Lincolnshire County Council
Statement of Accounts 2015-16

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Explanatory Foreword

Introduction to the Accounts

The Statement of Accounts for the year 2015-16 is set out on pages 13 to 17.

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 2015 to 31 March 2016. It is based on the information contained in the Statement of Accounts and the Council's Financial Performance Report for 2015-16.

Movement in Reserves Statement for the period 1 April 2015 to 31 March 2016

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 2015 to 31 March 2016

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 2016

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 2015 to 31 March 2016

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 performance in 2015-16 by the Executive Director - Finance and Public Protection

Review of the Year

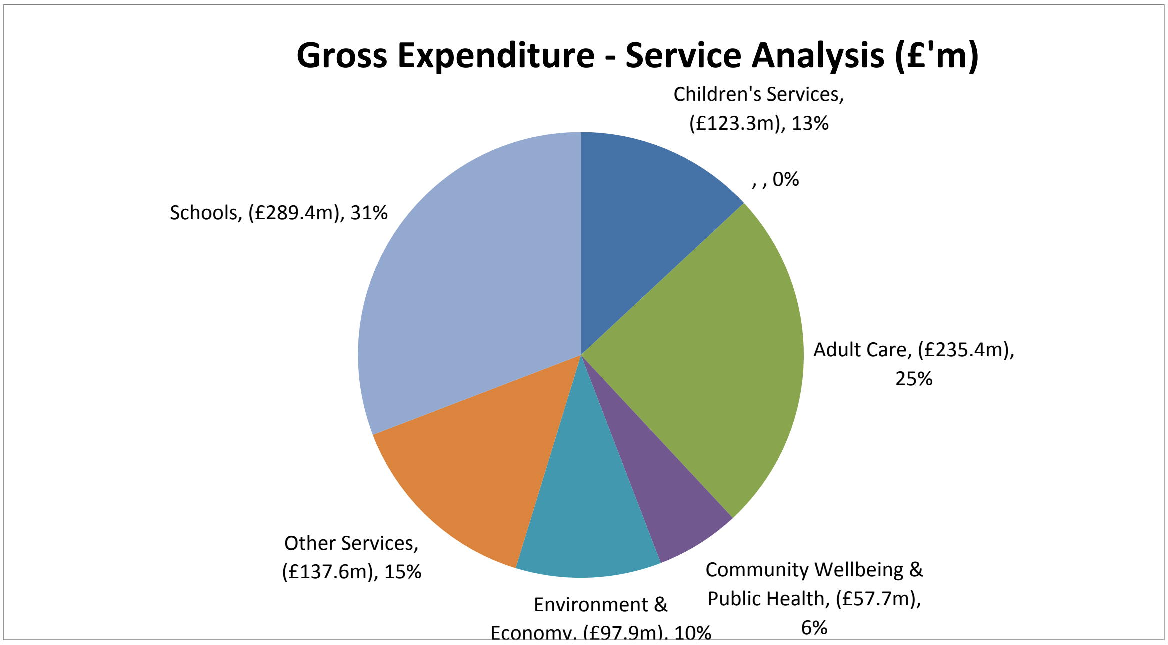
The County Council set its spending plans for 2015-16 against a backdrop continued uncertainty in local government funding brought about by a general election in May 2015 and the promise of a new Comprehensive Spending Review which would affect local government funding to the end of the decade. In developing the financial plan for 2015-16, the Council has undertook 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 forward. The Council plan was a mixed approach to match spending to current levels of government funding. This included delivering savings identified through the fundamental budget review plus the one off use of reserves and a 1.90% increase in Council Tax.

In particular the Council continues to seek improved value for money by achieving savings through improved efficiency wherever possible. This approach is underpinned by a planned programme of major improvement, efficiency and transformation projects derived directly from key strategies such as the commissioning council model. As part of this process the Council seeks to identify and assess appropriate opportunities to engage in partnership/shared services initiatives with other partners in the public, private and voluntary sectors, where this will result in tangible efficiency savings. This approach has produced savings in areas such as the introduction of a new financial system.

Annual Revenue Spending

The Council spent £941.36m on 2015-16 in providing public services – £1,290.68 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.



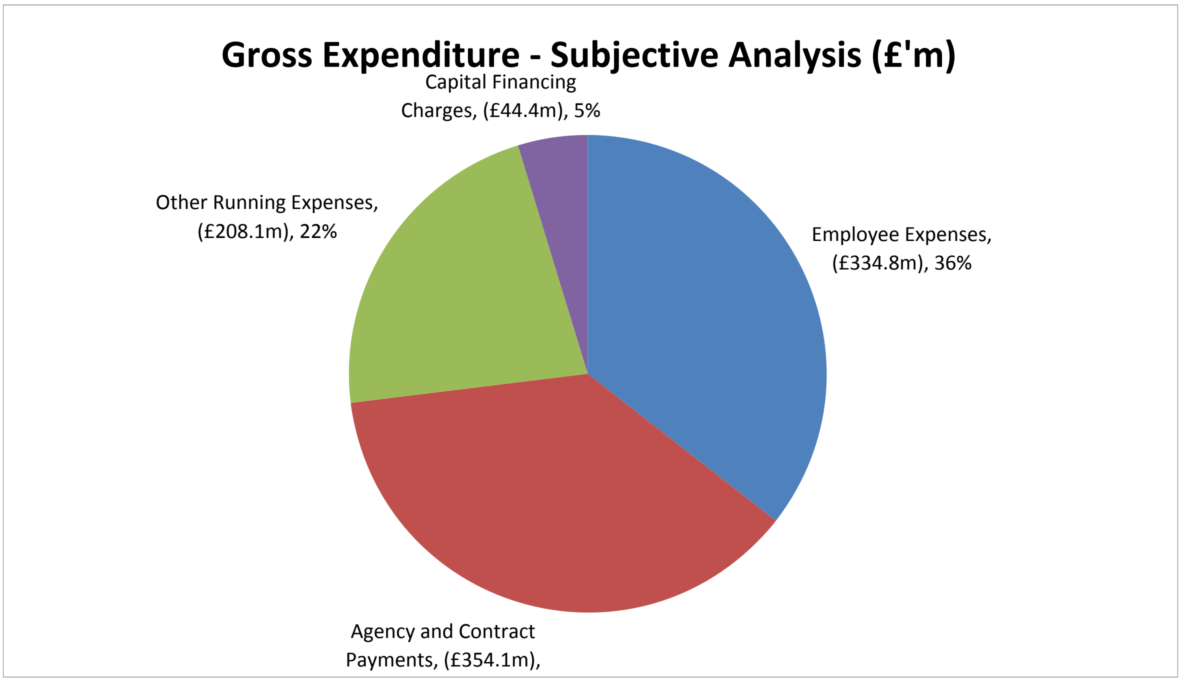
Children's Services Includes: Readiness for School, Learn and Achieve, Children are Safe & Healthy and Readiness for Adult Life.

Adult Care Includes: Adult Safeguarding, Adult Frailty, Long Term Conditions and Physical Disability, Carers and Adult Specialities.

Community Wellbeing and Public Health Includes: Community Resilience & Assets and Wellbeing.

Environment and Economy Includes: Sustaining & Developing Prosperity Through Infrastructure, Protecting & Sustaining the Environment and Sustaining & Growing Business & the Economy.

Other Services Includes: Protecting the Public, How We Do Our Business and Enablers & Support to Council Outcomes, Contingency Budgets, Transfer to/from Earmarked Reserves and General Reserves.

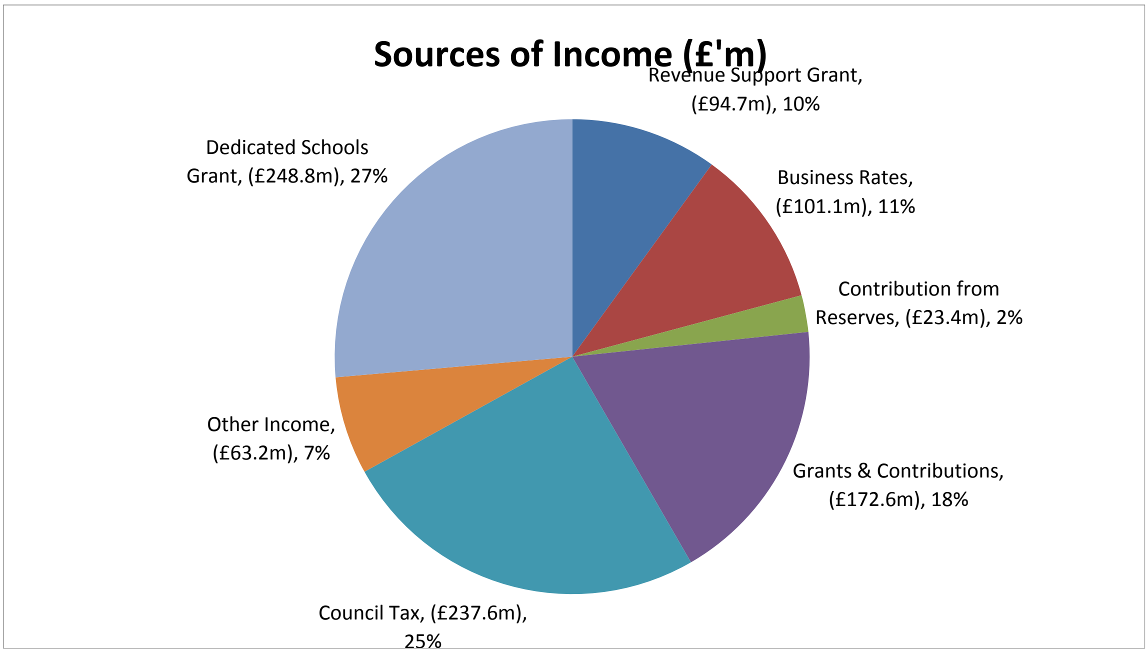


The distribution of expenditure by type differs significantly between different services. For example, salaries and wages comprises 62% of expenditure for schools. For services other than schools, salaries and wages comprises 24% of expenditure and contract payments comprises 38% of total expenditure. 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 74).

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 2015/16, on a like for like basis showed a reduction of £32.661m or 25.65% from the grant received in 2014/15. Business Rates showed a small growth of £1.600m or 1.57%.

In addition to RSG the Council also receives specific government grants. The most significant of these was £248.8m of Dedicated Schools Grant which is used for funding education in Lincolnshire

In 2015/16 the Council increased Council Tax by 1.90% and also saw growth of 1.85% on the number of band D equivalent properties in Lincolnshire which generated an additional £6.945m. The Council Tax element of the collection funds in Lincolnshire also generated a further £4.254m for the County Council.

The revenue outturn for 2015-16 is summarised below:

- Total service revenue spending, excluding schools, was under spent by £11.060m or 2.6%.
- Schools were underspent by £16.919m or 6.4% of the gross schools budget.
- There was an underspend of £11.884m on other budgets, mainly reflecting a large underspend on capital financing charges during the year.
- The Council received £2.789m less general funding income than was included in the budget.
- This give the Council an overall underspend of £37.074m.

The table below shows the outturn of expenditure in 2015-16 compared with the budgets approved by the Council.

	Revised Net Revenue Budget £'000	Expenditure £'000	Under or Over Spending £'000	Percentage Under or Over Spent %
COMMISSIONING STRATEGIES				
Readiness for School	8,287	**7,730**	(557)	-6.72%
Learn & Achieve	35,658	**35,764**	106	0.30%
Readiness for Adult Life	6,452	**5,634**	(818)	-12.68%
Children are Safe and Healthy	54,072	**54,472**	400	0.74%
Adult Safeguarding	3,020	**3,009**	(11)	-0.36%
Adult Frailty & Long Term Conditions	96,272	**95,853**	(419)	-0.44%
Carers	1,673	**1,538**	(135)	-8.07%
Adult Specialities	45,836	**44,941**	(895)	-1.95%
Community Resilience & Assets	13,598	**13,941**	343	2.52%
Wellbeing	37,072	**35,932**	(1,140)	-3.08%
Sustaining & Developing Prosperity Through Infrastructure	60,677	**57,040**	(3,637)	-5.99%
Protecting & Sustaining the Environment	22,465	**23,610**	1,145	5.10%
Sustaining & Growing Business & the Economy	1,884	**1,206**	(678)	-35.99%
Protecting The Public	24,980	**24,712**	(268)	-1.07%
How We Do Our Business	8,455	**8,235**	(220)	-2.60%
Enablers & Support To Council's Outcomes	39,415	**35,139**	(4,276)	-10.85%
Public Health Grant Income	(30,723)	**(30,723)**	0	0.00%
TOTAL COMMISSIONING STRATEGIES	**429,093**	**418,033**	**(11,060)**	**-2.58%**
Other Budgets	68,827	**56,943**	(11,884)	-17.27%
Schools Budgets (Other Funding)	18,155	**1,236**	(16,919)	-93.19%
TOTAL EXPENDITURE	**516,075**	**476,212**	**(39,863)**	**-7.72%**
TOTAL INCOME	**(455,626)**	**(452,837)**	**2,789**	**-0.61%**
TOTAL USE OF RESERVES	**(60,450)**	**(23,375)**	**(37,074)**	**61.33%**

Significant variances include:

- Wellbeing (£1.140m underspend) The main element of this relates to the redesign and procurement of the Wellbeing and Housing Related Support activities planned savings being brought forward;

- Sustaining and Developing Prosperity Through Infrastructure (£3.637m underspend). This was due to a number of factors, including: a high level of staff vacancies the Environment and Economy Service which have been maintained to assist with meeting future budget reductions; additional income generated by the Heritage Service of £0.809: reduced winter maintenance costs due to the mild winter of £0.751m, and general caution in committing expenditure given anticipated overspends elsewhere coupled with difficulty in accessing reliable financial information;

- Protecting and Sustaining the Environment (£1.145m overspend). This relates to waste management and waste disposal and unavoidable increases in prices and volumes relating to these activities;

- Enablers and Support to Council Outcomes (£4.276m underspend). This was due to a number of factors, including: service credits for underperformance on the Support Service Contract (£1.205m), the Council vacating buildings earlier than anticipated (£0.494m), additional rental income (£0.415m), vacancy savings held by the Property Services contractor which are passed on to the Council, vacancy savings and better use of existing resources by Business Support (£0.604m) and a surplus on income for Legal Services (£0.538m);

- Other Budgets (£11.884m underspend). Capital financing charges were underspent by £8.107m due to the use of internal borrowing and slippage in the capital programme. Additionally, at the end of the year £3.038m of the Council's contingency remained unused.

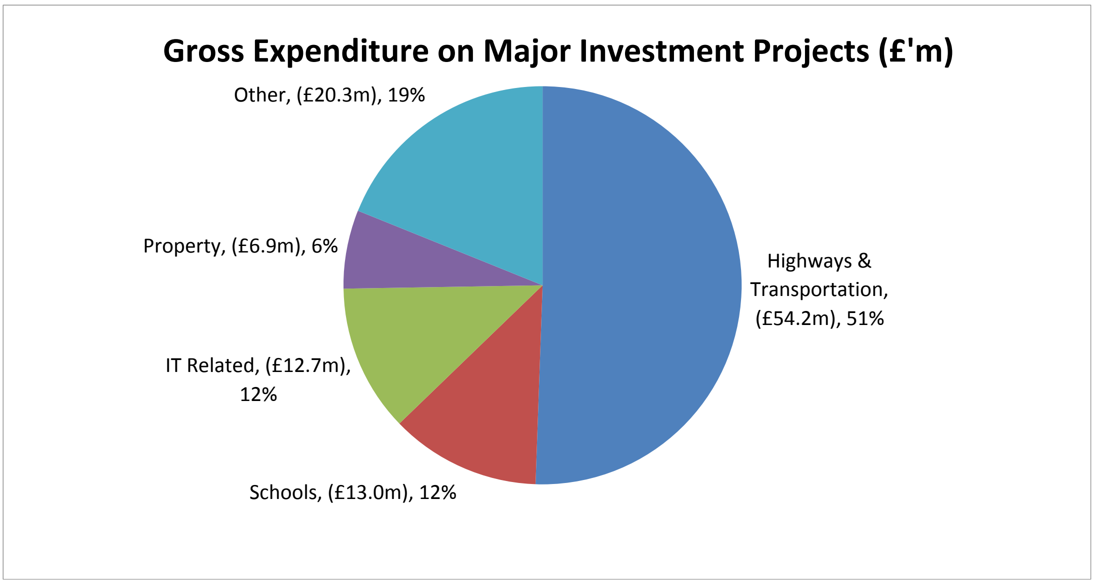
- Schools Budgets (£16.919m underspend). Schools budgets are ring-fenced and carried into the next financial year for schools.

Further information on revenue budget spending and outturns can be found in the Review of Financial Performance 2015-16, which is available on the Council's website.

Investment in major projects

The Council spent £107.105m on the County's assets, in particular on roads and schools. The net capital spend was £42.701m and there was an underspending of £52.045m or 54.9%. Explanations of the variances can be found in the Council's Review of Financial Performance Report for 2015-16.

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



Other includes: Adults Care, Fire and Rescue and Protecting & Sustaining the Environment.

In 2015-16 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;

- Construction of two new road schemes, one in Lincoln and another in Grantham;

- The Broadband Programme which is installing high speed internet infrastructure in communities and businesses, particularly in rural areas; and

- 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 (£77.9m) to fund: maintenance work on roads, the Council's programme of modernisation and improvement of condition of school buildings and provision of education places. £21.1m of funding for the capital programme came from temporary internal and external borrowing, £5.3m from revenue funding and use of earmarked reserves and £2.8m 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 2015-16 was 5.75%. 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.

<u>Financial health and performance</u>

The Council's revenue budget remains under pressure from reduced funding and service cost pressures. For 2015-16 and again in 2016-17 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 and the continuation of growing costs pressures.

In developing the financial plan for 2016-17, the Council has considered all areas of current spending, levels of income and council tax plus use of one off funding to set a balanced budget. The Council plans to use a mixed approached, funding unavoidable cost pressures and reducing service spending where savings were identified. The Council has also set a Council Tax increase in 2016-17 of 3.95%, 1.95% plus a further 2.00% for Adult Care responsibilities (including demographic pressure and the impact of the national living wage) and using £20.965m from reserves (£20.165m from the Financial Volatility Reserve and £0.800m which can be released from the general fund).

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 2016, as proposed in this report, would be £15.600m 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 mixed approach to meeting the current financial challenges 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.

Cash Flow

The major influences on the authority's cash position are the level of reserves held and the impact of the capital programme. The Council holds net current assets of £148.5m (£137.2m at 31 March 2015). Although the Council holds a negative cash balance of £14.842m at 31 March 2016, this is covered by short term investments and the overall situation is managed as part of the pooling arrangements with the County Pension Fund. The net current assets are primarily generated by the level of reserves held by the council.

The Council has a long history of producing balanced budgets over time as evidenced by the level of usable reserves held. The most significant challenge to this position is the Government's plan for fiscal consolidation which will result in reduced Government Grant funding in future years. In meeting this challenge the Council's budget for 2016-17 plans for £0.800m use of General Reserves which stood at £15.6m at 31 March 2016.

