

Lincolnshire County Council  
Statement of Accounts 2014-15

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# Statement of Accounts 2014-15

## 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

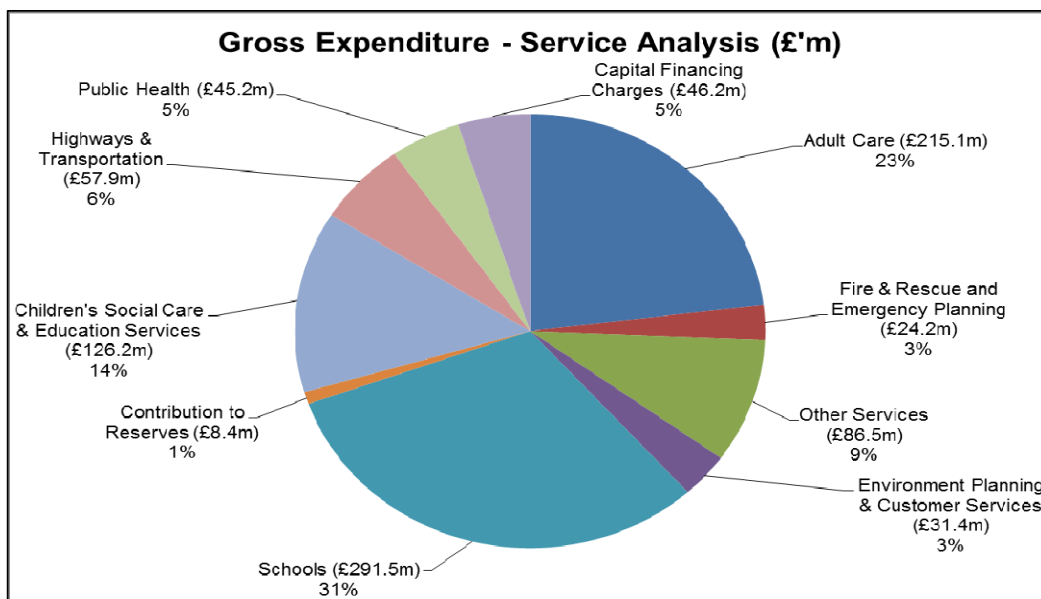
## Review of the Year

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.

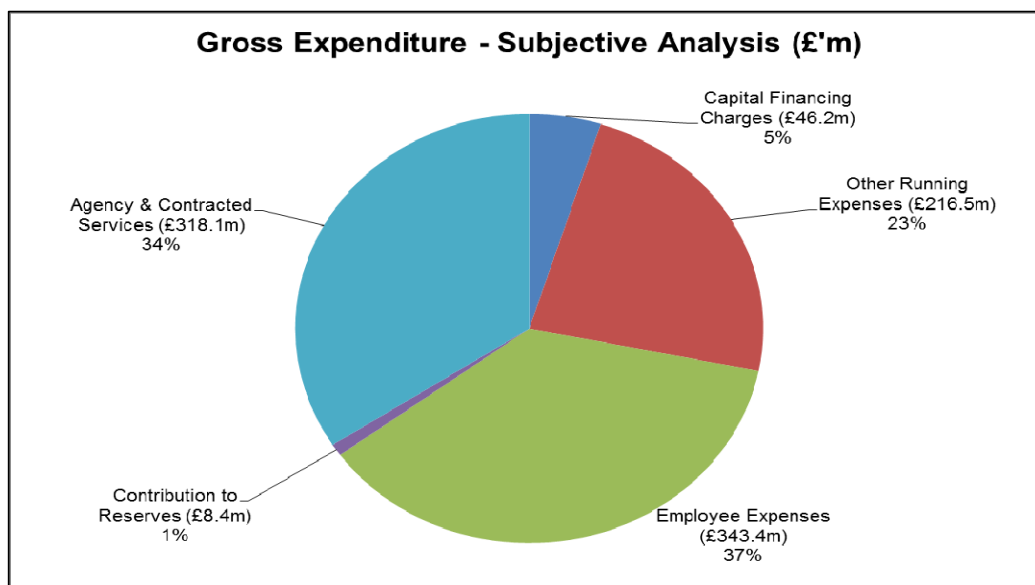
## Annual Revenue Spending

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).

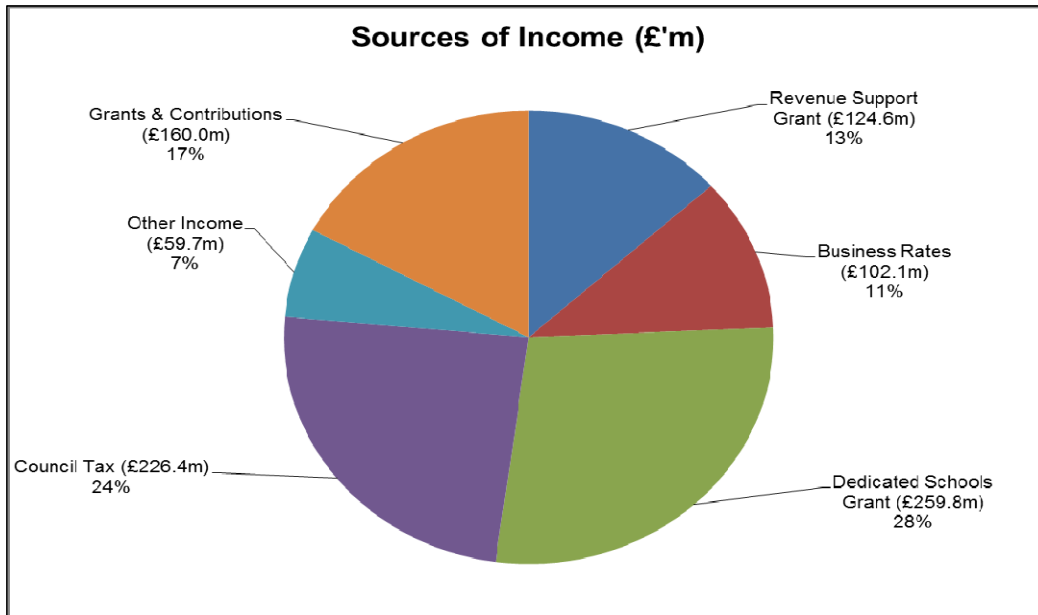


The distribution of expenditure by type differs significantly between different services. For example, salaries and wages comprises 63.5% of expenditure for schools. For services other than schools, salaries and wages comprises 27.0% of expenditure and contract payments comprises 48.7% of total expenditure. 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	Percentage	
			Over / Under Spend £'m	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%
<b>Total Service Budgets</b>	<b>425.731</b>	<b>417.605</b>	<b>-8.126</b>	<b>-1.9%</b>
Other Budgets	57.843	48.693	-9.150	-15.8%
Schools Budgets	12.768	-4.890	-17.658	-138.3%
<b>Total Expenditure</b>	<b>496.342</b>	<b>461.408</b>	<b>-34.934</b>	<b>-7.0%</b>
<b>Total Income</b>	<b>-469.417</b>	<b>-469.824</b>	<b>-0.407</b>	<b>0.1%</b>
<b>Use of / (Contribution to) Reserves</b>	<b>26.925</b>	<b>-8.416</b>	<b>-35.341</b>	<b>-131.3%</b>

Significant variances include:

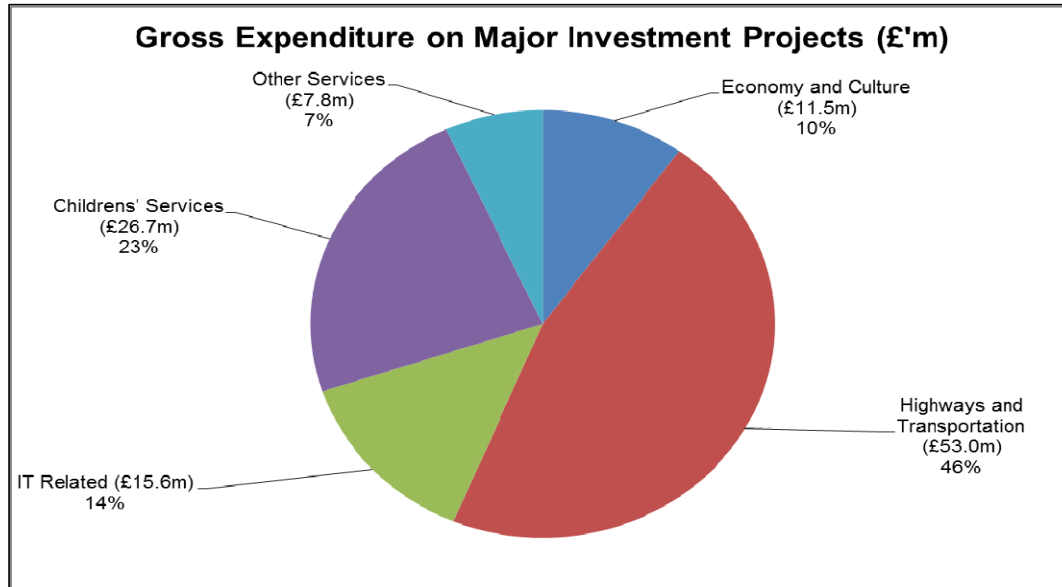
- Children's Social Care (£2.381m overspend) due to the increase in the number of Looked After Children from 589 in April 2014 to 637 by March 2015;
- Education Services (£2.928m underspend). This was due to a number of factors including: restructuring of the special educational needs and disabilities 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 comprehensive 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 priorities 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 £715.325m 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	Total Usable Reserves				Total Usable Reserves (Note 24)	Restated (*2) Unusable Reserves (Note 25)	Total Council Reserves
		General Fund Balance	Earmarked GF Reserves (Note 9)	Capital Receipts Reserve (*1)	Capital Grants Unapplied			
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance as at 1 April 2014</b>		<b>16,400</b>	<b>165,275</b>	<b>0</b>	<b>53,828</b>	<b>235,503</b>	<b>165,423</b>	<b>400,926</b>
<u>Movement in Reserves during 2014-15</u>								
Surplus/(Deficit) on the provision of services		(56,929)	-	-	-	(56,929)	-	(56,929)
Other Comprehensive Income and Expenditure		-	-	-	-	-	(105,655)	(105,655)
Other Recognisable Gains		(4,050)	(85)	-	-	(4,135)	-	(4,135)
<b>Total Comprehensive Income and Expenditure</b>		<b>(60,979)</b>	<b>(85)</b>	<b>-</b>	<b>-</b>	<b>(61,064)</b>	<b>(105,655)</b>	<b>(166,719)</b>
Adjustments between accounting basis & funding basis under regulations	(8)	69,395	-	-	(5,438)	63,957	(63,957)	-
<b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>		<b>8,416</b>	<b>(85)</b>	<b>-</b>	<b>(5,438)</b>	<b>2,893</b>	<b>(169,612)</b>	<b>(166,719)</b>
Transfers to/from Earmarked Reserves	(9)	(8,916)	4,632	-	4,284	-	-	-
<b>Increase/(Decrease) in Year 2014-15</b>		<b>(500)</b>	<b>4,547</b>	<b>-</b>	<b>(1,154)</b>	<b>2,893</b>	<b>(169,612)</b>	<b>(166,719)</b>
<b>Balance as at 31 March 2015 Carried Forward</b>		<b>15,900</b>	<b>169,822</b>	<b>-</b>	<b>52,674</b>	<b>238,396</b>	<b>(4,189)</b>	<b>234,207</b>

