	37	Note 42 – Trust Funds	71
Note 14 – Property, Plant and Equipment	38	Note 43 – Agency Income & Expenditure	71
Note 15 – Heritage Assets	44	Note 44 – Long-Term Contracts	72
Note 16 – Investment Properties	44	<b>COLLECTION FUND</b>	<b>73</b>
Note 17 – Intangible Assets	45	Collection Fund Note 1 – Council Tax Income	74
Note 18 – Financial Instruments	46	Collection Fund Note 2 – Non-Domestic Rates	74
		<b>GLOSSARY OF FINANCIAL TERMS</b>	<b>75</b>

# Narrative Statement

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## Introduction

As the Council's Chief Finance Officer, I am pleased to present the Statement of Accounts for the year ended 31 March 2024. The Statement aims to provide information to all stakeholders, so they can understand the overall financial position and performance of the Council for 2023/2024.

The Statement has been prepared and published in accordance with the Code of Practice on Local Authority Accounting 2023/2024 issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Accounts and Audit (Amendment) Regulations.

The Statement should be read in the context of continuing economic, social and demographic challenges on the services provided by the Council and the level of resources available to fund them. There remains significant uncertainty about the level of future Government funding pending the outcome, timing and impact of future spending reviews, the Fair Funding Review, Business Rates Retention Scheme and other grant funding streams.

The future financial standing of the Council will be dependent on its ability to manage demand within finite resources. As a consequence, the Council is progressing with transformation activities, which along with the review of current services and service level provision, and the identification of opportunities for additional income generation, will be critical to the Council's ongoing financial sustainability.

## Overview

Despite the combined challenges of social care demand, a dynamic economic environment and pay and inflationary pressures, the Council was able to report a balanced financial position at year end. Where overspends against service budgets have been reported, these have been offset by underspends in other areas, additional funding and the drawdown of reserves. Whilst the level of reserves has reduced over a number of years, these are now being rebuilt through the recent budget process and a review of balance sheet provisions.

Whilst the overall direction of travel is positive, further action is still required to deliver long term financial sustainability and to address identified funding gaps in future years of the medium term financial plan. In order to bring spending down to manageable levels on a recurrent basis, a range of priority actions have been identified and detailed within the Council's 2024/25 business plan.

Economic instability and inflationary pressures are continuing to impact on the Council's activities, and these will need to be carefully managed over the medium-term financial planning period. Despite the current economic and demand led challenges the Council's remains committed to the achievement of financial sustainability by embracing the area's economic potential, growing the local tax base, and delivering efficient and affordable public services.

During 2023/2024, the Council's programme of capital investment has been progressing despite the challenging financial and economic conditions. The Council has delivered £51.1m of its approved capital programme in year on a range of schemes designed to deliver significant benefits to the place.

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

## Background

North East Lincolnshire is a unitary authority area with borough status in Lincolnshire, England. It borders the borough of North Lincolnshire and districts of West Lindsey and East Lindsey. The population of the district is approximately 160,000. The administrative centre and largest settlement is Grimsby and the borough includes the towns of Cleethorpes and Immingham as well as the villages of New Waltham, Waltham, Humberston, Healing and Great Coates. The borough is also home to the Port of Grimsby and Port of Immingham as well as Cleethorpes beach.

# Narrative Statement

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## Governance

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 seven 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.

Details of the Council's governance arrangements, its identified potential risks and the planned mitigation of those risks is set out in the Annual Governance Statement (AGS).

## Risk management

An effective approach to risk management, including the maintenance of a strategic risk register, supports the delivery of the Council's strategic aims by identifying, evaluating and then mitigating those issues which could result in them not being effectively delivered. The Strategic Risk Register is subject to regular updates with each strategic risk being reviewed by the relevant risk owner. This exercise includes a review and sign off by the Council's Senior Leadership Team in its role as the Assurance Board.

## Corporate Plan – Our Vision and Aims

In February 2022, Council agreed the North East Lincolnshire Council Plan, which outlines the Council's priorities and contribution to delivering against the outcomes. The Council Plan was refreshed for 2023-2026 to match the Medium-Term Financial Plan.

**Regeneration** - we will deliver our major programmes and projects focussed on making North East Lincolnshire a better place to live, work, invest and visit;

**Green Future** - we will continue our journey to be a carbon neutral organisation, support others to reduce their impact and our work in partnership to protect and enhance our natural assets;

**Environment** - we will ensure we have the capacity to keep our streets clean and maintain our parks and open spaces for everyone to enjoy;

**Enforcement** - we will advocate a zero-tolerance model by continual review of the effectiveness of our delivery models, increasing capacity where it is needed and increased police/partnership working that is focused on outcomes;

**Education and Skills** - we will work with education providers to improve secondary attainment, supporting the development of alternative secondary provision where there are clear benefits;

**Children, families, and young people** - we will continue to deliver our Children's Improvement Plan. This is focussed on strengthening practice, improving workforce development and retention, fostering a cross-council culture of 'families first' and prevention and early help (with our partners) to ensure the best outcomes for children and families. This will reduce the number of children who become cared for, however for those who do need care, we will focus on ensuring that their needs are met;

**Adult Social Care** - we will maximise the benefit to North East Lincolnshire through the Health and Care Partnership arrangements, building on the legacy of the NELC/CCG Union arrangements, to join up Health and Social Care provision in a way that provides better support and care and makes best use of resources;

**We will** work with our communities to develop specific strategies aimed at tackling the issues faced by communities in East and West Marsh, especially in relation to housing;

**We will** increase the level of marketing of the area both as a whole and in terms of the unique selling points of Grimsby, Cleethorpes, Immingham and the Wolds, as great places to invest, work, live, visit and stay;

# Narrative Statement

**We will** work with colleagues from across Greater Lincolnshire to further explore opportunities for collaboration and closer working between the upper tier councils. With a commitment from those upper tier councils to officially explore a Greater Lincolnshire devolution deal, we have stated our intention to this aim.

## Performance

Delivery of the priorities identified within the Council Plan has been challenging throughout 2023/2024 in terms of our capacity to support a number of large-scale projects including the transformation of our Children's and Adult's Services, high profile regeneration works, and increasing demand in the day-to-day business of demand-led services. Despite the challenges, we are starting to see progress particularly in Children's Services.

Where projects are externally funded, we have built in resource to provide additional capacity, in areas such as project management, legal and procurement. There is an on-going challenge in terms of recruitment of suitably qualified and experienced staff in some areas. This is being mitigated through a programme of 'growing our own' through graduate roles and apprenticeships that will take some time to reach fruition, and dedicated work to improve our recruitment marketing, showcasing North East Lincolnshire as a great place to live and work, and the Council as an employer of choice.

The table to the right provides a Red/Amber/Green assessment for each area of the organisation for performance and finance during 2023/2024.

- A green assessment indicates performance is as planned.
- An amber assessment means that the service area is under target with planned delivery/performance, with plans in place to improve.
- A red assessment indicates under target with longer term plans in place to mitigate over the medium term financial plan period.

The link to a live dashboard is on our Council Plan website here:

[Council Plan – Our vision and aims | NELC \(nelincs.gov.uk\)](#)

## 2023/24 Performance Summary:

Service Area	Performance	Finance
Resources	Green	Green
Environment	Green	Green
Regeneration	Green	Green
Housing, Highways & Transport	Amber	Amber
Safeguarding & Early Help	Amber	Red
Education	Amber	Amber
Safer	Green	Green
Adult Services	Amber	Green
Public Health	Green	Green

# Narrative Statement

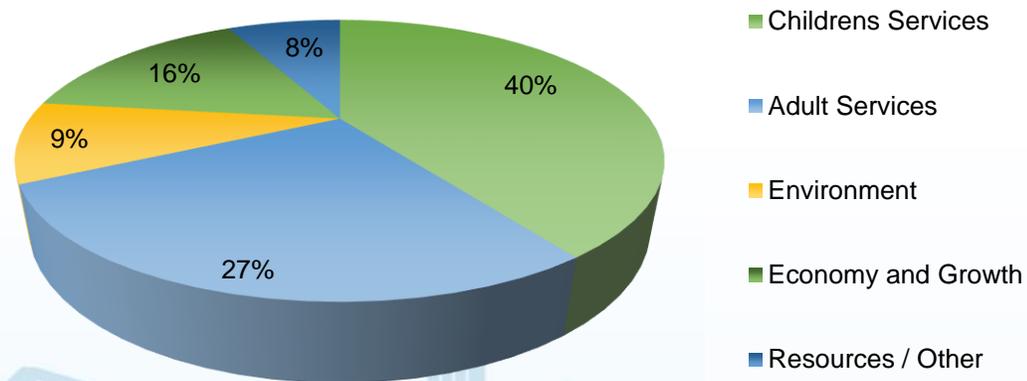
## Financial Performance

### Income and Expenditure

The Council spent a total of £335.7m providing services to the local population during the year. After considering service-based grants and income of £160.7m, net expenditure on services totalled £175.0m in 2023/2024.

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

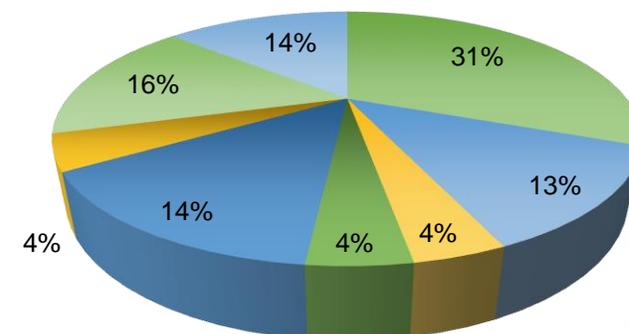
Where the money was spent (net spend)



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.

Where the money came from (gross income)

- Council Tax
- Rent Allowances
- Revenues Support Grant
- Public Health Grant
- Non Domestic Rates
- Business Rate Relief
- Dedicated Schools Grant
- Other Grants and Income



### Balance sheet

The Council has reported a decrease of £9.5m in its overall net worth during the year with net assets of £170.6m reported at year end. This is predominantly due to a movement on the pension liability between 2022/2023 and 2023/2024, which has resulted in a net pension liability of £44.2m being reported on the Balance Sheet at the end of the current financial year after asset ceiling adjustment. The pension figures, as assessed by an independent actuary, represents an estimate of the value of scheme assets and liabilities at a point in time. Importantly though, contributions remain stable following a triennial valuation this year.

The Council has reported an overall £18.5m increase in its long-term assets balance at

# Narrative Statement

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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, as well as the net pension asset valuation resulting from this year's actuarial review. In terms of working capital, the Council reported a £4.4m movement in its net current asset position at year end.

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

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

## Reserves and Balances

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

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

## Capital Investment

Despite ongoing budget challenges, an ambitious programme of investment within the Borough has been progressing. However, the Council has seen some impact as a result of ongoing financial and economic instability in our ability to deliver the capital programme. The Council has delivered 76% of its revised capital programme in 2023/2024. Where underspends against capital allocations have been reported, these have been challenged to ensure spending is timely and in accordance with corporate priorities.

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

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

At year end, the Council had £162.4m of external borrowing, down from £9.3m 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 2023/2024 and are projected to continue to do so in 2024/2025.

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.

# Narrative Statement

## Strategic Outlook

The Council faces a range of challenges including demographic demand, cost of living and economic instability. Inflationary pressures are continuing to impact across the board, leading to potential further cost pressures across a range of areas, including within the capital programme.

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 increasing demand and rising costs. In response, the Council is continuing to support the vulnerable and focus upon system wide review and transformation.

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

As in 2023/2024, the Council received a one-year financial settlement from Government for 2024/2025 with changes to the financial model being postponed. This uncertainty will necessitate a review of the Council's financial strategy during 2024/2025 to ensure the Council is best placed to deal with the increased risks and opportunities it currently faces.

## Statement of Accounts and Basis of Preparation

The Statement of Accounts summarise the Council's financial performance during the

2023/2024 year and its financial position on 31 March 2024. 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.



# 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 Place 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 Place and Resources Responsibilities

The Executive Director for Place 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 Place 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 Place 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 Chief Financial Officer

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I certify that:

- a) The Statement of Accounts for the year ended 31 March 2024 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 Place and Resources

Date of certification: 13.09.24

# Authority Approval of Statement of Accounts

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Tim Render

Audit and Governance Committee

Date of approval:

# Comprehensive Income and Expenditure Statement

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

	Note	2023/2024 Gross Expenditure £000	2023/2024 Gross Income £000	2023/2024 Net Expenditure £000	2022/2023* Gross Expenditure £000	2022/2023* Gross Income £000	2022/2023* Net Expenditure £000
Resources		55,657	(44,181)	11,476	53,546	(46,185)	7,361
Economy & Growth		42,785	(15,373)	27,412	45,244	(14,575)	30,669
Environment		23,950	(7,436)	16,514	28,447	(7,493)	20,954
Children's Service		140,103	(67,583)	72,520	146,623	(64,400)	82,223
Public Health		12,132	(11,714)	418	13,846	(10,483)	3,363
Adult Services		61,139	(12,753)	48,386	49,782	(9,742)	40,040
Other Corporate Budgets		0	(1,706)	(1,706)	0	(2,343)	(2,343)
<b>Cost of Service</b>		<b>335,766</b>	<b>(160,746)</b>	<b>175,020</b>	<b>337,488</b>	<b>(155,221)</b>	<b>182,267</b>
Other Operating Expenditure	11	5,584	(21,517)	(15,933)	1,805	(404)	1,401
Financing and Investment Income and Expenditure	12	21,129	(15,672)	5,457	14,373	(10,324)	4,049
Taxation and Non-Specific Grant Income and Expenditure	13	0	(183,723)	(183,723)	0	(182,215)	(182,215)
<b>(Surplus) or Deficit on Provision of Service</b>				<b>(19,179)</b>			<b>5,502</b>
(Surplus) or Deficit on Revaluation of Property, Plant and Equipment	14,15			<b>(9,697)</b>			<b>(5,046)</b>
Impairment Losses and Reversals on Non-Current Assets Charged to the Revaluation Reserve	14,15			<b>(790)</b>			<b>(498)</b>
Re-measurement of the Net Defined Benefit Liability/(Asset)	39			<b>39,205</b>			<b>(155,516)</b>
<b>Other Comprehensive Income and Expenditure</b>				<b>28,718</b>			<b>(161,060)</b>
<b>Total Comprehensive Income and Expenditure</b>				<b>9,539</b>			<b>(155,558)</b>

\* The 2022/2023 comparator figures have been reanalysed to reflect a management restructure within the council during the 2023/2024 financial year.

# Movement in Reserves Statement

The Movement in Reserves Statement shows the movement from the start of the year to the end on the different reserves held by the council, analysed into 'usable reserves' and other 'unusable reserves'.

The statement shows how the in-year movements of the council's reserves are broken down between gains and losses incurred in accordance with International Financial Reporting Standards (IFRS) and the statutory adjustments required to return to the amounts chargeable to council tax for the year.

The Net Increase / Decrease line shows the statutory General Fund Balance movements in the year following these adjustments.

