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Lincolnshire COUNTY COUNCIL
Working for a better future

County Offices
Newland
Lincoln
LN1 1YL

10 July 2015

Audit Committee

A meeting of the Audit Committee will be held on **Monday, 20 July 2015 at 10.00 am in Committee Room One, County Offices, Newland, Lincoln LN1 1YL** for the transaction of the business set out on the attached Agenda.

Yours sincerely

Tony McArdle
Chief Executive

Membership of the Audit Committee
(7 Members of the Council + 1 Voting Added Member)

Councillors Mrs S Rawlins (Chairman), Mrs E J Sneath (Vice-Chairman), N I Jackson, Miss F E E Ransome, S M Tweedale, W S Webb and P Wood

Voting Added Member

Mr P D Finch, Independent Added Person

AUDIT COMMITTEE AGENDA
MONDAY, 20 JULY 2015

Item	Title	Pages
1	**Apologies for Absence**	
2	**Declaration of Members' Interests**	
3	**Minutes of the meeting held on 22 June 2015**	5 - 12
4	**Draft Statement of Accounts 2014/15** *(To receive a report which provides the Committee with an opportunity to scrutinise and comment on the Draft Statement of Accounts)*	13 - 180
5	**Internal Audit Progress Report** *(To receive a report which provides an update on audits completed in the period 31 May to 10 July 2015 and outstanding recommendations at 30 June 2015)*	181 - 204
6	**Review of the Effectiveness of Internal Audit** *(To receive a report which provides the Committee with an opportunity to consider the findings of work undertaken by a joint officer/councillor working group to review the effectiveness of internal audit)*	205 - 212
7	**Internal Audit Annual Report - 2014/15** *(To receive a report which gives the Head of Internal Audit opinion on the adequacy of the Council's governance, risk and control environment and delivery of the Internal Audit Plan for 2014/15)*	213 - 234
8	**Review of Governance Framework & Development of Annual Governance Statement 2015** *(To receive a report which provides the Committee with the opportunity to review the contents of the draft statement – ensuring that it accurately reflects the Committee's understanding of the Council's governance and assurance arrangements)*	235 - 250
9	**Work Plan** *(To receive a report which enables the Committee to consider its work plan for 2015)*	251 - 264

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Please note: for more information about any of the following please contact the Democratic Services Officer responsible for servicing this meeting

- Business of the meeting
- Any special arrangements
- Copies of reports

Contact details set out above.

All papers for council meetings are available on:
www.lincolnshire.gov.uk/committeerecords

AUDIT COMMITTEE
22 JUNE 2015

PRESENT: COUNCILLOR MRS S RAWLINS (CHAIRMAN)

Councillors Mrs E J Sneath (Vice-Chairman), N I Jackson and S M Tweedale.

Also in attendance: Mr P D Finch (Independent Added Person).

Officers in attendance:-

Rachel Abbott (Principal Auditor), Tony Crawley (KPMG), Matt Drury (Principal Investigator), David Forbes (County Finance Officer), Cheryl Hall (Democratic Services Officer), Judith Hetherington Smith (Chief Information and Commissioning Officer), David Ingham (Information Security and Compliance Manager), Pete Moore (Executive Director of Finance and Public Protection), Mike Norman (KPMG) and Lucy Pledge (Audit and Risk Manager).

1 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Miss F E E Ransome, W S Webb and P Wood.

2 DECLARATION OF MEMBERS' INTERESTS

There were no declarations of interest at this point in the meeting.

3 MINUTES OF THE MEETING HELD ON 30 MARCH 2015

RESOLVED

That the minutes of the meeting held on 30 March 2015 be signed by the Chairman as a correct record.

4 INTERNAL AUDIT PROGRESS REPORT

Consideration was given to a report by Lucy Pledge (Audit and Risk Manager), which invited the Committee to consider an update on progress made against the Audit Plan 2014/15 and provided a summary of all audits completed within the period of March to May 2015. Attached at Appendix A to the report was the Internal Audit Progress Report, which included information on: -

- Key messages on Internal Audit work completed or in progress;
- Other significant pieces of work undertaken;
- Summaries of audits with 'Effective' or 'Some Improvement' required;
- Performance Information;

- Full report on audits rated as 'Inadequate' or 'Major Improvement Required'
- Other matters of interest.

Members were advised that during the period of 19 March 2015 to 31 May 2015 fourteen County audits had been completed; seven to final report; and the remaining seven to draft report stage. In addition, a further five assignments had been commissioned in this period. Overall 99% of the 2014/15 plan was complete.

Three auditors had been assigned to support the Agresso project post implementation, which was a significant audit resource. Further to this, it was noted that there were currently twelve audits in progress, including the two Agresso post implementation assignments. All contracted 2014/15 Academy visits were complete and the 2015/16 visits were progressing in accordance with their agreements.

Members were provided with an opportunity to ask questions, where the following points were noted: -

- It was commented that the Standards Complaint Investigation, as referred to on page 26 of the agenda pack, was now complete;
- It was suggested that estimated final report completion dates should be included within Appendix 2 to the Internal Audit Progress Report;
- Members were assured that the consultancy undertaken by the team was not undertaken at the detriment of the internal audit work. Further to this, Members were advised that the Plan provided adequate time for both consultancy and internal audit work;
- It was noted that the target for the performance indicator for 'Draft Report issued within 2 months of field work commencing' was 80%, yet the actual performance was at 69%. Further to this, Members were assured that the team was currently examining the causes of this and Members were assured that the target would remain at 80% for future years.

RESOLVED

That the report and comments made be noted.

5 EXTERNAL AUDIT PROGRESS REPORT

Consideration was given to a report from KPMG, the County Council's External Auditors, which provided an update on the 2014/15 deliverables. Attached at Appendix A to the report was the External Audit Progress Report and Technical Update, which provided information on the following areas: -

- Audit Plan 2014/15;
- Audit Fee Update;
- Other Work;
- Technical Update.

Members were advised that the Audit Committee Members would be receiving invites during the summer of 2015 to attend bespoke seminars designed to help Members consider challenges faced by Local Government bodies by the Audit Committee Institute.

It was noted that at this stage, the proposed audit fee would remain the same as that notified by the Authority in March 2015, £143,100, for the Council's audit and £24,350 for the Pension Fund. KPMG would discuss with managers the fee implications of the additional work required to address the key risks identified for 2015/16 and would report any agreed additional fees in the Annual Governance Report to the meeting of the Committee on 21 September 2015.

In response to a question, Members were advised that the County Council would run a mini-close down of financial accounts over the winter 2015, to trial Agresso prior to the scheduled close-down in March 2016.

RESOLVED

That the report and comments made be noted.

6 COUNTER FRAUD ANNUAL REPORT 2014/15

A report by Lucy Pledge (Audit and Risk Manager) was considered, which provided information on the overall effectiveness of the Authority's arrangements to counter fraud and corruption and reviews the delivery of the 2014/15 counter fraud work plan.

Members were advised that the Council's counter fraud commitment and arrangements remained strong and in recent years the Council had achieved excellent results in terms of recovering fraud losses. Whilst the Council had not achieved the same levels of recovery in 2014/15, the Council had been able to realise other outcomes from its investigations and apply appropriate and robust sanctions in line with its Counter Fraud Policy and these had included successful prosecutions, dismissal and/or resignation. The Council had recovered £25.5k in year and expect a further £28.8k.

The newly formed Counter Fraud Centre (CIPFA) had recently developed and produced a Code of Practice on Managing Risk of Fraud and Corruption. There were five key principles within the code, which were detailed within the Committee's report, which built upon the main themes previously identified within the Local Government Fraud Strategy.

It was noted that CIPFA could assist the Audit Committee through a regular programme of self-assessment to ensure that the Council's counter fraud arrangements continued to conform with the principles as contained within the code. CIPFA were due to produce an assessment tool to support this process.

Members were advised that the Counter Fraud and Investigations team had achieved 90% of the counter fraud work plan for 2014/15, with three areas carried forward to the 2015/16 work plan: revisiting the Council's fraud risk assessment; pro-active counter fraud review of contracts; and the development of a fraud e-learning tool. It was hoped that those three pieces of work would all be completed by Quarter 3 reporting.

It was also noted that the Counter Fraud and Investigations team had received 23 new potential fraud referrals during 2014/15, an increase on previous years, and mainly due to the targeted awareness work with social care officers. The total estimated value of fraud associated with those cases was £43k. The team had found an increase in low level fraud for example, mileage claims; abuse of assets; and abuse of time. Similarly, there had been twelve financial abuse cases which the team are in the process of establishing the extent of the loss and would be included within future reports to the Committee.

In response to a question on the recouping of £12,830 from four cases relating to individuals receiving pension after death, it was confirmed that these would usually be picked up through the 'Tell Us Once' system, however, these four cases had managed to get through and this was likely due to human error.

RESOLVED

> That the update on the work being undertaken to counter fraud and corruption be noted.

7 INFORMATION GOVERNANCE BREACHES - INTERNAL AUDIT

Consideration was given to a report by David Ingham (Information Security and Compliance Manager), which provided an update to the position reported at the Committee on 30 March 2015.

Members were advised that following a number of information breaches involving Lincolnshire County Council information, an internal audit was requested by the Chief Information and Commissioning Officer. The aim of the audit was to provide management assurance on a number of key information governance areas, including: training and awareness; security incident reporting; and third party information sharing and processing.

The audit had resulted in a number of recommendations aimed at improving current information governance practices across the Council. The report also described activity undertaken so far to meet the recommendations.

The results of the Information Governance Breaches Audit were reported to the Committee in March 2015, and a synopsis of key findings and subsequent corrective action was provided within the Committees report of 22 June 2015, as detailed on pages 76 – 80 of the agenda pack, of which eleven of thirteen recommendations were either partially complete or complete. Members were advised that the two outstanding recommendations both related to training and the delays related to Agresso and Lincs2Learn applications requiring the synchronisation of staff records which was key to ensuring accurate recording.

In response to a question, Members were assured that any breaches were effectively managed, and the team was confident they were being dealt with in the appropriate manner, with robust processes in place.

Members were assured that training for elected members would be refreshed in the near future.

RESOLVED

That the progress made against the recommendations in the report, be noted.

8 AGRESSO UPDATE

The Committee considered a verbal update from Judith Hetherington Smith (Chief Information and Commissioning Officer) on Agresso. The verbal update included information on: Payroll; Accounts Payable; Mosaic.

Payroll

Members were reminded that the Agresso system went live on 7 April 2015. Officers were anticipating some issues with the system, as they had not managed to complete as much testing of the system as initially hoped for. Officers had a choice between repeating the March payroll through BACS for April 2015 knowing that it would be 100% incorrect owning to the changes to the tax basic allowance, and subsequent corrective measures having to be taken with all employees, or running with Agresso.

Payrolls for April, May and June 2015 had all been undertaken via Agresso. There had been issues with each payroll. However, the number of issues was significantly reducing each time.

Members were advised that a very small number of staff had not received any pay as part of the April 2015 payroll. However, hardship payments were processed. Some of the other issues had included errors with maternity payments and pension deductions but these had since been addressed. There were outstanding issues with Trade Union payments but these were being addressed. Members were assured that the Internal Audit team were currently looking into these issues.

Payments to the Pension Authority were made late and the HM Revenue and Customs were completed manually in April and May 2015. However, it was hoped that these payments would be automatic for the June payroll.

At this stage in the update, Members were provided with an opportunity to ask questions, where the following points were noted: -

- 99% of the issues were generally caused by the system, not through the operation of the system;
- Officers were satisfied that Serco were putting in the right level of resources to address the issues;

- It was noted that Mouchel's Payroll Control Team did not transfer over to Serco until 1 April 2015, with no training on the system owing the terms and conditions within the Mouchel contract not requiring staff to be released for training prior to transfer;
- Members were assured that the Internal Audit team were looking into the issues;
- All Members of staff had been asked to contact the Payroll team should they have received an over or underpayment;
- Members were assured that all of the issues would be looked at in depth once the system was fully operational, without any issues;

Accounts Payable

Members were advised that as there had been a change in process, both process and system were contributing factors to the issues which had been encountered.

The Council had attempted to introduce a 'no purchase order number, no payment' policy. However, approximately 30% of invoices received had included a purchase order number, leaving approximately 70% without purchase order numbers. There had been problems with the system in terms of producing purchase orders, which had since been eradicated. However, for this reason the Council could not enforce its 'no purchase order number, no payment' policy.

There was a backlog in the processing of invoices and it was hoped that this would be cleared by the end of June 2015. In response to a question, Members were advised that the backlog of invoices could potentially damage its reputation.

A critical invoice process had been implemented to process emergency payments, where necessary. Members were also advised that the Audit team were currently exploring the extent of duplicate payments.

Members were provided with a further opportunity ask questions, where the following points were noted: -

- The Council had engaged with suppliers to ensure they understood the implications of the Council's new policy on 'no purchase order number, no payment';
- The vast majority of duplicate payments had been resolved;
- The Council's Finance department would not undertake a full budget monitoring exercise until September/October 2015 to allow time for the issues to be resolved;
- The Council's Finance department had produced a 'Budget Holder Checklist' and members of the team were scheduled to sit down with the 300-400 budget holders to ensure the accounts were accurate;
- It was suggested that the Committee received information on the section covering the 'end of contract' within the terms and conditions of the Serco contract to provide reassurance to members that the same issues

experienced with Mouchel could not be repeated when the contract comes to an end with Serco.

Mosaic

Members were advised that the system did not 'go live' in April 2015 and the implementation date had been put on hold until officers were confident that the system was ready. It was anticipated that this would be around September 2015. In the meantime, testing of data was continuing.

RESOLVED

(1) That the verbal update and comments made be noted.

(2) That a further update on the backlog of contracts be presented to the Committee at its meeting on 20 July 2015.

(3) That information on the section covering 'end of contract' within the Serco contract be sent to the Committee, for information.

9 WORK PLAN

Consideration was given to a report which provided the Committee with information relevant to the core assurance activities currently scheduled for the 2015/16 work plan.

During consideration of the work programme, the following amendments were suggested: -

- That an update on Agresso and the Backlog of Invoices be presented to the Committee at its meeting on 20 July 2015;
- That the Annual Meeting with the Auditors be held during the afternoon 23 November 2015;
- It was also agreed that the Committee received a report Agresso – review of implementation issues be considered by the Committee at its meeting on 23 November 2015.

RESOLVED

That the Work Plan be approved, subject to the inclusion of the above items.

The meeting closed at 11.55 am.

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Lincolnshire COUNTY COUNCIL
Working for a better future

Regulatory and Other Committee

Open Report on behalf of Pete Moore, Executive Director - Finance and Public Protection

Report to:	**Audit Committee**
Date:	**20 July 2015**
Subject:	**Draft Statement of Accounts 2014/15**

Summary:

The draft Statement of Accounts for Lincolnshire County Council for the financial year 2014/15 is attached to this report (APPENDIX A). Members of the Audit Committee are asked to scrutinise and comment on the draft Statement of Accounts. The final Statement of Accounts for 2014/15 will be presented to the Audit Committee in Spetember for approval.

Recommendation(s):

Members of the Audit Committee are asked to scrutinise and comment on the draft Statement of Accounts, within the framework set out in the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and other statutory guidance.

Background

1.1 The County Council prepares its annual Statement of Accounts in line with the proper accounting practices required by section 21(2) of the Local Government Act 2003 and set out in the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and the Service Reporting Code of Practice (SeRCoP).

1.2 In addition to this guidance the County Council's accounts are prepared using the accounting policies set out at note one on pages 17 to 36 of the accounts. The accounting policies are the principles, bases, conventions, rules and practices applied by the Council that specify how the effects of transactions and other events are reflected in the Statement of Accounts. These policies are reviewed annually to ensure they remain current and were reported to this committee at its meeting on 30 March 2015.

1.3 Councillors have little discretion to influence the content of the statements as they are prepared using the above guidance, however Councillors do have a responsibility for the corporate governance of the Council and this includes robust scrutiny of the Council's financial accounts and financial position. Therefore, Members of the Audit Committee are asked to scrutinise and comment on the Statement of Accounts.

1.4 Councillors may wish to initially focus on the Explanatory Foreword (pages 3 to 10). This attempts to provide a straight forward overview of the Council's financial health and performance and highlights the significant areas of financial activity during the year.

1.5 Councillors should note that separate reporting takes place on expenditure incurred over 2014/15 relative to the approved budget. This review of financial performance has been to Executive on 7 July and will be considered by the VfM Scrutiny Committee on 23 June. Recommendations arising in terms of the treatment and use of over and underspendings will be considered by full Council on 18 September.

Conclusion

2.1 The Committee's scrutiny and comments will be reflected in the final Statement of Accounts which will come back to this Committee in September.

2.2 The statements are subject to external audit and the Council's External Auditor (KPMG) will give an opinion on whether the accounts give a 'true and fair' view. The results of the external audit will be reported back to the Audit Committee in September. The Audit Committee will then be asked to approve the final Statement of Accounts for 2014/15.

2.3 The accounts and supporting information are available for inspection by the public during the period 6 July 2015 to 31 July 2015 inclusive.

Consultation

a) Policy Proofing Actions Required

N/A

Appendices

These are listed below and attached at the back of the report	
Appendix A	Draft Statement of Accounts 2014/15

Background Papers

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

This report was written by Claire Pemberton, who can be contacted on 01522 553663 or claire.pemberton@lincolnshire.gov.uk.

Lincolnshire County Council
Statement of Accounts 2014-15

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Explanatory Foreword

Introduction to the Accounts

The Statement of Accounts for the year 2014-15 is set out on pages 12 to 16.

The purpose of the published Statement of Accounts is to give electors, local tax payers and service users, elected members, employees and other interested parties clear information about the Council's finances. It should answer such questions as:

- What did the Council's services cost in the year of account?
- Where did the money come from?
- What were the Council's assets and liabilities at the year-end?

Content

The Explanatory Foreword

This provides a general introduction to the Accounts, focusing on explaining the more significant features of the Council's financial activities during the period 1 April 2014 to 31 March 2015. It is based on the information contained in the Statement of Accounts and the Council's Financial Performance Report for 2014-15.

Movement in Reserves Statement for the period 1 April 2014 to 31 March 2015

This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The (Surplus) or Deficit on the Provision of Services line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for Council Tax setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

Comprehensive Income and Expenditure Statement for the period 1 April 2014 to 31 March 2015

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

Balance Sheet as at 31 March 2015

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

Cash Flow Statement for the period 1 April 2014 to 31 March 2015

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The Statement shows how the Authority 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 Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority'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 Authority.

Notes to the Accounts

These comprise of a summary of significant accounting policies, further information and detail of entries in the prime Statements above and other explanatory information.

The Statement of Responsibilities for the Statement of Accounts

This details the financial responsibilities of the Council, the Chairman of the Council and the Executive Director - Finance & Public Protection.

The Governance Statement

This identifies the systems that the Council has in place to ensure that its business is conducted in accordance with the law and proper standards and that public money is safeguarded and properly accounted for.

Audit Opinion

This contains the External Auditor's report and opinion on the Accounts.

The Lincolnshire Pension Fund Account

This shows the operation of the Lincolnshire Pension Fund run by the Council for its own employees and employees of the seven District, City and Borough Councils in Lincolnshire along with other scheduled and admitted bodies.

The Lincolnshire Fire and Rescue Pension Fund Account

This shows the operation of the Lincolnshire Fire and Rescue Pension Fund run by the Council for its own Fire-fighter employees.

A review of financial performance in 2014-15 by the Executive Director - Finance and Public Protection

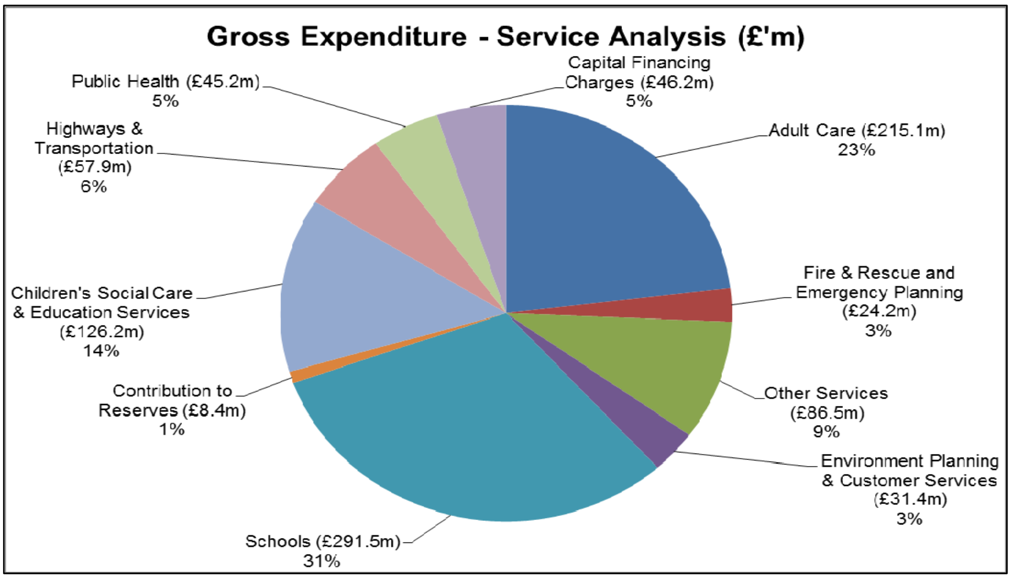
Review of the Year

The County Council set its spending plans for 2014-15 against a backdrop of considerable national economic uncertainty, significantly reduced Government grant funding and rising demand for some services (such as adult care). In setting the budget for 2014-15 the Council's aim was to set a balanced and deliverable budget that would effectively address reduced levels of funding, protect frontline services wherever possible, and continue to freeze Council Tax to the people of Lincolnshire for the fourth year running.

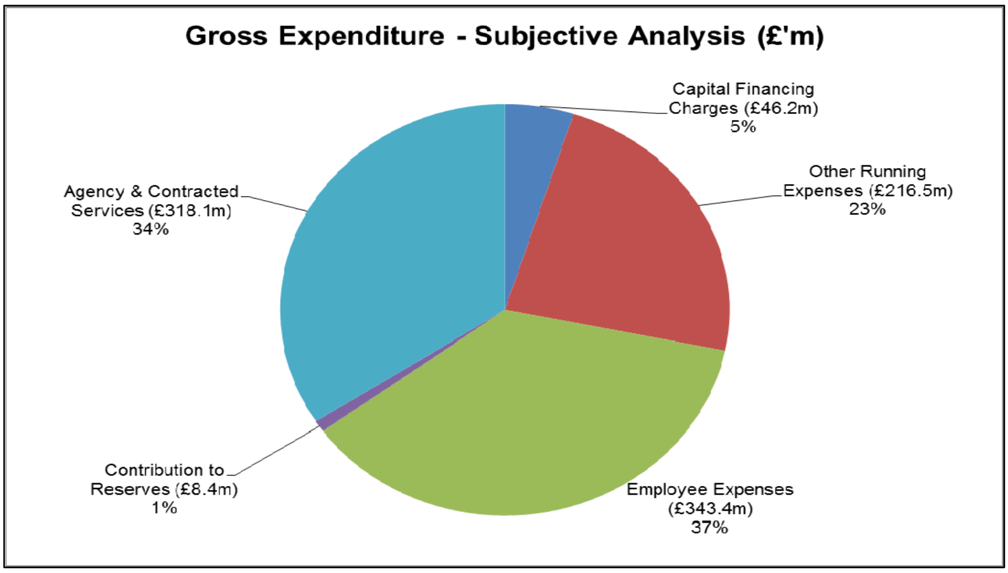
Annual Revenue Spending

The Council spent £924.23m on 2014-15 in providing public services – £1,248.68 for every person in Lincolnshire.

The Council's annual spending on providing public services are set out in the charts below and show how this was used both by type of service provided and by type of expenditure.



Other Services includes: Other budgets, Economy and Culture, Community Safety and Support Services (including: Finance, ICT and HR).

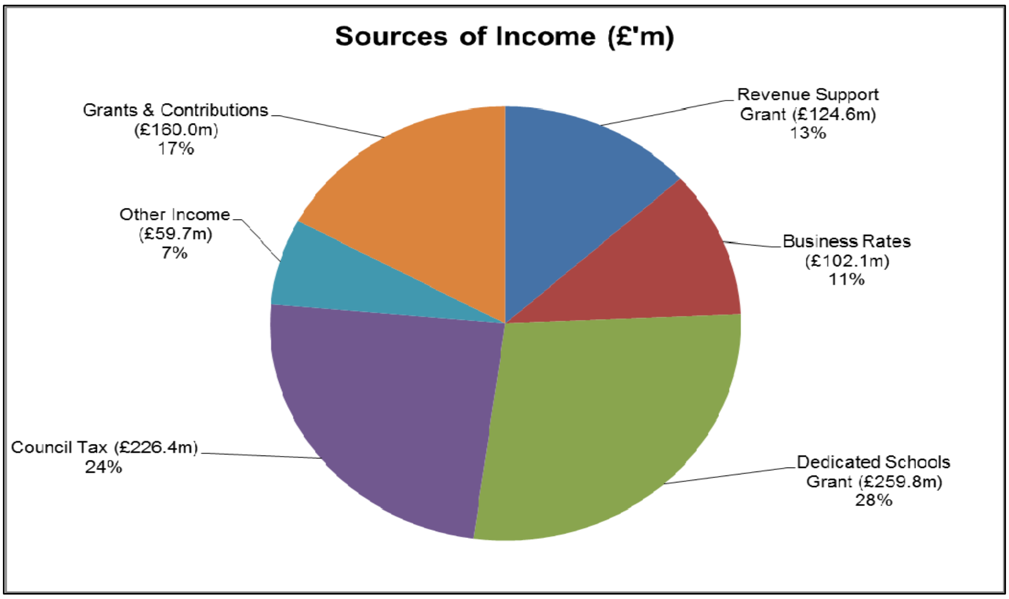


The distribution of expenditure by type differs significantly between different services. For example, salaries and wages comprises 63.5% of expenditure for schools. For services other than schools, salaries and wages comprises 27.0% of expenditure and contract payments comprises 48.7% of total expenditure. These differences reflect how Council services are provided.

Note 29 Amounts Reported for Resource Allocation Decisions provides further details on spending and the services which are provided to the public (page 78).

Annual income

The Council's revenue spending was funded by:



The Council's main sources of general funding come from Revenue Support Grant (RSG) and Business Rates (part of which is retained from business rates collected in Lincolnshire and part from central government as a 'top up' to the element collected locally). Funding from RSG received in 2014-15, on a like for like basis showed a reduction of £25.180m or 17.2% from the grant received in 2013-14. Business Rates showed a small growth of £4.651m or 4.8%.

In addition to formula grant the Council also receives specific government grants. The most significant of these was £259.761m of Dedicated Schools Grant which is used for funding education in Lincolnshire.

In 2014-15 the Council chose to freeze council tax for the fourth consecutive year. Central Government again provided a grant equivalent to a 1% increase in Council Tax. The Council also saw a small growth of 0.4% on the number of band D equivalent properties in Lincolnshire.

The revenue outturn for 2014-15 is summarised below:

- Total service revenue spending, excluding schools, was under spent by £8.126m or 1.9%.
- Schools were underspent by £17.658m or 6.3% of the schools budget.
- There was an underspend of £9.150m on other budgets, mainly reflecting a large underspend on capital financing charges during the year and a surplus of £2.267m on the insurance budgets.
- The Council received £0.407m of general funding income in excess of budget.
- This give the Council an overall underspend of £35.341m.

The table below shows the outturn of expenditure in 2014-15 compared with the budgets approved by the Council.

Service Revenue Outturn	Budget £'m	Outturn £'m	Over / Under Spend £'m	Percentage Under or Over Spend %
Adult Care	139.794	138.688	-1.106	-0.8%
Public Health	40.793	40.484	-0.309	-0.8%
Public Health Grant Income	-29.777	-29.777	0.000	0.0%
Children's Social Care	49.316	51.697	2.381	4.8%
Education Services	57.022	54.094	-2.928	-5.1%
Highways & Transportation	49.484	49.145	-0.339	-0.7%
Environment Planning & Customer Services	27.264	27.070	-0.194	-0.7%
Economy & Culture	12.255	12.054	-0.201	-1.6%
Finance & Resources	17.202	14.654	-2.548	-14.8%
Fire & Rescue	21.370	21.264	-0.106	-0.5%
Community Safety	19.116	18.097	-1.019	-5.3%
Performance & Governance	21.892	20.135	-1.757	-8.0%
Total Service Budgets	**425.731**	**417.605**	**-8.126**	**-1.9%**
Other Budgets	57.843	48.693	-9.150	-15.8%
Schools Budgets	12.768	-4.890	-17.658	-138.3%
Total Expenditure	**496.342**	**461.408**	**-34.934**	**-7.0%**
Total Income	**-469.417**	**-469.824**	**-0.407**	**0.1%**
Use of / (Contribution to) Reserves	**26.925**	**-8.416**	**-35.341**	**-131.3%**

Significant variances include:

- Children's Social Care (£2.381m overspend) due to the increase in the number of Looked After Children from 589 in April 2014 to 637 by March 2015;

- Education Services (£2.928m underspend). This was due to a number of factors including: restructuring of the special educational needs and disabilities service (£0.581m) and contractual changes to the school improvement and education service with CfBT (£0.368m);

- Finance and Resources (£2.548m underspend). This was due to a number of factors including: a £1.098m in Legal Services Lincolnshire due to achieving surplus income and savings on the locum budget; Corporate Property underspend of £0.664m, including slippage on the property rationalisation programme; and £0.686m within Treasury and Financial Strategy including £0.296m dividend from ESPO which was not budgeted for.

- Other Budgets (£9.150m underspend). Capital Financing Charges were underspent by £7.983m due to use of internal borrowing and slippage in the capital programme. At the end of the year, £1.680m of the Council's contingency remained unused and the Council's insurance budgets delivered a surplus of £2.267m. These underspends offset an overspend of £3.001m on the Council's Corporate Redundancy budgets, this was due to the Senior Management and Lincolnshire Adults Re-ablement Service reviews.

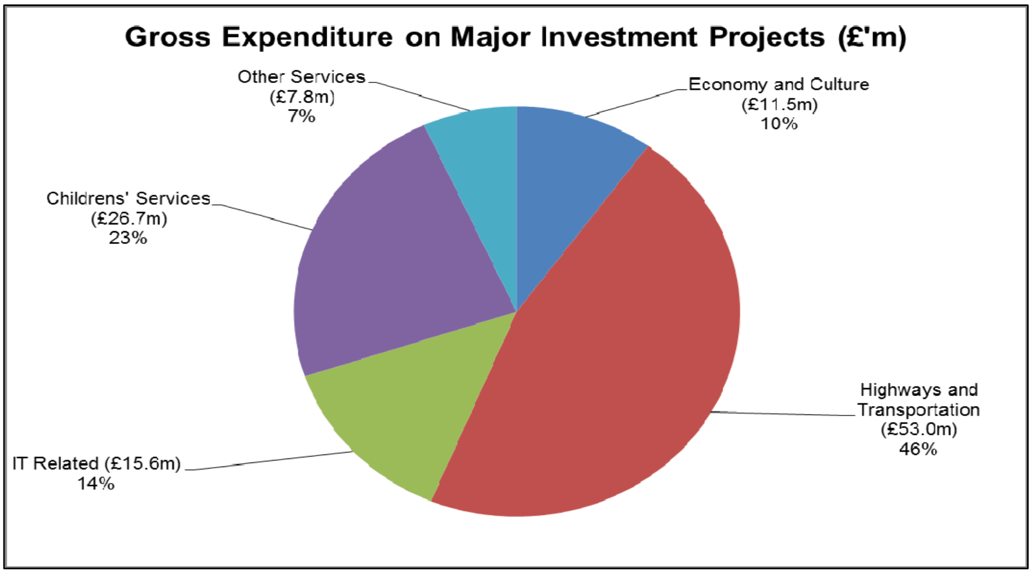
- Schools Budgets (£17.656m underspend). Schools budgets are ring-fenced and carried into the next financial year for schools. This underspend represents a significant reduction on previously years underspend.

Further information on revenue budget spending and outturns can be found in the Review of Financial Performance 2014-15, which is available on the Council's website.

Investment in major projects

The Council spent £114.636m on the County's assets, in particular on roads and schools. The net capital spend was £86.568m and there was an underspending of £21.305m or 28.7%. Explanations of the variances can be found in the Council's Review of Financial Performance Report for 2014-15.

The following chart sets out the spending on major investment projects by service area:



Other includes: Adults Care, Property, Fire and Rescue and Environment, Planning and Customer Services.

In 2014-15 expenditure was incurred on the following schemes:

- Maintenance of roads, bridges, safety fencing, street lighting, signs and lines, and traffic signals;
- Integrated Transport Schemes across the Council including: minor capital improvements, rights of way, road safety, public transport and town/village enhancements;
- Redevelopment of Lincoln Castle including repairs to the walls development of a circular wall walk, construction of a vault for the Magna Carta and refurbishment of the prison.
- Programme of modernisation to meet the statutory responsibility for provision of educational places and a programme to improve the condition of school buildings.

The Council has received grants from central government and other bodies (£87.7m) to fund: maintenance work on roads, the Council's programme of modernisation and improvement of condition of school buildings and provision of education places. £17.2m of funding for the capital programme came from temporary internal and external borrowing, £4.3m from revenue funding and use of earmarked reserves and £5.4m from capital receipts.

The Council sets itself a limit on its total borrowing to ensure that it remains prudent and affordable. The Council's target is to ensure that annual minimum revenue provision (MRP) plus interest are no more than 10.0% of the Council's annual income. The figure for 2013-14 was 5.77%. MRP is the amount required to be set aside as a provision for debt repayment, and in accordance with Regulation, this amount should be prudent to ensure debt is repaid over a period reasonably commensurate with the period over which the capital expenditure funded by borrowing provides benefits. The Council's current policy is to apply the average life method to calculate the MRP and use the MRP in full to repay debt annually.'

Financial health and performance

The Council's revenue budget remains under pressure from reduced funding and service pressures. For 2015-16 the Council has only set a one year budget, rather than the normal three year plans. This was due to the uncertainty associated with local government funding in the medium to long term. Uncertainty of future funding following a general election in May 2015 and the promise of a new Comprehensive Spending Review which will follow this, will affect local government funding to the end of the decade. Also changes to funding through the Better Care Fund and implementation of the Care Act will require further clarification for local government budgets to be set with certainty in the longer term. Clarity on such matters should allow the County Council to develop longer term plans from 2016-17 onwards.

In developing the financial plan for 2015-16, the Council has undertaken a fundamental review of priorities and related budgets to identify how to close the gap between current spending levels and the amount of funding available to local government going forwards. The Council plans to use a mixed approach of delivering spending at the reduced level of funding available through budget savings-reductions, plus the use of reserves (£21.871m from the Council's Financial Volatility Reserve) built up in previous financial periods to smooth the effect of reductions to service budgets in this financial year. The Council has also chosen to increase Council Tax by 1.9%.

The Council also maintains a general reserve as a contingency against unexpected events or emergencies. The Council sets itself a target, based on a financial risk assessment, of maintaining these reserves within a range of 2.5% to 3.5% of its total budget. The Council’s general reserves at 31 March 2015, as proposed in this report, would be £15.900m or 3.5% of the Council's total budget.

In addition to the general reserve and Financial Volatility Reserve the Council maintains a number of other reserves earmarked for specific purposes (details of these are set out in Note 9).

The savings identified through the fundamental budget review plus the one off use of reserves and the modest Council Tax increase, will ensure the Council can withstand the immediate pressures in local government funding, whilst implementing the arrangements for delivering services at the reduced level of government funding.

Economic Climate and future revenue and capital budgets and future financing

The finance settlement from government places additional funding pressures on the County Council when compared to 2014-15 - revenue support grant reduces by £32.661m (25.65%) between two years. Current indications are that further significant reductions in revenue support grant will continue until at least the end of decade. The precise details will only emerge in the Autumn following the next comrehensive spending review which is expected to be undertaken during the Summer 2015 following general election. In preparation for further funding reductions; the Council has undertaken review of its service priorties and related budgets.

This has already identified significant savings over the next four years, but more needs to be done in the coming year to ensure the Council can optimise its services within the available funding. In the short term, extensive use of earmarked reserves will be made to smooth the transition to a new service delivery model. Close monitoring of the delivery of savings will be undertaken and, if necessary, corrective action will be initiated to examine alternative options should this be necessary. The delivery of the detailed schedule of planned savings will be monitored and reported regularly to senior management teams and to Executive Councillors as part of the formal, published reports.

The Council's Pension Fund liability

The Local Government Pension Scheme and the Fire-fighters’ Pension Scheme both have a liability balance at year end. That is, the present value of fund obligations exceeds the fair value of employer assets in the fund. The total reported pension liability of the two schemes (which is off set in the Balance Sheet by the Pensions Reserve) has increased over the past year from £715.326m to £895.255m.

Due to the nature of pension funds, the liability cannot occur immediately as it represents benefit payments to pensioners over their lifetime. A significant proportion of the membership is also still actively contributing to the fund. The Lincolnshire Pension Fund contribution rates have been set by the Actuary to target a funding level, for most employers, on an ongoing basis of 100% of the liabilities over a period of 20 years. The Council’s contribution rate is consistent with the Actuary’s advice.

Change in Accounting Policy of Schools Assets

Clarification has been issued on how assets used by schools should be accounted for, and when they should be recognised on the Council's balance sheet. The accounting standard for property, plant and equipment (IAS 16) defines a non-current asset as "a resource controlled by the Council as a result of a past event from which future economic benefits or service potential are expected to flow". The clarification on how this should be interpreted requires the assets of a school to be controlled by the Council or the Schools governing body for this criteria to be met, and therefore the assets included within the Council's balance sheet.

All school assets have been reviewed to identify if they are controlled by the Council and should be included on the Council's balance sheet. In general terms all Community Schools and Foundation Schools (which are not controlled by a separate trust) should be included on the Council's balance sheet. Voluntary Controlled and Voluntary Aided Schools where the assets are generally controlled by a Trust (often the Diocese) should not be on the Council's balance sheet.

The overall effect of the clarification will be dealt with in the Council's balance sheet as a prior period adjustment and the accounts will be restated as at 1 April 2013 and 31 March 2014 as if the Council had always accounted on this basis. Further information is contained within Note 48 Prior Period Adjustment.

Conversion of Schools into Academies

Clarification has been issued on how assets used by schools should be accounted for, and when they should be recognised on the Council's balance sheet. The accounting standard for property, plant and equipment (IAS 16) defines a non-current asset as "a resource controlled by the Council as a result of a past event from which future economic benefits or service potential are expected to flow". The clarification on how this should be interpreted requires the assets of a school to be controlled by the Council or the Schools governing body for this criteria to be met, and therefore the assets included within the Council's balance sheet.

All school assets have been reviewed to identify if they are controlled by the Council and should be included on the Council's balance sheet. In general terms all Community Schools and Foundation Schools (which are not controlled by a separate trust) should be included on the Council's balance sheet. Voluntary Controlled and Voluntary Aided Schools where the assets are generally controlled by a Trust (often the Diocese) should not be on the Council's balance sheet.

The overall effect of the clarification will be dealt with in the Council's balance sheet as a prior period adjustment and the accounts will be restated as at 1 April 2013 and 31 March 2014 as if the Council had always accounted on this basis.

The Council also prepares an Annual Report. The Annual Report brings together our vision, achievements and accounts. It not only highlights some real achievements for the past year in the services we provide to residents but also summaries how we spent our annual budget.

Statement of Responsibilities for the Statement of Accounts

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 Authority, that officer is the Chief Financial Officer.

· Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

· Approve the Statement of Accounts.

The Chairman's Responsibilities

Signed: …………………………………………… Dated: …………………………

The Executive Director of Finance & Public Protection

The Executive Director of Finance & Public Protection is responsible for the preparation of the Authority'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 these Statement of Accounts, the Executive Director of Finance & Public Protection has:

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

The Executive Director of Finance & Public Protection has also:

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

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Authority as at 31 March 2015 and of its expenditure and income for the year ended on that date.

Signed: …………………………………………… Dated: …………………………

Lincolnshire County Council: Movement in Reserves Statement for the period 1 April 2014 to 31 March 2015

	Note	General Fund Balance	Earmarked GF Reserves (Note 9)	Capital Receipts Reserve (*1)	Capital Grants Unapplied	Total Usable Reserves (Note 24)	Restated (*2) Unusable Reserves (Note 25)	Total Council Reserves
		Total Usable Reserves						
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 1 April 2014		**16,400**	**165,275**	**0**	**53,828**	235,503	**165,423**	400,926
Movement in Reserves during 2014-15								
Surplus/(Deficit) on the provision of services		(64,650)	-	-	-	(64,650)	-	(64,650)
Other Comprehensive Income and Expenditure		-	-	-	-	-	(40,989)	(40,989)
Other Recognisable Gains		(4,050)	(85)			(4,135)		(4,135)
Total Comprehensive Income and Expenditure		(68,700)	(85)	-	-	(68,785)	(40,989)	(109,774)
Adjustments between accounting basis & funding basis under regulations	(8)	77,116	-	-	(5,438)	71,678	(71,678)	-
Net Increase/(Decrease) before Transfers to Earmarked Reserves		8,416	(85)	-	(5,438)	2,893	(112,667)	(109,774)
Transfers to/from Earmarked Reserves	(9)	(8,916)	4,632		4,284	-	-	-
Increase/(Decrease) in Year 2014-15		**(500)**	**4,547**		**(1,154)**	**2,893**	**(112,667)**	**(109,774)**
Balance as at 31 March 2015 Carried Forward		**15,900**	**169,822**	**-**	**52,674**	**238,396**	**52,756**	**291,152**

(*1) It is the Council's policy to fully utilise all capital receipts to finance capital expenditure in the year they are received.
(*2) The opening balance as at 1 April 2014 has been restated for the change in accounting policy on Schools Assets. Further information on the prior period adjustement can be found in Note 48.

Lincolnshire County Council: Movement in Reserves Statement for the period 1 April 2013 to 31 March 2014

Restated	Note	General Fund Balance	Earmarked GF Reserves (Note 9)	Capital Receipts Reserve (*1)	Capital Grants Unapplied	Total Usable Reserves (Note 24)	Restated (*2) Unusable Reserves (Note 25)	Total Council Reserves
		Total Usable Reserves						
	Note	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 1 April 2013		**15,900**	**141,695**	**0**	**56,242**	213,837	**184,710**	398,547
Movement in Reserves during 2013-14								
Surplus/(Deficit) on the provision of services		(16,988)	0	-	-	(16,988)	-	(16,988)
Other Comprehensive Income and Expenditure		-	-	-		0	19,259	19,259
Other Recognisable Gains			108			108		108
Total Comprehensive Income and Expenditure		**(16,988)**	**108**	**0**	**0**	**(16,880)**	**19,259**	**2,379**
Adjustments between accounting basis & funding basis under regulations	8	46,329	-	0	(7,783)	38,546	(38,546)	0
Net Increase/(Decrease) before Transfers to Earmarked Reserves		**29,341**	**108**	**0**	**(7,783)**	**21,666**	**(19,287)**	**2,379**
Transfers to/from Earmarked Reserves	9	(28,841)	23,472	-	5,369	0	-	0
Increase/(Decrease) in Year 2013-14		**500**	**23,580**	**0**	**(2,414)**	**21,666**	**(19,287)**	**2,379**
Balance as at 31 March 2014 Carried Forward		**16,400**	**165,275**	**0**	**53,828**	**235,503**	**165,423**	**400,926**

(*1) It is the Council's policy to fully utilise all capital receipts to finance capital expenditure in the year they are received.
(*2) The opening balance as at 1 April 2013 and movements in 2013-14 have been restated for the change in accounting policy on Schools Assets. Further information on the prior period adjustement can be found in Note 48.

Lincolnshire County Council: Comprehensive Income and Expenditure Statement for the period 1 April 2014 to 31 March 2015

Restated (*1) 2013-14					2014-15		
Gross Expenditure	Income	Net Expenditure			Gross Expenditure	Income	Net Expenditure
£'000	£'000	£'000		Note	£'000	£'000	£'000
			Cost of Services				
395,756	(308,330)	87,426	Education Services	(5)	385,309	(307,789)	77,520
92,469	(14,142)	78,327	Children's Social Care		98,759	(16,513)	82,246
225,415	(75,824)	149,591	Adult Care		234,576	(78,820)	155,756
96,437	(13,109)	83,328	Highways and Transport Services		100,482	(9,134)	91,348
23,025	(2,644)	20,381	Cultural and Related Services		21,421	(2,369)	19,052
30,685	(1,610)	29,075	Environmental and Regulatory Services		42,198	(4,413)	37,785
18,308	(6,383)	11,925	Planning Services		24,131	(15,117)	9,014
32,291	(3,263)	29,028	Fire and Rescue Services		32,787	(2,870)	29,917
27,895	(26,778)	1,117	Public Health		26,725	(30,033)	(3,308)
14,704	(693)	14,011	Housing Services - Travellers Sites		15,112	(956)	14,156
6,964	(3,147)	3,817	Central Services to the Public		5,951	(3,142)	2,809
3,537	(18)	3,519	Corporate and Democratic Core		4,191	(174)	4,017
2,867	0	2,867	Non Distributed Costs		3,611	0	3,611
970,353	**(455,941)**	**514,412**	**Cost of Services (excluding Acquired and Discontinued Operations)**		**995,253**	**(471,330)**	**523,923**
		16,856	Other Operating Expenditure	(10)			46,880
		35,266	Financing and Investment Income and Expenditure	(11)			36,344
		(549,546)	Taxation and Non-Specific Grant Income	(12, 39(a))			(542,497)
		16,988	**(Surplus)/Deficit on Provision of Services**				**64,650**
		(64,367)	(Surplus)/Deficit on Revaluation of Non-Current Assets	(25)			(107,600)
		0	Impairment losses on Non-Current Assets charged to Revaluation Reserve				
		(83)	(Surplus)/Deficit on Revaluation of Available for Sale Financial Assets				(160)
		45,191	Actuarial (Gains)/Losses on Pension Assets / Liabilities	(25, 45)			148,749
		(108)	Other Recognisable (Gains)/ Losses				4,135
		(19,367)	**Other Comprehensive Income and Expenditure**				**45,124**
		(2,379)	**Total Comprehensive Income and Expenditure**				**109,774**

(*1) The Comprehensive Income and Expenditure Statement for 2013-14 has changed from the 2013-14 Statement of Accounts. This is due to a prior period adjustment arising from the change in accounting policy on School Assets. Further details can be found in Note 48.

Also Public Health and Local Welfare Assistance were new services for the County Council from 1 April 2013. Net expenditure of £0.896m was shown as an acquired operation in 2013-14 Statement of Accounts. This expenditure is now included under the heading of Public Health.

Lincolnshire County Council: Balance Sheet as at 31 March 2015

Restated (*1) 1 April 2013 £'000	Restated (*1) 31 March 2014 £'000		Note	31 March 2015 £'000
1,255,973	1,323,691	Property, Plant and Equipment	(13)	1,353,432
36,356	36,443	Heritage Assets	(14)	52,625
72,620	82,482	Investment Properties	(15)	92,525
7,204	5,717	Intangible Assets	(16)	9,197
214	2,214	Long Term Investments (including Net Pension Assets)	(17)	214
6,316	8,772	Long Term Debtors	(19)	7,336
1,378,683	**1,459,319**	**Long Term Assets**		**1,515,329**
193,081	185,013	Short Term Investments	(17)	159,469
3,660	1,544	Assets Held for Sale	(20)	2,545
799	1,212	Inventories	(18)	610
48,133	45,193	Short Term Debtors	(19)	61,175
245,673	**232,962**	**Current Assets**		**223,799**
(8,356)	(5,375)	Cash and Cash Equivalents		(3,845)
(413)	(15,749)	Short Term Borrowing	(17)	(25,715)
(91,414)	(77,421)	Short Term Creditors	(21)	(52,651)
(3,784)	(5,092)	Provisions	(22)	(4,406)
(103,967)	**(103,637)**	**Current Liabilities**		**(86,617)**
(5,477)	(11,156)	Long Term Creditors	(21)	(8,082)
(4,944)	(4,216)	Provisions	(22)	(3,433)
(454,787)	(443,222)	Long Term Borrowing	(17)	(441,673)
(656,635)	(729,124)	Other Long Term Liabilities	(23)	(908,171)
(1,121,843)	**(1,187,718)**	**Long Term Liabilities**		**(1,361,359)**
398,546	**400,926**	**Net Assets**		**291,152**
213,836	235,503	Usable Reserves	(24)	238,396
184,710	165,423	Unusable Reserves	(25)	52,756
398,546	**400,926**	**Total Reserves**		**291,152**

(*1) An opening balance sheet as at 1 April 2013 is required for the prior period adjustment for the change in accounting policy for Schools Assets. All supporting notes affected by this change include an opening balance as at 1 April 2013. Further information on the prior period adjustment can be found in Note 48.

Lincolnshire County Council: Cashflow Statement as at 31 March 2015

Restated (*1) 31 March 2014 £'000		31 March 2015 £'000
16,988	Net (surplus) or deficit on the provision of services	64,650
(131,222)	Adjustments to net surplus or deficit on the provision of services for non - cash movements	(118,731)
70,766	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	74,062
(43,468)	**Net cash flow from Operating Activities (Note 26)**	**19,981**
35,443	Investing Activities (Note 27)	(13,945)
5,044	Financing Activities (Note 28)	(7,566)
(2,981)	**Net (increase) or decrease in cash and cash equivalents**	**(1,530)**
8,356	Cash and cash equivalents as at 1 April	5,375
5,375	**Cash and cash equivalents as at 31 March**	**3,845**

(*1) The Cash Flow Statement for 2013-14 has changed from the 2013-14 Statement of Accounts. This is due to a prior period adjustment arising from the change in accounting policy on School Assets. Further details can be found in Note 48.

Note 1. Statement of Accounting Policies.

1. General Principles and Concepts

The Statement of Accounts summarises the Council's transactions for the financial year 2014-15 and the position at the year-end 31 March 2015. The Statement of Accounts has been prepared in accordance with the Accounts and Audit Regulations 2011.

These regulations require the accounts to be prepared in accordance with proper accounting practice. These practices are set out in the Code of Practice on Local Authority Accounting in the United Kingdom 2014-15 and Service Reporting Code of Practice 2014-15, supported by International Financial Reporting Standards and statutory guidance.

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

2. Changes in Accounting Policies

Changes in accounting policy may arise through changes to the Code or changes instigated by the Council. For changes brought in through the Code, the Council will disclose the information required by the Code. For other changes we will disclose: the nature of the change; the reasons why; report the changes to the current period and each prior period presented and the amount of the adjustment relating to periods before those presented. If retrospective application is impracticable for a particular prior period, we will disclose the circumstances that led to the existence of that condition and a description of how and from when the change in accounting policy has been applied.

3. Prior period adjustments – estimates and errors

The Code requires prior period adjustments to be made when material omissions or misstatements are identified (by amending opening balances and comparative amounts for the prior period). Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

The following disclosures will be made:

- the nature of the prior period error;
- for each prior period presented, to the extent practicable, the amount of the correction for each Financial Statement line item affected; and
- the amount of the correction at the beginning of the earliest prior period presented.

Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change. They do not give rise to a prior period adjustment.

4. Non-Current Assets – Property, Plant and Equipment

Property, Plant and Equipment are assets that have a 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
- expected to be used during more than one period.

Classification

Property, Plant and Equipment is classified under the following headings in the Council's Balance Sheet:

Operational Assets:

- Land and Buildings;
- Vehicles, Plant, Furniture and Equipment;
- Infrastructure; and
- Community Assets.

Non-Operational Assets:

- Surplus Assets; and
- Assets Under Construction.

a) Initial Recognition

The cost of an item of Property, Plant and Equipment shall be recognised as an asset if, and only if:

- it is probable that future economic benefits associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

These costs include expenditure incurred to acquire or construct an item of Property, Plant and Equipment, costs associated with bringing an asset into use and costs incurred subsequently to add to, replace part of, or service it as long as the above criteria are met. All costs associated with a capital scheme will be settled on the asset created or enhanced. Initial recognition of Property, Plant and Equipment shall be at cost.

Further details relating to capital expenditure are set out in the Council's Capitalisation Policy.

De minimus level. The Council has set a de minimis level of £10k for recognising Property, Plant and Equipment. This means that any item or scheme costing more than £10k must be treated as capital if the above criteria are met. This relates to initial recognition and subsequent expenditure on assets.

De-recognition associated with asset enhancements. When capital expenditure occurs on an existing asset the element of the asset being replaced must be derecognised. Where the original value of the asset being replaced is not known the value of the replacement will be used as a proxy, and indexed back to an original cost; with reference to the asset's remaining life. De-recognition costs will be charged to Other Operating Expenditure in the Comprehensive Income and Expenditure Statement (gain or loss on the disposal of non-current assets).

b) Measurement after Recognition – Valuation Approach

The Council value Property, Plant and Equipment using the basis recommended by CIPFA in the Code of Practice and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by The Royal Institution of Chartered Surveyors (RICS).

The code requires the following valuation approaches to be adopted:

Operational Assets

- Land and property assets shall be measured at fair value, which is determined as the amount that would be paid for the asset in its existing use (EUV). For assets where there is no market-based evidence of fair value because of the specialist nature of the asset and the asset is rarely sold, a Depreciated Replacement Cost (DRC) approach will be used (such specialised assets include schools);
- Non-property assets (including: vehicles, plant and equipment) shall be measured at fair value. These are determined to have short asset lives and historic cost is used as a proxy for fair value;
- Land, Property and Equipment associated with the Energy from Waste Plant shall be measured at fair value on a Depreciated Replacement Cost (DRC) approach as it is a specialised asset; and
- Infrastructure assets (such as roads and bridges) and community assets are measured at historic cost. NB: where historic cost information is not known for community assets these have been included within the Balance Sheet at a nominal value.

Non-Operational Assets

- Surplus assets (i.e. assets which the Council no longer operates/are no longer used for service delivery, but are not Investment Properties or meet the definition held for sale) are valued, measured and depreciated in line with the operational asset class; and
- Assets under Construction are held at cost. When these assets are operationally complete, they are reclassified into the appropriate asset class and valued under the adopted approach.

Valuation Programme

Assets are included within the Balance Sheet at fair value. The Council's land and property portfolio is revalued on a five year rolling programme. On an annual basis at year-end, all asset values are reviewed to ensure they are not carried at amounts materially different to fair value.

c) Revaluation Gains and Losses

Movements in asset value arising from revaluation are reflected in the value of these assets held on the Balance Sheet.

If a revaluation increases an asset's carrying amount then this increase will be credited directly to the revaluation reserve to recognise the unrealised gain. In exceptional circumstances, gains might reverse a previous impairment or revaluation decrease charged to the Surplus or Deficit on provision of service.

If a revaluation decreases an asset's carrying amount, the decrease shall be charged initially against any surplus balance in the revaluation reserve in respect of the individual asset. Any additional decrease is recognised in the relevant service revenue account in the Comprehensive Income and Expenditure Statement.