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

(\*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 adjustment 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				Note	2014-15		
Gross Expenditure	Income	Net Expenditure			Gross Expenditure	Income	Net Expenditure
£'000	£'000	£'000			£'000	£'000	£'000
<b>Cost of Services</b>							
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
<b>970,353</b>	<b>(455,941)</b>	<b>514,412</b>	<b>Cost of Services (excluding Acquired and Discontinued Operations)</b>		<b>995,253</b>	<b>(471,330)</b>	<b>523,923</b>
		16,856	Other Operating Expenditure	(10)			39,159
		35,266	Financing and Investment Income and Expenditure	(11)			36,344
		(549,546)	Taxation and Non-Specific Grant Income	(12, 39(a))			(542,497)
		<b>16,988</b>	<b>(Surplus)/Deficit on Provision of Services</b>				<b>56,929</b>
		(64,367)	(Surplus)/Deficit on Revaluation of Non-Current Assets	(25)			(42,934)
			Impairment losses on Non-Current Assets charged to Revaluation				
		0	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
		<b>(19,367)</b>	<b>Other Comprehensive Income and Expenditure</b>				<b>109,790</b>
		<b>(2,379)</b>	<b>Total Comprehensive Income and Expenditure</b>				<b>166,719</b>

(\*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	Restated (*1) 31 March 2014		Note	31 March 2015
£'000	£'000			£'000
1,255,973	1,323,691	Property, Plant and Equipment	(13)	1,296,487
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
<b>1,378,683</b>	<b>1,459,319</b>	<b>Long Term Assets</b>		<b>1,458,384</b>
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
<b>245,673</b>	<b>232,962</b>	<b>Current Assets</b>		<b>223,799</b>
(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)
<b>(103,967)</b>	<b>(103,637)</b>	<b>Current Liabilities</b>		<b>(86,617)</b>
(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)
<b>(1,121,843)</b>	<b>(1,187,718)</b>	<b>Long Term Liabilities</b>		<b>(1,361,359)</b>
<b>398,546</b>	<b>400,926</b>	<b>Net Assets</b>		<b>234,207</b>
213,836	235,503	Usable Reserves	(24)	238,396
184,710	165,423	Unusable Reserves	(25)	(4,189)
<b>398,546</b>	<b>400,926</b>	<b>Total Reserves</b>		<b>234,207</b>

(\*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		31 March 2015
£'000		£'000
16,988	Net (surplus) or deficit on the provision of services	56,952
(131,222)	Adjustments to net surplus or deficit on the provision of services for non - cash movements	(111,033)
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
<b>(43,468)</b>	<b>Net cash flow from Operating Activities (Note 26)</b>	<b>19,981</b>
35,443	Investing Activities (Note 27)	(13,945)
5,044	Financing Activities (Note 28)	(7,566)
<b>(2,981)</b>	<b>Net (increase) or decrease in cash and cash equivalents</b>	<b>(1,530)</b>
8,356	Cash and cash equivalents as at 1 April	5,375
<b>5,375</b>	<b>Cash and cash equivalents as at 31 March</b>	<b>3,845</b>

(\*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 through 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 1 and 10 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 statute) 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:

<b>Costs</b>	<b>Basis of Apportionment</b>
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.

#### The Local Government Pension Scheme (LGPS)

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.

#### ii) Available-for-sale Assets

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:

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

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: .....

### **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 (21 September 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.

The Financial Statements and notes have not been adjusted for the following events which took place after 31 March 2015. The note below provides information that is relevant to an understanding of the Council's financial position but do not relate to conditions at that date.

#### **Pensions Ombudsman's Decision Milne v GAD - Firefighters Pension Schemes.**

Following the Pensions Ombudsman's decision in Milne v Government Actuary's Department (GAD) case which confirmed that GAD had failed to identify the continuing responsibility to calculate the appropriate factors, there are a number of firefighters, who retired between 1st December 2001 to 21st August 2006, affected. It is not yet known the full impact at this stage but HM Treasury will fund the interest and tax element whilst Department for Communities and Local Government will absorb the lump sum element.

These amounts will be recognised in the Council's 2015/16 Accounts as a past service cost under IAS 19 Retirement Benefits.

## **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 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			Movements in Unusable Reserves £'000		Usable Reserves			Movements in Unusable Reserves £'000
General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000			General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	
<b><u>Adjustments primarily involving the Capital Adjustment Account:</u></b>								
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>								
(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	(42,247)	0	0	42,247
(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			Movements in Unusable Reserves £'000		Usable Reserves			Movements in Unusable Reserves £'000
General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000			General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	
<b><u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u></b>								
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)
<b><u>Adjustments primarily involving the Capital Grants Unapplied Account:</u></b>								
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)
<b><u>Adjustments primarily involving the Capital Receipts Reserve:</u></b>								
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)
<b><u>Adjustments primarily involving the Deferred Capital Receipts Reserve</u></b>								

2013-14					2014-15			
Usable Reserves			Movements in Unusable Reserves £'000		Usable Reserves			Movements in Unusable Reserves £'000
General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000			General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	
<b><u>Adjustment primarily involving the Financial Instruments</u></b>								
<b><u>Adjustment Account:</u></b>								
(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
<b><u>Adjustments primarily involving the Pensions Reserve:</u></b>								
(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)
<b><u>Adjustments primarily involving the Collection Fund</u></b>								
<b><u>Adjustment Account:</u></b>								
(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)
<b><u>Adjustment primarily involving the Accumulated Absences</u></b>								
<b><u>Account:</u></b>								
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)
<b>(46,329)</b>	<b>0</b>	<b>7,783</b>	<b>38,546</b>	<b>Total Adjustments</b>	<b>(69,397)</b>	<b>0</b>	<b>5,438</b>	<b>63,959</b>

(\*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	<b>Balances from dedicated schools budget including those held by schools under a scheme of delegation</b>	33,896	17,710	(20,038)	31,568
				<b>Other Earmarked Reserves:</b>				
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
			2,350	Shared Services Reserves (Legal and Procurement)				
1,870	1,080	(600)	2,350	Financial Volatility - Budget	2,350	1,249	(806)	2,793
23,200	0	(16,420)	6,780	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
				<b>Revenue Grants and Contributions Unapplied Reserves:</b>				
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
<b>141,695</b>	<b>91,256</b>	<b>(67,676)</b>	<b>165,275</b>	<b>Total</b>	<b>165,275</b>	<b>80,448</b>	<b>(75,901)</b>	<b>169,822</b>

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 Commissioning 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 2014-15. The Legal Services Management Board will agree on what proportion of the surplus should be distributed to the shared service partners in 2015-16. 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 £21.8m 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.

<b>Restated (*1) 2013-14</b>		<b>2014-15</b>
<b>£'000</b>		<b>£'000</b>
1,079	- Precepts paid to non-principal authorities and levies	1,095
15,665	- Gain or Loss on the disposal of non-current assets	37,944
112	- Revaluation losses on assets held for sale	120
<b>16,856</b>	<b>TOTAL</b>	<b>39,159</b>

(\*1) The comparator year 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.

### Note 11. Financing and Investment Income and Expenditure.

<b>2013-14</b>		<b>2014-15</b>
<b>£'000</b>		<b>£'000</b>
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)
<b>35,266</b>	<b>TOTAL</b>	<b>36,344</b>

### Note 12. Taxation and Non Specific Grant Income.

<b>Restated (*1) 2013-14</b>		<b>2014-15</b>
<b>£'000</b>		<b>£'000</b>
(221,137)	Council tax income	(228,745)
(98,104)	Business Rates - Districts Non-ring-fenced government grants	(102,326)
(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)
<b>(549,546)</b>	<b>TOTAL</b>	<b>(542,497)</b>

(\*1) The comparator year 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.

## 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 £'000	Vehicles, Plant, Furniture & Equipment £'000	Infra-structure £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total £'000	PFI Assets Included in Property, Plant & Equipment £'000
<b>Cost or Valuation</b>								
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	35,716	0	0	0	644	0	36,360	429
Revaluation Decrease to RR	(13,306)	(4,820)	0	0	(445)	0	(18,571)	(717)
Revaluation Increase/(Decrease) to SDPS	(12,269)	(846)	0	(1)	(2,744)	0	(15,860)	0
Derecognition - Disposals	(45,030)	(475)	(4,909)	0	(2,402)	0	(52,816)	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	(864)	2,360	2,752	0	3,522	(8,909)	(1,139)	23
<b>At 31 March 2015</b>	<b>736,375</b>	<b>126,567</b>	<b>752,394</b>	<b>0</b>	<b>21,789</b>	<b>28,230</b>	<b>1,665,355</b>	<b>20,697</b>
<b>Depreciation and Impairment</b>								
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)	(473)
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	6,038	286	4,909	0	2,291	0	13,524	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
<b>At 31 March 2015</b>	<b>(42,335)</b>	<b>(34,477)</b>	<b>(291,725)</b>	<b>0</b>	<b>(331)</b>	<b>0</b>	<b>(368,868)</b>	<b>(1,007)</b>
<b>Net Book Value</b>								
<b>At 31 March 2015</b>	<b>694,040</b>	<b>92,090</b>	<b>460,669</b>	<b>0</b>	<b>21,458</b>	<b>28,230</b>	<b>1,296,487</b>	<b>19,690</b>
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 adjustment can be found in Note 48.

RR - Revaluation Reserve

SDPS - Surplus or Deficit on the Provision of Services



<b>Restated (1*) Movement in Property, Plant &amp; Equipment As at 31 March 2014</b>	<b>Restated (*1) Land &amp; Buildings</b>	<b>Vehicles, Plant, Furniture &amp; Equipment</b>	<b>Infra-structure</b>	<b>Community Assets</b>	<b>Surplus Assets</b>	<b>Assets Under Construction</b>	<b>Total</b>	<b>PFI Assets Included in Property, Plant &amp; Equipment</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost or Valuation</b>								
At 1 April 2013	693,924	192,937	673,228	22	26,298	131,741	<b>1,718,150</b>	21,307
Additions	23,986	20,830	37,790	0	4,768	19,901	<b>107,275</b>	81
Revaluation Increase to RR	53,687	0	0	0	1,739	0	<b>55,426</b>	(527)
Revaluation Decrease to RR	(36,434)	0	0	0	(2,797)	0	<b>(39,231)</b>	(85)
Revaluation Increase/(Decrease) to SDPS	(10,723)	0	0	(22)	(4,792)	0	<b>(15,537)</b>	86
Derecognition - Disposals	(10,341)	(152,396)	0	0	(3,314)	0	<b>(166,051)</b>	0
Derecognition to RR	(329)	0	0	0	0	0	<b>(329)</b>	0
Derecognition to SDPS	(2,025)	0	0	0	0	0	<b>(2,025)</b>	0
Reclassified to/from Heritage Property	0	0	0	0	0	(118)	<b>(118)</b>	0
Reclassified to/from Held for Sale	(365)	0	0	0	(370)	0	<b>(735)</b>	0
Reclassified to/from Investment Property	0	0	0	0	0	(80)	<b>(80)</b>	0
Reclassifications - Other	52,704	66,302	2,537	0	1,778	(124,040)	<b>(719)</b>	0
<b>At 31 March 2014</b>	<b>764,084</b>	<b>127,673</b>	<b>713,555</b>	<b>0</b>	<b>23,310</b>	<b>27,404</b>	<b>1,656,026</b>	<b>20,862</b>
<b>Depreciation and Impairment</b>								
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
<b>At 31 March 2014</b>	<b>(40,608)</b>	<b>(29,834)</b>	<b>(259,200)</b>	<b>0</b>	<b>(2,690)</b>	<b>0</b>	<b>(332,332)</b>	<b>(1,656)</b>
<b>Net Book Value</b>								
<b>At 31 March 2014</b>	<b>723,476</b>	<b>97,839</b>	<b>454,355</b>	<b>0</b>	<b>20,620</b>	<b>27,404</b>	<b>1,323,694</b>	<b>19,206</b>
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 adjustment 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:

	<b>Useful Economic Life (Years)</b>
<b>Land</b>	999
<b>Buildings</b>	
<u>Specialist Buildings</u> , including Schools, Youth Centres, Residential Homes, Day Centres, Family Centres, Libraries, Museums, Highways Maintenance Depots	15 to 70
<u>Energy From Waste Buildings</u>	
Civil	60
Mechanical	25
Instrumentation, Control and Automation	10
<u>Non-Specialist Buildings</u>	40
<u>Site works</u> , including playground, hard standing, car parks etc.	
- associated with specialist buildings	5 to 55
- associated with non-specialist buildings	20
<b>Infrastructure</b>	
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
<b>Vehicles, Furniture &amp; Equipment</b>	
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 commitments 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
	<b>15,552</b>

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 £'000	2014-15 £'000
Vehicles, Plant, Furniture and Equipment	97,838	92,089
Infrastructure	454,355	460,669
Community Assets	0	0
Assets Under Construction	27,404	28,228
<b>Total Cost of Valuation</b>	<b>579,597</b>	<b>580,986</b>

## **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:**

	<b>Windmills</b>	<b>Other Historic Buildings</b>	<b>Collections</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost or Valuation</b>				
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
<b>At 31 March 2015</b>	<b>4,934</b>	<b>19,964</b>	<b>27,727</b>	<b>52,625</b>

	Windmills	Other Historic Buildings	Collections	Total
	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>				
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
<b>At 31 March 2014</b>	<b>4,690</b>	<b>4,026</b>	<b>27,727</b>	<b>36,443</b>

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
<b>Total at Year End</b>	<b>31,157</b>	<b>35,022</b>	<b>36,356</b>	<b>36,443</b>	<b>52,625</b>

## 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
<b>Net (Income)/Expenditure</b>	<b>(1,235)</b>	<b>(1,444)</b>

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
<b>Net (Income)/Expenditure</b>	<b>(4)</b>	<b>(2)</b>

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
<b>Balance at 31 March 2015</b>	<b>91,879</b>	<b>646</b>

Nature of asset holding		
Owned	91,840	646
Leased	39	0
<b>Balance at 31 March 2015</b>	<b>91,879</b>	<b>646</b>

	County Farm Estates	Other General Fund Properties
	£'000	£'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
<b>Balance at 31 March 2014</b>	<b>81,781</b>	<b>701</b>
<b>Nature of asset holding</b>		
Owned	81,693	701
Leased	88	0
<b>Balance at 31 March 2014</b>	<b>81,781</b>	<b>701</b>

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)
<b>Net carrying amount at 1 April 2014</b>	<b>5,599</b>	<b>119</b>	<b>5,718</b>
Additions:			
- Purchases	2,531	2,371	4,902
Asset classified as held for sale			
Other disposals	316	0	316
Other disposals - Amortisation	(316)	0	(316)
Amortisation for the period	(1,910)	(206)	(2,116)
Other changes - reclassifications	693	0	693
<b>Net carrying amount at 31 March 2015</b>	<b>6,913</b>	<b>2,284</b>	<b>9,197</b>
<b>Comprising:</b>			
- Gross carrying amounts	15,714	2,681	18,395
- Accumulated amortisation	(8,801)	(397)	(9,198)
<b>Balance Sheet amount at 31 March 2015</b>	<b>6,913</b>	<b>2,284</b>	<b>9,197</b>

### 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 commitments in 2015-16 and future years is estimated to be £19.714m. The major commitments are:

<b>Detail</b>	<b>Gross £'000</b>
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
<b>TOTAL</b>	<b>19,714</b>

#### 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
<b>Borrowings</b>				
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
<b>Total Borrowings</b>	<b>443,222</b>	<b>441,673</b>	<b>15,749</b>	<b>25,715</b>
<b>PFI &amp; Finance Lease Liabilities</b>				
PFI and Finance Lease Liabilities	13,799	12,916	0	0
<b>Total PFI &amp; Finance Lease Liabilities</b>	<b>13,799</b>	<b>12,916</b>	<b>0</b>	<b>0</b>
<b>Creditors &amp; Other Long Term Liabilities</b>				
Financial Liabilities Carried at Contract Amount	11,156	8,082	68,533	44,296
<b>Total Creditors</b>	<b>11,156</b>	<b>8,082</b>	<b>68,533</b>	<b>44,296</b>
<b>Investments</b>				
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
<b>Total Investments</b>	<b>2,214</b>	<b>214</b>	<b>185,013</b>	<b>159,469</b>
<b>Debtors</b>				
Loans and Receivables	8,772	7,336	0	0
Financial Assets Carried at Contract Amount	0	0	29,558	43,286
<b>Total Debtors</b>	<b>8,772</b>	<b>7,336</b>	<b>29,558</b>	<b>43,286</b>

### **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 its 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, acquired 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
<b>Unrealised Reduction in Fair Value - Available for Sale Financial Assets held at 31st March</b>	15	3
Financial Liabilities At Amortised Cost	19,946	19,753
Financial Liabilities at Fair Value Through Profit and Loss	0	0
<b>Total Interest Expense</b>	<b>19,946</b>	<b>19,753</b>
Total Fee Expense	15	60
<b>Total Expense in Surplus or Deficit on the Provision of Services</b>	<b>19,961</b>	<b>19,813</b>
<b>Unrealised Increase in Fair Value -Available for Sale Financial Assets held at 31st March</b>	<b>(98)</b>	<b>(246)</b>
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
<b>Total Interest Income</b>	<b>(1,415)</b>	<b>(1,399)</b>
<b>Total Fee Income</b>	<b>0</b>	<b>0</b>
<b>Interest Received</b>	<b>(1,415)</b>	<b>(1,399)</b>

#### 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
<b>Total Financial Liabilities at Amortised Cost</b>	<b>466,243</b>	<b>480,929</b>	<b>471,491</b>	<b>567,815</b>

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
<b>Financial Assets at Amortised Cost</b>	<b>160,447</b>	<b>160,558</b>	<b>82,046</b>	<b>82,261</b>

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
<b>Available For Sale Financial Assets</b>	<b>35,000</b>	<b>35,083</b>	<b>84,310</b>	<b>84,553</b>

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%
<b>Total Investments</b>	<b>186,689</b>	<b>100.00%</b>	<b>159,034</b>	<b>100.00%</b>

(\*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 than 1 year	2,500	39.88%	2,234	31.91%
<b>Total Outstanding Debt</b>	<b>6,270</b>	<b>100.00%</b>	<b>7,000</b>	<b>100.00%</b>

(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
<b>Total</b>	<b>458,970</b>	<b>467,388</b>

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
<b>Total</b>	<b>187,227</b>	<b>159,684</b>

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:

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

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:

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

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.

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

#### 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
<b>Total Inventories</b>	<b>1,212</b>	<b>621</b>	<b>(1,223)</b>	<b>0</b>	<b>0</b>	<b>610</b>

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
<b>45,193</b>	<b>Total Short Term Debtors</b>	<b>61,175</b>

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
<b>8,772</b>	<b>Total Long Term Debtors</b>	<b>7,336</b>

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
Revaluation Increase to RR	0	0
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)
Assets Sold	(2,477)	(1,149)
Transfers from non-current to current		
<b>Balance Outstanding at 31 March</b>	<b>1,544</b>	<b>2,545</b>

RR - Revaluation Reserve

SDPS - Surplus or Deficit on the Provision of Services

## Note 21. Creditors.

2013-14	Amounts falling due in one year:	2014-15
£'000		£'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)
<b>(77,421)</b>	<b>Total Short Term Creditors</b>	<b>(52,651)</b>

2013-14	Amounts falling due after one year:	2014-15
£'000		£'000
(1,618)	Central government bodies	(1,617)
(671)	Other local authorities	(510)
(8,867)	Other entities and individuals	(5,955)
<b>(11,156)</b>	<b>Total Long Term Creditors</b>	<b>(8,082)</b>

## Note 22. Provisions.

<b>Summary of Provisions</b>	<b>Balance at 1 April 2014</b>	<b>Additional Provisions made in 2014-15</b>	<b>Amounts Used in 2014-15</b>	<b>Unused amounts reversed in 2014-15</b>	<b>Unwinding of discounting in 2014-15</b>	<b>Balance at 31 March 2015</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
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)
<b>TOTAL</b>	<b>(9,308)</b>	<b>(779)</b>	<b>921</b>	<b>1,465</b>	<b>(138)</b>	<b>(7,839)</b>

<b>Short Term Provisions</b>	<b>Balance at 1 April 2014</b>	<b>Additional Provisions made in 2014-15</b>	<b>Amounts Used in 2014-15</b>	<b>Unused amounts reversed in 2014-15</b>	<b>Unwinding of discounting in 2014-15</b>	<b>Balance at 31 March 2015</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
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)
<b>TOTAL</b>	<b>(5,092)</b>	<b>(779)</b>	<b>0</b>	<b>1,465</b>	<b>0</b>	<b>(4,406)</b>

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

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 policies. 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		31 March 2015
£'000		£'000
	(13,799) Outstanding Liabilities on PFI and Finance Leases	(12,916)
	(715,325) Pension Reserve	(895,255)
	<b>(729,124)</b>	<b>(908,171)</b>

### **Note 24. Usable Reserves.**

	Balance at 31 March 2014	Balance at 31 March 2015
	£'000	£'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)
<b>Total</b>	<b>(235,503)</b>	<b>(238,396)</b>

(\*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		Note	Balance at 31 March 2015
£'000			£'000
(279,312) Revaluation Reserve		(25a)	(289,143)
(606,012) Capital Adjustment Account		(25b)	(603,570)
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)	5,212
(83) Available for Sale Financial Instrument Reserve		(25g)	(243)
<b>(165,424) Total</b>			<b>4,191</b>

(\*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	£'000
(229,083)	Balance at 1 April		(279,312)
(99,863)	Upward revaluation of assets	(52,668)	
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	(42,934)	
7,115	Difference between fair value depreciation and historical cost depreciation	9,256	
7,017	Accumulated gains on assets sold or scrapped	23,847	
14,132	Amount written off to the Capital Adjustment Account	33,103	
(279,312)	Balance at 31 March		(289,143)

(\*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
<b>(599,396) Balance at 1 April</b>	<b>(606,012)</b>
<b><u>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</u></b>	
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	44,505
(14,132) Adjusting amounts written out of the Revaluation Reserve	(33,103)
<b>117,110</b> Net written out amount of the cost of non-current assets consumed in the year	<b>122,319</b>
<b><u>Capital financing applied in the year:</u></b>	
(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)
<b>(112,912)</b>	<b>(108,657)</b>
(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
<b>(10,813)</b>	<b>(11,220)</b>
<b>(606,012) Balance at 31 March</b>	<b>(603,570)</b>

(\*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	2014-15
£'000	£'000
<b>(31) Balance at 1 April</b>	<b>140</b>
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)
<b>140 Balance at 31 March</b>	<b>154</b>

### 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	2014-15
£'000	£'000
<b>641,729 Balance at 1 April</b>	<b>715,325</b>
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)
<b>715,325 Balance at 31 March</b>	<b>895,255</b>



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		2014-15
£'000		£'000
<b>(4,674)</b>	<b>Balance at 1 April</b>	<b>(908)</b>
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)
<b>(908)</b>	<b>Balance at 31 March</b>	<b>(3,474)</b>

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		2014-15	2014-15
£'000		£'000	£'000
<b>6,744</b>	<b>Balance at 1 April</b>		<b>5,427</b>
(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	
(1,317)	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)
<b>5,427</b>	<b>Balance at 31 March</b>		<b>5,212</b>

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

## **Note 26. Operating Activities.**

The cash flow operating activities include the following items:

2013-14	2014-15
£'000	£'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	2014-15
£'000	£'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	(40,477)
9,843 Other non-cash items charged to the net surplus or deficit on the provision of services	12,605
<b>(131,222) Net surplus/(deficit) on provision of services for non cash movements</b>	<b>(111,033)</b>

(\*1) The comparator year 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.