	General Fund Balance £000	Earmarked General Fund Reserves £000	Total General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Reserves £000
<b>Balance Sheet as at 1 April 2022</b>	<b>8,300</b>	<b>37,699</b>	<b>45,999</b>	<b>9</b>	<b>4,738</b>	<b>50,746</b>	<b>(26,164)</b>	<b>24,582</b>
<b>Movement in Reserves during the Year:</b>								
Total Comprehensive Income and Expenditure	(5,502)	0	(5,502)	0	0	(5,502)	161,060	<b>155,558</b>
Adjustments between Accounting Basis & Funding Basis Under Regulations - Note 9	(14,406)	0	(14,406)	(1)	1,195	(13,212)	13,212	<b>0</b>
<b>Net Increase / (Decrease) before Transfers to Earmarked Reserves</b>	<b>(19,908)</b>	<b>0</b>	<b>(19,908)</b>	<b>(1)</b>	<b>1,195</b>	<b>(18,714)</b>	<b>174,272</b>	<b>155,558</b>
Transfers to or from Earmarked Reserves	19,908	(19,908)	<b>0</b>	0	0	0	0	<b>0</b>
<b>Increase / (Decrease) in 2022/2023</b>	<b>0</b>	<b>(19,908)</b>	<b>(19,908)</b>	<b>(1)</b>	<b>1,195</b>	<b>(18,714)</b>	<b>174,272</b>	<b>155,558</b>
<b>Balance Sheet as at 31 March 2023</b>	<b>8,300</b>	<b>17,791</b>	<b>26,091</b>	<b>8</b>	<b>5,933</b>	<b>32,032</b>	<b>148,108</b>	<b>180,140</b>
<b>Movement in Reserves during the Year:</b>								
Total Comprehensive Income and Expenditure	19,179	0	19,179	0	0	19,179	(28,718)	<b>(9,539)</b>
Adjustments Between Accounting Basis & Funding Basis Under Regulations - Note 9	(19,598)	0	(19,598)	14,014	2,426	(3,158)	3,158	<b>0</b>
<b>Net Increase / (Decrease) before Transfers to Earmarked Reserves</b>	<b>(419)</b>	<b>0</b>	<b>(419)</b>	<b>14,014</b>	<b>2,426</b>	<b>16,021</b>	<b>(25,560)</b>	<b>(9,539)</b>
Transfers to or from Earmarked Reserves	419	(419)	<b>0</b>	0	0	0	0	<b>0</b>
<b>Increase / (Decrease) in 2023/2024</b>	<b>0</b>	<b>(419)</b>	<b>(419)</b>	<b>14,014</b>	<b>2,426</b>	<b>16,021</b>	<b>(25,560)</b>	<b>(9,539)</b>
<b>Balance Sheet as at 31 March 2024</b>	<b>8,300</b>	<b>17,372</b>	<b>25,672</b>	<b>14,022</b>	<b>8,359</b>	<b>48,053</b>	<b>122,548</b>	<b>170,601</b>

# Balance Sheet

The Balance Sheet shows the value as at the balance sheet date of the assets and liabilities recognised by the council. The net assets of the council (assets less liabilities) are matched by the reserves held by the council. Reserves are reported in two categories.

The first category of reserve are usable reserves, i.e., those reserves that the council may use to 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 2024 £000	31 March 2023 £000
Property, Plant & Equipment	14	291,428	270,766
Heritage Assets	15	2,192	1,935
Investment Property	16	70,130	74,142
Intangible Assets	17	2,398	1,861
Long-Term Debtors	18, 20	2,240	1,193
<b>Long Term Assets</b>		<b>368,388</b>	<b>349,897</b>
Inventories	-	0	56
Short Term Debtors	20	48,973	47,681
Cash and Cash Equivalents	21	8,415	14,209
Assets Held for Sale	22	13,854	6,620
<b>Current Assets</b>		<b>71,242</b>	<b>68,566</b>
Short-Term Borrowing	18	(24,453)	(31,556)
Short-Term Creditors	18, 23	(29,459)	(35,277)
Provisions	24	(1,126)	(1,470)
Capital Grants Received in Advance	34	(29,648)	(18,133)
<b>Current Liabilities</b>		<b>(84,686)</b>	<b>(86,436)</b>
Provisions	24	(2,210)	(2,192)
Long Term Borrowing	18	(137,946)	(140,109)
Other Long-Term Liabilities	39	(44,187)	(9,586)
<b>Long Term Liabilities</b>		<b>(184,343)</b>	<b>(151,887)</b>
<b>Net Assets / (Liabilities)</b>		<b>170,601</b>	<b>180,140</b>
Usable Reserves	MIRS	48,053	32,032
Unusable Reserves	25	122,548	148,108
<b>Total Reserves</b>		<b>170,601</b>	<b>180,140</b>

# Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the council during the reporting period. The statement shows how the council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the council are funded by way of taxation and grant income or from the recipients of 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	2023/2024 £000	2022/2023 £000
<b>Net surplus or (deficit) on the provision of services</b>		<b>19,179</b>	<b>(5,502)</b>
Adjustment to surplus or deficit on the provision of services for non-cash movements	26	15,146	(5,065)
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	26	(51,831)	(33,769)
<b>Net cash flows from operating activities</b>		<b>(17,506)</b>	<b>(44,336)</b>
<b>Net cash flows from investing activities</b>	27	<b>27,721</b>	<b>(5,340)</b>
<b>Net cash flows from financing activities</b>	28	<b>(16,009)</b>	<b>20,235</b>
<b>Net increase or (decrease) in cash and cash equivalents</b>		<b>(5,794)</b>	<b>(29,441)</b>
Cash and cash equivalents at the beginning of the reporting period	21	14,209	43,650
<b>Cash and cash equivalents at the end of the reporting period</b>	21	<b>8,415</b>	<b>14,209</b>

# Notes to the Accounts

## **Note 1 – Accounting Policies**

### **i. General Principles**

The Statement of Accounts summarises the council's transactions for the 2023/2024 financial year and its position at the year-end of 31 March 2024. 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 2023/2024, supported by International Financial Reporting Standards (IFRS).

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

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

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

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet where individual inventory categories are above £100k.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected. In respect of both capital and revenue transactions, the council operates on the normal accruals concept of income and expenditure above the council's de minimis threshold of £10k. However, this de minimis threshold does not apply to creditor accruals auto identified within the finance system, or where failure to accrue would result in the loss of a time limited grant.

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

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

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

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

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

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

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

# Notes to the Accounts

## *Note 1 – Accounting Policies continued:*

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

# Notes to the Accounts

## *Note 1 – Accounting Policies continued:*

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

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

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

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

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

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

Service cost comprising:

- Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.

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

Re-measurements comprising:

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

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative

# Notes to the Accounts

## *Note 1 – Accounting Policies continued:*

balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

### **Discretionary Benefits**

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

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

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

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

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

### **ix. Financial Instruments**

#### **Financial Liabilities**

Financial liabilities are recognised on the Balance Sheet when the council becomes a party to the contractual provisions of a financial instrument and are initially measured at

fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

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

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

#### **Financial Assets**

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

#### Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the

# Notes to the Accounts

## *Note 1 – Accounting Policies continued:*

Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

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

### Expected Credit Loss Model

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

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

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

- Group 1 – these loans, which are secured against the property, were issued to home owners and owners of derelict land and commercial properties to help pay for repairs and other urgent works to bring accommodations up to current decency standards or to facilitate bringing the properties back into use within the community. Loss allowances for these loans can be assessed on an individual basis.

- Group 2 – under a government initiative that aimed to release the economic and productivity potential of the most deprived areas across the country, the council provided loans to individuals and small businesses to aid entrepreneurial activity and support sustainable growth.
- Group 3 – for the residual group of loans, the council relies on past due information and calculates losses based on expected lifetime credit losses.

### Financial Assets Measured at Fair Value through Profit 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.

# Notes to the Accounts

## *Note 1 – Accounting Policies continued:*

### **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.

# Notes to the Accounts

## *Note 1 – Accounting Policies continued:*

### **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.

# Notes to the Accounts

## *Note 1 – Accounting Policies continued:*

### **xv. Leases**

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

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

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

##### **Finance Leases**

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

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

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over

the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the council at the end of the lease period).

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

##### **Operating Leases**

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

#### **The Council as Lessor**

##### **Finance Leases**

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

# Notes to the Accounts

## *Note 1 – Accounting Policies continued:*

Lease rentals receivable are apportioned between:

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

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

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

### **Operating Leases**

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

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

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

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

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

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

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

- Other Land & Buildings.
- Vehicles, Plant & Equipment.
- Infrastructure Assets – Inalienable assets, expenditure on which is only recoverable by continued use of the asset created, i.e., there is no prospect of sale or alternative use; examples include highways infrastructure assets, coastal defences, water supply and drainage systems. Highways infrastructure assets include carriageways, footways and cycle tracks, structures (e.g., bridges), street lighting, street furniture (e.g., illuminated traffic signals, bollards), traffic management systems and land which together form a single integrated network.
- Community Assets - Assets that an authority intends to hold in perpetuity, which have no determinable useful life and that may, in addition, have restrictions on their disposal.
- Assets Under Construction.
- Surplus Assets – Assets that are not being used to deliver services, but that do not meet the Code criteria to be classified as either investment properties or non-current assets held for sale.

# Notes to the Accounts

## *Note 1 – Accounting Policies continued:*

### **Recognition**

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

### **Measurement**

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

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

# Notes to the Accounts

## *Note 1 – Accounting Policies continued:*

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).

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

- Dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer.
- Vehicles, plant, furniture and equipment – 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

# Notes to the Accounts

## *Note 1 – Accounting Policies continued:*

value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any losses previously recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on assets held for sale.

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

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

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

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

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

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

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

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

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

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

## **Contingent Liabilities**

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

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

# Notes to the Accounts

## *Note 1 – Accounting Policies continued:*

### **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.

# Notes to the Accounts

## *Note 1 – Accounting Policies continued:*

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 2023/2024 (the Code), the council is required to disclose information setting out the impact of an accounting change required by a new accounting standard that has been issued but not yet adopted by the Code.

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

- **Classification of Liabilities as Current or Non-current (Amendments to IAS 1)** issued in January 2020. The amendments:

- specify that an entity's right to defer settlement must exist at the end of the reporting period.
- clarify that classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement.
- clarify how lending conditions affect classification, and
- clarify requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments.

- **Non-current Liabilities with Covenants (Amendments to IAS 1)** issued in October 2022. The amendments improved the information an entity provides when its right to defer settlement of a liability for at least 12 months is subject to compliance with covenants.

The above changes are not anticipated to have a material impact on the amounts reported within the council's financial statements.

- **IFRS 16 Leases** – the new standard replaces IAS 17 Leases and will be adopted by the council from 1 April 2024. Under IAS 17, leases are classified as either finance or operating leases, and only finance leases are required to be recognised on the Balance Sheet. IFRS 16 eliminates the distinction between finance and operating leases for lessees, and requires all leases (with the exception of short-term leases of 12 months or less and leases of low value) to be brought on to the Balance Sheet as a right-of-use asset together with a corresponding lease liability.

When rents are paid, they will be applied partly to write down the liability and partly charged as interest on the outstanding liability. The cost of the right-of-use asset will be reflected in the depreciation charges within the Comprehensive Income and Expenditure Statement.

Work on the implementation of IFRS 16 is ongoing and the full impact on the council's accounts has not yet been fully assessed.

# Notes to the Accounts

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

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

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

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

The items in the council's Balance Sheet as of 31 March 2024 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

### **Property, Plant and Equipment**

#### Uncertainties

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.

#### Effect if Actual Results Differ from Assumptions

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 £0.596m if the average useful life of the council's buildings fell by one year.

### **Pension Liability**

#### Uncertainties

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.

#### Effect if Actual Results Differ from Assumptions

The assumptions interact in complex ways. During 2023/2024 the council's actuary advised that the net pension liability had increased by £34.601m as result of updating the assumptions, actual contributions made, and taking into account the asset ceiling adjustment.

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.

### **National Non-Domestic Rates (NNDR) Provision**

#### Uncertainties

The council has set aside, from its Collection Fund, £4.390m 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, £2.151m, is shown in Note 24 Provisions.

#### Effect if Actual Results Differ from Assumptions

The impact of appeals is uncertain and outside of the control of the council.

# Notes to the Accounts

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

### Fair Value Measurement

#### Uncertainties

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.

#### Effect if Actual Results Differ from Assumptions

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 2023/2024 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.



# Notes to the Accounts

## 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.

	2023/2024	2023/2024	2023/2024	2023/2024	2023/2024	2022/2023*	2022/2023*	2022/2023*
	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	6,962	876	7,838	3,638	11,476	(16)	7,377	7,361
Economy & Growth	34,267	(20,009)	14,258	13,154	27,412	21,213	9,456	30,669
Environment	16,447	(1,621)	14,826	1,688	16,514	14,335	6,619	20,954
Children's Services	72,480	(12,581)	59,899	12,621	72,520	68,955	13,268	82,223
Public Health	444	550	994	(576)	418	1,707	1,656	3,363
Adult Services	60,583	(16,875)	43,708	4,678	48,386	40,522	(482)	40,040
Other Corporate Budgets	7,928	28,058	35,986	(37,692)	(1,706)	(7,610)	5,267	(2,343)
<b>Net Cost of Services</b>	<b>199,111</b>	<b>(21,602)</b>	<b>177,509</b>	<b>(2,489)</b>	<b>175,020</b>	<b>139,106</b>	<b>43,161</b>	<b>182,267</b>
Other Income and Expenditure	(199,111)	21,602	(177,509)	(16,690)	(194,199)	(139,106)	(37,659)	(176,765)
<b>(Surplus) or Deficit</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(19,179)</b>	<b>(19,179)</b>	<b>0</b>	<b>5,502</b>	<b>5,502</b>
Opening General Fund Balance			8,300			8,300		
Surplus or (Deficit) on General Fund Balance in Year			0			0		
<b>Closing General Fund Balance</b>			<b>8,300</b>			<b>8,300</b>		

\* The 2022/2023 comparator figures have been reanalysed to reflect a management restructure within the council during the 2023/2024 financial year.

# Notes to the Accounts

Note 7 – Expenditure and Funding Analysis and Associated Notes continued:

## Adjustments from General Fund to Arrive at the Comprehensive Income and Expenditure Statement Amounts

2023/2024 Financial Year	Adjustments for Capital Purposes £000	Net Change for Pensions Adjustments £000	Other Differences £000	Total £000
Resources	3,333	(409)	714	3,638
Economy & Growth	13,012	(200)	342	13,154
Environment	(300)	(66)	2,054	1,688
Children's Services	8,400	(635)	4,856	12,621
Public Health	0	(58)	(518)	(576)
Adult Services	33	(9)	4,654	4,678
Other Corporate Budgets	(25,296)	(3,227)	(9,169)	(37,692)
<b>Net Cost of Services</b>	<b>(818)</b>	<b>(4,604)</b>	<b>2,933</b>	<b>(2,489)</b>
Other Income and Expenditure from the Expenditure and Funding Analysis	(21,366)	0	4,676	(16,690)
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>(22,184)</b>	<b>(4,604)</b>	<b>7,609</b>	<b>(19,179)</b>
2022/2023 Financial Year*	Adjustments for Capital Purposes £000	Net Change for Pensions Adjustments £000	Other Differences £000	Total £000
Resources	2,829	3,826	722	7,377
Economy & Growth	8,061	514	881	9,456
Environment	4,238	1,885	496	6,619
Children's Services	778	6,484	6,006	13,268
Public Health	0	558	1,098	1,656
Adult Services	14	30	(526)	(482)
Other Corporate Budgets	(5,994)	(16)	11,277	5,267
<b>Net Cost of Services</b>	<b>9,926</b>	<b>13,281</b>	<b>19,954</b>	<b>43,161</b>
Other Income and Expenditure from the Expenditure and Funding Analysis	(25,933)	0	(11,726)	(37,659)
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>(16,007)</b>	<b>13,281</b>	<b>8,228</b>	<b>5,502</b>

\* The 2022/2023 comparator figures have been reanalysed to reflect a management restructure within the council during the 2023/2024 financial year.