The revaluation reserve only contains revaluation gains recognised since 1 April 2007, the date of its formal implementation. Any movements on revaluation arising before this date have been consolidated into the Capital Adjustment Account (CAA).

d) Depreciation

Depreciation is charged on all Property, Plant and Equipment assets with a finite life and is the systematic allocation of its worth over its useful life. This charge is made in line with the following policy:

- Operational buildings are depreciated over their useful life. For buildings which are held at existing use value a useful life of 40 years has been assumed. Asset lives for buildings held on a depreciated replacement cost basis are reviewed as part of the rolling programme of revaluations and the Valuer estimates the useful life. Depreciation is charged on a straight line basis;
- Infrastructure assets, primarily roads, are depreciated over their estimated useful lives, varying from 1-3 years (for capital pothole filling) to 120 years (for bridge structures), on a straight line basis;
- Furniture and non-specialist equipment is depreciated over a period of 5 years, on a straight line basis;
- Vehicles, plant and specialist equipment (including computing equipment) are depreciated over their estimated useful lives, varying between 3 and 15 years. For vehicles purchased after 1 April 2004, the reducing balance method of depreciation is used;
- Land, Property and Equipment associated with the Energy from Waste Plant are depreciated over their useful life. These range from 70 years for Civils (including Building Structures) to 10 years for Instrumentation, Control and Automation assets (ICA); and
- Surplus assets are depreciated in line with the operational asset class.

No depreciation is charged on: Heritage Assets, Investment Properties; land; assets under construction; and assets held for sale.

Depreciation of an asset begins when the asset becomes available for use and ceases when the asset has been derecognised.

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.

Component Accounting for Property, Plant and Equipment

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. The Council has identified the following significant components within the property portfolio:

- DRC assets (including fire stations, schools, libraries and museums where the building is of a specialised nature): land, structures, services, roof and externals;
- Office Accommodation / Admin Buildings: land; structures, services, roof and externals;
- Other market value and existing use value assets (including economic regeneration units): land and buildings; and
- Energy from Waste Plant: Civils, Mechanicals and Instrumentation, Control and Automation (for each significant part of the plant).

e) Disposal of Property, Plant and Equipment

An item of Property, Plant and Equipment shall be derecognised on disposal, or when no future economic benefits are expected from its use or disposal.

The gain or loss arising from disposals is shown in the Comprehensive Income and Expenditure Statement, on the Other Operating Expenditure line. Receipts from disposals are credited to the same line in the Comprehensive Income and Expenditure Statement, netted off against the carrying value of the asset at the time of disposal. Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts in excess of £10k are categorised as capital receipts and can then only be used for new capital investment or to repay the principal of any amounts borrowed. It is Council policy to fully utilise these receipts to fund the capital programme in the year they are received. These receipts are transferred from the General Fund Balance via the Movement in Reserves to be utilised to fund the capital programme. Sale proceeds below £10k are below the de-minimis and are credited to the Comprehensive Income and Expenditure Statement.

The written-off value of disposals is not charged 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 though the Movement in Reserves Statement.

f) Impairment of non-Current Assets

If an asset's carrying amount is more than its recoverable amount, the asset is described as impaired. Circumstances that indicate impairment may have occurred include:

- a significant decline in an asset's market value during the period;
- evidence of obsolescence or physical damage of an asset;
- a commitment by the Authority to undertake a significant reorganisation; or
- a significant change in the statutory environment in which the Authority operates.

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.

Impairment losses are initially recognised against any revaluation reserve for that asset up to the balance available. Any remaining loss is charged in the Surplus or Deficit on provision of services. This is then reversed through the Movement in Reserves Statement and charged to the Capital Adjustment Account.

5. Intangible Assets

Intangible assets are defined as identifiable non-financial (monetary) assets without physical substance, but are controllable by the Council and expected to provide future economic or service benefits. For the Council the most common classes of intangible assets are computer software and software licences.

a) Recognition and Measurement of assets that qualify as intangible assets, shall be measured and carried at cost, as a proxy for fair value, as these are short life assets.

The Council has a set a de minimis level of £10k for recognising intangible assets. This means that any item or scheme costing more than £10k would be treated as capital if the above criteria are met.

b) Subsequent Expenditure. Costs associated with maintaining intangible assets are recognised as an expense when incurred in the Comprehensive Income and Expenditure Statement.

c) Amortisation. The carrying value of intangible assets with a finite life is amortised on a straight line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. Amortisation is charged to the relevant service area in the Comprehensive Income and Expenditure Statement. The useful lives for intangible assets are between 3 and 7 years. Useful asset lives are determined by the ICT budget holder and reviewed and updated annually.

d) Impairment. On an annual basis the ICT budget holder is asked to consider if any indicators of impairment exist for intangible assets held by the Council.

6. Investment Properties

An Investment Property is defined as a property that is solely held to earn rental income or for capital appreciation or both. 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.

a) Initial Recognition. As with Property, Plant and Equipment, initial recognition is at the costs associated with the purchase.

b) Measurement after Recognition. Investment Properties will be measured at fair value, which is the amount that would be paid for the asset in its highest and best use, (e.g. market value). The fair value of Investment Property held under a lease, is the lease interest in the asset. Investment Properties are subject to annual revaluations.

c) Revaluation Gains and Losses. A gain or loss arising from a change in the fair value of Investment Property shall be recognised in the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. These are not permitted by statute to impact on the General Fund Balance. Therefore these gains or losses are reversed out of the General Fund Balance in the Movement on Reserves and posted to the Capital Adjustment Account.

d) Depreciation is not charged on Investment Properties.

e) Disposal of Investment Properties. Gains or losses arising from the disposal of an Investment Property shall be recognised in the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. As with revaluation gains or losses, these do not form part of the General Fund Balance and are transferred to fund the capital programme via the Movement in Reserves Statement.

f) Rental Income. Rentals received in relation to Investment Properties are credited to the Financing and Investment Income line and results in a gain for the General Fund Balance.

7. Heritage Assets

Heritage Assets are defined as assets that are held by the Council principally for their contribution to knowledge or culture. Heritage assets held by the Council include:

- Historic Buildings including: Lincoln Castle, Temple Bruer and four historic windmills in Lincolnshire; and
- Collections including: Fine Art Collection; the Tennyson Collection; Local Studies and Archive Collections; Lincolnshire Regiment, Militaria and Arms and Armour Collections; and Agriculture Collections.

Heritage assets are recognised and measured (including the treatment of revaluations gains and losses) in accordance with the Council's accounting policy on non-current assets - Property, Plant and Equipment (accounting policy 4, above). However, some of the measurement rules are relaxed in relation to Heritage Assets. Details of this are set out below:

a) Initial Recognition

- Collections: The collections are relatively static, acquisitions and donations rare. Where they do occur acquisitions will be measured at cost and donations will be recognised at a valuation determined in-house.

b) Measurement after recognition:

- Historic Buildings – Windmills: will be valued at existing use value by the Council's Valuer. These valuations will be included on the Council's rolling programme and will be valued every 5 years.

- Historic Buildings – Lincoln Castle and Temple Bruer: will continue to be carried at historic cost as the Council does not consider that a reliable valuation can be obtained for these assets. This is because of the nature of the assets held and the lack of comparable market values.

- Collections: will be valued based on the insurance valuations held by the Council. Insurance valuations will be reviewed and updated on an annual basis.

c) Impairment and Disposals are accounted for in line with the Council's policy on non-current assets – Property, Plant and Equipment (accounting policy 4: e) Disposal of Property, Plant and Equipment and f.) Impairment of non-current assets).

d) Depreciation is not charged on Heritage Assets.

8. Non-Current Assets Held for Sale

These are assets held by the Council which are planned to be disposed of. They meet the following criteria:

- The asset must be available for immediate sale in its present condition subject to terms that are usual and customary for sales of such assets;
- The sale must be highly probable (with management commitment to sell and active marketing of the asset initiated);
- It must be actively marketed for a sale at a price that is reasonable in relation to its current fair value; and
- The sale should be expected to qualify for recognition as a completed sale within one year.

a) Measurement. Non-Current Assets Held for Sale will be measured at the lower of carrying value and fair value less costs to sell (fair value here is the amount that would be paid for the asset in its highest and best use, e.g. market value).

b) Depreciation. Is not charged on non-current assets held for sale.

c) Disposal. Receipts from disposals are recognised in the Surplus or Deficit on provision of services.

Amounts in excess of £10k are categorised as capital receipts and can then only be used for new capital investment or to repay the principal of any amounts borrowed. It is Council policy to fully utilise these receipts to fund the capital programme in the year they are received.

9. Donated Assets

Donated assets are non-current assets which are given to the Council at no cost or at below market value. These assets are initially recognised in the Balance Sheet at this value and then measured at fair value. The difference between the fair value and any consideration paid is credited to the Taxation and Non-Specific grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally.

a) Where there are conditions associated with the asset which remain outstanding. The asset will be recognised in the Balance Sheet with a corresponding liability in the Donated Assets Accounts.

b) Where there are no conditions or the conditions have been met. The donated asset will be recognised in the Comprehensive Income and Expenditure Statement, then transferred to the Capital Adjustment Account through the Movement in Reserves Statement.

After initial recognition, donated assets are treated like all other non-current assets held by the Council and are subject to revaluation as part of the Council's rolling programme.

10. Charges to Revenue for the use of Non-Current Assets

Service accounts and central support services are charged with a capital charge for all non-current assets used in the provision of services to record the real cost of holding non-current assets during the year. The total charge covers:

- the annual provision for depreciation, attributed to the assets used by services;
- revaluation and impairment losses on assets used by services where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off; and
- amortisation of intangible assets attributable to services.

The Council is not required to raise Council Tax to cover depreciation, impairment losses or amortisation. However, it is required to make a prudent annual provision from revenue to contribute towards the reduction in its overall borrowing requirement. Depreciation, impairment losses and amortisation are therefore replaced by revenue provision in the Movement on Reserves Statement, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

11. Minimum Revenue Provision

The Council makes provision for the repayment of debt in accordance with the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008. This requires the Council to set a Minimum Revenue Provision (MRP) which it considers to be prudent. The approach adopted by the Council is to use the average life method (the average life of all the Council's assets) in calculating the MRP to be charged to revenue each year. MRP will be made in equal instalments over the estimated life of the assets acquired through borrowing.

12. Revenue Expenditure Financed through Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions, but does not result in the creation of a non-current asset in the Balance Sheet; has been charged as expenditure to the relevant service revenue account in the year.

Statutory provision reverses these charges from the Surplus or Deficit on provision of services by debiting the Capital Adjustment Account and crediting the General Fund Balance via the Movement in Reserves Statement.

13. Service Concession Agreements (including Private Finance Initiative (PFI) and similar contracts)

Service Concession Agreements are agreements to receive services, where the responsibility for making available the Property, Plant and Equipment needed to provide the services passes to the contractor. As the Council is deemed to control the services that are provided under such schemes and as ownership of the assets will pass to the Council at the end of the contract for no additional charge, the Council carries these assets used under the contracts on the Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets is balanced by the recognition of a liability for amounts due to the scheme operator to pay for the assets. Assets recognised on the Balance Sheet are revalued and depreciated in the same way as Property, Plant and Equipment owned by the Council.

The amounts payable to the contractors each year are analysed into five elements:

- fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement;
- finance cost – an interest charge of 7.20% on the outstanding Balance Sheet liability, debited to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement;
- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement;
- payment towards liability – applied to write down the Balance Sheet liability towards the contractor; and
- lifecycle replacement costs – recognised as additions to Property, Plant and Equipment on the Balance Sheet.

The Council has one PFI scheme for the provision of seven separate schools across the county, which is classified as a Service Concession Arrangement.

14. Borrowing Costs

The Council has adopted the accounting policy of expensing borrowing costs of qualifying assets to the Comprehensive Income and Expenditure Statement (disclosed within Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement) in the year in which they are incurred.

This is current practice based on the fact that borrowing undertaken is not attributed to individual schemes making capitalisation of costs complex with marginal benefit.

15. Classification of Leases

Leases are classified as a finance lease or an operating lease depending on the extent to which risks and rewards of ownership of a leased Property, Plant and Equipment lie with the lessor (landlord) or the lessee (tenant).

IAS 17 'Leases' includes indicators for the classification of leases as a finance lease. Within these indicators the Council has set the following criteria: the 'major part' of the asset life is determined to be 75%; and 'substantially all' of the value is determined to be 75%.

- Finance Lease: A lease is classified as a finance lease when the lease arrangement transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee.
- Operating Lease: All other leases are determined to be operating leases.

Where a lease covers both land and buildings, these elements are considered separately.

This policy on accounting for leased assets also includes contractual arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment.

a) Finance Leases

i) Lessee – Vehicles, Plant & Equipment will be recognised on the Balance Sheet at cost and depreciated on a straight line basis over the term of the lease (in line with the Council's capitalisation and depreciation policy for vehicles, plant and equipment).

ii) Lessee – Property will be recognised on the Balance Sheet at an amount equal to the fair value of the property, or if lower, the present value of the minimum lease payments, determined at the inception of the lease.

The asset recognised is matched by a liability representing the obligation to pay the lessor. This is reduced as lease payments are made. Minimum lease payments are to be apportioned between the finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement) and the reduction of the deferred liability in the Balance Sheet.

Statutory provision reverses the finance charge, depreciation and any impairment or revaluation from the Comprehensive Income and Expenditure Statement to the Capital Adjustment Account through the Movement in Reserves statement. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements.

iii) Lessor – Property. When a finance lease is granted on a property, the relevant assets are written out of the Balance Sheet to gain or loss on disposal of assets in the Other Operating Expenditure line of the Comprehensive Income and Expenditure Statement. A gain is also recognised on the same line in the Comprehensive Income and Expenditure Statement to represent the Council's net investment in the lease. This is matched by a lease asset set up in long term debtors in the Balance Sheet. The lease payments are apportioned between repayment of principal written down against the lease debtor and finance income (credited to the Finance and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Initial direct costs are included in the initial measurement of the debtor and recognised as an expense over the lease term on the same basis as the income.

Rental income from finance leases entered into after 1 April 2010, will be treated as a capital receipt and removed from the General Fund Balance to capital receipts via the Movement in Reserves Statement.

The write 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 via the Movement in Reserves Statement.

b) Operating Leases

i) Lessee – Property, Vehicles, Plant & Equipment will be treated as revenue expenditure in the service revenue accounts in the Comprehensive Income and Expenditure Statement on a straight line basis over the term of the lease.

ii) Lessor – Property, Vehicles, Plant & Equipment shall be retained as an asset on the Balance Sheet. Rental income is recognised on a straight line, basis over the lease term, credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

c) Investment Property Leases (Lessee). In line with IAS 49 'Investment Properties', any lease which is assessed to be an Investment Property will be treated as if it was a finance lease. The fair value of the lease interest is used for the asset recognised. Separate measurement of land and buildings elements is not required when the leases are classified as an Investment Property.

16. Government Grants and Contributions

Government grants and contributions may be received on account, by instalments or in arrears. However, they should be recognised in the Comprehensive Income and Expenditure Statement, as due to the Council when there is reasonable assurance that:

- The Council will comply with the conditions attached to the payments. Conditions are stipulations that specify how the future economic benefits or service potential embodied in the grant or contribution must be consumed, otherwise the grant or contribution will have to be returned to the awarding body; and

- The grant or contribution will be received.

Grants and contributions received where the conditions have not yet been satisfied, are carried in the Balance Sheet as creditors and not credited to the Comprehensive Income and Expenditure Statement until the conditions are met.

Capital Grants and Contributions (non-current assets)

Capital grants and contributions are used for the acquisition of non-current assets. The treatment of these grants is as follows:

a) Capital grants where there are no conditions attached to the grant and the expenditure has been incurred. The income will be recognised immediately in Comprehensive Income and Expenditure Statement, in the taxation and non-specific grant income line.

Capital grant income is not a proper charge to the General Fund. It is accounted for through the Capital Financing Requirement (set out in statue) and therefore it does not have an effect on council tax. To reflect this, the income is credited to the Capital Adjustment Account through the Movement in Reserves Statement.

b) Capital grants where the conditions have not been met at the Balance Sheet date. At the Balance Sheet date the grant will be recognised as a Capital Grant Receipt in Advance in the liabilities section of the Balance Sheet. When the conditions have been met, the grant will be recognised as income in the Comprehensive Income and Expenditure Statement and the appropriate statutory accounting requirements for capital grants applied.

c) Capital grants where no conditions remain outstanding at the Balance Sheet date, but expenditure has not been incurred. The income will be recognised immediately in the Taxation and Non Specific Grant Income line of the Comprehensive Income and Expenditure Statement. As the expenditure being financed from the grant has not been incurred at the Balance Sheet date, the grant will be transferred to the Capital Grants Unapplied Account (within usable reserves section of the Balance Sheet), through the Movement in Reserves Statement. When the expenditure is incurred, the grant shall be transferred from the Capital Grants Unapplied Account to the Capital Adjustment Account to reflect the application of capital resources to finance expenditure.

Revenue Government Grants and Contributions

Government grants and other contributions are accounted for on an accruals basis and recognised in the Comprehensive Income and Expenditure Statement when the conditions for their receipt have been complied with and there is reasonable assurance that the grant or contribution will be received. Where the conditions have not been met these grants will be held as creditors on the Balance Sheet.

Specific revenue grants are included in the specific service expenditure accounts together with the service expenditure to which they relate. Grants which cover general expenditure (e.g. Revenue Support Grant) are credited to the foot of the Comprehensive Income and Expenditure Statement after Net Cost of Services.

17. Debtors

Debtors are recognised in the accounts when the ordered goods or services have been delivered or rendered by the Council in the financial year but the income has not yet been received. In particular:

- Revenue from the sale of goods is recognised when the Council transfers the significant risk and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council; and

- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.

Debtors are recognised and measured at fair value in the accounts. When considering the fair value of long term debtors, the Council has set a £50k de minimis limit. Below this amount, the carrying value of the long term debtor will be used as a proxy for fair value.

For estimated manual debtors, a de-minimis level of £10k for individual revenue items and £25k for capital items is set.

18. Creditors

Creditors are recorded where goods or services have been supplied to the Council by 31 March but payment is not made until the following financial year.

Creditors are recognised and measured at fair value in the accounts. When considering the fair value of long term creditors, the Council has set a £50k de minimis limit. Below this amount, the carrying value of the long term creditors will be used as a proxy for fair value.

For estimated manual creditors, a de-minimis level of £10k for individual revenue items and £25k for capital items is set.

19. Provision for Bad and Doubtful Debt

Where there is evidence that the Council may not be able to collect all amounts due to it, a provision for impairment is established. The provision made is the difference between the current carrying value of the debt and the amount likely to be collected. At the end of the financial year, bad debt provisions will be made for debts that have been outstanding for more than twelve months. The Council's policy is:

- Adult Social Care debtors are grouped by type and provided for on this basis plus the age of the debt; and
- Other aged debtors over 12 months old. Significant debtors are reviewed on a case by case basis, all remaining debtors are 100% provided for.

The provision for impairment is recognised as a charge to the relevant revenue service account in the Comprehensive Income and Expenditure Statement for the income that might not be collected.

20. Inventories

Inventory assets include and will be carried at the following values:

- Materials or supplies to be consumed or distributed in the rendering of services (e.g. highways salt). These are carried at the lower of cost (calculated as an average price) or current replacement cost (at the Balance Sheet date for an equivalent quantity); and
- Held for sale or distribution in the ordinary course of operations, are carried at the lower of cost or net realisable value.

The Council has set a de-minimis level for recognising inventories of £100k. Inventory balances below this level are not recorded on the Balance Sheet.

21. Cash and Cash Equivalents

a) Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

b) Cash Equivalents are held for the purpose of meeting short term cash commitments rather than for investment or other purposes. The Council will classify these as follows:

- Instant Access Deposit Accounts or Overnight Bank Facilities set up for the purpose of meeting short term liquidity requirements and whose return (if any) does not make up the Average Yield Return on Investments, are to be classed as Cash Equivalents.
- Overnight Fixed Deposits, Deposit Based Bank Accounts and Net Asset Value Money Market Funds held for investment purposes for the returns offered, which make up the Councils Average Yield Return on its Investments, are to be classed as Short Term Investments.

c) Bank Overdrafts are to be shown separately from Cash and Cash Equivalents where they are not an integral part of an Authority's cash management. They are to be shown net of Cash and Cash Equivalents where they are an integral part of an Authority's cash management.

22. Provisions

The Council sets aside provisions for future expenses where: a past event has created a current obligation (legal or constructive) to transfer economic benefit; it is probable that an outflow of economic benefits or service potential will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

Provisions are charged to relevant revenue service account in the Comprehensive Income and Expenditure Statement in the year the Council becomes aware of the obligation. When the obligation is settled, the costs are charged to the provision set up in the Balance Sheet. When payments are eventually made, they are charged against the provision carried in the Balance Sheet.

The Council has set a de-minimis level for recognising provisions of £100k.

Provisions contained within the Balance Sheet are split between current liabilities (those which are estimated to be settled within the next 12 months) and non-current liabilities (those which are estimated to be settled in a period greater than 12 months).

Provisions are recognised and measured at fair value in the accounts. When considering the fair value of long term provisions, the Council has set a £50k de minimis limit. Below this amount, the carrying value of the long term provisions will be used as a proxy for fair value.

23. Contingent Liabilities

A contingent liability is where there is a possible obligation to transfer economic benefit resulting from a past event, but the possible obligation will only be confirmed by the occurrence or non-occurrence of one or more events in the future. These events may not wholly be within the control of the Council. The Council discloses these obligations in the narrative notes to the accounts.

These amounts are not recorded in the Council's accounts because:

- it is not probable that an outflow of economic benefits or service potential will be required to settle the obligation; or
- the amount of the obligation cannot be measured with sufficient reliability at the year end.

The Council has set a de-minimis level for recognising Contingent Liabilities of £100k.

24. Contingent Assets

A contingent asset is where there is a possible transfer economic benefit to the Council from a past event, but the possible transfer will only be confirmed by the occurrence or non-occurrence of one or more events in the future. These events may not wholly be within the control of the Council. The Council discloses these rights in the narrative notes to the accounts.

The Council has set a de-minimis level for recognising Contingent Assets of £100k.

25. Events after the Reporting Date

These are events that occur between the end of the reporting period and the date when the Financial Statements are authorised for issue. The Council will report these in the following way if it is determined that the event has had a material effect on the Council's financial position.

- Events which provide evidence of conditions that existed at the end of the reporting period will be adjusted and included within the figures in the accounts; and
- Events that are indicative of conditions that arose after the reporting will be reported in the narrative notes to the accounts.

Events which take place after the authorised for issue date are not reflected in the Statement of Accounts.

26. Recognition of Revenue (Income)

Revenue shall be measured at the fair value of the consideration received or receivable.

Revenue is recognised only when it is probable that the economic benefits or service potential associated with the transaction will flow to the Council, with the exception of non-exchange transactions (such as Council Tax and general rate) where it is assumed there is no difference between the delivery and payment date.

27. Exceptional Items

Exceptional items are material amounts of income or expenditure which occur infrequently in the course of the Council's normal business and are not expected to arise at regular intervals. When these items of income or expense are material, their nature and amount will be disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts depending on how significant the items are to an understanding of the Council's financial performance.

28. Costs of Support Services

The costs of overheads and support services are charged to those who benefit from the supply of services in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2014-15 (SeRCOP). The costs are recharged to services on the following basis:

Costs	Basis of Apportionment
Accommodation	staff numbers
Accountancy services	estimated time
Business support	budget amount
Communications	gross expenditure and sales
Creditor payments	number of payments
Customer service centre	number and length of calls
Debtor services and income collection	number of debtor invoices
IT services	number of PC's
Payroll services	number of employees
People Management	number of employees
Programme and Programmes Service	gross expenditure and sales
Property services	number of properties
Adult Social Care (Assessments Team and associated Swift IT)	number of Adult Social Care clients

The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and any

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Cost of Services.

29. Acquired and Discontinued Operations

Where the Council takes on new activities or ceases providing services, the costs relating to these activities will be identified in the Comprehensive Income and Expenditure Statement, on the surplus or deficit on discontinued operations line. These items will not form part of the net cost of services in the Comprehensive Income and Expenditure Statement in the year they occur.

30. Value Added Tax (VAT)

The Council's Comprehensive Income and Expenditure Statement excludes VAT. All VAT must be passed on (where output tax exceeds input tax) or repaid (where input tax exceeds output tax) to HM Revenue and Customs.

The net amount due to or from HM Revenue and Customs for VAT at the year-end shall be included as part of creditors or debtors balance.

31. Council Tax and Business Rates Income

The collection of Council Tax and Business Rates is in substance an agency arrangement with the seven Lincolnshire District Councils (billing Authorities) collecting Council Tax and Business Rates on behalf of the Council.

The Council Tax and Business Rates income is included in the Comprehensive Income and Expenditure Statement on an accruals basis and includes the precept for the year plus the Council's share of Collection Fund surpluses and deficits from the billing Authorities.

The difference between the income reported in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund, shall be taken to the Collection Fund Adjustment Account through the Movement in Reserves Statement.

The year-end Balance Sheet includes the Council's share of debtors (arrears and collection fund surpluses), creditors (prepayments, overpayments and collection fund deficits) and provisions (business rate appeals).

32. 'Cap and Trade' Schemes

Carbon Reduction Commitment Scheme – CRC

The Council is required to participate in the CRC Energy Efficiency Scheme. This scheme is currently in its introductory phase which will last until 31 March 2014. The Council is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances.

The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the Authority is recognised and reported in the costs of the Authority's services and is apportioned to services on the basis of energy consumption.

33. Reserves

a) Useable Reserves

The Council's general revenue balances are held in the General Fund. The Council also maintains a number of specific 'earmarked' reserves for future expenditure on either policy purposes or to cover contingencies. When expenditure is financed from an earmarked reserve, it is charged to the relevant revenue service account in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back to the General Fund Balance via the Movement in Reserves Statement, so that there is no net charge against council tax.

b) Unusable Reserves

Certain reserves are kept to maintain the accounting processes for non-current assets, financial instruments and employee benefits. These accounts do not represent usable resources for the Council. These include:

- Capital Adjustment Account;
- Revaluation Reserve;
- Financial Instruments Adjustment Account;
- Pension Reserve;
- Collection Fund Adjustment Account; and
- Accumulated Absences Reserve.

34. Employee Benefits – Benefits Payable during Employment

a) Benefits Payable During Employment – Short Term Benefits

These are amounts expected to be paid within 12 months of the Balance Sheet date. These include:

- Salaries, wages and expenses accrued up to the Balance Sheet date. These items are charged as an expense to the relevant service revenue account in the year the employees' services are rendered; and
- Annual leave and flexi hours earned, but not yet taken at the Balance Sheet date. An accrual is made for items at the wage and salary rate payable. The accrual is charged to the relevant service revenue account, but then reversed out through the Movement in Reserves Statement to the Accumulated Absences Account, so this does not have an impact on council tax.

Teacher Leave Accrual

The accrual for short term benefits for teachers is calculated using a standard methodology, reflecting the fact that teachers across the Council are subject to standard terms and conditions of employment. This methodology is based on the number of days of the Spring Term (both term-time and holiday) that fall within the financial year and the leave entitlement of the teacher (which varies according to whether an individual has left the teaching profession at the end of the Spring term).

b) Long Term Benefits

These are amounts which are payable beyond 12 months. The Council does not have any material long term benefits to be declared within the Financial Statements.

35. Employee Benefits – Termination Benefits

Employee termination benefits arise from the Council's obligation to pay redundancy costs to employees. These costs will be recognised in the Council's Financial Statements at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises the costs for a restructuring. For example; when there is a formal plan for redundancies (including the location, function and approximate number of employees affected; the termination benefits offered, and the time of implementation).

These items will be accrued in the Balance Sheet at the year end and charged to the relevant service revenue account. If payments are likely to be payable in more than 12 months from the year end, then these costs will be discounted at the rate determined by reference to market yields.

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

36. Employee Benefits – Post Employment Benefits (Pensions)

Lincolnshire County Council participates in three different pension schemes which provide scheme members with defined benefits related to pay and service. The schemes are as follows:

- Teachers' Pension Scheme: This is a notionally funded scheme administered nationally by Capita Teachers' Pensions on behalf of the Department for Education (DFE). The pension contributions to be paid by the Council are determined by the Government Actuary and reviewed periodically. The scheme is accounted for as if it were a defined contribution scheme. There is no liability for future payments of benefits recognised in the Balance Sheet. All employer's contributions payable to teachers' pensions in the year are treated as expenditure on the education service line in the Comprehensive Income and Expenditure Statement.

- National Health Service Pension Scheme (NHSPS): This is a notional funded scheme administered national by NHS Pensions on behalf of the Department of Health (DoH) The pension contributions to be paid by the Council are determined by the Government Actuary and reviewed periodically. The scheme is accounted for as if it were a defined contribution scheme. There is no liability for future payments of benefits recognised in the Balance Sheet. All employer's contributions payable to the National Health Service Pension Scheme in the year are treated as expenditure in the Public Health service line in the Comprehensive Income and Expenditure Statement.

- Uniformed Fire-fighters Pension Scheme (FPS): From 1 April 2006, a new pension fund for Fire-fighters was set up. This scheme replaced the 1992 Fire-fighters scheme for new Fire-fighters. Both the 1992 and 2006 schemes remain unfunded but there are differences in the contributions payable into each scheme and the benefits paid to members. Both employee and employer contributions are paid into each fund, against which pension payments are made. Each fund is topped up by additional government funding if contributions are insufficient to meet the cost of the pension payments. Any surplus in each fund at the end of each year will be repaid back to the Department for Communities and Local Government (DCLG). Contributions in respect of ill health retirements are still the responsibility of the Council.

- Local Government Pension Scheme (LGPS): Other employees are eligible to join the LGPS. The Council pays contributions to a funded pension scheme from which employee pension benefits are paid out.

The pension costs included in the Statement of Accounts in respect of both the LGPS and the FPS have been prepared in accordance with IAS 19 Employee Benefits. The pension costs in respect of both the LGPS and FPS have been estimated by the Pension Fund actuary adviser and have incorporated an actual valuation of the accrued pension liabilities attributable to the Council as the scheme employer.

<u>The Local Government Pension Scheme (LGPS)</u>

The LGPS is accounted for as a defined benefits scheme:

- The liabilities of the Lincolnshire 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 earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 3.3% (based on long term UK Government bonds greater than 15 years).
- The assets of Lincolnshire Pension Fund attributable to the Authority are included in the Balance Sheet at their fair value:
  - quoted securities – current bid or last traded price;
  - unquoted securities – professional estimates;
  - unitised securities – current bid price.

The change in net pensions 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 arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus of Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;
  - 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.
- Remeasurements 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 – debit to the Pensions Reserve as Other Comprehensive Income and Expenditure; and

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

The Council also pays any costs arising in relation to unfunded elements of pensions, paid to certain employees that have retired early and have been awarded discretionary compensation under the provisions of the Council's early retirement policy. These costs are charged to Non-Distributed Costs in the Comprehensive Income and Expenditure Statement.

37. Accounting for Schools Income, Expenditure, Assets, Liabilities and Reserves

In Lincolnshire, Local Authority education is provided in: Foundation, Voluntary Aided, Voluntary Controlled and Community Schools (all known as 'maintained schools').

Income and Expenditure

All income and expenditure relating to maintained schools in Lincolnshire is shown in the Council's Comprehensive Income and Expenditure Statement.

Non-Current Assets

Schools non-current assets will be accounted for under IAS 16 Property, Plant and Equipment. The standard defines non-current assets as "a resource controlled by the Council as a result of a past event and from which future economic benefits or service potential are expected to flow".

If assets are owned by the Council or the governing body of the school, or the future economic benefits are identified to sit with the Council, then the non-current assets will be recorded in the Balance Sheet.

The exception to this is for any finance leases for IT equipment taken out by the Council on behalf of a school; these remain within the Council's Balance Sheet as the Council retains the liability.

Assets and Liabilities

All assets and liabilities, excluding non-current assets which are covered above, relating to maintained schools are included within the Council's Balance Sheet.

Reserves

The Council maintains specific earmarked reserves for schools balances. At year end balances from dedicated schools budgets, including those held by schools under a scheme of delegation, are transferred into the reserve to be carried forward for each school to use in the next financial year. This ensures that any unspent balances at the end of the financial year are earmarked for use by those schools as required by the Council's scheme for financing schools approved by the Secretary of State for Education.

38. Group Relationships

The Council assesses on an annual basis relationships with other bodies to identify the existence of any group relationships. A de-minimis level of £1.000m has been set for considering bodies to be included within group accounts.

The Council has not identified, and does not in aggregate have any material interests in subsidiaries, associated companies or joint ventures and therefore is not required to prepare group accounts.

39. Financial Instruments

a) Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing & 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. All the Council's borrowings are carried at amortised cost and the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and the interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

No repurchase has taken place as part of a restructuring of the loan portfolio that included the modification or exchange of existing instruments. Therefore gains and losses on the repurchase or early settlement of borrowing are credited and debited to Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement and spread over future years under statutory regulation.

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/loss over ten years or the term that was remaining on the loan if less than ten years. The reconciliation of premiums / discounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund is managed by a transfer to or from the Financial Instruments Adjustment Account through the Movement in Reserves Statement.

b) Financial Assets

Financial Assets are classified into two types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market; and
- Available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

i) Loans and Receivables

Loans and Receivables 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 carried at their amortised cost. Annual credits to the Financing & Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For the majority of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

However, the Council has a number of loans at less than market rates (soft loans) for the purpose of service objectives. When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be forgone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing & Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account through the Movement in Reserves Statement.

The Council has set a £50k de minimis limit to the value of soft loans or the discounting of interest rates. Below this amount the above accounting treatment for soft loans is not applied and the soft loans are shown in the accounts at their carrying value.

Where assets are identified as impaired, because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Financing & Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement or the relevant service (for receivables specific to that service). The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

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

<u>ii) Available-for-sale Assets</u>

Available-for-sale assets 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. Where the asset has fixed or determinable payments, annual credits to the Financing & Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- Instruments with quoted market prices – the market price;
- Other instruments with fixed and determinable payments – discounted cash flow analysis; and
- Equity shares with no quoted market prices – independent appraisal of company valuations.

Where fair value cannot be measured reliably, the instrument is carried at cost (less impairment losses).

The Council holds a small equity holding of 14,000 of shares at £1 par value, in a company called 'Investors for Lincoln Ltd'. These shares do not have a quoted market price in an active market and therefore their fair value cannot be measured reliably, consequently they are shown in the Balance Sheet at cost.

Changes in fair value are balanced by an entry in the Available-For-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on revaluation of Available-for-Sale Assets. The exception is where impairment losses have been incurred and these are debited to the Financing & Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-For-Sale Reserve.

Where assets are identified as impaired, because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing & Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the de-recognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-For-Sale Reserve.

Note 2. Accounting Standards that have been issued but have not yet been adopted.

The County Council is required to disclose information relating to the impact of changes in accounting standards on the financial statements as a result of new standards that have been issued, but are not yet required to be adopted.

In the 2014-15 accounts, the County Council is required to disclose the following changes to Accounting Standards which will have an impact on the County Council's accounts in 2015-16. The following standards are being introduced by the 2015-16 Code:

IFRS 13 Fair Value Measurement;
Annual Improvements to IFRS's 2011-13 Cycle; and
IFRIC 21 Levies.

The above changes to Accounting Standards and the Code of Practice have been considered and are not expected to have a material impact on the County Council's accounts in 2015-16.

Note 3. Critical judgements in applying accounting policies.

In applying the accounting policies set out in Note 1, the County Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts include:

Government Funding

There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.

PFI Contract- Focus Education Lincolnshire

The County Council entered into a PFI contract with Focus Education (Lincolnshire), for the construction and provision of seven fully serviced school premises. The Council is deemed to control the service provided in these schools and also control the residual value in the school buildings at the end of the agreement. The accounting policy for Service Concessions and Similar Arrangements (including PFI agreements) has been applied to account for this contract and the property, plant and equipment assets associated with these schools, plus the outstanding liability for the PFI finance lease have been included within the Council's balance sheet. Details of the Council's PFI contract accounting are set out in Note 43 Private Finance Initiatives (PFI) and Similar Contracts.

On 11 November 2011, the school buildings belonging to St Botolph's County Primary School in Sleaford (a Voluntary Controlled School) were transferred to the Diocese Trust. This school has been accounted for in accordance with the Authority's Accounting Policy of School Assets.

On the 1st March 2013, one of the seven PFI schools - the Phoenix School at Grantham, converted to Academy status. A lease has been agreed between the County Council and the Academy to reflect the effects of the conversion. This lease is accounted for in accordance with the County Council's Accounting Policies on Leases.

Energy from Waste Plant

The Council has reviewed the arrangements in place for the construction and operation of the Energy from Waste Plant. There are elements of the Energy from Waste contract that meet the definition of a service concession arrangement in that the contract is design, build and operate. However, the land, building and equipment assets associated with the plant have been purchased outright by the Council (and financed through Prudential Borrowing), as such these have been recognised as assets of the Council's in the balance sheet.

Classification of Leases

The County Council has entered into numerous leases for property and equipment, both as lessee and lessor. All new arrangements are assessed on an annual basis using the Council's accounting policies on leasing. Details of all leases held by the Council are set out in Note 42 Leases.

School Assets

Clarification has been issued on how assets used by schools should be accounted for, and when they should be recognised on the Council's balance sheet. The accounting standard for property, plant and equipment (IAS 16) defines a non-current asset as "a resource controlled by the Council as a result of a past event from which future economic benefits or service potential are expected to flow". The clarification on how this should be interpreted requires the assets of a school to be controlled by the Council or the Schools governing body for this criteria to be met, and therefore the assets included within the Council's balance sheet.

All school assets have been reviewed to identify if they are controlled by the Council and should be included on the Council's balance sheet. In general terms all Community Schools and Foundation Schools (which are not controlled by a separate trust) should be included on the Council's balance sheet. Voluntary Controlled and Voluntary Aided Schools where the assets are generally controlled by a Trust (often the Diocese) should not be on the Council's balance sheet.

Investment Properties

The County Council has assessed its portfolio of property assets and has identified a small number of assets held for investment purposes (including the Council's County Farms Estate). These assets are held purely for the purposes of capital appreciation or income generation, or both, and have been accounted for under the County Council's policy on investment properties. Further details are contained in Note 15.

Note 4. Assumptions made about the future and other major sources of estimation uncertainty

The Statement of Accounts contain a number of estimated figures that are based on assumptions made by the County Council, about the future or where there is a degree of uncertainty about outcomes. Estimates made take into account: historical experience, current trends and relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates included in the Statement of Accounts.

The County Council's balance sheet as at 31 March 2015 contains the following entries for which there is a significant risk of material adjustments in the forthcoming financial year:

Item	Uncertainties	Effect if actual results differ from assumptions
Property, Plant and Equipment - PP&E (Valuations and Asset Lives)	- Land and building assets carrying value and remaining useful life are assessed by the County Council's Valuers. These valuations include an assessment of the condition and use of assets. Changes in local government funding and future restructuring of services by the Council may affect the use of existing assets and levels of spending to maintain these assets. This may lead to changes in asset values and asset lives in the future.	Changes to asset value and lives, will have an effect on the annual depreciation charge for use of assets charged to services in the CI&ES. The annual depreciation charge for PP&E in 2014-15 was £76.238m (2013-14 was £67.056m) and the gross book value of these assets was £1,722.323m (2013-14 £1,654.837m). Note 1 on accounting policies and Note 13 Property, Plant and Equipment, details the current policy on valuation methods, asset lives and depreciation applied by the County Council.
Pensions	- The County Council's accounts contain an estimate of the future liability to pay pensions on the retirement of employees. This liability is estimated by the Council's actuary who applies a number of assumptions relating to: salary projections, retirement ages, changes in mortality rates and expected rates of return on pension assets and the discount rates used.	Changes to the actuaries assumptions may materially affect the value of the pension fund liability, however, these changes are difficult to predict as the assumptions interact in complex ways. During 2014-15 the Council's actuaries advised that the net pension liability had increased by £179.929m (£73.596m increase in 2013-14). Details of the pension fund liabilities are set out in Note 45 Defined Benefit Pension Schemes.
Accruals	- Debtor and creditor accruals are measured at the best estimate of the income / expenditure expected at the balance sheet date. Details of debtor and creditor balances are set out in Note 19 (Debtors) and Note 21 (Creditors).	The most significant accrual as at 31 March 2015 relates to the employee leave earned but not taken £5.211m (£5.514m in 2013-14).

This list does not include assets and liabilities that are carried at fair value based on a recently observed market price.

Note 5. Exceptional Items

The County Council is required to disclose separately within the financial statements any exceptional items which are material and are not expected to recur frequently in the Council's normal operations.

In 2014-15, an exceptional item has arisen due to the number of schools converting to Academy status. Academies are independent of the Council, they receive funding from the Department for Education directly and incur their own expenditure. Prior to becoming Academy Schools, this income and expenditure formed part of the Council's net expenditure on schools.

The effect of schools converting to Academies in 2014-15 on the Comprehensive Income and Expenditure Statement is:

	Reduction to Gross Expenditure	Reduction to Income	Effect on Net Expenditure
	£'000	£'000	£'000
Primary Schools	(3,266)	3,348	82
Secondary Schools	(2,993)	3,042	49
Special Schools	(1,585)	1,642	57
Total Effect on Comprehensive Income & Expenditure Statement	**(7,844)**	**8,032**	**188**

These amounts have not been shown separately on the face of the Comprehensive Income and Expenditure Statement.

In addition to the loss of income and expenditure on these schools, where the assets of a school becoming an Academy were owned by the County Council (e.g. Community Schools), the school's land and buildings are leased to the Academy Trust. During 2014-15, seven primary, two secondary and two special school assets have been leased to Academy School Trustees on 125 year leases. The County Council have assessed these leases to be finance leases for the buildings and operating leases for the land and have been valued as such. In addition to these schools a further two primary and one secondary school assets have been removed from the balance sheet for Foundation Schools converting to become Academies.

The overall effect on the balance sheet of Academy conversions in 2014-15 is the removal of £46.597m for land and buildings as at 31 March 2014, and a further £0.173m for all academy schools equipment which was previously held by the County Council.

In 2013-14 a similar reduction occurred due schools becoming Academies. The effect on the CI&ES was to reduce gross expenditure by £54.695m and income by £54.944m, giving a net effect of £0.249m. The effect on the County Council's balance sheet as at 31 March 2014 was a reduction of £9.699m due to land and building assets being leased to Academies Trusts and the removal of schools equipment from the balance sheet of £0.096m. Note the value of land and building assets removed from the County Council's balance in 2013/14 has been restated for the change in accounting policy for School Assets. Further information on this change is set out in Note 48.

Note 6. Material items of income and expenditure

The County Council is required to disclose any material amounts of income or expenditure which are not disclosed on the face of the Comprehensive Income and Expenditure Statement or in other supporting notes to the accounts. Material items over £10m have been reviewed and no items have been identified which are not reported on the face of the Comprehensive Income and Expenditure Statement or in the supporting notes.

Note 7. Events after the balance sheet date

a) Authorisation of Accounts for Issue

The Statement of Accounts were authorised for issue by Pete Moore, CPFA (Executive Director of Finance & Public Protection) in accordance with the Accounts and Audit Regulations 2011 (England).

Signed: …………………………………………… Dated: …26/06/2015………………………

b) Post Balance Sheet Events

In accordance with IAS 10 'Events after the Reporting Period' have been considered on the following basis:

- Events taking place after the date the Accounts were authorised for issue (26 June 2015) are not reflected in the Financial Statements or the notes.

- Events that provide evidence of conditions that existed at the end of the reporting period 31 March 2015 are reflected in the figures in the Financial Statements and the notes, where the information has a material impact.

- Events that arose after the reporting period have not been reflected in the figures in the Accounts. A note of material events which took place after 31 March 2015 is set out here to provide information that is relevant to an understanding of the Council's financial position, but do relate to conditions at this date.

There have been no Events After the Balance Sheet Date to report in the Financial Statements.

Note 8. Adjustments between accounting basis and funding basis under regulations.

This Note details the adjustments that are made to total Comprehensive Income and Expenditure Statement to adjust proper accounting practice for statutory provisions to meet future capital and revenue expenditure.

The following sets out a description of the reserves that the adjustments are made against.

General Fund Balance

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

Capital Receipts Reserve

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

Capital Grants Unapplied

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

Restated (*1) 2013-14					2014-15			
Usable Reserves					Usable Reserves			
General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movements in Unusable Reserves £'000		General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movements in Unusable Reserves £'000
				Adjustments primarily involving the Capital Adjustment Account:				
				Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
(72,063)	0	0	72,063	Charges for depreciation and impairment of non-current assets	(76,238)	0	0	76,238
(15,537)	0	0	15,537	Revaluation losses on Property Plant and Equipment	(15,859)	0	0	15,859
(112)	0	0	112	Revaluation losses on Held for Sale Assets	(120)	0	0	120
10,813	0	0	(10,813)	Movements in the market value of Investment Properties	11,220	0	0	(11,220)
(2,082)	0	0	2,082	Amortisation of intangible assets	(2,116)	0	0	2,116
43,399	0	0	(43,399)	Capital grants and contributions applied	49,191	0	0	(49,191)
(22,557)	0	0	22,557	Revenue expenditure funded from capital under statute (net of Grants and Contributions)	(16,584)	0	0	16,584
(16,879)	0	0	16,879	Amounts of Property, Plant & Equipment written off on disposal or sale as part of the gain/loss on disposal to the CI&ES	(49,968)	0	0	49,968
(565)	0	0	565	Amounts of assets held for sale written off on disposal or sale as part of the gain/loss on disposal to the CI&ES	(651)	0	0	651
(1,452)	0	0	1,452	Amounts of investment properties written off on disposal or sale as part of the gain/loss on disposal to the CI&ES	(1,607)	0	0	1,607

2013-14					2014-15			
Usable Reserves					Usable Reserves			
General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movements in Unusable Reserves £'000		General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movements in Unusable Reserves £'000
				Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
25,925	0	0	(25,925)	Statutory provision for the financing of capital investment	23,813	0	0	(23,813)
9,677	0	0	(9,677)	Capital expenditure charged against the General Fund	6,790	0	0	(6,790)
				Adjustments primarily involving the Capital Grants Unapplied Account:				
22,890	0	(22,890)	0	Capital grants and contributions unapplied credited to the CI&ES	20,915	0	(20,915)	0
0	0	30,673	(30,673)	Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	26,353	(26,353)
				Adjustments primarily involving the Capital Receipts Reserve:				
3,238	(3,238)	0	0	Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CI&ES	2,510	(2,510)	0	0
0	3,238	0	(3,238)	Use of the Capital Receipts Reserve to finance new capital expenditure	0	2,510	0	(2,510)
				Adjustments primarily involving the Deferred Capital Receipts Reserve				

2013-14					2014-15			
Usable Reserves					Usable Reserves			
General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movements in Unusable Reserves £'000		General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movements in Unusable Reserves £'000
				Adjustment primarily involving the Financial Instruments Adjustment Account:				
(171)	0	0	171	Amount by which finance costs charged to the CI&ES are different from finance costs chargeable in the year in accordance with statutory requirements	(14)	0	0	14
				Adjustments primarily involving the Pensions Reserve:				
(64,207)	0	0	64,207	Reversal of items relating to retirement benefits debited or credited to the CI&ES (Note 45)	(70,093)	0	0	70,093
35,802	0	0	(35,802)	Employer's pensions contributions and direct payments to pensioners payable in the year	38,912	0	0	(38,912)
				Adjustments primarily involving the Collection Fund Adjustment Account:				
(3,766)	0	0	3,766	Amount by which council tax & business rate income credited to the CI&ES is different from council tax & business rates income calculated for the year in accordance with statutory requirements	2,566	0	0	(2,566)
				Adjustment primarily involving the Accumulated Absences Account:				
1,318	0	0	(1,318)	Amount by which officer remuneration charged to the CI&ES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	215	0	0	(215)
(46,329)	**0**	**7,783**	**38,546**	**Total Adjustments**	**(77,118)**	**0**	**5,438**	**71,680**

(*1) The comparator year movements have been restated for the change in accounting policy on Schools Assets. Further information on the prior period adjustment can be found in Note 48.

Note 9. Transfer to/from earmarked reserves.

The note below sets out the amounts set aside from the General Fund into Earmarked Reserves to provide financing for future expenditure plans and the amounts posted back from Earmarked Reserves to meet General Fund expenditure in 2014-15.

Balance at 1 April 2013	Additions in Year	Used in Year	Balance at 31 March 2014		Balance at 1 April 2014	Additions in Year	Used in Year	Balance at 31 March 2015
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
37,918	21,139	(25,161)	33,896	**Balances from dedicated schools budget including those held by schools under a scheme of delegation**	33,896	17,710	(20,038)	31,568
				Other Earmarked Reserves:				
3,965	3,999	(3,965)	3,999	Other Services	3,999	2,126	(3,999)	2,126
1,000	0	0	1,000	Adverse Weather	1,000	0	0	1,000
4,058	1,028	0	5,086	Insurance	5,086	1,134	0	6,220
3,984	24	(1,076)	2,932	Health and Well Being	2,932	17	(772)	2,177
1,870	1,080	(600)	2,350	Shared Services Reserves (Legal and Procurement)	2,350	1,249	(806)	2,793
23,200	0	(16,420)	6,780	Financial Volatility - Budget Shortfall	6,780	21,871	(6,780)	21,871
13,048	29,958	0	43,006	Financial volatility	43,006	11,193	(23,614)	30,585
2,000	5,843	(2,000)	5,843	Roads Maintenance	5,843	0	(3,640)	2,203
4,193	725	(918)	4,000	Support Services contract	4,000	0	(1,368)	2,632
9,287	4,039	(2,505)	10,821	Other Service Earmarked Reserves	10,821	2,750	(2,240)	11,331
				Revenue Grants and Contributions Unapplied Reserves:				
6,140	10	(2,307)	3,843	Growth Points - Lincoln	3,843	0	(981)	2,862
2,158	0	(286)	1,872	Growth Points - Grantham	1,872	0	(72)	1,800
9,795	186	(2,931)	7,050	Growing Places	7,050	3,182	0	10,232
	0	0	0	Public Health	0	3,309	0	3,309
3,968	524	(1,033)	3,459	Children Services	3,459	1,145	(177)	4,427
853	3,972	(120)	4,705	Highways and Transport	4,705	106	(4,001)	810
9,140	14,737	(7,106)	16,771	Adult Care	16,771	9,109	(3,870)	22,010
378	2,467	(378)	2,467	Schools	2,467	4,791	(2,467)	4,791
4,740	1,525	(870)	5,395	Other Grants and Contributions	5,395	756	(1,076)	5,075
141,695	**91,256**	**(67,676)**	**165,275**	**Total**	**165,275**	**80,448**	**(75,901)**	**169,822**

The balance held by schools under the scheme of delegation, represents the net underspending of school budget shares in 2014-15. It is earmarked for use by those schools as required by the Lincolnshire County Council Scheme for financing Schools approved by the Secretary of State for Education.

The **Other Services Reserve** represents net under and overspendings in 2014-15 on services other than schools (i.e. Children's Services, Adult Care, Public Health, Communities, Corporate Services) which will be carried forward for use in 2015-16.

The **Adverse Weather** reserve is used to fund any overspend of the council's Winter Maintenance budget caused by the weather being particularly severe.

The reserve for **Insurance** is earmarked for potential future claims under the excess clauses of the Council's external insurance policies. Separate provision is made within Provisions for all claims currently outstanding.

The **Health and Wellbeing** reserve has been set up with contributions from both Lincolnshire County Council and Lincolnshire Clinical Commisioning Groups. It will be used to fund future initiatives which will help to achieve the objectives and aspirations of both parties.

The **Reserve for Shared Services.** The **Legal Services Reserve** represents what the Practice carried forward from 2013-14. The Legal Services Management Board will agree on what proportion of the surplus should be distributed to the shared service partners in 2014-15. The **Procurement Reserve** represents Procurement Lincolnshire's underspend at the end of 2014-15. The underspend relates to both Council money and partners money. This amount will be carried into 2015-16 for schemes for mutual benefit to all the partners.

The **Financial Volatility** and the **Financial Volatility - Budget Shortfall** reserves have been established to help the Council deal with the future uncertainties around Local Government funding. The Financial Volatility - Budget Shortfall Reserve contains £23.2m which the Council has budgeted as contributions to the revenue budget in 2014-15 and 2015-16.

The **Roads Maintenance reserve** has been established to provide for additional funding for Highways related matters.

The **Support Services Contract reserve** will be used to fund the specialist services required to enable the support service contract to be re-let.

The **Other Service Earmarked Reserves** represents numerous reserves held by service areas of specific purposes.

The **Revenue Grants and Contributions Unapplied** reserve is used where the Council has received funding but the expenditure has not yet taken place. The funding will be used for the schemes that it was awarded for in future accounting periods.

Note 10. Other operating expenditure.

Restated (*1) 2013-14 £'000		2014-15 £'000
1,079	- Precepts paid to non-principal authorities and levies	1,095
15,665	- Gain or Loss on the disposal of non-current assets	45,665
112	- Revaluation losses on assets held for sale	120
16,856	**TOTAL**	**46,880**

(*1) The comparator year has been restated for the change in accounting policy on Schools Assets. Further information on the prior period adjustement can be found in Note 48.

Note 11. Financing and Investment Income and Expenditure.

2013-14 £'000		2014-15 £'000
19,906	- Interest payable and similar charges	19,726
28,824	-Net Interest on the net defined benefit liability (asset)	30,745
(1,412)	- Interest receivable and similar income	(1,460)
(12,052)	- Income, expenditure and changes in the fair values of investment properties	(12,667)
35,266	**TOTAL**	**36,344**

Note 12. Taxation and Non Specific Grant Income.

Restated (*1) 2013-14 £'000		2014-15 £'000
(221,137)	Council tax income	(228,745)
(98,104)	Business Rates - Districts	(102,326)
	Non-ring-fenced government grants	
(146,366)	- Revenue Support Grant	(124,575)
(2,547)	- Council Tax freeze Grant	(2,585)
(1,378)	- Local Services Support Grant	(1,243)
(2,864)	- New Homes Bonus Grant & Returned Top slice	(3,144)
(7,492)	-Education Services Grant	(7,123)
(1,277)	- Adoption Reform Grant	(644)
(2,092)	- Other Non Specific Grant	(2,006)
(66,289)	- Capital grants and contributions (Note 39)	(70,106)
(549,546)	**TOTAL**	**(542,497)**

(*1) The comparator year has been restated for the change in accounting policy on Schools Assets. Further information on the prior period adjustement can be found in Note 48.