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

Restated(*1) 2013-14	2014-15
£'000	£'000
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
<b>70,766 Net surplus/(deficit) on provision of services for Investing &amp; Financing activities</b>	<b>74,062</b>

(\*1) The comparator year 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.

## **Note 27. Investing Activities.**

The cash flow investing activities include the following items:

<b>2013-14</b>		<b>2014-15</b>
<b>£'000</b>		<b>£'000</b>
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)
<b>35,443</b>	<b>Net cash flow from investing activities</b>	<b>(13,945)</b>

## **Note 28. Financing Activities.**

The cash flow financing activities include the following items:

<b>2013-14</b>		<b>2014-15</b>
<b>£'000</b>		<b>£'000</b>
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
<b>5,045</b>	<b>Net cash flow from Financing activities</b>	<b>(7,568)</b>

## **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
<b>TOTAL SERVICE BUDGETS</b>	<b>152,568</b>	<b>285,518</b>	<b>144,510</b>	<b>582,596</b>	<b>(110,947)</b>	<b>(54,043)</b>	<b>(164,990)</b>	<b>417,606</b>
<b>OTHER BUDGETS</b>								
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
<b>TOTAL OTHER BUDGETS</b>	<b>5,665</b>	<b>0</b>	<b>44,423</b>	<b>50,088</b>	<b>0</b>	<b>(1,396)</b>	<b>(1,396)</b>	<b>48,692</b>
<b>SCHOOLS BUDGETS</b>								
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)
<b>TOTAL SCHOOLS BUDGETS</b>	<b>185,231</b>	<b>32,551</b>	<b>73,774</b>	<b>291,556</b>	<b>(292,073)</b>	<b>(4,372)</b>	<b>(296,445)</b>	<b>(4,889)</b>
<b>TOTAL EXPENDITURE</b>	<b>343,464</b>	<b>318,069</b>	<b>262,707</b>	<b>924,240</b>	<b>(403,020)</b>	<b>(59,811)</b>	<b>(462,831)</b>	<b>461,409</b>
<b>INCOME</b>								
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)
<b>TOTAL INCOME</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(224,623)</b>	<b>(245,202)</b>	<b>(469,825)</b>	<b>(469,825)</b>
<b>Use/(Contribution) to Reserves</b>								<b>(8,416)</b>

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
<b>TOTAL SERVICE BUDGETS</b>	<b>151,905</b>	<b>276,367</b>	<b>138,241</b>	<b>566,513</b>	<b>(105,639)</b>	<b>(51,264)</b>	<b>(156,903)</b>	<b>409,610</b>
<b>OTHER BUDGETS</b>								
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
<b>TOTAL OTHER BUDGETS</b>	<b>1,494</b>	<b>0</b>	<b>50,667</b>	<b>52,161</b>	<b>0</b>	<b>(1,412)</b>	<b>(1,412)</b>	<b>50,749</b>
<b>SCHOOLS BUDGETS</b>								
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)
<b>TOTAL SCHOOLS BUDGETS</b>	<b>185,864</b>	<b>30,061</b>	<b>71,653</b>	<b>287,578</b>	<b>(285,117)</b>	<b>(5,138)</b>	<b>(290,255)</b>	<b>(2,677)</b>
<b>TOTAL EXPENDITURE</b>	<b>339,263</b>	<b>306,428</b>	<b>260,561</b>	<b>906,252</b>	<b>(390,756)</b>	<b>(57,814)</b>	<b>(448,570)</b>	<b>457,682</b>
<b>INCOME</b>								
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)
<b>TOTAL INCOME</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(243,619)</b>	<b>(243,404)</b>	<b>(487,023)</b>	<b>(487,023)</b>
<b>Use/(Contribution) to Reserves</b>								<b>(29,341)</b>

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
<b>Net Cost of Services in the Comprehensive Income and Expenditure Statement</b>	<b>514,412</b>	<b>523,923</b>

(\*1) The comparator year 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.



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)
<b>TOTAL Income</b>	<b>(932,656)</b>	<b>(12,215)</b>	<b>473,541</b>	<b>(471,330)</b>	<b>(487,329)</b>	<b>(958,659)</b>
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	38,087	38,087
Pension Interest Cost				0	30,746	30,746
<b>TOTAL Expenditure</b>	<b>924,240</b>	<b>162,142</b>	<b>(91,129)</b>	<b>995,253</b>	<b>20,358</b>	<b>1,015,611</b>
<b>Surplus/ Deficit on the Provision of Services</b>	<b>(8,416)</b>	<b>149,927</b>	<b>382,412</b>	<b>523,923</b>	<b>(466,971)</b>	<b>56,952</b>

Restated (*1) Reconciliation to Subjective Analysis 2013-14	Service Analysis	Amounts not	Amounts not	Net Cost of	Corporate	(Surplus)/Deficit
	Cost of Service	reported to	included in	Services	Amounts	on Provision of
	£'000	Management	CI&ES	£'000	£'000	Services
		£'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)
<b>TOTAL Income</b>	<b>(935,593)</b>	<b>(12,802)</b>	<b>490,587</b>	<b>(457,808)</b>	<b>(497,635)</b>	<b>(955,443)</b>
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
<b>TOTAL Expenditure</b>	<b>906,252</b>	<b>158,957</b>	<b>(92,989)</b>	<b>972,220</b>	<b>211</b>	<b>972,431</b>
<b>Surplus/ Deficit on the Provision of Services</b>	<b>(29,341)</b>	<b>146,155</b>	<b>397,598</b>	<b>514,412</b>	<b>(497,424)</b>	<b>16,988</b>

(\*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

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

### **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)
<b>(1,283) Surplus(-)/Deficit(+)</b>		<b>(82)</b>
<b>45,206 Contribution from Lincolnshire County Council</b>		<b>45,882</b>

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)
<b>0 Surplus(-)/Deficit(+)</b>		<b>0</b>
<b>2,948 Contribution from Lincolnshire County Council</b>		<b>3,579</b>

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)
<b>0</b>	<b>Surplus(-)/Deficit(+)</b>	<b>0</b>
<b>7,527</b>	<b>Contribution from Lincolnshire County Council</b>	<b>7,775</b>

### 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)
<b>0</b>	<b>Surplus(-)/Deficit(+)</b>	<b>(21)</b>
<b>725</b>	<b>Contribution from Lincolnshire County Council</b>	<b>725</b>

### **Note 33. Members Allowances.**

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

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

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		Pay Band	2014-15	
Number of Staff			Number of Staff	
Remuneration received (excl those receiving termination payments)	Staff who received termination payments		Remuneration received (excl those receiving termination payments)	Staff who received termination payments
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
<b>294</b>	<b>14</b>	<b>Total</b>	<b>312</b>	<b>28</b>

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
		£	£	£	£
<u>Senior Officers with a salary over £150,000</u>					
<b>Tony McArdle</b> - Chief Executive	2014-15	173,365	34,126	0	207,491
	2013-14	173,643	32,740	0	206,383
<u>Senior Officers with a salary over £50,000 and less than £165,000</u>					
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	152,733
	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
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
<b>Total</b>	<b>93</b>	<b>175</b>	<b>53</b>	<b>42</b>	<b>146</b>	<b>217</b>	<b>£2,271,458</b>	<b>£5,523,742</b>

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	143
0 Fees payable to KPMG in respect of statutory inspections	0
0 Fees payable to KPMG for the certification of grant claims and returns	0
8 Fees payable in respect of other services provided by KPMG during the year	17
<b>157 Total</b>	<b>160</b>

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:

<b>Schools Budget Funded by Dedicated Schools Grant</b>	<b>Central Expenditure</b>	<b>Individual Schools Budget</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
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
<b>Final Budget Distribution for 2014-15</b>	<b>25,737</b>	<b>253,722</b>	<b>279,459</b>
less Actual central expenditure	(25,457)	0	(25,457)
less Actual ISB deployed to schools	0	(235,452)	(235,452)
<b>Total actual expenditure in 2014-15</b>	<b>(25,457)</b>	<b>(235,452)</b>	<b>(260,909)</b>
<b>Local Authority Contribution 2014-15</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Carry forward to 2015-16</b>	<b>280</b>	<b>18,270</b>	<b>18,550</b>

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
	<u>Capital Grants and Contributions</u>	
23,330	DfT Asset Protection Grant	21,929
11,332	DfE Basic Need Grant	8,377
7,165	DfE Capital Maintenance Grant	6,752
4,136	DfT Integrated Transport Grant	5,816
	0 DfT Pothole Fund	5,430
2,776	Heritage Lottery Fund	4,753
5,394	Other Capital Grants and Contributions	2,562
4,205	DfT Additional Maintenance Grant	2,246
	0 DfE Targeted Basic Need Grant	2,164
1,811	Adult Care Capital Grant	1,848
	0 DfE School Kitchen Capital Grant	1,593
1,455	Devolved Formula Grant	1,423
2,025	ERDF Grant	1,421
1,668	DfT Pinchpoint Funding	1,363
992	Section 106 Income	1,345
	0 DfE Universal Infant Free School Meals Capital Grant	1,085
<b>549,546</b>	<b>Total</b>	<b>542,498</b>

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

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

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

## **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.

<b>Restated (*1) 2013-14 £'000</b>		<b>2014-15 £'000</b>
<b>547,386</b>	<b>Opening Capital Financing Requirement</b>	<b>567,826</b>
	<u>Capital Investment:</u>	
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
	<u>Sources of Finance:</u>	
(3,237)	Capital Receipts	(5,426)
(72,204)	Government Grants and Contributions	(75,500)
(12,802)	Government Grants and Contributions funding REFCUS	(12,215)
	<u>Sums set aside from Revenue:</u>	
(9,677)	Direct Revenue Contributions	(6,790)
(25,925)	Minimum Revenue Provision/Loans fund principal	(23,813)
<b>567,826</b>	<b>Closing Capital Financing Requirement</b>	<b>561,065</b>
<b>20,440</b>	<b>Movement in Year:</b>	<b>(6,761)</b>
	<b>Explanation of movement in year:</b>	
	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
<b>20,440</b>	<b>Increase/(Decrease) in Capital Financing Requirement</b>	<b>(6,761)</b>

(\*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)	(226)
Disposals	(20)	0
Derecognition	0	0
Reclassifications	(57)	0
<b>Net Book Value at 31 March 2015</b>	<b>15,556</b>	<b>250</b>

	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
<b>Net Book value as at 31 March 2014</b>	<b>15,821</b>	<b>412</b>

(\*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
<b>Total Committed Liabilities as at 31 March</b>	<b>244</b>	<b>405</b>	<b>232</b>	<b>391</b>

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
<b>Total Committed Liabilities as at 31 March</b>	<b>316</b>	<b>107</b>	<b>198</b>	<b>72</b>

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.