The Council's decisions on capital are taken in the light of the impact on the revenue budget and corresponding borrowing limits. The impact of the capital programme on cash flow is therefore minimised by the use of borrowing, however, the authority does make use of it's available net current asset position by avoiding external borrowing where appropriate. Historic use of such "internal borrowing" is primarily reflected in the difference between usable reserve and net current assets. The planned Capital Programme spend of £194.8m in 2016-17 is partly financed by Government Grants and contributions of £108.4m. Any future reductions in the availability of this funding will therefore restrict the Council's ability to undertake new large scale projects

Non Financial Performance Indicators

In 2015 the Council published a Business Plan for the period 2015-16 to make sure services are delivered that meet priorities for the people of Lincolnshire. The Business Plan includes a range of measures and a number of related targets, that will help indicate whether the Council is on track to meet the outcomes in it's commissioning strategies. Of the 16 commissioning strategies reported for 2015-16, 11 have performed really well; there is mixed performance in 3; and 2 have not performed as well as expected.

Like all large and complex organisations, the Council has 'risks' that could prevent us from achieving our aims. The Council monitors these strategic risks on an on-going basis as part of our risk management approach which also looks at opportunities that may arise.

Over the period of 2015-16, there were a number of risks identified of which recruitment and retention was deemed the highest risk on the strategic risk register. In addition to this, the replacement of the existing financial system was noted as a new risk and monitored accordingly.

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.

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 2015-16 - 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.

Future Significant Developments

Fiscal Consolidation - The Government plans to eliminate the country's annual budget deficit by 2019-20 and run at a surplus thereafter, while protecting areas of spend such as Education the NHS and pensions. This consolidation is likely to result in significant reductions in funding for local government.

Retention of Business Rates - The Government is planning to remove Revenue Support Grant by 2020 and allow authorities to fully retain local business rates. While this will bring opportunities to receive the benefit of any increased tax base, there will also be additional risks which may require the Council to review the level of reserves held.

Local Devolution - In partnership with other local authorities the Council has agreed a deal to devolve additional responsibilities and funding to a Greater Lincolnshire Combined Authority. The Council will be a major partner in the Combined Authority which will improve the Council's ability to plan ahead for some of the strategic services it provides.

Conversion of Schools into Academies - The Government is aspiring to convert all schools under local authority control to academy status over time. As and when local schools convert to academy status this will reduce the value of the assets held on the Council's balance sheet, as well as the gross income and expenditure in relation to the schools involved.

Change in Accounting Policy for Highways Network Assets for 2016-17 - Currently the Council records the value of its highways network assets at historic cost in its Balance Sheet. From 2016-17 the Code of Practice on Local Authority Accounting in the United Kingdom will require the Council to change its accounting policy with regard to these assets and record them on a depreciated replacement cost basis. It is estimated that this change will increase the value of the Council's assets by around £11.855m in 2016-17.

<u>The Council's Pension Fund liability</u>

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 £895.255m to £745.582m.

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.

Statement of Responsibilities for the Statement of Accounts

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 2016 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 2015 to 31 March 2016

	Note	Total Usable Reserves					
		General Fund Balance	Earmarked GF Reserves (Note 9)	Capital Grants Unapplied	Total Usable Reserves (Note 24)	Unusable Reserves (Note 25)	Total Council Reserves
	Note	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 1 April 2015		**15,900**	**169,822**	**52,674**	238,396	**(4,189)**	234,207
Movement in Reserves during 2015-16							
Surplus/(Deficit) on the provision of services		(110,197)	-	-	(110,197)	-	(110,197)
Other Comprehensive Income and Expenditure		-	-	-	-	232,820	232,820
Other Recognisable Gains		(1,395)	-	-	(1,395)		(1,395)
Total Comprehensive Income and Expenditure		(111,592)	-	-	(111,592)	232,820	121,228
Adjustments between accounting basis & funding basis under regulations	(8)	89,466	-	10,003	99,469	(99,469)	-
Net Increase/(Decrease) before Transfers to Earmarked Reserves		(22,126)	-	10,003	(12,123)	133,351	121,228
Transfers to/from Earmarked Reserves	(9)	21,826	(21,826)	-	-	-	-
Increase/(Decrease) in Year 2015-16		**(300)**	**(21,826)**	**10,003**	**(12,123)**	**133,351**	**121,228**
Balance as at 31 March 2016 Carried Forward		**15,600**	**147,996**	**62,677**	**226,273**	**129,162**	**355,435**

N.B. The Council does not have a Capital Receipts Reserve as it is the Council's policy to fully utilise all capital receipts to finance capital expenditure in the year they are received.

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

	Note	Total Usable Reserves					
		General Fund Balance	Earmarked GF Reserves (Note 9)	Capital Grants Unapplied	Total Usable Reserves (Note 24)	Unusable Reserves (Note 25)	Total Council Reserves
	Note	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 1 April 2014		**16,400**	**165,275**	**53,828**	235,503	**165,423**	400,926
Movement in Reserves during 2014-15							
Surplus/(Deficit) on the provision of services		(56,929)	0	-	(56,929)	-	(56,929)
Other Comprehensive Income and Expenditure		-	0	-	0	(105,655)	(105,655)
Other Recognisable Gains		(4,050)	(85)		(4,135)	0	(4,135)
Total Comprehensive Income and Expenditure		**(60,979)**	**(85)**	**0**	**(61,064)**	**(105,655)**	**(166,719)**
Adjustments between accounting basis & funding basis under regulations	8	69,395	-	(5,438)	63,957	(63,957)	0
Net Increase/(Decrease) before Transfers to Earmarked Reserves		**8,416**	**(85)**	**(5,438)**	**2,893**	**(169,612)**	**(166,719)**
Transfers to/from Earmarked Reserves	9	(8,916)	4,632	4,284	0	-	0
Increase/(Decrease) in Year 2014-15		**(500)**	**4,547**	**(1,154)**	**2,893**	**(169,612)**	**(166,719)**
Balance as at 31 March 2015 Carried Forward		**15,900**	**169,822**	**52,674**	**238,396**	**(4,189)**	**234,207**

N.B. The Council does not have a Capital Receipts Reserve as it is the Council's policy to fully utilise all capital receipts to finance capital expenditure in the year they are received.

Lincolnshire County Council: Comprehensive Income and Expenditure Statement for the period 1 April 2015 to 31 March 2016

Restated (*1) 2014-15					2015-16		
Gross Expenditure	Income	Net Expenditure			Gross Expenditure	Income	Net Expenditure
£'000	£'000	£'000		Note	£'000	£'000	£'000
			Cost of Services				
385,309	(307,789)	77,520	Education Services	(5)	387,483	(300,883)	86,600
98,759	(16,513)	82,246	Children's Social Care		102,741	(19,052)	83,689
234,576	(78,820)	155,756	Adult Care		261,742	(97,016)	164,726
100,482	(9,134)	91,348	Highways and Transport Services		114,839	(25,353)	89,486
21,421	(2,369)	19,052	Cultural and Related Services		20,785	(4,989)	15,796
42,198	(4,413)	37,785	Environmental and Regulatory Services		36,220	(1,586)	34,634
24,131	(15,117)	9,014	Planning Services		22,207	(4,243)	17,964
32,787	(2,870)	29,917	Fire and Rescue Services		34,853	(3,051)	31,802
26,725	(30,033)	(3,308)	Public Health		35,882	(35,617)	265
15,112	(956)	14,156	Housing Services - Travellers Sites		13,190	(1,464)	11,726
5,951	(3,142)	2,809	Central Services to the Public		5,991	(1,589)	4,402
4,191	(174)	4,017	Corporate and Democratic Core		2,736	(7)	2,729
3,611	0	3,611	Non Distributed Costs		3,838	0	3,838
995,253	**(471,330)**	**523,923**	**Cost of Services (excluding Acquired and Discontinued Operations)**		**1,042,507**	**(494,850)**	**547,657**
		39,159	Other Operating Expenditure	(10)			56,634
		36,344	Financing and Investment Income and Expenditure	(11)			41,070
		(542,497)	Taxation and Non-Specific Grant Income	(12, 39(a))			(535,164)
		56,929	**(Surplus)/Deficit on Provision of Services**				**110,197**
		(42,934)	(Surplus)/Deficit on Revaluation of Non-Current Assets	(25)			(47,269)
		0	Impairment losses on Non-Current Assets charged to Revaluation Reserve				0
		(160)	(Surplus)/Deficit on Revaluation of Available for Sale Financial Assets				(204)
		148,749	Actuarial (Gains)/Losses on Pension Assets / Liabilities	(25, 45)			(185,347)
		4,135	Other Recognisable (Gains)/ Losses				1,395
		109,790	**Other Comprehensive Income and Expenditure**				**(231,425)**
		166,719	**Total Comprehensive Income and Expenditure**				**(121,228)**

Lincolnshire County Council: Balance Sheet as at 31 March 2016

31 March 2015 £'000		Note	31 March 2016 £'000	
1,296,487	Property, Plant and Equipment	(13)	1,270,287	
52,625	Heritage Assets	(14)	60,192	
92,525	Investment Property	(15)	96,507	
9,197	Intangible Assets	(16)	7,605	
214	Long Term Investments	(17)	214	*1
7,336	Long Term Debtors	(19)	7,721	
1,458,384	**Long Term Assets**		**1,442,526**	
159,469	Short Term Investments	(17)	225,106	
2,545	Assets Held for Sale	(20)	319	
610	Inventories	(18)	2,384	
61,175	Short Term Debtors	(19)	57,616	
223,799	**Current Assets**		**285,425**	
(3,845)	Cash and Cash Equivalents		(14,842)	
(25,715)	Short Term Borrowing	(17)	(19,604)	
(52,651)	Short Term Creditors	(21)	(94,796)	
(4,406)	Short Term Provisions	(22)	(7,684)	
(86,617)	**Current Liabilities**		**(136,926)**	
(8,082)	Long Term Creditors	(21)	(7,525)	
(3,433)	Long Term Provisions	(22)	(3,994)	
(441,673)	Long Term Borrowing	(17)	(466,130)	
(908,171)	Other Long Term Liabilities	(23)	(757,814)	
(1,361,359)	**Long Term Liabilities**		**(1,235,463)**	
234,207	**Net Assets**		**355,562**	
238,396	Usable Reserves	(24)	226,421	
(4,189)	Unusable Reserves	(25)	129,141	
234,207	**Total Reserves**		**355,562**	

*1 Includes Net Pension Assets

Lincolnshire County Council: Cashflow Statement as at 31 March 2016

31 March 2015 £'000		31 March 2016 £'000
56,952	Net (surplus) or deficit on the provision of services	110,197
(111,033)	Adjustments to net surplus or deficit on the provision of services for non - cash movements	(232,263)
74,062	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	86,220
19,981	**Net cash flow from Operating Activities (Note 26)**	**(35,846)**
(13,945)	Investing Activities (Note 27)	64,559
(7,566)	Financing Activities (Note 28)	(17,716)
(1,530)	**Net (increase) or decrease in cash and cash equivalents**	**10,997**
5,375	Cash and cash equivalents as at 1 April	3,845
3,845	**Cash and cash equivalents as at 31 March**	**14,842**

Note 1. Statement of Accounting Policies.

1. General Principles and Concepts

The Statement of Accounts summarises the Council's transactions for the financial year 2015-16 and the position at the year-end 31 March 2016. The Statement of Accounts has been prepared in accordance with the Accounts and Audit Regulations 2015.

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 2015-16 and Service Reporting Code of Practice 2015-16, 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 minimis 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 current 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 current value. These are determined to have short asset lives and historic cost is used as a proxy for current value;
- Land, Property and Equipment associated with the Energy from Waste Plant shall be measured at current 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 have their current value measured at fair value which is estimated at the highest and best use from a market participant's perspective. Surplus assets are 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 current 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 current value.

c) Revaluation Gains and Losses

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

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

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

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

d) Depreciation

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

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

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

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

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

Component Accounting for Property, Plant and Equipment

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. The Council has identified the following significant components within the property portfolio:

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

e) Disposal of Property, Plant and Equipment

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

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

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

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

f) Impairment of non-Current Assets

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

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

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

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

5. Intangible Assets

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

a) Recognition and Measurement of assets that qualify as intangible assets, shall be measured and carried at cost, in the absence of an active market to determine 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, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, Investment Properties are measured at highest and best use, (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 are revalued immediately before reclassification to Held for Sale and then 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 fair value. The difference between the fair value and any consideration paid is credited to the Taxation and Non-Specific grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally.

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

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

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

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

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

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

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

11. Minimum Revenue Provision

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

12. Revenue Expenditure Financed through Capital under Statute

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

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

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

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

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

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

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

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

14. Borrowing Costs

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

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

15. Classification of Leases

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

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

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

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

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

a) Finance Leases

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

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

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

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

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

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

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

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

b) Operating Leases

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

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

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

16. Government Grants and Contributions

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

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

- The grant or contribution will be received.

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

Capital Grants and Contributions (non-current assets)

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

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

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

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

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

Revenue Government Grants and Contributions

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

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

17. Debtors

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

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

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

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

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

18. Creditors

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

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

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

19. Provision for Bad and Doubtful Debt

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

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

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

20. Inventories

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

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

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

21. Cash and Cash Equivalents

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

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

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

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

22. Provisions

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

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

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

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

Provisions are recognised and measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. When considering the valuation of long term provisions, the Council has set a £50k de minimis limit. Below this amount long term provisions are measured using carrying 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 £500k.

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 £500k.

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 2015-16 (SeRCOP). The costs are recharged to services on the following basis:

Costs	Basis of Apportionment
Accommodation	unique property reference numbers
Accountancy services	gross expenditure and sales
Business support	gross expenditure and sales
Communications	gross expenditure and sales
Customer service centre	number and length of calls
IT services	number of employees
Payroll services	number of employees
People Management	number of employees
Programme and Programmes Service	gross expenditure and sales
Property services	unique property reference numbers

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. 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.

33. 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.

34. 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.

35. Employee Benefits – Post Employment Benefits (Pensions)

Lincolnshire County Council participates in four 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 2015, a new pension fund for Fire-fighters was set up. This scheme replaced the 1992 Fire-fighters scheme for new Fire-fighters. The 2015, 2006 and1992 schemes remain unfunded but there are differences in the contributions payable into each scheme and the benefits paid to members. Both employee and employer contributions are paid into each fund, against which pension payments are made. Each fund is topped up by additional government funding if contributions are insufficient to meet the cost of the pension payments. Any surplus in each fund at the end of each year will be repaid back to the Department for Communities and Local Government (DCLG). Contributions in respect of ill health retirements are still the responsibility of the Council.

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

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

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

The LGPS is accounted for as a defined benefits scheme:

- The liabilities of the Lincolnshire Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 3.5% (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:

  o 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;

  o 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;

  o 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:

  o 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.

36. 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.

37. 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.

38. 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.

The comparative measures used in the valuation techniques for fair value are categorised in accordance with the following three levels:

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

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

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 2015-16 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 2016-17. The following standards are being introduced by the 2016-17 Code:

- Amendment to IAS 1 Presentation of Financial Statements (Disclosure Initiative)

This standard provides guidance on the form of the financial statements. CIPFA's review of the presentation of Financial Statements ("Telling the Story"), which was produced in response to this standard, will result in changes to the format of the statements in 2016-17. The format of the Comprehensive Income and Expenditure Statement and Movement in Reserves Statement will introduce new expenditure and funding analyses.

The following additional 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 2016-17:

- Amendments to IAS 19 Employee Benefits (Defined Benefit Plans: Employee Contributions)
- Annual Improvements to IFRS's 2010-12 Cycle; and
- Amendment to IFRS 11 Joint Arrangements (Accounting for Acquisitions of Interests in Joint Operations)
- Amendment to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets (Clarification of Acceptable Methods of Depreciation and Amortisation)
- Annual Improvements to IFRSs 2012 – 2014 Cycle

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.

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 2016 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 2015-16 was £80.352m (2014-15 was £76.238m) and the gross book value of these assets was £1,749.063m (2014-15 £1,722.323m). 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 2015-16 the Council's actuaries advised that the net pension liability had decreased by £149.673m (£179.929m increase in 2014-15). 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 2016 relates to the employee leave earned but not taken £5.103m (£5.211m in 2014-15).

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.

There have been no exceptional items to report in 2015-16.

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 (30th June 2016) 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 2034-35 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 2034-35 is set out here to provide information that is relevant to an understanding of the Council's financial position, but do relate to conditions at this date.

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

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

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

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

General Fund Balance

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

Capital Receipts Reserve

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

Capital Grants Unapplied

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

2014-15				2015-16		
Usable Reserves				Usable Reserves		
General Fund Balance £'000	Capital Grants Unapplied £'000	Movements in Unusable Reserves £'000		General Fund Balance £'000	Capital Grants Unapplied £'000	Movements in Unusable Reserves £'000
			Adjustments primarily involving the Capital Adjustment Account:			
			Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:			
(76,238)	0	76,238	Charges for depreciation and impairment of non-current assets	(80,353)		80,353
(15,859)	0	15,859	Revaluation losses on Property Plant and Equipment	(13,136)		13,136
(120)	0	120	Revaluation losses on Held for Sale Assets	(18)		18
11,220	0	(11,220)	Movements in the market value of Investment Properties	4,536		(4,536)
(2,116)	0	2,116	Amortisation of intangible assets	(2,347)		2,347
49,191	0	(49,191)	Capital grants and contributions applied	58,337		(58,337)
2,510	0	(2,510)	Capital Receipts applied	2,597		(2,597)
(16,584)	0	16,584	Revenue expenditure funded from capital under statute (net of Grants and Contributions)	(18,066)		18,066
(44,505)	0	44,505	Amounts of Non Current Assets written off on disposal or sale as part of the gain/loss on disposal to the CI&ES	(58,641)		58,641
			Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:			
23,813	0	(23,813)	Statutory provision for the financing of capital investment	22,196		(22,196)
6,790	0	(6,790)	Capital expenditure charged against the General Fund	6,944		(6,944)

2014-15				2015-16		
Usable Reserves				Usable Reserves		
General Fund Balance £'000	Capital Grants Unapplied £'000	Movements in Unusable Reserves £'000		General Fund Balance £'000	Capital Grants Unapplied £'000	Movements in Unusable Reserves £'000
			Adjustments primarily involving the Capital Grants Unapplied Account:			
20,915	(20,915)	0	Capital grants and contributions unapplied credited to the CI&ES	23,660	(23,660)	0
0	26,353	(26,353)	Application of grants to capital financing transferred to the Capital Adjustment Account		13,657	(13,657)
			Adjustment primarily involving the Financial Instruments Adjustment Account:			
(14)	0	14	Amount by which finance costs charged to the CI&ES are different from finance costs chargeable in the year in accordance with statutory requirements	58		(58)
			Adjustments primarily involving the Pensions Reserve:			
(70,093)	0	70,093	Reversal of items relating to retirement benefits debited or credited to the CI&ES (Note 45)	(77,061)		77,061
38,912	0	(38,912)	Employer's pensions contributions and direct payments to pensioners payable in the year	41,387		(41,387)
			Adjustments primarily involving the Collection Fund Adjustment Account:			
2,566	0	(2,566)	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	331		(331)
			Adjustment primarily involving the Accumulated Absences Account:			
215	0	(215)	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	109		(109)
(69,397)	**5,438**	**63,959**	**Total Adjustments**	**(89,466)**	**(10,003)**	**99,469**

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 2015-16.