Note 13. Property, Plant and Equipment.

a) Movement on Non-Current Assets

Movement in Property, Plant & Equipment As at 31 March 2015	Restated (*1) Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infra-structure	Community Assets	Surplus Assets	Assets Under Construction	Total	PFI Assets Included in Property, Plant & Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation								
At 1 April 2014	764,084	127,673	713,555	0	23,310	27,404	**1,656,026**	20,862
Additions	12,856	2,675	40,996	1	853	17,914	**75,295**	100
Revaluation Increase to RR	100,202	0	0	0	825	0	**101,027**	569
Revaluation Decrease to RR	(13,306)	(4,820)	0	0	(445)	0	**(18,571)**	0
Revaluation Increase/(Decrease) to SDPS	(12,269)	(846)	0	(1)	(2,744)	0	**(15,860)**	0
Derecognition - Disposals	(52,729)	(475)	(4,909)	0	(2,402)	0	**(60,515)**	0
Derecognition to RR	(796)	0	0	0	0	0	**(796)**	0
Derecognition to SDPS	(2,521)	0	0	0	0	0	**(2,521)**	0
Reclassified to/from Heritage Property	0	0	0	0	0	(8,179)	**(8,179)**	0
Reclassified to/from Held for Sale	(1,495)	0	0	0	(949)	0	**(2,444)**	0
Reclassified to/from Investment Property	0	0	0	0	0	0	**0**	0
Reclassifications - Other	(862)	2,360	4,132	0	3,522	(10,291)	**(1,139)**	0
At 31 March 2015	**793,164**	**126,567**	**753,774**	**0**	**21,970**	**26,848**	**1,722,323**	**21,531**
Depreciation and Impairment								
At 1 April 2014	**(40,608)**	**(29,834)**	**(259,200)**	**0**	**(2,690)**	**0**	(332,332)	**(1,656)**
Depreciation Charge for 2014-15	(27,620)	(11,067)	(37,434)	0	(117)	0	**(76,238)**	0
Depreciation written out on upward revaluation	16,307	0	0	0	0	0	**16,307**	1,122
Depreciation written out on downward revaluation	3,429	6,138	0	0	227	0	**9,794**	0
Depreciation written out to the SDPS	0	0	0	0	0	0	**0**	0
Impairment losses/(reversals) recognised in the RR	0	0	0	0	0	0	**0**	0
Impairment losses/(reversals) recognised in the SDPS	0	0	0	0	0	0	**0**	0
Derecognition - Disposals	6,015	286	4,909	0	2,291	0	**13,501**	0
Derecognition to RR	13	0	0	0	0	0	**13**	0
Derecognition - SDPS	64	0	0	0	0	0	**64**	0
Reclassified to/from Heritage Property	0	0	0	0	0	0	**0**	0
Reclassifications to Asset Held for Sale	0	0	0	0	0	0	**0**	0
Reclassifications to/from Investment Property	0	0	0	0	0	0	**0**	0
Reclassifications - Other	42	0	0	0	(42)	0	**0**	0
At 31 March 2015	**(42,358)**	**(34,477)**	**(291,725)**	**0**	**(331)**	**0**	**(368,891)**	**(534)**
Net Book Value								
At 31 March 2015	**750,806**	**92,090**	**462,049**	**0**	**21,639**	**26,848**	**1,353,432**	**20,997**
At 1 April 2014	723,476	97,839	454,355	0	20,620	27,404	1,323,694	19,206

(*1) The opening balance as at 1 April 2014 has been restated for the change in accounting policy on Schools Assets. Further information on the prior period adjustement can be found in Note 48.

RR - Revaluation Reserve

SDPS - Surplus or Deficit on the Provision of Services

Restated (1*) Movement in Property, Plant & Equipment As at 31 March 2014	Restated (*1) Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infra-structure	Community Assets	Surplus Assets	Assets Under Construction	Total	PFI Assets Included in Property, Plant & Equipment
	£'000	£'000	£'000	'£'000	£'000	£'000	£'000	£'000
Cost or Valuation								
At 1 April 2013	693,924	192,937	673,228	22	26,298	131,741	**1,718,150**	21,307
Additions	23,986	20,830	37,790	0	4,768	19,901	**107,275**	81
Revaluation Increase to RR	53,687	0	0	0	1,739	0	**55,426**	(527)
Revaluation Decrease to RR	(36,434)	0	0	0	(2,797)	0	**(39,231)**	(85)
Revaluation Increase/(Decrease) to SDPS	(10,723)	0	0	(22)	(4,792)	0	**(15,537)**	86
Derecognition - Disposals	(10,341)	(152,396)	0	0	(3,314)	0	**(166,051)**	0
Derecognition to RR	(329)	0	0	0	0	0	**(329)**	0
Derecognition to SDPS	(2,025)	0	0	0	0	0	**(2,025)**	0
Reclassified to/from Heritage Property	0	0	0	0	0	(118)	**(118)**	0
Reclassified to/from Held for Sale	(365)	0	0	0	(370)	0	**(735)**	0
Reclassified to/from Investment Property	0	0	0	0	0	(80)	**(80)**	0
Reclassifications - Other	52,704	66,302	2,537	0	1,778	(124,040)	**(719)**	0
At 31 March 2014	**764,084**	**127,673**	**713,555**	**0**	**23,310**	**27,404**	**1,656,026**	**20,862**
Depreciation and Impairment								
At 1 April 2013	(62,878)	(171,053)	(224,894)	0	(3,349)	0	(462,174)	(2,101)
Depreciation Charge for 2013/14	(26,474)	(11,082)	(34,306)	0	(202)	0	(72,064)	(86)
Depreciation written out on upward revaluation	44,390	0	0	0	2	0	44,392	531
Depreciation written out on downward revaluation	3,934	0	0	0	426	0	4,360	0
Depreciation written out to the SDPS	0	0	0	0	0	0	0	0
Impairment losses/(reversals) recognised in the RR	0	0	0	0	0	0	0	0
Impairment losses/(reversals) recognised in the SDPS	0	0	0	0	0	0	0	0
Derecognition - Disposals	106	152,301	0	0	420	0	152,827	0
Derecognition to RR	43	0	0	0	0	0	43	0
Derecognition - SDPS	284	0	0	0	0	0	284	0
Reclassified to/from Heritage Property	0	0	0	0	0	0	0	0
Reclassifications to Asset Held for Sale	0	0	0	0	0	0	0	0
Reclassifications to/from Investment Property	0	0	0	0	0	0	0	0
Reclassifications - Other	(13)	0	0	0	13	0	0	0
At 31 March 2014	**(40,608)**	**(29,834)**	**(259,200)**	**0**	**(2,690)**	**0**	**(332,332)**	**(1,656)**
Net Book Value								
At 31 March 2014	**723,476**	**97,839**	**454,355**	**0**	**20,620**	**27,404**	**1,323,694**	**19,206**
At 1 April 2013	631,046	21,884	448,334	22	22,949	131,741	1,255,976	19,206

(*1) The opening balance as at 1 April 2013 and movements in 2013-14 have been restated for the change in accounting policy on Schools Assets. Further information on the prior period adjustement can be found in Note 48.

b) Depreciation and Asset Lives

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

	Useful Economic Life (Years)
Land	999
Buildings	
Specialist Buildings, including Schools, Youth Centres, Residential Homes, Day Centres, Family Centres, Libraries, Museums, Highways Maintenance Depots	15 to 70
Energy From Waste Buildings	
Civil	60
Mechanical	25
Instrumentation, Control and Automation	10
Non-Specialist Buildings	40
Site works, including playground, hard standing, car parks etc.	
- associated with specialist buildings	5 to 55
- associated with non-specialist buildings	20
Infrastructure	
Structures (Bridges)	120
Major Road Construction	60
Street Lighting, Kerbing	40
Drainage	40
Safety Fencing	25
Traffic Signals, Other Street Furniture (Signs, Ornamental structures), Junction Improvements, Bus Stop Infrastructure, Carriageway Works, Footways, Materials Testing, Verges, Rights of Way	20
Reactive Signs	15
Carriageway Surfacing - Non-Principal Roads	12
Patching, Footway Slurry Sealing	10
Carriageway Surfacing - Principal Roads	8
Carriageway Slurry Sealing	6
Potholes - Non-Principal Roads	3
Potholes - Principal Roads	1
Vehicles, Furniture & Equipment	
Energy from Waste - Mechanical	25
Energy from Waste - Instrumentation, Control and Automation (ICA)	10
Energy from Waste - Admin Equipment	10
IT Equipment	4
Furniture and Equipment	5
Vehicles	3 to 18

c) Capital Commitments

At 31 March 2015, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2015-16 and future years. The outstanding value of these committements in 2015-16 and future years is estimated to be £15.552m.

Detail	Gross £'000
King Edward VI Grammar School, Louth - Construction of new teaching & dining block	1,232
Construction of a new primary school in Gainsborough	1,435
Lincoln East/West Link - a major scheme to improve the flow of traffic around Lincoln City Centre	9,351
Canwick Road - a major scheme to improve access to Lincoln	3,534
	15,552

d) Valuations

The County Council undertakes a five year rolling programme of revaluations to ensure that land and buildings are measured at fair value. All valuations are carried out by the Council's appointed Valuers - Mouchel Ltd. 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 are carried out as at 1 April.

Non-Current Assets carried at historic cost	2013-14	2014-15
	£'000	£'000
Vehicles, Plant, Furniture and Equipment	97,838	92,089
Infrastructure	454,355	462,049
Community Assets	0	0
Assets Under Construction	27,404	26,848
Total Cost of Valuation	**579,597**	**580,986**

Note 14. Heritage Assets.

Heritage assets are assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture.

The assets held by the Council, which have been classed as Heritage Assets fall into three categories:

1) Windmills
The Council is responsible for four windmills: Alford five sail windmill, Burgh le Marsh windmill, Ellis Mill in Lincoln and Heckington Windmill.

All four windmills are operational, open to the public on a managed basis and usually staffed by volunteers. Each windmill provides value to the cultural heritage of the County, preserving unusual or even unique features such as Heckington Mill which is the only surviving eight sailed mill in the country.

2) Historic Buildings
The Council owns various historic buildings, the most famous of which is Lincoln Castle. The Castle was constructed by William the Conqueror on the site of a pre-existing Roman fortress. The Castle is open to the public and guided tours are available to give an insight into the history of Lincoln and Lincolnshire. Various cultural and entertainment events are also held at the Castle each year.

Also, the 12th century Temple Bruer Preceptory Tower, which was built to house the military order formed to guard the shrines of the Holy Land and protect pilgrims on the road. This site is managed by Heritage Lincolnshire on behalf of the Council.

3) Collections
The Council owns and is responsible for more than three million items in its collections (held across libraries, museums and archives). These include physical and digital collections from all periods of Lincolnshire's history.

Many items are unique and of high cultural significance on a national or international scale (for example the Tennyson collection, Bishops Rolls and Registers). Others are of local interest for Lincolnshire.

The County's collections bring a wealth of enjoyment and education to those living in Lincolnshire and beyond. The County is legally obliged to protect significant elements of these collections but, importantly, their management and development ensures that the cultural heritage and life of the County are preserved for future generations and are available to the current generation.

The management and development of the collections is governed by the Council's Policy on Collection Management, which can be found on the Council's website in the resident's area, under Leisure, Culture and Heritage. (http://www.lincolnshire.gov.uk/residents-culture-and-heritage/heritage/).

a) Reconciliation of the carrying value of Heritage Assets held:

	Windmills	Other Historic Buildings	Collections	Total
	£'000	£'000	£'000	£'000
Cost or Valuation				
Balance at 1 April 2014	4,690	4,026	27,727	36,443
Additions - In House construction/Improvement	124	7,879	0	8,003
Reclassifications	120	8,059	0	8,179
At 31 March 2015	**4,934**	**19,964**	**27,727**	**52,625**

	Windmills	Other Historic Buildings	Collections	Total
	£'000	£'000	£'000	£'000
Cost or Valuation				
Balance at 1 April 2013	4,605	4,024	27,727	36,356
Additions - In House construction/Improvement	5	2	0	7
Revaluations recognised in the Revaluation Reserve	(38)	0	0	(38)
Reclassifications	118	0	0	118
At 31 March 2014	**4,690**	**4,026**	**27,727**	**36,443**

d) Additions to Heritage Assets

There has been addition of £15.939 to other historic buildings.This relates to the castle revealed project at Lincoln Castle.

e) Total Heritage Assets Five Year Summary of Transactions

	2010-11	2011-12	2012-13	2013-14	2014-15
	£000	£000	£000	£000	£000
Balance at Start of the Year	26,935	31,157	35,022	36,356	36,443
Cost of Acquisitions	315	109	14	7	8,003
Revaluations	3,907	3,718	(4)	(38)	0
Carrying Amount of Disposals/Proceeds	0	(114)	0	0	0
Reclassifications	0	152	1,324	118	8,179
Total at Year End	**31,157**	**35,022**	**36,356**	**36,443**	**52,625**

Note 15. Investment Properties.

Investment Properties are assets held for either capital appreciation or income generation, or both. For these purposes the Council holds the County Farms estates and a small number of other general fund properties. The County Farms estate includes both freehold (owned by the Council) and leasehold (rented by the Council) properties.

a) Investment Properties Income and Expenditure

County Farm Estates	**2013-14**	**2014-15**
	£'000	**£'000**
Rental Income from Investment Property	(2,097)	(2,213)
Direct Operating Expenses arising from Investment Property	862	769
Net (Income)/Expenditure	**(1,235)**	**(1,444)**

Other General Fund Properties	**2013-14**	**2014-15**
	£'000	**£'000**
Rental Income from Investment Property	(56)	(43)
Direct Operating Expenses arising from Investment Property	52	41
Net (Income)/Expenditure	**(4)**	**(2)**

There are no restrictions on the Council's ability to realise the value inherent in its Investment Properties, or on the Council's right to the remittance of income and the proceeds of disposal, however, whilst secure tenancies in our County Farm Estate would not stop us selling them it would have a detrimental impact on the value realisable. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

b) Movement on Investment Properties

	County Farm Estates	**Other General Fund Properties**
	£'000	**£'000**
Balance at 1 April 2014	81,781	701
Additions - Acquisitions (Purchase and Construction)	430	0
Additions - Subsequent expenditure	0	0
Disposals	(1,608)	0
Net Gains/(Losses) from fair value adjustments	11,276	(55)
Transfers to/from Property, Plant and Equipment	0	0
Balance at 31 March 2015	**91,879**	**646**
Nature of asset holding		
Owned	91,840	646
Leased	39	0
Balance at 31 March 2015	**91,879**	**646**

	County Farm Estates £'000	Other General Fund Properties £'000
Balance at 1 April 2013	71,919	701
Additions - Acquisitions (Purchase and Construction)	0	0
Additions - Subsequent expenditure	421	0
Disposals	(1,452)	0
Net Gains/(Losses) from fair value adjustments	10,813	0
Transfers to/from Property, Plant and Equipment	80	0
Balance at 31 March 2014	**81,781**	**701**
Nature of asset holding		
Owned	81,693	701
Leased	88	0
Balance at 31 March 2014	**81,781**	**701**

c) Revaluations

The Council revalues investment properties annually to ensure that they are carried at fair value. All valuations are carried out by the Council's appointed Valuers - Savills (L&P Ltd) for the County Farms Estate and Mouchel Ltd for other general fund Investment Properties. Valuations 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 are carried out as at 31 March each year to ensure all Investment Properties are carried at fair value at the Balance Sheet date.

Note 16. Intangible Assets.

a. Movement on intangible assets:

	Software	Software Licenses	Total
	£'000	£'000	£'000
Balance at 1 April 2014			
- Gross carrying amount	12,174	311	12,485
- Accumulated amortisation	(6,575)	(192)	(6,767)
Net carrying amount at 1 April 2014	**5,599**	**119**	**5,718**
Additions:			
- Internally developed	0	0	0
- Purchases	2,531	2,371	4,902
Asset classified as held for sale			
Other disposals	0	0	0
Impairment Losses/(Reversals) to RR	0	0	0
Impairment Losses/(Reversals) to SDPS	0	0	0
Reversal of past impairment losses written back to the surplus/deficit on the provision of services	0	0	0
Amortisation for the period	(1,910)	(206)	(2,116)
Other changes - reclassifications	693	0	693
Net carrying amount at 31 March 2015	**6,913**	**2,284**	**9,197**
Comprising:			
- Gross carrying amounts	15,714	2,681	18,395
- Accumulated amortisation	(8,801)	(397)	(9,198)
Balance Sheet amount at 31 March 2015	**6,913**	**2,284**	**9,197**

b. Depreciation and Asset Lives

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

	Useful Economic Life (Years)	
	From	To
- Software	1	10
- Software Licenses	1	7
- Other Intangibles	4	4

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £2.116m (£2.082m in 2013-14) charged to revenue in 2014-15 was charged to the IT cost centre and then absorbed as an overhead across all the service headings in the Net Expenditure of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

c. Significant Capitalised Software

At 31 March 2015, the County Council has capitalised material items of software (with a value over £1m):

Detail	Gross £'000
IMP Upgrade	1,158
Agresso Software	1,847
Agresso Licences	2,371

d. Capital Commitments

At 1 April 2015, the Council has entered into contracts for the purchase of intangible assets for 1 April 2014 to 31 March 2015 and for future years.The outstanding value of these committements in 2015-16 and future years is estimated to be £19.714m. The major commitments are:

Detail	Gross £'000
Superfast Broadband - A programme to install high speed internet infrastructure in communities and businesses, particularly in rural areas.	16,964
Replacement ERP Finance System - Replacement of the SAP finance system with Agresso in line with the FDSS (Future Delivery of Support Services) programme.	2,750
TOTAL	**19,714**

e. Revaluation

The County Council does not revalue its intangible assets, all assets are carried at cost. Annually an impairment review is undertaken to ensure that all intangible assets have an appropriate asset life and carrying value as at 31 March each year.

Note 17. Financial Instruments and the Nature and Extent of Risks Arising from Financial Instruments.

a. Financial Instruments Balance

The following categories of financial instruments are disclosed in the Balance Sheet:

	Long-Term		Current	
	31 March 2014	31 March 2015	31 March 2014	31 March 2015
	£'000	£'000	£'000	£'000
Borrowings				
Financial Liabilities At Amortised Cost	443,222	441,673	15,749	25,715
Financial Liabilities at Fair Value Through Profit and Loss	0	0	0	0
Total Borrowings	**443,222**	**441,673**	**15,749**	**25,715**
PFI & Finance Lease Liabilities				
PFI and Finance Lease Liabilities	13,799	12,916	0	0
Total PFI & Finance Lease Liabilities	**13,799**	**12,916**	**0**	**0**
Creditors & Other Long Term Liabilities				
Financial Liabilities Carried at Contract Amount	11,156	8,082	68,533	44,296
Total Creditors	**11,156**	**8,082**	**68,533**	**44,296**
Investments				
Loans and Receivables	2,200	200	149,930	74,916
Available for Sale Financial Assets	0	0	35,083	84,553
Unquoted Equity Investments At Cost	14	14	0	0
Financial Assets at Fair Value Through Profit and Loss	0	0	0	0
Total Investments	**2,214**	**214**	**185,013**	**159,469**
Debtors				
Loans and Receivables	8,772	7,336	0	0
Financial Assets Carried at Contract Amount	0	0	29,558	43,286
Total Debtors	**8,772**	**7,336**	**29,558**	**43,286**

b. Financial Instruments Income, Expense, Gains or Losses

The Council's Financial Liabilities are all valued at amortised cost. There have been no gains or losses on derecognition or impairment losses during the year on the financial liabilities held by the Council.

The Council's Financial Assets are predominantly loans and receivables valued at amortised cost; although it's investments held in Stable Net Asset Value Money Market Funds are classed as Available for Sale Financial Assets which are valued at fair value that equates to the carrying value, as 1 unit held in these funds = £1 fair value. Investments held in Certificate of Deposits are also classed as Available for Sale which are also valued at fair value based on the prevailing price at 31st March 2015. The Council has a small share holding of £14,100, aquired for Economic Regeneration and Fire & Rescue Service reasons. Shares are held to the nominal value of £14,100 and are classed as Unquoted Equity Investments and are valued at cost. No income is received from these investments.

There have been no gains or losses on derecognition or impairment losses during the year on the financial assets held by the Council. No revaluation of assets has taken place and hence no gains or losses on revaluation have occurred.

Interest received or incurred, fee expenses or income received or incurred, or any unrealised gains or losses in fair value of Available for Sale investments, in relation to the financial instruments held by the Council is shown in the following table:

	2013-14	2014-15
	£'000	£'000
Unrealised Reduction in Fair Value - Available for Sale Financial Assets held at 31st March	**15**	**3**
Financial Liabilities At Amortised Cost	19,946	19,753
Financial Liabilities at Fair Value Through Profit and Loss	0	0
Total Interest Expense	**19,946**	**19,753**
Total Fee Expense	15	60
Total Expense in Surplus or Deficit on the Provision of Services	**19,961**	**19,813**
Unrealised Increase in Fair Value -Available for Sale Financial Assets held at 31st March	**(98)**	**(246)**
Loans and Receivables at Amortised Cost	(1,120)	(611)
Available for Sale Financial Assets	(295)	(788)
Unquoted Equity Investments At Cost	0	0
Financial Assets at Fair Value Through Profit and Loss	0	0
Total Interest Income	**(1,415)**	**(1,399)**
Total Fee Income	0	0
Interest Received	**(1,415)**	**(1,399)**

c. Fair Value of Assets and Liabilities Carried at Amortised Cost

Financial liabilities and financial assets represented by loans and receivables 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 investments using the following assumptions:

- For loans from the PWLB, equivalent borrowing rates available from the PWLB at 31 March 2015 have been applied to provide the fair value under the PWLB debt redemption procedures.

- For non PWLB loans and 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 (other than PWLB debt), or is a trade or other payable or receivable, the fair value is taken to be the principal outstanding or the billed amount.
- The fair value of trade and other payables and receivables, taken to be the invoiced or billed amount, are not shown in the table below.

The fair values calculated are as follows:

	31 March 2014		31 March 2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
PWLB Debt (Long Term > 12 Months)	433,222	448,602	411,672	499,133
Non PWLB Debt (Long Term > 12 Months)	10,000	8,892	30,000	34,294
PWLB Debt (Short Term < 12 Months)	11,543	11,958	21,550	26,119
Non PWLB Debt (Short Term < 12 Months)	322	321	187	187
Long-Term Creditors & Other Long Term Liabilities	11,156	11,156	8,082	8,082
Total Financial Liabilities at Amortised Cost	**466,243**	**480,929**	**471,491**	**567,815**

Where the fair value is less than the carrying amount, this is due to the Council's portfolio of loans including a number of fixed rate loans where the interest rate payable is lower than the rates available for similar loans in the market at the Balance Sheet date. This shows a notional future gain based on economic conditions at the Balance Sheet date arising from a commitment to pay interest to lenders below current market rates.

Where the fair value is more than the carrying amount, the opposite is true, i.e. a number of fixed rate loans held in the Council's portfolio have interest rates payable above current market rates for similar loans. The change in fair value from 31 March 2014 to 31 March 2015, highlights the reduction or increase in market rates over this period.

Loans and Receivables	31 March 2014		31 March 2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Loans and Receivables (Long Term > 12 Months)	2,200	2,191	200	200
Loans and Receivables (Short Term < 12 Months)	149,475	149,475	74,510	74,510
Long-Term Debtors	8,772	8,892	7,336	7,551
Financial Assets at Amortised Cost	**160,447**	**160,558**	**82,046**	**82,261**

The fair value is greater than the carrying amount, because the Council's portfolio of long term investments includes a number of fixed rate loans where the interest rate receivable is higher than the estimated rates available for similar loans at the Balance Sheet date. This guarantee to receive interest above the current market rate increases the amount that the Council would receive if it agreed to early repayment of the loans and hence shows a notional future gain.

Available for Sale Investments, not included in the table above are carried on the Balance Sheet at their Fair Value already, which is calculated using the market price of the investments at 31 March 2015. The detail of these investments are shown in the table below.

Available for Sale Investments	31 March 2014		31 March 2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000
Certificates of Deposit	35,000	35,083	47,825	48,068
Money Market Funds	0	0	36,485	36,485
Available For Sale Financial Assets	**35,000**	**35,083**	**84,310**	**84,553**

As with Loans and Receivables, the Fair Value of the Certificate of Deposits is higher than the original purchase amount due to the majority of Certificates of Deposit held having a higher coupon than those available for similar Certificate of Deposits in the market at the balance sheet date. The Fair Value of Money Market Funds equate to the Carrying Value as 1 unit held in these funds equals £1 fair value.

d. Nature and Extent of Risks Arising From Financial Instruments and How the Authority Manages Those Risks

(i) Key Risks

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

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council;

- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments;

- Re-financing risk – the possibility that the Council might be required 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 rate movements.

(ii) Overall Procedures for Managing Risk

The Council's overall risk management procedures focus on the unpredictability of financial markets and implementing restrictions to minimise these risks. The procedures for risk management are laid down in a legal framework set out in the Local Government Act 2003 and associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Act. Overall these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the Code of Practice;

- by approving annually in advance prudential indicators for the following three years limiting:

- o maximum and minimum exposures to fixed and variable rates;
- o maximum and minimum exposures to the maturity structure of its debt;
- o maximum annual exposures to investments maturing beyond one year.

- by approving an investment strategy for the forthcoming year, setting out its criteria for both investing and selecting investment counterparties in compliance with Government Guidance.

These items are required to be reported and approved at or before the Council's Annual Council Tax setting budget; and are also reported as part of the Council's annual treasury management strategy and investment strategy, which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported quarterly to Councillors.

These treasury management policies are implemented by a central treasury management team. 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 through its Treasury Management Practices (TMPs). These TMPs are a requirement of the Code of Practice and are reviewed regularly.

(iii) Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. To minimise this risk, deposits are not made with banks and financial institutions unless they meet the minimum requirements of the Council's investment criteria (based on independent credit rating assessments of institutions and countries, their credit watches and outlooks from credit rating agencies and their credit default spreads), as outlined in its investment strategy. A summary of the minimum requirements are outlined below:

Minimum Acceptable Long-Term Credit Rating:	Bank or Building Society: AA- Money Market Fund: AAA UK Government: Not Applicable
Minimum Acceptable Sovereign (Country) Credit Rating: (UK excepted).	AAA

The following analysis summarises the Council's investments at the reporting date by the long-term credit rating, (using Fitch IBCA's scoring criteria), of the counterparties with whom its investments are made and hence shows its potential exposure to credit risk at the reporting date.

Deposits With Banks and Financial Institutions	Amount at 31 March 2014		Amount at 31 March 2015	
	£'000	%	£'000	%
AAA Rated Counterparties	0	0.00%	36,485	22.94%
AA Rated Counterparties	106,625	57.11%	42,510	26.73%
A Rated Counterparties	77,850	41.70%	72,825	45.79%
Other Counterparties (*1)	2,214	1.19%	7,214	4.54%
Total Investments	**186,689**	**100.00%**	**159,034**	**100.00%**

(*1) Other Counterparties are predominantly investments with other Local Authorities (UK Government), who are not credit rated in their own right, however represent low credit risk to the Council.

At the time of making the investment, the financial institutions fully met the Council's minimum investment criteria.

No breaches of the Council's counterparty criteria occurred during the reporting period and the Council has not received nor expects any losses/defaults from the non-performance by any of its counterparties in relation to its investments.

Collateral – During the reporting period the Council held no collateral as security for its investments.

The Council does not generally allow credit for its customers. However, there is one exception to this where there is an agreed policy in relation to care home fees to allow credit with an attachment over property.

The overdue, but not impaired, amounts of the Council's customers at 31 March 2015 can be analysed by age as follows:

Analysis of Debts by Age	Amount at 31 March 2014		Amount at 31 March 2015	
	£'000	%	£'000	%
Less than 3 months	1,627	25.95%	2,538	36.26%
3 to 6 months	747	11.91%	739	10.56%
6 months to 1 year	1,396	22.26%	1,489	21.27%
More then 1 year	2,500	39.88%	2,234	31.91%
Total Outstanding Debt	**6,270**	**100.00%**	**7,000**	**100.00%**

(iv) Liquidity Risk

The Council has ready access to borrowings from the Money Markets to cover any day-to-day cash flow need. The Public Works Loan Board provides access to longer-term funds; it also acts as a lender of last resort to Councils (although it will not provide funding to a Council whose actions are unlawful). The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is, therefore, no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

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 cash flow management procedures required by the Code of Practice.

(v) Refinancing and Maturity Risk

The Council maintains a significant debt and investment portfolio. Long term risk to the Council relates to managing the exposure to replacing longer term financial instruments (debt and investments) as they mature.

The approved prudential indicator limits for the maturity structure of debt and the limits for 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 strategists address the main risks and the central treasury team address the operational risks within the approved parameters. These include:

- 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 that the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of the Council's debt and investments at the reporting date are shown in the table below:

Debt Outstanding- Financial Liabilities	31 March 2014	31 March 2015
	£'000	£'000
Less than one year	15,749	25,715
Between one and two years	21,550	15,543
Between two and five years	66,749	65,728
Between five and ten years	59,011	52,877
Between ten and fifteen years	40,884	53,854
Between fifteen and twenty-five years	37,479	36,122
Between twenty-five and thirty-five years	36,823	36,823
Between thirty-five and forty-five years	175,725	175,726
Maturing in more than forty-five years	5,000	5,000
Total	**458,970**	**467,388**

Investments Outstanding - Financial Assets	31 March 2014	31 March 2015
	£'000	£'000
Less than one year	185,013	159,470
Between one and two years	2,000	0
Between two and three years	0	0
Maturing in more than three years	214	214
Total	**187,227**	**159,684**

All trade and other payables are due to be paid in less than one year. Trade debtors and creditors are not shown in the table above.

(vi) Market Risk

Interest Rate Risk

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

- borrowings at variable rates – the interest expense charged to the Surplus or Deficit on Provision of Services Account will rise;
- borrowings at fixed rates – the fair value of the borrowing liability will fall (no impact on revenue balances);
- investments at variable rates – the interest income credited to the Surplus or Deficit on Provision of Services Account will rise; and
- investments at fixed rates – the fair value of the assets will fall.

Borrowings or Loan and Receivables are not carried at fair value on the Balance Sheet, so nominal gains and losses on fixed rate borrowings or fixed rate loans and receivables would not impact on the Surplus or Deficit on Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on Provision of Services and affect the General Fund Balance.

Unrealised nominal gains and losses on the fair value of Available for Sale Investments would be reflected in the Balance Sheet and balanced by an entry in the Available For Sale Reserve in the Surplus or Deficit on Revaluation of Available for Sale Financial Assets.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From this strategy, a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure. The central treasury team monitor markets 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.

Based on the financial liabilities and assets as at the balance sheet date a one percent point movement in average interest rates would be equivalent to a £1.112m change in the Council's net interest charge in the Comprehensive Income and Expenditure Account. This calculation is based on a full year interest effect at a constant level of borrowing and investments as at the reporting date, a further breakdown is shown in the table below:

Financial Impact of the Interest Rate Risk	**Amount at 31 March 2015**
	£'000
Increase in interest payable on variable rate borrowings	2
Increase in interest receivable on variable rate investments	1,114
Impact on Income and Expenditure Account	**1,116**

The impact on the fair value of the Council's long term fixed borrowings and long term fixed investments from a one percentage point movement in average rates is shown below:

	Fair Value 31 March 2015	**Fair Value at 1% Higher**	**Fair Value at 1% Lower**
	£'000	**£'000**	**£'000**
County Council	557,542	484,934	652,635
Schools	2,003	1,901	2,114
Long Term Fixed Borrowing:	**559,545**	**486,835**	**654,749**
Long Term Fixed Investments:	**0**	**0**	**0**

There is no impact on the Surplus or Deficit on Provision of Services or the Other Comprehensive Income and Expenditure account from the movement in fair value on borrowing and loans & receivables shown above. Fair values have been calculated using the same methodology/assumptions as outlined on page 65. Fair Value of Assets and Liabilities Carried at Amortised Cost.

The impact on fair value of the Councils Available for Sale Investments, already carried on the Balance Sheet at fair value on 31 March 2015, from a 1% movement in average rates is shown in the table below. This impact would be reflected on the Surplus/Deficit on Revenue of Available for Sale Financial Assets as shown in the Comprehensive Income & Expenditure Statement.

	Fair Value 31 March 2015	**Fair Value at 1% Higher**	**Fair Value at 1% Lower**
	£'000	**£'000**	**£'000**
Available For Sale Investments	**84,553**	**84,495**	**84,684**

Price Risk

The Council, excluding the pension fund, does not generally invest in equity shares and is therefore not exposed to losses arising from movements in the price of shares.

The Council has a small equity holding of 14,100 shares (£1 par value) held for Economic Regeneration and Fire & Rescue purposes.

These shares are classed as 'Unquoted Equity Investments' valued at cost and do not represent a price risk for the Council.

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.

Note 18. Inventories.

	Balance outstanding at 1 April 2014	Purchases	Recognised as an expense in the year	Written off balances	Reversals of write-off in previous years	Balance outstanding at 31 March 2015
	£'000	£'000	£'000	£'000	£'000	£'000
Salt Stores	1,212	621	(1,223)	0	0	610
Total Inventories	**1,212**	**621**	**(1,223)**	**0**	**0**	**610**

The County Council's accounting policies on inventories includes a de-minimus of £100k.

Note 19. Debtors.

31 March 2014	Amounts falling due in one year:	31 March 2015
£'000		£'000
15,885	Central government bodies	17,894
1,683	Other local authorities	1,114
5,057	NHS bodies	4,790
43	Public corporations and trading funds	0
8,462	Bodies external to general government	6,776
10,416	Council tax agency and business rates agency arrangements	12,381
3,647	Payments in advance	18,220
45,193	**Total Short Term Debtors**	**61,175**

31 March 2014	Amounts falling due after one year:	31 March 2015
£'000		£'000
1,868	Central government bodies	1,791
833	Other local authorities	969
0	NHS bodies	91
6,071	Bodies external to general government	4,485
8,772	**Total Long Term Debtors**	**7,336**

All figures included in the table above are shown net of impairment for doubtful debt.

Note 20. Assets Held for Sale.

	Current	
	2013-14	2014-15
	£'000	£'000
Balance outstanding at 1 April	3,660	1,544
Assets newly classified as held for sale:		
- Property, Plant and Equipment	735	2,838
- Intangible Assets	0	0
- Other assets/liabilities in disposal groups	0	0
Revaluation Increase to RR		
Revaluation Decrease to RR	(262)	(293)
Revaluation Increase/(Decrease) to SDPS	(112)	0
Assets declassified as held for sale:		
- Property, Plant and Equipment	0	(395)
- Intangible Assets	0	0
- Other assets/liabilities in disposal groups	0	0
Assets Sold	(2,477)	(1,149)
Transfers from non-current to current		
Balance Outstanding at 31 March	**1,544**	**2,545**

RR - Revaluation Reserve

SDPS - Surplus or Deficit on the Provision of Services

Note 21. Creditors.

31 March 2014 £'000	Amounts falling due in one year:	31 March 2015 £'000
(8,693)	Central government bodies	(644)
(2,905)	Other local authorities	(2,155)
(3,341)	NHS bodies	(1,513)
(10)	Public corporations and trading funds	0
(41,737)	Other entities and individuals	(29,921)
(8,841)	Council tax agency and business rates agency arrangements	(8,288)
(4,229)	Receipts in advance	(4,628)
(7,665)	Employee benefits accrual	(5,502)
(77,421)	**Total Short Term Creditors**	**(52,651)**

31 March 2014 £'000	Amounts falling due after one year:	31 March 2015 £'000
(1,618)	Central government bodies	(1,617)
(671)	Other local authorities	(510)
(8,867)	Other entities and individuals	(5,955)
(11,156)	**Total Long Term Creditors**	**(8,082)**

Note 22. Provisions.

Summary of Provisions	Balance at 1 April 2014 £'000	Additional Provisions made in 2014-15 £'000	Amounts Used in 2014-15 £'000	Unused amounts reversed in 2014-15 £'000	Unwinding of discounting in 2014-15 £'000	Balance at 31 March 2015 £'000
Social Services - Section 117	(307)	0	0	0	0	(307)
Insurance Claims	(6,783)	0	921	764	(138)	(5,236)
Carbon Reduction Scheme	(639)	0	0	639	0	0
Business Rates Appeals	(667)	0	0	48	0	(619)
Waking Nights Provision	(876)	0	0	0	0	(876)
Onerous Contracts Property Leases	(36)	0	0	14	0	(22)
Lincoln City Hall Dilapidation	0	(262)	0	0	0	(262)
Fire Fighters ill Health Pensions	0	(517)	0	0	0	(517)
TOTAL	**(9,308)**	**(779)**	**921**	**1,465**	**(138)**	**(7,839)**

Short Term Provisions	Balance at 1 April 2014 £'000	Additional Provisions made in 2014-15 £'000	Amounts Used in 2014-15 £'000	Unused amounts reversed in 2014-15 £'000	Unwinding of discounting in 2014-15 £'000	Balance at 31 March 2015 £'000
Insurance Claims	(2,874)	0	0	764	0	(2,110)
Carbon Reduction Scheme	(639)	0	0	639	0	0
Business Rates Appeals	(667)	0	0	48	0	(619)
Waking Nights Provision	(876)	0	0	0	0	(876)
Fire Fighters ill Health Pensions Provision	0	(517)	0	0	0	(517)
Onerous Contracts Property Leases	(36)	0	0	14	0	(22)
Lincoln City Hall Dilapidation Provision	0	(262)	0	0	0	(262)
TOTAL	**(5,092)**	**(779)**	**0**	**1,465**	**0**	**(4,406)**

Long Term Provisions	Balance at 1 April 2014 £'000	Additional Provisions made in 2014-15 £'000	Amounts Used in 2014-15 £'000	Unused amounts reversed in 2014-15 £'000	Unwinding of discounting in 2014-15 £'000	Balance at 31 March 2015 £'000
Social Services - Section 117	(307)	0	0	0	0	(307)
Insurance Claims	(3,909)	0	921	0	(138)	(3,126)
TOTAL	**(4,216)**	**0**	**921**	**0**	**(138)**	**(3,433)**

The County Council's accounting policy on provisions includes a de-minimis of £100k.

S117 of the Mental Health Act 1983 prescribes that Service Users who have been placed in care under Section 3 of the same act do not have to pay for aftercare services. Where they have been charged for such services they are entitled to reimbursement of the charges, plus interest. This provision was made to pay Service Users who are assessed as falling into this category. In March 2013, a review of the provision was carried out and a decision was to maintain the provision at its current level.

The **Insurance provision** represents all estimated outstanding claims under the excess clauses of the Council's external insurance polices. Material risks which are met by the Council under current insurance policies are shown below:

Type of Insurance	Met by the County Council	
	Each Claim	Maximum for all such
	£'000	£'000
Public & employer's liability	150	3,000
School property	150	500
Other property	10	100

The Business Rates Appeal provision has been created because the County Council, under the new funding regime receives 10% of the business rates collected in Lincolnshire. Under this arrangement the County Council is liable for 10% of any provision for business rates appeals.

The Waking Nights provision has been created following an investigation that found that Children's Services has not paid an extra overnight allowance to night carers as part of a past Job evaluation. This is back pay from 2007.

The Fire Fighters ill Health Pensions Provision refers to firefighters employed from before 6th April 2006 rights incorrectly paid from the Firefighters pension account

The Council have and will continue to vacate properties as part of the reductions to funding and services. The lease costs and costs associated with leaving these properties will be provided for as an onerous contract. This provision relates to a property in Gainsborough used by **Connexions, part of Children's Services.**

A further onerous contract concerns the **Lincoln City Hall Dilapidation** following a decision not to renew the property lease at City Hall, Lincoln. The decision was to vacate during May 2015 with a responsibility for paying rent and service charge until the end of June 2015.

Note 23. Other Long Term Liabilities

31 March 2014 £'000		31 March 2015 £'000
(13,799)	Outstanding Liabilities on PFI and Finance Leases	(12,916)
(715,325)	Pension Reserve	(895,255)
(729,124)		**(908,171)**

Note 24. Usable Reserves.

	Balance at 31 March 2014 £'000	Balance at 31 March 2015 £'000
Capital Grants Unapplied	(53,827)	(52,673)
Usable Capital Receipts (*1)	0	0
Earmarked Reserves	(165,276)	(169,823)
General Fund	(16,400)	(15,900)
Total	**(235,503)**	**(238,396)**

(*1) The County Council's policy is to fully utilise Usable Capital Receipts in the year they are received.

Note 25. Unusable Reserves.

Restated (*1) Balance at 31 March 2014 £'000		Note	Balance at 31 March 2015 £'000
(279,312)	Revaluation Reserve	(25a)	(345,973)
(606,012)	Capital Adjustment Account	(25b)	(603,685)
140	Financial Instruments Adjustment Account	(25c)	154
715,325	Pension Reserve	(25d)	895,255
(908)	Collection Fund Adjustment Account	(25e)	(3,474)
5,426	Accumulated Absences Account	(25f)	5,211
(83)	Available for Sale Financial Instrument Reserve	(25g)	(243)
(165,423)	**Total**		**(52,755)**

(*1) Balances in the Revaluation Reserve and the Capital Adjustment Account as at 1 April 2013 have been restated for the change in accounting policy on Schools Assets. Further information on the prior period adjustment can be found in Note 48.

a. 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.

Restated (*1) 2013-14 £'000		2014-15 £'000	2014-15 £'000
(229,083)	**Balance at 1 April**		**(279,312)**
(99,863)	Upward revaluation of assets	(117,334)	
35,502	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	9,734	
(64,361)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(107,600)	
7,115	Difference between fair value depreciation and historical cost depreciation	9,256	
7,017	Accumulated gains on assets sold or scrapped	31,683	
14,132	Amount written off to the Capital Adjustment Account	40,939	
(279,312)	**Balance at 31 March**		**(345,973)**

(*1) The opening balance as at 1 April 2013 and movements in 2013-14 have been restated for the change in accounting policy on Schools Assets. Further information on the prior period adjustment can be found in Note 48.

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 Authority as finance for the costs of acquisition, construction and enhancement.

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

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

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

Restated (*1) 2013-14 £'000		2014-15 £'000
(599,396)	**Balance at 1 April**	**(606,012)**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
72,063	- Charges for depreciation and impairment of non-current assets	76,238
15,649	- Revaluation losses on Property, Plant and Equipment	15,979
2,082	- Amortisation of intangible assets	2,116
22,552	- Revenue expenditure funded from capital under statute (net of Grants and Contributions)	16,584
18,896	- 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	52,226
(14,132)	Adjusting amounts written out of the Revaluation Reserve	(40,939)
117,110	Net written out amount of the cost of non-current assets consumed in the year	**122,204**
	Capital financing applied in the year:	
(3,238)	- Use of the Capital Receipts Reserve to finance new capital expenditure	(2,510)
(43,399)	- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(49,191)
(30,673)	- Application of grants to capital financing from the Capital Grants Unapplied Account	(26,353)
(25,925)	- Statutory provision for the financing of capital investment charged against the General Fund	(23,813)
(9,677)	- Capital expenditure charged against the General Fund	(6,790)
(112,912)		**(108,657)**
(10,813)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(11,220)
0	Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement	0
(10,813)		**(11,220)**
(606,012)	**Balance at 31 March**	**(603,685)**

(*1) The opening balance as at 1 April 2013 and movements in 2013-14 have been restated for the change in accounting policy on Schools Assets. Further information on the prior period adjustment can be found in Note 48.

c. Financial Instruments & Financial Assets Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Council uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax.

2013-14 £'000		2014-15 £'000
(31)	**Balance at 1 April**	**140**
0	Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	0
15	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	15
156	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(1)
140	**Balance at 31 March**	**154**

d. Pensions Reserve

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

2012-13 £'000		2014-15 £'000
641,729	**Balance at 1 April**	**715,325**
45,191	Actuarial gains or losses on pensions assets and liabilities	148,749
64,207	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CI&ES	70,093
(35,802)	Employer’s pensions contributions and direct payments to pensioners payable in the year	(38,912)
715,325	**Balance at 31 March**	**895,255**

e. Collection Fund Adjustment Account

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

2013-14 £'000		2014-15 £'000
(4,674)	**Balance at 1 April**	**(908)**
3,766	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax & business rates income calculated for the year in accordance with statutory requirements	(2,566)
(908)	**Balance at 31 March**	**(3,474)**

f. 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.

2013-14 £'000		2014-15 £'000	2014-15 £'000
6,744	**Balance at 1 April**		**5,426**
(6,744)	Settlement or cancellation of accrual made at the end of the preceding year	(5,426)	
5,427	Amounts accrued at the end of the current year	5,211	
(1,318)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		(215)
5,426	**Balance at 31 March**		**5,211**

g. Available for Sale Financial Instrument Reserve

The Available for Sale Financial Instruments Reserve contains the gains made by the County Council arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:
- revalued downwards or impaired and the gains are lost; and
- disposed of and the gains are realised.

2013-14 £'000		2014-15 £'000	2014-15 £'000
	Balance at 1 April		**(83)**
(83)	Change in the value of investments not charged to the Surplus/Deficit on the Provision of Services	(160)	
			(160)
(83)	**Balance at 31 March**		**(243)**

Note 26. Operating Activities.

The cash flow operating activities include the following items:

2013-14 £'000		2014-15 £'000
(1,785)	Interest received	(1,348)
19,900	Interest paid	19,625
0	Dividends received	0

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

Restated(*1) 2013-14 £'000		2014-15 £'000
(72,063)	Depreciation	(76,238)
(15,649)	Impairment and downward valuations	(15,980)
(2,082)	Amortisation	(2,116)
(173)	Increase/(decrease) in impairment for bad debts	(535)
(808)	Increase/decrease in creditors	30,712
(3,394)	Increase/decrease in debtors	12,779
412	Increase/decrease in inventories	(602)
(28,404)	Movement in pension liability	(31,181)
(18,904)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(48,175)
9,843	Other non-cash items charged to the net surplus or deficit on the provision of services	12,605
(131,222)	**Net surplus/(deficit) on provision of services for non cash movements**	**(118,731)**

(*1) The comparator year has been restated for the change in accounting policy on Schools Assets. Further information on the prior period adjustement can be found in Note 48.

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

Restated(*1) 2013-14 £'000		2014-15 £'000
0	Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investment in associates, joint ventures and subsidiaries)	0
66,289	Capital Grants credited to Surplus or deficit on the provision of services	70,106
3,238	Proceeds from sale of property, plant and equipment, investment property and intangible assets	2,510
1,239	Any other items for which the cash effects are investing or financing cash flows	1,446
70,766	**Net surplus/(deficit) on provision of services for Investing & Financing activities**	**74,062**

(*1) The comparator year has been restated for the change in accounting policy on Schools Assets. Further information on the prior period adjustement can be found in Note 48.

Note 27. Investing Activities.

The cash flow investing activities include the following items:

2013-14 £'000		2014-15 £'000
111,175	Purchase of property, plant and equipment, investment property and intangible assets	85,886
906,021	Purchase of short-term and long- term investments	956,095
914	Other payments for investing activities	810
(3,238)	Proceeds from sale of property, plant equipment, investment property and intangible assets	(2,510)
(911,930)	Proceeds from short-term and long-term investments	(983,536)
(65,346)	Capital Grants Received (Government)	(68,434)
(2,153)	Other receipts from investing activities	(2,256)
35,443	**Net cash flow from investing activities**	**(13,945)**

Note 28. Financing Activities.

The cash flow financing activities include the following items:

2013-14 £'000		2014-15 £'000
0	Cash receipts of short and long-term borrowing	(20,300)
0	Other receipts from financing activities	0
1,304	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-Balance-Sheet PFI Contracts	947
3,741	Repayments of short and long-term borrowing	11,785
0	Other payments for financing activities	0
5,045	**Net cash flow from Financing activities**	**(7,568)**

Note 29. Amounts reported for Resource Allocation Decisions (Segmental Reporting)

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Council's Executive on the basis of budget reports analysed across Directorates, and service areas.

These reports are prepared on a different basis from the accounting policies used in the Financial Statements. In particular:

- no charges are made in relation to capital expenditure (where as depreciation and amortisation; and revaluation/impairment losses in excess of the balance on the Revaluation Reserve are charged to services in the Comprehensive Income and Expenditure Statement);

- the cost of retirement benefits is based on cash flows (payment of employer's pension contributions) rather than current service cost of benefits accrued in the year; and

- expenditure on support services forms part of the Finance and Resources and Performance and Governance budgets and expenditure. However, within the Comprehensive Income and Expenditure Statement these are allocated to front line services based on their usage. Methods of allocation for these services are set out in the Council's accounting policies (Note 1).

a. Income and Expenditure analysed over the Council's directorates and reported in the Council's Outturn Report.

This analysis may include items that do not form part of the Comprehensive Income and Expenditure Statement, hence the need for the Reconciliation from the Segmental Reporting Analysis to the Net Cost of Services in the Comprehensive Income and Expenditure Statement.

Service Analysis 2014-15	Employee Expenses	Agency and Contract Payments	Other Running Expenses	Gross Expenditure	Specific Grants and Contributions	Other Income (inc. Fees and Charges)	Total Income	Cost of Services
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Children's Social Care	30,243	21,662	12,206	64,111	(11,983)	(430)	(12,413)	51,698
Education Services	23,224	7,836	31,031	62,091	(3,998)	(3,999)	(7,997)	54,094
Adult Care	22,542	157,323	35,185	215,050	(39,249)	(37,115)	(76,364)	138,686
Public Health	4,899	30,224	10,084	45,207	(4,707)	(15)	(4,722)	40,485
Public Health Grant Income	0	0	0	0	(29,777)	0	(29,777)	(29,777)
Highways & Transportation	9,707	34,622	13,557	57,886	(5,610)	(3,130)	(8,740)	49,146
Environment Planning & Customer Services	6,154	21,915	3,339	31,408	(3,582)	(755)	(4,337)	27,071
Economy & Culture	9,245	67	10,474	19,786	(5,231)	(2,502)	(7,733)	12,053
Fire & Rescue	18,720	54	5,403	24,177	(2,071)	(842)	(2,913)	21,264
Community Safety	15,739	126	5,962	21,827	(2,289)	(1,442)	(3,731)	18,096
Finance & Resources	3,945	4,743	11,800	20,488	(2,255)	(3,579)	(5,834)	14,654
Performance & Governance	8,150	6,946	5,469	20,565	(195)	(234)	(429)	20,136
TOTAL SERVICE BUDGETS	**152,568**	**285,518**	**144,510**	**582,596**	**(110,947)**	**(54,043)**	**(164,990)**	**417,606**
OTHER BUDGETS								
Capital Financing Charges	0	0	46,213	46,213	0	(1,396)	(1,396)	44,817
Contingency	0	0	0	0	0	0	0	0
Other Budgets	5,665	0	(1,790)	3,875	0	0	0	3,875
TOTAL OTHER BUDGETS	**5,665**	**0**	**44,423**	**50,088**	**0**	**(1,396)**	**(1,396)**	**48,692**
SCHOOLS BUDGETS								
Delegated School Budgets	169,855	22,536	59,648	252,039	(6,046)	(4,097)	(10,143)	241,896
Central Services within the DSB	6,349	10,003	6,534	22,886	(2,231)	(244)	(2,475)	20,411
Dedicated Schools Grant	0	0	0	0	(259,761)	0	(259,761)	(259,761)
Schools Budgets (Other Funding)	9,027	12	7,592	16,631	(24,035)	(31)	(24,066)	(7,435)
TOTAL SCHOOLS BUDGETS	**185,231**	**32,551**	**73,774**	**291,556**	**(292,073)**	**(4,372)**	**(296,445)**	**(4,889)**
TOTAL EXPENDITURE	**343,464**	**318,069**	**262,707**	**924,240**	**(403,020)**	**(59,811)**	**(462,831)**	**461,409**
INCOME								
Revenue Support Grant	0	0	0	0	(124,575)	0	(124,575)	(124,575)
Business Rates	0	0	0	0	(83,303)	(18,841)	(102,144)	(102,144)
Council Tax	0	0	0	0	0	(226,361)	(226,361)	(226,361)
Other Non Specific Grants	0	0	0	0	(16,745)	0	(16,745)	(16,745)
TOTAL INCOME	**0**	**0**	**0**	**0**	**(224,623)**	**(245,202)**	**(469,825)**	**(469,825)**
Use/(Contribution) to Reserves				924,240			(932,656)	(8,416)

Service Analysis 2013-14	Employee Expenses	Agency and Contract Payments	Other Running Expenses	Gross Expenditure	Specific Grants and Contributions	Other Income (inc. Fees and Charges)	Total Income	Cost of Services
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Children's Social Care	29,771	16,697	11,010	57,478	(10,807)	(476)	(11,283)	46,195
Education Services	23,205	8,928	32,830	64,963	(3,731)	(3,473)	(7,204)	57,759
Adult Care	25,332	148,395	32,271	205,998	(37,040)	(35,762)	(72,802)	133,196
Public Health	5,053	34,165	7,724	46,942	(4,643)	(100)	(4,743)	42,199
Public Health Grant Income	0	0	0	0	(26,272)	300	(25,972)	(25,972)
Highways & Transportation	8,472	35,970	11,766	56,208	(9,596)	(2,962)	(12,558)	43,650
Environment Planning & Customer Services	5,848	17,501	2,616	25,965	(645)	(808)	(1,453)	24,512
Economy & Culture	9,463	78	10,686	20,227	(5,011)	(2,370)	(7,381)	12,846
Fire & Rescue	18,076	45	4,653	22,774	(2,539)	(637)	(3,176)	19,598
Community Safety	15,683	94	5,914	21,691	(2,333)	(1,345)	(3,678)	18,013
Finance & Resources	2,442	6,785	12,190	21,417	(2,641)	(3,440)	(6,081)	15,336
Performance & Governance	8,560	7,709	6,581	22,850	(381)	(191)	(572)	22,278
TOTAL SERVICE BUDGETS	**151,905**	**276,367**	**138,241**	**566,513**	**(105,639)**	**(51,264)**	**(156,903)**	**409,610**
OTHER BUDGETS								
Capital Financing Charges	0	0	50,157	50,157	0	(1,412)	(1,412)	48,745
Contingency	0	0	0	0	0	0	0	0
Other Budgets	1,494	0	510	2,004	0	0	0	2,004
TOTAL OTHER BUDGETS	**1,494**	**0**	**50,667**	**52,161**	**0**	**(1,412)**	**(1,412)**	**50,749**
SCHOOLS BUDGETS								
Delegated School Budgets	178,631	6,195	54,723	239,549	(20,775)	(4,152)	(24,927)	214,622
Central Services within the DSB	7,233	23,866	16,930	48,029	(3,004)	(986)	(3,990)	44,039
Dedicated Schools Grant	0	0	0	0	(261,338)	0	(261,338)	(261,338)
TOTAL SCHOOLS BUDGETS	**185,864**	**30,061**	**71,653**	**287,578**	**(285,117)**	**(5,138)**	**(290,255)**	**(2,677)**
TOTAL EXPENDITURE	**339,263**	**306,428**	**260,561**	**906,252**	**(390,756)**	**(57,814)**	**(448,570)**	**457,682**
INCOME								
Revenue Support Grant	0	0	0	0	(146,366)	0	(146,366)	(146,366)
Business Rates	0	0	0	0	(79,603)	(19,157)	(98,760)	(98,760)
Council Tax	0	0	0	0	0	(224,247)	(224,247)	(224,247)
Other Non Specific Grants	0	0	0	0	(17,650)	0	(17,650)	(17,650)
TOTAL INCOME	**0**	**0**	**0**	**0**	**(243,619)**	**(243,404)**	**(487,023)**	**(487,023)**
Use/(Contribution) to Reserves				906,252			(935,593)	(29,341)

A description of the services provided and the sources of funding for these areas is set out below:

Children's Social Care provides services such as child protection and looked after services (including: frontline social workers and adoption/fostering services).