#### **ii) 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
<b>Total Committed Liabilities as at 31 March</b>	<b>18,980</b>	<b>19,533</b>



## **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
<b>Total future minimum lease payments receivable as at 31 March</b>	<b>4,262</b>	<b>3,607</b>

## **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:

<b>Buildings: Description</b>	<b>Occupied from</b>
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.

	<b>Restated (*1) Land &amp; Buildings £'000</b>	<b>Furniture &amp; Equipment £'000</b>
Balance at 1 April 2014	19,136	71
Additions	100	0
Revaluations	1423	0
Depreciation	(432)	(41)
Disposals	0	0
Reclassifications	0	0
De-recognition	23	0
<b>Net Book Value at 31 March 2015</b>	<b>20,250</b>	<b>30</b>

(\*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)	Furniture & Equipment
	Land & Buildings	
	£'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
<b>Net Book Value at 31 March 2014</b>	<b>19,136</b>	<b>71</b>

(\*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)
<b>Liability as at 31 March</b>	<b>13,244</b>	<b>12,485</b>

#### 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	3,347
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
<b>Total Committed Liabilities as at 31 March 2015</b>	<b>12,486</b>	<b>7,812</b>	<b>35,980</b>	<b>56,278</b>

#### 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	Obligations	Net liability/asset
	£'000	£'000	£'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)
<b>Opening position as at 31 March 2014</b>	<b>839,180</b>	<b>(1,366,506)</b>	<b>(527,326)</b>
Service cost			
Current service cost		(33,055)	(33,055)
Past service costs (including curtailments)		(793)	(793)
Effect of settlements	0	0	0
<b>Total Service Costs</b>	<b>0</b>	<b>(33,848)</b>	<b>(33,848)</b>
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
<b>Total net Interest</b>	<b>35,982</b>	<b>(58,627)</b>	<b>(22,645)</b>
<b>Total defined benefit cost recognised in Profit or( Loss)</b>	<b>35,982</b>	<b>(92,475)</b>	<b>(56,493)</b>
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
<b>Expected closing position</b>	<b>871,510</b>	<b>(1,420,817)</b>	<b>(549,307)</b>
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
<b>Total remeasurements recognised in Other Comprehensive Income(OCI)</b>	<b>70,944</b>	<b>(191,093)</b>	<b>(120,149)</b>
Exchange differences			0
Effect of business combinations or disposals			0
<b>Total Exchange and business combinations &amp; disposals</b>	<b>0</b>	<b>0</b>	<b>0</b>
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)
<b>Closing position as at 31 March 2015</b>	<b>942,454</b>	<b>(1,611,909)</b>	<b>(669,455)</b>

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		Duration
	£000		%
Members	639,575	42.4%	24.5
Deferred Members	320,176	21.2%	23.5
Pensioners	548,214	36.4%	11.6
	<b>1,507,965</b>	<b>100.0%</b>	<b>18.5</b>

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	Obligations	Net
	£'000	£'000	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)
<b>Opening position as at 31 March 2013</b>	<b>843,495</b>	<b>(1,317,025)</b>	<b>(473,530)</b>
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
<b>Total Service Costs</b>	<b>(1,898)</b>	<b>(28,485)</b>	<b>(30,383)</b>
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
<b>Total net Interest</b>	<b>37,742</b>	<b>(58,966)</b>	<b>(21,224)</b>
<b>Total defined benefit cost recognised in Profit or (Loss)</b>	<b>35,844</b>	<b>(87,451)</b>	<b>(51,607)</b>
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
<b>Expected closing position</b>	<b>874,205</b>	<b>(1,367,839)</b>	<b>(493,634)</b>
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
<b>Total remeasurements recognised in Other Comprehensive Income (OCI)</b>	<b>(35,025)</b>	<b>1,334</b>	<b>(33,691)</b>
Exchange differences			0
Effect of business combinations or disposals			0
<b>Total Exchange and business combinations &amp; disposals</b>	<b>0</b>	<b>0</b>	<b>0</b>
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)
<b>Closing position as at 31 March 2014</b>	<b>839,180</b>	<b>(1,366,506)</b>	<b>(527,326)</b>



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	Obligations	Net liability/asset
	£'000	£'000	£'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)
<b>Opening position as at 31 March 2014</b>	<b>0</b>	<b>(188,000)</b>	<b>(188,000)</b>
Service cost			
Current service cost		(5,500)	(5,500)
Past service costs (including curtailments)		0	0
Effect of settlements	0	0	0
<b>Total Service Costs</b>	<b>0</b>	<b>(5,500)</b>	<b>(5,500)</b>
Net Interest			
Interest income on planned assets	0		0
Interest cost on defined benefit obligation		(8,100)	(8,100)
Impact on asset ceiling			0
<b>Total net Interest</b>	<b>0</b>	<b>(8,100)</b>	<b>(8,100)</b>
<b>Total defined benefit cost recognised in Profit or (Loss)</b>	<b>0</b>	<b>(13,600)</b>	<b>(13,600)</b>
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
<b>Expected closing position</b>	<b>0</b>	<b>(197,200)</b>	<b>(197,200)</b>
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
<b>Total remeasurements recognised in Other Comprehensive Income (OCI)</b>	<b>0</b>	<b>(28,600)</b>	<b>(28,600)</b>
Exchange differences			0
Effect of business combinations or disposals			0
<b>Total Exchange and business combinations &amp; disposals</b>	<b>0</b>	<b>0</b>	<b>0</b>
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)
<b>Closing position as at 31 March 2015</b>	<b>0</b>	<b>(225,800)</b>	<b>(225,800)</b>

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
	<b>208,200</b>	<b>100.0%</b>	<b>20.7</b>
	Liability Split		Duration
	£000	%	
Contingent injuries	12,000	68.2%	26.5
Injury pension liabilities	5,600	31.8%	12.7
	<b>17,600</b>	<b>100.0%</b>	<b>22.1</b>

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
	£'000	£'000	liability/asset £'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
<b>Total Service Costs</b>	<b>0</b>	<b>(5,000)</b>	<b>5,000</b>
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
<b>Total net Interest</b>	<b>0</b>	<b>(7,600)</b>	<b>7,600</b>
<b>Total defined benefit cost recognised in Profit or( Loss)</b>	<b>0</b>	<b>(12,600)</b>	<b>12,600</b>
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)
<b>Expected closing position</b>	<b>0</b>	<b>(176,500)</b>	<b>176,500</b>
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
<b>Total remeasurements recognised in Other Comprehensive Income(OCI)</b>	<b>0</b>	<b>(11,500)</b>	<b>(11,500)</b>
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
<b>Closing position as at 31 March 2014</b>	<b>0</b>	<b>(188,000)</b>	<b>188,000</b>

	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
	<b>173,700</b>	<b>100.0%</b>	<b>19.8</b>

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

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	%
	<b>Fair value of scheme assets</b>		<b>Fair value of scheme assets</b>	
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	106,568	12.7%	111,384	11.8%
<b>Total Equities</b>	<b>473,021</b>	<b>56.3%</b>	<b>523,238</b>	<b>55.5%</b>
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%
<b>Total Bonds</b>	<b>51,600</b>	<b>6.1%</b>	<b>122,997</b>	<b>13.0%</b>
<b>Total Private Equity</b>	<b>45,980</b>	<b>5.5%</b>	<b>40,251</b>	<b>4.3%</b>
<b>Property</b>				
-UK	78,889	9.4%	92,501	9.9%
-Global	12,704	1.5%	10,800	1.1%
<b>Total Property</b>	<b>91,593</b>	<b>10.9%</b>	<b>103,301</b>	<b>11.0%</b>
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%
<b>Total Investment Funds</b>	<b>164,036</b>	<b>19.6%</b>	<b>139,186</b>	<b>14.8%</b>
<b>Cash and Cash Equivalents</b>	<b>12,950</b>	<b>1.6%</b>	<b>13,481</b>	<b>1.4%</b>
<b>Total Derivatives</b>	<b>0</b>	<b>0.0%</b>	<b>0</b>	<b>0.0%</b>
<b>Total Assets</b>	<b>839,182</b>	<b>100.0%</b>	<b>942,454</b>	<b>100.0%</b>

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	% of pay
	£000	£000	(liability)/asset £000	
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%
<b>Total Service Cost</b>	<b>0</b>	<b>(41,172)</b>	<b>(41,172)</b>	<b>0.0%</b>
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%
<b>Total Net Interest Cost</b>	<b>30,093</b>	<b>(51,624)</b>	<b>(21,531)</b>	<b>-15.7%</b>
<b>Total included in Income and Expenditure</b>	<b>30,093</b>	<b>(92,796)</b>	<b>(62,703)</b>	<b>-45.7%</b>

**Fire Fighters Pension Scheme**

	Assets	Obligations	Net	% of pay
	£000	£000	(liability)/asset £000	
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%
<b>Total Service Cost</b>	<b>0</b>	<b>(6,000)</b>	<b>(6,000)</b>	<b>-58.8%</b>
Interest income on plan assets	0	0	0	0.0%
Interest cost on defined benefit obligation	0	(7,300)	(7,300)	-71.6%
<b>Total Net Interest Cost</b>	<b>0</b>	<b>(7,300)</b>	<b>(7,300)</b>	<b>-71.6%</b>
<b>Total included in Income and Expenditure</b>	<b>0</b>	<b>(13,300)</b>	<b>(13,300)</b>	<b>-130.4%</b>

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
<b>Cost of Services</b>			
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
<b>Cost of Services</b>	<b>507,322</b>	<b>7,090</b>	<b>514,412</b>
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)
<b>(Surplus)/Deficit on Provision of Services</b>	<b>13,195</b>	<b>3,793</b>	<b>16,988</b>
(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)
<b>Other Comprehensive Income and Expenditure</b>	<b>(17,388)</b>	<b>(1,979)</b>	<b>(19,367)</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>(4,193)</b>	<b>1,814</b>	<b>(2,379)</b>