Balance at 1 April 2014	Additions in Year	Used in Year	Balance at 31 March 2015		Balance at 1 April 2015	Additions in Year	Used in Year	Balance at 31 March 2016
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
33,896	17,710	(20,038)	31,568	**Balances from dedicated schools budget including those held by schools under a scheme of delegation**	31,568	136	(19,367)	12,337
				Other Earmarked Reserves:				
3,999	2,167	(3,999)	2,167	Other Services	2,167	0	(2,167)	0
1,000	0	0	1,000	Adverse Weather	1,000	0	0	1,000
5,086	1,134	0	6,220	Insurance	6,220	0	0	6,220
2,932	17	(772)	2,177	Health and Well Being	2,177	0	(1,036)	1,141
2,350	1,249	(806)	2,793	Shared Services Reserves (Legal and Procurement)	2,793	0	(1,135)	1,658
6,780	21,871	(6,780)	21,871	Financial Volatility - Budget Shortfall	21,871	20,165	(21,871)	20,165
43,006	12,417	(23,789)	31,634	Financial volatility	31,634	0	(20,165)	11,469
5,843	0	(3,640)	2,203	Roads Maintenance	2,203	0	(2,115)	88
4,000	0	(1,368)	2,632	Support Services contract	2,632	0	(922)	1,710
10,821	1,660	(2,240)	10,241	Other Service Earmarked Reserves	10,241	40,813	(867)	50,187
				Revenue Grants and Contributions Unapplied Reserves:				
3,843	0	(981)	2,862	Growth Points - Lincoln	2,862	0	(165)	2,697
1,872	0	(72)	1,800	Growth Points - Grantham	1,800	0	0	1,800
7,050	3,182	0	10,232	Growing Places	10,232	0	(10,232)	0
0	3,309	0	3,309	Public Health	3,309	1,459	(2,022)	2,746
3,459	1,145	(177)	4,427	Children Services	4,427	3,464	(1,591)	6,300
4,705	106	(4,001)	810	Highways and Transport	810	39	(60)	789
16,771	9,234	(3,870)	22,135	Adult Care	22,135	15,176	(14,556)	22,755
2,467	4,791	(2,467)	4,791	Schools	4,791	0	(4,433)	358
5,395	631	(1,076)	4,950	Other Grants and Contributions	4,950	994	(1,368)	4,576
165,275	**80,623**	**(76,076)**	**169,822**	**Total**	**169,822**	**82,246**	**(104,072)**	**147,996**

The balance held by schools under the scheme of delegation, represents the net underspending of school budget shares in 2015-16. 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 2015-16 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 Primary Care Trust. 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 2015-16. The Legal Services Management Board will agree on what proportion of the surplus should be distributed to the shared service partners in 2016-17. The **Procurement Reserve** represents Procurement Lincolnshire's underspend at the end of 2015-16. The underspend relates to both Council money and partners money. This amount will be carried into 2016-17 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 **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.

2014-15 £'000		2015-16 £'000
1,095	Precepts paid to non-principal authorities and levies	1,092
37,944	Gain or Loss on the disposal of non-current assets	55,542
120	Revaluation losses on assets held for sale	0
39,159	**TOTAL**	**56,634**

Note 11. Financing and Investment Income and Expenditure.

2014-15 £'000		2015-16 £'000
19,726	Interest payable and similar charges	20,373
30,745	Net Interest on the net defined benefit liability (asset)	28,731
(1,460)	Interest receivable and similar income	(1,881)
(12,667)	Income, expenditure and changes in the fair values of investment properties	(6,153)
36,344	**TOTAL**	**41,070**

Note 12. Taxation and Non Specific Grant Income.

2014-15 £'000		2015-16 £'000
(228,745)	Council tax income	(239,223)
(102,326)	Business Rates - Districts	(99,759)
	Non-ring-fenced government grants:	
(124,575)	Revenue Support Grant	(94,670)
(7,123)	Education Services Grant	(5,600)
0	Care Act Implementation Grant	(4,433)
(3,144)	New Homes Bonus Grant & Returned Top slice	(3,853)
0	Section 31 Grant - Business Rates	(2,621)
0	Independent Living Fund Grant	(1,386)
(1,243)	Local Services Support Grant	(1,060)
(2,585)	Council Tax freeze Grant	0
(644)	Adoption Reform Grant	0
(2,006)	Other Non Specific Grant	(563)
(70,107)	Capital grants and contributions (Note 39)	(81,996)
(542,497)	**TOTAL**	**(535,164)**

Note 13. Property, Plant and Equipment.

a) Movement on Non-Current Assets

Movement in Property, Plant & Equipment As at 31 March 2016	Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infra-structure	Community Assets	Surplus Assets	Assets Under Construction	Total	PFI Assets Included in Property, Plant & Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation								
At 1 April 2015	736,375	126,567	752,394	27	21,789	28,230	**1,665,382**	20,280
Additions	8,502	1,991	24,522	0	3,659	45,007	**83,681**	189
Donations	0	0	0	0	0	0	**0**	0
Revaluation Increase to RR	24,060	0	0	0	526	0	**24,586**	1,218
Revaluation Decrease to RR	(12,554)	(556)	0	0	(4,007)	0	**(17,117)**	0
Revaluation Increase/(Decrease) to SDPS	(14,559)	(1,881)	0	0	(3,090)	0	**(19,530)**	0
Derecognition - Disposals	(52,455)	(799)	0	0	(4,852)	0	**(58,106)**	0
Derecognition to RR	0	0	0	0	0	0	**0**	0
Derecognition to SDPS	(502)	0	0	0	0	0	**(502)**	88
Reclassified to/from Heritage Property	0	0	0	0	0	0	**0**	0
Reclassified to/from Held for Sale	0	0	0	0	0	0	**0**	0
Reclassified to/from Investment Property	0	0	0	0	0	0	**0**	0
Reclassifications - Other	6,260	364	30,601	0	1,526	(37,806)	**945**	0
At 31 March 2016	**695,127**	**125,686**	**807,517**	**27**	**15,551**	**35,431**	**1,679,339**	**21,775**
Depreciation and Impairment								
At 1 April 2015	**(42,335)**	**(34,477)**	**(291,725)**	**0**	**(331)**	**0**	**(368,868)**	**(1,007)**
Depreciation Charge for 2015-16	(28,731)	(10,480)	(41,029)	0	(112)		**(80,352)**	(492)
Depreciation written out on upward revaluation	27,552	0	0	0	22		**27,574**	0
Depreciation written out on downward revaluation	2,605	1,897	0	0	0		**4,502**	0
Depreciation written out to the SDPS	3,352	2,321	0	0	453	0	**6,126**	0
Impairment losses/(reversals) recognised in the RR	0	0	0	0	0		**0**	0
Impairment losses/(reversals) recognised in the SDPS	0	0	0	0	0		**0**	0
Derecognition - Disposals	237	734	0	0	25	0	**996**	0
Derecognition to RR	0	0	0	0	0		**0**	0
Derecognition - SDPS	9	0	0	0	0		**9**	0
Reclassified to/from Heritage Property	0	0	0	0	0		**0**	0
Reclassifications to Asset Held for Sale	0	0	0	0	0		**0**	0
Reclassifications to/from Investment Property	0	0	0	0	0		**0**	0
Reclassifications - Other	(2)	0	0	0	2	0	**0**	0
At 31 March 2016	**(37,313)**	**(40,005)**	**(332,754)**	**0**	**59**	**0**	**(410,013)**	**(1,499)**
Net Book Value								
At 31 March 2016	**657,814**	**85,681**	**474,763**	**27**	**15,610**	**35,431**	**1,269,326**	**20,276**
At 1 April 2015	694,040	92,090	460,669	27	21,458	28,230	1,296,514	19,273

RR - Revaluation Reserve **SDPS - Surplus or Deficit on the Provision of Services**

Movement in Property, Plant & Equipment As at 31 March 2015	Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infra-structure	Community Assets	Surplus Assets	Assets Under Construction	Total	PFI Assets Included in Property, Plant & Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation								
At 1 April 2014	764,084	127,673	713,555	0	23,310	27,404	**1,656,026**	20,862
Additions	12,856	2,675	40,996	1	853	17,914	**75,295**	100
Revaluation Increase to RR	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
As at 31 March 2015	**736,375**	**126,567**	**752,394**	**0**	**21,789**	**28,230**	**1,665,355**	**20,697**
Depreciation and Impairment								
At 1 April 2014	(40,608)	(29,834)	(259,200)	0	(2,690)	0	(332,332)	(1,656)
Depreciation Charge for	(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
As at 31 March 2015	**(42,335)**	**(34,477)**	**(291,725)**	**0**	**(331)**	**0**	**(368,868)**	**(1,007)**
Net Book Value								
As at 31 March 2015	**694,040**	**92,090**	**460,669**	**0**	**21,458**	**28,230**	**1,296,487**	**19,690**
At 1 April 2014	723,476	97,839	454,355	0	20,620	27,404	1,323,694	19,206

RR - Revaluation Reserve **SDPS - Surplus or Deficit on the Provision of Services**

b) Depreciation and Asset Lives

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

	Useful Economic Life (Years)
Land	999
Buildings	
Specialist Buildings, including Schools, Youth Centres, Residential Homes, Day Centres, Family Centres, Libraries, Museums, Highways Maintenance Depots	15 to 70
Energy From Waste Buildings	
Civil	60
Mechanical	25
Instrumentation, Control and Automation	10
Non-Specialist Buildings	40
Site works, including playground, hard standing, car parks etc.	
- associated with specialist buildings	5 to 55
- associated with non-specialist buildings	20
Infrastructure	
Structures (Bridges)	120
Major Road Construction	60
Street Lighting, Kerbing	40
Drainage	40
Signs and Lines	30
Safety Fencing	25
Traffic Signals, Other Street Furniture (Ornamental structures), Junction Improvements, Bus Stop Infrastructure, Carriageway Works, Footways, Materials Testing, Verges, Rights of Way	20
Reactive Signs	20
Carriageway Surfacing - Non-Principal Roads	12
Patching, Footway Slurry Sealing	10
Carriageway Surfacing - Principal Roads	8
Carriageway Slurry Sealing	6
Potholes - Non-Principal Roads	3
Potholes - Principal Roads	1
Vehicles, Furniture & Equipment	
Energy from Waste - Mechanical	25
Energy from Waste - Instrumentation, Control and Automation (ICA)	10
Energy from Waste - Admin Equipment	10
IT Equipment	4
Furniture and Equipment	5
Vehicles	3 to 18

c) Capital Commitments

At 31 March 2016, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2016-17 and future years budgeted to cost £15.552m.

Detail	Gross £'000
Eastgate Centre Sleaford - New Build	4,500
North Hykeham Manor Farm - New Primary School 2016	1,929
Lincoln The Sir Francis Hill Primary - Expansion 2015-16	1,780
Lincoln Carlton Primary Academy - Expand to 2FE for 2016-17	955
Lincoln East/West Link - a major scheme to improve the flow of traffic around the City Centre	5,581
Grantham Southern Relief Road	775
	15,520

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 Vinchi 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.

The significant assumptions applied in estimating the fair values are:

Non-Current Assets carried at historic cost	2014-15 £'000	2015-16 £'000
Vehicles, Plant, Furniture and Equipment	92,089	85,681
Infrastructure	460,669	474,763
Community Assets	0	27
Assets Under Construction	28,228	35,431
Total Cost of Valuation	**580,986**	**595,902**

Note 14. Heritage Assets.

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

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

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

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

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

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

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

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

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

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

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

	Windmills	Other Historic Buildings	Collections	Total
	£'000	£'000	£'000	£'000
Cost or Valuation				
Balance at 1 April 2015	4,934	19,964	27,727	52,625
Additions - In House construction/Improvement				0
Additions - Purchase/Acquisition	3	24	0	27
Additions - Donations	0	0	0	0
Revaluations recognised in the Revaluation Reserve	64	0	7,476	7,540
Revaluations recognised in the CI&ES	0	0	0	0
Impairment Losses/(reversals) recognised in the Revaluation	0	0	0	0
Impairment Losses/(reversals) recognised in the CI&ES	0	0	0	0
Disposals	0	0	0	0
Reclassifications				0
At 31 March 2016	**5,001**	**19,988**	**35,203**	**60,192**

	Windmills	Other Historic Buildings	Collections	Total
	£'000	£'000	£'000	£'000
Cost or Valuation				
Balance at 1 April 2014	4,690	4,026	27,727	36,443
Additions - In House construction/Improvement	124	7,879	0	8,003
Additions - Purchase/Acquisition	0	0	0	0
Additions - Donations	0	0	0	0
Revaluations recognised in the Revaluation Reserve	0	0	0	0
Revaluations recognised in the CI&ES	0	0	0	0
Impairment Losses/(reversals) recognised in the Revaluation	0	0	0	0
Impairment Losses/(reversals) recognised in the CI&ES	0	0	0	0
Disposals	0	0	0	0
Reclassifications	120	8,059	0	8,179
At 31 March 2015	**4,934**	**19,964**	**27,727**	**52,625**

d) Additions to Heritage Assets

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

e) Total Heritage Assets Five Year Summary of Transactions

	2011-12	2012-13	2013-14	2014-15	2015-16
	£000	£000	£000	£000	£000
Balance at Start of the Year	31,157	35,022	36,356	36,443	52,625
Cost of Acquisitions	109	14	7	8,003	0
Revaluations	3,718	(4)	(38)	0	7,540
Carrying Amount of Disposals/Proceeds	(114)	0	0	0	0
Reclassifications	152	1,324	118	8,179	0
Total at Year End	**35,022**	**36,356**	**36,443**	**52,625**	**60,165**

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	**2014-15**	**2015-16**
	£'000	**£'000**
Rental Income from Investment Property	(2,213)	(2,326)
Direct Operating Expenses arising from Investment Property	769	720
Net (Income)/Expenditure	**(1,444)**	**(1,606)**

Other General Fund Properties	**2014-15**	**2015-16**
	£'000	**£'000**
Rental Income from Investment Property	(43)	(22)
Direct Operating Expenses arising from Investment Property	41	9
Net (Income)/Expenditure	**(2)**	**(13)**

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. 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 2015	91,879	646
Additions - Acquisitions (Purchase and Construction)	166	2
Additions - Subsequent expenditure	0	0
Disposals	(722)	0
Net Gains/(Losses) from fair value adjustments	4,504	32
Transfers to/from Property, Plant and Equipment	0	0
Balance at 31 March 2016	**95,827**	**680**
Nature of asset holding		
Owned	95,637	679
Leased	190	0
Balance at 31 March 2016	**95,827**	**679**

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

Nature of asset holding		
Owned	91,840	646
Leased	39	0
Balance at 31 March 2015	**91,879**	**646**

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 2015			
- Gross carrying amount	15,714	2,681	18,395
- Accumulated amortisation	(8,801)	(397)	(9,198)
Net carrying amount at 1 April 2015	**6,913**	**2,284**	**9,197**
Additions:			
- Purchases	756	0	756
Asset classified as held for sale			
- Other disposals	0	0	0
- Amortisation for the period	(2,043)	(304)	(2,347)
- Other changes - reclassifications	0	0	0
Net carrying amount at 31 March 2016	**5,626**	**1,980**	**7,606**
Comprising:			
- Gross carrying amounts	16,470	2,681	19,151
- Accumulated amortisation	(10,844)	(701)	(11,545)
Balance Sheet amount at 31 March 2016	**5,626**	**1,980**	**7,606**

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 £2.347m (£2.116m in 2014-15) charged to revenue in 2015-16 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 2016, the County Council has capitalised material items of software (with a value over £2m):

Detail	Gross £'000
IMP Upgrade	1,177
Agresso Software	2,584
Agresso Licences	2,371

d. Capital Commitments

At 1 April 2016, the Council has entered into contracts for the purchase of intangible assets for 1 April 2015 to 31 March 2016, and for future years budgeted to cost £14.455m. The major commitments are:

Detail	**Gross £'000**
Superfast Broadband - A programme to install high speed internet infrastructure in communities and businesses, particularly in rural areas.	9,696
Mosaic	1,757
Infrastructure & Refresh	3,002
TOTAL	**14,455**

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 2015	31 March 2016	31 March 2015	31 March 2016
	£'000	£'000	£'000	£'000
Borrowings				
Financial Liabilities At Amortised Cost	441,673	466,130	25,715	19,604
Financial Liabilities at Fair Value Through Profit and Loss	0	0	0	0
Total Borrowings	**441,673**	**466,130**	**25,715**	**19,604**
PFI & Finance Lease Liabilities				
PFI and Finance Lease Liabilities	12,916	12,232	0	0
Total PFI & Finance Lease Liabilities	**12,916**	**12,232**	**0**	**0**
Creditors & Other Long Term Liabilities				
Financial Liabilities Carried at Contract Amount	8,082	7,525	44,296	85,175
Total Creditors	**8,082**	**7,525**	**44,296**	**85,175**
Investments				
Loans and Receivables	200	214	74,916	131,625
Available for Sale Financial Assets	0	0	84,553	93,481
Unquoted Equity Investments At Cost	14		0	0
Financial Assets at Fair Value Through Profit and Loss	0	0	0	0
Total Investments	**214**	**214**	**159,469**	**225,106**
Debtors				
Loans and Receivables	7,336	7,721	0	0
Financial Assets Carried at Contract Amount	0		43,286	49,973
Total Debtors	**7,336**	**7,721**	**43,286**	**49,973**

b. Financial Instruments Income, Expense, Gains or Losses

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

The Council's Financial Assets are predominantly loans and receivables valued at amortised cost; although it's investments held in Stable Net Asset Value Money Market Funds are classed as Available for Sale Financial Assets which are valued at fair value that equates to the carrying value, as 1 unit held in these funds = £1 fair value. Investments held in Certificate of Deposits or Bonds are also classed as Available for Sale which are also valued at fair value based on the prevailing price at 31st March 2016. 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:

	2014-15 £'000	2015-16 £'000
Unrealised Reduction in Fair Value - Available for Sale Financial Assets held at 31st March	**3**	
Financial Liabilities At Amortised Cost	19,753	19,991
Financial Liabilities at Fair Value Through Profit and Loss	0	0
Total Interest Expense	**19,753**	**19,991**
Total Fee Expense	60	60
Total Expense in Surplus or Deficit on the Provision of Services	**19,813**	**20,051**
Unrealised Increase in Fair Value -Available for Sale Financial Assets held at 31st March	**(246)**	**(447)**
Loans and Receivables at Amortised Cost	(611)	(398)
Available for Sale Financial Assets	(788)	(1,135)
Unquoted Equity Investments At Cost	0	0
Financial Assets at Fair Value Through Profit and Loss	0	0
Total Interest Income	**(1,399)**	**(1,533)**
Total Fee Income	0	0
Interest Received	**(1,399)**	**(1,533)**

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 2016 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 2015		31 March 2016	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
PWLB Debt (Long Term > 12 Months)	411,672	499,133	436,130	530,315
Non PWLB Debt (Long Term > 12 Months)	30,000	34,294	30,000	35,501
PWLB Debt (Short Term < 12 Months)	21,550	26,119	15,543	18,890
Non PWLB Debt (Short Term < 12 Months)	187	187	74	74
Long-Term Creditors & Other Long Term Liabilities	8,082	8,082	8,300	8,300
Total Financial Liabilities at Amortised Cost	**471,491**	**567,815**	**490,047**	**593,080**

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 2015 to 31 March 2016, highlights the reduction or increase in market rates over this period.

The fair value of the PWLB Debt shown above is calculated using the PWLB New Borrowing Concessionary rates available at the 31 March 2016. However if the Council were to repay any of this PWLB Debt early at this time, then the PWLB would calculate the Fair Value of this debt using a set of Early Redemption rates. The fair value calculated on this basis would be £636,206k, some £87,000k higher than the market fair value stated above. This represents the penalty charge by the PWLB of redeeming the loans early to cover the additional interest that would no longer be paid if that were the case.