Education Services includes school improvement, youth services, targeted early intervention services and career guidance. Funding comes from LCC contributions and specific grants.Funding comes from LCC contributions and specific grants. This also includes Home to School Transport.

Adult Care includes**:**

Older People & Physical Disabilities Service provides 18-64 year olds with physical disabilities and over 65s services to live more independently. Funding comes from LCC contributions, specific grants, funding from Lincolnshire CCG's for specific work and fees and charges from services users.

Learning Disabilities Service offers services to enable people in Lincolnshire, over the age of 18 with learning disabilities to live more independently providing services such as Residential and Day Care, Home Support, Supported Living, equipment and tele care services. The service is funded service in conjunction with the Lincolnshire CCG's under a Section 75 agreement. Additional funding comes from LCC contributions, joint partnership funding from the Department of Health, and fees and charges for services.

Mental Health Service is provided by Lincolnshire Partnership Foundation Trust (LPFT) under a Section 75 agreement on behalf of the Council. It offers support, advice, information and guidance to enable people over the age of 18 in Lincolnshire with Mental Health difficulties to live more independently.

Adult Social Care Operations offers support, advice, information and guidance to enable people in Lincolnshire, over the age of 18, to live more independently providing services such as Residential and Day Care, Home Support, Extra Care Housing, equipment and tele care services. Funding comes from LCC contributions and joint partnership funding with the Department of Health, plus specific grants from government departments, and fees and charges for services.

Public Health – provide information and services to support the health improvement and protection of the local population, and provide public health advice to health professionals. Mandated services include the commissioning of NHS Healthchecks, the National child measurement programme, sexual health and substance misuse services and from October 2015 the 0-5 Children's Health programme. Other support includes health improvement initiatives and housing related support services.

Highways and transportation are responsible for maintaining Lincolnshire's road network (including winter maintenance), bus subsidies and transport planning. Funding comes from LCC contributions, plus smaller amounts from government grants and developer contributions.

Environment, Planning and Customer services includes waste disposal, spatial and environmental planning and the Council's Customer Service Centre. Funding comes primarily from LCC contributions.

Economy is responsible for investing to create regeneration opportunities in Lincolnshire. Funding comes from regional, national and European funding, in addition to LCC contributions. **Culture** maintains a network of static and mobile libraries services across the County. It, also provides care and access to Lincolnshire's archives, museum objects, historic buildings and other sites. Funding comes from LCC contributions, government grants and fees and charges.

Fire & Rescue including: fire prevention, protection and emergency response, as well as leading on the County's emergency planning. Funding comes from LCC contributions plus some specific grants (including: urban search and rescue grant) and from other Local Authority contributions.

Community Safety provides the following services to the public; Trading Standards, Registration & Coroners, Youth Offending and Rehabilitation Programmes. In addition, it provides the central Business Support function to the Council. Funding comes primarily from LCC contributions.

Finance & Resources provide the following functions for the Authority: Legal, Audit, Procurement, Corporate Property and Treasury & Financial Strategy. Whilst there are small number of corporate contracts that are recharged out across other directorates, as this area relates to the support services/overheads for LCC then the majority of funding is directly through LCC Contributions.

Performance & Governance provides support services including: HR, ICT, communications and scrutiny functions and support for Councillors and the democratic process. Funding comes from LCC contributions.

Other budgets include: expenditure of capital financing charges which include the annual revenue costs of funding the Council's capital programme e.g. payment of principal and interest on amounts borrowed; insurance and county wide joint projects including council tax second homes and the sustainable community strategy expenditure. Income here is non-ring fenced government grants, Non Domestic Rates and the Council Tax. Other budgets also contains a contingency budget which is set aside to pay for unforeseen events that occur during the year.

b. Reconciliation of Directorate Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement.

This reconciliation shows how the figures in the analysis of Directorate income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	Restated (*1) 2013-14	**2014-15**
	£'000	**£'000**
Net Expenditure in the Directorate analysis (Use of Reserves)	(29,341)	(8,416)
Add: Net expenditure on services and support services not included in main analysis	0	0
Add: Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the analysis (Note 29c)	146,155	149,927
Less: amounts reported to management in the analysis not included in the Comprehensive Income and Expenditure Account (Note 29c)	397,598	382,412
Net Cost of Services in the Comprehensive Income and Expenditure Statement	**514,412**	**523,923**

(*1) The comparator year has been restated for the change in accounting policy on Schools Assets. Further information on the prior period adjustement can be found in Note 48.

c. Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of Directorate income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

Reconciliation to Subjective Analysis 2014-15	**Service Analysis Cost of Service**	**Amounts not reported to Management**	**Amounts not included in CI&ES**	**Net Cost of Services**	**Corporate Amounts**	**(Surplus)/Deficit on Provision of Services**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Other income (including fees and charges)	(59,811)	(12,215)	1,459	(70,567)	0	(70,567)
Income from Council Tax	(245,202)		226,361	(18,841)	(228,744)	(247,585)
Specific Grants and Contributions	(627,643)		243,465	(384,178)	(243,648)	(627,826)
Interest and Investment Income Receivable			2,256	2,256	(14,937)	(12,681)
TOTAL Income	**(932,656)**	**(12,215)**	**473,541**	**(471,330)**	**(487,329)**	**(958,659)**
Employee Expenses	343,464	39,132	(38,911)	343,685		343,685
Agency and Contract Expenditure	318,069			318,069	0	318,069
Other Running Expenses	262,707	(1)	(50,479)	212,227	53	212,280
Support Service Recharges				0	0	0
Depreciation, Amortisation and Impairment		123,011		123,011	(70,106)	52,905
Interest Payable and Similar Charges			(1,739)	(1,739)	20,483	18,744
Precepts and Levies				0	1,095	1,095
Gain or Loss on Disposal of Non-Current Assets				0	45,785	45,785
Pension Interest Cost				0	30,746	30,746
TOTAL Expenditure	**924,240**	**162,142**	**(91,129)**	**995,253**	**28,056**	**1,023,309**
Surplus/ Deficit on the Provision of Services	**(8,416)**	**149,927**	**382,412**	**523,923**	**(459,273)**	**64,650**

Restated (*1) Reconciliation to Subjective Analysis 2013-14	Service Analysis Cost of Service	Amounts not reported to Management	Amounts not included in CI&ES	Net Cost of Services	Corporate Amounts	(Surplus)/Deficit on Provision of Services
	£'000	£'000	£'000	£'000	£'000	£'000
Other income (including fees and charges)	(57,814)	(12,802)	1,412	(69,204)	0	(69,204)
Income from Council Tax	(243,404)	0	224,246	(19,158)	(221,137)	(240,295)
Government Grants and Contributions	(634,375)	0	262,776	(371,599)	(262,120)	(633,719)
Interest and Investment Income Receivable	0	0	2,153	2,153	(14,378)	(12,225)
TOTAL Income	**(935,593)**	**(12,802)**	**490,587**	**(457,808)**	**(497,635)**	**(955,443)**
Employee Expenses	339,263	33,766	(35,503)	337,526	0	337,526
Agency and Contract Expenditure	306,428	0	0	306,428	0	306,428
Other Running Expenses	260,561	155	(55,591)	205,125	52	205,177
Support Service Recharges	0	0	0	0	0	0
Depreciation, Amortisation and Impairment	0	125,036	0	125,036	(66,289)	58,747
Interest Payable and Similar Charges	0	0	(1,895)	(1,895)	20,768	18,873
Precepts and Levies	0	0	0	0	1,079	1,079
Gain or Loss on Disposal of Non-Current Assets	0	0	0	0	15,777	15,777
Pension Interest Cost	0	0	0	0	28,824	28,824
TOTAL Expenditure	**906,252**	**158,957**	**(92,989)**	**972,220**	**211**	**972,431**
Surplus/ Deficit on the Provision of Services	**(29,341)**	**146,155**	**397,598**	**514,412**	**(497,424)**	**16,988**

(*1) The Reconciliation to Subjective Analysis for 2013-14 has changed from the 2013-14 Statement of Accounts. This is due to a prior period adjustment arising from the change in accounting policy on School Assets. Further details can be found in Note 48.

Note 30. Acquired and Discontinued Operations.

The Council has no Acquired and Discontinued Operations to report for 2014-15.

The responsibility for commissioning 0-5 children's public health services is transferring from NHS England to Local Government on 1 October 2015. This will join up the commissioning for children under 5 with the commissioning for 5-19 year olds and wider public health functions which successfully transferred to local government in April 2013 under the Health and Social Care Act 2012.

The 0-5 children's public health services comprise commissioning the Healthy Child Programme including the health visiting service and Family Nurse Partnership – targeted services for teenage mothers. Funding of £4.166m will be received as part of the ring-fenced public health grant to commission the 0-5 services, which will be reflected in the 2015/16 accounts.

Note 31. Agency Services.

a. Nursing Care

Lincolnshire County Council makes payments to independent sector nursing homes for both the nursing care element and the personal care element of the accommodation charges. The nursing care element is the financial responsibility of the Clinical Commissioning Groups.

The Council paid £5.840m (£5.812m in 2013-14) acting as an agent of the Clinical Commissioning Groups in order to simplify the payment arrangements to the homes. The total amount paid is recovered from the Clinical Commissioning Groups.

Note 32. Pooled Budgets.

Under Section 31 of the Health Act 1999 (superseded by Section 75 of the Health Act 2006), Lincolnshire County Council has entered into pooled budget arrangements.

The Council is the host Authority for the pooled budgets relating to Learning Disabilities, Integrated Community Equipment Service, Substance Misuse and Child & Adolescent Mental Health Services, and is responsible for their financial administration.

a. Learning Disability

In 2001-02 Lincolnshire County Council and Lincolnshire Clinical Commissioning Group's established a pooled budget Partnership Arrangement for the provision of Learning Disability services.

2013-14		2014-15
£'000		£'000
57,846	Gross Partnership Expenditure	59,537
(59,129)	Gross Partnership Income	(59,619)
(1,283)	**Surplus(-)/Deficit(+)**	**(82)**
45,206	**Contribution from Lincolnshire County Council**	**45,882**

The underspend for 2014-15 is £0.082m. Expenditure was overspent due to increased activity on care packages linked to increased demand and complexity of need. The two main areas of activity were community supported living and residential placements where high cost packages of care continue to transition from Children's Services. The final outturn position was brought in with an underspend due to savings against day operations and increases in income generation activities. Income generated was higher than was budgeted for due to increases in the reimbursement of direct payments following the audit of packages awarded and additional income being received from other authorities for their contributions towards joint funded packages.

b. Integrated Community Equipment Service (ICES)

In 2004-05 Lincolnshire County Council and Lincolnshire Clinical Commissioning Group's established a pooled budget Partnership Arrangement for the provision of the Integrated Community Equipment Service.

From 1 November 2013 a new section 75 agreement was put in place between Lincolnshire County Council and Lincolnshire Community Health Services NHS trust, United Lincolnshire Hospitals NHS Trust and Lincolnshire Partnership Foundation NHS Trust

2013-14		2014-15
£'000		£'000
5,938	Gross Partnership Expenditure	7,431
(5,938)	Gross Partnership Income	(7,431)
0	**Surplus(-)/Deficit(+)**	**0**
2,948	**Contribution from Lincolnshire County Council**	**3,579**

This is a 50:50 shared responsibility budget between the Council and the Clinical Commissioning Group's and any overspend is shared.

c. Substance Misuse

With effect from 1st April 2013 Lincolnshire County Council hosted the budget for substance misuse on behalf of the Lincolnshire Drug and Alcohol Action Team (DAAT) which is now under a Memorandum of Understanding across the DAAT Partnership.The budget for substance misuse is termed a virtual pooled fund arrangement but is not operated under S.75 of the National Health Service Act 2006.

For 2013-14 there was a risk sharing agreement in place between the parties interested in the DAAT budget. The agreement stated that under or overspends on the DAAT budget will be shared between these parties at year end.

For 2013-14 Lincolnshire's share of the risk was 94.5%.

During 2014-15 the contributions from other partners reduced, leaving the majority of liability with the County Council. During 2013/14 partner agencies contributed £175,000 to the substance misuse budget, this reduced to £55,000 in 2014-15. Because of this the risk share agreement was terminated during 2014-15 and the governance arrangements around the running of the substance misuse budgets was amended to reflect this.As such the substance misuse budget is no longer run as a virtual pooled fund and this note will be removed from the financial statements in 2015-16.

2013-14		**2014-15**
£'000		**£'000**
7,702	Gross Partnership Expenditure	7,830
(7,702)	Gross Partnership Income	(7,830)
0	**Surplus(-)/Deficit(+)**	**0**
7,527	**Contribution from Lincolnshire County Council**	**7,775**

d. Child & Adolescent Mental Health Services

In 2012-13 Lincolnshire County Council and Lincolnshire Clinical Commissioning Group's established a pooled budget Partnership Arrangement for the provision of Child & Adolescent Mental Health Service. The size of this pooled budget increased in 2014-15 following variations made which incorporated additional functions in to the Section 75 Agreement.

2013-14		**2014-15**
£'000		**£'000**
5,198	Gross Partnership Expenditure	6,028
(5,198)	Gross Partnership Income	(6,049)
0	**Surplus(-)/Deficit(+)**	**(21)**
725	**Contribution from Lincolnshire County Council**	**725**

Note 33. Members Allowances.

The Council paid the following amounts to Members of the Council during the year:

2013-14 £'000		2014-15 £'000
	Members Allowances:	
630	Basic Allowances	772
349	Special Responsibility Allowances	437
979		1,209
117	Expenses	92
1,096	**TOTAL**	**1,301**

The figures above will always be different to the figures that are disclosed on the Lincolnshire County Council Website as the figures above have been produced on an accruals basis, where as the figures disclosed on the website are produced on a cash basis

Note 34. Officers' Remuneration.

a. Officers' remuneration bandings

The table below shows the total number of staff employed by the Council whose actual remuneration exceeded £50,000 per annum, shown in £5,000 bands. Remuneration includes gross salary, expenses, the money value of benefits in kind and termination payments for staff leaving during the year. In addition, the table also identifies the number of staff that left the Council receiving termination payments in the respective year:

2013-14 Number of Staff			2014-15 Number of Staff	
Remuneration received (excl those receiving termination payments)	**Staff who received termination payments**	**Pay Band**	**Remuneration received (excl those receiving termination payments)**	**Staff who received termination payments**
		TOTAL		
0	0	£155,000- £159,999	0	1
0	0	£150,000- £154,999	0	0
0	0	£145,000- £149,999	0	0
0	0	£140,000- £144,999	0	1
0	0	£135,000- £139,999	0	0
0	0	£130,000- £134,999	0	0
0	0	£125,000- £129,999	0	1
1	0	£120,000- £124,999	0	1
0	0	£115,000- £119,999	0	0
0	1	£110,000- £114,999	0	1
1	1	£105,000- £109,999	0	0
1	1	£100,000- £104,999	4	1
2	0	£95,000- £99,999	0	0
1	0	£90,000- £94,999	3	2
6	1	£85,000- £89,999	5	2
6	1	£80,000- £84,999	6	0
6	0	£75,000- £79,999	8	1
10	2	£70,000- £74,999	13	4
35	3	£65,000- £69,999	30	1
46	0	£60,000- £64,999	49	8
79	3	£55,000- £59,999	81	2
100	1	£50,000- £54,999	113	2
294	**14**	**Total**	**312**	**28**

A breakdown of the numbers between schools and other services can be found at Appendix A at the back of this document.

Note the above table excludes all employees who are included within the Senior Officer remuneration table on the next page.

b. Senior Officers' Remuneration

The Accounts and Audit (England) Regulations 2011 requires Local Authorities to disclose individual remuneration details for senior employees (determined as those who have responsibility for the management of the organisation and who direct or control the major activities of the Council).

Job Title	Year	Salary	Employer's Pension Contribution	(*1) Other Emoluments	Total
		£	£	£	£
Senior Officers with a salary over £150,000					
Tony McArdle - Chief Executive	2014-15	173,365	34,126	0	*207,491*
	2013-14	*173,643*	*32,740*	*0*	*206,383*
Senior Officers with a salary over £50,000 and less than £165,000					
Director of Adult Social Services	2014-15	122,966	24,224	0	*147,190*
	2013-14	*105,000*	*19,845*	*0*	*124,845*
Executive Director of Childrens Services	2014-15	133,122	26,198	0	*159,320*
	2013-14	*126,400*	*23,811*	*0*	*150,211*
Executive Director - Finance & Public Protection	2014-15	125,983	24,970	1,780	*152,732*
	2013-14	*125,983*	*23,957*	*1,407*	*151,347*
Executive Director - Communities	2014-15	126,122	24,819	0	*150,941*
	2013-14	*126,400*	*23,811*	*0*	*150,211*
Executive Director Information & Commissioning	2014-15	10,748	689	157,047	*168,484*
	2013-14	*125,983*	*23,811*	*491*	*150,285*
					0
Chief Information and Commissioning Officer	*2014-15*	*115,000*	*20,931*	*0*	*135,931*
	2013-14	*105,000*	*19,845*	*0*	*124,845*
Chief Fire Officer	2014-15	112,350	23,930	123	*136,403*
	2013-14	*111,100*	*23,664*	*123*	*134,887*
Director of Public Health	2014-15	*160,835*	*20,595*	*445*	*181,875*
	2013-14	*160,835*	*20,595*	*427*	*181,857*

(*1) Other Emoluments include the profit element of car hire and medical insurance.

The Director of Performance & Governance position was disestablished in April 2014. (The figure in the "Any Other Emoluments" column is the redundancy payment for this.)

The Chief Information and Commissioning Officer was established in April 2014.

Note 35. Exit Packages.

The numbers of exit packages with total cost (redundancy and pension strain) per band and total cost of the compulsory and other redundancies are set out in the table below:

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2013-14	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14	2014-15
							£	£
£0 - £20,000	75	105	35	18	110	123	£757,177	£995,776
£20,001 - £40,000	15	39	14	11	29	50	£794,917	£1,425,059
£40,001 - £60,000	0	13	3	9	3	22	£161,705	£1,060,467
£60,001 - £80,000	0	8	0	2	0	10	£0	£677,680
£80,001 - £200,000	3	10	1	2	4	12	£557,659	£1,364,760
Total	**93**	**175**	**53**	**42**	**146**	**217**	**£2,271,458**	**£5,523,742**

Redundancy and pension strain payments are presented in this note in the year that payment is made or accrued (at the point in time when an individual employee is committed to leave the Council). Provisions for redundancy and pension strain costs are not included within this note as they represent costs which are committed, but where specific individuals have not yet been identified.

Details of the actual costs included within the Council's Income and Expenditure for redundancy and pension strain are set out below in Note 36 Termination Benefits. The difference between the values reported in this note and Note 36 Termination Benefits arise due to provisions and any variances between year end accruals and the actual payments made in the next financial year.

Note 36. Termination Benefits.

As a result of further reductions to local government funding the County Council is undertaking a review and reshaping of services. In 2014-15 the County Council has incurred liabilities of £6.502m (£2.163m in 2013-14) in relation to termination benefits. Services currently being reviewed and where costs are included here are: Senior Management, Public Health, Personal Assistant's and Secretaries and Lincolnshire Youth Offending Team.

- £5.381m for redundancy payments (£1.831m in 2013-14); and
- £1.121m for pension strain (£0.332m in 2013-14).

Further information on termination benefits can be found in Note 35 on Exit Packages which details the number of exit packages and total cost over bands and Note 45 on Retirement Benefits which details the effect termination benefits have had on pensions in 2014-15.

Note 37. External Audit Costs.

The County Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by KPMG the Council's external auditors:

2013-14 £'000		2014-15 £'000
149	Fees payable to KPMG with regards to external audit services carried out by the appointed auditor for the year	149
0	Fees payable to KPMG in respect of statutory inspections	0
6	Fees payable to KPMG for the certification of grant claims and returns	0
6	Fees payable in respect of other services provided by KPMG during the year	14
161	**Total**	**163**

The County Council received two rebates from the Audit Commission during the financial year 2014/15 (£0.020m relating to Audit for 2013/14 and £0.015m relating to Audit for 2014/15), these amount have not been included within the table above.

Note 38. Dedicated Schools Grant.

The Council's expenditure on schools is funded primarily by grant monies provided by the Department of Education, 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 Schools Finance (England) Regulations 2011. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the individual Schools Budget, which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2014-15 are as follows:

Schools Budget Funded by Dedicated Schools Grant	Central Expenditure	Individual Schools Budget	Total
	£'000	£'000	£'000
Final DSG for 2014-15 before Academy recoupment	0	0	484,028
Academy Figure Recouped for 2014-15	0	0	(224,754)
Total DSG after Academy Recoupment for 2014-15	0	0	259,274
Brought Forward from 2013-14	0	0	19,562
Agreed Initial Budgeted Distribution in 2014-15	28,276	250,560	278,836
In Year Adjustments	(2,539)	3,162	623
Final Budget Distribution for 2014-15	**25,737**	**253,722**	**279,459**
less Actual central expenditure	(25,457)	0	(25,457)
less Actual ISB deployed to schools	0	(235,452)	(235,452)
Total actual expenditure in 2014-15	**(25,457)**	**(235,452)**	**(260,909)**
Local Authority Contribution 2014-15	**0**	**0**	**0**
Carry forward to 2015-16	**280**	**18,270**	**18,550**

The Individual Schools Budget includes schools contingency. For the purposes of the deployment of the grant, Individual School Budgets are deemed to be spent once allocated. School balances can be seen elsewhere in the Financial Statements in Note 9 Earmarked Reserves.

Included within the In Year Adjustments are the 2013-2014 and 2014-2015 Early Years Block adjustments which were received from the Department for Education in May 2014 and May 2015.

Note 39. Grant Income.

The Council credited the following grants and contributions and donations to the Comprehensive Income and Expenditure Statement in 2014-15; for grants and contributions where the conditions have been met, or no conditions existed:

Restated (*1) 2013-14 £'000	a) Credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement	2014-15 £'000
221,137	Council tax income	228,745
98,104	Business Rates - Districts	102,326
	Non-ring-fenced government grants	
146,366	- Revenue Support Grant	124,575
2,547	- Council Tax freeze Grant	2,585
1,378	- Local Services Support Grant	1,243
2,864	- New Homes Bonus Grant & Returned Top slice	3,144
7,492	-Education Services Grant	7,123
1,277	- Adoption Reform Grant	644
2,092	- Other Non Specific Grant	2,006
	Capital Grants and Contributions	
0	DfE Universal Infant Free School Meals Capital Grant	1,085
992	Section 106 Income	1,345
1,668	DfT Pinchpoint Funding	1,363
2,025	ERDF Grant	1,421
1,455	Devolved Formula Grant	1,423
0	DfE School Kitchen Capital Grant	1,593
1,811	Adult Care Capital Grant	1,848
0	DfE Targeted Basic Need Grant	2,164
4,205	DfT Additional Maintenance Grant	2,246
5,394	Other Capital Grants and Contributions	2,562
2,776	Heritage Lottery Fund	4,753
0	DfT Pothole Fund	5,430
4,136	DfT Integrated Transport Grant	5,816
7,165	DfE Capital Maintenance Grant	6,752
11,332	DfE Basic Need Grant	8,377
23,330	DfT Asset Protection Grant	21,929
549,546	**Total**	**542,497**

(*1) The Credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement for 2013-14 has changed from the 2013-14 Statement of Accounts. This is due to a prior period adjustment arising from the change in accounting policy on School Assets. Further details can be found in Note 48.

Details of capital grants unapplied during the financial year and transferred to reserves can be found in the Movement on Reserves Statement and Note 24 Usable Reserves.

2013-14	b) Credited to Revenue Service Accounts in the Comprehensive Income and Expenditure Statement	2014-15
£'000		£'000
3,312	DfT S31 road repair grant	0
8,952	Final Business Case Approval Funding	299
1,834	Local Sustainable Transport Fund (LSTF) - DfT	1,300
1,292	Fire Revenue Grant	1,330
1,801	Local Welfare Provision	1,775
1,217	PE and Sport Grant (EFA)	1,914
1,591	Skills Funding Agency	1,966
0	Universal Infant Free School Meals Grant (EFA)	3,574
5,781	YPLA (EFA) 16-19 Funding	6,202
1,351	Dept for Media, Culture & Sport - Contribution to Broadband project	8,072
9,709	Pupil Premium	13,541
14,487	Other Revenue Grants	13,934
26,272	Public Health Grant	29,777
261,338	Dedicated Schools Grant	259,761
338,937	**Total**	**343,445**

Details of Revenue Grants unutilised during the financial year and transferred to Earmarked Reserves are set out in Note 9.

In addition to these grants, contributions and donations, the Council has received grants, contributions and donations which have not been recognised as income as they have conditions attached to them that have not been met and monies or property may have to be returned to the giver. The balances at the year-end are as follows:

2013-14	c) Capital Grants and Contributions Receipts in Advance	2014-15
£'000		£'000
16	Secure Accommodation Capital Grant 2013-14	0
0	DfT Bus Service Operators Grant	210
16	**Total**	**210**

2013-14	d) Revenue Grants and Contributions Receipts in Advance	2014-15
£'000		£'000
941	Other Revenue Receipts in Advance	615
1,271	Public Health Grant	0
2,212	**Total**	**615**

Note 40. 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.

a. Central Government

Central government has effective control over the general operations of the Council – it is responsible for providing the statutory framework; within which the Council operates; provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills).

The Council receives general revenue grants from Central Government (including: revenue support grant and contributions from NNDR), these are credited to taxation and non-specific grant income line in the Comprehensive Income and Expenditure Statement. Specific revenue grants are included in the income figures within the net cost of services in the Comprehensive Income and Expenditure Statement. Further details of the grants received by the Council in 2014-15 are set out in Note 12 Taxation and Non Specific Grant Income and Note 39 Grant Income.

Capital grants of £70.106m have also been received by the Council in 2014-15, these are recorded in Note 12 Taxation and Non Specific Grant Income and Note 39 Grant Income.

b. Councillors and Senior Officers

Members of the Council have direct control over the Council's financial and operating policies. The total members' allowances paid in 2014-15 is shown in Note 33.

The Chief Executive and those reporting directly to him may also be able to influence Council policy. Therefore accounting standards require the Council to disclose certain 'related party transactions' between County Councillors, Chief Officers and the Council. This information comes from the statutory registers of interest (maintained for members) and declarations of pecuniary interests (for Officers). Details of all transactions are recorded in the Register of Members' Interest, which are available for public inspection at County Offices on Newland, Lincoln, during normal office hours, or also on-line from the Council's website. All Council members and Chief Officers have been written to, advising them of their obligations and asking for any declarations of related party transactions to be disclosed within the Statement of Accounts.

One Councillor has not submitted the declaration of interest form this year. Relevant information relating to this Councillor has been used from other sources to compile the information below.

Each Councillor allocated a grant to the value of £0.002m to be spent within their constituency, these grants have not been included within the note.

During 2014-15 the following have been declared:

Councillors

- Thirty-three Councillors have disclosed that they or their immediate families have control or significant influence over a private organisation;

- Five Councillors or their immediate families have provided services to the Council to the value of £0.178m;

- Eight Councillors are members of Parish or Town Councils which received grants to the value of £0.010m;

- Eleven Councillors are members of voluntary organisations which received payments to the value of £0.825m;

- A number of Councillors are members of other organisations such as District/Parish Councils, school governors, other public bodies and charities who have provided services for, or received services from the Council;

- Three Councillors are members of Investors in Lincoln Ltd;

- Two Councillors are Directors of Incendi Ltd;

- Two Councillors are on the Management Board of ESPO;

- One Councillor is on the Board of Urban Challenge;

- Two Councillors are on the Board of Lincolnshire Economic Action Partnership;

- One Councillor is a Member of SPARSE, which is a grouping of the most rural local authorities in England;

Senior Officers

- Two Chief Officers are on the Board of Greater Lincolnshire Local Enterprise Partnership;

- One Chief Officer is a member of the Chief Officers Group of ESPO.

c. Other Public Bodies

The Council has entered into Pooled Budget arrangements with Lincolnshire Clinical Commissioning Groups for Learning Disabilities, Integrated Community Equipment, Substance Misuse, and Child & Adolescent Mental Health Service.

The Council is the administrator of the Lincolnshire Pension Fund and has control of the fund within the overall statutory framework. During the financial year £1.120m was recharged from the Council to the pension fund for scheme administration and management. The pension fund earned a total interest of £0.058m on deposits managed within the Council's own cash, which the Council paid over to the pension fund.

d. Entities Controlled or Significantly Influenced by the Council

The Council does not aggregate any subsidiaries, associated companies or joint ventures and therefore is not required to prepare group accounts.

Note 41. Capital Expenditure and Capital Financing.

The table below shows the financing of the £116.983m capital expenditure (including revenue expenditure financed from capital under statute and finance leases), together with the resources that have been used to finance it. The explanation of movement in year shows the change in the underlying need to borrow to finance capital expenditure.

Further information on the 2014-15 expenditure is provided in the Explanatory Foreword, with details of the asset acquired.

Restated (*1) 2013-14 £'000		**2014-15 £'000**
547,386	**Opening Capital Financing Requirement**	**567,826**
	Capital Investment:	
107,282	Property, Plant and Equipment	83,298
421	Investment Property	430
454	Intangible Assets	4,902
3,216	Loans and Advances Treated as Capital Expenditure	0
32,912	Revenue Expenditure Funded from Capital Under Statute (REFCUS)	28,353
	Sources of Finance:	
(3,237)	Capital Receipts	(5,426)
(72,204)	Government Grants and Contributions	(75,500)
(12,802)	Government Grants and Contributions funding REFCUS	(12,215)
	Sums set aside from Revenue:	
(9,677)	Direct Revenue Contributions	(6,790)
(25,925)	Minimum Revenue Provision/Loans fund principal	(23,813)
567,826	**Closing Capital Financing Requirement**	**561,065**
20,440	**Movement in Year:**	**(6,761)**
	Explanation of movement in year:	
0	Increase in underlying need to borrow (supported by government financial assistance)	0
20,241	Increase in underlying need to borrow (unsupported by government financial assistance)	(6,825)
199	Assets acquired under finance leases	64
0	Assets acquired under PFI/PPP contracts	0
20,440	**Increase/(Decrease) in Capital Financing Requirement**	**(6,761)**

(*1) The Capital Expenditure and Financing for 2013-14 has changed from the 2013-14 Statement of Accounts. This is due to a prior period adjustment arising from the change in accounting policy on School Assets. Further details can be found in Note 48.

Note 42. Leases.

a. Lincolnshire County Council as Lessee

i) Finance Leases

The Council has acquired the following assets under finance leases:

Land and Buildings:

County Farms - the Council hold a small number of holdings under lease which are then sub-let as part of the County Farms estate.

Other Land and Buildings – the Council has a small number of leases which it has classified as finance leases.

Vehicles, Plant, Furniture and Equipment - finance lease payments of £0.229m (£0.704m in 2013-14) were made during the year. £0.047m was charged to the Comprehensive Income and Expenditure Statement as interest payable and £0.182m written down to deferred liabilities.

The following amounts are included within tangible fixed assets Note 13 for the Property, Plant and Equipment held under finance leases:

	Restated (*1) Land and Buildings	Vehicles, Plant & Equipment
	£'000	£'000
Balance at 1 April 2014	15,821	412
Additions	49	64
Revaluations	179	0
Depreciation	(416)	(224)
Disposals	(20)	0
Derecognition	0	0
Reclassifications	(57)	0
Net Book Value at 31 March 2015	**15,556**	**252**

	Restated (*1) Land and Buildings	Vehicles, Plant & Equipment
	£'000	£'000
Balance at 1 April 2013	15,224	887
Additions	63	58
Revaluations	767	0
Depreciation	(374)	(533)
Disposals	(14)	0
Derecognition	0	0
Reclassifications	155	0
Net Book value as at 31 March 2014	**15,821**	**412**

(*1) The opening balance as at 1 April 2013 and movements in 2013/14 have been restated for the change in accounting policy on Schools Assets. Further information on the prior period adjustment can be found in Note 48.

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.

Land and Buildings:	2013-14		2014-15	
	Minimum Lease Payments	Finance Lease Liabilities	Minimum Lease Payments	Finance Lease Liabilities
	£'000	£'000	£'000	£'000
Not later than one year	6	13	6	13
Between one year and not later than five years	26	51	27	50
Later than five years	212	341	199	328
Total Committed Liabilities as at 31 March	**244**	**405**	**232**	**391**

Vehicles, Plant & Equipment:	2013-14		2014-15	
	Minimum Lease Payments	Finance Lease Liabilities	Minimum Lease Payments	Finance Lease Liabilities
	£'000	£'000	£'000	£'000
Not later than one year	167	45	104	33
Between one year and not later than five years	149	62	94	39
Later than five years	0	0	0	0
Total Committed Liabilities as at 31 March	**316**	**107**	**198**	**72**

The Council sub-lets County Farm holdings held under finance leases. At 31 March 2015 the minimum payments expected to be received under non-cancellable sub-leases was £0.342m.

i) Operating Leases

The Council has acquired the following assets under operating leases:

Land and Buildings - the Council leases various properties for use in delivering services. The rentals paid during 2014-15 amounted to £1.799m (£1.638m in 2013-14). This includes £0.982m for central office accommodation which is managed by Mouchel and charged to the Council as part of a monthly service charge.

Vehicles, Plant, Furniture and Equipment - the Council makes operating lease payments for equipment, contract car hire vehicles and fleet hire. The amount paid under these arrangements was £3.258m in 2014-15 (£3.016m in 2013-14).

As at 31 March 2015, the Council is committed to making payments of £19.53m under operating leases, comprising the following elements:

	2013-14	2014-15
	£'000	£'000
Not later than one year	3,911	3,718
Between one year and not later than five years	7,422	7,814
Later than five years	7,647	8,001
Total Committed Liabilities as at 31 March	**18,980**	**19,533**

b. Lincolnshire County Council as Lessor

i) Finance Leases

The Council has granted a small number of long-term leases for Adult Care properties and a Heritage site, which are accounted for as finance leases. Buildings leased at academy sites are also treated as finance leases. There are no significant lease payments and no debtors.

The Council does not acquire assets specifically for the purpose of letting under finance leases.

ii) Operating Leases

The Council acts as lessor (landlord), mainly for the County Farms estate and received income from tenants of £2.213m in 2014-15 (£2.097m in 2013-14). The Council also received rental income from other properties; where the value of the lease is material, the income amounted to £0.979m in 2014-15 (£1.164m in 2013-14).

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

	2013-14	2014-15
	£'000	£'000
Not later than one year	701	822
Between one year and not later than five years	1,385	1,428
Later than five years	2,176	1,357
Total future minimum lease payments receivable as at 31 March	**4,262**	**3,607**

Note 43. Private Finance Initiatives (PFI) and Similar Contracts

Lincolnshire - Schools PFI Arrangement

a. Background

On 27 September 2001 Lincolnshire County Council entered into a 31 year PFI contract with Focus Education (Lincolnshire), for the construction and provision of seven fully serviced school premises across the county. The school sites were completed, and became operational, on a phased basis, as shown in the following table:

Buildings: Description	Occupied from
Sleaford St Botolph's County Primary	Sep 2002
Sleaford Church Lane Primary	Jan 2003
Claypole CE County Primary	Mar 2003
The Fortuna Primary, Lincoln	Sep 2003
The Sincil School, Lincoln	Mar 2006
The Phoenix School, Grantham	Sep 2003
The Lady Jane Franklin School, Spilsby	Sep 2003

The contractor is required to provide the school facilities to the specified standard (including school buildings and educational equipment). The school must operate within the policies of the Local Education Authority. The school facilities must be available and ready for use as a school during term time and the school day is specified as 8am to 7pm.

The contract specifies minimum standards for the services to be provided by the contractor, with deductions from the fee payable being made if facilities are unavailable or performance is below the minimum standards.

The Council is required to pay compensation to the contractor if the contract is terminated early to cover: the senior debt, any redundancy costs incurred by the provider, and any future profit elements set out in the contractor's financial model.

The contract ends in 2032, at which time the school premises will transfer to the ownership of the Council at no further cost. The contract specifies the physical condition in which the premises must be transferred.

b. Property, Plant and Equipment Held Under the PFI Contract

The table below shows the fixed assets held by the Council, and the movement in their values during 2014-15. These assets are included in the fixed assets shown in Note 13 Property, Plant and Equipment.

	Restated (*1) Land & Buildings	Furniture & Equipment
	£'000	£'000
Balance at 1 April 2014	19,136	71
Additions	100	0
Revaluations	975	0
Depreciation	(432)	(41)
Disposals	0	0
Reclassifications	0	0
De-recognition	23	0
Net Book Value at 31 March 2015	**19,802**	**30**

(*1) The opening balance as at 1 April 2014 has been restated for the change in accounting policy on Schools Assets. Further information on the prior period adjustment can be found in Note 48.

	Restated (*1) Land & Buildings	Furniture & Equipment
	£'000	£'000
Balance at 1 April 2013	19,115	91
Additions	45	37
Revaluations	5	0
Depreciation	(29)	(57)
Disposals	0	0
Reclassifications	0	0
De-recognition	0	0
Net Book Value at 31 March 2014	**19,136**	**71**

(*1) The opening balance as at 1 April 2013 and movements in 2013-14 have been restated for the change in accounting policy on Schools Assets. Further information on the prior period adjustment can be found in Note 48.

c. Liabilities Outstanding under the PFI Contract – Finance Lease Element

The following table shows the outstanding liability on the PFI Finance Lease, and the movement during 2014-15:

	PFI Lease Liability	PFI Lease Liability
	2013-14	2014-15
	£'000	£'000
Liability as at 01 April	13,938	13,244
Principal Repayments	(694)	(759)
Liability as at 31 March	**13,244**	**12,485**

d. PFI Contract Liabilities

The following table shows a breakdown of the estimated contract costs over the remaining life of the PFI contract, split into the different elements of the total cost.

	Principal Lease Repayments	Financing Costs (Interest)	Service Charges	Total Estimated Payments
	£'000	£'000	£'000	£'000
Payable in 2015/16	635	879	1,833	**3,346**
Payable between 2016/17 and 2018/19	1,825	2,390	5,793	**10,008**
Payable between 2019/20 and 2023/24	4,027	2,906	10,690	**17,623**
Payable between 2024/25 and 2028/29	4,363	1,476	11,473	**17,312**
Payable between 2029/30 and 2032/33	1,636	161	6,191	**7,988**
Total Committed Liabilities as at 31 March 2015	**12,485**	**7,812**	**35,980**	**56,277**

e. School Assets

On 1 March 2013, the Phoenix School in Grantham converted to Academy status. A lease has been agreed between the Council and the Academy to reflect the effects of conversion. This lease is accounted for in accordance with the Authority's Accounting Policies on Leases and Accounting for Schools.

The figures shown in Section d above, include £1.895m of principal lease liability and £1.185m of interest liability that relate to the Phoenix School.

On 11 November 2011, the school buildings belonging to St Botolph's County Primary School in Sleaford (a Voluntary Controlled School) were transferred to the Diocese Trust. This school has been accounted for in accordance with the Authority's Accounting Policy of School Assets.

The figures shown in Section d above, include £2.063m of principal lease liability and £1.291m of interest liability that relate to St Botolph's County Primary School.

Note 44. Pension Schemes Accounted for as Defined Contribution Schemes.

Teachers' Pension Scheme

Teachers employed by the Council are members of the Teachers' Pension Scheme (TPS), administered by the Department for Education. The Scheme provides teachers with specified benefits upon their retirement and the Council makes contributions towards the costs based on a percentage of members' pensionable salaries.

The Scheme is technically a defined benefit scheme. However, 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. The Council is not able to identify its share of underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purpose of these Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2014-15 the Council paid £12,086m to the administrators of the TPS in respect of employer's pension contributions. The Council contribution rate to the teacher's pension fund is 14.1% in 2014-15. The Council is responsible for all pension payments relating to compensatory added years under the Council's early retirement policy.

This includes payments for associated pension increases and mandatory compensation payments to fund the early release of benefits from the scheme. These unfunded benefits amounted to £4.21m in 2014-15 and have an ongoing liability to the Council.

National Health Service Pension Scheme (NHSPS)

Staff who transferred to the County Council from the Health Authority as part of Public Health have remained in the National Health Service Pension Scheme (NHSPS).

The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Department for Health uses a notional fund as the basis for calculating the employers' contribution rate paid by Local Authorities. The Council is not able to identify its share of 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 2014/15 the Council paid £0.253m to the administrators of the NHS Pension Scheme in respect of employer contributions. The employer's contribution rate to the scheme is 14% in 2014-15.

Note 45. Defined Benefit Pensions Schemes.

Participation in Pension Schemes

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

The Council participates in two post employment schemes:

i. Local Government Pension Scheme (LGPS)

The Local Government Pension Scheme is a funded defined benefits final salary scheme. This means that the Council and employees pay contributions into the fund, calculated at a level intended to balance the pensions liabilities with investment assets.

The Council paid employer's contributions of £28.382m into the Lincolnshire Pension Fund in 2014-15, based on 19.7% of scheme employees' pensionable pay and a lump sum payment of £180k.

Under the Council's early retirement policy, additional contributions of £1.121m were made to the Pension Fund for the pre-funding of early retirements and unfunded benefits in respect of compensatory added years and associated pension increases amounted to £6.130m. Further information can be found on pages 104 to 114 and in the Council's Pension Fund Annual Report which is available on request.

The Lincolnshire County Council's pension scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of its Pension Committee. Policy is determined in accordance with the Pension Fund Regulations. The investment managers of the fund are appointed by the committee-See list in the Pension Fund statements on page 131.

The principal risks to the authority 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 the General Fund the amounts required by statute as described in the accounting policies note.

ii. Fire-fighters' (Uniformed) Pension Scheme (FPS)

In 2014-15 the Council paid employer's contributions of £4.405m to the Lincolnshire Fire and Rescue Pension Fund. There are currently two schemes: the 1992 scheme, where the contribution rate is 21.3% and a new scheme established in 2006, where the contribution rate is 11%. A further £1.420m was paid in respect of ill health retirements and £0.277m in respect of injury benefits. Further information on the Lincolnshire Fire and Rescue Pension fund can be found on pages 152 to 154.

Transactions Relating to Post Employment Benefits (IAS 19 Retirement Benefits accounting entries).

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

The unfunded FPS employer's contributions have been defined by the actuary as benefits expenditure reduced by employee contributions. These are gross contributions and have been adjusted by the DCLG government grant. The following transactions have been made in the Comprehensive Income and Expenditure Statement and as movements to the General Fund.

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:

a. Pension Assets and Liabilities Recognised in the Balance Sheet, Service Costs & Other Comprehensive Income for the Local Government Pension Fund as at 31 March 2015

	Assets £'000	Obligations £'000	Net liability/asset £'000
Fair value of employer assets	839,180		839,180
Present value of funded liabilities		(1,265,591)	(1,265,591)
Present value of unfunded liabilities		(100,915)	(100,915)
Opening position as at 31 March 2014	**839,180**	**(1,366,506)**	**(527,326)**
Service cost			
Current service cost		(33,055)	(33,055)
Past service costs (including curtailments)		(793)	(793)
Effect of settlements	0	0	0
Total Service Costs	**0**	**(33,848)**	**(33,848)**
Net Interest			
Interest income on planned assets	35,982		35,982
interest cost on defined benefit obligation		(58,627)	(58,627)
Impact on asset ceiling			0
Total net Interest	**35,982**	**(58,627)**	**(22,645)**
Total defined benefit cost recognised in Profit or(Loss)	**35,982**	**(92,475)**	**(56,493)**
Cash flows			
Plan participants' contributions	8,848	(8,848)	0
Employer contributions	28,382		28,382
Contributions re unfunded benefits	6,130		6,130
Benefits paid	(40,882)	40,882	0
Unfunded benefits paid	(6,130)	6,130	0
Expected closing position	**871,510**	**(1,420,817)**	**(549,307)**
Remeasurements			
Changes in demographic assumptions		0	0
Changes in financial assumptions		(202,442)	(202,442)
Other experience		11,349	11,349
Return on assets excluding amounts included in net interest	70,944		70,944
Changes in asset ceiling			0
Total remeasurements recognised in Other Comprehensive Income(OCI)	**70,944**	**(191,093)**	**(120,149)**
Exchange differences			0
Effect of business combinations or disposals			0
Total Exchange and business combinations & disposals	0	0	0
Fair value of employer assets	942,454		942,454
Present value of funded liabilities		(1,507,965)	(1,507,965)
Present value of unfunded liabilities		(103,944)	(103,944)
Closing position as at 31 March 2015	**942,454**	**(1,611,909)**	**(669,455)**

This liability comprises of approximately £29.005m in respect of LPGS unfunded pensions and £74.939 in respect of Teachers unfunded pensions

Analysis of the present value of the defined obligation - Local Government Pension Scheme

	Liability Split £000	%	Duration
Members	639,575	42.4%	24.5
Deferred Members	320,176	21.2%	23.5
Pensioners	548,214	36.4%	11.6
	1,507,965	**100.0%**	**18.5**

b. Pension Assets and Liabilities Recognised in the Balance Sheet, Service Costs & Other Comprehensive Income for the Local Government Pension Fund as at 31 March 2014

	Assets £'000	Obligations £'000	Net liability/asset £'000
Fair value of employer assets	843,495		843,495
Present value of funded liabilities		(1,216,901)	(1,216,901)
Present value of unfunded liabilities		(100,124)	(100,124)
Opening position as at 31 March 2013	**843,495**	**(1,317,025)**	**(473,530)**
Service cost			
Current service cost		(32,688)	(32,688)
Past service costs (including curtailments)		(236)	(236)
Effect of settlements	(1,898)	4,439	2,541
Total Service Costs	**(1,898)**	**(28,485)**	**(30,383)**
Net Interest			
Interest income on planned assets	37,742		37,742
interest cost on defined benefit obligation		(58,966)	(58,966)
Impact on asset ceiling			0
Total net Interest	**37,742**	**(58,966)**	**(21,224)**
Total defined benefit cost recognised in Profit or (Loss)	**35,844**	**(87,451)**	**(51,607)**
Cash flows			
Plan participants' contributions	8,521	(8,521)	0
Employer contributions	25,799	0	25,799
Contributions re unfunded benefits	5,704	0	5,704
Benefits paid	(39,454)	39,454	0
Unfunded benefits paid	(5,704)	5,704	0
Expected closing position	**874,205**	**(1,367,839)**	**(493,634)**
Remeasurements			
Changes in demographic assumptions		(25,050)	(25,050)
Changes in financial assumptions		411	411
Other experience		25,973	25,973
Return on assets excluding amounts included in net interest	(35,025)		(35,025)
Changes in asset ceiling			0
Total remeasurements recognised in Other Comprehensive Income (OCI)	**(35,025)**	**1,334**	**(33,691)**
Exchange differences			0
Effect of business combinations or disposals			0
Total Exchange and business combinations & disposals	0	0	0
Fair value of employer assets	839,180		839,180
Present value of funded liabilities		(1,265,591)	(1,265,591)
Present value of unfunded liabilities		(100,915)	(100,915)
Closing position as at 31 March 2014	**839,180**	**(1,366,506)**	**(527,326)**

c. Pension Assets and Liabilities Recognised in the Balance Sheet, P & L & OCI for the Fire Fighters Pension Fund as at 31 March 2015

	Assets £'000	Obligations £'000	Net liability/asset £'000
Fair value of employer assets	**0**		0
Present value of funded liabilities		(173,700)	(173,700)
Present value of unfunded liabilities		(14,300)	(14,300)
Opening position as at 31 March 2014	**0**	**(188,000)**	**(188,000)**
Service cost			
Current service cost		(5,500)	(5,500)
Past service costs (including curtailments)		0	0
Effect of settlements	0	0	0
Total Service Costs	**0**	**(5,500)**	**(5,500)**
Net Interest			
Interest income on planned assets	0		0
interest cost on defined benefit obligation		(8,100)	(8,100)
Impact on asset ceiling			0
Total net Interest	**0**	**(8,100)**	**(8,100)**
Total defined benefit cost recognised in Profit or (Loss)	**0**	**(13,600)**	**(13,600)**
Cash flows			
Plan participants' contributions	1,300	(1,300)	0
Employer contributions	4,100	0	4,100
Transfers to/from other authorities	0	0	0
Contributions in respect of injury benefits	300	0	300
Benefits paid	(5,400)	5,400	0
Injury award expenditure	(300)	300	0
Expected closing position	**0**	**(197,200)**	**(197,200)**
Remeasurements			
Changes in demographic assumptions	0	0	0
Changes in financial assumptions	0	(28,700)	(28,700)
Other experience	0	100	100
Return on assets excluding amounts included in net interest	0	0	0
Changes in asset ceiling	0	0	0
Total remeasurements recognised in Other Comprehensive Income (OCI)	**0**	**(28,600)**	**(28,600)**
Exchange differences			0
Effect of business combinations or disposals			0
Total Exchange and business combinations & disposals	**0**	**0**	**0**
Fair value of employer assets	0		0
Present value of funded liabilities		(208,200)	(208,200)
Present value of unfunded liabilities		(17,600)	(17,600)
Closing position as at 31 March 2015	**0**	**(225,800)**	**(225,800)**

The current service cost shown in the table above includes the cost for both the non-injury benefits and injury benefits. This is split £4.856m for the non-injury benefits and £0.612 for the injury benefits.

The interest cost shown in the table above includes the cost for both the non-injury benefits and injury benefits. This is split £7.484m for the non-injury benefits and £0.610 for the injury benefits.

Analysis of the present value of the defined obligation -Fire Fighters Scheme

	Liability Split		Duration
	£000	%	
Members	119,600	57.4%	26.5
Deferred Members	3,700	1.8%	27
Pensioners	84,900	40.8%	12.2
	208,200	**100.0%**	**20.7**

	Liability Split		Duration
	£000	%	
Contingent injuries	12,000	68.2%	26.5
Injury pension liabilities	5,600	31.8%	12.7
	17,600	**100.0%**	**22.1**

d. Pension Assets and Liabilities Recognised in the Balance Sheet, P & L & OCI for the Fire Fighters Pension Fund as at 31 March 2014

	Assets	Obligations	Net liability/asset
	£'000	£'000	£'000
Fair value of employer assets	0		0
Present value of funded liabilities		(155,600)	155,600
Present value of unfunded liabilities		(12,600)	12,600
Opening position as at 31 March 2013	0	(168,200)	168,200
Service cost	0	0	**0**
Current service cost	0	(5,000)	**5,000**
Past service costs (including curtailments)	0	0	**0**
Effect of settlements	0	0	**0**
Total Service Costs	**0**	**(5,000)**	**5,000**
Net Interest			
Interest income on planned assets	0	0	**0**
interest cost on defined benefit obligation	0	(7,600)	**7,600**
Impact on asset ceiling	0	0	**0**
Total net Interest	**0**	**(7,600)**	**7,600**
Total defined benefit cost recognised in Profit or(Loss)	**0**	**(12,600)**	**12,600**
Cash flows			
Plan participants' contributions	1,100	(1,100)	**2,200**
Employer contributions	4,000	0	**4,000**
Transfers to/from other authorities	100	(100)	**200**
Contributions in respect of injury benefits	300	0	**300**
Benefits paid	(5,200)	5,200	**(10,400)**
Injury award expenditure	(300)	300	**(600)**
Expected closing position	**0**	**(176,500)**	**176,500**
Remeasurements			
Changes in demographic assumptions	0	(4,100)	**(4,100)**
Changes in financial assumptions	0	(7,500)	**(7,500)**
Other experience	0	100	**100**
Return on assets excluding amounts included in net interest	0	0	**0**
Changes in asset ceiling	0	0	**0**
Total remeasurements recognised in Other Comprehensive Income(OCI)	**0**	**(11,500)**	**(11,500)**
Exchange differences			**0**
Effect of business combinations or disposals			**0**
Total Exchange and business combinations & disposals	0	0	0
Fair value of employer assets	0		**0**
Present value of funded liabilities	0	(173,700)	**173,700**
Present value of unfunded liabilities	0	(14,300)	**14,300**
Closing position as at 31 March 2014	**0**	**(188,000)**	**188,000**

	Liability Split		Duration
	£000	%	
Members	91,200	52.5%	26.2
Deferred Members	3,000	1.7%	27.0
Pensioners	79,500	45.8%	12.2
	173,700	**100.0%**	**19.8**

	Liability Split		Duration
	£000	%	
Contingent injuries	9,100	63.6%	26.2
Injury pension liabilities	5,200	36.4%	12.7
	14,300	**100.0%**	**21.3**

e. Pension Fund Assets Comprise

The Local Government Pension schemes comprise the following assets

Asset Class	2013-14	2013-14	2014-15	2014-15
	£'000	%	£'000	%
	Fair value of scheme assets		Fair value of scheme assets	
Equities (b)				
-Consumer	154,396	18.4%	179,986	19.1%
-Manufacturing	28,352	3.4%	26,326	2.8%
-Energy & Utilities	61,626	7.3%	58,178	6.2%
-Financial	99,153	11.8%	111,679	11.8%
-Health & Care	0	0.0%	0	0.0%
-Information Technology	22,926	2.7%	35,685	3.8%
-Other	106,569	12.7%	111,384	11.8%
Total Equities	**473,021**	**56.4%**	**523,238**	**55.5%**
Bonds				
-Corporate (Investment)	26,160	3.1%	31,388	3.3%
-Corporate (Non-Investment Grade)	0	0.0%	61,422	6.5%
-Government (Fixed)	15,425	1.8%	17,888	1.9%
-Other	10,015	1.2%	12,299	1.3%
Total Bonds	**51,600**	**6.1%**	**122,997**	**13.0%**
Total Private Equity	**45,980**	**5.5%**	**40,251**	**4.3%**
Property				
-UK	78,889	9.4%	92,501	9.9%
-Global	12,704	1.5%	10,800	1.1%
Total Property	**91,593**	**10.9%**	**103,301**	**11.0%**
Investment Funds & Unit Trusts				
- Equities	39,194	4.7%	48,738	5.2%
- Bonds	52,916	6.3%	0	0.0%
-Other	71,926	8.6%	90,448	9.6%
Total Investment Funds	**164,035**	**19.5%**	**139,186**	**14.8%**
Cash and Cash Equivalents	**12,950**	**1.5%**	**13,481**	**1.4%**
Total Derivatives	**0**	**0.0%**	**0**	**0.0%**
Total Assets	**839,180**	**100.0%**	**942,454**	**100.0%**

All scheme assets have quoted prices in active markets

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date.