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
<b>Long Term Assets</b>	<b>1,390,701</b>	<b>(12,018)</b>	<b>1,378,683</b>
<b>Current Assets</b>	<b>245,673</b>	<b>0</b>	<b>245,673</b>
<b>Current Liabilities</b>	<b>(103,967)</b>	<b>0</b>	<b>(103,967)</b>
<b>Long Term Liabilities</b>	<b>(1,121,843)</b>	<b>0</b>	<b>(1,121,843)</b>
<b>Net Assets</b>	<b>410,564</b>	<b>(12,018)</b>	<b>398,546</b>
<b>Usable Reserves</b>	<b>213,836</b>	<b>0</b>	<b>213,836</b>
- Revaluation Reserve	272,346	(43,263)	229,083
- Capital Adjustment Account	568,151	31,245	599,396
<b>Unusable Reserves</b>	<b>196,728</b>	<b>(12,018)</b>	<b>184,710</b>
<b>Total Reserves</b>	<b>410,564</b>	<b>(12,018)</b>	<b>398,546</b>

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
<b>Long Term Assets</b>	<b>1,473,151</b>	<b>(13,832)</b>	<b>1,459,319</b>
<b>Current Assets</b>	<b>232,962</b>	<b>0</b>	<b>232,962</b>
<b>Current Liabilities</b>	<b>(103,637)</b>	<b>0</b>	<b>(103,637)</b>
<b>Long Term Liabilities</b>	<b>(1,187,718)</b>	<b>0</b>	<b>(1,187,718)</b>
<b>Net Assets</b>	<b>414,758</b>	<b>(13,832)</b>	<b>400,926</b>
<b>Usable Reserves</b>	<b>235,503</b>	<b>0</b>	<b>235,503</b>
- Revaluation Reserve	319,865	(40,554)	279,311
- Capital Adjustment Account	579,290	26,722	606,012
<b>Unusable Reserves</b>	<b>179,255</b>	<b>(13,832)</b>	<b>165,423</b>
<b>Total Reserves</b>	<b>414,758</b>	<b>(13,832)</b>	<b>400,926</b>

# Lincolnshire County Council's Pension Fund

## Pension Fund Account - For the year ended 31 March 2015

	See Note	2013-14 £000	2014-15 £000
<b>Contributions and Benefits</b>			
Contributions Receivable	8	76,984	82,503
Transfers in	9	6,732	6,372
		<b>83,716</b>	<b>88,875</b>
Benefits Payable	10	74,244	78,057
Leavers	11	3,922	34,458
		<b>78,166</b>	<b>112,515</b>
<b>Net additions from dealings with fund members</b>		<b>5,550</b>	<b>(23,640)</b>
Management Expenses	12	4,568	4,807
<b>Returns on Investments</b>			
Investment Income	13	27,815	26,619
Profit (Loss) on Forward Deals & Currency Deals	17	3,085	(4,149)
Change in Market Value of Investments	15	64,495	170,838
<b>Net returns on investments</b>		<b>95,395</b>	<b>193,308</b>
Net increase in the Fund during the year		96,377	164,861
Opening net assets of the Fund		1,495,045	1,591,422
<b>Closing net assets of the Fund</b>		<b>1,591,422</b>	<b>1,756,283</b>
<b>Net Assets statement as at 31 March 2015</b>			
<b>Investments</b>	15		
Equities		880,027	972,857
Pooled Investments:			
Property		174,702	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	4,364	473
		<b>1,580,487</b>	<b>1,744,152</b>
<b>Current Assets and Liabilities</b>			
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)
		<b>10,935</b>	<b>12,131</b>
<b>Net Assets of the Fund at 31st March</b>		<b>1,591,422</b>	<b>1,756,283</b>

## **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 Pension Fund Annual Report 2014/15 (available on the Fund's shared website at [www.wypf.org.uk](http://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 benefit 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 182 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 March 2014	31 March 2015
Number of employers with active members	185	182
Number of employees in the scheme		
Lincolnshire County Council	10,734	10,679
Other employers	9,963	10,583
<b>Total</b>	<b>20,697</b>	<b>21,262</b>
Number of pensioners		
Lincolnshire County Council	10,121	10,664
Other employers	6,456	6,600
<b>Total</b>	<b>16,577</b>	<b>17,264</b>
Number of deferred pensioners		
Lincolnshire County Council	18,794	18,872
Other employers	8,452	8,705
<b>Total</b>	<b>27,246</b>	<b>27,577</b>

### 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 2014, 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 $1/80 \times$ final pensionable salary.	Each year is worth $1/60 \times$ final pensionable salary.
Lump Sum	Automatic lump sum of $3/80 \times$ 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  $1/49$ th. 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](http://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. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.

## **Investment expenses**

All investment management 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 withholding tax.

Transaction costs are included in the purchase and sale costs of investments and are identified in the notes to the accounts.

### **Foreign currency transactions**

Dividend, interest, purchases and sales of investments in foreign currencies have been accounted for at the spot rates at the date of the transaction. End of year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period. The exchange rates used at 31 March 2015 are shown in note 29.

### **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:

	<b>Nominal per annum %</b>	<b>Real per annum %</b>
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 2015 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

<b>Year ended</b>	<b>31 Mar 2014</b>	<b>31 Mar 2015</b>
	<b>£m</b>	<b>£m</b>
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 AFA  
14 May 2014  
For and on behalf of Hymans Robertson LLP

## 6 Assumptions Made and Major Sources of Uncertainty

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.	<p>The effects of changes in the individual assumptions can be measured. For example:</p> <p>1) a 0.5% increase in the discount rate assumption would result in a decrease of the pension liability of £282m.</p> <p>2) a 0.25% increase in assumed earnings inflation would increase the value of liabilities by approximately £50m.</p> <p>3) a 0.5% increase in the pension increase rate would increase the value of liabilities by approximately £207m.</p> <p>4) a one-year increase in assumed life expectancy would increase the liability by approximately £89m.</p>
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%
	<u>100.0%</u>

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		31-Mar 2015	
	£m	%	£m	%
<b>EXTERNALLY MANAGED</b>				
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
<b>INTERNALLY MANAGED</b>				
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
<b>EXTERNALLY MANAGED</b>	
Invesco	Bid
Neptune	Bid
Schroder	Bid
Threadneedle	Bid
Morgan Stanley	Bid/Fair Value
Blackrock	Bid
Goodhart	Bid
<b>INTERNALLY MANAGED</b>	
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 £36,449,527 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	2014-15
	£000	£000
<b>Employers</b>		
Normal	48,015	56,897
Deficit Funding	9,603	5,465
Additional - Augmentation	1,446	1,457
<b>Members</b>		
Normal	17,786	18,577
Additional years	134	107
	<b>76,984</b>	<b>82,503</b>

These contributions are analysed by type of Member Body as follows:

	2013-14	2014-15
	£000	£000
Lincolnshire County Council	34,356	37,286
Scheduled Bodies	37,816	40,522
Admitted Bodies	4,812	4,695
	<b>76,984</b>	<b>82,503</b>

## **9 Transfers In**

During the year transfers in from other schemes amounted to £6.7m (£5.7m in 2012-13).

	2013-14	2014-15
	£000	£000
Individual transfers from other schemes	6,732	6,372
Bulk transfers in from other schemes	0	0
	<b>6,732</b>	<b>6,372</b>

There were no material outstanding transfers due to the Pension Fund as at 31 March 2015.

## **10 Benefits Payable**

	2013-14	2014-15
	£000	£000
Pensions	60,641	63,097
Commutations & Lump Sum Retirement Benefits	12,337	13,348
Lump Sum Death Benefits	1,266	1,612
	<b>74,244</b>	<b>78,057</b>

These benefits are analysed by type of Member Body as follows:

	2013-14	2014-15
	£000	£000
Lincolnshire County Council	37,857	41,623
Scheduled Bodies	31,820	32,477
Admitted Bodies	4,567	3,957
	<b>74,244</b>	<b>78,057</b>

### **11 Payments to and on account leavers**

	2013-14	2014-15
	£000	£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
	<b>3,922</b>	<b>34,458</b>

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	2014/15
	£000	£000
Administrative Costs	1,079	1,289
Investment Management Expenses	3,051	3,127
Oversight and Governance Costs	438	391
<b>Total Management Expenses</b>	<b>4,568</b>	<b>4,807</b>

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 (£462,993 in 2013/14) in respect of performance-related fees paid/payable to the Fund's investment managers.

	2013/14	2014/15
	£000	£000
Management Fees	2,949	3,027
Custody Fees	102	100
<b>Total Investment Management Expenses</b>	<b>3,051</b>	<b>3,127</b>

### **13 Investment Income**

	2013-14	2014-15
	£000	£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
	<b>27,815</b>	<b>26,619</b>

Analysis of Investment Income Accrued 31 March 2015

	UK	Non-UK	Global	Total
	£000	£000	£000	£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
<b>Total</b>	<b>2,806</b>	<b>1,346</b>	<b>818</b>	<b>4,970</b>



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
<b>Total</b>	<b>2,069</b>	<b>1,158</b>	<b>677</b>	<b>3,904</b>

**14 Taxes on Income**

	2013-14 £000	2014-15 £000
Withholding tax - Equities	1,060	1,114
	<b>1,060</b>	<b>1,114</b>

## 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
	<b>1,537,286</b>	<b>485,713</b>	<b>475,853</b>	<b>170,838</b>	<b>1,717,984</b>
Cash Deposits	38,836				25,695
Other Investment Balances	4,365				473
Current Assets & Liabilities	10,935				12,131
	<b>1,591,422</b>	<b>485,713</b>	<b>475,853</b>	<b>170,838</b>	<b>1,756,283</b>

	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
	<b>1,466,231</b>	<b>359,841</b>	<b>353,281</b>	<b>64,495</b>	<b>1,537,286</b>
Cash Deposits	14,696				38,836
Other Investment Balances	5,242				4,365
Current Assets & Liabilities	8,876				10,935
	<b>1,495,045</b>	<b>359,841</b>	<b>353,281</b>	<b>64,495</b>	<b>1,591,422</b>

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
<b>Total</b>	<b>575,004</b>	<b>470,674</b>	<b>698,001</b>	<b>1,743,679</b>

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
<b>Total</b>	<b>530,040</b>	<b>450,532</b>	<b>595,550</b>	<b>1,576,122</b>

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
<b>Total Pooled Vehicles</b>	<b>657,259</b>	<b>745,127</b>

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 two investments that fall into this category as follows:

Investment	2013-14		2014-15	
	Value (£000)	% of net assets	Value (£000)	% 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	9
Morgan Stanley Global Brands	74,715	4.7	88,445	5

## 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)	
<b>Total</b>					<b>18,669</b>	<b>(23,494)</b>	
<b>Net forward currency contracts at 31 March 2015</b>						<b>(4,825)</b>	
<b>Prior year comparative</b>							
<b>Open forward currency contracts at 31 March 2014</b>						<b>7,463</b>	<b>(7,503)</b>
<b>Net forward currency contracts at 31 March 2014</b>							<b>(40)</b>

## 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 managers who manage multi-currency portfolios. It also includes the unrealised loss of £0.5m (unrealised loss of £0.6m in 2013/14) from the Fund's two Currency Overlay Managers.