Loans and Receivables	31 March 2015 Carrying Amount £'000	31 March 2015 Fair Value £'000	31 March 2016 Carrying Amount £'000	31 March 2016 Fair Value £'000
Loans and Receivables (Long Term > 12 Months)	200	200	200	200
Loans and Receivables (Short Term < 12 Months)	74,510	74,510	131,625	131,625
Long-Term Debtors	7,336	7,551	7,721	7,934
Financial Assets at Amortised Cost	**82,046**	**82,261**	**139,546**	**139,759**

The fair value is greater than the carrying amount when 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. These investments are measured in accordance with the following fair value hierarchy:

Level 1 - quoted prices (unadjusted) in active markets for identical assets at the Balance Sheet Date.

Level 2 - comparators other than quoted prices included in Level1 that are observable for that asset, either directly or indirectly.
Level 3 - unobservable comparators for the asset.

Details of these investments are shown in the table below:

Available for Sale Investments	Fair Value Hierarchy Measurement	31 March 2015 Carrying Amount £000	31 March 2015 Fair Value £000	31 March 2016 Carrying Amount £000	31 March 2016 Fair Value £000
Certificates of Deposit	Level 1	47,825	48,068	60,675	61,081
Bonds	Level 1	0	0	6,050	6,091
Money Market Funds	Level 1	36,485	36,485	26,309	26,309
Available For Sale Financial Assets		**84,310**	**84,553**	**93,034**	**93,481**

As with Loans and Receivables, the Fair Value of the Certificate of Deposits and Bonds is higher than the original purchase amount due to them having a higher coupon than those available for similar Certificate of Deposits/Bonds 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.

There has been no change to the valuation technique or the Hierarchy Level of these instruments during the year.

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: A+ 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.

Institutions	**Amount at 31 March 2015**		**Amount at 31 March 2016**	
	£'000	**%**	**£'000**	**%**
AAA Rated Counterparties	36,485	22.94%	26,309	11.70%
AA Rated Counterparties	42,510	26.73%	140,350	62.41%
A Rated Counterparties	72,825	45.79%	15,825	7.04%
BBB+ Rated Counterparties (*1)	0	0.00%	37,175	16.53%
Other Counterparties (*2)	7,214	4.54%	5,214	2.32%
Total Investments	**159,034**	**100.00%**	**224,873**	**100.00%**

(*1) Counterparties in this category are Part Nationalised Banks and hence the Council adopts the credit risk of the UK Government rather than the individual Counterparties concerned when placing investments.

(*2) 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 2016 can be analysed by age as follows:

Analysis of Debts by Age	**Amount at 31 March 2015**		**Amount at 31 March 2016**	
	£'000	**%**	**£'000**	**%**
Less than 3 months	2,538	36.26%	1,429	24.89%
3 to 6 months	739	10.56%	584	10.17%
6 months to 1 year	1,489	21.27%	617	10.75%
More then 1 year	2,234	31.91%	3,111	54.19%
Total Outstanding Debt	**7,000**	**100.00%**	**5,741**	**100.00%**

(iv) Liquidity Risk

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

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through cash flow management procedures required by the Code of Practice.

(v) Refinancing and Maturity Risk

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

The approved prudential indicator limits for the maturity structure of debt and the limits for investments placed for greater than one year in duration are the key parameters used to address this risk. The Council's approved treasury and investment strategists address the main risks and the central treasury team address the operational risks within the approved parameters. These include:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and

- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs and that the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

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

Debt Outstanding- Financial Liabilities	**31 March 2015**	**31 March 2016**
	£'000	**£'000**
Less than one year	25,715	19,604
Between one and two years	15,543	15,531
Between two and five years	65,728	74,656
Between five and ten years	52,877	44,795
Between ten and fifteen years	53,854	49,599
Between fifteen and twenty-five years	36,122	34,000
Between twenty-five and thirty-five years	36,823	36,822
Between thirty-five and forty-five years	175,726	190,726
Maturing in more than forty-five years	5,000	20,000
Total	**467,388**	**485,733**

Investments Outstanding - Financial Assets	**31 March 2015**	**31 March 2016**
	£'000	**£'000**
Less than one year	159,470	225,780
Between one and two years	0	0
Between two and three years	0	200
Maturing in more than three years	214	14
Total	**159,684**	**225,994**

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

(vi) Market Risk

Interest Rate Risk

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

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

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

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

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

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

Financial Impact of the Interest Rate Risk	**Amount at 31 March 2016 £'000**
Increase in interest payable on variable rate borrowings	(1)
Increase in interest receivable on variable rate investments	1,510
Impact on Income and Expenditure Account	**1,509**

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

	Fair Value 31 March 2016 £'000	**Fair Value at 1% Higher £'000**	**Fair Value at 1% Lower £'000**
County Council	582,905	504,174	686,905
Schools	1,801	1,713	1,897
Long Term Fixed Borrowing:	**584,706**	**505,887**	**688,802**
Long Term Fixed Investments:	**0**	**0**	**0**

There is no impact on the Surplus or Deficit on Provision of Services or the Other Comprehensive Income and Expenditure account from the movement in fair value on borrowing and loans & receivables shown above. Fair values have been calculated using the same methodology/assumptions as outlined on page 57. Fair Value of Assets and Liabilities Carried at Amortised Cost.

The impact on fair value of the Council's Available for Sale Investments, already carried on the Balance Sheet at fair value on 31 March 2016, from a 1% movement in average rates is shown in the table below. This impact would be reflected on the Surplus/Deficit on Revenue of Available for Sale Financial Assets as shown in the Comprehensive Income & Expenditure Statement.

	Fair Value 31 March 2016 £'000	**Fair Value at 1% Higher £'000**	**Fair Value at 1% Lower £'000**
Available For Sale Investments	**93,481**	**93,334**	**93,605**

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 2015	Purchases	Recognised as an expense in the year	Written off balances	Reversals of write-off in previous years	Balance outstanding at 31 March 2016
	£'000	£'000	£'000	£'000	£'000	£'000
Salt Stores	610	2,565	(792)	0	0	2,383
Total Inventories	**610**	**2,565**	**(792)**	**0**	**0**	**2,383**

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

Note 19. Debtors.

The County Council held the following debtors as at 31 March 2016:

31 March 2015 £'000	Amounts falling due in one year:	31 March 2016 £'000
17,894	Central government bodies	16,619
1,114	Other local authorities	1,649
4,790	NHS bodies	4,305
0	Public corporations and trading funds	0
6,776	Bodies external to general government	14,055
12,381	Council tax agency and business rates agency arrangements	15,538
18,220	Payments in advance	5,450
61,175	**Total Short Term Debtors**	**57,616**

31 March 2015 £'000	Amounts falling due after one year:	31 March 2016 £'000
1,791	Central government bodies	2,425
969	Other local authorities	479
91	NHS bodies	115
4,485	Bodies external to general government	4,701
7,336	**Total Long Term Debtors**	**7,720**

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

The Council Tax Agency Arrangements figure represents the County Council's share of council tax arrears (net of impairment for doubtful debts) and any surpluses on the collection fund held by the District Councils in Lincolnshire.

Note 20. Assets Held for Sale.

	Current 2014-15 £'000	2015-16 £'000
Balance outstanding at 1 April	1,544	2,545
Assets newly classified as held for sale:		
- Property, Plant and Equipment	2,838	53
Revaluation Increase to RR	0	
Revaluation Decrease to RR	(293)	(18)
Revaluation Increase/(Decrease) to SDPS	0	(18)
Assets declassified as held for sale:		
- Property, Plant and Equipment	(395)	(945)
Assets Sold	(1,149)	(316)
Transfers from non-current to current	0	0
Balance Outstanding at 31 March	**2,545**	**1,301**

RR - Revaluation Reserve SDPS - Surplus or Deficit on the Provision of Services

Note 21. Creditors.

The County Council had the following creditors at 31 March 2016:

2014-15 £'000	Amounts falling due in one year:	2015-16 £'000
(644)	Central government bodies	(1,385)
(2,155)	Other local authorities	(1,675)
(1,513)	NHS bodies	(5,762)
0	Public corporations and trading funds	0
(40,051)	Other entities and individuals	(76,320)
(8,288)	Council tax agency and business rates agency arrangements	(9,655)
(52,651)	**Total Short Term Creditors**	**(94,797)**

2014-15 £'000	Amounts falling due after one year:	2015-16 £'000
(1,617)	Central government bodies	(1,270)
(510)	Other local authorities	0
(5,955)	Other entities and individuals	(6,255)
(8,082)	**Total Long Term Creditors**	**(7,525)**

Note 22. Provisions.

Summary of Provisions	Balance at 1 April 2015 £'000	Additional Provisions made in 2015-16 £'000	Amounts Used in 2015-16 £'000	Unused amounts reversed in 2015-16 £'000	Unwinding of discounting in 2015-16 £'000	Balance at 31 March 2016 £'000
Social Services - Section 117 Deposits	(307)	0	0	0	0	(307)
Insurance Claims	(5,236)	(790)	258	0	225	(5,543)
Business Rates Appeals	(619)	(1,460)	0	0	0	(2,079)
Waking Nights Provision	(876)	0	0	413	0	(463)
Onerous Contracts Property Leases	(22)	0	22	0	0	0
Lincoln City Hall Dilapidation Provision	(262)	0	262	0	0	0
Fire Fighters ill Health Pensions Provision	(517)	0	128	0	0	(389)
CSC Volume Fees Provision	0	(2,623)	0	0	0	(2,623)
Wellbeing Monitoring Service	0	(275)	0	0	0	(275)
TOTAL	**(7,839)**	**(5,148)**	**670**	**413**	**225**	**(11,679)**

-1

Short Term Provisions	Balance at 1 April 2015 £'000	Additional Provisions made in 2015-16 £'000	Amounts Used in 2015-16 £'000	Unused amounts reversed in 2015-16 £'000	Unwinding of discounting in 2015-16 £'000	Balance at 31 March 2016 £'000
Insurance Claims	(2,110)	(4)	258	0	0	(1,856)
Business Rates Appeals	(619)	(1,460)	0	0	0	(2,079)
Waking Nights Provision	(876)	0	0	413	0	(463)
Fire Fighters ill Health Pensions	(517)	0	128	0	0	(389)
Onerous Contracts Property Leases	(22)	0	22	0	0	0
Lincoln City Hall Dilapidation Provision	(262)	0	262	0	0	0
CSC Volume Fees Provision	0	(2,623)	0	0	0	(2,623)
Wellbeing Monitoring Service Provision	0	(275)	0	0	0	(275)
TOTAL	**(4,406)**	**(4,362)**	**670**	**413**	**0**	**(7,685)**

Long Term Provisions	Balance at 1 April 2015 £'000	Additional Provisions made in 2015-16 £'000	Amounts Used in 2015-16 £'000	Unused amounts reversed in 2015-16 £'000	Unwinding of discounting in 2015-16 £'000	Balance at 31 March 2016 £'000
Social Services - Section 117	(307)	0	0	0	0	(307)
Insurance Claims	(3,126)	(786)	0	0	225	(3,687)
TOTAL	**(3,433)**	**(786)**	**0**	**0**	**225**	**(3,994)**

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

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

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

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

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

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

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

The **Contract Volume Fees Provision** represents an estimate of outstanding payments due on a number of contractual arrangements were the Council is uncertain or in dispute as to the volume or value of the final payment due.

The final price of the **Wellbeing Monitoring Service** contract are dependent on the costs incurred by the provider. These will not be known until the providers accounts are settled. A provision has been set up to cover these costs.

Note 23. Other Long Term Liabilities

31 March 2015 £'000		31 March 2016 £'000
(12,916)	Outstanding Liabilities on PFI and Finance Leases	(12,232)
(895,255)	Pension Reserve	(745,582)
(908,171)		**(757,814)**

Note 24. Usable Reserves.

	Balance at 31 March 2015 £'000	Balance at 31 March 2016 £'000
Capital Grants Unapplied	(52,673)	(62,676)
Earmarked Reserves	(169,823)	(147,996)
General Fund	(15,900)	(15,600)
Total	**(238,396)**	**(226,272)**

Note 25. Unusable Reserves.

Balance at 31 March 2015 £'000		Note	Balance at 31 March 2016 £'000
(289,143)	Revaluation Reserve	(25a)	(307,920)
(603,570)	Capital Adjustment Account	(25b)	(567,751)
154	Financial Instruments Adjustment Account	(25c)	96
895,255	Pension Reserve	(25d)	745,582
(3,474)	Collection Fund Adjustment Account	(25e)	(3,805)
5,212	Accumulated Absences Account	(25f)	5,103
(243)	Available for Sale Financial Instrument Reserve	(25g)	(447)
4,191	**Total**		**(129,142)**

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.

2014-15		**2015-16**	
£'000		**£'000**	**£'000**
(279,312)	**Balance at 1 April**		**(289,143)**
(52,668)	Upward revaluation of assets	(52,362)	
9,734	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	5,093	
(42,934)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(47,269)	
9,256	Difference between fair value depreciation and historical cost depreciation	10,557	
23,847	Accumulated gains on assets sold or scrapped	17,935	
33,103	Amount written off to the Capital Adjustment Account	28,492	
(289,143)	**Balance at 31 March**		**(307,920)**

(*1) The opening balance as at 1 April 2014 and movements in 2014-15 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.

2014-15 £'000		2015-16 £'000
(606,012)	**Balance at 1 April**	**(603,570)**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
76,238	Charges for depreciation and impairment of non-current assets	80,353
15,859	Revaluation losses on Property, Plant and Equipment	13,154
120	Revaluation Losses on Held for Sale Assets	18
2,116	Amortisation of intangible assets	2,347
16,584	Revenue expenditure funded from capital under statute (net of Grants and Contributions)	18,066
44,505	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	58,641
(33,103)	Adjusting amounts written out of the Revaluation Reserve	(28,492)
122,319	Net written out amount of the cost of non-current assets consumed in the year	**144,087**
	Capital financing applied in the year:	
(2,510)	Use of Capital Receipts to finance new capital expenditure	(2,597)
(49,191)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(58,337)
(26,353)	Application of grants to capital financing from the Capital Grants Unapplied Account	(13,657)
(23,813)	Statutory provision for the financing of capital investment charged against the General Fund	(22,196)
(6,790)	Capital expenditure charged against the General Fund	(6,944)
(108,657)		**(103,731)**
(11,220)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(4,536)
0	Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement	0
(11,220)		**(4,536)**
(603,570)	**Balance at 31 March**	**(567,751)**

(*1) The opening balance as at 1 April 2014 and movements in 2014-15 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.

2014-15 **£'000**		**2015-16** **£'000**
140	**Balance at 1 April**	**154**
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
(1)	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	(73)
154	**Balance at 31 March**	**96**

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.

2014-15 **£'000**		**2015-16** **£'000**
715,325	**Balance at 1 April**	**895,255**
148,749	Actuarial gains or losses on pensions assets and liabilities	(185,347)
70,093	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CI&ES	77,061
(38,912)	Employer’s pensions contributions and direct payments to pensioners payable in the year	(41,387)
895,255	**Balance at 31 March**	**745,582**

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.

2014-15 £'000		2015-16 £'000
(908)	**Balance at 1 April**	**(3,474)**
(2,566)	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	(331)
(3,474)	**Balance at 31 March**	**(3,805)**

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.

2014-15 £'000		2015-16 £'000	2015-16 £'000
5,427	**Balance at 1 April**		**5,212**
(5,426)	Settlement or cancellation of accrual made at the end of the preceding year	(5,212)	
5,211	Amounts accrued at the end of the current year	5,103	
(215)	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		(109)
5,212	**Balance at 31 March**		**5,103**

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.

2014-15 £'000		2015-16 £'000
(83)	**Balance at 1 April**	**(243)**
(160)	Change in the value of investments not charged to the Surplus/Deficit on the Provision of Services	(204)
(243)	**Balance at 31 March**	**(447)**

Note 26. Operating Activities.

The cash flow operating activities include the following items:

2014-15 £'000		2015-16 £'000
(1,348)	Interest received	(1,679)
19,625	Interest paid	20,383
0	Dividends received	(2)

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

2014-15 £'000		2015-16 £'000
(76,238)	Depreciation	(80,352)
(15,980)	Impairment and downward valuations	(19,548)
(2,116)	Amortisation	(2,347)
(535)	Increase/(decrease) in impairment for bad debts	(1,415)
30,712	Increase/decrease in creditors	(44,989)
12,779	Increase/decrease in debtors	815
(602)	Increase/decrease in inventories	1,774
(31,181)	Movement in pension liability	(35,674)
(40,477)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(49,453)
12,605	Other non-cash items charged to the net surplus or deficit on the provision of services	(1,074)
(111,033)	**Net surplus/(deficit) on provision of services for non cash movements**	**(232,263)**

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

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

2014-15 £'000		2015-16 £'000
0	Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investment in associates, joint ventures and subsidiaries)	0
70,106	Capital Grants credited to Surplus or deficit on the provision of services	81,996
2,510	Proceeds from sale of property, plant and equipment, investment property and intangible assets	2,605
1,446	Any other items for which the cash effects are investing or financing cash flows	1,619
74,062	**Net surplus/(deficit) on provision of services for Investing & Financing activities**	**86,220**

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

Note 27. Investing Activities.

The cash flow investing activities include the following items:

2014-15 £'000		2015-16 £'000
85,886	Purchase of property, plant and equipment, investment property and intangible assets	87,921
956,095	Purchase of short-term and long- term investments	851,519
810	Other payments for investing activities	729
(2,510)	Proceeds from sale of property, plant equipment, investment property and intangible assets	(2,605)
(983,536)	Proceeds from short-term and long-term investments	(786,086)
(68,434)	Capital Grants Received (Government)	(84,571)
(2,256)	Other receipts from investing activities	(2,348)
(13,945)	**Net cash flow from investing activities**	**64,559**

Note 28. Financing Activities.