The estimated return on scheme assets in the year was 12.8% (2014-15).

f. Basis for estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, estimates for the Council Fund being based on the latest full valuation of the scheme as at 1 April 2014.

The principal assumptions used by the actuary have been:	2013-14	2013-14	2014-15	2014-15
	Local Government Pension Scheme	**Fire-fighters' Pension Scheme**	**Local Government Pension Scheme**	**Fire-fighters' Pension Scheme**
	%	**%**	**%**	**%**
Price Increases	3.6	3.6	3.3	3.3
Salary Increases (*1)	4.1	3.8	3.8	3.4
Pension Increases (CPI)	2.8	2.8	2.4	2.4
Discount Rate	4.3	4.3	3.2	3.2
Equity investments	4.3	N/A	3.2	N/A
Bonds	4.3	N/A	3.2	N/A
Other	4.3	N/A	3.2	N/A
Take up of option to convert annual pension to lump sum prior to 1 April 2008	25	N/A	25	N/A
Take up of option to convert annual pension to lump sum post 1 April 2008	63	N/A	63	N/A

(*1) Salary increases are 1% p. a. nominal for the year to 31 March 2015 reverting to the long term assumption thereafter.

The table below shows the life expectancy of future and current pensioners and is based on the PFA92 and PMA92 tables; this is projected to the calendar year 2033 for non pensioners and 2017 for pensioners. Life expectancy is based on pensioners of 65 in the LGPS and 60 in the Fire-fighters' scheme.

	Local Government Pension Scheme	Local Government Pension Scheme	Fire-fighters' Pension Scheme	Fire-fighters' Pension Scheme
	Male	Female	Male	Female
Current Pensioners	22.2	24.4	29.5	31.7
Future Pensioners	24.5	26.8	31.1	33.2

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the above tables.

g. Sensitivity Analysis

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

Change in assumptions in year ended 31 March 2013	Local Government Pension Scheme		Fire Fighters' Pension Scheme	
	Approximate % Change to Employer Liability	Approximate monetary Amount £000	Approximate % Change to Employer Liability	Approximate monetary Amount £000
0.5% decrease in Real Discount rate	10.0%	160,679	10.0%	23,500
1 year increase in member life expectancy	3.0%	48,357	3.0%	6,800
0.5% increase in the Salary Increase Rate	3.0%	47,380	2.0%	5,300
0.5% increase in the Pension Increase Rate	7.0%	110,241	8.0%	19,100

The Fire Fighters'' pension arrangements have no assets to cover its liabilities.

Asset and Liability Matching (ALM) Strategy

The County Council's pension committee has agreed to an asset and liability matching strategy (ALM) that matches, to the extent possible, the types of assets invested to the liabilities in the defined benefit obligation. The fund has matched assets to the pensions' obligations by investing long-term fixed interest securities and indexed linked gilt edged investment with maturities that match the benefits payments as they fall due. This is balanced with a need to maintain the liquidity of the fund to ensure that it is able to make current payments. As is required by the pensions and investment regulations the suitability of various types of investment have been considered, as has the need to diversify investments to reduce risk of being invested in too narrow a range. A large proportion of the assets relate to equities (56% of scheme assets) and bonds (15%) These percentages are materially the same as last year. The scheme also invests in properties as a part of the diversification of the scheme's investments.

The ALM strategy is monitored annually or more frequently if necessary.

Impact on the Authority's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be implemented on 31 March 2017. The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014. The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings scheme to pay pensions and other benefits.

i. Projected defined benefit cost for the period to 31 March 2016

Local Government Pension Scheme

	Assets	Obligations	Net (liability)/asset	
	£000	£000	£000	% of pay
Projected Current Service Cost	0	(41,172)	(41,172)	-30%
Past service cost including curtailments	0	0	0	0.0%
Effect of settlements	0	0	0	0.0%
Total Service Cost	0	(41,172)	(41,172)	0.0%
Interest income on plan assets	30,093	0	30,093	21.9%
Interest cost on defined benefit obligation	0	(51,624)	(51,624)	-37.6%
Total Net Interest Cost	30,093	(51,624)	(21,531)	-15.7%
Total included in Income and Expenditure	**30,093**	**(92,796)**	**(62,703)**	**-45.7%**

Fire Fighters Pension Scheme

	Assets	Obligations	Net (liability)/asset	
	£000	£000	£000	% of pay
Projected Current Service Cost	0	(6,000)	(6,000)	-0.59
Past service cost including curtailments	0	0	0	0.0%
Effect of settlements	0	0	0	0.0%
Total Service Cost	0	(6,000)	(6,000)	-58.8%
Interest income on plan assets	0	0	0	0.0%
Interest cost on defined benefit obligation	0	(7,300)	(7,300)	-71.6%
Total Net Interest Cost	0	(7,300)	(7,300)	-71.6%
Total included in Income and Expenditure	**0**	**(13,300)**	**(13,300)**	**-130.4%**

The authority expects to pay £27,003 in contributions to the LGPS and £4,960 to the Fire Fighters' scheme in 2014-15.

The weighted average duration of the defined benefit obligation for scheme members is 18.5 years in 2014-15

Note 46. Contingent Liabilities.

At 31 March 2015 the Council has the following material contingent liabilities:

a. Insurance

The Council obtained public and employer's liability insurance cover from the Independent Insurance Company between 1995 and 1998. The company went into liquidation to the extent that it will not be able to meet any current or future liabilities, meaning the Council is effectively not insured for this period. It is expected that only the liabilities for employers liability remain, as we would have expected all public liability claims for this period to have been submitted. The position is independently reviewed bi-annually by the insurance reserve actuary to ensure that reserves are sufficient to cover the total liability.

Municipal Mutual Insurance Limited (MMI), the Council's former insurer, ceased writing insurance business in September 1992 and entered a Scheme of Arrangement for an expectation of a solvent run off. This has not occurred and a Scheme of Arrangement has been invoked. The Council paid MMI 15% of the total amount of claims paid on behalf of the County Council, however, a contingency liability still exists due to potential future claims depending upon the future solvency requirements of MMI.

From 1st April 2013 there is no longer insurance provisions in place for conditions caused by the exposure to asbestos or the Legionella Bacterium, for staff or the public. However, the Council has stringent policies and procedures in place to minimise the exposure to either of these risks.

b. Expansion of Eastern Shires Purchasing Organisation (ESPO)

Lincolnshire County Council is one of seven Authorities that comprise the purchasing consortium known as ESPO. The consortium has no separate legal identity and Leicestershire County Council, as the servicing Authority for ESPO, takes on this role in terms of all ESPO's contractual obligations.

ESPO relocated to a new custom built store in Leicester on February 2006. The new store has been financed by a £12.6m PWLB loan taken out by Leicestershire County Council on behalf of the ESPO consortium. Leicestershire has obtained an indemnity from all six other consortium member Authorities to meet the conditions of the loan should ESPO ever fail to make payments. The potential maximum liability is £2.000m.

A financial provision has not been raised in the accounts to cover any future payments under these indemnities as the risk is considered minimal.

c. Lincoln Southern Bypass Blight Payments

The preferred route for the Lincoln Southern bypass was adopted during 2007-08. It is at this time of adoption that legal blight will apply on any land or property sited on this route. In addition, other nearby properties may not trigger blight but may be accepted for purchase under the Council's discretionary powers held under Section 246(2) of the Highways Act 1980.

However, it is unlikely that the road will be constructed within the near future. Potentially, other owners of land and property affected by the road can claim blight at any stage between now and construction. If these claims are upheld then the Council will have to purchase the properties or land in advance of construction. This could, excluding any discretionary purchases, amount to approximately £1.000m.

d. Extra Contractual Referrals

In Lincolnshire, there are a small number of people with Learning Disabilities who were placed in Health accommodation by other Health Authorities. Due to these establishments closing in recent years, Service Users have been moved into places within the community or in some cases their prior accommodation has become their community provision. A part of the pooled arrangements with Lincolnshire Health, we have hitherto paid for the care of these individuals and invoiced the other Local Authorities with the cost.

There is one authority who is challenging this process on the basis that the Service User is now deemed as an ordinary resident of the County and as such, funding responsibility lies with the Council, with on-going involvement with the Department of Health and Legal Services.

Any liability is likely to be in the range of nil to £0.750m.

e. Ordinary Residency

In recent years there has been an increase in incidents of Local Authorities exercising "Ordinary Residents Rights" in relation to people who have received services in Lincolnshire and as a result, have resided within the County over a number of years but whose normal residency is outside of the County.

These Local Authorities have become active in claiming that the liability for ongoing support costs lies with the Council and in some cases retrospective charges have been levied.

Where cases have been quantified and verified, these have been included within the Accounts. However where discussions are on-going it is difficult to establish an accurate cost until an agreement is reached.

There are a range of financial outcomes depending on the eventual conclusion of discussions between Lincolnshire and the Authorities in question. Any liability is likely to be in the range of nil to £0.250k.

f. Land and Compensation Claims

On the A1073 Spalding to Eye Improvement Scheme, claims for land compensation can be submitted a year after the road opening with part one claims up to seven years.

There has been some settlement agreed during the 2014-15 financial year and this has reduced any potential contingent liability to £0.500m

g. Environmental Information Regulations 2004 - Property Search Claims

A group of Property Search Companies are seeking to claim refunds of fees paid to the Council to access land charge data. Proceedings have not yet been issued. The Council has been informed that the value of those claims at present is £1.450m plus interest and costs. The claimants have also intimated that they may bring a claim against all English and Welsh local authorities for alleged anti-competitive behaviour. It is not clear what the value of any such claim would be as against the Council. It is possible that additional claimants may come forward to submit claims for refunds, but none have been initiated at present.

Note 47. Contingent Assets.

At 31 March 2015 the Council has the following material contingent assets:

a. Compound Interest Claim (VAT)

Between June 2008 and August 2010 Lincolnshire County Council received statutory interest from HMRC in respect of claims for VAT over declared on library charges, cultural services admission charges and take-away food. In all cases, in line with HMRC policy, the amounts were calculated on a simple interest basis.

The Council, in common with a number of local authorities and other tax payers, has a claim lodged in the High Court for compound interest which is currently stood behind the lead case. The High Court has ruled in favour of the taxpayer in the lead case, however the Council has been advised that , as a first instance decision, it is not yet precedent and is not, therefore, binding on cases stood behind.

The value of the contingent asset is £0.278m and has been calculated based on HMRC Statutory Interest rates and adjusted for interest already received.

HMRC have confirmed that they have lodged an appeal to the Court of Appeal which is likely to be heard early to mid 2015.

Note 48. Prior Period Adjustment.

Clarification has been issued on how assets used by schools should be accounted for, and when they should be recognised on the Council's balance sheet. The accounting standard for property, plant and equipment (IAS 16) defines a non-current asset as "a resource controlled by the Council as a result of a past event from which future economic benefits or service potential are expected to flow". The clarification on how this should be interpreted requires the assets of a school to be controlled by the Council or the Schools governing body for this criteria to be met, and therefore the assets included within the Council's balance sheet.

All school assets have been reviewed to identify if they are controlled by the Council and should be included on the Council's balance sheet. In general terms all Community Schools and Foundation Schools (which are not controlled by a separate trust) should be included on the Council's balance sheet. Voluntary Controlled and Voluntary Aided Schools where the assets are generally controlled by a Trust (often the Diocese) should not be on the Council's balance sheet.

The overall effect of the clarification will be dealt with in the Council's balance sheet as a prior period adjustment and the accounts will be restated as at 1 April 2013 and 31 March 2014 as if the Council had always accounted on this basis.

The Council's Core Statements and relevant notes have been restated to reflect the above changes, and are summarised in the tables below:

a) Comprehensive Income and Expenditure Statement in 2013-14:

	2013-14		
	Net Expenditure	Net Expenditure Restatement	Net Expenditure
	£'000	£'000	£'000
Cost of Services			
Education Services	80,336	7,090	87,426
Children's Social Care	78,327	0	78,327
Adult Care	149,591	0	149,591
Highways and Transport Services	83,328	0	83,328
Cultural and Related Services	20,381	0	20,381
Environmental and Regulatory Services	29,075	0	29,075
Planning Services	11,925	0	11,925
Fire and Rescue Services	29,028	0	29,028
Public Health	1,117	0	1,117
Housing Services - Travellers Sites	14,011	0	14,011
Central Services to the Public	3,817	0	3,817
Corporate and Democratic Core	3,519	0	3,519
Non Distributed Costs	2,867	0	2,867
Cost of Services	**507,322**	**7,090**	**514,412**
Other Operating Expenditure	18,287	(1,431)	16,856
Financing and Investment Income and Expenditure	35,266	0	35,266
Taxation and Non-Specific Grant Income	(547,680)	(1,866)	(549,546)
(Surplus)/Deficit on Provision of Services	**13,195**	**3,793**	**16,988**
(Surplus)/Deficit on Revaluation of Non-Current Assets	(62,388)	(1,979)	(64,367)
Impairment losses on Non-Current Assets charged to Revaluation Reserve	0	0	0
(Surplus)/Deficit on Revaluation of Available for Sale Financial Assets	(83)	0	(83)
Actuarial (Gains)/Losses on Pension Assets / Liabilities	45,191	0	45,191
Other Recognisable (Gains)/ Losses	(108)	0	(108)
Other Comprehensive Income and Expenditure	**(17,388)**	**(1,979)**	**(19,367)**
Total Comprehensive Income and Expenditure	**(4,193)**	**1,814**	**(2,379)**

b) Balance Sheet

As at 1 April 2013	1 April 2013	Balance Sheet Restatement	Restated 1 April 2013
	£'000	£'000	£'000
- Property Plant and Equipment	*1,267,991*	*(12,018)*	*1,255,973*
Long Term Assets	**1,390,701**	**(12,018)**	**1,378,683**
Current Assets	**245,673**	**0**	**245,673**
Current Liabilities	**(103,967)**	**0**	**(103,967)**
Long Term Liabilities	**(1,121,843)**	**0**	**(1,121,843)**
Net Assets	**410,564**	**(12,018)**	**398,546**
Usuable Reserves	**213,836**	**0**	**213,836**
- Revaluation Reserve	*272,346*	*(43,263)*	*229,083*
- Capital Adjustment Account	*568,151*	*31,245*	*599,396*
Unusuable Reserves	**196,728**	**(12,018)**	**184,710**
Total Reserves	**410,564**	**(12,018)**	**398,546**

As at 31 March 2014	31 March 2014	Balance Sheet Restatement	Restated 31 March 2014
	£'000	£'000	£'000
- Property Plant and Equipment	*1,337,523*	*(13,832)*	*1,323,691*
Long Term Assets	**1,473,151**	**(13,832)**	**1,459,319**
Current Assets	**232,962**	**0**	**232,962**
Current Liabilities	**(103,637)**	**0**	**(103,637)**
Long Term Liabilities	**(1,187,718)**	**0**	**(1,187,718)**
Net Assets	**414,758**	**(13,832)**	**400,926**
Usuable Reserves	**235,503**	**0**	**235,503**
- Revaluation Reserve	*319,865*	*(40,554)*	*279,311*
- Capital Adjustment Account	*579,290*	*26,722*	*606,012*
Unusuable Reserves	**179,255**	**(13,832)**	**165,423**
Total Reserves	**414,758**	**(13,832)**	**400,926**

Lincolnshire County Council's Pension Fund

Pension Fund Account - For the year ended 31 March 2015

	See Note	2013-14 £000	2014-15 £000
Contributions and Benefits			
Contributions Receivable	8	76,984	82,503
Transfers in	9	6,732	6,372
		83,716	**88,875**
Benefits Payable	10	74,244	78,057
Leavers	11	3,922	34,458
		78,166	**112,515**
Net additions from dealings with fund members		**5,550**	**(23,640)**
Management Expenses	12	4,568	4,807
Returns on Investments			
Investment Income	13	27,815	26,619
Profit (Loss) on Forward Deals & Currency Deals	17	3085	(4,149)
Change in Market Value of Investments	15	64,495	170,838
Net returns on investments		**95,395**	**193,308**
Net increase in the Fund during the year		96,377	164,861
Opening net assets of the Fund		1,495,045	1,591,422
Closing net assets of the Fund		**1,591,422**	**1,756,283**
Net Assets statement as at 31 March 2015			
Investments	15		
Equities		880,027	972,857
Pooled Investments:			
Property		174,701	189,640
Private Equity		83,313	73,692
Fixed Interest		168,971	194,083
Index Linked Bonds		29,623	34,466
Equities		74,715	88,445
Alternatives		125,936	164,801
Cash Deposits		38,836	25,695
Other Investment Balances	18	4,365	473
		1,580,487	**1,744,152**
Current Assets and Liabilities			
Cash Balances		4,630	7,855
Debtors	19	6,974	4,005
Long Term Debtors	19	2,131	2,132
Creditors	19	(2,800)	(1,861)
		10,935	**12,131**
Net Assets of the Fund at 31st March		**1,591,422**	**1,756,283**

Notes to the Pension Fund Account

1 Pension Fund Account

The Lincolnshire Pension Fund (the Fund) is part of the Local Government Pension Scheme and Lincolnshire County Council is the Administering Authority. Benefits are administered by Mouchel, alongside a Council wide contract. From April 1st 2015 the administration of the Fund will be in a shared service arrangement with West Yorkshire Pension Fund.

The following information is a summary only, and further detail can be found in the Lincolnshire County Council Pension Fund Annual Report 2014/15 (available on the Fund's shared website at www.wypf.org.uk), and in the underlying statutory powers underpinning the scheme, namely the Public Service Pensions Act 2013 and the Local Government Pension Scheme (LGPS) Regulations.

General

The scheme is governed by the Public Service Pensions Act 2013. The Fund is administered in accordance with the following secondary legislation:

- the LGPS Regulations 2013 (as amended)
- the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- the LGPS (Management and Investment of Funds) Regulations 2009.

It is a contributory defined pension scheme to provide pensions and other benefits for pensionable employees of Lincolnshire County Council, the district councils in Lincolnshire and a range of other scheduled and admitted bodies within the county. Teachers, police officers and firefighters are not included as they come within other national pension schemes.

The Fund is overseen by the Lincolnshire County Council Pensions Committee.

Membership

Membership of the LGPS is automatic for eligible employees, but they are free to choose whether to remain in the scheme or make their own personal arrangements outside of the scheme.

Organisations participating in the Fund include:

- Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members

- Admitted bodies, which are other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admitted bodies include charitable organisations and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

There are 185 employer organisations in the Fund including the County Council (a list of scheduled employers is shown at note 28) and the membership numbers are shown below:

	31 Mar 2013	31 Mar 2014
Number of employers with active members	185	*185*
Number of employees in the scheme		
Lincolnshire County Council	10,763	*10,734*
Other employers	9,791	*9,963*
Total	**20,554**	**20,697**
Number of pensioners		
Lincolnshire County Council	10,136	*10,121*
Other employers	6,422	*6,456*
Total	**16,558**	**16,577**
Number of deferred pensioners		
Lincolnshire County Council	18,584	*18,794*
Other employers	8,297	*8,452*
Total	**26,881**	**27,246**

Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay. Employer contributions are set based on triennial actuarial funding valuations. The last valuation was 31 March 2013, and employer contribution rates were set ranging from 15.1% to 28.7% of pensionable pay. In addition, a number of employers are paying deficit contributions as cash payments.

Benefits

Prior to 1 April 2015, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service, summarised below:

	Service pre 1 April 2008	Service post 31 March 2008
Pension	Each year is worth 1/80 x final pensionable salary.	Each year is worth 1/60 x final pensionable salary.
Lump Sum	Automatic lump sum of 3/80 x salary. In addition, part of the annual pension can be exchanged for a one-off tax free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is uprated annually in line with the Consumer Price Index.

There are a range of other benefits provided under the scheme including early retirement, disability pensions and death benefits. For more details, please refer to our shared pensions website, at www.wypf.org.uk.

2 Basis of Preparation

The Statement of Accounts summarises the Fund's transactions for the 2014-15 financial year and its position at year end as at 31 March 2015. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014-15, which is based on International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits due. The accounts do not take into account liabilities to pay pensions and other benefits after the end of the financial year. These liabilities are dealt with through the periodic actuarial valuations of the Fund and are reflected in the levels of employers' contributions determined by these valuations.

The accounting policies set out below have been applied consistently to all periods presented within these financial statements.

3 Significant Accounting Policies

Fund account - revenue recognition

Contributions income

Normal contributions, both from the members and from the employer, are accounted for on an accruals basis at the percentage rate recommended by the Fund actuary in the payroll period to which they relate.

Employer deficit funding contributions are accounted for on the day on which they are payable under the schedule of contributions set by the Fund actuary or on receipt if earlier than due date.

Employer augmentation contributions and pension strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current financial asset.

Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the relevant regulations. Transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged.

Investment Income

Dividends, interest, stock lending and other investment income have been accrued for in the accounts where amounts were known to be due at the end of the accounting period.

Fund account - expense items

Benefits payable

Pensions and lump sum benefits payable are included in the accounts at the time of payment.

Taxation

The Fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a Fund expense as it arises.

Management expenses

The Code does not require any breakdown of pension fund administrative expenses. However, in the interests of greater transparency, the council discloses its pension fund management expenses in accordance with the CIPFA guidance Accounting for Local Government Pension Scheme Management Costs.

Administrative expenses

All administrative expenses are accounted for on an accruals basis. All staff costs of the pensions administration team are charged to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.

Oversight and Governance

All oversight and governance expenses are accounted for on an accruals basis. All staff costs associated with the governance and oversight are charged direct to the Fund. Associates management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.

Investment expenses

All investment mangement expenses are accounted for on an accruals basis.

Fees for the external investment managers and custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase and decrease as the value of the investments change.

In addition, the Fund has negotiated with the following managers that an element of their fee be performance related:

- Invesco Asset Management - Global Equities (ex UK)
- Schroder Investment Management - Global Equities
- Neptune Investment Management - Global Equities
- Threadneedle Asset Management - Global Equities
- Morgan Stanley Investment Management Ltd - Alternative Investments

Where an investment manager's fee invoice has not been received by the financial year end, an estimate based upon the market value of their mandate is used for inclusion in the Fund accounts.

The costs of the Council's in-house fund management team are charged to the Fund.

Net assets statement

Financial assets

Financial assets are included in the net assets statement on a fair value basis as at the reporting date. A financial asset is recognised in the net asset statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date, any gains or losses arising from changes in the fair value of the asset are recognised by the Fund.

The values of investments as shown in the net assets statement have been determined as follows:

Market Quoted investments - The value of an investment for which there is a readily available market price is determined by the bid market price ruling on the final day of the accounting period.

Fixed Interest Securities - These are recorded at net market value based on their current yields.

Unquoted Investments - The fair value of investments for which market quotations are not readily available is determined as follows:

Valuations of delisted securities are based on the last sale price prior to delisting, or where subject to liquidation, the amount the Council expects to receive on wind-up, less estimated realisation costs.

Securities subject to takeover offer - the value of the consideration offered under the offer, less realisation costs.

Directly held investments include investments in limited partnerships, shares in unlisted companies, trusts and bonds. Other unquoted securities typically include pooled investments in property, infrastructure, debt securities and private equity. The valuation of these pools or directly held securities is undertaken by the investment manager or responsible entity and advised as a unit or security price. The valuation standards followed in these valuations adhere to industry guidelines or to standards set by the constituent documents of the pool or the management agreement.

Investments in unquoted property and infrastructure pooled funds are valued at the net asset value or a single price advised by the fund manager.

Investments in private equity funds and unquoted limited partnerships are valued based on the Fund's share of the net assets in the private equity or limited partnership using the latest financial statements published by the respective fund managers in accordance with the guidelines set out by the British Venture Capital Association.

Limited partnerships - Fair value is based on the net asset value ascertained from periodic valuations provided by those controlling the partnership.

Pooled investment vehicles - These are valued at closing bid price if both bid and offer prices are published; or if single priced, at the closing single price. In the case of pooled investment vehicles that are accumulation funds, change in market value also includes income which is reinvested in the fund , net of witholding tax.

Transaction costs are included in the purchase and sale costs of investments and are identified in the notes to the accounts.

Derivatives

The Fund uses derivative financial instruments to manage its exposure to certain risks arising from its investment activities. The Fund does not hold derivatives for speculative purposes.

Derivative contracts are priced at fair value and open contracts are included within the other investment balances.

The value of futures contracts is determined using exchange prices at the reporting date. Amounts due from or owed to the broker are the amounts outstanding in respect of the initial margin and variation margin.

The future value of forward currency contracts is based on market forward exchange rates at the year end date and determined as the gain or loss that would arise if the outstanding contract were matched at the year end with an equal and opposite contract.

Cash and cash equivalents

Cash comprises of cash in hand, deposits and includes amounts held by external managers. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to minimum risk of changes in value.

Financial liabilities

Financial liabilities are included in the net assets statement on a fair value basis as at the reporting date. A financial liability is recognised in the net asset statement on the date the Fund becomes party to the liability. From this date, any gains or losses arising from changes in the fair value of the liability are recognised by the Fund.

Prior Period Adjustments

The Code requires prior period adjustments to be made when material omissions or misstatements are identified (by amending opening balances and comparative amounts for the prior period). Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

The following disclosures will be made:
• the nature of the prior period error;
• for each prior period presented, to the extent practicable, the amount of the correction for each financial statement line item affected, and
• the amount of the correction at the beginning of the earliest prior period presented.

Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change. They do not give rise to a prior period adjustment.

Changes in Accounting Policies

Changes in accounting policy may arise through changes to the Code or changes instigated by the Council. For changes brought in through the Code, the Pension Fund will disclose the information required by the Code. For other changes we will disclose: the nature of the change; the reasons why; report the changes to the current period and each prior period presented and the amount of the adjustment relating to periods before those presented. If retrospective application is impracticable for a particular prior period, we will disclose the circumstances that led to the existence of that condition and a description of how and from when the change in accounting policy has been applied.

4 Actuarial Valuation

An actuarial valuation of the Fund undertaken as at 31 March 2013 indicated that the Fund's assets were £1,495m and covered 71.5% of the Funds liabilities. This compared with assets of £1,204m at the valuation as at 31 March 2010, which covered 76% of the Fund's liabilities. The main actuarial assumptions for the 2013 valuation were as follows:

	Nominal per annum %	Real per annum %
Investment Return		
- Equities	4.6	2.1
- Bonds	3.0	
Rate of Pensionable pay inflation	3.8	1.3
Rate of Price inflation	2.5	

The Fund is valued using the projected unit method, which is consistent with the aim of achieving a 100% funding level. The changes in contribution rates resulting from the actuarial valuation as at 31 March 2013 will be effective from April 2014. The contribution rates have been set by the Actuary to target a funding level, for most employers, on an ongoing basis of 100% over a period of up to 20 years. The next actuarial valuation will be undertaken as at 31 March 2016. A copy of the Fund Valuation report can be obtained from the Council's website.

5 Actuarial Present Value of Promised Retirement Benefits

Below is the note provided by the Fund's Actuary, Hymans Robertson, to provide the Actuarial present value of the promised retirement benefits, as required under the Code. The report titled ‘Actuarial Valuation as at 31 March 2014 for IAS19 purposes’ referred to in the note can be obtained from the Pensions and Treasury Management section at the County Council.

Pension Fund Accounts Reporting Requirement

Introduction

CIPFA’s Code of Practice on Local Authority Accounting 2013/14 requires administering authorities of LGPS funds that prepare pension fund accounts to disclose what IAS26 refers to as the actuarial present value of promised retirement benefits.

The actuarial present value of promised retirement benefits is to be calculated similarly to the defined benefit obligation under IAS19. There are three options for its disclosure in pension fund accounts:

- showing the figure in the Net Assets Statement, in which case it requires the statement to disclose the resulting surplus or deficit;
- as a note to the accounts; or
- by reference to this information in an accompanying actuarial report.

If an actuarial valuation has not been prepared at the date of the financial statements, IAS26 requires the most recent valuation to be used as a base and the date of the valuation disclosed. The valuation should be carried out using assumptions in line with IAS19 and not the Pension Fund’s funding assumptions.

I have been instructed by the Administering Authority to provide the necessary information for Lincolnshire Pension Fund, which is in the remainder of this note.

Balance sheet

Year ended	**31 Mar 2014 £m**	**31 Mar 2015 £m**
Present value of Promised retirement benefits	2,456	2,953

Liabilities have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2013. I estimate this liability at 31 March 2015 comprises £1,400m in respect of employee members, £557m in respect of deferred pensioners and £996m in respect of pensioners. The approximation involved in the roll forward model means that the split of scheme liabilities between the three classes of member may not be reliable. However, I am satisfied the aggregate liability is a reasonable estimate of the actuarial present value of benefit promises. I have not made any allowance for unfunded benefits.

The above figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value.

It should be noted the above figures are appropriate for the administering Authority only for preparation of the accounts of the Pension Fund. They should not be used for any other purpose (i.e. comparing against liability measures on a funding basis or a cessation basis).

Assumptions

The assumptions used are those adopted for the Administering Authority's IAS19 report as required by the Code of Practice. These are given below. I estimate the impact of the change of assumptions to 31 March 2015 is to increase the actuarial present value by £401m.

Financial Assumptions

My recommended financial assumptions are summarised below:

Year ended	31 Mar 2014	31 Mar 2015
	% p.a.	% p.a.
Inflation/Pension Increase rate	2.8%	2.4%
Salary Increase Rate*	4.1%	3.8%
Discount Rate	4.3%	3.2%

* Salary increases are assumed to be 1% p.a. until 31 March 2015 reverting to the long term assumption shown thereafter.

Longevity assumption

As discussed in the accompanying report, the life expectancy assumption is based on the Fund's VitaCurves with improvements in line with the CMI_2010 model, assuming the current rate of improvements has reached a peak and will converge to a long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	22.2 years	24.4 years
Future Pensioners*	24.5 years	26.8 years

*Future pensioners are assumed to be aged 45 at the last formal valuation date.

Please note that the assumptions are identical to those used for the previous IAS26 disclosure for the Fund.

Commutation assumption

An allowance is included for future retirements to elect to take 25% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 63% of the maximum tax-free cash for post-2008 service.

Professional notes

This paper accompanies my covering report titled 'Actuarial Valuation as at 31 March 2015 for IAS19 purposes' dated 17 April 2015. The covering report identifies the appropriate reliances and limitations for the use of the figures in this paper, together with further details regarding the professional requirements and assumptions.

Anne Cranston

Anne Cranston AFA
14 May 2014
For and on behalf of Hymans Robertson LLP

6 Assumptions Made and Major Sources of Uncertainly

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the balance sheet date and the amounts reported for the revenues and expenses during the year. Estimates and assumptions are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual outcomes could differ from the assumptions and estimates.

The items in the accounts for the year ended 31 March 2015 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

	Uncertainties	Effect if actual results differ from assumptions
Actual present value of promised retirement benefits	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 investments. A firm of consulting actuaries are engaged to provide expert advice about the assumptions to be applied.	The effects of changes in the individual assumptions can be measured. For example: 1) a 0.5% increase in the discount rate assumption would result in a decrease of the pension liability of £282m. 2) a 0.25% increase in assumed earnings inflation would increase the value of liabilities by approximately £50m. 3) a 0.5% increase in the pension increase rate would increase the value of liabilities by approximately £207m. 4) a one-year increase in assumed life expectancy would increase the liability by approximately £89m.
Private Equity	Private Equity investments are valued at fair value in accordance with British Venture Capital Association guidelines. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total private equity investments in the Fund are £73.7m. There is a risk that these may be over- or understated in the accounts.

7 Pension Fund Investments 2014-15

The strategic asset allocation for the investment of the Fund, as agreed by the Pensions Committee, is detailed below.

Asset allocation	
UK Equities	20.0%
Global Equities	40.0%
Property	11.5%
Fixed Interest	13.5%
Alternative Investments (incl. Private Equity)	15.0%
	100.0%

Surplus funds are invested in a wide variety of UK and overseas companies, Government Securities, property and other investments, in line with a Statement of Investment Principles. The assets are managed in a number of active and passive investment portfolios. Investment performance is monitored by the Pensions Committee of the County Council.

Fund manager	31-Mar 2014 £m	%	31-Mar 2015 £m	%
EXTERNALLY MANAGED				
Invesco	332	21	362	21
Neptune	79	5	92	5
Schroder	84	5	90	5
Threadneedle	87	6	91	5
Morgan Stanley (Global Brands)	75	5	89	5
Morgan Stanley (Alternatives)	139	9	175	8
Morgan Stanley (Private Equity)	87	6	77	7
Blackrock	98	6	116	7
Goodhart	101	6	112	6
INTERNALLY MANAGED				
Pooled Investments:				
Property	179	11	194	11
UK Equity	317	20	346	20

The Pension Fund Statement of Recommended Practice was amended with effect from 2008/09 to require that managers report valuations at closing prices (either bid or last traded), rather than mid prices that had previously been used. The managers within the Pension Fund have reported their year end valuations at either bid or fair value, as detailed in the table below.

Fund Manager	Valuation Pricing
EXTERNALLY MANAGED	
Invesco	Bid
Neptune	Bid
Schroder	Bid
Threadneedle	Bid
Morgan Stanley	Bid/Fair Value
Blackrock	Bid
Goodhart	Bid
INTERNALLY MANAGED	
Property	Bid/Fair Value
UK Equity	Bid

The Fund lends stock to third parties under a stock lending agreement with the Fund's custodian, JP Morgan. The total amount of stock on loan at the year-end was £236,449,527 and this value is included in the net assets statement to reflect the Funds continuing economic interest in the securities on loan. As security for the stocks on loan, the Fund was in receipt of collateral at the year end valued at £39,913,115, which represented 109.5% of the value of securities on loan.

Income received from stock lending activities, before costs, was £286,900 for the year ending 31 March 2015 and is included within the 'Investment Income' figure detailed on the Pension Fund Account.

8 Contributions Receivable

Contributions receivable are analysed below:

	2013-14 £000	2014-15 £000
Employers		
Normal	48,015	56,897
Deficit Funding	9,603	5,465
Additional - Augmentation	1,446	1,457
Members		
Normal	17,786	18,577
Additional years	134	107
	76,984	**82,503**

These contributions are analysed by type of Member Body as follows:

	2013-14 £000	2014-15 £000
Lincolnshire County Council	34,356	37,286
Scheduled Bodies	37,816	40,522
Admitted Bodies	4,812	4,695
	76,984	**82,503**

9 Transfers In

During the year transfers in from other schemes amounted to £6.7m (£5.7m in 2012-13).

	2013-14 £000	2014-15 £000
Individual transfers from other schemes	6,732	6,372
Bulk transfers in from other schemes	0	0
	6,732	**6,372**

There were no material outstanding transfers due to the Pension Fund as at 31 March 2015.

10 Benefits Payable

	2013-14 £000	2014-15 £000
Pensions	60,641	63,097
Commutations & Lump Sum Retirement Benefits	12,337	13,348
Lump Sum Death Benefits	1,266	1,612
	74,244	**78,057**

These benefits are analysed by type of Member Body as follows:

	2013-14 £000	2014-15 £000
Lincolnshire County Council	37,857	41,623
Scheduled Bodies	31,820	32,477
Admitted Bodies	4,567	3,957
	74,244	**78,057**

11 Payments to and on account leavers

	2013-14 £000	2014-15 £000
Individual transfers to other schemes	3,917	3,726
Bulk transfers to other schemes	0	30,638
Refunds to members leaving service	5	94
	3,917	**34,364**

Bulk transfers were made out of the Fund in respect of the Probation Service moving to Greater Manchester Pension Fund and the Police Forensics Team moving to Derbyshire Pension Fund.

There were no material outstanding transfers due from the Pension Fund as at 31 March 2015.

12 Management Expenses

This analysis of the costs of managing the Lincolnshire Pension Fund during the period has been prepared in accordance with CIPFA guidance.

The external Audit fee for the year was £29,220 and is included within the oversight and governance costs below.

	2013/14 £000	2014/15 £000
Administrative Costs	1,079	1,289
Investment Management Expenses	3,051	3,127
Oversight and Governance Costs	438	391
Total Management Expenses	**4,568**	**4,807**

A further breakdown of the investment management expenses is shown below.
The management fees disclosed include all management fees directly incurred by the Fund, and includes £511,014

	2013/14 £000	2014/15 £000
Management Fees	2,949	3,027
Custody Fees	102	100
Total Investment Management Expenses	**3,051**	**3,127**

13 Investment Income

		2013-14 £000	2014-15 £000
Equities		26,521	25,369
Pooled Investments			
	Property	985	895
	Alternatives	6	(6)
Cash deposits		30	59
Stock Lending		272	302
Class Actions		1	0
		27,815	**26,619**

Analysis of Investment Income Accrued 31 March 2015

	UK £000	Non-UK £000	Global £000	Total £000
Equities	2,552	1,346	818	4,716
Bonds	0	0	0	0
Property (direct holdings)	0	0	0	0
Alternatives	254	0	0	254
Cash and Equivalents	0	0	0	0
Other	0	0	0	0
Total	**2,806**	**1,346**	**818**	**4,970**

Analysis of Investment Income Accrued 31 March 2014

	UK £000	Non-UK £000	Global £000	Total £000
Equities	1,834	1,158	671	3,663
Bonds	0	0	0	0
Property (direct holdings)	0	0	0	0
Alternatives	235	0	6	241
Cash and Equivalents	0	0	0	0
Other	0	0	0	0
Total	**2,069**	**1,158**	**677**	**3,904**

14 Taxes on Income

	2013-14 £000	2014-15 £000
Withholding tax - Equities	1,060	1,114
	1,060	**1,114**

15 Investments

		Value at 31/03/2014 £000	Purchases at Cost £000	Sales Proceeds £000	Change in Market Value £000	Value at 31/03/2015 £000
Equities		880,027	334,616	348,703	106,917	972,857
Pooled Investments						
	Property	174,701	3,323	10,291	21,907	189,640
	Private Equity	83,313	1,555	22,430	11,254	73,692
	Fixed Interest	168,971	21,392	1,901	5,621	194,083
	Index Linked Bonds	29,623	1,845	3,336	6,334	34,466
	Equities	74,715	0	0	13,730	88,445
	Alternatives	125,936	122,982	89,192	5,075	164,801
		1,537,286	**485,713**	**475,853**	**170,838**	**1,717,984**
Cash Deposits		38,836				25,695
Other Investment Balances		4,365				473
Current Assets & Liabilities		10,935				12,131
		1,591,422	**485,713**	**475,853**	**170,838**	**1,756,283**

		Value at 31/03/2013 £000	Purchases at Cost £000	Sales Proceeds £000	Change in Market Value £000	Value at 31/03/2014 £000
Equities		842,804	288,543	299,287	47,967	880,027
Pooled Investments						
	Property	155,117	13,292	5,459	11,751	174,701
	Private Equity	95,595	3,193	15,266	-209	83,313
	Fixed Interest	155,540	11,624	0	1,807	168,971
	Index Linked Bonds	29,525	1,377	0	-1,279	29,623
	Equities	74,037	0	0	678	74,715
	Alternatives	113,613	41,812	33,269	3,780	125,936
		1,290,284	**359,841**	**353,281**	**64,495**	**1,537,286**
Cash Deposits		14,696				38,836
Other Investment Balances		5,242				4,365
Current Assets & Liabilities		8,876				10,935
		1,336,040	**359,841**	**353,281**	**64,495**	**1,591,422**

Transaction costs are included in the cost of purchases and sales proceeds. Transaction costs include costs charged directly to the scheme such as fees, commissions, stamp duty and other fees. Transaction costs incurred during the year amounted to £674,585 (£502,409 in 2013/14). In addition to the transaction costs disclosed above, indirect costs are incurred through the bid-offer spread on investments. The amount of indirect costs is not separately provided to the scheme.

Geographical Analysis of Fund Assets as at 31 March 2015

	UK £'000	Non-UK £'000	Global £'000	Total £'000
Equities	344,094	358,688	358,521	1,061,303
Bonds	34,465	23,380	170,703	228,548
Property (direct holdings)	0	0	0	0
Alternatives	170,750	88,606	168,777	428,133
Cash and Equivalents	25,695	0	0	25,695
Other	0	0	0	0
Total	**575,004**	**470,674**	**698,001**	**1,743,679**

Geographical Analysis of Fund Assets as at 31 March 2014

	UK £'000	Non-UK £'000	Global £'000	Total £'000
Equities	309,436	329,932	315,374	954,742
Bonds	29,623	18,977	149,993	198,593
Property (direct holdings)	0	0	0	0
Alternatives	152,144	101,623	130,183	383,950
Cash and Equivalents	38,837	0	0	38,837
Other	0	0	0	0
Total	**530,040**	**450,532**	**595,550**	**1,576,122**

An analysis of the type of pooled investment vehicles is given below:

		2013-14 £000	2014-15 £000
Property			
	Unit Trusts	116,296	133,426
	Other managed funds (LLP's)	58,405	56,214
Private Equity			
	Other managed funds (LLP's)	83,313	73,692
Fixed Interest			
	Other managed funds	168,971	194,083
Index linked gilts			
	Other managed funds	29,623	34,466
Equities			
	Other Managed funds	74,715	88,445
Alternatives			
	Other managed funds	125,936	164,801
Total Pooled Vehicles		**657,259**	**745,127**

It is required to disclose where there is a concentration of investment (other than in UK Government Securities) which exceeds 5% of the total value of the net assets of the scheme. The three investments that fall into this category as follows:

Investment	2013-14 Value (£000)	2013-14 % of net assets	2014-15 Value (£000)	2014-15 % of net assets
F&C Absolute Return Bond Fund	100,617	6.3	112,371	6.4
Morgan Stanley Alternative Investments	125,936	7.9	164,801	10.1
Morgan Stanley Global Brands	74,715	4.7	88,445	5.1

16 Analysis of Derivatives

The holding in derivatives is used to hedge exposures to reduce risk in the fund. The use of any derivatives is managed in line with the investment management agreements of the various investment managers.

The only direct derivative exposure that the Fund has is in forward foreign currency contracts. In order to maintain appropriate diversification and to take advantage of overseas investment returns, a significant proportion of the Fund's quoted equity portfolio is in overseas stock markets. To reduce the volatility associated with fluctuating currency rates, the Fund has appointed two active currency overlay managers. Record Currency Management and HSBC Trinkaus & Burkhardt each overlay half of the value of the Global Equity ex UK portfolio managed by Invesco.

Settlement	Currency Bought	Local Value 000	Currency Sold	Local Value 000	Asset Value £000	Liability Value £000
Up to one month	GBP	49	AUD	(95)		-
	GBP	26	EUR	(36)		-
	GBP	4	ILS	(23)		-
	GBP	53	JPY	(9,477)		-
Over one month						
	CHF	20,400	GBP	(14,074)	156	
	GBP	110,908	EUR	(146,130)	4,992	
	JPY	10,687,000	GBP	(59,945)	231	-
	USD	404,300	GBP	(259,284)	13,290	-
	GBP	17,926	CHF	(26,400)	-	(498)
	EUR	66,400	GBP	(51,061)	-	(2,931)
	GBP	97,559	JPY	(17,528,477)		(1,088)
	GBP	374,624	USD	(583,935)		(18,977)
Total					**18,669**	**(23,494)**
Net forward currency contracts at 31 March 2015						**(4,825)**
Prior year comparative						
Open forward currency contracts at 31 March 2014					**7,463**	**(7,503)**
Net forward currency contracts at 31 March 2014						**(40)**

17 Profit (Loss) on Forward Deals and Currency Exchange

The profit or loss from any forward deals and from currency exchange is a result of the normal trading of the Fund’s

18 Other Investment Balances

		2013-14 £000	2014-15 £000
Dividends Receivable		2,991	3,830
Recoverable Tax		888	1,100
Outstanding Foreign Exchange		(40)	(4,825)
Outstanding Stock Lending		18	30
Unsettled Trades	Purchases	(1,024)	(1,796)
	Sales	1,531	2,134
		4,364	**473**

19 Current Assets and Liabilities

Debtors are recorded in the accounts when income due to the Pension Fund, for example from sales of investments or

	2013-14 £000	2014-15 £000
Debtors		
Central Government Bodies	745	1,683
Other Local Authorities	4,868	1,466
NHS Bodies	0	0
Public Corporations and Trading Funds	12	141
Other Entities and individuals	1,349	715
	6,974	**4,005**
Long Term Debtors		
Central Government Bodies	2,131	2,131
Other Local Authorities	0	0
NHS Bodies	0	0
Public Corporations and Trading Funds	0	0
Other Entities and individuals	0	0
	2,131	**2,131**
Creditors		
Central Government Bodies	(569)	(667)
Other Local Authorities	(891)	(87)
NHS Bodies	-	-
Public Corporations and Trading Funds	(781)	(1,106)
Other Entities and individuals	(559)	(1)
	(2,800)	**(1,861)**

20 Contingent Liabilities and Contractual Commitments

Investment commitments have been made to a number of pooled vehicles that make private equity or property investments. At the year end, the value of outstanding commitments to the 25 investment vehicles amounted to £24,059,856.

21 Contingent Assets

Five admitted body employers in the Fund hold insurance bonds or equivalent cover to guard against the possibility of being unable to meet their pension obligations. These arrangements are drawn in favour of the Pension Fund and payment will only be triggered in the event of employer default.

22 Impairment Losses

The Fund has no recognised impairment losses.

23 Additional Voluntary Contributions

Scheme members may make additional contributions to enhance their pension benefits. All Additional Voluntary Contributions (AVC) are invested in a range of investment funds managed by the Prudential plc. At the year end, the value of AVC investments amounted to £9,233,388 (£8,675,676 in 2013/14) and member contributions of £1,217,147 (£1,087,950 in 2013/14) were received by the Prudential in the year to 31st March. The value of AVC funds and contributions received in the year are not included in the Fund Account and Net Assets Statement.

24 Dividend Tax Claims

During the financial year 2006/07, the County Council lodged a number of claims with HM Revenue and Customs for the recovery of dividend tax credits relating to earlier years. The total value of the claims is £793,497 and relates to both Foreign Income Dividends paid by UK companies and certain dividends paid by overseas companies. The claims are based on interpretations of European Union law and a number of recent relevant judgements. The County Council is participating with other pension funds in progressing a legal test case to support the claims.

During the financial year 2009/10, the County Council lodged a claim with HM Revenue and Customs for the recovery of withholding tax suffered on manufactured overseas dividends. This is a tax imposed on overseas dividends due to the Pension Fund when the stock is on loan to another party, through the stock lending service provided by the Fund's custodian, JP Morgan. The value of the claim is approximately £714,000 and relates to the periods from 2004/05 to 2008/09. In 2010/11 a top-up claim was submitted for the year 2009/10, for approximately £278,000. No additional claims were made in this area in 2012/13, however top-up claims for the period from 1st April 2011 to 31st March 2013 were made in May 2013, for £377,253. As with the tax claim detailed in the paragraph above, the County Council is participating with other pension funds in progressing a legal test case to support the claims.

During the financial year 2011/12, the County Council lodged a claim with the relevant tax authorities for the recovery of withholding tax suffered on overseas dividends from Spain (approx. £101,000) and Germany (approx. £165,000), covering the periods from 2007-2010. During the financial year 2012/13 the Spanish tax authorities rejected elements of the claim, reducing the value to approximately £70,000, followed by a further rejection of approximately £65,000. In Spain repayments are increasingly being seen and a repayment of€79,565 has been approved by the Spanish Tax Authority with payment due in April 2015. After this repayment, the only quarter outstanding is Q4 2007.

It is expected that resolution of these claims will take a number of years and, if unsuccessful, the Fund could incur a share of the costs of the Commissioners of the Inland Revenue.

25 Related Party Transactions

In accordance with Financial Reporting Standard 8 'Related Party Disclosures' material transactions with related parties not disclosed elsewhere are detailed below:-

Under legislation introduced in 2003/04, Councillors are entitled to join the Scheme. Committee member M Leaning of the Pensions Committee currently receives pension benefits from the Fund. Committee members M Allan, R Phillips and A Antcliff are contributing members of the Pension Fund.

No senior officers responsible for the administration of the Fund have entered into any contract, other than their contract of employment with the Council, for the supply of goods or services to the Fund.

The Treasury Management section of the County Council acts on behalf of the Pension Fund to manage the cash position held in the Pension Fund bank account. This is amalgamated with the County Council's cash and lent out in accordance with the Council's Treasury Management policies. During the year, the average balance in the Pension Fund bank account was £8,846.5m and interest of £58k was earned over the year.

Lincolnshire County Council paid contributions of £26.7m into the Pension Fund during the year and all payments were received within agreed timescales.

Paragraph 3.9.4.2 of the Code exempts local authorities from the key management personnel disclosure requirements of IAS24, on the basis that the disclosure requirements for officer remuneration and members' allowances detailed in section 3.4 of the Code (which are derived from the requirements of Regulations 7(2)-(4) of the Accounts and Audit (England) Regulations 2011 and Regulation 7A of the Accounts and Audit Regulations 2005) satisfy the key management and personnel disclosure requirements of paragraph 16 of IAS24. This applies in equal measure to the accounts of Lincolnshire Pension Fund.

The disclosures required by Regulation 7(2)-(4) of the Accounts and Audit (England) Regulations can be found in the main accounts of Lincolnshire County Council at note 47. This can be found on the Council's website at www.lincolnshire.gov.uk.

26 Financial Instruments

Classification of financial instruments

Accounting policies describe how different asset classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of financial assets and liabilities (excluding cash) by category and net asset statement heading. No financial assets were reclassified during the accounting period.

	2013/14			2014/15		
	Designated as fair value through profit & loss £000	Loans & receivables £000	Financial liabilities at amortised cost £000	Designated as fair value through profit & loss £000	Loans & receivables £000	Financial liabilities at amortised cost £000
Financial Assets						
Equities	880,027			972,857		
Pooled Investments:						
Property	174,701			189,640		
Private Equity	83,313			73,692		
Fixed Interest	168,971			194,083		
Index Linked Bonds	29,623			34,466		
Equities	74,715			88,445		
Alternatives	125,936			164,801		
Cash		43,466			33,550	
Other Investment Balances	12,892			25,763		
Debtors		9,105			6,137	
	1,550,178	**52,571**	**-**	**1,743,747**	**39,687**	**-**
Financial Liabilities						
Other Investment Balances	(8,527)			(25,290)		
Creditors			(2,800)			(1,861)
	(8,527)	**-**	**(2,800)**	**(25,290)**	**-**	**(1,861)**
	1,541,651	**52,571**	**(2,800)**	**1,718,457**	**39,687**	**(1,861)**

Net gains and losses on financial instruments

	2013/14 £000	2014/15 £000
Financial Assets		
Fair value through profit & loss	64,495	170,838
Loans and receivables		
Financial liabilities measured at amortised cost		
Financial Liabilities		
Fair value through profit & loss	(40)	(4,825)
Loans and receivables		
Financial liabilities measured at amortised cost		
	64,455	**166,013**

Valuation of financial instruments carried at fair value

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level 1

Financial instruments at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed interest, quoted index linked securities and unit trusts.

Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level 2

Financial instruments at Level 2 are those where quoted prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

Level 3

Financial instruments at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

Such instruments would include unquoted equity investments, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The values of the investment in private equity are based on valuations provided by the managers to the private equity funds in which the Lincolnshire Fund has invested.

These valuations are prepared in accordance with the Private Equity and Venture Capital Valuation Guidelines (US investments), and the International Private Equity and Venture Capital Valuation Guidelines (non US investments) which follow the valuation principles of IFRS and US GAAP. Valuations are shown to the latest valuation date available and adjusted for cash flow where required to 31st March 2015.

The value for the alternatives investments with Morgan Stanley are provided by the underlying managers within the pool of investments and assurance is provided by Morgan Stanley on the quality of the valuations.

The following table provides an analysis of the financial assets and liabilities grouped into Level 1 to 3, based on the level at which fair value is observable.

Values at 31 March 2015	**Level 1 £000**	**Level 2 £000**	**Level 3 £000**	**Total £000**
Financial Assets				
Fair value through profit & loss	1,315,614	189,640	238,493	1,743,747
Loans and receivables	39,687			39,687
Financial liabilities measured at amortised cost				
Total Financial Assets	**1,355,301**	**189,640**	**238,493**	**1,783,434**
Financial Liabilities				
Fair value through profit & loss		(25,290)		(25,290)
Loans and receivables				-
Financial liabilities measured at amortised cost	(1,861)			(1,861)
Total Financial Liabilities	**(1,861)**	**(25,290)**	**-**	**(27,151)**
Net Financial Assets	**1,353,440**	**164,350**	**238,493**	**1,756,283**

Values at 31 March 2014	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial Assets				
Fair value through profit & loss	1,166,228	174,701	209,249	1,550,178
Loans and receivables	52,571			52,571
Financial liabilities measured at amortised cost				-
Total Financial Assets	**1,218,799**	**174,701**	**209,249**	**1,602,749**
Financial Liabilities				
Fair value through profit & loss		(8,527)		(8,527)
Loans and receivables				-
Financial liabilities measured at amortised cost	(2,800)			(2,800)
Total Financial Liabilities	**(2,800)**	**(8,527)**	**-**	**(11,327)**
Net Financial Assets	**1,215,999**	**166,174**	**209,249**	**1,591,422**

27 Nature and Extent of Risks Arising from Financial Instruments

The Fund's primary long-term risk is that its assets will fall short of its liabilities (i.e. the promised benefits payable to members). Therefore, the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the Fund. This is achieved through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cashflows.

Market Risk

Market risk is the loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future prices and yield movements and the asset mix.

To mitigate market risk, the Pension Fund invests in a diversified pool of assets to ensure a reasonable balance between different categories, having taken advice from the Fund's Investment Consultant. The management of the assets is split between a number of managers with different performance targets and investment strategies. Risks associated with the strategy and investment returns are included as part of the quarterly reporting to the Pensions Committee where they are monitored and reviewed.

Price risk

Price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The Fund is exposed to share price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital. The maximum risk resulting from financial instruments is determined by the fair value of the financial instrument. To mitigate this price risk, each manager is expected to maintain a diversified portfolio within their allocation.

Price risk - sensitivity analysis

Following analysis of historical data and expected investment return during the financial year, the Fund, in consultation with a fund manager, has determined that the following movements in market price are reasonably possible for the 2015/16 reporting period.

Asset Type	Potential market movements (+/-)
UK Equities	12.0%
Overseas Equities	10.7%
UK Bonds	7.5%
UK Index Linked	10.0%
Overseas Bonds	9.0%
Private Equity	10.7%
Alternative Investments	10.0%
Property	5.8%

The potential price changes disclosed above are broadly consistent with a one standard deviation movement in the value of assets. The analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same.