# Notes to the Accounts

*Note 7 – Expenditure and Funding Analysis and Associated Notes continued:*

## 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:

Revenue from External Customers	2023/2024 £000	2022/2023 £000
Resources	(8,879)	(9,961)
Economy & Growth	(13,895)	(9,647)
Environment	(7,262)	(7,822)
Children's Services	(8,336)	(12,911)
Public Health	(2,462)	(1,446)
Adult Services	(218)	(397)
Other Corporate Budgets	(23,168)	(2,851)
<b>Total Income Analysed on a Segmental Basis</b>	<b>(64,220)</b>	<b>(45,035)</b>

\* The 2022/2023 comparator figures have been reanalysed to reflect a management restructure within the council during the 2023/2024 financial year.

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

## Note 8 – Expenditure and Income Analysed by Nature

The Council's expenditure and income are analysed as shown within the following table:

Expenditure / Income	2023/2024 £000	2022/2023 £000
<b>Expenditure:</b>		
Employee Benefits Expenses	82,004	101,169
Other Services Expenditure	233,402	221,398
Depreciation, Amortisation, Impairment	14,076	16,932
Interest Payments	6,191	5,184
Precepts and Levies	1,688	1,520
(Gain)/Loss on the Disposal of Assets	(18,105)	121
Other Expenditure	18,755	6,068
<b>Total Expenditure</b>	<b>338,011</b>	<b>352,392</b>
<b>Income:</b>		
Fees, Charges and Other Service Income	(34,744)	(27,763)
Interest and Investment Income	(1,599)	(643)
Income for Council Tax & Non-Domestic Rates	(123,588)	(122,985)
Government Grants and Contributions	(188,928)	(188,427)
Other Income	(8,331)	(7,072)
<b>Total Income</b>	<b>(357,190)</b>	<b>(346,890)</b>
<b>(Surplus) or Deficit on the Provision of Services</b>	<b>(19,179)</b>	<b>5,502</b>

# Notes to the Accounts

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

	2023/2024	2023/2024	2023/2024	2023/2024	2022/2023	2022/2023	2022/2023	2022/2023
	Usable Reserve General Fund Balance	Usable Reserve Capital Receipts Reserve	Usable Reserve Capital Grants Unapplied	Movement in Unusable Reserves	Usable Reserve General Fund Balance	Usable Reserve Capital Receipts Reserve	Usable Reserve Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Adjustments to Revenue Resources:</b>								
<b>Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements</b>								
Pension Cost (transferred to (or from) the Pensions Reserve)	(4,604)	0	0	4,604	16,097	0	0	(16,097)
Pension prepayment adjustment	0	0	0	0	(2,816)	0	0	2,816
Council Tax and NDR (transfers to or from the Collection Fund)	4,624	0	0	(4,624)	(11,641)	0	0	11,641
Dedicated Schools Grant Deficit (transfers to or from the DSG Adjustment Account)	2,502	0	0	(2,502)	0	0	0	0
Holiday pay (transferred to the Accumulated Absences Reserve)	64	0	0	(64)	(39)	0	0	39
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)	9,647	0	0	(9,647)	(7,051)	0	0	7,051
<b>Total Adjustments to Revenue Resources</b>	<b>12,233</b>	<b>0</b>	<b>0</b>	<b>(12,233)</b>	<b>(5,450)</b>	<b>0</b>	<b>0</b>	<b>5,450</b>
<b>Adjustments between Revenue and Capital Resources:</b>								
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(22,174)	22,174	0	0	(734)	734	0	0
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	40	(40)	0	0	5	(5)	0	0
Statutory provision for the repayment of debt (transfer to the Capital Adjustment Account)	(7,198)	0	0	7,198	(6,104)	0	0	6,104
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(15)	0	0	15	(20)	0	0	20
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>(29,347)</b>	<b>22,134</b>	<b>0</b>	<b>7,213</b>	<b>(6,853)</b>	<b>729</b>	<b>0</b>	<b>6,124</b>
<b>Adjustments to Capital Resources:</b>								
Use of the capital receipts reserve to finance capital expenditure	0	(8,120)	0	8,120	0	(765)	0	765
Application of capital grants to finance capital expenditure	(2,484)	0	2,426	58	(2,103)	0	1,195	908
Cash payments in relation to deferred capital receipts	0	0	0	0	0	35	0	(35)
<b>Total Adjustments to Capital Resources</b>	<b>(2,484)</b>	<b>(8,120)</b>	<b>2,426</b>	<b>8,178</b>	<b>(2,103)</b>	<b>(730)</b>	<b>1,195</b>	<b>1,638</b>
<b>Total Adjustments</b>	<b>(19,598)</b>	<b>14,014</b>	<b>2,426</b>	<b>3,158</b>	<b>(14,406)</b>	<b>(1)</b>	<b>1,195</b>	<b>13,212</b>

# Notes to the Accounts

## 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 2023/2024.

	Balance as at 31 March 2022 £000	Transfers In 2022/2023 £000	Transfers Out 2022/2023 £000	Balance as at 31 March 2023 £000	Transfers In 2023/2024 £000	Transfers Out 2023/2024 £000	Balance as at 31 March 2024 £000
Individual Schools Budget Reserve	1,765	1,595	(1,765)	1,595	1,522	(1,595)	1,522
Dedicated Schools Grant Reserve	0	64	0	64	0	(64)	0
Self-Insurance	1,283	0	(1,283)	0	0	0	0
Business Rates Reserve	7,517	0	(4,571)	2,946	2,854	(3,600)	2,200
Debt Financing Reserve	2,237	0	(2,237)	0	2,538	(1,038)	1,500
Transformation Programme	4,311	1,900	(6,211)	0	2,478	(2,324)	154
IFRS Revenue Grant	6,525	2,877	(4,142)	5,260	1,551	(2,781)	4,030
Health & Wellbeing Board Public Health Priorities	151	0	(20)	131	0	(81)	50
Council Tax Hardship Fund	233	50	0	283	84	(50)	317
Strategic Change Reserve	15	0	(15)	0	0	0	0
Children's Services Recruitment	27	0	(27)	0	0	0	0
Covid-19 Reserve	416	0	(416)	0	0	0	0
Pension Fund Reserve	362	0	(362)	0	0	0	0
Social & Democratic Demand Reserve	7,408	784	(5,107)	3,085	700	(3,084)	701
Medium Term Financial Plan	0	0	0	0	2,000	0	2,000
Major Contracts Reserve	0	0	0	0	1,000	0	1,000
<b>Service Specific Reserves:</b>							
Resources	705	222	(357)	570	319	(270)	619
Economy & Growth	819	68	(406)	481	95	(183)	393
Children's Services	52	188	(35)	205	330	(181)	354
Public Health	2,081	657	(813)	1,925	1,033	(513)	2,445
Adult Services	1,792	202	(748)	1,246	23	(1,182)	87
<b>Total Earmarked Reserves</b>	<b>37,699</b>	<b>8,607</b>	<b>(28,515)</b>	<b>17,791</b>	<b>16,527</b>	<b>(16,946)</b>	<b>17,372</b>

# Notes to the Accounts

## *Note 10 – Transfer from/to Earmarked Reserves continued:*

### **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 2023/2024.

### **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 was established to hold surplus balances on the Dedicated Schools Grant (DSG). In accordance with the current statutory provisions regarding the accounting treatment of DSG deficits, the deficit on the DSG at the end of the 2023/2024 financial year is held within the DSG Adjustment Account which can be seen in Note 25 Unusable Reserves.

### **Major Contracts Reserve**

This reserve has been established to support costs specifically associated with significant changes in major contracts.

### **Business Rates Reserve**

A specific reserve to mitigate for fluctuations in business rates income between years.

### **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.

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

This reserve is held to smooth demand cost fluctuations.

### **IFRS Revenue Grant Reserve**

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

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

Reserve established to support public health priorities.

### **Council Tax Hardship Fund**

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

### **Strategic Change Reserve**

Reserve to support ongoing regeneration activity in the borough.

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

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

### **Covid-19 Reserve**

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

### **Pension Fund Reserve**

As pension costs can change year on year in accordance with actuary reviews, this reserve has been set aside to help cover future fluctuations in pension liabilities.

### **Medium Term Finance Plan Reserve**

This reserve has been established to mitigate risks in the MTFP, considering the uncertainty of future funding and changing service demands.

### **Self-Insurance**

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

# Notes to the Accounts

## Note 11 – Other Operating Expenditure

	2023/2024 £000	2022/2023 £000
Parish Council Precepts	864	780
Levies	824	740
(Gains)/Losses on Disposal of Non-Current Assets	(17,621)	(119)
<b>Total</b>	<b>(15,933)</b>	<b>1,401</b>

## Note 12 – Financing and Investment Income and Expenditure

	2023/2024 £000	2022/2023 £000
Interest Payable and Similar Charges	6,191	5,184
Net Interest on the Net Defined Benefit Liability/(Asset)	(1,465)	4,185
Interest Receivable and Similar Income	(1,599)	(643)
Income and Expenditure in relation to Investment Properties and Changes in their Fair Value	2,330	(4,677)
<b>Total</b>	<b>5,457</b>	<b>4,049</b>

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

	2023/2024 £000	2022/2023 £000
Council Tax Income	(84,419)	(82,553)
Non-Domestic Rates Income and Expenditure	(39,169)	(40,432)
Business Rates Relief	(12,344)	(10,931)
Revenue Support Grant	(10,656)	(9,477)
Social Care Grant	(12,961)	(8,226)
Services Grant	(1,607)	(2,739)
Other Non-Ring-Fenced Government Grants	(1,201)	(1,924)
Capital Grants and Contributions	(21,366)	(25,933)
<b>Total</b>	<b>(183,723)</b>	<b>(182,215)</b>

# Notes to the Accounts

## Note 14 – Property, Plant and Equipment

2023/2024 Financial Year	Other Land and Buildings	Vehicles, Plant & Equipment	Community Assets	PPE Under Construction	Surplus Assets	Total
	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation:</b>						
Balance as at 1 April 2023	96,592	26,083	22,755	13,371	2,233	161,034
Additions	2,609	1,455	1,576	13,340	1	18,981
Donations	0	0	0	0	0	0
Revaluation increases/(decreases) to Revaluation Reserve	328	0	41	0	108	477
Revaluation increases/(decreases) to Surplus or Deficit on the Provision of Services	2,181	0	0	0	(589)	1,592
De-Recognition - Disposals	(3,456)	(4,649)	0	(148)	0	(8,253)
Reclassifications & Transfers	(4,018)	0	0	(78)	1,407	(2,689)
Reclassified to/from Held for Sale	0	0	0	(4,034)	(370)	(4,404)
Other Movements	0	0	0	0	0	0
<b>Balance as at 31 March 2024</b>	<b>94,236</b>	<b>22,889</b>	<b>24,372</b>	<b>22,451</b>	<b>2,790</b>	<b>166,738</b>
<b>Depreciation and Impairment:</b>						
Balance as at 1 April 2023	(12,308)	(15,746)	(8,961)	(276)	0	(37,291)
Depreciation Charge	(4,877)	(2,968)	0	0	(1)	(7,846)
Depreciation written out on Revaluation Reserve	8,736	0	23	0	211	8,970
Depreciation written out on Revaluation taken to Surplus or Deficit on the Provision of Services	869	0	0	0	1	870
Impairment losses/reversals to Revaluation Reserve	791	0	0	0	(1)	790
Impairment losses/reversals To Surplus or Deficit on the Provision of Services	946	0	(1,574)	0	0	(628)
De-Recognition - Disposals	382	4,646	0	0	0	5,028
Reclassifications & Transfers	1,926	0	0	(1,545)	(211)	170
Eliminated on reclassification to Held for Sale	0	0	0	0	0	0
<b>Balance as at 31 March 2024</b>	<b>(3,535)</b>	<b>(14,068)</b>	<b>(10,512)</b>	<b>(1,821)</b>	<b>(1)</b>	<b>(29,937)</b>
<b>Net Book Value:</b>						
<b>Balance as at 31 March 2024</b>	<b>90,701</b>	<b>8,821</b>	<b>13,860</b>	<b>20,630</b>	<b>2,789</b>	<b>136,801</b>
Balance as at 31 March 2023	84,284	10,337	13,794	13,095	2,233	123,743

# Notes to the Accounts

## Note 14 – Property, Plant and Equipment continued:

2022/2023 Financial Year	Other Land and Buildings	Vehicles, Plant & Equipment	Community Assets	PPE Under Construction	Surplus Assets	Total
	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation:</b>						
Balance as at 1 April 2022	95,577	24,203	21,305	12,799	3,330	157,214
Additions	2,735	3,650	1,450	5,877	9	13,721
Donations	0	0	0	0	0	0
Revaluation increases/(decreases) to Revaluation Reserve	(361)	0	0	0	128	(233)
Revaluation increases/(decreases) to Surplus or Deficit on the Provision of Services	(23)	0	0	0	(4)	(27)
De-Recognition - Disposals	0	(1,770)	0	(240)	0	(2,010)
Reclassifications & Transfers	(1,336)	0	0	(5,065)	(1,230)	(7,631)
Reclassified to/from Held for Sale	0	0	0	0	0	0
Other Movements	0	0	0	0	0	0
<b>Balance as at 31 March 2023</b>	<b>96,592</b>	<b>26,083</b>	<b>22,755</b>	<b>13,371</b>	<b>2,233</b>	<b>161,034</b>
<b>Depreciation and Impairment:</b>						
Balance as at 1 April 2022	(11,586)	(14,822)	(7,511)	(1)	0	(33,920)
Depreciation Charge	(5,221)	(2,691)	0	0	0	(7,912)
Depreciation written out on Revaluation Reserve	5,279	0	0	0	0	5,279
Depreciation written out on Revaluation taken to Surplus or Deficit on the Provision of Services	537	0	0	0	0	537
Impairment losses/reversals to Revaluation Reserve	498	0	0	0	0	498
Impairment losses/reversals To Surplus or Deficit on the Provision of Services	(2,445)	0	(1,450)	0	0	(3,895)
De-Recognition - Disposals	0	1,767	0	0	0	1,767
Reclassifications & Transfers	630	0	0	(275)	0	355
Eliminated on reclassification to Held for Sale	0	0	0	0	0	0
<b>Balance as at 31 March 2023</b>	<b>(12,308)</b>	<b>(15,746)</b>	<b>(8,961)</b>	<b>(276)</b>	<b>0</b>	<b>(37,291)</b>
<b>Net Book Value:</b>						
<b>Balance as at 31 March 2023</b>	<b>84,284</b>	<b>10,337</b>	<b>13,794</b>	<b>13,095</b>	<b>2,233</b>	<b>123,743</b>
Balance as at 31 March 2022	83,991	9,381	13,794	12,798	3,330	123,294

# Notes to the Accounts

## Note 14 – Property, Plant and Equipment continued:

### Infrastructure Assets

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

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

	2023/2024	2022/2023
Net Book Value - Modified Historical Cost	£000	£000
<b>Balance as at 1 April</b>	<b>147,023</b>	<b>143,960</b>
Additions	12,711	7,888
Depreciation	(5,107)	(4,825)
<b>Balance as at 31 March</b>	<b>154,627</b>	<b>147,023</b>