The cash flow financing activities include the following items:

2014-15 £'000		2015-16 £'000
(20,300)	Cash receipts of short and long-term borrowing	(30,456)
0	Other receipts from financing activities	0
947	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-Balance-Sheet PFI Contracts	630
11,785	Repayments of short and long-term borrowing	12,111
0	Other payments for financing activities	0
(7,568)	**Net cash flow from Financing activities**	**(17,715)**

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 Commissioning Strategies 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 in Note 1.

a. Income and Expenditure analysed over the Council's Commissioning Strategies 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 2015-16	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
COMMISSIONING STRATEGIES								
Readiness for School	3,397	2,086	2,309	7,792	(10)	(52)	(62)	7,730
Learn and Achieve	7,913	4,641	27,437	39,991	(1,218)	(3,008)	(4,226)	35,765
Readiness for Adult Life	4,667	2,825	2,035	9,527	(3,666)	(228)	(3,894)	5,633
Children are Safe and Healthy	29,360	19,539	17,108	66,007	(11,352)	(183)	(11,535)	54,472
Adult Safeguarding	1,486	262	1,342	3,090	(80)	(1)	(81)	3,009
Adult Frailty and Long Term Conditions	15,147	119,745	23,539	158,431	(27,627)	(34,951)	(62,578)	95,853
Carers	83	561	994	1,638	(100)	0	(100)	1,538
Adult Specialties	4,703	65,980	1,613	72,296	(22,429)	(4,926)	(27,355)	44,941
Community Resilience and Assets	4,542	4,259	6,061	14,862	(571)	(348)	(919)	13,943
Wellbeing	5,078	28,860	8,830	42,768	(5,621)	(1,216)	(6,837)	35,931
Sustaining and Developing Prosperity Through Infrastructure	15,548	32,725	19,326	67,599	(5,004)	(5,555)	(10,559)	57,040
Protecting and Sustaining the Environment	3,014	17,542	4,317	24,873	(963)	(300)	(1,263)	23,610
Sustaining and Growing Business and the Economy	1,373	193	3,847	5,413	(2,824)	(1,383)	(4,207)	1,206
Protecting The Public	21,321	1,072	7,670	30,063	(4,972)	(378)	(5,350)	24,713
How We Do Our Business	5,905	1,172	1,895	8,972	(533)	(205)	(738)	8,234
Enablers and Support To Council's Outcomes	21,493	9,792	9,988	41,273	(1,655)	(4,479)	(6,134)	35,139
Public Health Grant	0	0	0	0	(30,723)	0	(30,723)	(30,723)
TOTAL SERVICE BUDGETS	**145,030**	**311,254**	**138,311**	**594,595**	**(119,348)**	**(57,213)**	**(176,561)**	**418,034**
OTHER BUDGETS								
Capital Financing Charges	0	0	44,441	44,441	0	0	0	44,441
Other Budgets	11,908	231	732	12,871	(369)	0	(369)	12,502
TOTAL OTHER BUDGETS	**11,908**	**231**	**45,173**	**57,312**	**(369)**	**0**	**(369)**	**56,943**
SCHOOLS BUDGETS								
Delegated School Budgets	170,529	27,617	56,872	255,018	(4,848)	(5,443)	(10,291)	244,727
Central Services within the DSB	5,262	14,809	3,633	23,704	(2,538)	(433)	(2,971)	20,733
Dedicated Schools Grant	0	0	0	0	(248,801)	0	(248,801)	(248,801)
Schools Budgets (Other Funding)	2,076	220	8,403	10,699	(26,004)	(117)	(26,121)	(15,422)
TOTAL SCHOOLS BUDGETS	**177,867**	**42,646**	**68,908**	**289,421**	**(282,191)**	**(5,993)**	**(288,184)**	**1,237**
TOTAL EXPENDITURE	**334,805**	**354,131**	**252,392**	**941,328**	**(401,908)**	**(63,206)**	**(465,114)**	**476,214**
INCOME								
Revenue Support Grant	0	0	0	0	(94,670)	0	(94,670)	(94,670)
Business Rates	0	0	0	0	(81,274)	(19,817)	(101,091)	(101,091)
Council Tax	0	0	0	0	0	(237,561)	(237,561)	(237,561)
Other Non Specific Grants	0	0	0	0	(19,516)	0	(19,516)	(19,516)
TOTAL INCOME	**0**	**0**	**0**	**0**	**(195,460)**	**(257,378)**	**(452,838)**	**(452,838)**
Use/(Contribution) to Reserves								23,376

Service Analysis 2014-15 Restated (*1)	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
Readiness for School	4,062	3,623	3,661	11,346	(272)	(140)	(412)	10,934
Learn and Achieve	8,116	4,637	26,714	39,467	(2,888)	(3,475)	(6,363)	33,104
Readiness for Adult Life	4,711	3,525	2,316	10,552	(3,295)	(225)	(3,520)	7,032
Children are Safe and Healthy	31,780	20,251	10,611	62,642	(9,364)	(507)	(9,871)	52,771
Adult Safeguarding	1,158	0	579	1,737	(166)	(7)	(173)	1,564
Adult Frailty and Long Term Conditions	14,968	94,250	21,653	130,871	(4,821)	(33,442)	(38,263)	92,608
Carers	137	381	1,698	2,216	(63)	0	(63)	2,153
Adult Specialties	5,577	55,562	11,526	72,665	(30,746)	(3,243)	(33,989)	38,676
Community Resilience and Assets	8,198	53	7,895	16,146	(2,935)	(352)	(3,287)	12,859
Wellbeing	5,372	34,760	6,466	46,598	(5,842)	(1,587)	(7,429)	39,169
Sustaining and Developing Prosperity Through Infrastructure	10,817	34,614	14,179	59,610	(5,009)	(4,027)	(9,036)	50,574
Protecting and Sustaining the Environment	3,360	21,919	3,408	28,687	(3,746)	(728)	(4,474)	24,213
Sustaining and Growing Business and the Economy	2,190	11	4,879	7,080	(3,975)	(1,280)	(5,255)	1,825
Protecting The Public	22,617	165	10,529	33,311	(5,231)	(1,064)	(6,295)	27,016
How We Do Our Business	5,428	2,521	2,396	10,345	(862)	(1,004)	(1,866)	8,479
Enablers and Support To Council's Outcomes	18,260	9,246	15,949	43,455	(1,893)	(2,962)	(4,855)	38,600
Public Health Grant	0	0	0	0	(29,777)	0	(29,777)	(29,777)
TOTAL SERVICE BUDGETS	**146,751**	**285,518**	**144,459**	**576,728**	**(110,885)**	**(54,043)**	**(164,928)**	**411,800**
OTHER BUDGETS								
Capital Financing Charges	0	0	46,213	46,213	0	(1,396)	(1,396)	44,817
Contingency	0	0	0	0	0	0	0	0
Other Budgets	11,482	0	(1,739)	9,743	(62)	0	(62)	9,681
TOTAL OTHER BUDGETS	**11,482**	**0**	**44,474**	**55,956**	**(62)**	**(1,396)**	**(1,458)**	**54,498**
SCHOOLS BUDGETS								
Delegated School Budgets	169,855	22,536	59,648	252,039	(6,046)	(4,097)	(10,143)	241,896
Central Services within the DSB	6,349	10,003	6,534	22,886	(2,231)	(244)	(2,475)	20,411
Dedicated Schools Grant	0	0	0	0	(259,761)	0	(259,761)	(259,761)
Schools Budgets (Other Funding)	9,027	12	7,592	16,631	(24,035)	(31)	(24,066)	(7,435)
TOTAL SCHOOLS BUDGETS	**185,231**	**32,551**	**73,774**	**291,556**	**(292,073)**	**(4,372)**	**(296,445)**	**(4,889)**
TOTAL EXPENDITURE	**343,464**	**318,069**	**262,707**	**924,240**	**(403,020)**	**(59,811)**	**(462,831)**	**461,409**
INCOME								
Revenue Support Grant	0	0	0	0	(124,575)	0	(124,575)	(124,575)
Business Rates	0	0	0	0	(83,303)	(18,841)	(102,144)	(102,144)
Council Tax	0	0	0	0	0	(226,361)	(226,361)	(226,361)
Other Non Specific Grants	0	0	0	0	(16,745)	0	(16,745)	(16,745)
TOTAL INCOME	**0**	**0**	**0**	**0**	**(224,623)**	**(245,202)**	**(469,825)**	**(469,825)**
Use/(Contribution) to Reserves								(8,416)

(*1) The Council has changed the structure of internal reporting from 2015/16. The 2014-15 segmental reporting information has been restated onto the new Commissioning Structure to be comparable to the 2015-16 information.

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

COMMISSIONING STRATEGY	COMMISSIONING ACTIVITIES	DEFINITION OF COMMISSIONING STRATEGY
Readiness for School	Children Centres - and commissioned services	This commissioning strategy aims to ensure all children will be ready to learn when they start school enabling them to achieve their full potential.
	Early Years sufficiency and support to the PVI sector	
	Birth to 5 Service	
Learn & Achieve	School Support Services	This commissioning strategy aims to ensure all children and young people will learn and achieve, enabling them to reach their potential.
	School Improvement	
	Statementing process and interventions (to be replaced with new health, education and social care plan)	
	Home to school/college transport	
Readiness for Adult Life	14-19 education/training and apprenticeship	This commissioning strategy aims to ensure all young people will be prepared and ready for adult life.
	Careers Service	
	Positive activities for young people	
	Teenage Pregnancy	
	Supported accommodation/lodgings	
	Supported employment	
	Lincs Secure Unit	
	Leaving Care Service	
Children are Safe and Healthy	School Nursing	This commissioning strategy aims to ensure all children and young people will be safe and healthy.
	Healthy schools & healthy child	
	Child protection (contact, referral and assessment)	
	Targeted Support - young people	
	Looked after Children	
	Fostering and adoption	
	Residential homes	
	CAMHS	
	Family support	
	Commissioning Support for all Children's Strategies	
Adult Frailty, Long Term Conditions and Physical Disability	Supporting Adult frailty (older people)	This commissioning strategy aims to ensure that individuals receive appropriate care and support that enables them to feel safe and live independently.
	Physical disability	
	Dementia	
Carers	Adult & Young carers	This commissioning strategy aims to ensure that carers feel respected and are able to balance their caring roles and maintain their quality of life.
Adult Specialities	Supporting Adults with learning disability	This commissioning strategy aims to improve outcomes for adults with mental health, learning disabilities and/or autism.
	Mental health	
	Autism	
Adult Safeguarding	Adult Safeguarding (including Mental Capacity Act)	This commissioning strategy aims to ensure all vulnerable adults rights are protected to live in safety and free from abuse and neglect.
Community Resilience and Assets	Advice, information and support services from community and voluntary sector infrastructure organisations	This commissioning strategy aims to assist communities in the county to support themselves. It will also include the community response to emergencies.
	Community Grants	
	Big Society Fund	
	Chance to share contributions	
	Financial Inclusion	
	Library and information services	
	Lincolnshire Community Assistance Scheme - local welfare support	
	Customer Service Centre	
Wellbeing	Health Improvement, prevention and self management	This commissioning strategy aims to assist improvements in the health and wellbeing of the population as a whole, it covers advice, information and preventative services.
	Public Health statutory service	
	Mental health	
	Registration, Celebratory and Coroners service	
	Wellbeing Service (including specialist equipment, assistive technology and Disabled Facility Grants)	
	Physical Activities	
	Water fluoridation	
	Sexual Health	
	Housing related support	
	Prevention and treatment of substance misuse	

Protecting the Public	Preventing and reducing crime	This commissioning strategy will cover all of the work required in order to protect the communities in Lincolnshire.
	Tackling domestic abuse	
	Preventing and tackling fires & emergency response	
	Protecting the public through trading standards	
	Protecting the public by planning for and responding to emergencies	
	Improving road safety	
	Reducing youth offending	
	Reducing anti-social behaviour	
Sustaining & Developing Prosperity Through Infrastructure	Transportation including concessionary fares and other government grants etc	This commissioning strategy facilitates growth and prosperity through encouraging investment and enhancing the economic potential of the county.
	Highway asset maintenance	
	Highway network management	
	New transport investments including highways improvements and bypasses, growth corridors and programmes	
	Heritage & tourism operation and development	
	Monitoring Officer requirements	
Protecting & Sustaining the Environment	Reducing carbon emissions	This commissioning strategy covers how the Council will protect, enhance and balance our environmental needs.
	Flood risk management	
	Protecting and enhancing the natural & built environment	
	Waste management	
	Waste recovery & recycling	
	Sustainable Planning	
Sustaining & Growing Business & the Economy	Improving skills and employability	This commissioning strategy covers how the council will help businesses to be the drivers of economic growth through supporting a climate in which they are able to invest, enhance their business performance, and offer attractive jobs to a skilled workforce.
	Encourage enterprise through support to business and our growth sectors	
	Attracting and expanding business investment	
	Lobbying and attracting funding for Lincolnshire	
How We Do Our Business	Budget & Policy Framework - Finance & Audit	This commissioning strategy will include the overarching governance and standards for the Council, including decision making through the democratic process.
	Chief Executive's Office	
	Decision making, including the democratic processes and elections	
	Eastern Inshore Fisheries & Conservation Authority - Levy	
Enablers & Support to Council's Outcomes	Information Management & Technology Strategy & support	This commissioning strategy will include the enablers required to support the delivery of the Councils agreed outcomes.
	Property Strategy & support (including County Farms)	
	People Management Strategy & support	
	Legal Advice	
	Commissioning Strategy & Support	
	Business support	
	Strategic Communications	
Enablers & Support to Key Relationships	Partnership engagement & support	This commissioning strategy encompasses the Council's corporate strategies and the support to our relationships with the public, service users, partners and outside bodies.

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.

2014-15 £'000		2015-16 £'000
(8,416)	Net Expenditure in the Directorate analysis (Use of Reserves)	23,376
0	Add: Net expenditure on services and support services not included in main analysis	0
148,835	Add: Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the analysis (Note 29c)	158,901
383,504	Less: amounts reported to management in the analysis not included in the Comprehensive Income and Expenditure Account (Note 29c)	365,380
523,923	**Net Cost of Services in the Comprehensive Income and Expenditure Statement**	**547,657**

(*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 2015-16	Service Analysis Cost of Service £'000	Amounts not reported to Management £'000	Amounts not included in CI&ES £'000	Net Cost of Services £'000	Corporate Amounts £'000	(Surplus)/Deficit on Provision of Services £'000
Other income (including fees and charges)	(63,206)	(6,068)	4,229	(65,045)	0	(65,045)
Income from Council Tax and NNDR	(338,652)	0	338,652	0	(338,982)	(338,982)
Specific Grants and Contributions	(516,094)	0	114,186	(401,908)	(196,182)	(598,090)
Interest and Investment Income Receivable	0	0	0	0	(8,036)	(8,036)
TOTAL Income	**(917,952)**	**(6,068)**	**457,067**	**(466,953)**	**(543,200)**	**(1,010,153)**
Employee Expenses	334,805	48,221	(41,387)	341,639	0	341,639
Agency and Contract Expenditure	354,131	0	0	354,131	0	354,131
Other Running Expenses	252,392	20,912	(50,300)	223,004	0	223,004
Support Service Recharges	0	0	0	0	0	0
Depreciation, Amortisation and Impairment	0	95,836	0	95,836	0	95,836
Interest Payable and Similar Charges	0	0	0	0	20,373	20,373
Precepts and Levies	0	0	0	0	1,092	1,092
Gain or Loss on Disposal of Non-Current Assets	0	0	0	0	55,544	55,544
Pension Interest Cost	0	0	0	0	28,731	28,731
TOTAL Expenditure	**941,328**	**164,969**	**(91,687)**	**1,014,610**	**105,740**	**1,120,350**
Surplus/ Deficit on the Provision of Services	**23,376**	**158,901**	**365,380**	**547,657**	**(437,460)**	**110,197**

Reconciliation to Subjective Analysis 2014-15	Service Analysis Cost of Service £'000	Amounts not reported to Management £'000	Amounts not included in CI&ES £'000	Net Cost of Services £'000	Corporate Amounts £'000	(Surplus)/Deficit on Provision of Services £'000
Other income (including fees and charges)	(59,811)	(12,215)	3,716	(68,310)	0	(68,310)
Income from Council Tax and NNDR	(328,505)	0	328,505	0	(331,071)	(331,071)
Specific Grants and Contributions	(544,340)	0	141,319	(403,021)	(211,425)	(614,446)
Interest and Investment Income Receivable	0	0	0	0	(14,126)	(14,126)
TOTAL Income	**(932,656)**	**(12,215)**	**473,540**	**(471,331)**	**(556,622)**	**(1,027,953)**
Employee Expenses	343,464	39,133	(38,912)	343,685	0	343,685
Agency and Contract Expenditure	318,069	0	0	318,069	0	318,069
Other Running Expenses	262,707	27,704	(51,124)	239,287	0	239,287
Support Service Recharges	0	0	0	0	0	0
Depreciation, Amortisation and Impairment	0	94,213	0	94,213	0	94,213
Interest Payable and Similar Charges	0	0	0	0	19,723	19,723
Precepts and Levies	0	0	0	0	1,095	1,095
Gain or Loss on Disposal of Non-Current Assets	0	0	0	0	38,065	38,065
Pension Interest Cost	0	0	0	0	30,745	30,745
TOTAL Expenditure	**924,240**	**161,050**	**(90,036)**	**995,254**	**89,628**	**1,084,882**
Surplus/ Deficit on the Provision of Services	**(8,416)**	**148,835**	**383,504**	**523,923**	**(466,994)**	**56,929**

(*1) The Reconciliation to Subjective Analysis for 2014-15 has changed from the 2014-15 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 responsibility for commissioning 0-5 children's public health services transferred from NHS England to Local Government on 1 October 2015. This joins up the commissioning for children under 5 with the commissioning for 5-19 year olds and wider public health functions, which successfully transferred to local government in April 2013 under the Health and Social Care Act 2012.

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

In 2016-17 the County Council will receive full year funding for this service. This will be £8.682m before any adjustments for savings that have been applied to Lincolnshire's overall Public health grant allocation.

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 £5.508m (£5.840m in 2014-15) 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.

From 1st April 2015 the BCF S75 of £134m whereby the Council is the host Authority for the pooled budgets relates to Proactive Care, Specialties including Learning Disabilities, Corporate, Integrated Community Equipment Service, and Child & Adolescent Mental Health Services, and is responsible for their financial administration. Outside this BCF S75 is a stand alone S75 for Sexual Health which was signed in 2015-16 but will not commence until 2016-17.

a. Proactive Care

The ProActive S75's primary purpose is to support delivery of prevention and early intervention strategies and to secure the necessary shift from acute to community provision. Performance against the key national targets around Non-Elective Admissions (NEA) and Delayed Transfers of Care (DTOC) are crucial areas that the Board is responsible for reviewing.

2014-15 £'000		2015-16 £'000
0	Gross Partnership Expenditure	48,978
0	Gross Partnership Income	(48,978)
0	**Surplus(-)/Deficit(+)**	**0**
0	**Contribution from Lincolnshire County Council**	**26,700**

This was split across both Health and Social care expenditure in 2015-16. The funding was supporting post 30 day discharge, intermediate Care, 7 day hospital working and other early prevention and intervention strategies in order to assist the shift from acute to community provisions in 2015-16.

b. Learning Disability

In 2001-02 Lincolnshire County Council and Lincolnshire Clinical Commissioning Group's (CCG's) established a pooled budget Partnership Arrangement for the provision of Learning Disability services. This has now been extended to include LD Carers, Personal Health Budgets and Adult care section 256s.

2014-15 £'000		2015-16 £'000
59,537	Gross Partnership Expenditure	62,761
(59,619)	Gross Partnership Income	(64,167)
(82)	**Surplus(-)/Deficit(+)**	**(1,406)**
45,882	**Contribution from Lincolnshire County Council**	**45,970**

This commissioning strategy aims to ensure that eligible Adults with Learning Disability, Autism and/or Mental Health needs receive appropriate care and support that enables them to feel safe and live independently. Services for Learning Disabilities are administered via a Section 75 agreement between the Council and NHS commissioners in Lincolnshire in addition to a small in-house element that sits outside the Section 75. The Mental Health service is run on behalf of the Council by the Lincolnshire Partnership Foundation Trust, also by way of a Section 75 agreement. Specialist Adult Services finished 2015-16 with an under-spend of £1.406m for the year, which has been agreed with Health to be carried forward as a reserve for a joint risk contingency for 2016-17. The service has seen growth in Supported Living and Direct Payments costs this been a combination of high cost discharges from in-patient provision and school/college leavers requiring packages of care. This has been mitigated somewhat by in year residential placements being lower than expected this year. Service user income has increased due to direct payment audit income and the successful conclusion a number of long standing legal dispute in resp

c) Corporate

The Corporate S75 provides the 'enablers' to the delivery of health and wellbeing of Lincolnshire, essentially focused around BCF-funded activity. So the S75 funds (a) the risk framework, the contingency reserve, and provides the mechanism for pooling underspends from other S75 agreements; and (b) provides the funds to support LHAC review and development.