Had the market price of the Fund's investments increased/decreased in line with the above, the change in net assets available to pay benefits would have been as follows (the prior year comparative is shown below):

Asset Type	Value at 31/03/2015 £000	Percentage Change %	Value on Increase £000	Value on Decrease £000
Cash deposits	25,695	0.0	25,695	25,695
UK Equities	361,374	12.0	404,739	318,009
Overseas Equities	699,928	10.7	774,820	625,036
UK Bonds	81,712	7.5	87,840	75,584
UK Index Linked	34,466	10.0	37,913	31,019
Overseas Bonds	112,371	9.0	122,484	102,258
Private Equity	73,692	10.7	81577.044	65806.956
Alternative Investments	164,801	10.0	181,281	148,321
Property	189,640	5.8	200,639	178,641
Dividends Accrued	3,830	0.0	3,830	3,830
Recoverable Tax	1,100	0.0	1,100	1,100
Outstanding FX	(4,825)	0.0	(4,825)	(4,825)
Outstanding Stock Lending	30	0.0	30	30
Unsettled Purchases	(1,796)	0.0	(1,796)	(1,796)
Unsettled Sales	2,134	0.0	2,134	2,134
Total assets available to pay benefits	**1,744,152**		**1,917,463**	**1,570,841**

Asset Type	Value at 31/03/2014 £000	Percentage Change %	Value on Increase £000	Value on Decrease £000
Cash deposits	38,836	0.0	38,836	38,836
UK Equities	398,530	12.2	447,151	349,909
Overseas Equities	556,212	8.9	605,715	506,709
UK Bonds	68,353	5.7	72,249	64,457
UK Index Linked	29,623	7.7	31,904	27,342
Overseas Bonds	100,617	6.8	107,459	93,775
Private Equity	83,313	14.6	95,477	71,149
Alternative Investments	125,936	10.0	138,530	113,342
Property	174,702	5.8	184,835	164,569
Dividends Accrued	2,991	0.0	2,991	2,991
Recoverable Tax	888	0.0	888	888
Outstanding FX	(40)	0.0	(40)	(40)
Outstanding Stock Lending	19	0.0	19	19
Unsettled Purchases	(1,024)	0.0	(1,024)	(1,024)
Unsettled Sales	1,531	0.0	1,531	1,531
Total assets available to pay benefits	**1,580,487**		**1,716,423**	**1,426,551**

Interest rate risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cashflows of a financial instrument will fluctuate because of changes to market interest rates.

The Fund's direct exposure to interest rate movements as at 31 March 2015 and 31 March 2014 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair values.

Asset Type	31/03/2014 £000	31/03/2015 £000
Cash deposits	38,836	25,695
Cash balances	4,630	7,855
Pooled Fixed Interest Securities	198,594	228,549
Total	242,060	262,099

Interest rate risk - sensitivity analysis

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 1% change in interest rates.

Asset Type	Value at 31/03/2015 £000	Change in Year +1% £000	Change in Year -1% £000
Cash deposits	25,695	257	(257)
Cash balances	7,855	79	(79)
Pooled Fixed Interest Securities	228,549	2,285	(2,285)
Total	**262,099**	**2,621**	**(2,621)**

Asset Type	Value at 31/03/2014 £000	Change in Year +1% £000	Change in Year -1% £000
Cash deposits	38,836	388	(388)
Cash balances	4,630	46	(46)
Pooled Fixed Interest Securities	198,594	1,986	(1,986)
Total	**242,060**	**2,420**	**(2,420)**

Currency risk

Currency risk represents the risk that the fair value of future cashflows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than sterling.

To assist in managing this risk and to reduce the volatility associated with fluctuating currency rates, the Fund has appointed two active currency overlay managers. Record Currency Management and HSBC Trinkaus & Burkhardt each overlay half of the value of the Global Equity ex UK portfolio managed by Invesco.

The following table summarises the Fund's currency exposure at 31 March 2014 and 31 March 2015.

Currency Exposure - Asset Type	31/03/2014 £000	31/03/2015 £000
Overseas Equities (quoted)	556,212	611,483
Pooled Investments:		
Overseas Property	23,779	20,098
Overseas Private Equity	84,612	72,484
Overseas Fixed Interest	100,617	112,371
Total	**765,220**	**816,436**

Currency risk - sensitivity analysis

Following analysis of historical data, the Fund considers the likely volatility associated with foreign exchange rate movements to be 10% (as measured by one standard deviation).

A 10% fluctuation in the currency is considered reasonable based on an analysis of historical movements in volatility of exchange rates. This analysis assumes that all other variables, in particular interest rates, remain constant.

A 10% strengthening/weakening of the pound against various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Currency Exposure - Asset Type	Value at 31/03/2015 £000	Change in Year +10% £000	-10% £000
Overseas Equities (quoted)	611,483	672,631	550,335
Pooled Investments:			
Overseas Property	20,098	22,108	18,088
Overseas Private Equity	72,484	79,732	65,236
Overseas Fixed Interest	112,371	123,608	101,134
Total	**816,436**	**898,079**	**734,793**

Currency Exposure - Asset Type	Value at 31/03/2014 £000	Change in Year 10% £000	-10% £000
Overseas Equities (quoted)	556,212	611,833	500,591
Pooled Investments:			
Overseas Property	23,779	26,157	21,401
Overseas Private Equity	82,091	90,300	73,882
Overseas Fixed Interest	100,617	110,679	90,555
Total	**762,699**	**838,969**	**683,429**

Credit Risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss.

The Fund is exposed to credit risk through securities lending, forward currency contracts and its daily treasury activities.

The securities lending programme is run by the Fund's custodian, JPMorgan, who manage and monitor the counterparty risk, collateral risk and the overall lending programme. The minimum level of collateral for securities on loan is 102%, however more collateral may be required depending upon type of transaction. This level is assessed daily to ensure it takes account of market movements. To further mitigate risk, JPMorgan provide an indemnity to cover borrower default, overnight market risks, fails on return of loaned securities and entitlements to securities on loan. Securities lending is capped by investment regulations and statutory limits are in place to ensure that no more than 25% of eligible assets can be on loan at any one time.

Forward currency contracts are undertaken by the Fund's two currency overlay managers - Record and HSBC Trinkaus & Burkhardt. The responsibility for these deals therefore rests with the appointed managers. Full due diligence was undertaken prior to the appointment of these managers and they are regularly monitored and reviewed. Both managers are FSA regulated and meet the requirements set out in the LGPS (Management and Investment of Funds) Regulations 2009.

The Pension Fund's bank account is held at Barclays, which holds an A long term credit rating (or equivalent) across three ratings agencies and it maintains its status as a well capitalised and strong financial organisation. The management of the cash held in this account is carried out by the Council's Treasury Manager, in accordance with an agreement between the Pensions Committee and the Council. The agreement stipulates that the cash is pooled with the Council's cash and managed in line with the policies and practices followed by the Council, as outlined in the CIPFA Code of Practice for Treasury Management in the Public Services and detailed in its Treasury Management Practices

Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Council takes steps to ensure that the Fund has adequate cash resources to meet its commitments.

The Fund holds a working cash balance in its own bank account to cover the payment of benefits and other lump sum payments. At an investment level, the Fund holds a large proportion of assets in listed equities - instruments that can be liquidated at short notice, normally three working days. As at 31st March 2015, these assets totalled £1,290m, with a further £25.7m held in cash. Currently, the Fund is cash flow positive each month (i.e. the contributions received exceed the pensions paid). This position is monitored regularly and reviewed at least every three years alongside the Triennial Valuation.

An additional area of risk is in the outsourcing of services to third party service organisations.

The main service areas that the Pension Fund outsources, and the controls in place to monitor them, are:

Pensions Administration

This service is performed by Mouchel, alongside a Council wide contract. In addition to the contract management that the Council undertakes, regular meetings are held between Fund Officers and the Pensions Manager at Mouchel. The Pension Fund is also a member of the CIPFA benchmarking club for Pensions Administration, to allow service comparisons to be made with other Funds.

Custody, Accounting and Performance Measurement

JPMorgan are the Pension Fund's appointed Custodian, with responsibility for safeguarding the assets of the Fund. JPMorgan are a global industry leader, with more than $19 trillion in assets under custody. They have been the Fund's Custodian since 2004, and were reappointed at the end of their seven year contract in March 2011. Monthly reconciliations of holdings are performed to ensure that the Custodians records match those of the Managers. Regular meetings and conference calls are held to discuss performance, and quarterly key performance indicators are produced.

Fund Management

The Fund appoints a number of segregated and pooled fund managers to manage portions of the Pension Fund. All appointments meet the requirements set out in the LGPS (Management and Investment of Funds) Regulations 2009. Managers report performance on a monthly basis to officers and performance is reported to the Pensions Committee on a quarterly basis. All segregated managers present in person to the Committee at least once a year. Regular meetings and discussions are held between officers and managers.

28 Scheduled & Admitted Bodies

Analysis of Active and Ceased Employers in the Fund

	Active	Ceased	Total
Scheduled Body	164	24	188
Admitted Body	18	8	26
Total	182	32	214

Scheduled & Admitted Bodies Contributing to the Fund

County and District Councils
Lincolnshire County Council
(incl. LCC schools and CfBT)
Boston Borough Council
East Lindsey District Council
City of Lincoln Council
North Kesteven District Council
South Holland District Council
South Kesteven District Council
West Lindsey District Council

Internal Drainage Boards
Black Sluice
Lindsey Marsh
North East Lindsey
South Holland
Upper Witham
Welland and Deeping
Witham First
Witham Fourth
Witham Third

Parish and Town Councils
Billinghay PC
Bourne TC
Bracebridge Heath PC
Crowland PC
Deeping St James PC
Gainsborough TC
Greetwell PC
Heighington PC
Horncastle TC
Ingoldmells PC
Langworth PC
Louth TC
Mablethorpe and Sutton TC
Market Deeping TC
Metheringham PC
Nettleham PC
North Hykeham TC
Skegness TC
Skellingthorpe PC
Sleaford TC
Stamford TC
Sudbrooke PC
Washingborough PC
Woodhall Spa PC

Further Education Establishments
Bishop Grosseteste College
Boston College
Grantham College
Lincoln College
Stamford College

Other Scheduled Bodies
Compass Point
BG (Lincoln) Ltd
Lincolnshire Police Chief Constable
Police & Crime Commissioner
Acorn Freeschool

Academies
Alford Queen Elizabeth
Beacon Primary
Boston Grammar
Boston High School
Boston West Academy
Boston Witham Federation
Bourne Elsea Primary
Bourne Abbey C of E
Bourne Academy
Bourne Grammar
Bourne Westfield Primary
Bracebridge Infant and Nursery
Branston Community
Branston Junior Academy
Caistor Grammar
Caistor Yarborough
Carlton Academy
Charles Read Academy
Cordeaux Academy
Ellison Boulters Academy
Ermine Primary
Fosse Way
Gainsborough Benjamin Adlard
Gainsborough Parish Church
Giles Academy
Gipsey Bridge Academy
Grantham Ambergate
Grantham Isaac Newton Primary
Grantham Kings School
Grantham Sandon
Grantham Walton Girls
Harrowby C of E Infants
Hartsholme Academy
Heighington Millfield Academy
Hillcrest EY Academy
Holbeach Primary
Hogsthorpe Primary Academy
Horncastle Banovallum
Horncastle QE Grammar
Huntingtower Community Primary
Huttoft Primary Academy
Ingoldsby Primary Academy
Ingoldmells Academy
John Spendluffe Tech. College
Keelby Primary Academy
Kesteven & Sleaford High
Kesteven and Grantham Academy
Kidgate Primary Academy
Kirkby La Thorpe
Lincoln Anglican Academies
Lincoln Castle Academy
Lincoln Christs Hospital School
Lincoln Our Lady of Lincoln
Lincoln St Hugh's
Lincoln St Peter & St Paul's
Lincoln UTC
Lincoln Westgate Academy
Ling Moor Academy
Little Gonerby C of E
Long Bennington C of E
Mablethorpe Primary Academy
Manor Leas Infant Academy
Manor Leas Junior Academy
Market Rasen De Aston School
Mercer's Wood Academy
Mount Street Academy
National C of E Juniors
Nettleham Infants Academy
North Kesteven School
North Thoresby Primary
Phoenix Family Academy
Priory Federation of Academies
Rauceby C of E
Ruskington Academy
Sir John Gleed
Sir Robert Pattinson Academy
Sir William Robertson
Skegness Academy
Skegness Grammar
Skegness Infant Academy
Skegness Junior Academy
Sleaford Carres Grammar
Sleaford Our Lady of Good Counsel
Sleaford St Georges Academy
Sleaford William Alvey
Spalding Grammar
Splisby Eresby
Spilsby King Edward Academy
St Giles Academy
St John's Primary Academy
Stamford Malcolm Sargent
Stamford Queen Eleanor
Stamford St Augustine's
Stamford St Gilberts
Tattershall Gartree Community
The Deepings Academy
The Phoenix School
Thomas Cowley Academy
Thomas Middlecott Academy
Tower Road Academy
Trent Valley Academy
University Academy Holbeach
Utterby Primary
Wainfleet Magdalene Primary
Washingborough Academy
Welton St Mary's C of E
Welton William Farr CE
West Grantham Federation
Weston St Mary
White's Wood Academy
William Lovell Academy
Witham St Hughs Academy
Woodhall Spa Academy

Admitted Bodies
Acis Group
Active Nation
Adults Supporting Adult
Boston Mayflower
Edwards & Blake
G4S
Heritage Trust for Lincs
Interserve
Lincoln Arts Trust
Lincoln BIG
Lincs HIA
Lincs Sports Partnership
Lincolnshire Enterprise
Kier Group (May Gurney)
Making Space
Magna Vitae
Mouchel Connexions
New Linx Housing

29 Exchange Rates Applied

The exchange rates used at 31st March 2015 per £1 sterling were:

Australian Dollar	1.9432
Brazilian Real	4.7446
Canadian Dollar	1.8801
Swiss Franc	1.4419
Danish Krone	10.3262
Euro	1.3822
Hong Kong Dollar	11.5094
Indonesian Rupiah	19,409.8373
Israeli Shekel	5.9034
Japanese Yen	178.0287
Korean Won	1,646.9785
Mexican Peso	22.6152
Norwegian Krone	11.9637
New Zealand Dollar	1.9796
Polish Zloty	5.6285
Swedish Krona	12.8024
Singapore Dollar	2.0363
Thai Baht	48.3056
Turkish Lira	3.8545
Taiwan Dollar	46.4500
US Dollar	1.4845
South African Rand	17.9866

Lincolnshire Fire & Rescue Pensions Fund for the year ended 31 March 2015

2013-14 £'000	Fund Account	Note	2014-15 £'000
	Contributions Receivable		
	From employer:		
(1,625)	Contributions in relation to pensionable pay	4	(1,620)
(59)	Early Retirements - Ill Health	4	(38)
	From members		
(1,112)	Fire-fighters' contributions	4	(1,275)
0	From CLG (commutations special income)		0
	Transfers in:		
0	Individual transfers from other schemes from Local Authorities	7	0
(74)	Individual transfers from other schemes other than Local Authorities	7	(31)
	Benefits payable:		
4,340	Pensions	5	4,405
951	Commutations and lump sum retirement benefits	5	1,420
106	Lump sum death benefits	5	0
	Payments to and on account of leavers:		
0	Individual transfer out to other schemes	7	2
2	Refunds of contributions	7	1
2,529	**Sub Total Net amount payable for the year before top up grant receivable**		**2,864**
(2,529)	Top up grant receivable from sponsoring department	6	(2,864)
0	**net amount payable/receivable**		**0**

31 March 2014 £'000	Net Asset Statement as at:	31 March 2015 £'000
	Current Assets	
363	Pensions paid in Advance	376
0	Amounts due from LCC	0
1,045	Pensions top up grant due	1,034
1,408	**Total Current Assets**	**1,410**
	Current Liabilities	
(1,295)	Amounts payable to LCC	(1,205)
(113)	Unpaid pension benefits	(205)
0	Pension payable to central government	0
(1,408)	**Total Current Liabilities**	**(1,410)**
0	**Total**	**0**

Notes to the Fire & Rescue Pension Fund Account

1 Basis of Preparation

The Financial Statements have been prepared in accordance with the main recommendations of the code of practice on Local Authority Accounting issued by the Chartered Institute of Finance & Accountancy.

There is no separate bank account for the Pension Fund, therefore the Council's General Fund is shown as a debtor/creditor in the Net Asset Statement.

The Net Asset Statement does not take account of liabilities to pay pensions and other benefits after the period end.

Note 54 to the Council's Financial Statements shows the Council's long term pension obligations in accordance with International Accounting Standards (IAS19).

2 Lincolnshire Fire and Rescue Pension Fund Account

The Fund was established at 1 April 2006 and covers both the 1992 and 2006 Fire-fighters' Pension Schemes. It was established by the Fire-fighters' Pension Scheme (Amendment) (England) Order 2006 (SI2006 No1810) and is administered by Lincolnshire County Council. Employee and employer contributions are paid into the fund, from which payments to pensioners are made with any difference being met by top up grant from Central Government.

3 Accounting Policies

The Principal Accounting Policies are as follows:

Contributions

For employees who are members of the pension schemes contributions are receivable from the employer (Council) and the members (employees) throughout the year based on a percentage of pensionable pay. The rates are set nationally by the DCLG/Government Actuary Department and subject to triennial revaluation by the Government Actuary's Department.

If ill health retirements are granted the Council is required to make a contribution to the pension fund in accordance with the regulations. This contribution is spread over a 3 year period to deal with financial volatility as the number of Fire-fighters' who retire on grounds of ill health varies from year to year.

No provision is made in the accounts for contributions on pay awards not yet settled.

Benefits

Benefits include recurring payments that are paid in advance of the month for which they relate. An accrual is made at year end so that the payments are accounted for in the year to which they relate and this is shown in the net asset statement. Lump Sum payments are paid as they become due.

The accounts do not take account of liabilities to pay pensions and other benefits after the year end.

Transfer Values

The value of accrued benefits transferred from or to another pension arrangement, including Fire-fighters' pension schemes outside England, are recorded in the accounts on a receipts and payments basis.

Top up Grant

Central Government pay an instalment of top up grant during the year based on estimated activity. The balance is included within the amount of grant receivable and identified in the Net asset statement under current assets or liabilities.

The accounts do not take account of liabilities to pay pensions and other benefits after the year end.

4 Contribution Rates

Under the Fire-fighters pension regulations the contribution rates are set nationally and are subject to triennial revaluation by the Governments Actuary's Department. During 2013/14 the contribution rates for the 2006 scheme were a minimum of 19.5% of pensionable pay (11% employers and tiered contribution of 8.5% to 11.1% based employees' pensionable pay banding) and the contribution rates for the 1992 scheme were a minimum of 32.3% of pensionable pay (21.3% employers and tiered contribution of 11% to 15% based on employees' pensionable pay banding). Contribution tiers for part time and retained firefighters to be based on whole time equivalent pay for their role. Contributions, by the employer for fire-fighters who retire due to ill health are also paid into the Pension Fund in accordance with the regulations.

5 Benefits paid

Lump sum and ongoing pensions are paid to retired officers, their survivors and others who are eligible for benefits under pension schemes. The recurring payments are usually paid monthly in advance at the beginning of the period for which they relate.

6 Central Government pension top up grant

This is an unfunded scheme and consequently there are no investment assets. The fund is balanced to zero each year by receipt of a top up grant from the Central Government Department for Communities and Local Government (DCLG) if contributions are insufficient to meet the cost of benefits payable, or by paying over any surplus to the DCLG. The difference between grant received during the year and grant required to balance to zero is set up as an accrual and shown in the Net Asset Statement.

7 Transfers in and out

The value of accrued benefits of members that are transferred from or to another pension arrangement, if a member joins or leaves the scheme.

Audit Opinion

Appendix A - Officer Remuneration split between staff employed in Schools and All Other Parts of the County Council.

SCHOOLS	2013-14		2014-15	
	Number of Staff		Number of Staff	
Pay Band	Remuneration received (excl those receiving termination payments)	Staff who received termination payments	Remuneration received (excl those receiving termination payments)	Staff who received termination payments
£155,000- £159,999	0	0	0	0
£150,000- £154,999	0	0	0	0
£145,000- £149,999	0	0	0	0
£140,000- £144,999	0	0	0	0
£135,000- £139,999	0	0	0	0
£130,000- £134,999	0	0	0	0
£125,000- £129,999	0	0	0	0
£120,000- £124,999	0	0	0	0
£115,000- £119,999	0	0	0	0
£110,000- £114,999	0	0	0	0
£105,000- £109,999	0	0	0	0
£100,000- £104,999	0	0	1	0
£95,000- £99,999	1	0	0	0
£90,000- £94,999	0	0	3	0
£85,000- £89,999	3	0	1	0
£80,000- £84,999	1	0	2	0
£75,000- £79,999	4	0	4	0
£70,000- £74,999	7	1	3	0
£65,000- £69,999	6	0	7	0
£60,000- £64,999	27	0	32	2
£55,000- £59,999	48	0	47	1
£50,000- £54,999	59	0	53	2
Total	**156**	**1**	**153**	**5**

OTHER SERVICES	2013-14		2014-15	
	Number of Staff		Number of Staff	
Pay Band	Remuneration received (excl those receiving termination payments)	Staff who received termination payments	Remuneration received (excl those receiving termination payments)	Staff who received termination payments
£155,000- £159,999	0	0	0	1
£150,000- £154,999	0	0	0	0
£145,000- £149,999	0	0	0	0
£140,000- £144,999	0	0	0	1
£135,000- £139,999	0	0	0	0
£130,000- £134,999	0	0	0	0
£125,000- £129,999	0	0	0	1
£120,000- £124,999	0	0	0	1
£115,000- £119,999	0	0	0	0
£110,000- £114,999	0	1	0	1
£105,000- £109,999	1	1	0	0
£100,000- £104,999	1	1	3	1
£95,000- £ 99,999	1	0	0	0
£90,000- £94,999	1	0	0	2
£85,000- £89,999	3	1	4	2
£80,000- £84,999	5	1	4	0
£75,000- £79,999	2	0	4	1
£70,000- £74,999	3	1	10	4
£65,000- £69,999	29	3	23	1
£60,000- £64,999	19	0	17	6
£55,000- £59,999	31	3	34	1
£50,000- £54,999	41	1	60	0
Total	**137**	**13**	**159**	**22**

STATEMENT OF ACCOUNTS GLOSSARY OF TERMS

Academy Schools
Academy schools are directly funded by central government (the Department for Education) and are independent of local Council control.

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

Accounting Policies
The principles, bases, conventions, rules and practices applied by an organisation that specify how the effects of transactions and other events are to be reflected in its Financial Statements.

Accruals
Sums included in the final accounts to recognise revenue and capital income and expenditure attributable to the accounting period, but for which payment has not been received or made by 31 March.

Acquired Operations
Operations comprise services and division of service as defined in SERCOP. Acquired operations are those operations of the local Council that are acquired in the period.

Amortisation
The term used to describe the charge made for the cost of using intangible fixed assets. The charge for the year will represent the amount of economic benefits consumed (e.g. wear and tear).

Appropriation
The transfer of sums to and from reserves, provisions and balances.

Assets
An item having value to the Council in monetary terms, categorised as:

· Current assets are assets that are intended to be sold within the normal operating cycle; the assets are held primarily for the purpose of trading or the Council expects to realise the assets within 12 months after the reporting date.

· Non–current assets are assets that do not meet the definition of a current asset and can be tangible (e.g. school buildings) or intangible (e.g. computer software licences).

Audit of Accounts
An independent examination of the Council's financial affairs.

Balances
The total revenue reserves required to provide a working balance during the financial year, for example in periods when expenditure exceeds income.

Balance Sheet
Shows all balances including reserves, long-term debt, fixed and net current assets, together with summarised information on the fixed assets held.

Borrowing costs
Are interest and other costs that an entity incurs in connection with the borrowing of funds.

Budget
The forecast of net revenue and capital expenditure over the accounting period.

Capital Adjustment Account
Capital reserve largely consisting of resources applied to capital financing and not available to the Council to support new investment.

Capital Charges
This is a general term used for the notional charges made to service expenditure accounts for the use of fixed assets. The term covers depreciation and impairment charges (included in gross expenditure).

Capital Grants Unapplied Account
Grants that have been recognised as income in the Comprehensive Income and Expenditure Statement but where the expenditure has not yet been incurred.

Capital Expenditure
Expenditure on assets which have a long term value. Includes the purchase of land, purchase or cost of construction of buildings and the acquisition of plant, equipment and vehicles.

Capital Financing Costs
These are the revenue costs of financing the capital programme and include the repayment of loan principal, loan interest charges, loan fees and revenue funding for capital.

Capital Financing Requirement

Statutory requirement to ensure that over the medium term the net borrowing by the Council will only be for capital purposes.

Capital Receipts
Proceeds received from the sale of property and other fixed assets.

Carrying Amount
The amount of an asset that is recognised on the Balance Sheet after all costs have been charged for the accounting period (e.g. accumulated depreciation and impairment losses).

Cash equivalents
Are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value (e.g. bank balances).

Cash Flow Statement
This consolidated statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes

CIPFA
The Chartered Institute of Public Finance and Accountancy.

Comprehensive Income and Expenditure Statement (CI&ES)
This statement reports the net cost of all the services which the Council is responsible for, and demonstrates how that cost has been financed.

Contingent Liability
Potential costs that the Council may incur in the future because of something that happened in the past, but there is no certainty that a cost will occur.

Contingent Asset
Is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Council.

Corporate Democratic Core
The corporate and democratic management costs are the costs of activities which Local Authorities undertake specifically because they are elected multi-purpose Authorities. They cover corporate policy making, representing local interests, services to elected members as local representatives and duties arising from public accountability.

Creditors
Amounts owed by the Council for work done, goods received or services rendered but for which payment has not been made at 31 March.

Debtors
Sums of money owed to the Council but unpaid at 31 March.

Defined Benefit Scheme
Also known as a final salary scheme. Pension scheme arrangement where the benefits payable to the members are determined by the scheme rules. In most cases there is a compulsory member’s contribution but over and above this all costs of meeting the quoted benefits are the responsibility of the employer.

Depreciation
The allocation of the cost of the useful economic life of the Council's non-current assets for the accounting period through general wear and tear, consumption or obsolescence.

Depreciated replacement cost (DRC)
Is a method of valuation which provides the current cost of replacing an asset with its modern equivalent asset less deductions for all physical deterioration and all relevant forms of obsolescence and optimisation.

Discontinued Operations
Operations comprise services and division of service as defined in SERCOP. Discontinued operations are those operations of the Council that are discontinued in the period. Responsibilities that are transferred from one part of the public sector to another are not discontinued operations.

Donated assets
These are assets which are transferred to the Council at nil value or acquired at less than fair value.

Earmarked Reserves
Those elements of total Lincolnshire County Council reserves which are retained for specific purposes.

Employee benefits
Are all forms of consideration (both monetary and in-kind) given by the Council in exchange for service rendered by employees.

Exceptional Items

Events which are material in terms of the County's overall expenditure and are not expected to recur frequently or regularly.

Fair Value
The amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's-length deal.

Finance Costs

Reflects the element of annual payment for PFI or Leased assets which is in relation to interest payable on the loan liability.

Financial Assets
A right to future economic benefits controlled by the Council.

Financial Instrument
A contract that gives rise to a financial asset of one entity and a financial liability of another entity; for example, at its simplest, a contractual right to receive money (debtor) and a contractual obligation to pay money (creditor).

Financial Liability
An obligation to transfer economic benefits controlled by the Council.

Foundation Schools
Schools run by their own governing body, which employs the staff and sets the administrations criteria. Land and buildings are usually owned by the governing body or a charitable foundation.

General Fund
The main revenue fund of the Council. Income from the council tax precept and government grants is paid into the fund, from which the costs of providing services are met.

Going Concern
The going concern accounting concept assumes that the organisation will not significantly curtail the scale of its operation in the foreseeable future.

Government Grants
Payments by central government towards Council expenditure. They are receivable in respect of both revenue and capital expenditure.

Grants and Contributions
Assistance in the form of transfers of resources to the Council in return for past or future compliance with certain conditions relating to the operation of activities.

Heritage Assets
Assets that are held by the Council which are of historic nature including buildings and collections.

Impairment
A reduction in the value of a fixed asset to below its carrying amount on the Balance Sheet, due to damage, obsolescence or a general decrease in market value.

Intangible Asset
Is an asset without physical substance examples include: computer software and licences.

International Accounting Standard (IAS)
Regulations outlining the method of accounting for activities, IASs are currently being replaced with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board.

International Financial Reporting Standards (IFRS)
Regulations outlining the method of accounting for activities, issued by the International Accounting Standards Board.

Inventories
Items of raw materials, work in progress or finished goods held at the financial year end, valued at the lower of cost or net realisable value.

Leases
A lease is an agreement whereby the lessor conveys to the lessee, in return for a payment, the right to use an asset for an agreed period of time.

- Finance Lease – a lease whereby all the risks and rewards of ownership of an asset are with the lessee. In substance the asset belongs to the lessee.
- Operating Lease – a lease where the risks and rewards, and therefore ownership, of the asset remains with the lessor.

Lessee
The person or organisation that is using or occupying an asset under lease (tenant).

Lessor
The person or organisation that owns an asset under lease (landlord).

Liabilities
A present obligation to transfer economic benefits. Current liabilities are payable within one year.

Liquid Resources
Cash and current asset investments that can be easily converted to known amounts of cash without penalty, or can be traded in an active market.

Long-Term Contract
A contract entered into for the design, manufacture or construction of a single substantial asset, or the provision of a service (or a combination of assets and services which together constitute a single project), where the project life falls into more than one accounting period.

Long Term Debtors
Sums of money due to the Council originally repayable within a period in excess of twelve months but where payment is not due until future years.

Materiality

Materiality is an expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the item, or a combination of both, could be the determining factor.

Minimum Revenue Provision (MRP)
A minimum amount, set by law, which the Council must charge to the income & expenditure account, for debt redemption or for the discharge of other credit liabilities (e.g. finance lease).

Net Book Value
The value of fixed assets included on the Balance Sheet, being the historical cost or a current revaluation less the cumulative amounts provided for depreciation.

Net Debt
The Council's borrowings less liquid resources.

Non Distributed Costs
These are overhead costs from which no user now benefits. They include the costs associated with unused assets and certain pension costs.

Off Balance Sheet
Accounting category not shown or recorded on a Balance Sheet, such as an operating lease or a deferred or contingent asset or liability which is shown only when it becomes 'actual.'

Pension fund accounts
This covers accounting and reporting by pension funds to all fund participants as a group rather than being concerned with determination of the cost of retirement benefits in the Financial Statements of employers.

Precept
The amount levied by one Authority which is collected by another e.g. Lincolnshire County Council is the precepting Authority and the District Councils are the collecting Authorities for the collection of Council Tax. Water Authorities also precept on the Council for land drainage purposes.

Previous Year Adjustments
These are material adjustments relating to prior year accounts that are reported in subsequent years and arise from changes in accounting policies or from the correction of fundamental errors.

Principal
The amount of repayment to a lender which relates to the reduction in the loan, rather than the interest paid on the loan.

Private Finance Initiative (PFI)
A government initiative that enables Authorities to carry out capital projects, in partnership with the private sector, through the provision of financial support.

Projected Unit Method

An accrued pension benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:

- the benefits for pensioners and deferred pensioners and their dependants, allowing where appropriate for future increases, and
- the accrued benefits for members in service on the valuation date.

Property, Plant & Equipment
Are tangible assets (i.e. assets with physical substance) that are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes, and expected to be used during more than one period.

- Land and buildings.
- Vehicles, plant, furniture and equipment.
- Infrastructure assets that form part of the economic or social framework of the area and whose function is not transferable (e.g. highways, bridges and footpaths).
- Community assets are assets that the Council intends to hold in perpetuity, that have no determinable useful life and may have restrictions on their disposal (e.g. nature reserves, country & coastal parks and picnic sites).
- Surplus assets are non-current assets held by the Council but not directly occupied, used or consumed in the delivery of services.
- Investment properties are properties (land or buildings) held to earn rentals or for capital appreciation or both.
- Assets under construction are non-current assets which include expenditure capitalised for work in progress in respect of activities to develop, expand or enhance items of property, plant and equipment, intangible assets and exploration assets.

· Non-current assets held for sale and discontinued operations. These are non-current assets that are either going to be sold or disposed of within the next twelve months.

Provision
This is an amount which is put aside to cover future liabilities or losses which are considered to be certain or very likely to occur, but the amounts and timing are uncertain.

Prudential Indicators

Prudential indicators are a set of financial indicators and limits that are calculated in order to demonstrate that Councils' capital investment plans are affordable, prudent and sustainable. They are outlined in the CIPFA Prudential Code of Practice. The code was introduced in 2004, to underpin the system of capital finance in local government. All Councils must adhere to this.

There are 11 prudential indicators that must be used to cover the categories of affordability, prudence, capital spending, external debt/borrowing and treasury management. They take the form of limits, ratios or targets which are approved by Council before 1 April each year and are monitored throughout the year on an on-going basis. A Council may also choose to use additional voluntary indicators.

Public Works Loan Board (PWLB)
A central government agency, which provides loans for one year and above to Authorities at favourable rates which are only slightly higher than the Government can borrow itself.

Recognition
The process upon which assets are deemed to belong to the Council either by purchase, construction or other forms of acquisition.

Related party

These are parties which are considered to be related if one party has the ability to control the other party, or exercise significant influence over the other party in making financial and operating decisions, or if the related party entity and another entity are subject to common control. Related party transactions are transfers of resources or obligations between related parties, regardless of whether a price is charged. Related party transactions exclude transactions with any other entity that is a related party solely because of its economic dependence on the Council or the Government of which it forms part.

Reserves
The accumulation of surpluses, deficits and appropriations over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Council. Some capital reserves such as the Revaluation Reserve and Capital Adjustment Account cannot be used to meet current expenditure.

Retirement Benefits
· Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.
· Actuarial basis is the estimation technique applied when estimating the liabilities to be recognised for defined benefit pension schemes in the Financial Statements of an organisation.
· Actuarial gains and losses for a defined benefit pension scheme are the changes in actuarial deficits or surpluses that arise because:

· Events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or

· The actuarial assumptions have changed.
· Current service cost is the increase in the present value of a defined benefit obligation resulting from employee service in the current period.
· Defined benefit plans are post-employment benefit plans other than defined contribution plans.

· Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

· Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.
· Past service cost is the increase in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (where benefits are introduced or improved) or negative (where existing benefits are reduced).

Retrospective application

This is applying a new accounting policy to transactions, other events and conditions as if that policy had always been applied.

Revaluation Gain
The increase to the fair value of an asset following a valuation.

Revaluation Reserve

This reserve contains revaluation gains on assets recognised since 1 April 2007 only, the date of its formal implementation.

Revenue Contributions
This refers to the financing of capital expenditure directly from revenue rather than from loans or other sources.

Revenue Expenditure
The day to day expenditure of the Council on such items as employees and equipment.

Revenue Expenditure Funded from Capital under Statute (REFCUS)
Expenditure which may be funded from capital, but which does not result in fixed assets owned by the Council. These costs are included in the net cost of services shown in the Income and Expenditure Account.

Revenue Support Grant (RSG)
Grant paid by central government to Local Authorities in aid of service provision.

Service Reporting Code of Practice (SERCOP)
Details standard definitions of service and total cost which enables spending comparisons to be made with other Local Authorities.

Short-term employee benefits
These are employee benefits (other than termination benefits) that fall due wholly within 12 months after the end of the period in which the employees render the related service.

Specific Grant
A grant awarded to a Council for a specific purpose or service that can not be spent on anything else.

Straight Line basis
The method of calculating depreciation via charging the same amount each year over the life of the assets.

Termination Benefits
Employee benefits paid upon termination of employment such as redundancy.

Treasury Management
The utilisation of cash flows through investments and loans.

Trust Funds

Funds administered by the Council for such purposes as prizes, charities and specific projects or on behalf of minors.

Useful Life
The period with which an asset is expected to be useful to the Council in its current state.

Value Added Tax (VAT)
VAT is an indirect tax levied on most business supplies of goods and services.

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Regulatory and Other Committee

Open Report on behalf of Pete Moore, Executive Director - Finance and Public Protection

Report to:	**Audit Committee**
Date:	**20 July 2015**
Subject:	**Internal Audit Progress Report**

Summary:

This report provides an update on audits completed in the period 31st May to 10th July 2015 and oustanding recommendations at 30th June 2015.

Recommendation(s):

That the Committee notes the outcomes of Internal Audit work and identifies any actions it requires.

Background

This report provides summaries of all audit reports completed within the period 31st May to 10th July 2015. Further detail can be found in Appendix A, including:

- Summaries of audits with Effective or Some Improvement Required
- Full reports of audits rated as Inadequate or Major Improvement Required
- Details of recommendations outstanding at 30th June 2015

Conclusion

During the period we completed 6 audits. This progress report outlines the key findings from each audit and offers more information on those areas which received an audit rating of inadequate or major improvement required.

The Committee should note the outcomes of the audits and identify any action required, seeking assurance that they:

- understand the level of assurances being given as a result of audit work and the impact on the Council's governance, risk and control environment

- ensure management action has or is being taken to improve controls / manage risks identified

Consultation

a) Policy Proofing Actions Required

N/A

Appendices

These are listed below and attached at the back of the report	
Appendix A	Internal Audit Progress Report

Background Papers

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

This report was written by Lucy Pledge, who can be contacted on 01522-553692 or lucy.pledge@lincolnshire.gov.uk.

Public Sector Auditing.... Private Sector Thinking

Internal Audit Progress Report

Date: July 2015

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Introduction

1. The purpose of this report is to:

- Provide members with timely details of the final audit reports issued between 31 May 2015 and 10th July 2015
- Raise any other matters that may be relevant to the Audit Committee role

Internal Audit work completed in the period 31 May to 10 July 2015

2. Agresso Project – given the nature and volume of issues arising post implementation we have been unable to carry out our usual key financial control testing. We plan to pick this up from October 2015 onwards with a systems based focus on Payroll and Creditors and key control testing in all other areas. We have completed 2 school audits so far in 2015/16 but future audits will now be problematic until there is more reliability and access within Agresso – we shall be working with the LCC leads to ensure these restrictions are resolved by the new academic year.

3. In the interim we have assigned additional audit staff and are working jointly with LCC leads to identify potential anomalies and system issues, through the use, for example, of data analytics – our current focus is on duplicate payments.

4. Currently there are significant issues with the Council's financial control environment following the implementation of Agresso – this is caused by the post implementation system issues and the lack of visibility. We are minimising the impact of these issues as much as possible by our joint working arrangements / increased involvement. We plan to carry out a comprehensive evaluation with the Project Lead and report to the Audit Committee meeting planned for September.

5. The following audit work has been completed and a final report issued:

Effective	Some Improvement Required	Major Improvement Required	Inadequate
▪ Central Lincolnshire Local Plan ▪ Transfer of the Pension Fund Administration	▪ Safeguarding Adults ▪ Strategic Property Management	▪ Joint Commissioning Board ▪ Incendi Fire and Rescue Trading Company	▪ None

Note: The assurance expressed is at the time of issue of the report but before the full implementation of the agreed management action plan. The definitions for each level are shown in Appendix 1.

6. Below is a summary of the areas where we gave the audit opinion of 'Some Improvement Required' or 'Effective':

Central Lincolnshire Local Plan – Effective

The purpose of this comprehensive audit was to provide assurance to all members of the partnership on multiple areas of plan production. Our scope included:

- Governance arrangements of the partnership
- Project management of the Local Plan
- Staffing and resources adequacy – now and in future years
- Contract management of external planning experts
- Quality assurance processes over the evidence base
- Stakeholder engagement and consultation
- Financial management and sustainability of the partnership

We confirmed the partners, local plan team and committee members are committed to producing a simple, effective plan for adoption in 2016. We covered all areas outlined in the scope and are pleased to report that the Local Plan project is on track and we assess current arrangements as effective for maximising the chance of producing an adoptable Local Plan by 2016.

As this audit covers a high profile area, for member information, we have included the full executive summary at appendix 3

Transfer of Pension Fund Administration – Effective

The transfer of Pensions Administration to West Yorkshire Pension Fund was effectively monitored and managed by the collaboration and project boards. There were regular meetings to review the associated risks and progress actions and issues throughout the project. We also noted periodic updates to the Council's Pensions Committee.

We confirmed from the reconciliation of control totals that the expected number of records extracted from the old system balanced correctly to those uploaded to the new system. We also verified that the scanned and imaged documents were correctly transferred to the relevant pension records and that pensioner payroll standing data is complete.

Our testing identified some data that was not present in the new system after transfer; however we have received assurance from the new provider that this issue is not significant and will not have any detrimental effect when calculating member benefits. The Pensions and Treasury Manager agrees the explanations provided by West Yorkshire Pension Fund on this issue are valid.

The results of WYPF's own testing together with our sample tests, provides reasonable assurance over the data transfer and confidence in the continued accuracy of the Council's pension records.

Safeguarding Adults – Some Improvement Needed

Our review aimed to provide assurance that appropriate systems, processes and procedures are in place to help safeguard all vulnerable adults.

We found that Safeguarding Adults is supported by an effective Strategic Safeguarding Adults Board, with a Memorandum of Understanding which clearly defines the Governance and Accountability Arrangements.

We can also place reliance on the implementation of the actions arising from the Peer Challenge Review and Management Review of the Domestic Homicide Review process. The results of which have assisted in preparing the Local Safeguarding Adults Board (LSAB) to meet the statutory requirements of the Care Act 2014. This also demonstrates a proactive approach to organisation learning and development and a willingness to improve systems and processes where necessary to ultimately keep all vulnerable adults safe.

The service also introduced and implemented Quality Practice Standards in October 2014 which outlines the standards by which all adult safeguarding cases are to be measured, and the process for undertaking audits of safeguarding practice and compliance with procedures. Internal Quality Assurance checks during 2014 against these standards have been very positive. However, the introduction of the Care Act in April 2015 has resulted in new mandatory criteria being applied, and these Quality Practice Standards are now not compliant.

The Safeguarding process within the new Care Management System (Mosaic) has been configured to ensure Care Act compliance, however the delay in implementing the new system has increased the risk of post April investigations not complying with the new criteria. Initial examination of new cases has confirmed areas of non-compliance. However, as the implementation of the system is imminent, the risk is known and accepted and post implementation procedures have been agreed, which will return any inappropriate referrals and hold the Designated Adult Safeguarding manager (DASM) to account.

We noted that the service is relying on inefficient manual spreadsheets for recording information, which are not stable documents and at risk of errors, delays or loss of data. These will continue to be used post implementation of the new system due to Department of Health (DOH) reporting requirements.

Strategic Property Management -- Some Improvement Needed

Our review focused on the LCC Property Strategy. As the Strategy is in its infancy and has yet to be formally approved the audit provides an overview of the potential strengths and weaknesses of the new strategy and its application in the management of significant projects.

A new Property Strategy covering the years 2015 to 2018 has been developed and is in the process of being finalised. Once finalised it will reflect current corporate objectives, improve accessibility to officers and partners, and focus the Corporate Property service on delivering outcomes in line with the Council's organisational structure.

Further work is required in order to effectively manage actions which underpin the delivery of objectives set out in the strategy. There are two key areas where processes could be strengthened, which are improving the links between key performance indicators, strategic objectives and the relevant commissioning strategies and developing a risk register.

7. Audits with assurance opinions ***requiring major improvement*** are reported in detail at appendix 2 of this report.

8. Progress with the implementation of agreed management action can be found at Appendix 4.

Other Work

9. Children's Services commissioned an audit investigation into the delivery of the School Improvement Service, specifically associated with special schools. We identified a number of areas where the school improvement service was deficient and Children's Services, through their contract management arrangements, agreed a comprehensive action plan with CfBT to rectify the issues.

   Children's Services have recently commissioned an audit of the revised school improvement arrangements to ensure these are embedded across all education settings and to provide assurances throughout the remaining contract period. This audit has just started and the outcome will be reported to the next Audit Committee.

Other Matters of Interest

10. Grant Thornton – Local Government Governance Review 2015: All aboard

    This is Grant Thornton's fourth annual review into local authority governance and aims to assist senior management and elected members of councils, fire & rescue authorities and police bodies to assess the strength of their governance arrangements and to prepare for the challenges ahead.

    Focusing on three particular aspects of engagement – within the organisation, with partners and with the public – the key messages from the report are:

    - while more than 90% of survey respondents felt their organisations encouraged well-managed risk taking and innovation, 43% felt scrutiny committees were not challenging enough about the way authorities do things
    - 84% of respondents said their organisations are now using or considering alternative delivery models but only 45% feel that scrutiny of service quality is sufficiently challenging

- 49% said the transition to police and crime commissioners has not had a positive impact on local partnership working arrangements, while 42% saw no difference in local healthcare governance as a result of councils' new public health role
- annual accounts and annual governance statement continue to expand in length, making them even more challenging for the public to read and understand
- only 30% of cabinet positions in local authorities are held by women, while over half our survey say members do not adequately reflect the demographic profile of the local population

Alongside the research findings, the report highlights examples of good practice and also poses a number of questions for management and members, to help them assess the strength of their current governance arrangements. For the full report please follow the link:

Grant Thornton - Local Government Governance review 2015: All aboard

Appendix 1 - Assurance Definitions[1]

Effective	Our critical review or assessment on the activity gives us a high level of confidence on service delivery arrangements, management of risks, and the operation of controls and / or performance. The risk of the activity not achieving its objectives or outcomes is low. Controls have been evaluated as adequate, appropriate and are operating effectively. As a guide there are a few low risk / priority actions arising from the review.
Some improvement needed	Our critical review or assessment on the activity gives us a reasonable level of confidence (assurance) on service delivery arrangements, management of risks, and operation of controls and / or performance. There are some improvements needed in the application of controls to manage risks. However, the controls have been evaluated as adequate, appropriate and operating sufficiently so that the risk of the activity not achieving its objectives is medium to low. A few specific control or risk issues identified. As a guide there are low to medium risk / priority actions arising from the review.
Major improvement needed	Our critical review or assessment on the activity identified numerous concerns on service delivery arrangements, management of risks, and operation of controls and / or performance. The controls to manage the key risks were found not always to be operating or are inadequate. Therefore, the controls evaluated are unlikely to give a reasonable level of confidence (assurance) that the risks are being managed effectively. It is unlikely that the activity will achieve its objectives. As a guide there are numerous medium and a few high risk / priority actions arising from the review. Our work did not identify system failures that could result in any of the following: - damage to the Council's reputation - material financial loss - adverse impact on members of the public - failure to comply with legal requirements
Inadequate	Our critical review or assessment on the activity identified significant concerns on service delivery arrangements, management of risks, and operation of controls and / or performance. Our work identified system failures that could result in any of the following: - damage to the Council's reputation - material financial loss - adverse impact on members of the public - failure to comply with legal requirements There are either gaps in the control framework managing the key risks or the controls have been evaluated as not adequate, appropriate or are not being effectively operated. Therefore the risk of the activity not achieving its objectives is high. As a guide there are a large number of high risks / priority actions arising from the review.

[1] These definitions are used as a means of measuring or judging the results and impact of matters identified in the audit. The assurance opinion is based on information and evidence which came to our attention during the audit. Our work cannot provide absolute assurance that material errors, loss or fraud do not exist.

Appendix 2 – Executive Summaries of Audits advising of Major Improvement needed

Joint Commissioning Board

Introduction and Scope

Joint commissioning arrangements have been in place for many years. Such arrangements as existed prior to 2013 were typically specific to a particular agreement – often a 'Section 75' agreement - in which a formal pooled budget or transfer of functions existed between health and social care and which required a governance structure.

By the end of 2013 Lincolnshire Health and Care (LHAC) and the Better Care Fund (BCF), then called the Integration Transformation Fund were two specific influences that required a greater degree of joint organisational structures across health and care organisations. Without a joint commissioning infrastructure the operation and oversight of key activities would be disjointed and ultimately dysfunctional.

This infrastructure seeks to make operational sense of a mixed set of influences that derive from either national (BCF) or local initiatives (LHAC). It is also a critical vehicle for managing working relationships across a large number of organisations.

Internal Audit has carried out a review to give you independent assurance around the structures and processes in place for Governance, Accountability and Decision Making Arrangements for the Joint Commissioning Arrangements of Health and Social Care. The overall objective of this audit is to provide management with assurance in the following areas:

- Governance, Accountability and Decision Making arrangements of the Joint Commissioning Board and Delivery Boards.
- Collaborative, Partnership and Multi Agency working arrangements.

The review has been undertaken jointly by Audit Lincolnshire and PWC, the Internal Auditor for all four Lincolnshire CCGs. As part of our review we met PWC internal auditors to discuss the planned scope of their related review. We continued to meet them at least monthly, with specific discussions before and after each Joint Commissioning Board (JCB) meeting. We discussed findings during the fieldwork and shared high level findings to enable an appropriate level of consistency between this report and the CCGs Internal Audit report.

The approach to this review was to meet with LCC Directors and the Chief Finance Officer (CFO) from each Lincolnshire CCG to understand their knowledge of the JCB. We also reviewed the JCB's governance documents and planned to attend a JCB meeting.

Executive Summary

Report classification	*Trend*	*Total number of findings*	Critical	High	Medium	Low	Advisory
High Risk	Direction of travel is not possible to assess as there is no comparative prior year review	Control design	-	1	2	2	-
		Operating effectiveness	-	1	1	-	1
		Total	-	2	3	2	1

Headlines / summary of findings:

The JCB evolved from an informal set of meetings between the CCG cluster and Lincolnshire County Council (LCC). The JCB became a formal board in December 2014. The remit of this Board is to significantly increase following the introduction of the Better Care Fund from 1st April 2015.

We noted significant governance, accountability and decision making issues in our observation of the JCB in February 2015. Prior to, and during this meeting, a number of key issues were identified. These included:

1. Draft Terms of Reference were not yet formally approved (we received updated ToR in April 2015, and at time of writing, these are verbally confirmed as 'final'. We can also see ToR were discussed, but not formally noted as approved in the December JCB minutes);
2. The CFOs did not have a detailed understanding of the JCB processes, roles and responsibilities; and
3. The meeting was informally managed – with verbal updates, no risk register, no action tracking and an unclear decision making process.

These issues could be viewed as a reflection of the fact that the JCB started out as an informal meeting between the CCGs and the Local Authority. The February 2015 JCB meeting clearly showed that the transition to a formally managed board was not complete.

These initial findings were fed back to the JCB Chair and to CFOs straight after the meeting. We then agreed to present the findings and proposed actions informally at the start of the March 2015 JCB meeting. We extended the scope of this review to observe that meeting, to assess the extent to which improvement had been put into place. The review was also extended to attend the Pro-active Care board meeting, Women and Children's Joint Delivery Board Meeting and the Specialist Services Joint Delivery Board meeting in March 2015. This helped to understand how the Delivery Boards feed into the JCB.

We observed significant improvements in the March 2015 JCB meeting – with a number of key actions noted in this report already started. For example, the meeting remained focused on strategic matters and efforts were made to drive overall agreement on key issues before moving forwards.
We were requested to speak with the LHAC Project Management Office (PMO) team

during the review – to enable PMO to support the JCB, including over the initial findings of this review. This is expected to further formalise the JCB's activities, including better management of actions required and decision making processes that the JCB supports. Given the material impact that the JCB has on all four CCGs and the Local Authority in 2015, this report has a high risk status. There are a number of actions that are still needed to address the issues noted.

Management Response

We welcome this report and its recommendations. As the report covers a joint arrangement with colleagues in the NHS, and as there is a companion report to the four Lincolnshire Clinical Commissioning Groups from their internal auditor, we believe that creating a joint action plan through the JCB itself would be the right way forward. This is scheduled on the agenda for the meeting on 28th July 2015. Once complete the action plan will be passed to the Lincolnshire Health and Wellbeing Board for approval.

Incendi – Fire and Rescue Trading Company

Introduction and Scope

The Council has established a fire trading company (Incendi Limited) with the aim of generating additional income from public and private sector clients through the provision of training and other services. This additional income is intended to offset the impact of future funding reductions for Lincolnshire Fire and Rescue.

It was originally anticipated that the company would be in place and commence trading by April 2014 but for various reasons commencement to trade was delayed. The company has been officially registered and began trading in October 2014.

Uncertainty, unexpected difficulties or delays are inevitable in the early years of trade. As can often be the case with new start-ups, the company's business model has anticipated higher levels of turnover and operating profit than that which will be actually achieved. This has been recognised by management which is reassessing the business model.

We reviewed the following areas to provide management with independent assurance that the business has been set up on a sound footing and that the arrangements in place put it in a good position to successfully trade. As Incendi has only recently begun to trade, the audit provides an overview of the governance arrangements and business processes of the company rather than focussing on detailed trading activities.

In conducting the review we looked at the following areas:

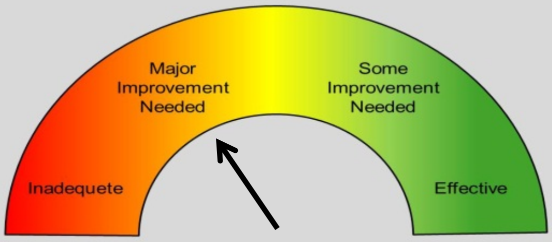
- Governance arrangements:
    - Legal set up of the company
    - Approval
    - Organisational structure
    - Performance monitoring and reporting
    - Insurance arrangements

- Business strategy:
    - Business case/plans
    - Marketing strategy
    - Financial planning
    - Compliance with state aid regulations
    - Charging policy / recharges

Executive Summary

Assurance Opinion

Major Improvement Needed



Our audit has identified that major improvement is required to the company's governance and business planning arrangements. The business model adopted by the company may prove to be overly optimistic although we acknowledge that the company's management are reviewing the model and assumptions.

The company is still in its infancy but would gain immediate benefit from developing and improving its processes through:

- Implementing a more formal approach to business planning
- Strengthening of existing governance arrangements through the development and adoption a Scheme of Authorisation
- Developing Key Performance Indicators which succinctly summarise performance in all significant areas
- Taking out Directors and Officers Indemnity insurance
- Addressing issues relating to financial management including cost identification and agreement of a schedule of charges from the Fire Service

Unless addressed at this early stage these issues when taken together may prejudice the successful future operation and profitability of the company.

We also noted a number of points of good practice during the review:

- With the approval of Members, the company has been registered at Companies House in order to undertake relevant trading activities
- An organisational structure has been produced which is appropriate to the immediate circumstances of the company. Key officers of the company include two senior Fire Officers and 2 Councillors of the Council
- A financial plan has been produced for the period to 31st March 2015 and budget monitoring is taking place
- The restrictions relating to state aid have been recognised and arrangements have been put in place to avoid contravention of these regulations

Direction of Travel No Change / Stable

We have not reviewed this system before.

We found processes could be strengthened developing formally documented business and marketing strategies in order to encourage a clear approach to business planning:

- A formally documented business plan has not been produced either for the current or ensuing years. The production of an annual business plan is a requirement of the member's agreement with the company. The production of an annual plan based upon the development of a medium term plan covering a period of 3-5 years would encourage a logical approach to business planning, ensure the company's ongoing viability and provide context and direction to guide service delivery.
- Possible marketing channels have been discussed at Board Meetings but a formal marketing strategy has not been produced. A formal marketing strategy would stimulate a more focussed approach to identifying marketing opportunities and directing marketing effort.