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

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

	31 March 2024	31 March 2023
Net Book Value	£000	£000
Infrastructure Assets	154,627	147,023
Other property, plant & equipment	136,801	123,743
<b>Total Property, Plant &amp; Equipment as per the Balance Sheet</b>	<b>291,428</b>	<b>270,766</b>

### Capital Commitments

At 31 March 2024, 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 2024, the following contracts met this criterion:

- Towns Fund – Riverhead Square – £1.8m
- Corporation Road Bridge Refurbishment – £3.5m
- Depot Rationalisation – £2.6m
- A180 Structures - £5.4m

### Effects of Changes in Estimates

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

### Depreciation

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

- Other Land and Buildings – Up to 999 years
- Vehicles, Plant, Furniture and Equipment – Between 1 and 10 years
- Infrastructure – Between 25 and 80 Years

# Notes to the Accounts

## Note 14 – Property, Plant and Equipment continued:

### 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.

Valuation Of PPE	Land and Buildings £000	Vehicles, Plant & Equipment £000	Surplus Assets £000	Other PPE £000	Total PPE £000
Carried at Historical Cost	0	8,821	0	189,117	<b>197,938</b>
Valued at Fair Value as at:					
31/03/2024	71,384	0	2,789	0	<b>74,173</b>
31/03/2023	6,024	0	0	0	<b>6,024</b>
31/03/2022	10,933	0	0	0	<b>10,933</b>
31/03/2021	2,291	0	0	0	<b>2,291</b>
31/03/2020	69	0	0	0	<b>69</b>
<b>Total Cost or Valuation</b>	<b>90,701</b>	<b>8,821</b>	<b>2,789</b>	<b>189,117</b>	<b>291,428</b>

# Notes to the Accounts

## Note 14 – Property, Plant and Equipment continued:

### 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 2024, are as follows:

Recurring Fair Value Measurements Using Significant Unobservable Inputs (Level 3)	Fair Value as at 31 March 2024 £000	Fair Value as at 31 March 2023 £000
<b>Surplus Assets:</b>		
All Surplus Assets	2,789	2,233
<b>Total Surplus Assets</b>	<b>2,789</b>	<b>2,233</b>
<b>Investment Properties:</b>		
Agricultural Properties	1,457	563
Office Units	4,811	4,721
Commercial Units	63,862	68,858
<b>Total Investment Properties</b>	<b>70,130</b>	<b>74,142</b>

### Determined Value Level, Valuation Process and Techniques

There is limited evidence in respect of actual transactions for this region and no publicly available market reports for North East Lincolnshire. Much of the evidence of actual sales comes 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 Estates Team in accordance with the methodologies and bases for estimation set out in the Valuation Terms of Engagement and professional standards of the Royal Institution of Chartered Surveyors (RICS). In estimating the fair value of the council's surplus assets and investment properties, the highest and best use of the properties is their current use.

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

### Reconciliation of Fair Value Measurements

Assets Categorised Within Level 3	Surplus Assets 31 March 2024 £000	Investment Properties 31 March 2024 £000	Surplus Assets 31 March 2023 £000	Investment Properties 31 March 2023 £000
<b>Opening Balance</b>	<b>2,233</b>	<b>74,142</b>	<b>3,330</b>	<b>51,569</b>
Reclassifications in at Level 3	1,196	3,046	0	2,894
Reclassifications out at Level 3	(370)	(1,740)	(1,230)	0
Total gains/losses for the period included in the Surplus or Deficit on the Provision of Services resulting from changes in fair value	(589)	(6,131)	(4)	323
Total to Revaluation Reserve	318	0	128	0
Additions	1	986	9	19,926
Disposals	0	(173)	0	(570)
<b>Closing Balance</b>	<b>2,789</b>	<b>70,130</b>	<b>2,233</b>	<b>74,142</b>

# Notes to the Accounts

## Note 14 – Property, Plant and Equipment continued:

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 2024 £000	Valuation Technique Used to Measure Fair Value	Unobservable Inputs	Sensitivity
<b>Surplus Assets:</b>				
Land	1,809	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	980	Market Comparison / Residual	Sale Levels, Finance /Construction Costs, Build Period	Significant changes in sale levels, finance and construction costs will result in a significantly lower or higher fair value
<b>Investment Properties:</b>				
Industrial and Commercial Units	63,862	Market Comparison / Investment Method	Rent Growth, Vacancy Levels, Yields	Significant changes in rental income, rent growth, vacancy levels or yields will result in a significantly lower or higher fair value
Office Units	4,811	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	1,457	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

# Notes to the Accounts

## Note 15 – Heritage Assets

Cost or Valuation	Civic Regalia £000	Museum Collection £000	Other Heritage Assets £000	Total Heritage Assets £000
<b>Balance as at 1 April 2022</b>	<b>426</b>	<b>1,426</b>	<b>83</b>	<b>1,935</b>
Additions	0	0	0	0
Movements – Revaluations	0	0	0	0
Reclassifications	0	0	0	0
<b>Balance as at 31 March 2023</b>	<b>426</b>	<b>1,426</b>	<b>83</b>	<b>1,935</b>
Additions	0	7	0	7
Movements – Revaluations	21	229	0	250
Reclassifications	20	(20)	0	0
<b>Balance as at 31 March 2024</b>	<b>467</b>	<b>1,642</b>	<b>83</b>	<b>2,192</b>

## Note 16 – Investment Properties

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

	2023/2024 £000	2022/2023 £000
Rental income from investment property	(11,951)	(9,028)
Direct operating expenses arising from investment property	8,465	4,434
<b>Net (Gain)/Loss</b>	<b>(3,486)</b>	<b>(4,594)</b>

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

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

	2023/2024 £000	2022/2023 £000
<b>Balance at start of the year</b>	<b>74,142</b>	<b>51,569</b>
Additions	986	19,926
Disposals	(173)	(570)
Net gains/losses from fair value adjustments	(6,300)	323
<b>Transfers:</b>		
To/from Assets Held for Sale	(1,213)	(74)
To/from Property, Plant and Equipment	2,688	2,968
<b>Balance at end of the year</b>	<b>70,130</b>	<b>74,142</b>

# Notes to the Accounts

## 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, by an appropriate expert, 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 (updating software to support our systems, applications, and websites) – five years.
- Digital Strategy Delivery System – four years.

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £495k charged to revenue in 2023/2024 was charged to the following lines in the Cost of Services – £463k Resources, £17k Children's Services, and £15k Environment.

	2023/2024 £000	2022/2023 £000
Balance at start of the year	5,675	4,619
Accumulated amortisation	(3,814)	(3,514)
<b>Net carrying amount at start of year</b>	<b>1,861</b>	<b>1,105</b>
Additions	1,032	1,056
Reclassifications	0	0
Disposals	(1,490)	0
Amortisation for the period	(495)	(300)
Amortisation written off on disposal	1,490	0
<b>Net carrying amount at the end of the year</b>	<b>2,398</b>	<b>1,861</b>
<b>Comprising:</b>		
Gross carrying amount	5,217	5,675
Accumulated amortisation	(2,819)	(3,814)
<b>Net carrying amount at the end of the year</b>	<b>2,398</b>	<b>1,861</b>

# Notes to the Accounts

## Note 18 – Financial Instruments

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

	31 March 2024 Long Term £000	31 March 2023 Long Term £000	31 March 2024 Short Term £000	31 March 2023 Short Term £000
<b>Financial Assets:</b>				
Loans and Receivables at Amortised Cost	2,240	1,193	934	934
Debtors carried at Amortised Cost	0	0	14,453	13,750
<b>Total Financial Assets</b>	<b>2,240</b>	<b>1,193</b>	<b>15,387</b>	<b>14,684</b>
<b>Financial Liabilities:</b>				
Borrowings at Amortised Cost	137,946	140,109	24,453	31,556
Creditors carried at Contract Amount	0	0	17,399	15,618
<b>Total Financial Liabilities</b>	<b>137,946</b>	<b>140,109</b>	<b>41,852</b>	<b>47,174</b>

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

Financial Liabilities Measured at Amortised Cost	2023/2024 £000	2022/2023 £000
Interest Expense	6,125	5,094
<b>Total Expense in Surplus or Deficit on the Provision of Services</b>	<b>6,125</b>	<b>5,094</b>

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

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

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

- For loans from the Public Works Loans Board (PWLB) payable, PWLB premature repayment rates have been applied to provide the fair value under PWLB debt redemption procedures. The council has a continuing ability to borrow at concessionary rates from the PWLB rather than from markets.
- For non-PWLB loans payable, as market lenders to the sector compete with PWLB their rates have to be comparable, therefore PWLB premature repayment rates have been applied to provide the fair value under PWLB debt redemption procedures. The value of "Lender's Option Borrower's Option" (LOBO) loans have been increased by the value of the embedded options. Lender's options to propose an increase to the interest rate on the loan have been valued according to a proprietary model for Bermudan cancellable swaps. Borrower's contingent options to accept the increase rate or repay the loan have been valued at zero, on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate for the remainder of the loan term.
- 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.

# Notes to the Accounts

## Note 18 – Financial Instruments continued:

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 2024	31 March 2024	31 March 2024	31 March 2023	31 March 2023
		Carrying Amount £000	Fair Value £000	Effect of 1% Rise in Interest Rates £000	Carrying Amount £000	Fair Value £000
PWLB Debt	2	74,331	70,931	(8,167)	76,990	77,130
Non PWLB Debt	2	63,615	67,362	(10,217)	66,348	72,683
Temporary Borrowing	2	24,453	24,453	0	28,327	28,327
<b>Total Debt</b>		<b>162,399</b>	<b>162,746</b>	<b>(18,384)</b>	<b>171,665</b>	<b>178,140</b>

The higher interest rate environment has narrowed the gap between the fair value of the debt and the carrying amount. If rates were to rise by a further 1% this would reduce the fair value to below the carrying amount.

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

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

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

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

Risk management is carried out by a central treasury team, under policies approved by the council in the annual Treasury Management Strategy – the Treasury Management Strategy for 2023/2024 was approved by full Council in February 2023. 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.

# Notes to the Accounts

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

Credit 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. The council further uses the creditworthiness service provided by Link Asset Services. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

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

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

The council's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. A risk of non-recovery applies to all of the council's deposits, but there was no evidence at the 31 March 2024 that this was likely to crystallise.

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

Analysis shows that the application of the above Strategies (in particular, the monitoring of counterparty rating and management of deposit term) results in a non-material expected credit loss on its investments when applying an historic rating-linked default probability.

### **Liquidity Risk**

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

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

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

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

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

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

# Notes to the Accounts

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

The maturity analysis of financial liabilities is as follows:

Timescale	31 March 2024 £000	31 March 2023 £000
Less than one year	24,453	31,556
Between one and two years	8,183	2,441
Between two and five years	8,764	13,740
Between five and ten years	14,159	15,712
Between 10 and 20 years	14,808	14,611
Over 20 years	71,032	72,605
Uncertain date*	21,000	21,000
<b>Total</b>	<b>162,399</b>	<b>171,665</b>

\* The council has £21m of “Lender option, borrower’s option” (LOBO) loans where the lender has the option to propose an increase in the rate payable; the council will then have the option to accept the new rate or repay the loan without penalty. Even though rates remained elevated during 2023-24, no changes to our loan rates were proposed by lenders. If any of the lenders were to exercise their option, the council is likely to repay those loans. The maturity date is therefore uncertain.

### Interest rate risk

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

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

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

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

### Price risk

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

### Foreign exchange risk

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

# Notes to the Accounts

## 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	2023/2024 Long -Term £000	2022/2023 Long- Term £000	2023/2024 Short -Term £000	2022/2023 Short -Term £000
Central Government Bodies	0	0	6,736	5,124
Other Local Authorities	0	0	629	759
NHS Bodies	0	0	390	155
Other Entities and Individuals	0	0	14,541	18,551
Impairment Allowances	0	0	(4,673)	(5,160)
Loans and Advances	2,240	1,193	934	934
Non-Domestic Rates & Council Tax	0	0	28,848	25,058
Value Added Tax	0	0	1,568	2,260
<b>Total Debtors</b>	<b>2,240</b>	<b>1,193</b>	<b>48,973</b>	<b>47,681</b>

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

Aged Debt	2023/2024 £000	2022/2023 £000
1 year	7,159	7,047
1 – 2 years	4,075	3,747
2 – 3 years	3,024	2,474
3 – 4 years	2,194	2,005
Over 4 years	6,699	5,199
<b>Total</b>	<b>23,151</b>	<b>20,472</b>

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

## Note 21 – Cash and Cash Equivalents

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

	2023/2024 £000	2022/2023 £000
Cash and Bank Balances	(2,885)	(1,081)
Short Term Investments	11,300	15,290
<b>Total Current Asset</b>	<b>8,415</b>	<b>14,209</b>

# Notes to the Accounts

## Note 22 – Assets Held for Sale

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

	2023/2024 £000	2022/2023 £000
<b>Balance Outstanding at Start of Year</b>	<b>6,620</b>	<b>338</b>
Additions	234	492
Transferred from Non-Current Assets during Year:		
Property Plant & Equipment	4,404	4,660
Investment Properties	1,463	74
Net gains/losses from fair value adjustments	2,014	1,090
Assets Declassified As Held For Sale	(250)	3
Assets Sold	(631)	(37)
<b>Total Assets Held for Sale</b>	<b>13,854</b>	<b>6,620</b>

## Note 23 – Creditors

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

Creditor	2023/2024 £000	2022/2023 £000
Central Government Bodies	3,600	4,955
Other Local Authorities	656	413
NHS Bodies	4,469	2,377
Other Entities and Individuals	14,660	15,951
Non-Domestic Rates & Council Tax	4,744	10,371
Tax & National Insurance	1,330	1,210
<b>Total Creditors</b>	<b>29,459</b>	<b>35,277</b>

## Note 24 – Provisions

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

Details of the provisions set aside as at 31 March 2024 are as follows:

	Opening Balance 1 April 2023 £000	Increase / (Reduction) In Provision During Year £000	Utilised During Year £000	Unused Amounts Reversed £000	Closing Balance 31 March 2024 £000	Estimated Settlement Within One Year £000	Estimated Settlement Beyond One Year £000
NNDR Appeals	2,461	1,379	(1,017)	(672)	<b>2,151</b>	889	1,262
Self-Insurance	1,201	601	(134)	(483)	<b>1,185</b>	237	948
<b>Totals</b>	<b>3,662</b>	<b>1,980</b>	<b>(1,151)</b>	<b>(1,155)</b>	<b>3,336</b>	<b>1,126</b>	<b>2,210</b>

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

This provision has been established to meet the Council's share of the estimated costs of settling appeals against the NNDR valuation of properties currently lodged with the Valuation Office Agency (VOA). In 2023/2024, the total appeals provision in the Business Rates Collection Fund is £4.390m; 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.

# Notes to the Accounts

## Note 25 – Unusable Reserves

	2023/2024 £000	2022/2023 £000
Capital Adjustment Account	109,204	98,515
Revaluation Reserve	60,122	54,580
Pensions Reserve	(44,187)	(9,586)
Collection Fund Adjustment Account	2,789	7,413
Accumulated Absences Account	(1,345)	(1,281)
Dedicated Schools Grant Adjustment Account	(4,035)	(1,533)
<b>Total Unusable Reserves</b>	<b>122,548</b>	<b>148,108</b>

### Capital Adjustment Account

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

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.