2014-15 £'000		2015-16 £'000
0	Gross Partnership Expenditure	5,842
0	Gross Partnership Income	(8,990)
0	**Surplus(-)/Deficit(+)**	**(3,148)**
0	**Contribution from Lincolnshire County Council**	**5,350**

The underspend for 2015-16 was partly due to the Lincolnshire Health and Care joint venture deferring some activity until 2016-17. It has been agreed between the LCC and Health that £1.17m funding for LHAC will be available to carry forward into the new year to continue the integration of Health and Social care activities. The remainder is to be carried forward as a joint risk reserve for 2016-17.

d. Integrated Community Equipment Service (ICES)

From 1st April 2015 LCC entered into a S75 agreement with the 4 Lincs CCG for the provision of an integrated Community Equip service (ICES)

2014-15 £'000		2015-16 £'000
7,431	Gross Partnership Expenditure	5,390
(7,431)	Gross Partnership Income	(5,390)
0	**Surplus(-)/Deficit(+)**	**0**
3,579	**Contribution from Lincolnshire County Council**	**2,400**

This is a 45:55 shared responsibility budget between the Council and the Clinical Commissioning Groups and there is a risk share agreement regarding any under or over spends in year.

This year there was a £0.600m BCF contingency reserve which wasn't required in 2015-16, hence this has remained within the reserves and will be fully utilised in 2016-17.

e. 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 2015-16 following variations made which incorporated additional functions in to the Section 75 Agreement.

The Children and Adolescent Mental Health Services (CAMHS) is designed to meet a wide range of mental health needs in children and young people. These include mild to moderate emotional well-being and mental health problems, as well as moderate, acute and severe, complex and/or enduring mental health problems or disorders that are causing significant impairments in their lives including: anxiety, depression, trauma, eating disorders and self-harm.

The service also provides a 24 hour, 7 day a week Crisis & Home Treatment Service to provide crisis intervention for young people actively displaying suicidal ideation or following suicide attempts, severe symptoms of depression with suicidal ideation, life threatening harm to self, harm to others as a result of a mental health concern, acute psychotic symptoms or presentation of anorexia with severe physical symptoms.

A CAMHS Professional Advice Line is also available to help with uncertainty of whether to refer, or if help is needed on how to refer.

2014-15 £'000		2015-16 £'000
6,028	Gross Partnership Expenditure	7,163
(6,049)	Gross Partnership Income	(7,163)
-21	**Surplus(-)/Deficit(+)**	**0**
725	**Contribution from Lincolnshire County Council**	**725**

The figures within the CAMHS are made up mostly from the Child and Adolescent Mental Health services but now also includes promoting Independence for Children and other services that work towards the delivery of Mental Health issues amongst children and the young. The funding was all fully utilised in 2015-16.

f. Sexual Health

During 2015/16 the County Council jointly procured a new contract with NHS England to provide sexual health treatment and prevention services around the county. The new contract will commence on 1st April 2016 and includes provision for HIV services which are the responsibility of NHS England as well as other treatment and preventative services which remain the responsibility of the County Council. The County Council will be responsible for the contract but will receive a contribution from NHS England in respect of the HIV services. As such a S.75 agreement has been agreed between the County Council and NHS England and this will come into force in April 2016.

Note 33. Members Allowances.

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

2014-15 £'000		2015-16 £'000
772	Basic Allowances	793
437	Special Responsibility Allowances	450
1,209		1,243
92	Expenses	104
1,301	**TOTAL**	**1,347**

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:

2014-15 Number of Staff			2015-16 Number of Staff	
Remuneration received (excl those receiving termination payments)	**Staff who received termination payments**	**Pay Band**	**Remuneration received (excl those receiving termination payments)**	**Staff who received termination payments**
0	1	£155,000- £159,999	0	0
0	0	£150,000- £154,999	0	0
0	0	£145,000- £149,999	0	0
0	1	£140,000- £144,999	0	0
0	0	£135,000- £139,999	0	0
0	0	£130,000- £134,999	0	0
0	1	£125,000- £129,999	0	0
0	1	£120,000- £124,999	1	0
0	0	£115,000- £119,999	0	0
0	1	£110,000- £114,999	0	0
0	0	£105,000- £109,999	0	0
4	1	£100,000- £104,999	3	1
0	0	£95,000- £99,999	1	1
3	2	£90,000- £94,999	4	1
5	2	£85,000- £89,999	6	1
6	0	£80,000- £84,999	5	6
8	1	£75,000- £79,999	9	1
13	4	£70,000- £74,999	15	5
30	1	£65,000- £69,999	38	5
49	8	£60,000- £64,999	49	5
81	2	£55,000- £59,999	78	6
113	2	£50,000- £54,999	133	8
312	**28**	**Total**	**342**	**40**

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	Any Other Emoluments	Total
		£	£	£	£
Senior Officers with a salary over £150,000					
Tony McArdle - Chief Executive	2015-16	173,392	34,125	0	207,517
	2014-15	173,365	34,126	0	207,491
Senior Officers with a salary over £50,000 and less than £165,000					
Director of Adult Social Services	2015-16	126,872	24,132	0	151,004
	2014-15	122,966	24,224	0	147,190
Executive Director of Children's Services	2015-16	128,149	24,819	0	152,968
	2014-15	133,122	26,198	0	159,320
Executive Director - Finance & Public Protection	2015-16	125,983	24,936	2,586	153,505
	2014-15	125,983	24,970	1,780	152,733
Executive Director - Communities	2015-16	127,027	24,819	0	151,846
	2014-15	126,122	24,819	0	150,941
Executive Director Performance & Governance	2015-16	0	0	0	0
	2014-15	10,748	689	157,047	168,484
					0
Chief Information and Commissioning Officer	2015-16	115,262	22,655	0	137,917
	2014-15	115,000	20,931	0	135,931
Chief Fire Officer	2015-16	73,869	16,029	82	89,980
	2014-15	112,350	23,930	123	136,403
Acting Chief Fire Officer	2015-16	98,676	11,841	0	110,517
	2014-15	0	0	0	0
Director of Public Health	2015-16	163,860	21,036	0	184,896
	2014-15	160,835	20,595	445	181,875

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.)

Other Emoluments include the profit element of car hire and medical insurance.

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	
	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16
							£	£
£0 - £20,000	105	109	18	22	123	131	£995,776	£953,857
£20,001 - £40,000	39	33	11	16	50	49	£1,425,059	£1,477,883
£40,001 - £60,000	13	15	9	9	22	24	£1,060,467	£1,187,797
£60,001 - £80,000	8	1	2	2	10	3	£677,680	£203,366
£80,001 - £100,000	3	3	1	0	4	3	£336,996	£278,731
£100,001 - £150,000	6	1	1	1	7	2	£863,086	£253,910
£150,001 - £200,000	1	0	0	0	1	0	£164,677	£0
Total	**175**	**162**	**42**	**50**	**217**	**212**	**£5,523,741**	**£4,355,544**

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 2015-16 the County Council has incurred liabilities of £5.483m (£6.502m in 2014-15) in relation to termination benefits.

'- £4.541m for redundancy payments (£5.381m in 2014-15); and
'- £0.942m for pension strain (£1.121m in 2014-15).

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 2015-16.

Note 37. External Audit Costs.

The County Council has incurred the following fees in relation to external audit and inspection work:

	2014-15	2015-16
	£'000	
Fees payable with regards to external audit services carried out by the appointed auditor	143	107
Fees payable to the Appointed Auditor in respect of statutory inspection	0	0
Audit and Inspection Fee	143	107
Fees payable to the Appointed Auditor for the certification of grant claims and returns	0	3
Fees payable in respect of other services provided by the Appointed Auditor	17	18
Total	**160**	**128**

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 2015-16 are as follows:

Schools Budget Funded by Dedicated Schools Grant	Central Expenditure £'000	Individual Schools Budget £'000	Total £'000
Final DSG for 2015-16 before Academy recoupment	0	0	484,028
Academy Figure Recouped for 2015-16	0	0	(224,754)
Total DSG after Academy Recoupment for 2015-16	0	0	259,274
Brought Forward from 2014-15	0	0	19,562
Agreed Initial Budgeted Distribution in 2015-16	28,276	250,560	278,836
In Year Adjustments	(2,539)	3,162	623
Final Budget Distribution for 2015-16	**25,737**	**253,722**	**279,459**
less Actual central expenditure	(25,457)	0	(25,457)
less Actual ISB deployed to schools	0	(235,452)	(235,452)
Total actual expenditure in 2015-16	**(25,457)**	**(235,452)**	**(260,909)**
Local Authority Contribution 2015-16	**0**	**0**	**0**
Carry forward to 2016-17	**280**	**18,270**	**18,550**

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

Note 39. Grant Income.

The Council credited the following grants and contributions and donations to the Comprehensive Income and Expenditure Statement in 2015-16; for grants and contributions where the conditions have been met, or no conditions existed:

2014-15 £'000	a) Credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement	2015-16 £'000
228,745	Council tax income	239,223
102,326	Business Rates - Districts	99,759
	Non-ring-fenced government grants:	
124,575	Revenue Support Grant	94,670
7,123	Education Services Grant	5,600
0	Care Act Implementation Grant	4,433
3,144	New Homes Bonus Grant	3,853
0	Section 31 Grant - Business Rates	2,621
0	Independent Living Fund Grant	1,386
1,243	Local Services Support Grant	1,060
2,585	Council Tax freeze Grant	0
644	Adoption Reform Grant	0
2,006	Other Non Specific Grant	563
	Capital Grants and Contributions:	
21,929	DfT Asset Protection Grant	31,013
8,377	DfE Basic Need Grant	11,434
0	Growth Deal Grant (LEP)	8,499
0	Single L Growth Fund (LEP)	8,216
0	Department of Culture, Media and Sport Broadband Grant	5,871
0	DfE Schools Condition Capital Grant	5,421
6,752	DfE Capital Maintenance Grant	0
5,816	DfT Integrated Transport Grant	3,312
0	Disabled Facilities grant	2,971
0	Community Capacity Grant	1,848
5,430	DfT Pothole Fund	0
4,753	Heritage Lottery Fund	1,105
2,246	DfT Additional Maintenance Grant	0
2,164	DfE Targeted Basic Need Grant	0
1,848	Adult Care Capital Grant	0
1,593	DfE School Kitchen Capital Grant	0
1,423	Devolved Formula Grant	1,338
1,421	ERDF Grant	0
1,363	DfT Pinchpoint Funding	0
1,345	Section 106 Income	1,652
1,085	DfE Universal Infant Free School Meals Capital Grant	1,100
2,562	Other Capital Grants and Contributions	(1,784)
542,498	**Total**	**535,164**

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.

2014-15 £'000	b) Credited to Revenue Service Accounts in the Comprehensive Income and Expenditure Statement	2015-16 £'000
259,761	Dedicated Schools Grant	248,872
29,777	Public Health	30,723
13,541	Pupil Premium	13,312
6,202	YPLA 16-19 Funding	4,473
3,574	Universal Infant Free School Meals	4,765
0	Adult Safeguarding Learning	1,479
1,914	EFA and Sport Grant	1,892
0	Troubled Families Grant	1,787
1,330	Fire New Burdens	1,187
0	The Private Finance	1,158
8,072	Dept for Media, Culture & Sport - Contribution to Broadband project	0
1,966	Skills Funding Agency	0
1,775	Local Welfare Provision	0
1,300	Local Sustainable Transport Fund (LSTF) - DfT	0
14,233	Other Revenue Grants	11,363
329,212		**321,010**

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

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).

Further details of the grants received by the Council in 2015-16 are set out 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 2015-16 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.

Seven Councillors have not submitted the declaration of interest form this year. Relevant information relating to these Councillors has been used from other sources to compile the information below.

During 2015-16 the following have been declared:

Councillors

- Six Councillors or their immediate families have provided services to the Council to the value of £0.138m with outstanding balances of £1,095k at the year end;

- Thirty Four Councillors are members of Public Bodies which have provided services to the Council to the value of £11.173m with outstanding balances of £0.172m at the year end;

- Thirteen Councillors are members of voluntary organisations which have provided services to the Council to the value of £0.803m with outstanding balances of £0.016m at the year end;

Senior Officers

Senior Officers have not declared any interests in other bodies that could potentially be used to control or influence a related party.

c. Other Public Bodies

The Council has entered into Pooled Budget arrangements with Lincolnshire Clinical Commissioning Groups for Learning Disabilities, Integrated Community Equipment, Proactive Care, Corporate, and Child & Adolescent Mental Health Service; which are all included within a framework schedule to summarise and share the risk. Outside of this schedule there is also a pooled budget for Substance Misuse.

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 £0.201m was recharged from the Council to the pension fund for scheme administration and management. The pension fund earned a total interest of £0.052m 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 £xxxxm 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 2015-16 expenditure is provided in the Explanatory Foreword, with details of the asset acquired.

Restated (*1) 2014-15 £'000		2015-16 £'000
567,826	**Opening Capital Financing Requirement**	**561,065**
	Capital Investment:	
83,298	Property, Plant and Equipment	83,681
430	Investment Property	168
4,902	Intangible Assets	756
0	Loans and Advances Treated as Capital Expenditure	0
28,353	Revenue Expenditure Funded from Capital Under Statute (REFCUS)	24,134
	Sources of Finance:	
(5,426)	Capital Receipts	(2,605)
(75,500)	Government Grants and Contributions	(71,994)
(12,215)	Government Grants and Contributions funding REFCUS	(6,068)
	Sums set aside from Revenue:	
(6,790)	Direct Revenue Contributions	(6,944)
(23,813)	Minimum Revenue Provision/Loans fund principal	(22,196)
561,065	**Closing Capital Financing Requirement**	**559,996**
(6,761)	**Movement in Year:**	**(1,069)**
	Explanation of movement in year:	
0	Increase in underlying need to borrow (supported by government financial assistance)	0
(6,825)	Increase in underlying need to borrow (unsupported by government financial assistance)	(1,289)
64	Assets acquired under finance leases	31
0	Assets acquired under PFI/PPP contracts	189
(6,761)	**Increase/(Decrease) in Capital Financing Requirement**	**(1,069)**

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 £0.166m (£0.229m in 2014-15) were made during the year. £0.033m was charged to the Comprehensive Income and Expenditure Statement as interest payable and £0.133m 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:

	Land and Buildings	Vehicles, Plant & Equipment
	£'000	£'000
Balance at 1 April 2015	15,556	250
Additions	23	31
Revaluations	(157)	0
Depreciation	(415)	(106)
Disposals	(521)	0
Derecognition	0	0
Reclassifications	0	0
Net Book Value at 31 March 2016	**14,486**	**175**

	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
Net Book value as at 31 March 2015	**15,556**	**250**

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:	**2014-15**		**2015-16**	
	Minimum Lease Payments	**Finance Lease Liabilities**	**Minimum Lease Payments**	**Finance Lease Liabilities**
	£'000	**£'000**	**£'000**	**£'000**
Not later than one year	6	13	7	13
Between one year and not later than five years	27	50	27	50
Later than five years	199	328	192	316
Total Committed Liabilities as at 31 March	**232**	**391**	**226**	**379**

Vehicles, Plant & Equipment:	2014-15		2015-16	
	Minimum Lease Payments	Finance Lease Liabilities	Minimum Lease Payments	Finance Lease Liabilities
	£'000	£'000	£'000	£'000
Not later than one year	104	33	91	28
Between one year and not later than five years	94	39	58	15
Later than five years	0	0	0	0
Total Committed Liabilities as at 31 March	**198**	**72**	**149**	**43**

The Council sub-lets County Farm holdings held under finance leases. At 31 March 2016 the minimum payments expected to be received under non-cancellable sub-leases was £0.350m.

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 2015-16 amounted to £1.378m (£1.799m in 2014-15).

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 £3.956m in 2015-16 (£3.258m in 2014-15).

As at 31 March 2016, the Council is committed to making payments of £18.410m under operating leases, comprising the following elements:

	2014-15	2015-16
	£'000	£'000
Not later than one year	3,718	3,305
Between one year and not later than five years	7,814	7,486
Later than five years	8,001	7,619
Total Committed Liabilities as at 31 March	**19,533**	**18,410**

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 £2.326m in 2015-16 (£2.213m in 2014-15). The Council also received rental income from other properties; where the value of the lease is material, the income amounted to £1.125m in 2015-16 (£0.979m in 2014-15).

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

	2014-15	2015-16
	£'000	£'000
Not later than one year	822	2,297
Between one year and not later than five years	1,428	5,980
Later than five years	1,357	16,438
Total future minimum lease payments receivable as at 31 March	**3,607**	**24,715**

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

Lincolnshire - Schools PFI Arrangement

a. Background

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

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

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

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

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

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

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

The table below shows the fixed assets held by the Council, and the movement in their values during 2015-16. These assets are included in the fixed assets shown in Note 13 Property, Plant and Equipment.

	Land & Buildings £'000	Furniture & Equipment £'000
Balance at 1 April 2015	20,250	30
Additions	179	10
Revaluations	1218	0
Depreciation	(479)	(13)
Disposals	0	0
Reclassifications	0	0
De-recognition	88	0
Net Book Value at 31 March 2016	**21,256**	**27**

	Land & Buildings £'000	Furniture & Equipment £'000
Balance at 1 April 2014	19,136	71
Additions	100	0
Revaluations	1,423	0
Depreciation	(432)	(41)
Disposals	0	0
Reclassifications	0	0
De-recognition	23	0
Net Book Value at 31 March 2015	**20,250**	**30**

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 2015-16:

	PFI Lease Liability 2014-15 £'000	PFI Lease Liability 2015-16 £'000
Liability as at 01 April	13,244	12,485
Principal Repayments	(759)	(635)
Liability as at 31 March	**12,485**	**11,850**

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 £'000	Financing Costs (Interest) £'000	Service Charges £'000	Total Estimated Payments £'000
Payable in 2016-17	470	838	2,017	**3,325**
Payable between 2017-18 and 2019-20	2,120	2,249	5,741	**10,110**
Payable between 2020-21 and 2024-25	3,838	2,622	11,171	**17,631**
Payable between 2025-26 and 2029-30	4,602	1,154	11,175	**16,931**
Payable between 2030-31 and 2032-33	821	70	4,043	**4,934**
Total Committed Liabilities as at 31 March 2016	**11,851**	**6,933**	**34,147**	**52,931**

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 £1.798m of principal lease liability and £1.052m 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 £1.958m of principal lease liability and £1.146m 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 2015-16 the Council paid £12.425m to the administrators of the TPS in respect of employer's pension contributions. The Council contribution rate to the teacher's pension fund was 14.1% from April to August 2015, this was increased to 16.48% on the 1st September 2015. 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 £4.16m in 2015-16 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 2015/16 the Council paid £0.201m to the administrators of the NHS Pension Scheme in respect of employer contributions. The employer's contribution rate to the scheme is 14.3% in 2015-16.

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 £28.963m into the Lincolnshire Pension Fund in 2015-16, based on 19.7% of scheme employees' pensionable pay and a lump sum payment of £1.118k.

Under the Council's early retirement policy, additional contributions of £0.231m 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 £6.174m. Further information can be found on pages 107 to 134 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 the 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 2015-16 the Council paid employer's contributions of £5.744m to the Lincolnshire Fire and Rescue Pension Fund. There are currently three schemes: the 1992 and 2015 schemes, where the employer contribution rate is 21.7% and the 2006 scheme, where the contribution rate is 12%. A further £1.811m was paid in respect of ill health retirements and £0.289m in respect of injury benefits. Further information on the Lincolnshire Fire and Rescue Pension fund can be found on pages 135 to 137.