## 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
	<b>4,364</b>	<b>473</b>

## 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 dividend payments, has not actually been received. Debtors include a figure of £2,495,177 for contributions due from employers (2013/14 £4,099,190). Long term debtors are amounts due to the Pension Fund that will not be received within 12 months. The Pension fund only has one long term debtor, the Magistrates Court, who are funding the cost of their pensioner and deferred member liabilities over a 10 year period. Similarly, creditors are recorded where services supplied to the Pension Fund, or purchases of investments have been made by 31 March, but payment is not made until the following financial year. As required by the Code, creditors and debtors are split by type below:

	2013-14	2014-15
	£000	£000
<b>Debtors</b>		
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
	<b>6,974</b>	<b>4,005</b>
<b>Long Term Debtors</b>		
Central Government Bodies	2,131	2,132
Other Local Authorities	0	0
NHS Bodies	0	0
Public Corporations and Trading Funds	0	0
Other Entities and individuals	0	0
	<b>2,131</b>	<b>2,132</b>
<b>Creditors</b>		
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)
	<b>(2,800)</b>	<b>(1,861)</b>

## **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 31<sup>st</sup> 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. Claims to the value of £793,497 relate to 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 have been entitled to join the Scheme, however this changed from the 1st April 2014 and no new Councillors are now able to join the scheme. Councillors who are current members will cease to be in the scheme following the end of their term as Councillor. 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 as at 31st March 2015.

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](http://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
<b>Financial Assets</b>						
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	
	<b>1,550,178</b>	<b>52,571</b>	<b>-</b>	<b>1,743,747</b>	<b>39,687</b>	<b>-</b>
<b>Financial Liabilities</b>						
Other Investment Balances	(8,527)			(25,290)		
Creditors			(2,800)			(1,861)
	<b>(8,527)</b>	<b>-</b>	<b>(2,800)</b>	<b>(25,290)</b>	<b>-</b>	<b>(1,861)</b>
	<b>1,541,651</b>	<b>52,571</b>	<b>(2,800)</b>	<b>1,718,457</b>	<b>39,687</b>	<b>(1,861)</b>

### Net gains and losses on financial instruments

	2013/14 £000	2014/15 £000
<b>Financial Assets</b>		
Fair value through profit & loss	64,495	170,838
Loans and receivables		
Financial liabilities measured at amortised cost		
<b>Financial Liabilities</b>		
Fair value through profit & loss	(40)	(4,825)
Loans and receivables		
Financial liabilities measured at amortised cost		
	<b>64,455</b>	<b>166,013</b>



## 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
<b>Financial Assets</b>				
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				
<b>Total Financial Assets</b>	<b>1,355,301</b>	<b>189,640</b>	<b>238,493</b>	<b>1,783,434</b>
<b>Financial Liabilities</b>				
Fair value through profit & loss		(25,290)		(25,290)
Loans and receivables				-
Financial liabilities measured at amortised cost	(1,861)			(1,861)
<b>Total Financial Liabilities</b>	<b>(1,861)</b>	<b>(25,290)</b>	<b>-</b>	<b>(27,151)</b>
<b>Net Financial Assets</b>	<b>1,353,440</b>	<b>164,350</b>	<b>238,493</b>	<b>1,756,283</b>

<b>Values at 31 March 2014</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Financial Assets</b>				
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				-
<b>Total Financial Assets</b>	<b>1,218,799</b>	<b>174,701</b>	<b>209,249</b>	<b>1,602,749</b>
<b>Financial Liabilities</b>				
Fair value through profit & loss		(8,527)		(8,527)
Loans and receivables				-
Financial liabilities measured at amortised cost	(2,800)			(2,800)
<b>Total Financial Liabilities</b>	<b>(2,800)</b>	<b>(8,527)</b>	<b>-</b>	<b>(11,327)</b>
<b>Net Financial Assets</b>	<b>1,215,999</b>	<b>166,174</b>	<b>209,249</b>	<b>1,591,422</b>

## **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.

<b>Asset Type</b>	<b>Potential market movements (+/-)</b>
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	81,577	65,807
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
<b>Total assets available to pay benefits</b>	<b>1,744,152</b>		<b>1,917,462</b>	<b>1,570,842</b>

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
<b>Total assets available to pay benefits</b>	<b>1,580,487</b>		<b>1,726,520</b>	<b>1,434,454</b>

### 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
<b>Total</b>	<b>242,060</b>	<b>262,099</b>

## 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	Change in Year	
	31/03/2015	+1%	-1%
	£000	£000	£000
Cash deposits	25,695	25,952	25,438
Cash balances	7,855	7,934	7,776
Pooled Fixed Interest Securities	228,549	230,834	226,264
<b>Total</b>	<b>262,099</b>	<b>264,720</b>	<b>259,478</b>

Asset Type	Value at	Change in Year	
	31/03/2014	+1%	-1%
	£000	£000	£000
Cash deposits	38,836	39,224	38,448
Cash balances	4,630	4,676	4,584
Pooled Fixed Interest Securities	198,594	200,580	196,608
<b>Total</b>	<b>242,060</b>	<b>244,480</b>	<b>239,640</b>

## 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 & Burkhart 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	31/03/2015
	£000	£000
Overseas Equities (quoted)	556,212	611,483
<b>Pooled Investments:</b>		
Overseas Property	23,779	20,098
Overseas Private Equity	84,612	72,484
Overseas Fixed Interest	100,617	112,371
<b>Total</b>	<b>765,220</b>	<b>816,436</b>

## 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	Change in Year	
	31/03/2015	+10%	-10%
	£000	£000	£000
Overseas Equities (quoted)	611,483	672,631	550,335
<b>Pooled Investments:</b>			
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
<b>Total</b>	<b>816,436</b>	<b>898,079</b>	<b>734,793</b>

Currency Exposure - Asset Type	Value at	Change in Year	
	31/03/2014	10%	-10%
	£000	£000	£000
Overseas Equities (quoted)	556,212	611,833	500,591
<b>Pooled Investments:</b>			
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
<b>Total</b>	<b>762,699</b>	<b>838,969</b>	<b>683,429</b>

### 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 Boulsters 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 Glead  
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  
Spilsby 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	Fund Account	Note	2014-15
£'000			£'000
	<b>Contributions Receivable</b>		
	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
	<b>Transfers in:</b>		
0	Individual transfers from other schemes from Local Authorities	7	0
(74)	Individual transfers from other schemes other than Local Authorities	7	(31)
	<b>Benefits payable:</b>		
4,340	Pensions	5	4,405
951	Commutations and lump sum retirement benefits	5	1,420
106	Lump sum death benefits	5	0
	<b>Payments to and on account of leavers:</b>		
0	Individual transfer out to other schemes	7	2
2	Refunds of contributions	7	1
<b>2,529</b>	<b>Sub Total Net amount payable for the year before top up grant receivable</b>		<b>2,864</b>
(2,529)	Top up grant receivable from sponsoring department	6	(2,864)
	<b>0 net amount payable/receivable</b>		<b>0</b>
31 March 2014	Net Asset Statement as at:		31 March 2015
£'000			£'000
	<b>Current Assets</b>		
363	Pensions paid in Advance		376
0	Amounts due from LCC		0
1,045	Pensions top up grant due		1,034
<b>1,408</b>	<b>Total Current Assets</b>		<b>1,410</b>
	<b>Current Liabilities</b>		
(1,295)	Amounts payable to LCC		(1,205)
(113)	Unpaid pension benefits		(205)
0	Pension payable to central government		0
<b>(1,408)</b>	<b>Total Current Liabilities</b>		<b>(1,410)</b>
	<b>0 Total</b>		<b>0</b>

## **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**

### **Independent auditor's report to the members of Lincolnshire County Council**

We have audited the financial statements of Lincolnshire County Council for the year ended 31 March 2015 on pages 12 to 148. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

This report is made solely to the members of the Authority, as a body, in accordance with Part II of the Audit Commission Act 1998. Our audit work has been undertaken so that we might state to the members of the Authority, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the Executive Director of Finance and Public Protection and auditor**

As explained more fully in the Statement of the Executive Director of Finance and Public Protection Responsibilities, the Executive Director of Finance and Public Protection is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Authority's and the Pension Fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Executive Director of Finance and Public Protection; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Explanatory Foreword to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2015 and of the Authority's expenditure and income for the year then ended;
- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2015 and the amount and disposition of the fund's assets and liabilities as at 31 March 2015; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

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

The Code of Audit Practice 2010 for Local Government Bodies requires us to report to you if:

- the annual governance statement set out on pages 152 to 163 does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or

- the information given in the explanatory foreword for the financial year for which the financial statements are prepared is not consistent with the financial statements; or
- any matters have been reported in the public interest under section 8 of Audit Commission Act 1998 in the course of, or at the conclusion of, the audit; or
- any recommendations have been made under section 11 of the Audit Commission Act 1998; or
- any other special powers of the auditor have been exercised under the Audit Commission Act 1998.

We have nothing to report in respect of these matters.

### **Conclusion on Lincolnshire County Council's arrangements for securing economy, efficiency and effectiveness in the use of resources**

#### **Authority's responsibilities**

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

#### **Auditor's responsibilities**

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### **Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources**

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2013, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

## **Conclusion**

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2013, we are satisfied that, in all significant respects, Lincolnshire County Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2015.

## **Certificate**

We certify that we have completed the audit of the financial statements of Lincolnshire County Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice 2010 for Local Government Bodies issued by the Audit Commission.

**Mr Tony Crawley**  
**for and on behalf of KPMG LLP, Appointed Auditor**  
*Chartered Accountants*  
*1 Waterloo Way*  
*Leicester*  
*LE1 6LP*

September 2015

# Annual Governance Statement for Lincolnshire County Council 2014/15

## 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<sup>1</sup> – 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 8<sup>th</sup> July 2015 the draft statement was agreed and signed off by the Corporate Management Team.

On the 20<sup>th</sup> 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 21<sup>st</sup> September 2015 - where it was recommended for signing by the Leader of the Council, Chief Executive and the Executive Director – Finance and Public Protection.

## 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"<sup>2</sup>*

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 £131m 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.

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<sup>1</sup> 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

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<sup>2</sup> 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**.

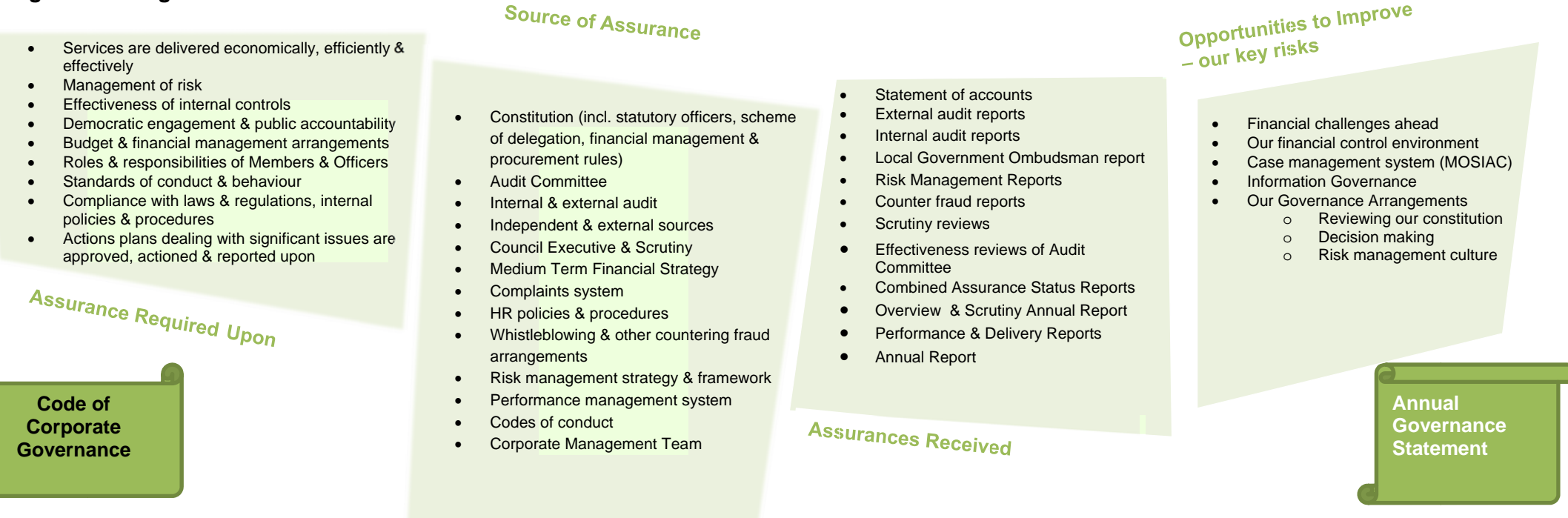
It helps us monitor our progress in achieving our goals and whether or not those goals are leading to effective and top quality services.