	2023/2024 £000	2023/2024 £000	2022/2023 £000	2022/2023 £000
<b>Balance at 1 April</b>		<b>98,515</b>		<b>81,813</b>
<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Charges for depreciation and impairment of non-current assets	(13,581)		(16,632)	
Revaluation losses on Property, Plant and Equipment	4,645		1,952	
Amortisation of Intangible Assets	(495)		(300)	
Revenue expenditure funded from capital under statute	(17,100)		(8,344)	
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	(4,029)		(850)	
		<b>(30,560)</b>		<b>(24,174)</b>
Adjusting amounts written out of the Revaluation Reserve		4,945		1,854
<b>Net written out amount of the cost of non-current assets consumed in the year</b>		<b>(25,615)</b>		<b>(22,320)</b>
<b>Capital financing applied in the year:</b>				
Use of the Capital Receipts Reserve to finance new capital expenditure	8,120		765	
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	27,213		30,902	
Application of grants to capital financing from the Capital Grants Unapplied Account	58		908	
Statutory provision for the financing of capital investment charged against the General Fund	7,198		6,104	
Capital expenditure charged against the General Fund	15		20	
		<b>42,604</b>		<b>38,699</b>
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		(6,300)		323
<b>Balance at 31 March</b>		<b>109,204</b>		<b>98,515</b>

# Notes to the Accounts

## Note 25 – Unusable Reserves continued:

### 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.

	2023/2024 £000	2022/2023 £000
<b>Balance at 1 April</b>	<b>54,580</b>	<b>50,925</b>
Net revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	<b>10,487</b>	<b>5,544</b>
Difference between fair value depreciation and historical cost depreciation	(2,880)	(1,792)
Revaluation balances on assets scrapped or disposed of	(2,065)	(97)
Amount written off to the Capital Adjustment Account	<b>(4,945)</b>	<b>(1,889)</b>
<b>Balance at 31 March</b>	<b>60,122</b>	<b>54,580</b>

### Pensions Reserve

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

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

	2023/2024 £000	2022/2023 £000
<b>Balance at 1 April</b>	<b>(9,586)</b>	<b>(151,821)</b>
Re-measurements of the net defined benefit liability/(asset)	29,716	194,401
Change in the Asset Ceiling	(68,921)	(38,885)
Pension prepayment adjustment	0	2,816
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	(8,834)	(25,413)
Employer's pensions contributions and direct payments to pensioners payable in the year	13,438	9,316
<b>Balance at 31 March</b>	<b>(44,187)</b>	<b>(9,586)</b>

# Notes to the Accounts

## Note 25 – Unusable Reserves continued:

### 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.

	2023/2024 £000	2022/2023 £000
<b>Balance at 1 April</b>	<b>7,413</b>	<b>(4,228)</b>
Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(4,624)	11,641
<b>Balance at 31 March</b>	<b>2,789</b>	<b>7,413</b>

### Accumulated Absences Account

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

	2023/2024 £000	2022/2023 £000
<b>Balance at 1 April</b>	<b>(1,281)</b>	<b>(1,320)</b>
Settlement or cancellation of accrual made at the end of the preceding year	1,281	1,320
Amounts accrued at the end of the current year	(1,345)	(1,281)
<b>Balance at 31 March</b>	<b>(1,345)</b>	<b>(1,281)</b>

### Dedicated Schools Grant Adjustment Account

The Dedicated Schools Grant adjustment account holds accumulated deficits relating to the schools' budget. Where the authority has incurred a deficit on its schools' budget in years beginning 1 April 2020 ending 31 March 2026, the Local Authorities (Capital Finance and Accounting) Regulations do not allow for such amounts to be included in the General Fund and instead must be held in this adjustment account.

Further information on the deployment of the DSG in 2023/2024 is provided in Note 33.

	2023/2024 £000	2022/2023 £000
<b>Balance at 1 April</b>	<b>(1,533)</b>	<b>(1,533)</b>
School budget deficit transferred from General Fund in accordance with statutory requirements	(2,502)	0
<b>Balance at 31 March</b>	<b>(4,035)</b>	<b>(1,533)</b>

# Notes to the Accounts

## Note 26 – Cashflow From Operating Activities

The cash flows from operating activities include the following items:

	2023/2024	2022/2023
	£000	£000
Interest Paid	(5,804)	(5,080)
Interest Received	1,599	643
<b>Total</b>	<b>(4,205)</b>	<b>(4,437)</b>

	2023/2024	2022/2023
	£000	£000
<b>Adjustment to Surplus or Deficit on the Provision of Services for Non-Cash Movements:</b>		
Depreciation	13,581	16,632
Impairment & Downward Valuations	(4,645)	(1,952)
Amortisation	495	300
(Increase)/Decrease in Debtors	691	(6,838)
Increase/(Decrease) in Creditors	(370)	(25,554)
(Increase)/Decrease in Inventories	56	96
Movement in Pension Liability	(4,604)	16,097
Carrying Amount of Non-Current Assets, and Non-Current Assets Held for Sale, Sold or De-recognised	4,029	850
Other items charged to the Net Surplus or Deficit on Provision of Services	5,913	(4,696)
<b>Total</b>	<b>15,146</b>	<b>(5,065)</b>
<b>Adjustment for items included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities:</b>		
Proceeds from the sale of PPE, Investment Property and Intangible Assets	(22,134)	(729)
Any other items for which the cash effects are Investing or Financing Cash Flows	(29,697)	(33,040)
<b>Total</b>	<b>(51,831)</b>	<b>(33,769)</b>

## Note 27 – Cashflow from Investing Activities

	2023/2024	2022/2023
	£000	£000
Purchase of PPE, Investment Property and Intangible Assets	(33,796)	(42,510)
Other payments for Investing Activities	(1,047)	(1,276)
Proceeds from the sale of PPE, Investment Property and Intangible Assets	22,134	729
Other receipts from investing activities	40,430	37,717
<b>Net Cash Flows from Investing Activities</b>	<b>27,721</b>	<b>(5,340)</b>

## Note 28 – Cashflow from Financing Activities

	2023/2024	2022/2023
	£000	£000
Cash receipts of Short Term and Long Term Borrowing	25,500	59,136
Repayment of Short Term and Long Term Borrowing	(35,153)	(44,262)
Other payments for Financing Activities	(6,356)	5,361
<b>Net cash flows from Financing Activities</b>	<b>(16,009)</b>	<b>20,235</b>

Reconciliation of Liabilities arising from Financing Activities:

	Balance as at 01 April 2023	Cash Change	Non-Cash Change	Non-Cash Change	Balance as at 31 March 2024
		Financing Cash Flows	Long-Term to Short-Term Movement	Interest Accruals	
	£000	£000	£000	£000	£000
Long-Term Borrowings	140,109	(2,153)	(10)	0	137,946
Short-Term Borrowings	31,556	(7,500)	10	387	24,453
<b>Total Liabilities from Financing Activities</b>	<b>171,665</b>	<b>(9,653)</b>	<b>0</b>	<b>387</b>	<b>162,399</b>

# Notes to the Accounts

## 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 partnership pooled budget arrangement. The council is a partner within the pooled budget with the Humber and North Yorkshire Integrated Care Board (ICB).

This funding requires the council and its health partners to agree how the money should be used to support social care activity that also has a health benefit. In accordance with national requirements, the council and NELCCG/ICB 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 the ICB 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:

	2023/2024 £000	2022/2023 £000
<b>Funding Provided to the pooled budget:</b>		
North East Lincolnshire ICB	(15,863)	(15,186)
North East Lincolnshire Council	(12,690)	(11,930)
<b>Total Funding</b>	<b>(28,553)</b>	<b>(27,116)</b>
<b>Expenditure met from the pooled budget:</b>		
North East Lincolnshire ICB	15,863	15,186
North East Lincolnshire Council	12,887	12,678
<b>Total Expenditure</b>	<b>28,750</b>	<b>27,864</b>
<b>Net deficit/ (surplus) arising on the pooled budget during the year</b>	<b>197</b>	<b>748</b>

## Note 30 – Members' Allowances

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

	2023/2024 £000	2022/2023 £000
Allowances	524	506
Expenses	2	3
<b>Total</b>	<b>526</b>	<b>509</b>

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

# Notes to the Accounts

## Note 31 – Officers' Remuneration

### Senior Officer Remuneration

The following tables detail the remuneration received by members of the council's Leadership Team.

Leadership Team Structure 2023/2024	Basic Salary	Salary Supplement	Benefit in Kind	Expense Allowance	Compensation for Loss of Office	Pension Contribution	Total
Post Title	£	£	£	£	£	£	£
Chief Executive – R Walsh	170,775	0	0	0	0	33,643	<b>204,418</b>
Executive Director Place & Resources	124,200	0	0	0	0	24,467	<b>148,667</b>
Assistant Chief Executive	97,859	0	0	0	0	19,278	<b>117,137</b>
Director – Adult Services	113,850	0	0	0	0	22,428	<b>136,278</b>
Director – Children's Services <sup>(1)</sup>	0	0	0	0	0	0	<b>0</b>
Director – Children's Services <sup>(2)</sup>	42,903	0	0	0	0	8,452	<b>51,355</b>
Director Economy, Environment, and Infrastructure	98,325	0	0	0	0	19,370	<b>117,695</b>
Director of Public Health <sup>(3) &amp; (4)</sup>	0	0	0	0	0	0	<b>0</b>
Assistant Director Law & Governance (Monitoring Officer)	91,287	0	0	0	0	17,984	<b>109,271</b>

Leadership Team Structure 2022/2023	Basic Salary	Salary Supplement	Benefit in Kind	Expense Allowance	Compensation for Loss of Office	Pension Contribution	Total
Post Title	£	£	£	£	£	£	£
Chief Executive – R Walsh	165,000	0	0	0	0	24,750	<b>189,750</b>
Deputy Chief Executive & Executive Director for People, Health & Care <sup>(5)</sup>	100,379	0	0	0	30,000	254,829	<b>385,208</b>
Executive Director Place & Resources	115,181	0	0	0	0	17,277	<b>132,458</b>
Assistant Chief Executive	94,549	0	0	0	0	14,182	<b>108,731</b>
Director – Adult Services	54,699	0	0	0	0	8,192	<b>62,891</b>
Director – Children's Services	0	0	0	0	0	0	<b>0</b>
Director Economy, Environment, and Infrastructure	23,750	0	0	0	0	3,229	<b>26,979</b>
Director of Public Health	0	0	0	0	0	0	<b>0</b>
Assistant Director Law & Governance (Monitoring Officer)	88,200	0	0	0	0	13,230	<b>101,430</b>

### Notes

1. From July 2022 the role of Director Children Services was covered by a representative from Lincolnshire County Council this arrangement ceased in December 2023. As the post holder was not a direct employee of North East Lincolnshire Council, these costs are not reflected in the table.

2. Following the departure of the Lincolnshire County Council representative the post of Director Children Services was successfully recruited to with a start date 8 December 2023.

3. An arrangement is currently in place with both Lincolnshire County Council and North Lincolnshire Council for the joint provision of the role of Director of Public Health. Between April 2023 to September 2023 the postholder was employed by Lincolnshire County Council, under this arrangement North East Lincolnshire Council was recharged one third of the salary costs and other remuneration. As the post holder is not a direct employee of North East Lincolnshire Council, these costs are not reflected in the table.

4. From October 2023 a new postholder for joint provision of the role of Director of Public Health has been employed by North Lincolnshire Council. Under this arrangement North East Lincolnshire Council was recharged one third of the salary and other remuneration. As the postholder is not a direct employee of North East Lincolnshire Council, these costs are not reflected in the table.

5. As of 31 December 2022, the post of Executive Director of People, Health & Care ceased and has been deleted from the structure.

# Notes to the Accounts

## Note 31 – Officers' Remuneration continued:

### 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	2023/2024 Number of Employees	2022/2023 Number of Employees
£50,001 to £55,000	47	35
£55,001 to £60,000	18	27
£60,001 to £65,000	20	10
£65,001 to £70,000	14	14
£70,001 to £75,000	10	8
£75,001 to £80,000	3	6
£80,001 to £85,000	4	4
£85,001 to £90,000	3	0
£90,001 to £95,000	1	0
£95,001 to £100,000	0	0
£100,001 to £105,000	0	0
£105,001 to £110,000	0	0
£110,001 to £115,000	0	0
£115,001 to £120,000	0	0
£120,001 to £125,000	0	0
£125,001 to £130,000	0	1
£130,001 to £135,000	0	0
£135,001 to £140,000	0	0
£140,001 to £145,000	0	0
£145,001 to £150,000	0	0
£150,001 to £155,000	0	0
£155,001 to £160,000	1	0
£160,001 to £165,000	1	0
<b>Total</b>	<b>122</b>	<b>105</b>



# Notes to the Accounts

## Note 31 – Officers' Remuneration continued:

### 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)	2023/2024	2022/2023	2023/2024	2022/2023	2023/2024	2022/2023	2023/2024	2022/2023
	Number of Compulsory Redundancies	Number of Compulsory Redundancies	Number of Agreed Departures	Number of Agreed Departures	Total Number of Exit Packages By Cost Band	Total Number of Exit Packages By Cost Band	Total Cost of Ext Packages in Each Band £000	Total Cost of Ext Packages in Each Band £000
£0 - £20,000	8	8	11	10	19	18	145	109
£20,001 - £40,000	2	0	1	2	3	2	82	71
£40,001 - £60,000	3	2	0	2	3	4	129	169
£60,001 - £300,000	5	2	1	2	6	4	589	572
<b>Total Cost included in CIES</b>							<b>945</b>	<b>921</b>

### Note 32 – External Audit Costs

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

	2023/2024 £000	2022/2023 £000
Fees payable with regards to external audit services carried out by the appointed auditor for the year	303	111
Fees payable to the appointed auditor for the certification of grant claims and returns for the year	22	13
Fees payable in respect of other services provided by the appointed auditor during the year	0	0
<b>Total fees payable</b>	<b>325</b>	<b>124</b>

# Notes to the Accounts

## Note 33 – Dedicated Schools Grant

The council's expenditure on schools is funded primarily by grant monies provided by the Education and Skills Funding Agency, the Dedicated Schools Grant (DSG). The DSG is ring-fenced and can only be applied to meet expenditure properly included in the schools budget, as defined in the School Finance and Early Years (England) Regulations 2023. The schools budget includes elements for a range of educational services provided on a council-wide basis and for the individual schools budget (ISB), which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2023/2024 are as follows:

	Central Expenditure £000	Individual Schools Budget £000	Total £000
Final DSG for 2023/2024 before academy and high needs recoupment			168,695
Academy and high needs figure recouped for 2023/2024			(125,306)
<b>Total DSG after academy and high needs recoupment for 2023/2024</b>			<b>43,389</b>
Plus: Brought forward from 2022/2023			64
<b>Agreed initial budgeted distribution in 2023/2024</b>	<b>25,202</b>	<b>18,251</b>	<b>43,453</b>
In year adjustments	0	(45)	(45)
<b>Final budget distribution for 2023/2024</b>	<b>25,202</b>	<b>18,206</b>	<b>43,408</b>
Less: Actual central expenditure	27,585		27,585
Less: Actual ISB deployed to schools		18,325	18,325
<b>In-year carry forward to 2024/2025</b>	<b>(2,383)</b>	<b>(119)</b>	<b>(2,502)</b>
<b>Carry forward to 2024/2025</b>			<b>(2,502)</b>
DSG unusable reserve at the end of 2022/20223			(1,533)
Addition to unusable reserve at the end of 2023/2024			(2,502)
<b>Total of DSG unusable reserve at the end of 2023/2024</b>			<b>(4,035)</b>
<b>Net DSG position at the end of 2023/2024</b>			<b>(4,035)</b>

The deficit DSG balance carried forward as at the 31 March 2024 predominately relates High Needs Block expenditure for 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 continue to be developed and implemented as part of the DfE Delivering Better Value strategy with the aim of addressing the on-going in year position and repaying the DSG overspend over the coming years.