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 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 2016

	Assets	Obligations	Net liability/asset
	£'000	£'000	£'000
Fair value of employer assets	942,454	0	942,454
Present value of funded liabilities	0	(1,507,965)	(1,507,965)
Present value of unfunded liabilities	0	(103,944)	(103,944)
Opening position as at 31 March 2015	**942,454**	**(1,611,909)**	**(669,455)**
Service cost:			
Current service cost	0	(41,505)	(41,505)
Past service costs (including curtailments)	0	(925)	(925)
Effect of settlements	0	0	0
Total Service Costs	**0**	**(42,430)**	**(42,430)**
Net Interest:			
Interest income on planned assets	30,111	0	30,111
interest cost on defined benefit obligation	0	(51,642)	(51,642)
Impact on asset ceiling	0	0	0
Total net Interest	**30,111**	**(51,642)**	**(21,531)**
Total defined benefit cost recognised in Profit or(Loss)	**30,111**	**(94,072)**	**(63,961)**
Cash flows:			
Plan participants' contributions	8,618	(8,618)	0
Employer contributions	29,380	0	29,380
Contributions re unfunded benefits	6,207	0	6,207
Benefits paid	(41,011)	41,011	0
Unfunded benefits paid	(6,207)	6,207	0
Expected closing position	**969,552**	**(1,667,381)**	**(697,829)**
Remeasurements:			
Changes in demographic assumptions	0	0	0
Changes in financial assumptions	0	143,556	143,556
Other experience	0	23,959	23,959
Return on assets excluding amounts included in net interest	(19,468)	0	(19,468)
Changes in asset ceiling	0	0	0
Total remeasurements recognised in Other Comprehensive Income(OCI)	**(19,468)**	**167,515**	**148,047**
Exchange differences	0	0	0
Effect of business combinations or disposals	0	0	0
Total Exchange and business combinations & disposals	0	0	0
Fair value of employer assets	950,084	0	950,084
Present value of funded liabilities	0	(1,405,155)	(1,405,155)
Present value of unfunded liabilities	0	(94,711)	(94,711)
Closing position as at 31 March 2016	**950,084**	**(1,499,866)**	**(549,782)**

This liability comprises of approximately £26.4m in respect of LPGS unfunded pensions and £68.311m in respect of Teachers unfunded pensions

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

	Liability Split		Duration
	£000	%	
Members	627,313	44.6%	25.4
Deferred Members	282,715	20.1%	23.5
Pensioners	495,127	35.2%	11.6
	1,405,155	**100.0%**	**18.5**

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

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

c. Pension Assets and Liabilities Recognised in the Balance Sheet, P & L & OCI for the Fire Fighters Pension Fund as at 31 March 2016

	Assets	Obligations	Net liability/asset
	£'000	**£'000**	**£'000**
Fair value of employer assets	0	0	0
Present value of funded liabilities	0	(208,200)	(208,200)
Present value of unfunded liabilities	0	(17,600)	(17,600)
Opening position as at 31 March 2015	**0**	**(225,800)**	**(225,800)**
Service cost:			
Current service cost	0	(5,900)	(5,900)
Past service costs (including curtailments)	0	0	0
Effect of settlements	0	0	0
Total Service Costs	**0**	**(5,900)**	**(5,900)**
Net Interest:			
Interest income on planned assets	0	0	0
interest cost on defined benefit obligation	0	(7,200)	(7,200)
Impact on asset ceiling	0	0	0
Total net Interest	**0**	**(7,200)**	**(7,200)**
Total defined benefit cost recognised in Profit or (Loss)	**0**	**(13,100)**	**(13,100)**
Cash flows:			
Plan participants' contributions	1,200	(1,200)	0
Employer contributions	5,500	0	5,500
Transfers to/from other authorities	100	(100)	0
Contributions in respect of injury benefits	300	0	300
Benefits paid	(6,000)	6,000	0
Backdated commutation payments	(800)	800	0
Injury award expenditure	(300)	300	0
Expected closing position	**0**	**(233,100)**	**(233,100)**
Remeasurements:			
Changes in demographic assumptions	0	600	600
Changes in financial assumptions	0	22,900	22,900
Other experience	0	13,800	13,800
Return on assets excluding amounts included in net interest	0	0	0
Changes in asset ceiling	0	0	0
Total remeasurements recognised in Other Comprehensive Income (OCI)	**0**	**37,300**	**37,300**
Exchange differences	0	0	0
Effect of business combinations or disposals	0	0	0
Total Exchange and business combinations & disposals	**0**	**0**	**0**
Fair value of employer assets	0	0	0
Present value of funded liabilities	0	(181,900)	(181,900)
Present value of unfunded liabilities	0	(13,900)	(13,900)
Closing position as at 31 March 2016	**0**	**(195,800)**	**(195,800)**

The current service cost shown in the table above includes the cost for both the non-injury benefits and injury benefits. This is split £5.3m for the non-injury benefits and £0.6m 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 £6.6m for the non-injury benefits and £0.6m for the injury benefits.

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

	Liability Split		Duration
	£000	**%**	
Members	75,500	41.51%	25.5
Deferred Members	4,100	2.25%	29.8
Pensioners	102,300	56.24%	11.5
	181,900	**100.0%**	**17.7**

The durations are effective as at the previous valuations as at 31 March 2015

	Liability Split		Duration
	£000	**%**	
Contingent injuries	7,600	54.68%	25.5
Injury pension liabilities	6,300	45.32%	10.2
	13,900	**100.0%**	**22.1**

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

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

	Liability Split		Duration
	£000	%	
Members	119,600	57.4%	26.5
Deferred Members	3,700	1.8%	27
Pensioners	84,900	40.8%	12.2
	208,200	**100.0%**	**19.8**

The durations are effective as at the previous valuation as at 31 March 2012

	Liability Split		Duration
	£000	%	
Contingent injuries	12,000	68.2%	26.5
Injury pension liabilities	5,600	31.8%	12.7
	17,600	**100.0%**	**21.3**

e. Pension Fund Assets Comprise

The Local Government Pension schemes comprise the following assets

Asset Class	2014-15	2014-15	2015-16	2015-16
	£'000	%	£'000	%
	Fair value of scheme assets		Fair value of scheme assets	
Equities (b)				
-Consumer	179,986	19.1%	196,831	20.7%
-Manufacturing	26,326	2.8%	21,097	2.2%
-Energy & Utilities	58,178	6.2%	51,477	5.4%
-Financial	111,679	11.8%	102,493	10.8%
-Health & Care	0	0.0%	0	0.0%
-Information Technology	35,685	3.8%	35,241	3.7%
-Other	111,384	11.8%	105,412	11.1%
Total Equities	**523,238**	**55.5%**	**512,551**	**53.8%**
Bonds				
-Corporate (Investment)	31,388	3.3%	35,549	3.7%
-Corporate (Non-Investment Grade)	61,422	6.5%	60,111	6.3%
-Government (Fixed)	17,888	1.9%	19,652	2.1%
-Other	12,299	1.3%	13,292	1.4%
Total Bonds	**122,997**	**13.0%**	**128,604**	**13.4%**
Total Private Equity	**40,251**	**4.3%**	**34,710**	**3.6%**
Property				
-UK	92,501	9.9%	101,105	10.7%
-Global	10,800	1.1%	10,314	1.1%
Total Property	**103,301**	**11.0%**	**111,419**	**11.7%**
Investment Funds & Unit Trusts				
- Equities	48,738	5.2%	53,604	5.6%
- Bonds	0	0.0%	0	0.0%
-Other	90,448	9.6%	101,937	10.7%
Total Investment Funds	**139,186**	**14.8%**	**155,541**	**16.3%**
Cash and Cash Equivalents	**13,481**	**1.4%**	**10,259**	**1.1%**
Total Derivatives	**0**	**0.0%**	**0**	**0.0%**
Total Assets	**942,454**	**100.0%**	**953,084**	**100.0%**

All scheme assets have quoted prices in active markets

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

The estimated return on scheme assets in the year was 1.1% (2015-16).

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:

	2014-15	2014-15	2015-16	2015-16
	Local Government Pension Scheme	Fire-fighters' Pension Scheme	Local Government Pension Scheme	Fire-fighters' Pension Scheme
	%	%	%	%
Price Increases	3.3	3.3	3.2	3.2
Salary Increases	3.8	3.4	3.7	3.2
Pension Increases (CPI)	2.4	2.4	2.2	2.2
Discount Rate	3.2	3.2	3.5	3.5
Equity investments	3.2	N/A	1.1	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

The table below shows the life expectancy of future and current pensioners and is based on the CMI 2010 model assuming the current rate of improvement has peaked and will converge to a long term rate of 1.25% p.a. 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	29.7	31.6
Future Pensioners*	24.5	26.8	31.2	33.2

* Figures assume members aged 45 as at the last formal valuation

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%	151,343	9.0%	17,800
1 year increase in member life expectancy	3.0%	44,996	3.0%	5,800
0.5% increase in the Salary Increase Rate	3.0%	39,929	1.0%	2,700
0.5% increase in the Pension Increase Rate	7.0%	109,604	8.0%	15,000

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 (53.8% of scheme assets) and Investment Funds (16.3%). 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.

h. Projected defined benefit cost for the period to 31 March 2017

Local Government Pension Scheme

	Assets	Obligations	Net (liability)/asset	
	£000	£000	£000	% of pay
Projected Current Service Cost	0	(35,337)	(35,337)	-25.5%
Past service cost including curtailments	0	0	0	0.0%
Effect of settlements	0	0	0	0.0%
Total Service Cost	0	(35,337)	(35,337)	-25.5%
Interest income on plan assets	33,135	0	33,135	24.0%
Interest cost on defined benefit obligation	0	(52,390)	(52,390)	-37.9%
Total Net Interest Cost	33,135	(52,390)	(19,255)	-13.9%
Total included in Income and Expenditure	**33,135**	**(87,727)**	**(54,592)**	**-39.4%**

The weighted average duration of the defined benefit obligation for scheme members is 18.5 years in 2015-16.

Fire Fighters Pension Scheme

	Assets	Obligations	Net (liability)/asset	
	£000	£000	£000	% of pay
Projected Current Service Cost	0	(4,800)	(4,800)	-49.6%
Past service cost including curtailments	0	0	0	0.0%
Effect of settlements	0	0	0	0.0%
Total Service Cost	0	(4,800)	(4,800)	-49.6%
Interest income on plan assets	0	0	0	0.0%
Interest cost on defined benefit obligation	0	(6,800)	(6,800)	-70.2%
Total Net Interest Cost	0	(6,800)	(6,800)	-70.2%
Total included in Income and Expenditure	**0**	**(11,600)**	**(11,600)**	**-119.8%**

The weighted average duration of the defined benefit obligation for scheme members is 17.7 years in 2015-16.

The authority expects to pay £28.403m in contributions to the LGPS and £5.213m to the Fire Fighters' scheme in 2015-16.

Note 46. Contingent Liabilities.

At 331 March 2016 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. However, in light of recent historic sexual abuse claims and with the Goddard enquiry focusing in this area; it is still possible that claims under the Public Liability policy will still be submitted. The position is independently reviewed 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. The levy applicable to the scheme members has recently been increased to 25% with indications that this may rise to 34%.

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. 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.

Note 47. Contingent Assets.

At 31 March 2016 the Council has no material contingent assets.

Lincolnshire County Council's Pension Fund

Pension Fund Account - For the year ended 31 March 2016.

	See Note	2014-15 £000	2015-16 £000
Contributions and Benefits			
Contributions Receivable	8	82,503	85,292
Transfers in	9	6,372	7,077
		88,875	**92,369**
Benefits Payable	10	78,057	80,745
Leavers	11	34,458	2,649
		112,515	**83,394**
Net additions from dealings with fund members		**(23,640)**	**8,975**
Management Expenses	12	10,992	11,035
Returns on Investments			
Investment Income	13	26,619	27,895
Profit (Loss) on Forward Deals & Currency Deals	17	(4,149)	(18,003)
Change in Market Value of Investments	15	177,023	(5,058)
Net returns on investments		**199,493**	**4,834**
Net increase in the Fund during the year		164,861	2,773
Opening net assets of the Fund		1,591,422	1,756,283
Closing net assets of the Fund		**1,756,283**	**1,759,056**
Net Assets statement as at 31 March 2016			
Investments	15		
Equities		972,857	951,839
Pooled Investments:			
Property		189,640	199,306
Private Equity		73,692	56,338
Fixed Interest		194,083	191,741
Index Linked Bonds		34,466	35,859
Equities		88,445	99,033
Alternatives		164,801	183,434
Cash Deposits		25,695	25,570
Other Investment Balances	18	473	2,021
		1,744,152	**1,745,141**
Current Assets and Liabilities			
Cash Balances		7,855	8,328
Debtors	19	4,005	7,417
Long Term Debtors	19	2,132	1,706
Creditors	19	(1,861)	(3,536)
		12,131	**13,915**
Net Assets of the Fund at 31st March		**1,756,283**	**1,759,056**

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 West Yorkshire Pension Fund (WYPF) in a shared service arrangement.

The following information is a summary only, and further detail can be found in the Lincolnshire Pension Fund Annual Report 2015-16 (available on the Fund's shared website at www.wypf.org.uk), and in the underlying statutory powers underpinning the scheme, namely the Public Service Pensions Act 2013 and the Local Government Pension Scheme (LGPS) Regulations.

General

The scheme is governed by the Public Service Pensions Act 2013. The Fund is administered in accordance with the following secondary legislation:

- the LGPS Regulations 2013 (as amended)
- the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- the LGPS (Management and Investment of Funds) Regulations 2009.

It is a contributory defined 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 and Local Pension Board.

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 197 contributing employer organisations in the Fund including the County Council (a list of scheduled employers is shown in Note 28) and the membership numbers are shown below:

	31 March 2015	31 March 2016
Number of employers with active members	182	197
Number of employees in the scheme:		
- Lincolnshire County Council	10,679	12,868
- Other employers	10,583	12,583
Total	**21,262**	**25,451**
Number of pensioners:		
- Lincolnshire County Council	10,664	*12,232*
- Other employers	6,600	*6,049*
Total	**17,264**	**18,281**
Number of deferred pensioners:		
- Lincolnshire County Council	18,872	20,752
- Other employers	8,705	6,866
Total	**27,577**	**27,618**

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

From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is uprated annually in line with the Consumer Price Index.

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 x final pensionable salary.	Each year is worth 1/60 x final pensionable salary.
Lump Sum	Automatic lump sum of 3/80 x salary. In addition, part of the annual pension can be exchanged for a one-off tax free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

There are a range of other benefits provided under the scheme including early retirement, disability pensions and death benefits. For more details, please refer to our shared pensions website at www.wypf.org.uk.

2 Basis of Preparation

The Statement of Accounts summarises the Fund's transactions for the 2015-16 financial year and its position at year end as at 31 March 2016.

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015-16, 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
- Threadneedle Asset Management - Global Equities
- Morgan Stanley Investment Management Ltd - Alternative Investments

During the year, the fee terms with Neptune Investment Management, who manage a Global Equities mandate, were amended to remove the performance fee element.

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.

Fees on investments where the cost is deducted at source have been included within investment expenses and an adjustment made to the change in market value of investments.

<u>Net assets statement</u>

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 2016 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:

	Nominal per annum %	Real per annum %
Investment Return		
- Equities	4.6	2.1
- Bonds	3.0	
Rate of Pensionable pay inflation	3.8	1.3
Rate of Price inflation	2.5	

The Fund is valued using the projected unit method, which is consistent with the aim of achieving a 100% funding level. The changes in contribution rates resulting from the actuarial valuation as at 31 March 2013 will be effective from April 2014. The contribution rates have been set by the Actuary to target a funding level, for most employers, on an ongoing basis of 100% over a period of up to 20 years. The next actuarial valuation will be undertaken as at 31 March 2016. A copy of the Fund Valuation report can be obtained from the Council's website.

5 Actuarial Present Value of Promised Retirement Benefits

Below is the note provided by the Fund's Actuary, Hymans Robertson, to provide the Actuarial present value of the promised retirement benefits, as required under the Code. The report titled 'Actuarial Valuation as at 31 March 2016 for IAS19 purposes' referred to in the note can be obtained from the Pensions section at the County Council.

Pension Fund Accounts Reporting Requirement

Introduction

CIPFA's Code of Practice on Local Authority Accounting 2015-16 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

Present value of Promised retirement benefits	31 Mar 2015 £m	31 Mar 2016 £m
Active members	1,400	1,373
Deferred pensioners	557	491
Pensioners	996	900
Total	2,953	2,764

Liabilities have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2013. 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 2016 is to decrease the actuarial present value by £278m.

Financial Assumptions

My recommended financial assumptions are summarised below:

Year ended	31 Mar 2015 % p.a.	31 Mar 2016 % p.a.
Inflation/Pension Increase rate	2.4%	2.2%
Salary Increase Rate	3.8%	3.2%
Discount Rate	3.2%	3.5%

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 most recent formal valuation as at 31 March 2013.

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 2016 for IAS19 purposes'. The covering report identifies the appropriate reliance's and limitations for the use of the figures in this paper, together with further details regarding the professional requirements and assumptions.

Anne Cranston

Anne Cranston AFA
For and on behalf of Hymans Robertson LLP
28 April 2016

6 Assumptions Made and Major Sources of Uncertainly

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the balance sheet date and the amounts reported for the revenues and expenses during the year. Estimates and assumptions are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual outcomes could differ from the assumptions and estimates.

The items in the accounts for the year ended 31 March 2016 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

	Uncertainties	Effect if actual results differ from assumptions
Actual present value of promised retirement benefits	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used; the rate at which salaries are projected to increase; changes in retirement ages; mortality rates and expected returns on investments. A firm of consulting actuaries are engaged to provide expert advice about the assumptions to be applied.	The effects of changes in the individual assumptions can be measured. For example: 1) a 0.5% increase in the discount rate assumption would result in a decrease of the pension liability of £267m. 2) a 0.25% increase in assumed earnings inflation would increase the value of liabilities by approximately £49m. 3) a 0.5% increase in the pension increase rate would increase the value of liabilities by approximately £194m. 4) a one-year increase in assumed life expectancy would increase the liability by approximately £83m.
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 £56m. There is a risk that these may be over or understated in the accounts.

7 Pension Fund Investments 2015-16

The strategic asset allocation for the investment of the Fund, as agreed by the Pensions Committee, is detailed below.

Asset allocation	
UK Equities	20.0%
Global Equities	40.0%
Property	11.5%
Fixed Interest	13.5%
Alternative Investments (incl. Private Equity)	15.0%
	100.0%

Surplus funds are invested in a wide variety of UK and overseas companies, Government Securities, property and other investments; in line with a Statement of Investment Principles. The assets are managed in a number of active and passive investment portfolios. Investment performance is monitored by the Pensions Committee of the County Council.

Fund manager	31 March 2015		31 March 2016	
	£m	%	£m	%
EXTERNALLY MANAGED				
Invesco	362	21	367	21
Neptune	92	5	82	5
Schroder	90	5	89	5
Threadneedle	91	5	95	5
Morgan Stanley (Global Brands)	89	5	99	6
Morgan Stanley (Alternatives)	175	8	187	10
Morgan Stanley (Private Equity)	77	7	62	4
Blackrock	116	7	120	7
BMO	112	6	108	6
INTERNALLY MANAGED				
Pooled Investments:				
- Property	194	11	202	12
- UK Equity	346	20	333	19

The Pension Fund Statement of Recommended Practice was amended with effect from 2008-09 to require that mangers report valuations at closing prices (either bid or last traded), rather than mid prices that had previously been used. The managers within the Pension Fund have reported their year end valuations at either bid or fair value, as detailed in the table below.