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



## 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 2<sup>nd</sup> 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.

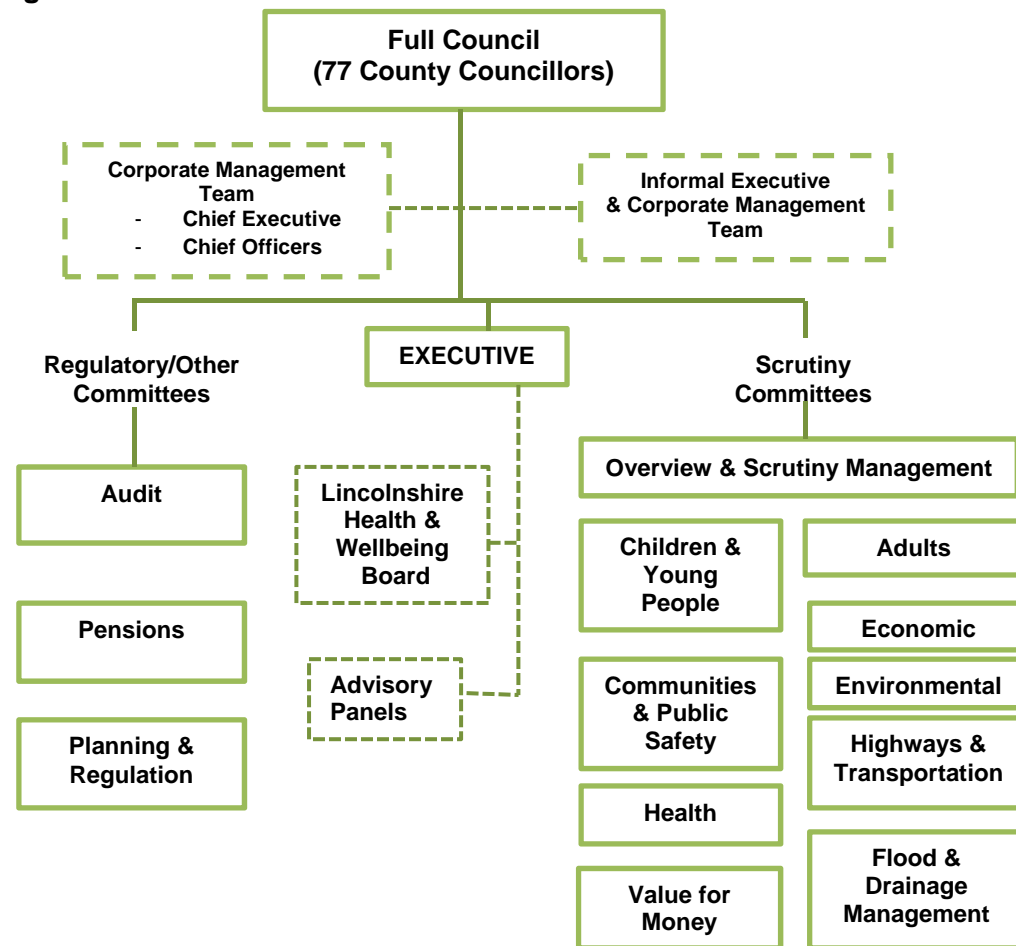
In times motivated by change we are committed to sharing as much information about our plans and programmes as possible. Meetings are therefore normally open to the public and we undertake extensive consultation on major changes to the way we propose to deliver our services.

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



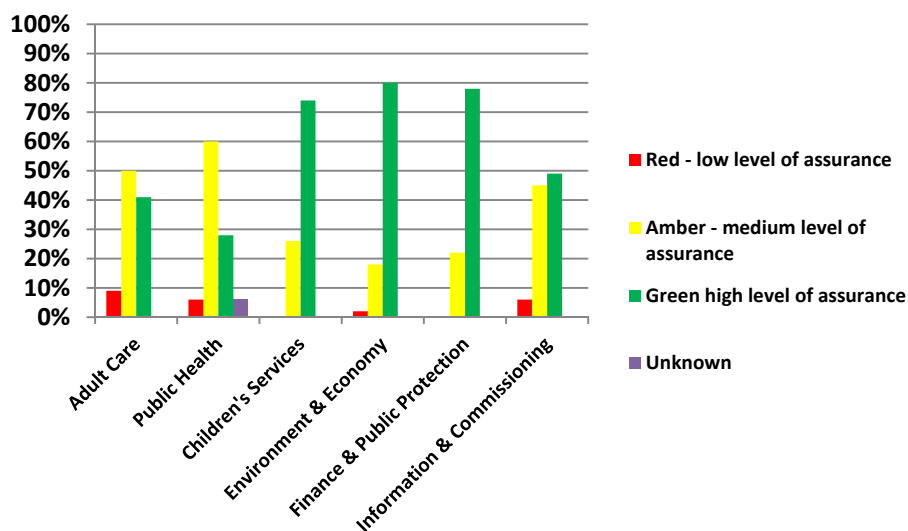
## How do we know our arrangements are working?

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 15<sup>th</sup> 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 15<sup>th</sup> 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
<b>Financial Challenges Ahead</b>			
<p>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.</p> <p>Recent modelling work has identified a funding gap of £131m 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.</p> <p>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.</p>	<p>Executive Director Finance and Public Protection</p>	<p>A financial challenge exercise is underway with the Executive working collectively in collaboration with the Corporate Management Team.</p> <p>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.</p> <p>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.</p>	<p>For agreement at the February 2016 County Council meeting</p>

Governance Issue	Lead Officer(s)	Key Delivery Milestones – 2014/15	Implementation Date
<b>Financial Control Environment</b>			
<p>A new integrated suite of financial and HR IT systems (Agresso) was introduced on 1<sup>st</sup> April 2015. This 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.</p> <p>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).</p> <p>Internal Audit colleagues completed a review of the impact on the internal control regime within the authority as a consequence of the introduction of Agresso. This was considered at the Audit Committee meeting on 21<sup>st</sup> September and provides more detail on both weaknesses identified and proposed action by the way of mitigation of those control weaknesses.</p>	Executive Director Finance and Public Protection	<p>An Agresso remediation plan has been developed and resourced with the project completion deadline initially extended from end July to end September 2015. It is now considered unlikely that the remediation work will be fully complete by the end of September and therefore a revised date of end December is now considered more realistic.</p> <p>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.</p> <p>The LCC accountancy team are undertaking a wide range of activity to assist Serco in rectifying a range of errors that have arisen with the operation of the system to date. These relate primarily to accounts payable, payroll and related costing issues. This activity is resource demanding and will continue over the short term until an acceptable level of</p>	<p>End December 2015 for completion of the recovery plan.</p> <p>End March at the very latest to return to a business as usual environment for all financial systems and budget management including the testing of year end routines.</p>



Governance Issue	Lead Officer(s)	Key Delivery Milestones – 2014/15	Implementation Date
		<p>confidence in the integrity of the system is obtained. Consequently, priority in terms of routine activity is being given to work to assist in ensuring the integrity of the financial statements of the Council for the current year. This means that more routine management accounting activity, including within year budget monitoring work in conjunction with budget holders, has had to be scaled back. In addition there will be a conscious delay in implementing the restructuring of the finance team which would have reduced resources available for finance work from November 2015.</p> <p>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.</p>	

Governance Issue	Lead Officer(s)	Key Delivery Milestones – 2014/15	Implementation Date
<b>Case Management System (Mosaic)</b>			
<p>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.</p> <p>Provision of citizen, provider and practitioner portals.</p>	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.	<p>Summer 2015</p> <p>Winter 2015/16</p>
<b>Information Governance</b>			
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	<p>Implemented agreed management actions arising from Internal Audit.</p> <p>A plan of improvements is being undertaken.</p>	<p>June 2015</p> <p>The date of the ICO visit has not yet been confirmed.</p>
<b>Governance Arrangements</b>			
<p><b>Libraries</b></p> <p>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.</p>	Monitoring Officer (Executive Director Environment and Economy)	<p>Report to Audit Committee: 26 January 2015.</p> <p>Implement Action Plan</p>	CMB Action Plan to be reviewed by Audit Committee in Autumn.
<p><b>Constitution</b></p> <p>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.</p> <p>A member task and finish group has also been set up to support and independent review of the Council's scrutiny arrangements.</p>	Monitoring Officer (Executive Director Environment and Economy)	<p>Council meeting agreed changes at its meetings in September and December.</p> <p>Review effectiveness of the scrutiny arrangements of the Council</p>	<p>December 2014</p> <p>Current – due to report to Council in September 2015</p>

Governance Issue	Lead Officer(s)	Key Delivery Milestones – 2014/15	Implementation Date
<p><b>Risk Culture</b>            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, affordability, quality and risk.</p> <p>The Council will need to ensure that its risk management processes work well – with a risk culture that promotes:</p> <ul style="list-style-type: none"> <li>• taking the right risks in an informed manner</li> <li>• having clear accountability for and ownership of specific risks and risk areas</li> <li>• having transparent and timely risk information flowing up and down the organisation with bad news rapidly communicated without the fear of blame</li> <li>• Implement and encourage risk reporting – actively seeking to learn from mistakes and near misses and reporting on risk triggers / events.</li> </ul>	<p>Executive Director            Finance and            Public Protection</p>	<p>Update the Council's Risk Management Strategy and Toolkit to reflect the Risk Culture</p> <p>Raise awareness of risk culture with members and officers</p> <p>Update the Strategic Risk Register            Executive Directors to develop / update Service / Commissioning Strategy risk registers.</p>	<p>September 2015</p> <p>September – December 2015</p> <p>November 2015            September – November 2015</p>

**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**

**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	
	Remuneration received (excl those receiving termination payments)	Staff who received termination payments	Remuneration received (excl those receiving termination payments)	Staff who received termination payments
Pay Band				
£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
<b>Total</b>	<b>156</b>	<b>1</b>	<b>153</b>	<b>5</b>

OTHER SERVICES	2013-14		2014-15	
	Number of Staff		Number of Staff	
	Remuneration received (excl those receiving termination payments)	Staff who received termination payments	Remuneration received (excl those receiving termination payments)	Staff who received termination payments
Pay Band				
£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
<b>Total</b>	<b>137</b>	<b>13</b>	<b>159</b>	<b>23</b>

## **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.