# Notes to the Accounts

## 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	2023/2024 £000	2022/2023 £000
Council Tax Income	(84,419)	(82,553)
Non-Domestic Rates Income and Expenditure	(39,169)	(40,432)
Business Rates Relief	(12,344)	(10,931)
Revenue Support Grant	(10,656)	(9,477)
Social Care Grant	(12,961)	(8,226)
Services Grant	(1,607)	(2,739)
Other Non-Ring-Fenced Government Grants	(1,201)	(1,924)
Capital Grants and Contributions	(21,366)	(25,933)
<b>Total</b>	<b>(183,723)</b>	<b>(182,215)</b>

Credited to Services	2023/2024 £000	2022/2023 £000
Dedicated Schools Grant	(43,272)	(41,433)
Rent Allowances	(34,219)	(32,893)
Public Health Grant	(12,316)	(11,887)
Improved Better Care Fund	(8,059)	(8,059)
Household Support Fund	(3,142)	(3,097)
Other Grants and Contributions	(27,785)	(31,828)
<b>Total</b>	<b>(128,793)</b>	<b>(129,197)</b>

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	2023/2024 £000	2022/2023 £000
Capital Grants	(29,648)	(18,133)
Revenue Grants	(2,591)	(4,413)
<b>Total</b>	<b>(32,239)</b>	<b>(22,546)</b>

## Note 35 – Related Parties

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

### **Central Government**

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

# Notes to the Accounts

## Note 35 – Related Parties continued:

### Members and Officers

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

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

Related Party Interests	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
<b>2023/2024 Financial Year:</b>						
Works and Services commissioned from Companies	15,988	(1,088)	(3)	222	18	0
Grants to Voluntary Organisations	236	(3)	0	1	15	0
Grant contributions to Charities	1,060	(61)	(5)	19	16	1
Grant contributions to Not-for-Profit Organisations	836	(1,162)	3	159	12	0
<b>2022/2023 Financial Year:</b>						
Works and Services commissioned from Companies	16,990	(790)	(18)	281	22	1
Grants to Voluntary Organisations	75	(8)	0	8	3	0
Grant contributions to Charities	1,126	(14)	0	8	17	1
Grant contributions to Not-for-Profit Organisations	1,134	(903)	(10)	123	14	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

#### NHS Humber and North Yorkshire ICB (formerly North East Lincolnshire Clinical Commissioning Group)

The council and NELCCG have worked very closely together to deliver health services in North East Lincolnshire since 2007. In July 2022 the Integrated Care Board (ICB) took responsibility for the functions previously undertaken by North East Lincolnshire Clinical Commissioning Group (NELCCG).

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

The council also has a pooled budget arrangement with the NHS Humber and North Yorkshire ICB in relation to the Better Care Fund. Further information relating to the Better Care Fund is detailed in Note 29 Pooled Budgets.

# Notes to the Accounts



## 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.

	2023/2024	2022/2023
	£000	£000
<b>Opening Capital Financing Requirement</b>	<b>203,086</b>	<b>190,336</b>
<b>Capital Investment:</b>		
Property, Plant and Equipment	31,926	22,101
Investment Properties	986	19,926
Intangible Assets	1,032	1,056
Heritage Assets	7	0
Revenue Expenditure Funded from Capital Under Statute	17,100	8,344
Other	41	22
	<b>51,092</b>	<b>51,449</b>
<b>Sources of Finance:</b>		
Capital Receipts	(8,120)	(765)
Government Grants and Other Contributions	(27,271)	(31,810)
<b>Sums set aside from Revenue:</b>		
Direct Revenue Contributions	(15)	(20)
Minimum/Voluntary Revenue Provision	(7,198)	(6,104)
	<b>(42,604)</b>	<b>(38,699)</b>
<b>Closing Capital Finance Requirement</b>	<b>211,574</b>	<b>203,086</b>
<b>Explanation of Movements in Year:</b>		
Increase in underlying need to borrow (unsupported by government financial assistance)	8,488	12,750
<b>Increase/(Decrease) In Capital Financing Requirement</b>	<b>8,488</b>	<b>12,750</b>

# Notes to the Accounts

## Note 37 – Leases

### The Council as a 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:	2023/2024 £000	2022/2023 £000
No later than 1 year	685	214
Later than 1 year and no later than 5 years	2,516	719
Later than 5 years	2,265	1,240
<b>Total</b>	<b>5,466</b>	<b>2,173</b>

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

	2023/2024 £000	2022/2023 £000
Minimum lease payments	548	229
Less: Sublease payments receivable	0	0
<b>Total</b>	<b>548</b>	<b>229</b>

### The Council as a 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:	2023/2024 £000	2022/2023 £000
No later than 1 year	(3,183)	(3,093)
Later than 1 year and no later than 5 years	(11,311)	(10,567)
Later than 5 years	(126,136)	(119,594)
<b>Total</b>	<b>(140,630)</b>	<b>(133,254)</b>

# Notes to the Accounts

## **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 2023/2024, the council paid £1,000k to the Teachers' Pension Scheme in respect of teachers' retirement benefits, representing a contribution rate of 23.68% of pensionable pay. In 2022/2023 the council paid £1,088k to the Teachers' Pension Scheme, which represented a contribution rate of 23.68% of pensionable pay. There were no contributions remaining payable at the year-end. Contributions due to be paid in the 2024/2025 financial year are estimated to be £1,095k.

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

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

### **Public Health staff**

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

In 2023/2024, the council paid £283k 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 2022/2023, the council paid £267k 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 2024/2025 financial year are estimated to be £275k.

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

# Notes to the Accounts

## **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.



# Notes to the Accounts

## Note 39 – Defined Benefit Pension Schemes continued:

### 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:

	2023/2024 Local Government Pension Scheme £000	2022/2023 Local Government Pension Scheme £000	2023/2024 Discretionary Benefits £000	2022/2023 Discretionary Benefits £000
<b>Comprehensive Income and Expenditure Statement</b>				
Cost of services:				
Service cost comprising:				
Current service cost	10,260	20,870	0	0
Past service cost	39	907	0	0
(Gain)/loss from settlements	0	(549)	0	0
Financing and investment income and expenditure:				
Net interest expense	(1,465)	4,185	0	0
<b>Total post-employment benefits charged to the Surplus or Deficit on the Provision of Services</b>	<b>8,834</b>	<b>25,413</b>	<b>0</b>	<b>0</b>
Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement:				
Re-measurement of the net defined benefit liability comprising:				
Return on plan assets (excluding the amount included in the net interest expense)	(21,005)	11,007	0	0
Actuarial gains and losses arising on changes in demographic assumptions	(3,311)	(4,774)	0	0
Actuarial gains and losses arising on changes in financial assumptions	(23,801)	(238,665)	809	(2,312)
Other Experience	17,592	40,343	0	0
Change in the Asset Ceiling	68,921	38,885	0	0
<b>Total post-employment benefits charged to the Comprehensive Income and Expenditure Statement</b>	<b>47,230</b>	<b>(127,791)</b>	<b>809</b>	<b>(2,312)</b>
<b>Movement in Reserves Statement</b>				
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	<b>(8,834)</b>	<b>(25,413)</b>	<b>0</b>	<b>0</b>
<b>Actual amount charged against the General Fund balance for pensions in the year:</b>				
Employers' contributions payable to scheme	<b>11,637</b>	<b>7,574</b>		
Retirement benefits payable to pensioners			<b>1,801</b>	<b>1,742</b>

# Notes to the Accounts

## Note 39 – Defined Benefit Pension Schemes continued:

### Pensions Assets and Liabilities 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:

	2023/2024 Local Government Pension Scheme £000	2022/2023 Local Government Pension Scheme £000	2023/2024 Discretionary Benefits £000	2022/2023 Discretionary Benefits £000
Present value of the defined obligation	(524,802)	(517,968)	(14,815)	(15,807)
Fair value of plan assets	603,236	563,074	0	0
<b>Net Asset/(Liability) arising from the defined benefit obligation</b>	<b>78,434</b>	<b>45,106</b>	<b>(14,815)</b>	<b>(15,807)</b>
<b>Total Asset/(Liability) before Asset Ceiling Adjustment</b>	<b>63,619</b>	<b>29,299</b>		
Asset Ceiling Adjustment	(107,806)	(38,885)		
<b>Total Asset/(Liability) after Asset Ceiling Adjustment</b>	<b>(44,187)</b>	<b>(9,586)</b>		

### Asset Ceiling

The pensions valuation undertaken by the council's actuary has determined that the fair value of the pension plan assets outweighed the present value of the plan obligations at 31 March 2024 resulting in a pension plan asset.

IAS19 Employee Benefits requires that, where a pension plan asset exists, it is measured at the lower of the surplus in the defined benefit plan and the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of future refunds from the plan or reductions in future contributions to the plan, and takes into account the adverse effect of any minimum funding requirements in accordance with IFRIC14.

As the actuary has calculated the asset ceiling to be lower than the surplus in the defined benefits plan, the council has therefore restricted the net pension asset recognised in the balance sheet to reflect this.

### Reconciliation of Movements in the Fair Value of Scheme Assets:

	2023/2024 Local Government Pension Scheme £000	2022/2023 Local Government Pension Scheme £000	2023/2024 Discretionary Benefits £000	2022/2023 Discretionary Benefits £000
<b>Opening fair value of scheme assets</b>	<b>563,074</b>	<b>568,764</b>	<b>0</b>	<b>0</b>
Interest income	26,572	15,216	0	0
<b>Re-measurement gain / (loss):</b>				
The return on plan assets, excluding the amount included in the net interest expense	21,005	(11,007)	0	0
Other	0	0	0	0
Contributions from employer	11,637	7,574	1,801	1,742
Contributions from employees into the scheme	3,189	2,999	0	0
Benefits/transfers paid	(22,241)	(20,177)	(1,801)	(1,742)
Other	0	(295)	0	0
<b>Closing value of scheme assets</b>	<b>603,236</b>	<b>563,074</b>	<b>0</b>	<b>0</b>

# Notes to the Accounts

## Note 39 – Defined Benefit Pension Schemes continued:

### Reconciliation of Present Value of the Scheme Liabilities:

	2023/2024	2022/2023	2023/2024	2022/2023
	Local Government Pension Scheme	Local Government Pension Scheme	Discretionary Benefits	Discretionary Benefits
	£000	£000	£000	£000
<b>Opening balance at 1 April</b>	<b>(517,968)</b>	<b>(697,908)</b>	<b>(15,807)</b>	<b>(19,861)</b>
Current service cost	(10,260)	(20,870)	0	0
Interest cost	(25,107)	(19,401)	0	0
Contributions from scheme participants	(3,189)	(2,999)	0	0
<b>Re-measurement (gains) and losses:</b>				
Actuarial (gains)/losses from changes in demographic assumptions	3,311	4,774	0	0
Actuarial (gains)/losses from changes in financial assumptions	23,801	238,665	(809)	2,312
Other	(17,592)	(40,343)	0	0
Past service cost	(39)	(907)	0	0
Benefits/transfers paid	22,241	20,177	1,801	1,742
Liabilities extinguished on settlements	0	844	0	0
<b>Balance as at 31 March</b>	<b>(524,802)</b>	<b>(517,968)</b>	<b>(14,815)</b>	<b>(15,807)</b>

### Local Government Pension Schemes Assets Comprised:

	2023/2024	2022/2023
	£000	£000
<b>Cash and Cash Equivalents</b>	<b>6,644</b>	<b>10,508</b>
<b>Equities: by industry type</b>		
Other	0	56,744
<b>Debt Securities: by sector</b>		
Corporate Bonds (Non-Investment Grade)	31,678	35,018
UK Government	10,432	9,592
Other	4,892	5,131
<b>Sub-Total Debt Securities</b>	<b>47,002</b>	<b>49,741</b>
<b>Real Estate - UK</b>	<b>50,125</b>	<b>50,981</b>
<b>Private Equity - All</b>	<b>37,621</b>	<b>34,809</b>
<b>Investment Funds and Unit Trusts:</b>		
Equities	302,193	232,213
Bonds	51,938	37,827
Infrastructure	41,766	37,429
Other	65,947	52,822
<b>Sub-Total Investment Funds and Unit Trusts</b>	<b>461,844</b>	<b>360,291</b>
<b>Total Assets</b>	<b>603,236</b>	<b>563,074</b>

# Notes to the Accounts

## Note 39 – Defined Benefit Pension Schemes continued:

### Basis for Estimating Assets and Liabilities

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

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

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

	2023/2024	2022/2023
<b>Mortality assumptions:</b>		
<i>Longevity at 65 current pensioners (years):</i>		
Men	20.6	20.8
Women	23.5	23.7
<i>Longevity at 65 for future pensioners (years):</i>		
Men	21.4	21.5
Women	25.0	25.2
<b>Financial assumptions:</b>		
Rate of increase in salaries	2.80%	3.00%
Rate of increase in pensions	2.80%	3.00%
Discount rate	4.80%	4.75%
Rate of inflation (CPI)	2.75%	2.95%

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

Change in Assumption at 31 March 2024	Approximate % increase to Defined Benefit Obligation	Approximate monetary amount £000
0.1% decrease in Real Discount Rate	2%	9,001
1 year increase in Member Life Expectancy	4%	21,585
0.1% increase in the Salary Increase Rate	0%	271
0.1% increase in the Pension Increase Rate / Revaluation Rate (CPI)	2%	8,892

### Impact on the Council's Cash Flows

It has been estimated that the contributions to the scheme for 2024/2025 will be approximately £11.384m.

# Notes to the Accounts

## 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.

To appeal against the rateable value assigned to a property there is now a three-stage process known as Check, Challenge, Appeal. At the Check stage, the ratepayer must check the accuracy (or otherwise) of the facts on which the Valuation Office Agency (VOA) has based its valuation. If these are in dispute, the ratepayer can submit a 'challenge' to the VOA. This must include the legal basis of the challenge, and a proposed alternative rateable value, with reasons. If the ratepayer is unhappy with the VOA's response to the 'challenge' stage, they may appeal to the Valuation Tribunal for England.

If the bill is reduced as a result of the appeal, the VOA or the Valuation Tribunal may then give the ratepayer a refund. The Business Rates Appeal Provision is held as an amount to cover successful appeals and refunds and is an assessment of the likelihood of success and the level of estimated refund, including any backdating element.

The council has included a provision of £2.2m – this represents the council's 49% share of the Local Business Rates Retention Scheme (the overall provision in the Business Rates Collection Fund is £4.4m).

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

## Note 41 – Contingent Assets

The council does not have any material contingent assets.