Other areas where processes could be improved include:

- The company has not developed a Scheme of Authorisation. Such a scheme would guide the company and officers to work in a manner consistent with that of the Council which is the sole shareholder.
- Key Performance Indicators have not been developed to succinctly summarise performance. At present activity (eg quotes raised, accepted, delivered) is reported as narrative at the company's quarterly Directors meetings. The development of performance indicators with targets for areas critical to the success of the business would allow for a more focussed appraisal of performance and highlight areas of performance where improvement is required.
- The company has its own insurance policies in place to cover Public Liability, Professional Negligence and Business Travel but has not taken out Directors and Officers Indemnity insurance. This cover would cover the cost of compensation claims made against the business's directors and key managers (officers) for alleged wrongful acts including breach of trust, breach of duty, neglect and error.
- At present there appears to be difficulty in separating out all the costs incurred by the Fire Service on behalf of Incendi. Budget monitoring reports presented to the Incendi Board may overstate net income.
- The Fire Service has not agreed a schedule of charges that it will make to Incendi for the use of the service's assets including the Fire Service brand, although we acknowledge that at the time that our audit was conducted the basis of charging was being reviewed including reconsideration of the basis used for apportioning costs. A schedule of charges, calculated on an appropriate basis reflecting usage, will provide transparency and help ensure that the Fire Service is not subsidising Incendi.

Management Actions	No	All to be completed by:
High Priority	5	30th September 2015
Medium Priority	2	30th September 2015

Appendix 3 – Executive Summary of Central Lincolnshire Local Plan Audit

Background

The National Planning Policy Framework (2012) requires all planning authorities to produce a Local Plan.

The aim of the Local Plan is to prepare plans and policies that help create places that are sustainable and attractive to live in. The Local Plan should work together with other plans and policies, such as economic, housing and environmental strategies.

In 2009 the Lincolnshire district councils of West Lindsey and North Kesteven, the City of Lincoln Council and Lincolnshire County Council formed a joint planning authority, known as the Central Lincolnshire Joint Strategic Planning Committee (CLJSPC). This became statute through an order by the Secretary of State.

The purpose of the CLJSPC formation was to produce a Local Plan for Central Lincolnshire, so a team of planning staff was formed, known as the Joint Planning Unit (JPU). The JPU were tasked with producing a form of Local Plan, known as a Core Strategy.

The Core Strategy was produced and submitted for an 'Examination in Public' by the planning inspectorate in October 2013, with a hearing scheduled for February 2014. The Inspector identified some early key concerns with the Core Strategy and highlighted these to the CLJSPC along with various options to take this forward. Options included withdrawal of the Core Strategy for further work. This option was chosen and the Core Strategy withdrawn in December 2013. In January 2014 the CLJSPC agreed to a revised project plan to produce a Local Plan for adoption in 2016.

At the time the JPU was also being restructured and became the Local Plan Team. Voluntary redundancies and further resignation of staff resulted in vacancies in the new structure, including the post of Local Plans Team Manager.

The Planning Team at Peterborough City Council approached Central Lincolnshire to offer their services to support producing the Local Plan. The PCC planning team's experience and track record of producing local plans were considered as a benefit to Lincolnshire in taking the Local Plan forward and it was agreed that the vacancies within the Local Plans Team would be filled through an agreement with PCC. This was to be further supported by management and staff contributions from each of the partners.

Introduction and Scope

The Local Plan was highlighted as high risk during our assurance mapping exercise, as such being an area where members and management sought assurance.

Our audit has combined the resources of three of the partners to ensure joined up coverage and reporting; however we have also included the fourth partner in all stages of the audit.

Our scope sought to provide assurance that the revised approach to producing the Local Plan maximises the chance of delivering an adoptable Local Plan in 2016. We covered a broad range of the governance, risk and control elements, including:

- Governance arrangements of the partnership
- Project management of the Local Plan
- Staffing and resources adequacy – now and in future years
- Contract management of external planning experts
- Quality assurance processes over the evidence base
- Stakeholder engagement and consultation
- Financial management and sustainability of the partnership

We are not providing assurance on the technical quality or adequacy of evidence or the local plan contents as this assessment would need an independent planning professional's input. Assurance on this is provided by Management through effective Governance and Project Management arrangements.

Our Approach

Due to the broad nature of the scope the audit was completed in phases between September 2014 and February 2015.

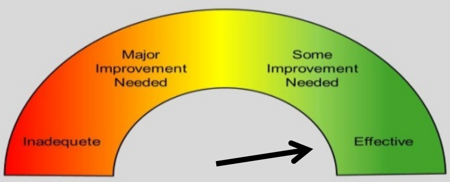
We produced two highlight reports during this period to ensure timely updates on progress, findings and recommendations and allow management to take swift action.

This final audit report covers all areas of the review including previously reported findings and recommendations - where these have been implemented we have provided details on actions taken.

Executive Summary

Assurance Opinion

Effective



Our review found that producing the Central Lincolnshire Local Plan is both high profile and complex with multiple strategic risks and interdependencies. The partners, local plan team and committee members are committed to producing a simple, effective plan for adoption in 2016. We covered all areas outlined in the scope in detail and are pleased to report that the Local Plan project is on track and we assess current arrangements as effective for maximising the chance of producing an adoptable Local Plan by 2016.

The Local Plan Team have identified some key risks effecting production of the Local Plan, these are:

- Lack of 5 year specific deliverable housing land supply
- Non delivery of highways and other key pieces of infrastructure

Whilst these cannot be removed we can confirm these are being tracked and managed through a formal risk management process

Our High level findings are:

- Governance arrangements are in place and effective in directing and controlling production of the Local Plan
- Delivery is project managed to ensure clear planning and monitoring of key tasks and milestones
- Risks and issues are identified, recorded and monitored regularly ensuring understanding and management of key risks
- An inclusive approach has allowed for a wide range of stakeholders and communication channels to be identified
- Consultation to date has been planned, well executed and feedback shared therefore allowing the team to demonstrate effective public consultation
- All evidence requirements have been identified, are tracked and subject to quality assurance reviews which maximises the chance of evidence being adequate to support the Local Plan
- The Local Plan budget is well managed and the medium term financial plan shows a healthy financial position, demonstrating financial sustainability over the next few years
- The local plan team is co-sourced which allows for flexibility and access to a wide range of skills and experience in local plan production

The partnership has a Service Level Agreement with Peterborough City Council for support in delivering the local plan, which is working well.

Direction of Travel

Improving

We previously assessed the work of the Joint Planning Unit in 2012. We could only provide limited assurance over plan production due to concerns over capacity to deliver the required evidence to support the plan in the timescales. We can now provide a much higher level of assurance over delivery arrangements for the Local Plan.

Governance Arrangements

Our review of governance took place in September 2014. This confirmed an appropriate structure is in place to manage delivery of the local plan, partners are equally represented and meetings are regular and effective in managing the programme. We established that roles and responsibilities are defined in the Memorandum of understanding and Terms of Reference and there through observation at meeting and review of minutes we evidenced these are followed in the approval of key decisions.

There is a Local Development Scheme in place which provides a timetable for delivery of the local plan in compliance with legislation, which is supported by a more detailed project plan. Delivery against these is monitored and reported on a regular basis throughout the governance structure. We also reviewed a sample of Information presented to key governance groups, which we assessed as reliable complete and accurate therefore supporting consideration of options and decision making.

We made some recommendations for improvement in our first highlight report, most significantly on the effective operation of the Coordination of Delivery Group (CoD), whose purpose is to support the delivery of the strategy for growth in Central Lincolnshire. We confirmed the CLSG's concerns regarding the effectiveness of this group and confirmed the need for it to operate at a more strategic level. The CoD Group met and discussed this in November 2014 and agreed to revise terms of reference, to include recommendations on attendees at the meeting. Management update on action to improve effectiveness includes agreeing revised terms of reference for the group. Management confirmed appropriate attendance and told us the Investment (Open for Growth) Peer Review made positive comments about the role and purpose of the group.

Project Management

We considered the Local Plan from a project management perspective in September 2014 and were able to confirm that a master programme document is being maintained and is regularly reported to the Head of Planning and CLSG. This allows them to identify any deviances and take corrective action as necessary. The plan also highlights interdependencies ensuring clarity on the bigger picture and the wider impact on the Local Plan. The local plan team are experienced in project management and the Team Manager has led several previous local plans successfully through inspection to adoption.

The team can demonstrate management of strategic risks to help minimise the impact on delivery, should they materialise. These are captured in a project risk register which is monitored and reported to the CLSG monthly.

We also considered lessons learnt from the Core Strategy examination, i.e. the issues that caused concern for the inspector and led to the withdrawal of the strategy. We confirmed actions are being taken to address these.

We identified some areas for improvement in relation to housing land supply and project management processes which we reported in our first highlight report in November 2014. Follow up confirmed that the risk of not having a 5 year housing land supply has been added to the strategic risk register which will ensure there is regular formal and transparent monitoring and reporting on this risk and the progress made in managing it. We can also report that the Local Plan Manager has been allocated the programme manager role so provides a central coordination of information. He now produces a monthly progress report to CLSG, includes both issues and change logs as per our suggested improvements.

Quality assurance over the evidence base

The National Planning Policy Framework states 'Each local planning authority should ensure that the Local Plan is based on adequate, up-to-date and relevant evidence about the economic, social and environmental characteristics and prospects of the area.' The framework requires a 'proportionate' approach to the evidence base, but is not prescriptive.

The Local Plan Team has adopted a simple approach to evidence, with the style being enough to inform and support the plan, along with clear links to the plan for all pieces of evidence and nothing more. This aims to make the examination process a lot easier for the inspector.

We found that evidence requirements on which to base the plan have been identified and a master list is maintained which includes status of the evidence and details of the officer responsible for producing it. This list is included in the progress report to CLSG which allows monthly monitoring and for any corrective action to be taken promptly.

The Local Plan Manager has a process in place for review of all complete evidence to verify quality. This has a focus on methodology, data and conclusions. When necessary the Heads of Planning or Steering Group are involved in this process, especially if a decision is needed.

We also confirmed that complete evidence is published on the Central Lincolnshire planning website which ensures transparency and maximises the information available to stakeholders.

Stakeholder Engagement and Consultation

We undertook our review of this area during October and November 2014. Our assessment of stakeholder identification and communication found that a named lead for communication was in place and the key stakeholders and various communication channels were identified in a workshop with the Central Lincolnshire Joint Strategic Planning Committee (CLJSPC) early in 2014. Outcomes were formalised into a community engagement strategy. This strategy identifies the key stakeholders we would expect, including Local Authorities, Councillors, Parish and Town Councils, Residents, and community groups. The strategy is supported by a Communications Plan which details stakeholders and also defines communication channels including face to face events, media, social media, targeted emails / letters, posters and newsletters.

The Local Plan Team has chosen a phased approach to consultation, planning three periods of public consultation at key points during production of the plan. We conducted our review between September and November 2014 to allow us to assess implementation of the phase one consultation plan and attend consultation events.

The purpose of this early consultation was to engage with stakeholders on policy choices and invite feedback to help inform and firm up policy as the plan develops.

With this purpose in mind we considered the length and timing of the consultation to be appropriate.

We assessed the information shared and whilst acknowledging that by its very nature the Local Plan is lengthy, we found it to be written in a simple way to improve understanding for residents and those without a planning background.

Our review also included feedback. We confirmed that all feedback was published on the website within a reasonable period ensuring transparency. The Local Plan Team has also produced and published a report summarising feedback and providing a response where possible demonstrating that it will be used to inform the Local Plan going forward.

Only minor recommendations resulted from our review, for which we agreed actions to address. These will be undertaken during the second round of consultation during the summer of 2015.

Financial Management and Sustainability

During December 2014 we reviewed the finances of the Local Plan Team, which has a 2014/15 income budget of £706,600 and planned expenditure of £624,900. We looked at management arrangements, budget setting, coding and budget monitoring, which we found to be effective. We also looked at budget reporting which we assess as effective in terms of management reporting; however we did recommend contingency arrangement for reporting to the CLJSPC should a meeting where a finance report is due be cancelled.

Budget setting includes a medium term plan covering 2014/15 to 2016/17. The plan shows a carry forward to reserves for 2014/15 and a balanced budget for the other two years. The reserves are healthy during this time period and we assess on this basis the partnership to be financially sustainable in the medium term.

We also confirmed that as responsible body, NKDC prepares and returns the annual accounts to the external auditor in the set format and within timescales.

Staffing and Resources

We confirmed that the local plan team has a formally approved structure which it has appointed too through a mix of directly employed staff and staff through the Service Level Agreement with Peterborough City Council. This approach allows the team to access additional resources when needed and select specific skills and experience from a wider pool of staff to better match to tasks. We identified that all planning staff are suitably qualified and are Chartered Members of the Royal Town Planning Institute. Their development needs are identified and monitored through regular one to one meetings and appraisal with the Local Plan Manager.

Senior Management changes at LCC and WLDC have had an impact on the local plan governance structure. We met with Senior Management at both partners to discuss the impact of these changes and how these are being managed. Management were able to provide details on structures in place to manage governance and resource contributions in both the short and longer term thus providing assurance that this risk is being managed.

Taking all this into account we assess that current staffing arrangements are suitable and working in terms of delivering to current demand, whilst also having the flexibility to adapt resource levels provided by PCC should demand require it.

Contract Management

We reviewed the agreement with Peterborough City Council (PCC) for the provision of a Local Plan Manager and planning staff. We found this is defined through a Service Level Agreement (SLA), which covers the period, requirements, costs, reporting, monitoring and exit strategy. The SLA was agreed by partners and the committee.

Monitoring against the SLA is done monthly, with the Local Plan Manager producing a monthly contract progress report to the NKDC Head of Planning.

We identified that there have been no issues with poor performance regarding the contract and the local plan programme is on track. Management reported that the change of key personnel (due to a planner allocated to Central Lincolnshire leaving PCC) was managed seamlessly, which ensured there was no interruption to the service provided.

Management Response

The Audit Report provided a robust analysis of the current governance arrangements in place across the Central Lincolnshire Partnership.

Actions 1,2,3,4,5,6,10 have all been implemented.

Actions 7 & 8 will be actioned by the communications sub-group as they finalise the consultation approach for the preferred options consultation in September 2015. This group will include engagement with Cllr representatives from the parties in the Local Plan Partnership.

Action 9 will be actioned by the Local Plan team leader to ensure all evidence is fully available to support the September 2015 consultation activity.

Management Actions	**No**	**All to be completed by:**
High Priority	Two	Complete
Medium Priority	Six	30th June 2015

Appendix 4 - Outstanding recommendations as at 30th June 2015 audits with Low, Limited, Inadequate or Major Improvement assurance

Audit Area	Date	Assurance	Recs	Implemented	Overdue		Not Due
					H	M	
Coroners	June 2014	Limited/ Substantial	52	48	3	1	0
Debtors	April 2014	Limited	11	6	2	3	0
Income	Jan 2014	Limited	8	6	0	2	0
MIMS System	June 2014	No	6	1	4	1	0
Information Governance	Mar 2015	Major Improvement	15	10	3	1	1
Corporate Landlord Project	Jan 2015	Major Improvement	10	0	3	7	0

Lincolnshire COUNTY COUNCIL
Working for a better future

Regulatory and Other Committee

Open Report on behalf of Pete Moore, Executive Director - Finance and Public Protection

Report to:	**Audit Committee**
Date:	**20 July 2015**
Subject:	**Review of the Effectiveness of Internal Audit**

Summary:

Until recently there existed a statutory requirement for bodies such as the County Council to review the effectiveness of internal audit once a year and for the findings of the review to be considered by an appropriate committee of the Council. Given the statutory requirement was in place throughout 2014/15 this work has been undertaken and this paper discharges that responsibility by reporting the findings of work undertaken by a joint officer / councillor working group. Whilst identifying a few areas for ongoing monitoring and improvement, the group concluded that the Council does have an effective system of internal audit. The report also asks the Committee to consider whether they wish to continue to receive such a report in future years in light of the removal of the statutory requirement for its production. Other means of providing assurance on this subject are already in existence.

Recommendation(s):

That the Committee:

(i) endorse the opinion of the Review Group that the County Council maintains an effective system of internal audit.

(ii) considers whether they wish to receive an equivalent report in future given the removal of the statutory requirement for it to be produced and the existence of other means of attaining assurance.

Background

1.1 Regulation 6(3) of the Accounts and Audit (England) Regulations 2011 required this Council to review the effectiveness of internal audit once a year and for the findings of the review to be considered by a Committee of the Council. The Audit Committee is the most appropriate one in the case of this Council. It is sensible to consider this aspect in advance of finalisation of the Annual Governance Statement of the Council as the effectiveness of the system of internal audit is a key aspect of the governance framework. The Annual Governance Statement is considered in draft elsewhere on the agenda for this meeting. However, revised Accounts and Audit Regulations were adopted nationally in February this year and came into effect on 1st April 2015. These no longer require this work to be undertaken and reported to an appropriate member forum. They are replaced by a requirement for the internal audit to evaluate the effectiveness of the Council's risk management, control and governance processes.

1.2 In this context 'internal audit' is not just restricted to the role, activity and effectiveness of the internal audit team; it also applies to the role, activity and effectiveness of this Committee itself. Guidance makes it clear that is not the role of the external auditor to undertake this work. It has been for the authority itself to complete a review.

2. The Review Group

2.1 Guidance from CIPFA on this issue suggests that this review is best undertaken by a group of officers and / or members. In terms of the officer input this should not directly involve the Head of the Internal Audit service or any audit team member. The Head of Internal Audit can, however, provide material to be considered by the Review Group.

2.2 The Review Group below has been established to undertake this role:

Councillor Mrs Sue Rawlins– Chairman of the Audit Committee
Richard Wills – Executive Director – Environment & Economy
Pete Moore – Executive Director – Finance & Public Protection
David C Forbes – County Finance Officer

3. The Review Activity

3.1 A range of bodies with an interest in public sector internal audit work have developed and issued a set of Public Sector Internal Audit Standards. In response to this development CIPFA have published an advisory note and a self-assessment questionnaire to assess compliance with the Standards. That questionnaire has been completed by the Head of Audit and considered by the Review Group as part of its work. Public Sector Internal Audit Standards also requires the Head of Audit to develop and maintain a quality assurance and improvement programme that covers all aspects of internal audit activity. Again, such a document has been produced by the Head of Audit and considered by the Review Group as part of its work. The Review Group also received information on delivery of the annual work plan and feedback from clients of the service.

3.2 The Review Group considered progress against actions agreed during last years' review and this is dealt with at 4 below.

4. **Actions taken in relation to issues raised in the last review (July 2014)**

4.1 Issues carried forward from last year's review together with action taken were as follows:

- *Completion of the outstanding issues arising from the self-assessment against the Public Sector Internal Audit Standards and tasks identified in the quality assurance and effectiveness improvement plan.*

  There is one item still outstanding from last year. This relates to the standard requiring there to be an external assessment of the internal audit service (ie. separate from that undertaking annually by external audit). It is planned to bring a paper on this subject to the Committee in September this year with the work taking place during early 2016.

- *Completion of the task list devised from the effectiveness review of the work of the Audit Committee*.

  Ten items of ongoing work were identified last year and seven of these have been completed during the last year. The three outstanding items are as follows:

  - Clarify who should attend the Audit Committee and expectations on the information being presented.
  - Undertake a skills and knowledge survey to review and establish any training and development needs as a whole Committee.
  - Understand and seek assurance over the governance and risks associated with our key partners.

  Work on these matters will be progressed to completion during the current financial year.

- *Monitoring the impact of the impending fundamental budget review on the service to ensure it does not result in a loss of resources that significantly undermines the ability of the service to deliver an adequate and effective internal audit to the County Council*.

  The FBR reduction over the whole service area was 10%, members having decided not to reduce the audit input into maintained schools. The restructuring to deliver that reduction will be implemented in the autumn this year and is not expected to have a materially detrimental impact on the adequacy or effectiveness of the service. However, it needs noting that since 2010 the internal audit plan has reduced 39% in input terms. The envisaged level of input going forward is at, or close to, the minimum level required to deliver an effective service.

A service review is currently underway which is shaping the service to be able to respond to the changing assurance needs of the Council – ultimately making the service more resilient in the longer term. The service delivery model being proposed continues to adopt the co-sourced delivery model where there is a core element of directly employed skilled and motivated workforce together with a budget to engage skilled and specialist resources. This is through the following:

- Audit Lincolnshire partnership
- a 'pool' of relief auditors
- external suppliers of internal audit services (through direct procurement or existing frameworks)

The service applies a 'Combined Assurance Model – this helps leverage assurance from other sources and plays a vital role in supporting the annual Head of Internal opinion on the Council's governance, risk and control environment.

The Review Group felt that adequate progress had been made during the year.

5. **Current Years' Effectiveness Review**

5.1 This aspect was informed by a range of material supplied by the Head of Internal Audit, the details of which are described below.

5.2 To assist the Review Group with its work the Head of Internal Audit:

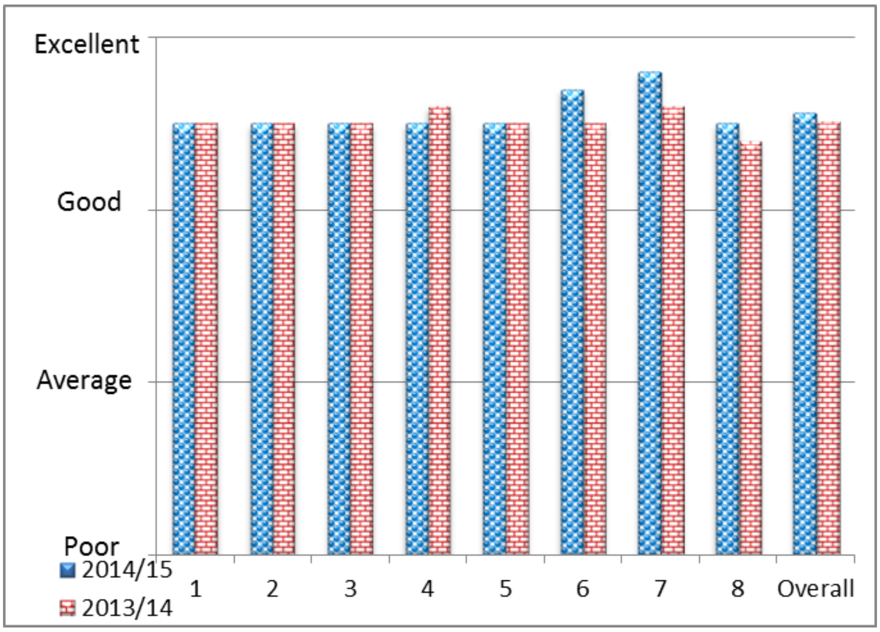
- Undertook a 'self-assessment' against the Public Sector Internal Audit Standards to assess compliance.
- Provided information on delivery of the annual work plan and feedback from clients.
- Provided information on the Quality Assurance Improvement Programme.

5.3 **Self-Assessment** –The Standard comprises 54 separate items to be considered. The self-assessment identified that current practice complies with 53 of these items. The one item of non-compliance is the requirement to have an external assessment of the internal audit service and this was covered under the first bullet point at 4.1 above.

5.4 **Work Plan and Client Feedback** – Progress on delivery of the audit plan is reported regularly to the Audit Committee. The plan is reviewed continually during the year and any changes are also reported to the Committee. The annual report is currently being compiled for the July 2015 Audit Committee but the key headlines are:

Performance Indicator	Target	Actual for 2014/15
Productivity & Efficiency		
Actual audits versus planned (by no of audits) – revised plan	100%	99%
Financial Systems	100%	100%
% of Reports issued within 2 weeks of closure meeting	100%	100%
Quality of Service		
Client questionnaire scoring better than average for all categories	Good to Excellent	Good to Excellent

5.5 During the year there have been a number of tasks that were complex and highly sensitive. Positive feedback has been received on how these audits were conducted. Below is the diagram of feedback from LCC audit work.



Questions

A. Audit Planning

1. Consultation on audit coverage
2. Fulfilment of scope and objectives

B. Audit Report

3. Quality of report
4. Accuracy of findings
5. Value of report

C. Communication

6. Feedback of findings during audit
7. Helpfulness of auditor(s)
8. Prompt delivery of the audit report

5.6 In preparation for the re-tender of the District work the service also engaged a marketing firm to undertake a client survey and assess potential market growth areas. The feedback from clients is summarised below – it provides a positive message. Eight external clients, including all the District Council clients, participated in the survey.

Each client was asked to assess 10 statements and mark the performance of the team out of 10. The statements and the average scores were as follows:

Statement	Score out of 10
Documentation for contracts, planning and reports was in a clear, understandable format.	8.6
All activities were completed in a timely way.	8.2

Invoices and other documentation were submitted punctually.	8.3
Appointments and meetings were scheduled and held as planned or alternative arrangements made in good time.	9.3
Team members displayed levels of integrity, objectivity, confidentiality, and competency that gave you confidence in their assessments and recommendations.	9.0
Team members showed courtesy and respect to your organisation and its employees, treating all people fairly without prejudice on any grounds.	9.1
Findings communicated effectively in written reports to your team/management.	8.3
Findings communicated effectively in face to face meetings with your team/management.	9.0
The assurance element of the work, reporting on the efficacy of risk assessment, governance and process controls in your organisation raised valid issues not previously highlighted.	8.6
Consultancy undertaken as a result of the assurance assessments provided recommendations for improvements that your organisation will be implementing.	8.8

5.7 **Quality Assurance and Effectiveness** – The service has a formal quality assurance and effectiveness mechanism in place. Quality reviews are undertaken for all assignments and cover the whole process from initial planning through to final reporting. Key aspects of the process are the subject of performance targets. Evidence from client feedback surveys (see 5.5 & 5.6 above) indicates the present of a good quality assurance regime.

A quality assurance plan is also in existence and was made available to the Review Group. The service management team keep achievement of the improvement plan targets under review at their regular meetings. Areas of continual improvement identified are as follows:

- **Obtain and share fraud risk assessment** for each client with relevant audit manager / team
- **Review practice manual**, including updating the Charter and IA Strategy to reflect the revised planning approach
- **Develop Audit Lincolnshire partnership** – includes:
  - Business Development / Marketing strategy
  - Collaborative working with regional partners
  - Re-focus brand and client engagement following service review
- **Contemporary reporting** – an on-going issue with delivery are the problems scheduling and completing audits. The result is the service has not met the target of delivering 80% of audits within 2 months from commencing fieldwork to issuing the draft report.

  To help minimise this issue the service has changed the way it plans – it now only schedules a 'few' must dos and adopts a risks based list of potential audit areas. The service will only schedule / plan on a quarterly basis – identifying audits from the list of potentials with clients at their quarterly liaison meetings.

Any deferred audits by the client will be rescheduled but may not be delivered within the 'annual plan' timeframe by 31st March. This should minimise the 'bottleneck' of quarter 4 requests by clients.

- **Implement upgrade to audit software** – the existing system is no longer supported. Approval and funding given for an alternative and now just waiting for Serco implement the change.
- **Report Writing** – reports are generally well written and well received – they focus on what matters and ease of reading. However, recent QA has identified the need for continuing development to help people provide more clarity on the significance and impact of what they have found.

  Feedback from clients also indicates that they were not keen on the assurance opinion of 'major improvement' designation – they preferred 'Limited'. The service will be revisiting assurance opinions when it relooks at the reporting template for 2015/16.

6. **Issues and Actions for 2015/16**

6.1 The Review Group considered a number of actions that could be undertaken over the year ahead to enhance the system of internal audit. The Group felt that the following would be appropriate actions for the year ahead in light of their current assessment.

- Completion of the required external assessment of the internal audit service during early 2016.
- Completion of the three remaining outstanding tasks from the work plan derived from the self-assessment activity undertaken by the Audit Committee.
- Completion of the quality assurance plan tasks aimed at providing ongoing improvement and listed at 5.7 above.
- Monitoring the impact of the fundamental budget review cost reduction initiatives on the service to ensure it does not result in loss of resources to the extent that the ability to deliver an adequate and effective internal audit service is undermined.

7. **The Future of the Effectiveness Review**

7.1 As mentioned there is no longer a statutory requirement to undertake this review annually and report it to this Committee. Given that the external auditors take a view annually, and report upon, the adequacy and effectiveness of the internal audit service coupled with the introduction of a new need to commission a periodic externally delivered review of the service, there seems little rational in continuing to do an annual internal review. The Committee will continue to receive client feedback information through the performance monitoring and annual report compilation activity undertaken by the service itself.

Conclusion

The Review Group are of the opinion that the County Council has an effective system of internal audit.

Consultation

a) Policy Proofing Actions Required

n/a

Background Papers

The following background papers as defined in the Local Government Act 1972 were relied upon in the writing of this report.

Document title	Where the document can be viewed
Public Sector Internal Audit Standards	Lincolnshire County Council, Corporate Audit & Risk Management Team

This report was written by David C Forbes, who can be contacted on 01522 553642 or david.forbes@lincolnshire.gov.uk.

Regulatory and Other Committee

Open Report on behalf of Pete Moore, Executive Director – Finance and Public Protection

Report to:	**Audit Committee**
Date:	**20 July 2015**
Subject:	**Internal Audit Annual Report - 2014/15**

Summary:

This report gives the Head of Internal Audit opinion on the adequacy the Council's governance, risk and control environment and delivery of the Internal Audit Plan for 2014/15.

Recommendation(s):

That the Committee consider the content of the Audit and Risk Manager's Head of Internal Audit Annual Report and any actions it may wish to make.

Background

1. The Annual Internal Audit Report aims to present a summary of the audit work undertaken over the past year. In particular:

   - Include an opinion on the overall adequacy of and effectiveness of the governance framework and internal control system and the extent to which the Council can rely on it;
   - Inform how the plan was discharged and of overall outcomes of the work undertaken;
   - Draw attention to any issues particularly relevant to the Annual Governance Statement.

2. The detailed report is attached in Appendix A.

Conclusion

3. Our internal audit service continues to work with the Audit Committee and Management to help the Council maintain effective governance, risk and control processes.

4. During 2013/14 there have been a number of areas where we have identified the need for improved compliance and strengthening of the control processes. In forming my opinion I have also drawn upon other assurance

intelligence in the Council. Taking all the information into account - I have assessed the:

- governance, risk and control processes of the Council as **amber** – performing adequately with some improvements required, and
- the financial control environment as **amber** – performing well with some improvements required

5. The content of the Internal Audit Annual report has also informed the development of the Councils' Annual Governance Statement 2015 – due to be presented to this Committee.

6. We have also delivered 99% of the revised audit plan to agreed performance of 100% target.

7. Audit Lincolnshire conforms to the UK Public Sector Internal Audit Standards and has been assessed as providing an 'effective' internal audit function to the Council.

8. We continually seek opportunities to improve our service to the Council and our quality assurance framework identified the following areas of improvement:
    - Obtain and share counter fraud risk assessment
    - Review practice manual
    - Ensuring contemporary reporting.
    - More effective client liaison arrangements with Senior Management Team.
    - Implement upgrade to audit software
    - Report writing
    - Further develop Audit Lincolnshire collaboration.

    .

9. A quality assurance improvement plan is in place to help us continually improve and develop

Consultation

a) Policy Proofing Actions Required

Not applicable

Appendices

These are listed below and attached at the back of the report	
Appendix A	Internal Audit Annual Report - 2014/15

Background Papers

The following background papers as defined in the Local Government Act 1972 were relied upon in the writing of this report.

Document title	Where the document can be viewed
Internal Audit Annual Plan -2014/15	Audit Committee minutes and papers
Internal Audit progress reports	Audit Committee minutes and papers

This report was written by Lucy Pledge, who can be contacted on 01522 553692 or lucy.pledge@lincolnshire.gov.uk.

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Public Sector Auditing…. Private Sector Thinking

Lincolnshire County Council

Internal Audit Annual Report – 2014/15

Working for a better future

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Other Significant issues and changes to the plan	9
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Appendix 1 - Internal Audit Assurances Given 2014/15

Appendix 2 – Details of School Audits 2014/15

Appendix 3 – Outstanding Recommendations

Appendix 4 – Quality Assurance Framework

Distribution List

Chief Executive
Directors
External Audit

Management Summary

Purpose of Annual Report

1 The Annual Internal Audit Report of Lincolnshire County Council aims to present a summary of the audit work undertaken over the past year. In particular:-

- Include an opinion on the overall adequacy of and effectiveness of the governance framework and internal control system and the extent to which the Council relies on it;
- Inform how the plan was discharged and the overall outcomes of the work undertaken;
- Draw attention to any issues particularly relevant to the Annual Governance Statement.

Opinion on the Governance Framework and Internal Control Environment

2. For the twelve months ended 31 March 2015, based on the work we have undertaken and information from other sources of governance, my opinion on the adequacy and effectiveness of Lincolnshire County Council's arrangements for governance, risk management and control is shown in **Figure.1**.

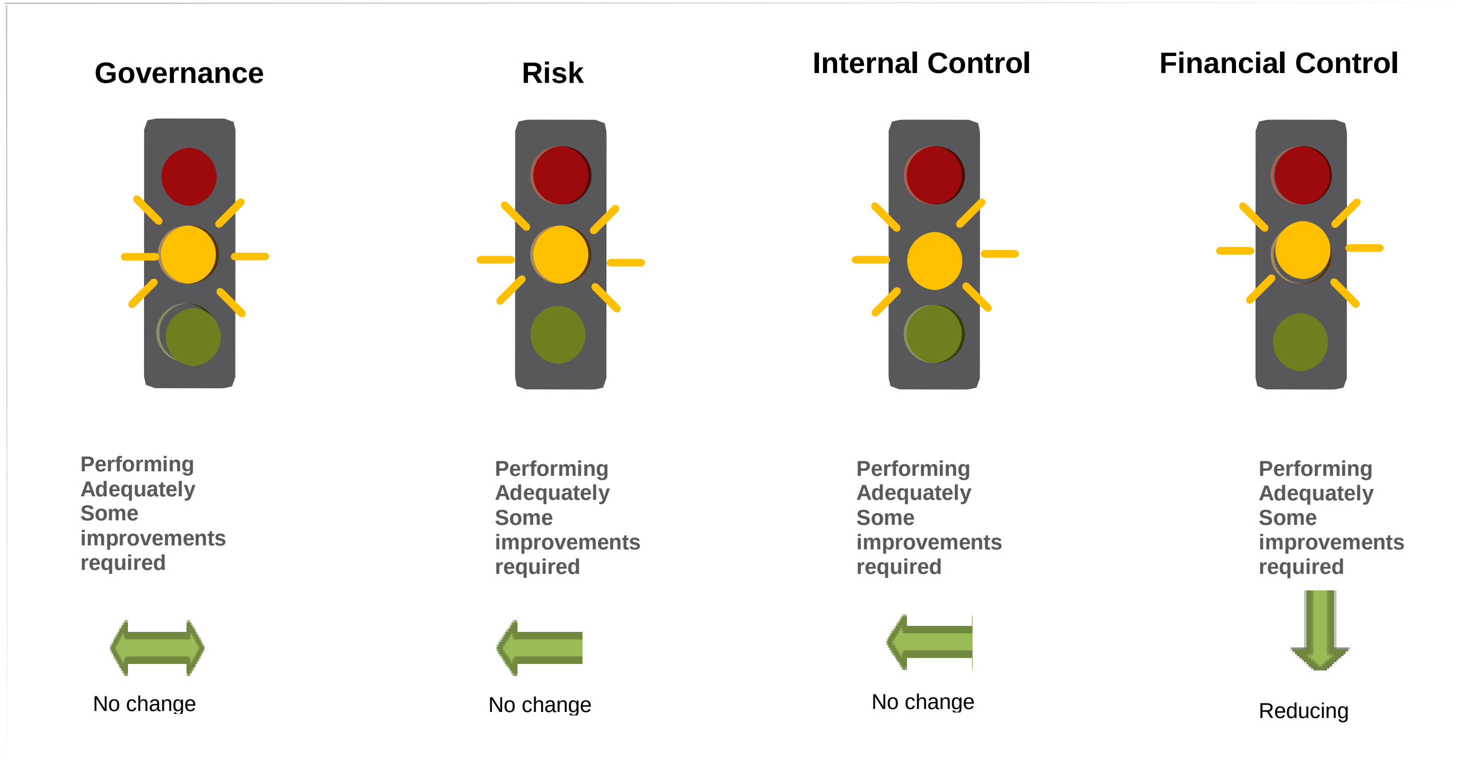
3. The Council continues to maintain its momentum in strengthening its governance, risk and control framework. Good assurance arrangements are in place which work adequately. Having a strong governance framework is vital if the Council is to successfully meet the challenges ahead.

Figure 1

Key

Red	**Inadequate Performance** – Critical *action required by management* throughout the Council.
Amber	**Performing Adequately** – Some improvement required to manage a high risk in a specific business area and medium risks across the Council.
Green	**Performing Well** – No concerns that significantly affect the governance framework and successful delivery of the Council priorities

Direction of Travel (from last report 2014)



How we came to our opinion

Governance – *"If management is about running the business – Governance is about seeing that it is run properly"*

4. Local Government has been and will continue to undergo significant change. The way it operates and delivers services – either directly, with or through other organisations will provide challenges for managing risk, ensuring transparency and demonstrating accountability. The importance to aim for the standards of the best and ensuring governance arrangements should not only be sound but also seen to be sound has never been greater.

5. Good governance underpins everything the Council does and how it delivers services often comes under close scrutiny. It is therefore vital that resources focus on agreed policy and priorities; that there is sound and inclusive decision making with clear accountability for the use of those resources. This ensures that the County Council achieves the desired outcomes for the people of Lincolnshire.

6. The Audit Committee helps to ensure that these arrangements are working effectively. They regularly review the governance framework and consider the draft and final versions of the Annual Governance Statement.

7. During 2014/15 the County Council has implemented some significant changes in its management arrangements and structures. This included a review of the constitution and implementing organisational learning arising from the outcome of a Judicial Review on the decision on the future of the Library Service. Further work is also underway to review the effectiveness of the Council's scrutiny arrangements. The outcome of which is due in September 2015.

8. With substantial funding cuts and cost pressures to absorb the Council undertook a fundamental budget review during 2014. The fundamental budget review identified £65m towards the budget reduction target of £130m. This was through better ways of doing things and being more efficient. There is still a way to go and some difficult decisions to make to balance what the Council can afford to deliver against cost, quality and risk. The risk of service failure will increase in a lower funded environment.

9. The Council has undertaken the annual review of the Council's governance framework. They have identified a number of areas where work is required to improve systems or monitor how the key risks facing the Council are being managed, namely:

- Financial challenges ahead
- Our financial control environment
- Case management system (MOSIAC)
- Information Governance
- Governance Arrangements
    i. Reviewing our constitution
    ii. Decision making
    iii. Risk management culture

10. On this basis we have assessed the governance framework as **amber –** performing adequately with some improvements required.

Risk and Internal Control

11. We took account of the outcome of our internal audit work during the year. Our work identified no areas where an 'inadequate' assurance opinion was given. We did however identify some areas where our assurance opinion on the activity identified some concerns on service delivery arrangements, management of risks, and operation of controls. These are:

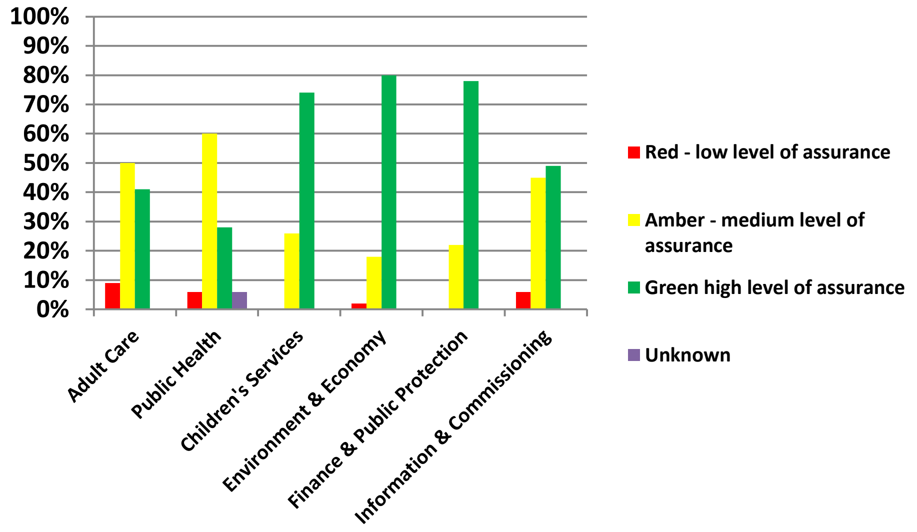
- School Improvement Service – Special Schools
- Information Governance
- Joint Commissioning Board
- Fire and Rescue Trading Company
- Substance misuse
- Corporate Landlord project

12. We suggest that Information Governance and the governance arrangements of the Joint Commissioning Board is considered for inclusion within the Council's Annual Governance Statement as a potential significant governance issue / high risk that is being addressed.

13. A Combined Assurance Status report is produced by each Director on the level of confidence the Council can have on its service delivery arrangements, management of risks, operation of controls and performance for their area of responsibility. These reports are reviewed by the Audit Committee.

14. **Figure 2** shows the current assurance levels for each Executive Director – it gives a positive assurance picture for the Council. This is likely to be the last year where the Council will be able to give this level of positive assurance. The future will mean that the Council will need to be comfortable with taking more high risk decisions and accepting that there may be service failures as a consequence of budget and service reductions.

Figure 2 – Overall Assurance Levels 2015



15. Taking all of the above information into account we have assessed the internal control environment as **amber –** performing adequately with some improvements required.

Risk Management

16. There is a framework in place for the Council to manage the key risks facing services and successful delivery of priorities - with regular reporting to management and members.

17. The last Internal Audit identified some opportunities to improve risk information around key decisions, projects and the level of risk the Council is prepared to take across its different business units. Whilst some progress has been made the recommendations have yet to be fully implemented.

18. The Governance and Audit Committee continues to receive regular updates on how the Council manages its risks.

19. The Council will need to ensure that its risk management processes work well – with a risk culture that promotes:
    - taking the right risks in an informed manner.
    - having clear accountability for and ownership of specific risks and risk areas.
    - having transparent and timely risk information flowing up and down the organisation with bad news rapidly communicated without the fear of blame.
    - Implement and encourage risk reporting – actively seeking to learn from mistakes and near misses and reporting on risk triggers / events.

20. Taking all of the above information into account we have assessed the risk management as **amber –** performing adequately with some improvements required.

Financial Control

21. Our work provides an important assurance element to support the External Auditor's opinion on the Council's Statement of Accounts. During the year we reviewed:

- Capital contracts
- Financial Key Control Testing
- Mouchel contract
- Pension Fund Benefits Admin Service transfer
- Budget Management
- Agresso Project

22. The Council had good financial management processes in place through SAP– that generally worked well. Our assurance work over the implementation of the new financial and HR system (Agresso) identified some major control weaknesses and gaps in system testing. We were therefore unable to provide comprehensive assurance over system control design and effective operation – particularly on the payroll module. Currently there are significant issues with the Council's financial control environment following the implementation of Agresso – this is caused by the post implementation system issues and the lack of visibility.

23. We are minimising the impact of these issues as much as possible by our joint working arrangements / increased involvement. We plan to carry out a comprehensive evaluation with the Project Lead and report to the Audit Committee meeting in September.

24. We have therefore assessed financial control as **amber** – performing adequately with some improvements required. This is a lower assurance level than last year - it takes into account the post live issues affecting the adequacy of the financial control environment and the risk / issues of fraud and error.

Counter Fraud

25. The Council continues to have effective counter fraud arrangements in place. The delivery and outcome of proactive counter fraud plan is monitored by the Audit Committee.

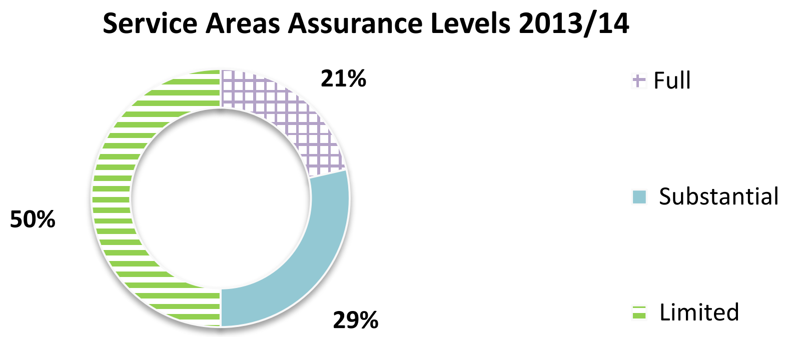
26. Our counter fraud work identified a number of areas where internal control processes have failed. The Council continues to fight against the risk of fraud - taking appropriate recovery and redress action. Steps are also taken to improve systems.

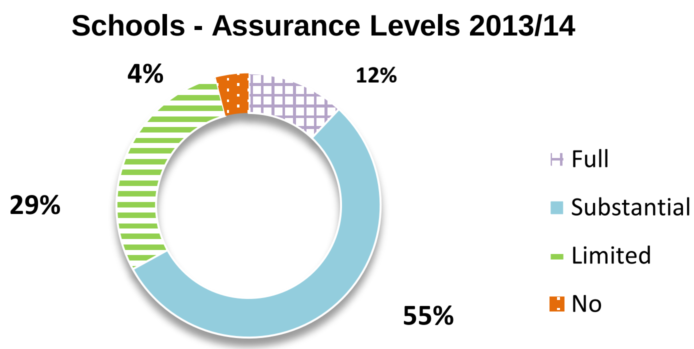
Benchmarking – Comparison of Assurances

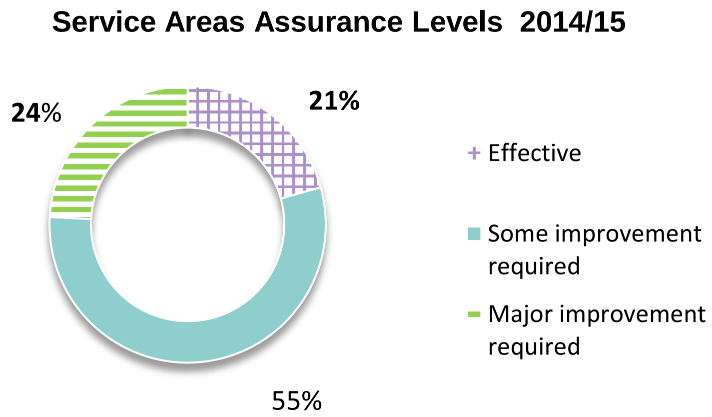
27. The charts below show the assurance opinions given in 2014/15 compared to those in 2013/14. Our audit plan includes different activities each year – it is therefore not unexpected that these vary; however, the assurance levels do give an insight on the application of the Council's control environment.

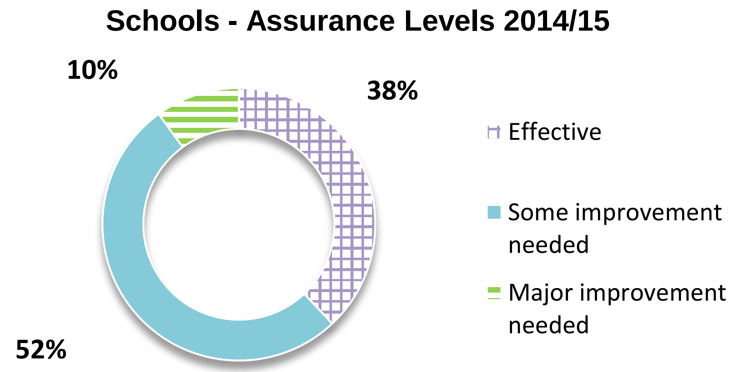
28. We can see from the charts that no service area was given an inadequate assurance opinion in 2014/15 with mostly a positive assurance opinions being given.

Figure 3 – Comparison of Assurances









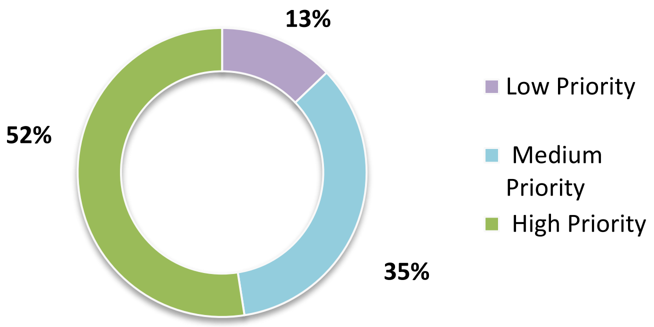
Scope of Work

Benchmarking – Comparison of Recommendations

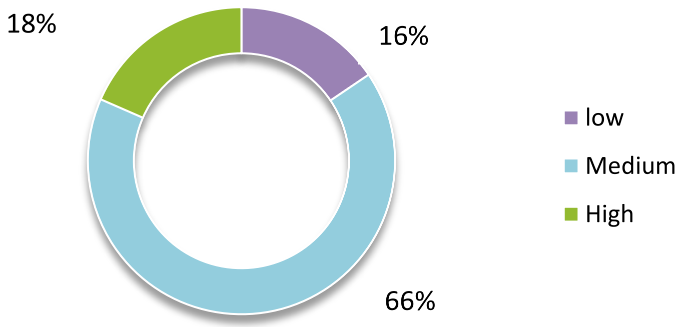
29. The charts below show the comparison of internal audit recommendations made 2013/14 and 2014/15. Details of systems reviewed can be found in Appendices 1 & 2.

Figure 4 – Recommendations Made

Service Areas Recommendations 2013/14

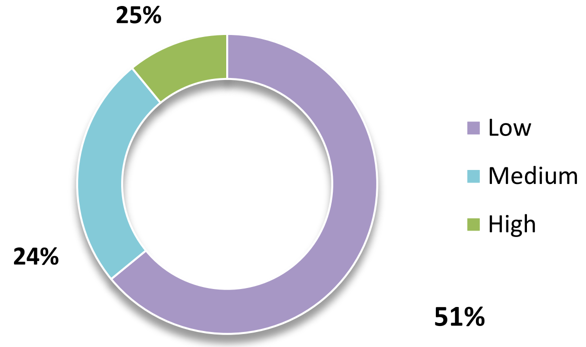


Service Areas Recommendations 2014/15

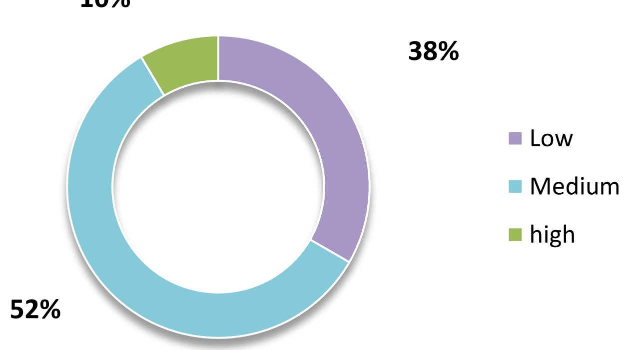


30. We track the implementation of agreed management actions. Over the past year management have implemented 96 % recommendations due by 31st March 2015. Details of outstanding recommendations can be found in Appendix 3.

Schools - Recommendations 2013/14



Schools - Recommendations Levels 2014/15



Delivery of internal audit plan 2014/15

31. Internal Audit's performance is measured against a range of indicators. The table opposite shows our performance on key indicators at the end of the year. We are pleased to report a good level of achievement against our targets – one area of improvement is around contemporary reporting (timescales).

Restrictions on Scope / Disagreements

32. In carrying out our work we identified no unexpected restrictions to the scope of our work. We have had difficulties in gaining access to staff which resulted in some delay or inability to deliver planned work within the expected timescales. This is a common issue with the delivery of our work but was particularly an issue with the Planning review.

33. To help address this issue we have changed the way we plan and schedule our work – we no longer have an annual plan. Audit areas identified via our risk based Internal Audit Strategy are now scheduled on a quarterly / six monthly basis.

34. One area where we deferred our internal audit work was around IT Audit – the implementation of 2 major applications, the transition to a new provider and changes in management arrangements meant that there was limited capacity within ICT to facilitate our audit work. The plan for 2015/16 includes an ICT audit needs assessment and a number of key ICT audit areas. Assurance for 2014/15 has been leveraged through the Combined Status Report.

Performance Indicator	Target	Actual @ 31/03/2015
Productivity & Efficiency		
Actual audits versus planned (by number of audits) – revised plan	100%	99%
Financial Systems	100%	100%
% of Reports issued within 2 weeks of closure meeting	100%	100%
Timescales: Draft Report issued within 10 days of completion Final Report issued within 5 days of management response Draft Report issued within 2 months of fieldwork commencing	100% 100% 80%	100% 92% 69%[1]
Quality of Service		
Client questionnaire scoring better than average for all categories	Good to excellent	Good to excellent

Lincolnshire County Council Audit Lincolnshire

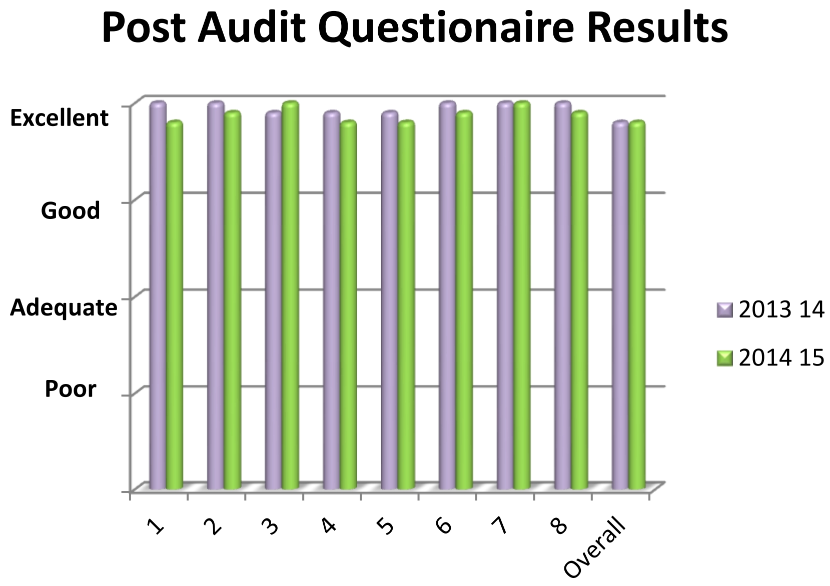
[1] Including Schools

Effectiveness of Internal Audit

35. We regularly canvass opinions on audit planning, report and communication from management responsible for activities under review. They score the effectiveness of our service as excellent, good, adequate or poor.

36. The table in **Figure 5** outlines the responses by management on our service. For 2014/15 there was a 51% questionnaire return rate (Schools 33% and Service Areas 60%), the overall average rating for the service was good to excellent. Work is underway to improve the process for collecting feedback from clients.