## Note 42 – Trust Funds

The council administers various Trust Funds which are not included within the council's Balance Sheet. These include the Charter Trustees for Grimsby and Cleethorpes (precepting bodies set up to preserve the historic rights and memorabilia of the former Boroughs of Grimsby and Cleethorpes) and a further three miscellaneous funds. The balances on these funds as at 31 March 2024 are as follows:

	2023/2024	2023/2024	2023/2024	2022/2023	2022/2023	2022/2023
	Charter Trustees	Other Funds	Total	Charter Trustees	Other Funds	Total
	£000	£000	£000	£000	£000	£000
<b>Opening Balance at 1 April</b>	<b>219</b>	<b>28</b>	<b>247</b>	<b>237</b>	<b>27</b>	<b>264</b>
In Year Movement	(30)	0	(30)	(18)	1	(17)
<b>Closing Balance at 31 March</b>	<b>189</b>	<b>28</b>	<b>217</b>	<b>219</b>	<b>28</b>	<b>247</b>

## Note 43 – Agency Income and Expenditure

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.

North East Lincolnshire Council act as the accountable body for the Humber Freeport. Only income which is received due to the undertaking of this administration role is held within the Resources line of the Cost of Services.

# Notes to the Accounts

## *Note 43 – Agency Income and Expenditure continued:*

The Alternative Energy Support Scheme was a government initiative to support households with increasing energy bills. All funding received has been distributed in year. The council received new burdens funding to help cover any additional costs incurred in administering the scheme, which is included within the Resources line of the Cost of Services.

The income and expenditure associated with the above activities is not material to the accounts.

## **Note 44 – Long Term Contracts**

### **EQUANS**

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

This is an outcomes based contract which requires EQUANS to achieve a series of performance targets during the contract term for which service credits can be paid back to the council if they are not met. The initial value of the contract over the 10 years was £155m – payments of £12.5m were made in 2023/2024. Contract payments are revised annually for both inflation and efficiencies identified by the partnership, in accordance with the terms of the Services Agreement.

### **Newlincs**

The council has a 30 year waste management contract with Newlincs Development Ltd. Initially a 25 year contract which commenced in 1999, this has been extended by five years so now runs to 2029. Contract payments for 2023/2024 were £8.2m.

### **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 2023/2024 they received £2.1m of contract payments from the council.

### **Humber & North Yorkshire Integrated Care Board**

In July 2022 the Integrated Care Board (ICB) took responsibility for the functions previously undertaken by North East Lincolnshire Clinical Commissioning Group (NELCCG). This has continued the previously established strong partnership in the delivery of health and social care services within North East Lincolnshire. This 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 the ICB and NELC is governed by a Section 75 (S75) agreement for the delivery of adult services (value of work currently £61.0m) and children's services (value of work currently £2.0m). 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 ICBs) 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 ICB and local authority – further details of the NELC/HNYICB pooled budget arrangement can be seen in Note 29 Pooled Budgets.

# 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.

	2023/2024 Business Rates £000	2023/2024 Council Tax £000	2023/2024 Total £000	2022/2023 Business Rates £000	2022/2023 Council Tax £000	2022/2023 Total £000
<b>Income</b>						
Council Tax Receivable		(101,744)	<b>(101,744)</b>		(96,542)	<b>(96,542)</b>
Business Rates Receivable	(56,556)		<b>(56,556)</b>	(54,510)		<b>(54,510)</b>
Transitional Protection Payments Receivable	(1,341)		<b>(1,341)</b>			
<b>Total Amounts to Be Credited</b>	<b>(57,897)</b>	<b>(101,744)</b>	<b>(159,641)</b>	<b>(54,510)</b>	<b>(96,542)</b>	<b>(151,052)</b>
<b>Expenditure</b>						
<b>Apportionment of Previous Year Surplus/Deficit:</b>						
Central Government	6,110		<b>6,110</b>	(6,940)		<b>(6,940)</b>
Billing Authority	5,989	525	<b>6,514</b>	(6,801)	2,092	<b>(4,709)</b>
Fire Authority	122	27	<b>149</b>	(139)	110	<b>(29)</b>
Police Authority		77	<b>77</b>		302	<b>302</b>
<b>Precepts, Demands and Shares:</b>						
Central Government	28,937		<b>28,937</b>	28,369		<b>28,369</b>
Billing Authority	28,359	82,603	<b>110,962</b>	27,802	78,531	<b>106,333</b>
Fire Authority	579	4,347	<b>4,926</b>	567	4,074	<b>4,641</b>
Police Authority		12,259	<b>12,259</b>		11,446	<b>11,446</b>
<b>Charges to Collection Fund:</b>						
Write-offs of uncollectable amounts	299	454	<b>753</b>	469	292	<b>761</b>
Increase/(Decrease) in allowance for impairment	(33)	(308)	<b>(341)</b>	(139)	(2,627)	<b>(2,766)</b>
Appeals charged to appeals provision	(2,076)		<b>(2,076)</b>	(5,678)		<b>(5,678)</b>
Change in provision for appeals	1,443		<b>1,443</b>	(3,730)		<b>(3,730)</b>
Charge to General Fund for allowable collection costs for non-domestic rates	214		<b>214</b>	215		<b>215</b>
Payments in respect of Transitional protection	0		<b>0</b>	244		<b>244</b>
<b>Other transfers to General Fund in accordance with non-domestic rates regulations:</b>						
Enterprise Zone Growth	(44)		<b>(44)</b>	82		<b>82</b>
Renewable Energy	218		<b>218</b>	179		<b>179</b>
Designated Area Relief	205		<b>205</b>	202		<b>202</b>
<b>Total amounts to be debited</b>	<b>70,322</b>	<b>99,984</b>	<b>170,306</b>	<b>34,702</b>	<b>94,220</b>	<b>128,922</b>
<b>(Surplus) / deficit arising during the year</b>	<b>12,425</b>	<b>(1,760)</b>	<b>10,665</b>	<b>(19,808)</b>	<b>(2,322)</b>	<b>(22,130)</b>
(Surplus) / deficit brought forward at 1 April	(8,172)	(3,988)	<b>(12,160)</b>	11,636	(1,666)	<b>9,970</b>
<b>(Surplus) / deficit carried forward at 31 March</b>	<b>4,253</b>	<b>(5,748)</b>	<b>(1,495)</b>	<b>(8,172)</b>	<b>(3,988)</b>	<b>(12,160)</b>

# Collection Fund

## 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 2024

Council Tax Band	Valuation Band Limits £	Calculated Number of Dwellings	Ratio to Band D	Band D Equivalent Dwellings	Council Tax Payable £
AR	Reduced Rate	78	5/9	43	1,206
A	Up to & including 40,000	26,785	6/9	17,857	1,447
B	40,001 - 52,000	14,718	7/9	11,447	1,688
C	52,001 - 68,000	7,867	8/9	6,993	1,929
D	68,001 - 88,000	4,729	9/9	4,729	2,170
E	88,001 - 120,000	2,115	11/9	2,584	2,653
F	120,001 - 160,000	865	13/9	1,249	3,135
G	160,001 - 320,000	448	15/9	747	3,617
H	More Than 320,001	30	18/9	61	4,341
<b>Council Tax Base</b>				<b>45,710</b>	

The amount of Council Tax required for Band D, for North East Lincolnshire Council and its major preceptors, in 2023/2024 was calculated on the following basis:

(i) Preceptor's Council Tax Requirements	£99,209,311
(ii) Number of Band D equivalent Dwellings	45,710
<b>Band D – (i) divided by (ii)</b>	<b>£2,170</b>

## Collection Fund Note 2 – Non-Domestic Rates

Non-domestic rates are determined on a national basis by central government which sets an annual non-domestic rating multiplier amounting to 51.2p in 2023/2024 (51.2p in 2022/2023). The non-domestic rate multiplier for small businesses is 49.9p in 2023/2024 (49.9p in 2022/2023). Subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by this multiplier. Local rateable values were £152.0m in 2023/2024 (£153.5m in 2022/2023).

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

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## Financial Abbreviations and Rounding's

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. 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.

# Glossary of Financial Terms

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**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.

# Glossary of Financial Terms

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## **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.

# Glossary of Financial Terms

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**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)**

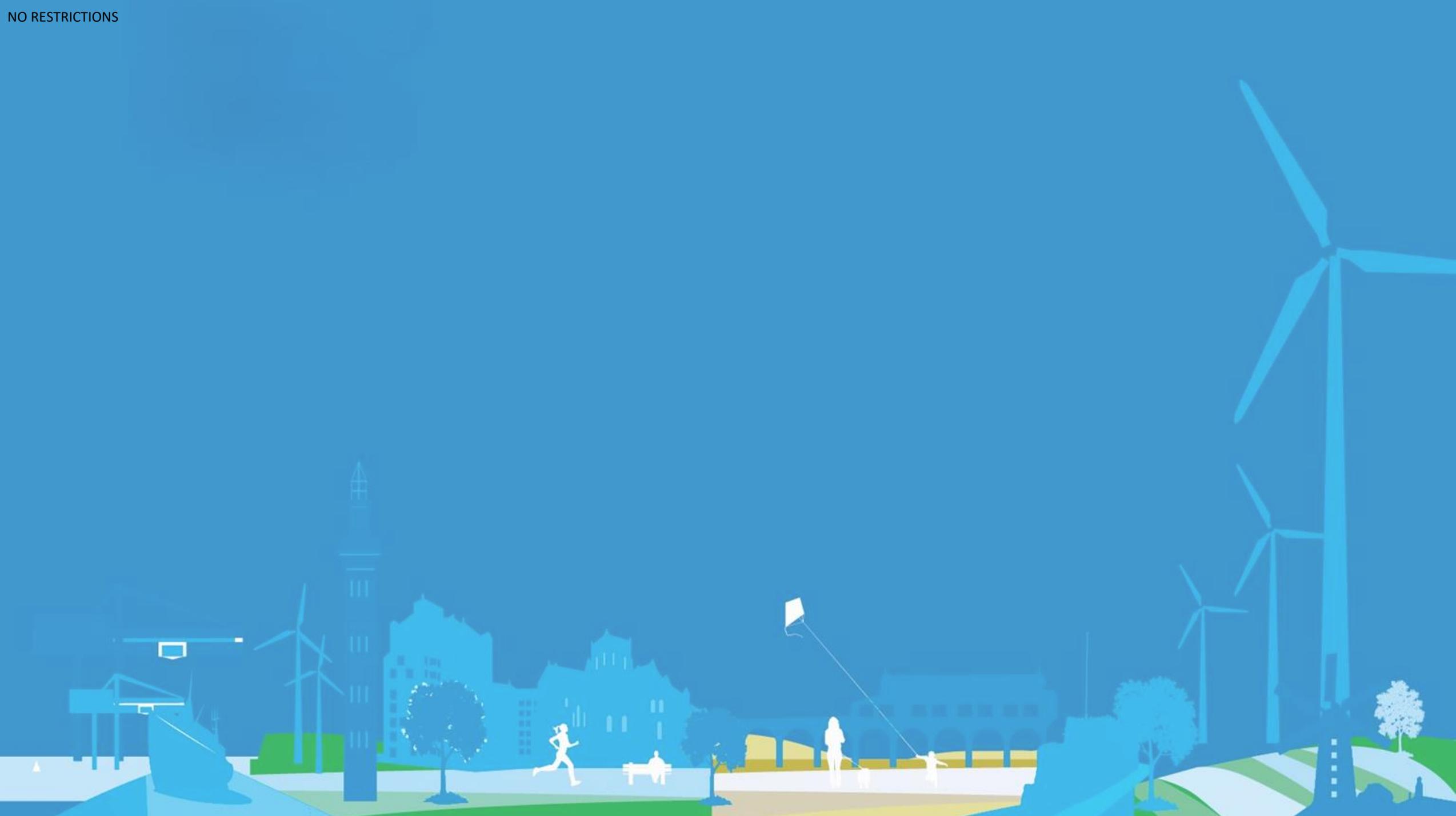
Grant paid to local authorities by central government to help finance its general expenditure. It is determined under the Formula Spending Share system.

**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.





# ENQUIRIES OF MANAGEMENT

North East Lincolnshire Council  
Audit 2023/24

# INTRODUCTION

- The International Standards on Auditing (ISA), specifically ISA 240, 250, 540, 550 and 570, require auditors to perform certain procedures to obtain an understanding of the entity and its environment, including the entity's internal control. These procedures include making appropriate inquiries of management and others within the organisation, for the purpose of obtaining information for use in identifying the risks of material misstatement due to fraud and other issues.
  
- The purpose of this document is to record Internal Audit's assessment against these requirements.

# ENQUIRIES OF MANAGEMENT

Response provided by: Guy Lonsdale, Assistant Director of Finance (Deputy S151)

Date: 14 January 2025

Inquiry Area	Description	Response
<b>Fraud</b> <b>[ISA 240.18a]</b>	What is management's assessment of the risk that the financial statements may be materially misstated due to fraud, including the nature, extent and frequency of such assessment?	<p>Low. Although some instances of fraud have been identified during 2023/24 financial year, these examples are isolated in nature and have been identified through the Council's internal control and fraud response mechanisms.</p> <p>All public bodies are at risk from fraud in one form or another, acknowledging this fact is vital in developing an effective anti-fraud response. Individual services need to understand where the risk of fraud lies and the consequences of those frauds (whether that be financial, reputation or other consequence) to enable them to develop an appropriate risk-based response.</p> <p>Current and emerging risks are identified from a number of sources including the National Anti-Fraud Network (NAFN) and other law enforcement agencies. These are disseminated to relevant Council teams to raise awareness. Examples of fraud risk continue to be shared in the 'risk roundup' publication that is publicised on the Council's internal network.</p>

# ENQUIRIES OF MANAGEMENT

Inquiry Area	Description	Response
<b>Fraud</b> <b>[ISA 240.A13]</b>	<p>What controls and processes has management established to prevent, detect, deter and mitigate fraud?</p> <p>How does management monitor these controls and processes?</p>	<p>Based upon the Audit and Governance Committee's work programme and reviews undertaken by internal audit, satisfactory assurance has been obtained that there is a sound system of internal control in place. Key controls such as the segregation of duties, management review and supervision and authorisation and approval are evident in each of the Council's core systems. In overall terms, internal audit have concluded that controls are effective.</p> <p>Where appropriate other sources of assurance, such as work by other inspectorates and peer reviews, or internal reviews carried out within the Council has been relied upon by the audit and governance committee.</p> <p>It is acknowledged that maintaining an effective control environment is challenging in a time of reducing resources and a changing operating environment. For this reason, internal audit will have a continued role in supporting the council in ensuring that an adequate but appropriate control environment is in place to mitigate fraud risks</p> <p>Although all allegations are investigated and pursued, there is an underlying risk that some instances of potential fraud, corruption and misconduct may not be identified and thus brought to the attention of those with the responsibility of investigating allegations. For example, whilst it has been concluded that there is a sound system of internal control in place, there is always the risk that individuals could collude in order to avoid detection.</p> <p>In mitigation, the Council undertake a proactive work programme including substantive testing of areas identified as high risk.</p>

# ENQUIRIES OF MANAGEMENT

Inquiry Area	Description	Response
<b>Fraud</b> <b>[ISA 240.18b]</b>	What is management's process for identifying and responding to the risks of fraud in the entity, including any specific risks of fraud that management has identified or that have been brought to its attention, or classes of transactions, account balances, or disclosures for which a risk of fraud is likely to exist	<p>A risk assessment has been carried out by the fraud team, the outcome of which is referred to in the Annual Fraud Report. The risk assessment helps prioritise the work of both the audit team and fraud team.</p> <p>The Statement of accounts themselves are subject to detailed Quality Assurance processes and overall review by senior officers. Working papers are prepared for all material balances within the accounts which can be reconciled back to the financial ledger and supporting working papers.</p> <p>The Audit and Governance Committee play a key oversight role in relation to fraud and error identification. The committee receive both an interim and annual report on anti-fraud activities taking place within the Council and also approve the Council's Anti-Fraud and Corruption Strategy. The annual report provides assurance in relation to the effectiveness of the Council's anti-fraud and corruption approach as required by its terms of reference.</p>
<b>Fraud</b> <b>[ISA 240.A15]</b>	Are there particular operating locations or business segments for which a risk of fraud may be more likely to exist?	<p>The key fraud risks within the Council include :-</p> <ul style="list-style-type: none"> <li>➤ Council tax supports and discounts</li> <li>➤ Housing benefits</li> <li>➤ False or exaggerated insurance claims.</li> <li>➤ Misuse of Council assets.</li> </ul> <p>Investigations mainly relate to allegations of fraud in respect of false claims for Council Tax discounts and support and into abuses of the Disabled persons Blue Badge Scheme. In response the Council undertakes periodic reviews of eligibility.</p>

# ENQUIRIES OF MANAGEMENT

Inquiry Area	Description	Response
<p><b>Fraud</b> <b>[ISA 240.A15]</b></p>	<p>What is the nature and extent of management monitoring of operating locations or business segments for fraudulent activities, including fraudulent financial reporting?</p>	<p>The Council operates the three lines of defence model of assurance as described in both the Code of Governance and the Annual Governance Statement.</p> <p>In terms of oversight, the Council's internal audit function plays a key role in this regard. Internal audit work is not a substitute for management's responsibilities for the design and operation of these systems, and is not responsible for identifying all significant control failures.</p> <p>However, the internal audit team has an important role in providing assurance on the Council's control environment and providing a view on the council's processes for identifying control failures, and endeavours to plan its work so that work is focused on those areas where the likelihood of a significant control failure is greatest.</p> <p>Despite continued financial challenges within the Local Government sector, we are not aware of any organisational or management pressure to meet financial or operating targets. Further, we are not aware of any inappropriate organisational or management pressure being applied, or incentives offered, to meet financial or operating targets.</p> <p>Through the Council's finance business partnering function, support and challenge is offered to all areas of the council's activities. Monitoring of performance, trends and activity is a key aspect of this arrangement. Expectations are outlined in annual accountability letter to budget holders.</p>

# ENQUIRIES OF MANAGEMENT

Inquiry Area	Description	Response
<p><b>Fraud</b> <b>[ISA 240.18c]</b></p>	<p>What is the nature and extent of management's communication, if any, to those charged with governance regarding its processes for identifying and responding to the risks of fraud in the Council?</p>	<p>The Council promotes a zero tolerance toward fraud and promotes a culture that enables individuals to identify potential fraud and empowers them to report their concerns in a safe and secure manner to the appropriate people at the right time.</p> <p>The means by which employees can report fraud are publicised on the Council's intranet. Fraud issues are widely communicated both internally and externally to provides a deterrent to fraudsters by highlighting the Council's commitment to identify fraud and take proactive action to pursue fraudsters.</p> <p>The Council's Anti-Fraud and Corruption Strategy requires managers to ensure all employees are aware of their responsibilities under the anti-fraud and anti-corruption framework and ensure employees are aware of the process for reporting allegations of fraud.</p> <p>Employees are expected to have an understanding of expected behaviour and of their responsibility to report suspected fraud or corruption and the appropriate methods to do so. The Council has a zero tolerance attitude towards fraud and promotes a culture whereby they are able to recognise fraud and abuse and know how and where to report.</p> <p>The fraud response plan lays out the reporting mechanisms and how any subsequent investigations will be carried out</p>

# ENQUIRIES OF MANAGEMENT

Inquiry Area	Description	Response
<p><b>Fraud</b></p> <p><b>[ISA 240.18d]</b></p>	<p>What is the nature and extent of management’s communication, if any, to employees regarding its views on business practices and ethical behaviour?</p>	<p>The Council has a code of conduct which describes the standards of conduct and practice which all Council employees should follow. The code of conduct is a key component of the Council’s code of governance which is part of the Constitution.</p> <p>In particular, core principle A lays out the Council’s arrangements for “behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law section” . The code of conduct is designed to:</p> <ul style="list-style-type: none"> <li>➤ promote fairness and consistency in the treatment of individuals.</li> <li>➤ assist in the effective operation of the Council.</li> <li>➤ establish the required standards of conduct of employees of the Council; and</li> <li>➤ maintain satisfactory relationships within the workforce and between the employees and management.</li> </ul> <p>The code is a key element in the employment relationship and an integral part of the contract of employment, forming the basis of an employee’s induction. Managers and supervisors are required to ensure that all employees are aware of and understand the code, providing support and guidance where required to meet the code.</p> <p>The Council operates a Policy for Raising a Concern (Incorporating the Whistleblowing Policy) and enables any individual to register, in confidence, any concerns regarding alleged misconduct and fraudulent or corrupt activity. This can be found on the Council’s intranet.</p>

# ENQUIRIES OF MANAGEMENT

Inquiry Area	Description	Response
<b>Fraud</b> <b>[ISA 240.19]</b>	<p>Are you aware of or have you identified any instances of actual, suspected or alleged fraud within the Council? This includes instances of misconduct or unethical behaviour related to financial reporting or misappropriation of assets.</p> <p>Where you are aware of such instances how have these been addressed?</p>	Any allegations involving employees are dealt with through the council disciplinary procedures and where cases are proven appropriate sanctions issued which may include dismissal. Not aware of any material fraud during 2023/24.
<b>Transactions Outside the Normal Course of Business</b> <b>[ISA 240.33c]</b>	Is management aware of any significant transactions outside the normal course of business for the entity?	We are not aware of any accounting entries which are suspected to be false, intentionally misleading or outside normal course of business. Should management become aware of any suspect accounting entries, these would be subject to immediate investigation through internal audit.
<b>Laws and Regulations</b> <b>[ISA 250.15a]</b>	How is the Council complying with the legal and regulatory framework?	Activity is monitored by the Council's Monitoring officer who is engaged on all significant matters e.g. commenting on key cabinet decisions, advising services on procurement matters, engaging external legal advice where necessary. It is the responsibility of management to develop and maintain sound systems of risk management; internal control and governance. This includes the requirement to identify and respond to any identified breaches of internal control. However it is noted that internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgement in decision making; human error; control processes being deliberately circumvented by employees and others; management overriding controls and unforeseeable circumstances.
<b>Laws and Regulations</b> <b>[ISA 250.A11]</b>	What legal and regulatory frameworks are applicable to the Council?	As a local authority, the Council is bound by statute. There are a wide range of legal duties placed upon the Council. As above, these frameworks are monitored and supported by the Monitoring officer / head of legal service.

# ENQUIRIES OF MANAGEMENT

Inquiry Area	Description	Response
<b>Laws and Regulations</b> [ISA 250.A11]	What laws and regulations have a direct effect on the determination of material amounts or disclosures in the financial statements?	Local Government Act and Local Government Finance Act are main piece of legislation guiding the financial matters within local government.
<b>Laws and Regulations</b> [ISA 250.A11]	What policies, procedures, and controls has management established to prevent instances of non-compliance with laws and regulations?	<p>The Council is subject to a range of legal and regulatory frameworks. Regular monitoring of compliance with laws and regulations is undertaken by the Council's Monitoring officer. All cabinet and council reports are subject to legal, financial and HR review and comment to ensure key issues are identified.</p> <p>Key risks in relation to compliance with laws and regulations are captured within the Council's risk register. Further information is detailed within the Council constitution which is available on the Council's website. As part of the compilation of the Annual Governance Statement the Monitoring Officer is asked to provide assurance as to whether he is aware of any significant material legalities in year.</p>
<b>Laws and Regulations</b> [ISA 250.A11]	What policies, procedures and controls has management established for identifying, evaluating and accounting for litigation, claims and assessments?	Ongoing dialogue maintained with Council's monitoring officer throughout year. Policies and procedures in place to require individual management teams to monitor and log issues of legal nature. Insurance team sit under monitoring officer and work closely with internal audit.
<b>Laws and Regulations</b> [ISA 250.A15]	<p>Are you aware of any instances of actual, suspected or alleged non-compliance with laws and regulations, including actual or possible illegal acts?</p> <p>Other than in house legal team, can you provide details of those legal firms utilised during the year. Please indicate where they are working on open litigation or contingencies from prior years?</p>	We are not aware of any instances of significant non-compliance during the financial year. The council procures external legal support though EM Lawshare framework. Not aware of any material litigation or contingencies from previous years.

# ENQUIRIES OF MANAGEMENT

Inquiry Area	Description	Response
<b>Laws and Regulations</b> [ISA 250.A15]	<p>Is the Council involved in any litigation, claims or assessments?</p> <p>What is management's assessment of such matters?</p> <p>Which litigation, claims and assessments involving the Council may have a material effect on the financial statements and/or may require disclosure in the financial statements?</p>	<p>We are not aware of any significant litigation or claims against the Council. All material issues would be reported within financial statements in the form of either provisions or contingent liability note.</p> <p>As part of the closedown processes, managers across the Council are consulted as to whether they are aware of any actual or potential litigation or claims affecting the accounts. Furthermore, there is ongoing review of any emerging financial risks through the Assurance Board.</p>
<b>Accounting Estimates</b> [ISA 540.13]	<p>Have there been changes in circumstances that may give rise to new or the need to revise existing accounting estimates?</p>	<p>No. Key accounting estimates remain asset valuations, pension assumptions and business rate appeals/provisions. No change to methodology for calculating these estimates.</p>
<b>Related Parties</b> [ISA 550.13ab]	<p>Who are the entity's related parties and what is the nature of the relationship between the Council and each related party?</p> <p>Are there any changes in related parties from the prior period?</p>	<p>Key related parties are detailed within financial statements and these include central government departments, NHS Humber and North Yorkshire ICB and various voluntary bodies. No significant changes from related parties identified in 2022/23.</p>
<b>Related Parties</b> [ISA 550.13c]	<p>Have there been any transactions with the identified related parties during the period, and if so, what is the type and purpose of the transactions?</p>	<p>We are not aware of any related party relationships or transactions that could give rise to instances of fraud.</p>

# ENQUIRIES OF MANAGEMENT

Inquiry Area	Description	Response
<b>Related Parties [ISA 550.14]</b>	<p>What policies, procedures and controls has management established to</p> <ul style="list-style-type: none"> <li>• identify, account for, and disclose related party relationships and transactions in accordance with the applicable financial reporting framework?</li> <li>• authorise and approve significant transactions and arrangements with related parties; and</li> <li>• authorise and approve significant transactions and arrangements outside the normal course of business.</li> </ul>	<p>Disclosure of significant related party relationships is required for both members and officers in positions of influence. Where related parties are identified alternative internal control and governance arrangements are sought. For example, a council member may be asked to leave room or abstain from debate/decision. For senior officers, alternative authorisation and sign off arrangements would be put in place to protect both Council and individual concerned.</p> <p>Employees are required to not allow their personal interests to conflict with the Council's requirements in either their official or personal capacity nor use their position to improperly confer an advantage or disadvantage on any person or organisation. Employees are required to declare any potential conflicts of interest that they have, or a relative, associate or close friend has in connection with the Council.</p> <p>The Council has a published Anti Bribery and Corruption Policy which applies to all activities and employees. Employees include but are not limited to those who are directly employed, agency staff, contractors, non-executives, agents, Members (including independent members), volunteers and consultants.</p> <p>For partners and suppliers, we will seek to promote the adoption of policies consistent with the principles set out in this policy. Both Cabinet and Senior Leadership Team are committed to preventing bribery by persons associated with the council. The Policy states that the Council will not offer bribes or any other improper inducements to anyone for any purpose, nor will they accept bribes or improper inducements.</p>

# ENQUIRIES OF MANAGEMENT

Inquiry Area	Description	Response
<b>Going Concern [ISA 570.10]</b>	<p>Has management made an assessment of the entity's ability to continue as a going concern?</p> <p>If so, has management identified events or conditions that, individually or collectively, may cast significant doubt on the entity's ability to continue as a going concern and, management's plans to address them?</p> <p>If not, what is management's basis for the intended use of the going concern assumption?</p>	<p>Going concern has been assessed as part of Council's ongoing budget setting process in January 2025. The budget setting process requires the Council's S151 Officer (Executive Director of Place and Resources) to provide a view on the robustness of estimates and the adequacy of reserves. No issues of concern have been noted.</p>
<b>Going Concern [ISA 570.15]</b>	<p>Is management aware of any events or conditions beyond the period of management's formal assessment that may cast significant doubt on the entity's ability to continue as a going concern?</p>	<p>No issues in relation to going concern have been highlighted as part of management assessment processes. Local Government Fair Funding review expected in 2025/26 but not considered to be a significant risk.</p>
<b>General enquiries</b>	<p>What are the key events or issues that will have a significant impact on the financial statements?</p>	<p>There are a range of key events and issues which have a significant impact on the financial statements. These include but are not limited to local government funding regime, treatment/recognition of grant income, asset valuations, capital programme, capitalisation policies, pensions assumptions, business rate provisions and treatment of accruals and prepayments. The Council's accounting policies clearly outline treatment of these issues.</p>
<b>General enquiries</b>	<p>Have you, or are you planning to, adopt any new accounting policies?</p>	<p>Council follows standard CIPFA accounting policies which are subject to review and approval by Audit and Governance Committee. IFRS16 will be implemented in full in the next financial year.</p>

## Contact

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## 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 (2024/25), the projected financial position (2025/2028), 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 February 2026, 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 (2024/25)

At the end of third quarter of the financial year, the Council is forecasting a £0.9M overspend against its 2024/25 budget. Whilst the main driver for this overspend is Children's Services, restorative actions are now beginning to significantly impact numbers of children looked after; resulting in an improved forecast position for the financial year. The overall improved forecast position also reflects the establishment of income generation from the new Border Target Operating Model within Environmental Regulation, work is ongoing in developing and optimising this service.

## Medium Term Financial Plan

The Council has received a one year-financial settlement from Government in 2025/26 with changes to the local government financial model and business rate reset planned during 2025. These changes represent both a risk and opportunity.

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, collaborating with public and private partners and cross cutting transformational activities.

Current planning assumptions indicate that the Council is facing budget gaps of £4.4m and £6.4m per annum in 2026/27 and 2027/28 respectively, therefore further transformation will be required to deliver longer term financial sustainability.

As we move into the financial planning period for 2025-2028, the Council has reviewed corporate and technical reserves to ensure there is sufficient capacity to deal with the risks and opportunities currently faced.

## 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 2025/26 and beyond. However these will be highly dependent on the outcome of the fair funding review and business rate reset.

The medium-term financial plan assumes that the Council would see continued economic and housing growth over the medium term. However some of this growth may be impacted by economic conditions.

## 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. The proposed increase to the net contribution to reserves in 2025/26 reflects a range of issues including transformation and social care demands.

General fund reserves, set aside to deal with any unforeseen events, remained at £8.3m at the end of the 2023/24 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 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. The Council maintains minimum cash balances to reduce the cost of carry.

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 over the next 12 months.

## **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.

## **Conclusion**

The Council's accounts have been prepared on the presumption of going concern but acknowledge the significant uncertainty around funding and demand pressures. 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.

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. These are underpinned by a clear and transparent budget setting timetable.

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.

*Guy Lonsdale*  
*Assistant Director of Finance*  
*3/2/2025*