Figure 5 – Client Feedback



Questions

A. Audit Planning

1. Consultation on audit coverage
2. Fulfilment of scope and objectives

B. Audit Report

3. Quality of report
4. Accuracy of findings
5. Value of report

C. Communication

6. Feedback of finds during audit
7. Helpfulness of auditor(s)
8. Prompt delivery of the audit report

Other significant audit work and changes to the plan

37. During the year we have undertaken the following additional work:

- Library Review – Organisational Learning
- Standards Complaint Investigation
- Agresso Implementation
- Schools
- Birth to Five delivery arrangements
- Fire and Rescue Trading Company
- School Improvement Service
- Ethnic minority and traveler education

38. During the year we made a number of changes to the plan. The following audits were removed:

- EU Procurement
- Business Continuity
- Joint Waste Strategy
- Adult Education
- CFBT Contract
- Education Performance Moderation
- Raising the participation age
- HR Workforce Strategy
- Workforce development
- Reablement Service
- Contract Management

39. The County Council has a number of significant external clients:

- North Kesteven District Council
- South Holland District Council
- West Lindsey District Council
- Newark and Sherwood District Council
- Lincolnshire Academies
- Gainsborough Town Council
- Charity

The net income generated from this arrangement is in the region of £100K.

Quality Assurance

40. We recognise the importance of meeting customer expectations as well as conforming to the UK Public Sector Internal Audit Standards. We continually focus on delivering high quality audit to our clients – seeking opportunities to improve where we can.

41. Our commitment to quality begins with ensuring that we recruit develop and assign appropriately skilled and experienced people to undertake your audits.

42. Our audit practice includes ongoing quality reviews for all our assignments. These reviews examine all areas of the work undertaken, from initial planning through to completion and reporting. Key targets have been specified - that the assignment has been completed on time, within budget and to the required quality standard.

43. Our Quality Assurance Framework (**Appendix 4**) includes all aspects of the Internal Audit Activity – including governance, professional practice and communication. We are able to evidence the quality of our audits through performance and delivery of audits, feedback from our clients and an annual self-assessment.

44. There is a financial commitment for training and developing staff. Training provision is continually reviewed through the appraisal process and regular one to one meetings. A training programme has been developed to ensure that staff are kept up to date with the latest technical / professional information and to ensure that they are equipped with the appropriate skills to perform their role.

45. Audit Lincolnshire conforms to the UK Public Sector Internal Audit Standards. Our quality assurance framework helps us maintain a continuous improvement plan, which includes the following areas of development:

- Obtain and share counter fraud risk assessment
- Review practice manual
- Ensuring contemporary reporting.
- More effective client liaison arrangements with Senior Management Team.
- Implement upgrade to audit software
- Report writing
- Further develop Audit Lincolnshire collaboration.

46. Although internal and external auditors carry out their work with different objectives in mind, many of the processes are similar and it is good professional practice that they should work together closely. Wherever possible, External Audit will place reliance and assurance upon internal audit work where appropriate.

Appendix 1 Assurances Given 2014/15

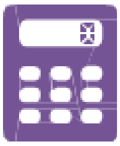
Data is for audits completed 2014/15 where recommendations were due to be implemented by 31st March 2015

Activity	Assurance	Total recs	Priority of Recommendations		
			High	Medium	Low
Finance and Public Protection					
Capital Contracts	Some Improvement Needed	3	1	2	0
Fire & Rescue trading company	Major Improvement Needed	7	0	7	0
Fire & Rescue IT Governance	N/A	N/A			
Financial Key Control Testing	Effective	11	0	7	4
Mouchel Contract	Major Improvement Needed	1	1	0	0
Pension Fund Benefits Admin Service transfer	Some Improvement Needed	1	0	1	0
Budget Management	Some Improvement Needed	2	0	2	0
Contract Management	Consultancy	N/A			
Corporate Governance	Consultancy	N/A			
Member Support	Some Improvement Needed	16	0	16	0
Gifts and Hospitality	Some Improvement Needed	4	0	2	2
Agresso Project	Consultancy	N/A			
Broadband in Lincolnshire project	Some Improvement Needed	4	0	3	1
Corporate Landlord project	Major Improvement Needed	10	3	7	0
Finance and Public Protection Assurance Map	Complete	N/A			
Total		**59**	**5**	**47**	**7**
Environment and Economy					
Carbon Reduction Commitment	Effective	2	2	0	0
Central Lincolnshire Local Plan	Effective	10	2	6	2
Social Care Transport	Some Improvement Needed	14	0	11	3
Library Review – Organisational Learning	N/A	27	9	18	0
Environment & Economy Assurance Map	Complete	N/A			
Total		**53**	**13**	**35**	**5**

Appendix 1 Assurances Given 2014/15

Activity	Assurance	Total recs	Priority of Recommendations		
			High	Medium	Low
Children's Services					
Home to School Transport	Some Improvement Needed	14	0	11	3
Children & Adolescent Mental Health Services	Effective	1	0	1	0
Non Attendance at School	Effective	0	0	0	0
School Improvement Service – Special Schools	Major Improvement Needed	8	5	3	0
Safeguarding – Organisational Learning	Some Improvement Needed	7	3	2	2
Families Working Together Project	Effective	0	0	0	0
Ethnic Minority & Traveler Education	Some Improvement Needed	4	0	4	0
Agresso project – HR	Consultancy	N/A			
Children's Services Assurance Map	Complete	N/A			
Total		**34**	**8**	**21**	**5**
Adult Services					
Safeguarding Adults	Some Improvement Needed	6	1	4	1
Joint Commissioning Board	Major Improvement Needed	7	2	3	2
Information Governance	Major Improvement Needed	16	7	6	3
Transformation Programme	Consultancy	N/A			
Adult's Assurance Map	Complete	N/A			
Total		**29**	**10**	**13**	**6**
Public Health					
Sexual Health Services	Some Improvement Needed	3	0	3	0
Health Protection	Some Improvement Needed	13	1	8	4
Lincolnshire Community Assistance Scheme	Some Improvement Needed	5	0	3	2
Substance Misuse	Major Improvement Needed	10	1	6	3
Public Health Assurance Map	Complete	N/A			
Total		**31**	**2**	**20**	**9**

Activity	Assurance	Total recs	Priority of Recommendations		
			High	Medium	Low
ICT					
ICT Strategy	On-going due to FDSS	N/A			
ICT Assurance Map	Complete	N/A			
Total for LCC		**206**	**38**	**136**	**32**
Due by 31 March 2015		**77**	**14**	**31**	**32**
Due after 31 March 2015		**162**	**25**	**105**	



Appendix 2 Details of School Audits 2014/15

School	Assurance	Total recs	Priority of Recommendations		
			High	Medium	Low
Lincoln St Giles Nursery School	Some Improvement Needed	10	0	7	3
Gainsborough Nursery School	Some Improvement Needed	15	5	5	5
Brant Broughton Church of England & Methodist Primary School	Some Improvement Needed	14	0	6	8
Deeping St James Community Primary School	Some Improvement Needed	9	0	7	2
Deeping St Nicholas Primary School	Effective	5	0	2	3
Digby the Tedder Primary School	Effective	4	0	2	2
Grantham Belmont Community School	Effective	5	0	3	2
Grantham Cliffedale Primary School	Effective	9	0	5	4
Langtoft Primary School	Effective	5	0	2	3
Legsby Primary School	Some Improvement Needed	15	0	7	8
Lutton St Nicholas Primary School	Effective	9	0	5	4
Middle Rasen Primary School	Some Improvement Needed	7	0	4	3
North Hykeham All Saints Primary School	Effective	7	0	5	2
Scampton CE Primary School	Some Improvement Needed	20	1	15	4
Tetney Primary School	Some Improvement Needed	16	0	11	5
Boston Pilgrim Hospital	Some Improvement Needed	15	0	12	3
Alford Primary School	Effective	4	0	2	2
Great Gonerby St Sebastian's CE Primary School	Some Improvement Needed	10	1	6	3
Lincoln Bishop King CE Primary School	Major Improvement Needed	29	6	18	5
Long Sutton Primary School	Some Improvement Needed	10	0	5	5
Lincoln Sincil Sports College	Major Improvement Needed	28	8	14	6
Total for Schools		**246**	**21**	**143**	**82**

Appendix 3 Outstanding Audit Recommendations at 31/03/15

Activity	Issue Date	Assurance	Total recs	Recs Imp	Priority of Recommendations High	Medium	Low	Recs not due
Communities / Children's Services								
Home to School Transport	19/1/15	Some Improvement Needed	14	7	0	11	3	2
Library Review – Organisational Learning		N/A	27	1	9	18	0	16
Finance and Public Protection								
Corporate Landlord project	21/1/15	Major Improvement Needed	10	0	3	7	0	9
Total			**51**	**8**	**12**	**36**	**3**	**27**

Appendix 4 - Quality Assurance Framework

Page 234

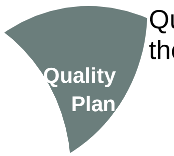
Annual self- assessment

- Head of Internal Audit - develop & maintain Quality Assurance Improvement Programme (QAIP) & improvement action plan
- Focus on evaluating conformance with Internal Audit Charter, definition of Internal Audit, Code of Ethics & the Standards
- Arrange an External Assessment – co-ordinated with Audit Committee (planned for 2015)

Periodic quality assurance assessments

- Obtain periodic assurance that engagement planning, fieldwork conduct and reporting /communicating results adheres to audit practice standards
- Provide HIA with quarterly highlight reports on outcome of reviews

Quality outcomes / process designed to deliver a consistently high quality audit service to our clients - fit for purpose / meet client expectations / conform to PSIAS



Quality improvement plan - HIA reporting to Audit Committee on the outcome of Quality Assurance – with improvement

Ongoing monitoring – quality built into the audit process

Quality checks and oversight are undertaken throughout the audit engagement ensuring that processes and practice are consistently applied and working well.

- Conduct all audit engagements in accordance with audit practice standards/PSIAS
- Behave at all times in accordance with the Code of Ethics/Code of Conduct
- Promote the standards and their use throughout the Internal Audit activity
- Commitment to delivering quality services

- Obtain ongoing assurance that engagement planning, fieldwork conduct and reporting/communicating results, adheres to audit practice standards
- Undertake engagement supervision and review. The extent of supervision needed will depend on the proficiency and experience of the internal auditors and the complexity of the engagement.

Lincolnshire
COUNTY COUNCIL
Working for a better future

Regulatory and Other Committee

Open Report on behalf of Pete Moore, Executive Director – Finance and Public Protection

Report to:	**Audit Committee**
Date:	**20 July 2015**
Subject:	**Review of Governance Framework & Development of Annual Governance Statement 2015**

Summary:

The Council is required to reflect on how well the Council's governance framework has operated during the year and identifiy any governance issues that we need to draw to the attention of Lincolnshire's residents.

Good governance underpins everything we do as a Councill and how we deliver services often comes under close scruitiny.

A 'good' Annual Governance Statement is an open and honest self- assessment of how well we have run our business accross all activities - with a clear statement of the actions being taken or requried to address any areas of concern.

The Audit Committee oversees the development of the Annual Governance Statement and recommends its approval to the Council.

This paper provides the Committee with the opportunity to review the contents of the draft statement - ensuring that it accurately reflects the Committee's understanding of the Council's governance and assurance arrangements. This is a key activity in the Committee's terms of reference.

Recommendation(s):

That the Committee considers the contents of the Annual Governance Statement 2015 , and:

1. agree that it accurately reflects how the Council is run;

2. that the statement includes the significnat governance issues / key risks it would have expected to be published;

3. identify any changes it wishes to make to the statement.

Background

What do we mean by Governance?

1 Governance is about how local authorities ensure that they are:

'doing the right things, in the right way, for the right people, in an open, honest, inclusive and timely manner'

2 It is comprises of systems, processes and culture and values, by which the Council is directed and controlled and through which they account to, engage with, and where appropriate, lead their communities.

"If management is about running the business – governance is about seeing that it is run properly"[1]

What is the Governance Framework?

3 Each local authority operates through a governance framework which brings together an underlying set of legislative requirements, governance principles and management processes. It ensures that the Council's business is conducted in a legal and proper way – ensuring that public money is properly used - economically, efficiently and effectively.

4 In December 2012, CIPFA[2] issued 'Delivering Good Governance in a Local Government Framework' with associated guidance. These set out best practice to be followed for developing and maintaining a local code of governance – including the publication of an annual governance statement.

5 It defines six core principals by which a Council can test out their governance arrangements. These are:

- Focussing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area
- Members and officers working together to achieve a common purpose with clearly defined functions and roles
- Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour
- Taking informed and transparent decisions which are subject to effective scrutiny and managing risk
- Developing the capacity and capability of members and officers to be effective
- Engaging with local people and other stakeholders to ensure robust accountability

[1] Robert Tricker. An expert in Corporate Governance.
[2] The Chartered Institute of Public Finance and Accountancy

Annual Review of our Governance Framework

6. The annual review and development of the Annual Governance Statement is undertaken by the Governance Group in consultation with the Executive Directors. The Council's Governance Group comprising of:

- Monitoring Officer - Executive Director – Environment and Economy
- Section 151 Officer - Executive Director – Finance and Public Protection
- County Finance Officer
- Audit and Risk Manager (Head of Internal Audit)
- Chief Legal Officer

7. The sources of information used to develop the Governance Statement include:
   - The assurance arrangements of the Council, particularly each Directors Combined Assurance Status reports.
   - Head of Internal Audit annual audit opinion (Annual Report 2015)
   - Council's Strategic Risk Register and risk management arrangements
   - External Audit Annual Audit Letter
   - Ombudsman investigations
   - Complaints and lessons learnt
   - Comments of the Corporate Management Board

Governance Issues

8 As a result of our annual review we have identified the following areas where further work is required to improve systems or monitor how the key risks facing the Council are being managed. These are:
- Financial challenges ahead
- Financial control environment
- Information Governance
- Governance arrangements of the Council
- Risk Culture

9 These areas are highlighted because of the need for the Council to be realistic and open about those functions and activities which require, or are likely to require, support (including but not limited to financial support) over the next year in order to ensure that they are working effectively and efficiently. This in turn should ensure that any future problems in those areas are averted or at the very least minimised. They also represent some of the key areas that will help us deliver our Business Plan.

10 The draft Annual Governance Statement can be found in Appendix A. It is presented to the Committee for your consideration and 'challenge' of the contents eg:

- Does it accurately reflect the Committee's understanding of how the Council is run?

- Reflecting on evidence presented to the Committee during the year and other relevant information are the significant governance / key risks those that the committee expected to see published? Are there any surprises / gaps?

  Note: Recognising that the statement is a reflective / backward look at the Council from April 2014 to March 2015 but does need to be contemporary at the time of publication.

11 Our governance framework and annual review covers all activities of the Council including Fire and Rescue and Pensions.

Conclusion

12 The Council has a strong control environment which is demonstrated by the realistic and open assessment of its functions and activities.

13 Officers have identified a number of governance issues to be included in the Annual Governance Statement. The Audit Committee is asked to independently review and approve these for 'realism'.

14 The final Annual Governance Statement will be presented to the Committee in September for approval.

Consultation

a) Policy Proofing Actions Required

n/a

Appendices

These are listed below and attached at the back of the report	
Appendix A	Lincolnshire County Council - Annual Governance Statement 31 March 2015

Background Papers

The following background papers as defined in the Local Government Act 1972 were relied upon in the writing of this report.

Document title	Where the document can be viewed
Local Code of Governance	Audit Committee minutes and papers

This report was written by Lucy Pledge, who can be contacted on 01522 553692 or lucy.pledge@lincolnshire.gov.uk.

Lincolnshire
COUNTY COUNCIL
Working for a better future

Annual Governance Statement - Draft

2014/2015

Version 1 07.07.15

Lincolnshire County Council in statistics

724,500 residents comprising ***306,971*** households were in receipt of LCC services. This is projected to increase to **831,100** residents in **373,000** households by 2037.

Nearly **100,000** homes have benefitted from the Onlincolnshire broadband programme, ensuring faster and more reliable broadband connectivity.

293 people became British Citizens through formal citizenship ceremonies in Lincolnshire.

7,276 free home fire-safety checks were undertaken.

410 compliments and ***551*** complaints were received by the Council. ***54*** referrals went to the Local Government Ombudsman and out of those - where a detailed investigation was carried out - ***6*** were upheld and ***18*** were not upheld.

Lincolnshire has ***5,444*** miles of roads and was able to repair ***77,000*** pot holes last year.

322,061 passenger journeys were made via CallConnect, providing public transport in isolated areas.

The Energy from Waste Facility in North Hykeham is processing **150,000** tonnes of waste and producing enough electricity to power **26,500** homes.

8,360 people attended adult learning courses.

393,324 visits were made to the county's heritage sites.

The **£22 million** refurbishment of Lincoln Castle, which was opened by HRH the Princess Royal, has been awarded Heritage Project of the Year by the National Federation of Builders.

93% of Lincolnshire's secondary and primary school children were offered places at their first preference school.

Over **£338 million** was spent with local suppliers in the last year.

Annual Governance Statement for Lincolnshire County Council 2015

How has this Statement been prepared?

Each year we reflect on how well the Council's governance framework has operated during the year and identify any significant governance issues we need to draw to the attention of Lincolnshire residents.

To help us do this the Council's Audit Committee undertakes a review of the Council's governance framework[1] – considering and challenging evidence and information supplied by an Officer Group (comprising of the Chief Financial Officer, Monitoring Officer, Head of Internal Audit, Head of Legal Services and Democratic Services Manager).

On the 8th July 2015 the draft statement was agreed and signed off by the Corporate Management Team.

On the 20th July 2015 the Audit Committee considered the significant governance issues identified in the Statement – ensuring that the Statement properly reflects how the Council is run and identified any improvement actions.

The final statement was formally approved by the Audit Committee on the 21st September 2015 - where it was recommended for signing by the Leader of the Council, Chief Executive and the Executive Director – Finance and Public Protection.

[1] The Council has adopted a governance and assurance structure which is consistent with the principles of the CIPFA/SOLACE Framework – Delivering Good Governance in Local Government – 2012 Edition

Introduction by Pete Moore
Executive Director, Finance and Public Protection

"If management is about running the business – governance is about seeing that it is run properly"[2]

Good governance underpins everything we do as a Council and how we deliver services often comes under close scrutiny.

It's important our resources focus on agreed policy and priorities; that there is sound and inclusive decision making with clear accountability for the use of those resources and that key risks are managed effectively. This ensures that we achieve the desired outcomes for the people of Lincolnshire.

We continue to face significant financial challenges with less money for Local Authorities. As things stand – and depending on what we learn in the next spending review – we anticipate having to operate with a further reduction of nearly £130m to balance our budget by March 2019. This will mean we will use our balances to help support the budget and the change programme the Council will be undertaking over the next few years.

We will be reassessing our priorities against available budgets and looking at different ways to deliver our services – working far closer with key partners such as health and police, business, the 'third sector' and community groups. It will also mean some services will be stopped altogether.

During this time of change it is vital that people and businesses have trust and confidence in how we run our business and that public money is well spent – it's all about good governance.

[2] Robert Tricker. An expert in Corporate Governance.

What is Corporate Governance?

Lincolnshire County Council spends around £1,000 million of public money every year**.** It is our duty to **"*ensure the greatest benefits for the people in Lincolnshire from the resources we use.*"**

The public have a right to expect high standards and value for money in how we spend this money to improve the lives of the people of Lincolnshire.

Local Government has been and will continue to undergo significant change. The way we operate and deliver services – either directly, with or through other organisations will provide challenges for managing risk, ensuring transparency and demonstrating accountability. We need to aim for the standards of the best and our governance arrangements should not only be sound but also seen to be sound.

The Framework consists of the systems and processes, cultures and values by which the Council is directed and controlled. It sets out how we account to and engage with the people of Lincolnshire - it's about **Community Leadership**.

It helps us monitor our progress in achieving our goals and whether or not those goals are leading to effective and top quality services.

Our Governance Framework brings together an underlying set of legislative requirements, good practice principles and management processes.

Whose responsibility is it?

Having good governance arrangements is important to everyone involved in the Council. However, it is a key leadership responsibility of the Leader of the Council and of the Chief Executive. They are accountable for ensuring good governance in the Council.

Figure 1 - Our governance framework

Code of Corporate Governance

Assurance Required Upon

- Services are delivered economically, efficiently & effectively
- Management of risk
- Effectiveness of internal controls
- Democratic engagement & public accountability
- Budget & financial management arrangements
- Roles & responsibilities of Members & Officers
- Standards of conduct & behaviour
- Compliance with laws & regulations, internal policies & procedures
- Actions plans dealing with significant issues are approved, actioned & reported upon

Source of Assurance

- Constitution (incl. statutory officers, scheme of delegation, financial management & procurement rules)
- Audit Committee
- Internal & external audit
- Independent & external sources
- Council Executive & Scrutiny
- Medium Term Financial Strategy
- Complaints system
- HR policies & procedures
- Whistleblowing & other countering fraud arrangements
- Risk management strategy & framework
- Performance management system
- Codes of conduct
- Corporate Management Team

Assurances Received

- Statement of accounts
- External audit reports
- Internal audit reports
- Local Government Ombudsman report
- Risk Management Reports
- Counter fraud reports
- Scrutiny reviews
- Effectiveness reviews of Audit Committee
- Combined Assurance Status Reports
- Overview & Scrutiny Annual Report
- Performance & Delivery Reports
- Annual Report

Opportunities to Improve – our key risks

- Financial challenges ahead
- Our financial control environment
- Case management system (MOSIAC)
- Information Governance
- Our Governance Arrangements
  - Reviewing our constitution
  - Decision making
  - Risk management culture

Annual Governance Statement

The Council – How it works

The Council is made up of 77 Councillors and operates a Leader and Executive model of decision making.

All 77 Councillors meet at full Council to agree the budget and policy framework. Ten Councillors form the Executive. The Executive make the decisions that deliver the budget and policy framework.

The remaining 67 Councillors form scrutiny committees. These committees develop policy and scrutinise decisions made by the Executive and key decisions made by officers – holding them to account. A number of Committees deal with Regulatory issues.

The conduct of Council's business is defined by formal procedures and rules – known as the Constitution. This explains the roles and remits of all committees and the delegation arrangements that are in place. It also contains the Budget and Policy Framework, finance and other procedure rules and the Codes of Conduct for Members and Employees.

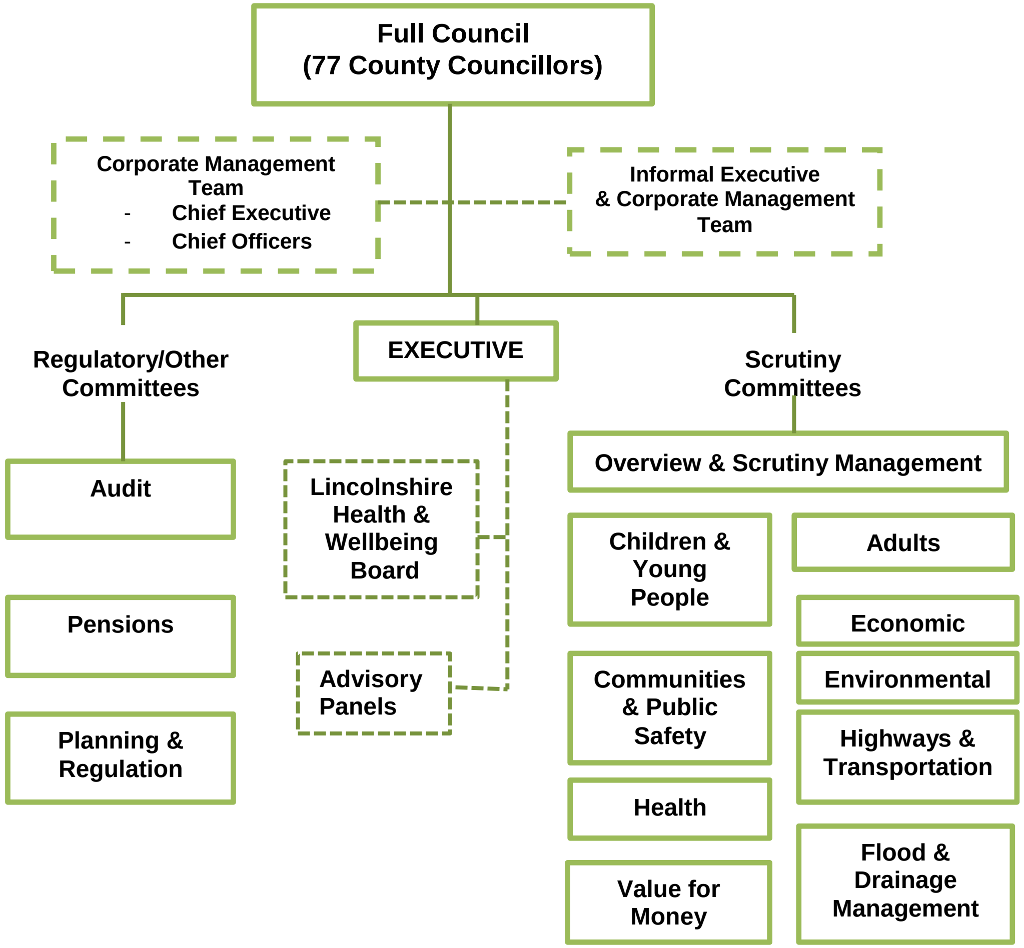
Council elections were held on the 2nd May 2013. This resulted in a change in the ruling political group on the Council, which is now the Lincolnshire Administration – a coalition of Conservatives, Liberal Democrats and Independents.

In times motivated by change we are committed to sharing as much information about our plans and programmes as possible. Meetings are therefore normally open to the public and we undertake extensive consultation on major changes to the way we propose to deliver our services.

With substantial funding cuts and cost pressures to absorb we undertook a fundamental budget review – including a widespread public consultation. This helped us identify our overriding priorities, particularly services which keep individuals and communities secure. We deliberately set a one year budget to enable us to respond to changes following the general election. We have identified £65m towards our reduced budget target of £130m through better ways of doing things and being more efficient in how we operate. We still a way to go and some difficult decisions to make. The risk of service failure will increase in a lower funded environment. Risk will be a key driver in determining future budget reductions. Having a strong governance framework during this period will be vital to our success.

Having far closer co-operation with health partners and community groups will play a key part in how we run our business. Collaborative governance and accountability arrangements will need to be fully developed – balancing accountability for successful delivery of outcomes with proportionate and pragmatic approaches based on acceptable levels of risk and affordability.

Figure 2 – Council Committee Structure



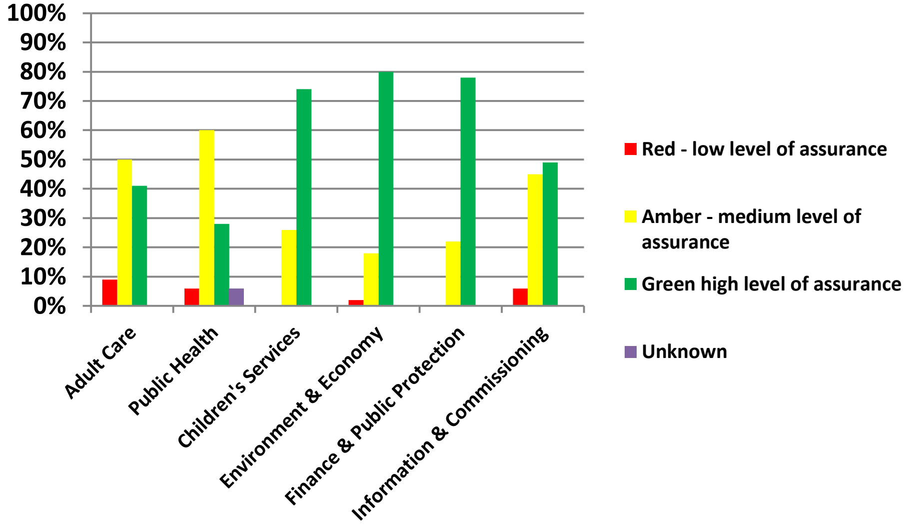
How do we know our arrangements are working?

There are a number of ways we assess if our governance arrangements are working.

Our managers have the day to day responsibility for managing and controlling services - they are accountable for their successful delivery. They set 'the tone from the top' and develop and implement the policies, procedures, processes and controls – ensuring compliance.

A Combined Assurance Status report is produced by each Director on the level of confidence the Council can have on its service delivery arrangements, management of risks, operation of controls and performance for their area of responsibility. These reports are reviewed by the Audit Committee. **Figure 3** shows the current assurance levels for each Executive Director – it gives a positive assurance picture for the Council. This is likely to be the last year where the Council will be able to give this level of positive assurance. The future will mean that the Council will need to be comfortable with taking more high risk decisions and accepting that there may be service failures as a consequence of budget and service reductions.

Figure 3 – Overall Assurance Levels 2015



We communicate the vision and purpose of the authority to the public by setting out our objectives and priorities for the year within our Business Plan**.**

We make sure the public receive high quality services by measuring our success and publicly reporting our overall financial position in our Statement of Accounts.

We publish an Annual Report that highlights some real achievements in services provided to Lincolnshire residents, summarises how we spent our budget and shows what efficiency savings we have made. The Leader's Statement at the Councils Annual General Meeting on the 15th May 2015 also gives an account of the achievements of the Council during the year.

If for any reason someone feels that the Council has failed to do something that should have been done or has done something badly or feel that they have been treated unfairly we have a Complaints Policy to proactively deal with complaints and learn from our mistakes.

From time to time the council makes decisions that others want to challenge. Apart from our own complaints mechanisms, people who are dissatisfied after that process may take a complaint to the Local Government Ombudsman.

There is one other route for challenge, that of judicial review. This is a legal challenge on the processes that we have followed or allegedly with which we have not complied. The Council has been subject to a judicial review around the decision on the future of the Library Service. The Audit Committee considered the outcome of the judicial review and how the Council can improve its governance arrangements at its January 2015 meeting.

Role of Monitoring Officer

The Executive Director – Environment and Economy is the designated Monitoring Officer with responsibility for ensuring the lawfulness of decisions taken by us as detailed in the Constitution.

The Monitoring Officer is responsible for ensuring the Council complies with its duty to promote and maintain high standards of conduct by members and co-opted members of the authority. The Council has adopted a Code of conduct and arrangements by which the Monitoring Officer will deal with complaint that Members may have failed to comply with the requirements of that Code.

In 2014/15 the Monitoring Officer dealt with a number of informal and formal complaints that councillors had allegedly breached the Code of Conduct. In most cases he found that the complaint did not fall within the Code of Conduct scheme and were largely matters of perceived harassment and interpersonal relationships between councillors, which are matters for the relevant Group Leader to resolve. No investigation reports were submitted to a Standards Panel of the Audit Committee for consideration.

The Monitoring Officer provided an Annual Report to the Council on how he discharged his duties during the year on the 15th May 2015. It gave assurances that:

- the Council acted and operated within the law
- that appropriate arrangements in place and operated effectively under the Regulation of Investigatory Powers Act and the Council's Whistleblowing policy.
- effective officer and member register of interest process in place
- action taken arising from the published findings by the Local Government Ombudsman

Effective Scrutiny and Review

Our Overview and Scrutiny Management Committee exists to review and scrutinise any decision made by the Executive, Executive Councillor or key decision made by an officer. It examines the County Council's overall performance and advises our Overview and Scrutiny Committees of any areas of performance requiring detailed consideration.

Each year an Overview and Scrutiny Annual Report is produced which shows the activities undertaken by the 10 Committees and how they have contributed to the delivery of agreed priorities and outcomes.

Managing our Risks

Good risk management is part of the way we work. It is about taking the right risks when making decisions or where we need to encourage innovation in times of major change – balancing risk, quality, cost and affordability. This will put us in a stronger position to deliver our goals and provide excellent services. Our risk management process is well established in the way we work. The Audit Committee is responsible for reviewing how effective our risk management procedures are. Our Strategic Risk Register is regularly reviewed and more details can be found in our Risk Management Strategy

Our strategic risk management team supports management to help create an environment of 'no surprises'. An Internal Audit Review identified some opportunities to improve risk information around key decisions, projects and the level of risk the Council is prepared to take across its different business units.

For more information go to: Risk Management Strategy

Tackling Fraud Locally

We are dedicated to promoting a strong culture to prevent and detect fraud. This is supported by our Counter Fraud Policy and our Whistleblowing Policy.

Our response to Central Government's expectations for tackling fraud and corruption is reflected in the Counter Fraud Policy and annual work plan.

Progress and delivery of our counter fraud work plan is monitored through our Audit Committee with an Annual Report produced to provide information on the overall effectiveness of the Council's Counter Fraud arrangements.

The Council secured £200,000 funding from the Department of Communities and Local Government to help create a Lincolnshire Counter Fraud Partnership – working with Lincolnshire Districts to tackle corporate fraud over a 2 year period.

Chief Financial Officer

The Council has designated the Executive Director – Finance and Public Protection as the Chief Finance Officer under Section 151 of the Local Government Act 1972. He leads and directs the Financial Strategy of the Council.

They are a member of the Council's Management Board and have a key responsibility to ensure that the Council controls and manages its money well. They are able to operate effectively and perform their core duties - complying with the CIPFA Statement on the role of the Chief Financial Officer.

Our Audit Committee

The Audit Committee is a vital group that oversees and promotes good governance, ensures accountability and reviews the way things are done. The Audit Committee provides an assurance role to the Council by examining areas such as audit, risk management, internal control, counter fraud and financial accountability. The Committee exists to challenge the way things are being done, making sure the right processes are in place. It works closely with both Internal Audit and senior management to continually improve the Council's governance, risk and control environment.

Our External Auditors attend Audit Committee meetings. At least once a year a private meeting is held with them to help provide the Audit Committee with independent insight on key issues facing the Council and how well its governance arrangements are working.

Our Internal Audit team is one of the Audit Committee's key independent assurance providers.

We have a non-elected member on the Committee. The ability of an independent member to offer different perspectives and constructive suggestions will improve the way we work. For more information go to: Audit Committee Records

Internal Audit

Internal Audit provides independent assurance designed to add value and improve how the Council operates. It helps the Council achieve its priorities and objectives by bringing a systematic and disciplined approach to evaluate and improve the management of risk, control and governance processes. It provides constructive and independent challenge to management on the way things are done.

We undertake an annual review of the effectiveness of our Internal Audit service ensuring it conforms to the UK Public Sector Internal Audit Standards including CIPFA's advisory note on the standards and their statement on the role of the Head of Internal Audit in public service organisations.

Our Internal Audit Charter sets out Internal Audits role and remit.

Each year the Head of Internal Audit (Audit and Risk Manager) provides an independent opinion on the effectiveness of the Council's governance, risk and control environment. This helps inform the Annual Governance Statement and is reported to the Audit Committee. For more information go to: Audit Committee Records

External Audit

The Council's financial statements and annual governance statement are an important way we account for our stewardship of Public funds.

KPMG, our External Auditors, audit our financial statements and provide an opinion on these.

They also assess how well we manage our resources and deliver value for money to the people of Lincolnshire.

Governance Issues

Whilst we are generally satisfied with the effectiveness of our governance framework and assurance arrangements our review identified the following areas where further work is required to improve systems or monitor how the key risks facing the Council are being managed:

Governance Issue	Lead Officer(s)	Key Delivery Milestones – 2014/15	Implementation Date
Financial Challenges Ahead			
Local government will continue to face a reduction in its mainstream grant funding from central government for at least the next 3 financial years (ie. until 2018/19) given the new government's commitment to balancing the public finances. Recent modelling work has identified a funding gap of £120m over the 4 year period commencing April 2015. The Fundamental Budget Review exercise in 2014 identified measures to deliver £65m of that requirement. The financial challenge going forward is to find the remaining £66m whilst maintaining services in line with Council priorities and statutory requirements. At the time of writing a Budget Statement is scheduled for early July 2015 with an expectation that a spending review will report in autumn 2015 setting public spending targets for a number of years from April 2016. These events will require the Council to review its medium term financial plans and underlying assumptions.	Executive Director Finance and Public Protection	A financial challenge exercise is underway with the Executive working collectively in collaboration with the Corporate Management Team. There are a number of strands to this work but a key feature of it is the identification of the basic service offer for activities across all commissioning strategies. The basic service would encompass both statutory requirements and other essential aspects of service provision. Other strands relate to lobbying for better funding and greater funding flexibility as well as exploring the appetite for alternative administrative governance models within the county area where this will lead to material savings.	For agreement at the February 2016 County Council meeting
Financial Control Environment			
A new integrated suite of financial and HR IT systems (Agresso) was introduced on 1st April 2015. This	Executive Director Finance and	An Agresso remediation plan has been developed and resourced with	End September 2015

Governance Issue	Lead Officer(s)	Key Delivery Milestones – 2014/15	Implementation Date
included significant changes to underlying business processes and coincided with the start of a new support service contract with Serco who will deliver the majority of the processing activity in these areas going forward. The transition to these new arrangements has, on a temporary basis, materially weakened the internal control regime around the business systems impacted by the changes. Whilst this is clearly disappointing and a cause for some concern, the situation is not unusual when change of this scale and nature is undertaken. Historically the Council experienced similar issues in 2000 when it implemented the predecessor to Agresso (ie. SAP).	Public Protection	the project completion deadline extended from end July to end September 2015. The plan is based on partnership working between Serco, Unit 4 (the Agresso supplier) and the County Council and is of a comprehensive nature and, when complete, will provide the basis for re-establishing a sound internal control regime throughout the Council. Internal audit have been very proactive in supporting and advising the project to date and this will continue during the remediation phase. Additional internal audit detailed testing activity is also scheduled for the current year. Both these aspects will assist in providing assurance that normality has returned to the internal control regime.	
Case Management System (Mosiac)			
Successful implementation of Mosaic to replace several current systems to support a range of case management activity across Adults, Children's and Public Health, providing a single integrated system for managing service provision to our most vulnerable citizens. Provision of citizen, provider and practitioner portals.	Chief Information and Commissioning Officer	The project was due to go live in April 2015 but testing of the complex data migration showed this was not ready. Go live was delayed to allow this critical area to be satisfactorily tested.	Summer 2015 Winter 2015/16

Governance Issue	Lead Officer(s)	Key Delivery Milestones – 2014/15	Implementation Date
Information Governance			
The Council has been managing a number of information security breaches and improving its security policies, practise and training. The Information Commissioner Officer (ICO) is expected to audit these areas of Council activity later this year.	Chief Information and Commissioning Officer	Implemented agreed management actions arising from Internal Audit. A plan of improvements is being undertaken.	June 2015 The date of the ICO visit has not yet been confirmed.
Governance Arrangements			
Libraries The Audit Committee considered a comprehensive report prepared by Internal Audit (Audit Lincolnshire) into the decisions that preceded the Judicial Review. It also considered a response from the Corporate Management Team, which included an Action Plan.	Monitoring Officer (Executive Director Environment and Economy)	Report to Audit Committee: 26 January 2015. Implement Action Plan	CMB Action Plan to be reviewed by Audit Committee in Autumn.
Constitution A working party of members considered each part of the Constitution over the course of the year. The Council adopted changes over a number of meetings, with the final amendments resulting from the review being adopted at the December Council Meeting. A member task and finish group has also been set up to support an independent review of the Council's scrutiny arrangements.	Monitoring Officer (Executive Director Environment and Economy)	Council meeting agreed changes at its meetings in September and December. Review effectiveness of the scrutiny arrangements of the Council	December 2014 Current – due to report to Council in September 2015
Risk Culture We need to reliably manage our risks to meet our strategic objectives and agreed priorities. This will inevitably mean that both members and officers will need to be comfortable in taking high risk decisions that may lead to some acceptance of service delivery failure and a deterioration of the Council's control environment on low or medium priority activities. A high degree of pragmatism needs to be developed balancing cost,	Executive Director Finance and Public Protection	Update the Council's Risk Management Strategy and Toolkit to reflect the Risk Culture Raise awareness of risk culture with members and officers Update the Strategic Risk Register	September 2015 September – December 2015 November 2015

Governance Issue	Lead Officer(s)	Key Delivery Milestones – 2014/15	Implementation Date
affordability, quality and risk. The Council will need to ensure that its risk management processes work well – with a risk culture that promotes: • taking the right risks in an informed manner • having clear accountability for and ownership of specific risks and risk areas • having transparent and timely risk information flowing up and down the organisation with bad news rapidly communicated without the fear of blame • Implement and encourage risk reporting – actively seeking to learn from mistakes and near misses and reporting on risk triggers / events.		Executive Directors to develop / update Service / Commissioning Strategy risk registers.	September – November 2015

Conclusion

We are satisfied that plans are in place that will address the areas identified above and will monitor their implementation and operation as part of performance management. The Audit Committee will help provide us with independent assurance during the year.

Signed

…………………………. Date ……/..…/…... **Director – Finance & Public Protection**	**…………………………. Date ……/..…/…...** **Chief Executive**	**…………………………. Date ……/..…/…...** **Leader of the Council**

Lincolnshire COUNTY COUNCIL
Working for a better future

Regulatory and Other Committee

Open Report on behalf of Pete Moore, Executive Director – Finance and Public Protection

Report to:	**Audit Committee**
Date:	**20 July 2015**
Subject:	**Work Plan**

Summary:

This report provides the Committee with information the core assurance activities currently scheduled for the 2015/16 work plan

Recommendation(s):

Review and amend the Audit Committee's work plan ensuring it contains the assurances necessary to approve the Annual Governance Statement 2016.

Background

1 The work plan has been pulled together based on the core assurance activities of the Committee as set out in its terms of reference and best practice (see Appendix A)

2 The work plan is in draft as the Committee is currently reviewing its effectiveness.

3 The 2013 CIPFA guide to Audit Committees gives some practical tips to help committees effectively discharge their responsibilities – one of those duties is to provide independent assurance on the adequacy of the internal control environment. The Guide encourages audit committees to focus on 'what works' whilst recognising the need to demonstrate good governance and independence. A copy of the guidance has been circulated to members of the Committee.

4 The guide lists some examples of good practice and how committees can assess their effectiveness and much of this already features within the Committee's agenda. However, the Committee may wish to assess whether there is any scope for improvement by considering how it covers the following good practice:

- Encouraging ownership of the internal control framework by appropriate managers
- Reviewing major projects and programmes to ensure governance and assurance arrangements are effective
- Reviewing the effectiveness of the performance management arrangements
- Ensuring value for money assurance arrangements are reported on and assessing how this features in the Annual Governance Statement (AGS)
- Working with members to improve their understanding of the AGS
- Participating in self assessments of the governance arrangements
- Assessing the effectiveness of the ethical governance arrangements for staff and members
- Improving how the Council discharges its responsibilities for public reporting e.g. better targeting at the audience and plain English.
- Reviewing and encouraging transparency in partnership decision making.

Conclusion

The work plan helps the Committee ensure that the Committee effectively delivers its terms of reference and keep track of areas where it requires further work and/or assurance.

Consultation

a) Policy Proofing Actions Required

n/a

Appendices

These are listed below and attached at the back of the report	
Appendix A	Work Plan to March 2016

Background Papers

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

This report was written by Lucy Pledge, who can be contacted on 01522 553692 or lucy.pledge@lincolnshire.gov.uk.

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Appendix A

Audit Committee Work Plan – 2015/16		
20th July 2015	**Assurances Required / Being Sought**	**Relevancy – Terms of Reference**
Core Business		
• Internal Audit Progress Report	Understand the level of assurances being given as a result of audit work and their impact on the Council's governance, risk and control environment. Ensure management action is taken to improve controls / manage risks identified. Encouraging ownership of the internal control framework by appropriate managers Confirm appropriate progress being made on the delivery of the audit plan and performance targets	To consider reports dealing with the management and performance of internal audit To consider a report from internal audit on agreed recommendations not implemented within a reasonable timescale
• Annual review of the effectiveness of the Council's Internal Audit Function	To consider how well the Internal Audit Functions is performing: • Is it what you want – independent, objective and provide a knowledgeable view of how well the Council is being run? • Conforms to the Public Sector Internal Audit Standards? • Has an effective Quality Assurance framework? • Successfully delivers results that make a difference in how well the Council is run?	Council maintains an effective internal audit service
• Review of Head of Internal Audit's Annual Report and Opinion 2015	Gain an understanding of the level of assurances being provided by the Head of Internal Audit over the Council's governance, risk and internal control arrangements and why.	To consider reports dealing with the management and performance of internal audit To consider a report from internal audit on agreed recommendations not implemented within a reasonable timescale

Audit Committee Work Plan – 2015/16		
		To oversee the production of the Council's Annual Governance Statement and to recommend its adoption To consider the Council's arrangments for corporate governance and agreeing necessary actions to ensure compliance with best practice
• Review of the Council's Governance and Assurance Arrangements and the Draft Annual Governance Statement 2015	Confirm that the Annual Governance Statement reflects the Committee's understanding of how the Council is run and that any significant governance issues / risks have been identified / published. Constructively challenge the information and evidence being presented. Ensuring value for money assurance arrangements are reported on and assessing how this features in the Annual Governance Statement. Improving how the Council discharges its responsibilities for public reporting e.g. better targeting at the audience and plain English	To oversee the production of the Council's Annual Governance Statement and to recommend its adoption To consider the Council's arrangments for corporate governance and agreeing necessary actions to ensure compliance with best practice
• Scrutiny of the Council's Financial Statements 2014/15 (with specialist support/advisor)	By asking questions (supported by independent advisor), confirm the integrity of the Council's financial statements prior to audit / publication. Improving how the Council discharges its responsibilities for public reporting e.g. better targeting at the audience and plain English	To review the annual statement of accounts. Specifically to consider whether appropriate accounting policies have been followed and whether there are any concerns arising from the financial statements or from the audit hat need to be brought to the attention of the Council Duty to approve the authority's statement of accounts, income and expenditure and balance sheet.

Audit Committee Work Plan – 2015/16		
21st September 2015	**Assurances Required / Being Sought**	**Relevancy – Terms of Reference**
Core Business		
• Update on the Agresso project (Given the significance and impact of the project on performance and value for money - invite members of the Value for Money Committee to attend the Audit Committee for this item).	Assess the adequacy of the Council's financial control environment. Ensure any issues / risks identified are being effectively managed. Confirm that the recovery plan has been successfully delivered. Confirm that any impact on the 2015/16 financial statements has been identified and is being effectively managed.	
• Internal Audit Progress Report	Understand the level of assurances being given as a result of audit work and their impact on the Council's governance, risk and control environment. Ensure management action is taken to improve controls / manage risks identified. Encouraging ownership of the internal control framework by appropriate managers Confirm appropriate progress being made on the delivery of the audit plan and performance targets	To consider reports dealing with the management and performance of internal audit To consider a report from internal audit on agreed recommendations not implemented within a reasonable timescale
• External Audit Governance Report on the Audit of the Council's Financial Statements and their assessment of the Council's arrangements to secure Value for Money in its use of resources	Seek assurance over the adequacy of the External Audit opinion on the financial statements and the Council's value for money arrangements. Ensure any issues / risks identified are being effectively managed.	To consider the external auditor's annual letter, relevant reports and the report to those charged with governance. To consider specific reports as agreed with the external auditor.

Audit Committee Work Plan – 2015/16		
		To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts
• Approval of the Council's Annual Governance Statement 2015	Confirm that the final Annual Governance Statement accurately reflects the Committees understanding of how the Council is run and any comments made on the draft have been acted upon.	To oversee the production of the Council's Annual Governance Statement and to recommend its adoption To consider the Council's compliance with its own and other published standardards and controls.
• Approval of the Council's Statement of Accounts for 2014/15	Consider the outcome of the External Audit and the appropriateness of management responses. Ensure that the explanatory forewords to their accounts help the public understand the authority's financial management of public funds.	To review the annual statement of accounts. Specifically to consider whether appropriate accounting policies have been followed and whether there are any concerns arising from the financial statements or from the audit hat need to be brought to the attention of the Council Duty to approve the authority's statement of accounts, income and expenditure and balance sheet.
• Review of draft Annual Report on the work of the Audit Committee	Provide assurance that the Committee has adequately discharged its terms of reference and has positively contributed to how well the Council is run.	
• Risk Management Progress Report	Gain assurance that the Council is effectively managing its key risks – has good risk management systems / processes in place that enable decision makers to understand the level of risk being taken and the Council is prepared to accept. That there has been on big surprises for the Council where it suffered significant financial loss or reputational damage.	To monitor the effective development and operation of risk management and corporate governance in the Council
23rd November 2015	**Assurances Required / Being Sought**	**Relevancy – Terms of Reference**
Core Business		

Audit Committee Work Plan – 2015/16		
Counter Fraud Progress Report	Confirm that the Council's counter fraud activity is targeted and effective. Ensure that appropriate progress is being made on the delivery of the Counter Fraud plan. Ensure that lessons have been learnt – understand fraud risks facing the Council and actions being taken to reduce the risk	To monitor Council policies on confidential reporting code, anti-fraud and anti-corruption policy and the Council's compalints process.[1]
• Internal Audit – External Assessment	Assurance over Internal Audit conformance with the Public Sector Internal Audit Standards	Council maintains an effective internal audit service
• Review of Audit Committee Terms of Reference	Assurance that role and remit of the committee continues to meet best practice.	Council maintains an effective Audit Committee
• Annual Report reviewing the effectiveness of the Council's complaints and compliments process, including how well the Council has dealt with complaints as demonstrated by the Local Government Ombudsman's Report.	That the Council's process and procedures for dealing with complaints and compliments is effective.	
• Review of compliance with Regulation of Investigatory Powers Act		
• Whistleblowing Annual Report		
Other Assurance		
Invite Executive Directors to a meeting to look in more depth at their assurance arrangements – seeking assurance that: • We are maintaining good governance during times of change. • Understand the assurance framework through times of change and associated with the Commissioning Strategies. Particularly the impact on the assurance framework resulting from these changes, for example, senior management review, fundamental budget	Gain understanding of the impact of change on the Council's governance, risk and control arrangements. Seeking assurance that they continue to work well.	To review any issues referred to it by the Chief Executive, Director or any council body To consider the Council's compliance with its own and other published standardards and controls.

Audit Committee Work Plan – 2015/16		
review and the impact on the 1st and 2nd lines of assurance (management / corporate functions).		
January 2016	**Assurances Required / Being Sought**	**Relevancy – Terms of Reference**
Core Business		
• Internal Audit Progress Report	Understand the level of assurances being given as a result of audit work and their impact on the Council's governance, risk and control environment. Ensure management action is taken to improve controls / manage risks identified encouraging ownership of the internal control framework by appropriate managers Encouraging ownership of the internal control framework by appropriate managers Confirm appropriate progress being made on the delivery of the audit plan and performance targets	To consider reports dealing with the management and performance of internal audit To consider a report from internal audit on agreed recommendations not implemented within a reasonable timescale
• External Audit Progress Report and Plan	Seek assurance over progress and delivery of the external audit plan and that any risks to successful production of the financial statements and audit are being managed. Note: Further assurance needed around impact / risks associated with early close down.	To comment on the scope and depth of external audit work and to ensure it gives value for money
• Update on action re Annual Governance Statement 2015	Gain assurance that management have progressed the agreed actions associated with the significant issues / key risks identified in the Annual Governance Statement.	To oversee the production of the Council's Annual Governance Statement and to recommend its adoption To consider the Council's arrangments for corporate governance and agreeing necessary actions to ensure compliance with best practice

Audit Committee Work Plan – 2015/16		
• Review of Accounting Policies	Seek assurance that the Council has appropriate accounting policies in place to ensure that items are treated correctly in the accounts.	To review the annual statement of accounts. Specifically to consider whether appropriate accounting policies have been followed and whether there are any concerns arising from the financial statements or from the audit hat need to be brought to the attention of the Council
Other Assurance		
• Combined Assurance Status Reports	Understand the level of assurances being provided on the Council's critical systems, key risks and projects and how they link to the Committees role and remit and the Annual Governance Statement.	To consider the Council's arrangments for corporate governance and agreeing necessary actions to ensure compliance with best practice
March 2015	**Assurances Required / Being Sought**	**Relevancy – Terms of Reference**
Core Business		
• Draft Internal Audit Plan 2016/17	That the Internal Audit Plan focuses on the key risks facing the Council and is adequate to support the Head of Audit opinion. Confirm that the plan achieves a balance between setting out the planned work for the year and retaining flexibility to changing risks and priorities during the year. Ensure that the Internal Audit Resource has sufficiently capacity and capability to deliver the plan. Seek an understanding of what assurances Internal Audit will be providing the Committee to help it discharge its terms of reference.	To consider reports dealing with the management and performance of internal audit
• Draft Counter Fraud Plan 2016/17	Gain assurance that the Council has effective arrangements in plane to fight fraud locally. Ensure that counter fraud resources are targeted to the Council's key fraud risks.	To monitor Council policies on confidential reporting code, anti-fraud and anti-corruption policy and the Council's compalints process.

Audit Committee Work Plan – 2015/16			
• International Audit Standards on the risks associated with the impact of potential fraud and error on the Financial Statements	Seek assurance that the statements made against the standard accurately reflect the Council's counter fraud arrangements.	To monitor Council policies on confidential reporting code, anti-fraud and anti-corruption policy and the Council's complaints process.	
• Risk Management Progress Report	Gain assurance that the Council is effectively managing its key risks – has good risk management systems / processes in place that enable decision makers to understand the level of risk being taken and the Council is prepared to accept. That there has been on big surprises for the Council where it suffered significant financial loss or reputational damage.	To monitor the effective development and operation of risk management and corporate governance in the Council	
• External Audit Grant Certification Report	Seek assurances that claims and returns have been managed appropriately and that there are no significant errors that would result in loss of funding.		
• External Audit Progress Report	Seek assurance over progress and delivery of the external audit plan and that any risks to successful production of the financial statements and audit are being managed. Note: Further assurance needed around impact / risks associated with early close down.	To comment on the scope and depth of external audit work and to ensure it gives value for money	
Other Assurance			
Internal Audit – External Assessment			

Audit Committee Action Plan – 2014/15			
Action	**Terms of Reference Outcome**	**Key Delivery Activities**	**Who by and When**
Clarify who should attend the Audit Committee and expectations on the information being presented.	Ensure that relevant and focussed reports are presented. Provides more certainty that assurance is relevant & reliable Promote constructive challenge during meetings Strengthen accountability arrangements and the effectiveness of the Audit Committee	Reporting protocol developed	Audit and Risk Manager
Undertake a skills and knowledge survey to review and establish any training and development needs as a whole Committee.	Enhance the effectiveness of the Audit Committee	Development of skills and knowledge survey	Audit and Risk Manager
Undertake a skills and knowledge survey to review and establish any training and development needs as a whole Committee.			
Other Areas for possible inclusion in the Committees work plan: • Reviewing and encouraging transparency in partnership decision making.			

• Understand and seek assurance over the governance and risks associated with our key partners. • Facilitate risk management training and awareness for members and staff. To clarify the understanding of the level of risk the Council is prepared to accept across its key activities / business units. • Overview of the constitution • Compliance with the Transparency Code			