Fund Manager	Valuation Pricing
EXTERNALLY MANAGED	
Invesco	Bid
Neptune	Bid
Schroder	Bid
Threadneedle	Bid
Morgan Stanley	Bid/Fair Value
Blackrock	Bid
BMO	Bid
INTERNALLY MANAGED	
Property	Bid/Fair Value
UK Equity	Bid

The Fund lends stock to third parties under a stock lending agreement with the Fund's custodian, JPMorgan. The total amount of stock on loan at the year end was £38.866m 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 £42.486m, which represented 109.3% of the value of securities on loan.

Income received from stock lending activities, before costs, was £0.477m for the year ending 31 March 2016 and is included within the 'Investment Income' figure detailed on the Pension Fund Account.

8 Contributions Receivable

Contributions receivable are analysed below:

	2014-15 £000	2015-16 £000
Employers		
Normal	56,897	57,734
Deficit Funding	5,465	7,793
Additional - Augmentation	1,457	1,119
Members		
Normal	18,577	18,551
Additional years	107	95
	82,503	**85,292**

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

	2014-15 £000	2015-16 £000
Lincolnshire County Council	37,286	36,864
Scheduled Bodies	40,522	42,713
Admitted Bodies	4,695	5,715
	82,503	**85,292**

9 Transfers In

	2014-15 £000	2015-16 £000
Individual transfers from other schemes	6,372	7,077
Bulk transfers in from other schemes	0	0
	6,372	**7,077**

There were no material outstanding transfers due to the Pension Fund as at 31 March 2016.

10 Benefits Payable

	2014-15 £000	2015-16 £000
Pensions	63,097	64,624
Commutations & Lump Sum Retirement Benefits	13,348	14,405
Lump Sum Death Benefits	1,612	1,716
	78,057	**80,745**

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

	2014-15 £000	2015-16 £000
Lincolnshire County Council	41,623	43,281
Scheduled Bodies	32,477	34,512
Admitted Bodies	3,957	2,952
	78,057	**80,745**

11 Payments to and on account leavers

	2014-15 £000	2015-16 £000
Individual transfers to other schemes	3,726	2,574
Bulk transfers to other schemes	30,638	0
Refunds to members leaving service	94	75
	34,458	**2,649**

There were no material outstanding transfers due from the Pension Fund as at 31 March 2016.

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 £0.028m and is included within the oversight and governance costs below.

	2014-15 £000	2015-16 £000
Administrative Costs	1,289	1,654
Investment Management Expenses	9,312	9,030
Oversight and Governance Costs	391	351
Total Management Expenses	**10,992**	**11,035**

A further breakdown of the investment management expenses is shown below.

	2014-15 £000	Restatement £000	Restated 2014-15 £000	2015-16 £000
Transaction Costs	0	839	839	664
Management Fees	3027	4105	7,132	7,397
Performance Related Fees	0	962	962	531
Custody Fees	100	279	379	438
Total Investment Management Expenses	**3,127**	**6,185**	**9,312**	**9,030**

The comparator figures for 2014-15 were restated to comply with CiPFA's Accounting for Local Government Pension Scheme Costs. The restatement reflects:

- reclassifying £0.962m to the new expense category of Performance Related Fees for costs previously charged to Management Fees.
- grossing up for investment management fees, transaction costs and custody fees previously netted off against asset values.

13 Investment Income

	2014-15 £000	2015-16 £000
Equities	25,369	26,458
Pooled Investments:		
- Property	895	899
- Alternatives	(6)	0
Cash deposits	59	55
Stock Lending	302	483
	26,619	**27,895**

Analysis of Investment Income Accrued 31 March 2016:

	UK £000	Non-UK £000	Global £000	Total £000
Equities	2,602	1,463	841	4,906
Bonds	0	0	0	0
Property (direct holdings)	0	0	0	0
Alternatives	287	0	0	287
Cash and Equivalents	0	0	0	0
Other	0	0	0	0
Total	**2,889**	**1,463**	**841**	**5,193**

Analysis of Investment Income Accrued 31 March 2015:

	UK £000	Non-UK £000	Global £000	Total £000
Equities	2,552	1,346	818	4,716
Bonds	0	0	0	0
Property (direct holdings)	0	0	0	0
Alternatives	254	0	0	254
Cash and Equivalents	0	0	0	0
Other	0	0	0	0
Total	**2,806**	**1,346**	**818**	**4,970**

14 Taxes on Income

	2014-15 £000	2015-16 £000
Withholding tax - Equities	1,114	1,057
	1,114	**1,057**

15 Investments

	Value at 31 March 2015 £000	Purchases at Cost £000	Sales Proceeds £000	Change in Market Value £000	Value at 31 March 2016 £000
Equities	972,857	302,531	280,881	(42,668)	951,839
Pooled Investments:					
- Property	189,640	2,766	8,972	15,872	199,306
- Private Equity	73,692	3,450	32,271	11,467	56,338
- Fixed Interest	194,083	1,926	2,986	(1,282)	191,741
- Index Linked Bonds	34,466	0	0	1,393	35,859
- Equities	88,445	0	906	11,494	99,033
- Alternatives	164,801	81,006	61,039	(1,334)	183,434
	1,717,984	**391,679**	**387,055**	**(5,058)**	**1,717,550**
Cash Deposits	25,695				25,570
Other Investment Balances	473				2,021
Current Assets & Liabilities	12,131				13,915
	1,756,283	**391,679**	**387,055**	**(5,058)**	**1,759,056**

	Value at 31 March 2014 £000	Purchases at Cost £000	Sales Proceeds £000	Change in Market Value £000	Value at 31 March 2015 £000
Equities	880,027	334,616	349,377	107,591	972,857
Pooled Investments					
Property	174,701	3,323	12,329	23,945	189,640
Private Equity	83,313	1,555	23,767	12,591	73,692
Fixed Interest	168,971	21,392	3,232	6,952	194,083
Index Linked Bonds	29,623	1,845	3,338	6,336	34,466
Equities	74,715	0	803	14,533	88,445
Alternatives	125,936	122,982	89,192	5,075	164,801
	1,537,286	**485,713**	**482,038**	**177,023**	**1,717,984**
Cash Deposits	38,836				25,695
Other Investment Balances	4,365				473
Current Assets & Liabilities	10,935				12,131
	1,591,422	**485,713**	**482,038**	**177,023**	**1,756,283**

Geographical Analysis of Fund Assets as at 31 March 2016:

	UK £'000	Non-UK £'000	Global £'000	Total £'000
Equities	325,544	364,828	360,500	1,050,872
Bonds	35,858	23,774	167,967	227,599
Property (direct holdings)	0	0	0	0
Alternatives	181,013	71,757	186,309	439,079
Cash and Equivalents	25,570	0	0	25,570
Other	0	0	0	0
Total	**567,985**	**460,359**	**714,776**	**1,743,120**

Geographical Analysis of Fund Assets as at 31 March 2015:

	UK £'000	Non-UK £'000	Global £'000	Total £'000
Equities	344,094	358,688	358,521	1,061,303
Bonds	34,465	23,380	170,703	228,548
Property (direct holdings)	0	0	0	0
Alternatives	170,750	88,606	168,777	428,133
Cash and Equivalents	25,695	0	0	25,695
Other	0	0	0	0
Total	**575,004**	**470,674**	**698,001**	**1,743,679**

An analysis of the type of pooled investment vehicles is given below:

	2014-15 £000	2015-16 £000
Property		
- Unit Trusts	133,426	145,608
- Other managed funds (LLP's)	56,214	53,698
Private Equity		
- Other managed funds (LLP's)	73,692	56,338
Fixed Interest		
- Other managed funds	194,083	191,741
Index linked gilts		
- Other managed funds	34,466	35,859
Equities		
- Other managed funds	88,445	99,033
Alternatives		
- Other managed funds	164,801	183,434
Total Pooled Vehicles	**745,127**	**765,711**

It is required to disclose where there is a concentration of investment (other than in UK Government Securities) which exceeds 5% of the total value of the net assets of the scheme. The three investments that fall into this category as follows:

Investment	2014-15		2015-16	
	Value (£000)	% of net assets	Value (£000)	% of net assets
BMO Absolute Return Bond Fund	112,371	6.4	108,036	6.2
Morgan Stanley Alternative Investments	164,801	9.4	183,434	10.7
Morgan Stanley Global Brands	88,445	5.0	99,033	5.7

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						
	EUR	288	GBP	227	1	0
	GBP	13	AUD	24	0	0
	GBP	16	HKD	183	0	0
	GBP	24	JPY	3,856	0	0
Over one month						
	CHF	39,900	GBP	27,991	1,171	0
	EUR	116,600	GBP	86,800	5,996	0
	GBP	882	CAD	1,669	0	(16)
	GBP	27,712	CHF	39,900	0	(1,451)
	GBP	101,430	EUR	136,376	0	(7,054)
	GBP	82,524	JPY	14,108,080	0	(5,030)
	GBP	452,892	USD	663,062	0	(8,079)
	JPY	8,947,070	GBP	51,403	4,139	0
	USD	404,800	GBP	273,399	7,969	0
Total					**19,276**	**(21,630)**
Net forward currency contracts at 31 March 2016						**(2,354)**
Prior year comparative						
Open forward currency contracts at 31 March 2015					**18,669**	**(23,494)**
Net forward currency contracts at 31 March 2015						**(4,825)**

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 £3.8m (unrealised loss of £0.5m in 2014-15) from the Fund's two Currency Overlay Managers.

18 Other Investment Balances

		2014-15 £000	2015-16 £000
Dividends Receivable		3,830	3,627
Recoverable Tax		1,100	1,521
Outstanding Foreign Exchange		(4,825)	(2,354)
Outstanding Stock Lending		30	35
Unsettled Trades:	- Purchases	(1,796)	(1,307)
	- Sales	2,134	499
		473	**2,021**

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 £4.018m for contributions due from employers (£2.495m in 2014/15). 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:

	2014-15 £000	2015-16 £000
Debtors:		
Central Government Bodies	1,683	1,512
Other Local Authorities	1,466	5,079
NHS Bodies	0	0
Public Corporations and Trading Funds	141	133
Other Entities and individuals	715	693
	4,005	**7,417**
Long Term Debtors:		
Central Government Bodies	2,132	1,705
Other Local Authorities	0	0
NHS Bodies	0	0
Public Corporations and Trading Funds	0	0
Other Entities and individuals	0	0
	2,132	**1,705**
Creditors:		
Central Government Bodies	(667)	(560)
Other Local Authorities	(87)	(1,291)
NHS Bodies	0	0
Public Corporations and Trading Funds	(1,106)	(1,664)
Other Entities and individuals	(1)	(21)
	(1,861)	**(3,536)**

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 23 investment vehicles amounted to £21.219m.

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 (excluding any final bonus) amounted to £9.095m (£9.233m in 2014-15). Member contributions of £0.993m (£1.217m in 2014-15) were received by the Prudential in the year to 31st March and £1.513m (£1.135m in 2014-15) was paid out to members. 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 £0.793m 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, JPMorgan. The value of the claim is approximately £0.714m 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 £0.278m. 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 £0.377m. 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. £0.101m) and Germany (approx. £0.165m), covering the periods from 2007-2010. In Spain repayments are increasingly being seen and a repayment of €79,565 was received 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 current term as Councillor. Committee members M Allan, R Phillips, P Wood and A Antcliff are contributing members of the Pension Fund as at 31st March 2016.

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 £6,981.6m and interest of £52k was earned over the year.

Lincolnshire County Council paid contributions of £26.3m into the Pension Fund during the year.

Paragraph 3.9.4.2 of the Code exempts local authorities from the key management personnel disclosure requirements of IAS24, on the basis that the disclosure requirements for officer remuneration and members' allowances detailed in section 3.4 of the Code (which are derived from the requirements of Regulations 7(2)-(4) of the Accounts and Audit (England) Regulations 2011 and Regulation 7A of the Accounts and Audit Regulations 2005); satisfy the key management and personnel disclosure requirements of paragraph 16 of IAS24. This applies in equal measure to the accounts of Lincolnshire Pension Fund.

The disclosures required by Regulation 7(2)-(4) of the Accounts and Audit (England) Regulations can be found in the main accounts of Lincolnshire County Council at Note 47. This can be found on the Council's website at www.lincolnshire.gov.uk.

26 Financial Instruments

Classification of financial instruments

Accounting policies describe how different asset classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of financial assets and liabilities (excluding cash) by category and net asset statement heading. No financial assets were reclassified during the accounting period.

	2014-15			2015-16		
	Designated as fair value through profit & loss	Loans & receivables	Financial liabilities at amortised cost	Designated as fair value through profit & loss	Loans & receivables	Financial liabilities at amortised cost
	£000	£000	£000	£000	£000	£000
Financial Assets						
Equities	972,857	0	0	951,839	0	0
Pooled Investments:						
Property	189,640	0	0	199,306	0	0
Private Equity	73,692	0	0	56,339	0	0
Fixed Interest	194,083	0	0	191,741	0	0
Index Linked Bonds	34,466	0	0	35,858	0	0
Equities	88,445	0	0	99,033	0	0
Alternatives	164,801	0	0	183,434	0	0
Cash	0	33,550	0	0	33,898	0
Other Investment Balances	25,763	0	0	24,958	0	0
Debtors	0	6,137	0	0	9,123	0
	1,743,747	**39,687**	**0**	**1,742,508**	**43,021**	**0**
Financial Liabilities						
Other Investment Balances	(25,290)	0	0	(22,937)	0	0
Creditors	0	0	(1,861)	0	0	(3,536)
	(25,290)	**-**	**(1,861)**	**(22,937)**	**-**	**(3,536)**
	1,718,457	**39,687**	**(1,861)**	**1,719,571**	**43,021**	**(3,536)**

Net gains and losses on financial instruments

	2014-15 £000	2015-16 £000
Financial Assets		
Fair value through profit & loss	170,838	(5,058)
Loans and receivables	0	0
Financial liabilities measured at amortised cost	0	0
Financial Liabilities		
Fair value through profit & loss	(4,825)	(2,354)
Loans and receivables	0	0
Financial liabilities measured at amortised cost	0	0
	166,013	**(7,412)**

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 2016.

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 2016	**Level 1**	**Level 2**	**Level 3**	**Total**
	£000	**£000**	**£000**	**£000**
Financial Assets				
Fair value through profit & loss	1,303,429	199,306	239,773	1,742,508
Loans and receivables	43,021	0	0	43,021
Financial liabilities measured at amortised cost	0	0	0	0
Total Financial Assets	**1,346,450**	**199,306**	**239,773**	**1,785,529**
Financial Liabilities				
Fair value through profit & loss	0	(22,937)	0	(22,937)
Loans and receivables	0	0	0	0
Financial liabilities measured at amortised cost	(3,536)	0	0	(3,536)
Total Financial Liabilities	**(3,536)**	**(22,937)**	**-**	**(26,473)**
Net Financial Assets	**1,342,914**	**176,369**	**239,773**	**1,759,056**

Values at 31 March 2015	**Level 1**	**Level 2**	**Level 3**	**Total**
	£000	**£000**	**£000**	**£000**
Financial Assets				
Fair value through profit & loss	1,315,614	189,640	238,493	1,743,747
Loans and receivables	39,687	0	0	39,687
Financial liabilities measured at amortised cost	0	0	0	0
Total Financial Assets	**1,355,301**	**189,640**	**238,493**	**1,783,434**
Financial Liabilities				
Fair value through profit & loss	0	(25,290)	0	(25,290)
Loans and receivables	0	0	0	0
Financial liabilities measured at amortised cost	(1,861)	0	0	(1,861)
Total Financial Liabilities	**(1,861)**	**(25,290)**	**-**	**(27,151)**
Net Financial Assets	**1,353,440**	**164,350**	**238,493**	**1,756,283**

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 cash flows.

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 2016-17 reporting period.

Asset Type	Potential market movements (+/-)
UK Equities	18.4%
Overseas Equities	14.6%
UK Bonds	6.7%
UK Index Linked	8.5%
Overseas Bonds	8.0%
Private Equity	18.4%
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 March 2016 £000	Percentage Change %	Value on Increase £000	Value on Decrease £000
Cash deposits	25,570	0.0	25,570	25,570
UK Equities	347,676	18.4	411,648	283,704
Overseas Equities	703,195	14.6	805,861	600,529
UK Bonds	83,706	6.7	89,314	78,098
UK Index Linked	35,858	8.5	38,906	32,810
Overseas Bonds	108,036	8.0	116,679	99,393
Private Equity	56,339	18.4	66,705	45,973
Alternative Investments	183,434	10.0	201,777	165,091
Property	199,306	5.8	210,866	187,746
Dividends Accrued	3,628	0.0	3,628	3,628
Recoverable Tax	1,521	0.0	1,521	1,521
Outstanding FX	(2,354)	0.0	(2,354)	(2,354)
Outstanding Stock Lending	35	0.0	35	35
Unsettled Purchases	(1,307)	0.0	(1,307)	(1,307)
Unsettled Sales	498	0.0	498	498
Total assets available to pay benefits	**1,745,141**		**1,969,348**	**1,520,934**

Asset Type	Value at 31 March 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
Total assets available to pay benefits	**1,744,152**		**1,917,462**	**1,570,842**

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 cash flows 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 2016 and 31 March 2015 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair values.

Asset Type	31 March 2015 £000	31 March 2016 £000
Cash deposits	25,695	25,570
Cash balances	7,855	8,328
Pooled Fixed Interest Securities	228,549	227,599
Total	**262,099**	**261,497**

Interest rate risk - sensitivity analysis

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 1% change in interest rates.

Asset Type	Value at 31/03/2016 £000	Change in Year +1% £000	-1% £000
Cash deposits	25,570	25,826	25,314
Cash balances	8,328	8,411	8,245
Pooled Fixed Interest Securities	227,599	229,875	225,323
Total	**261,497**	**264,112**	**258,882**

Asset Type	Value at 31/03/2015 £000	Change in Year +1% £000	-1% £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
Total	**262,099**	**264,720**	**259,478**

Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than sterling.

To assist in managing this risk and to reduce the volatility associated with fluctuating currency rates, the Fund has appointed two active currency overlay managers. Record Currency Management and HSBC Trinkaus & Burkhardt each overlay half of the value of the Global Equity ex UK portfolio managed by Invesco.

The following table summarises the Fund's currency exposure at 31 March 2016 and 31 March 2015.

Currency Exposure - Asset Type	31/03/2015 £000	31/03/2016 £000
Overseas Equities (quoted)	611,483	604,163
Pooled Investments:		
Overseas Property	20,098	18,747
Overseas Private Equity	72,484	55,886
Overseas Fixed Interest	112,371	108,036
Total	**816,436**	**786,832**

Currency risk - sensitivity analysis

Following analysis of historical data, the Fund considers the likely volatility associated with foreign exchange rate movements to be 11%, as measured by one standard deviation (10% in 2014-15).

A 11% 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 11% strengthening/weakening of the pound against various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Currency Exposure - Asset Type	Value at 31/03/2016 £000	Change in Year +11% £000	-11% £000
Overseas Equities (quoted)	604,163	670,621	537,705
Pooled Investments:			
Overseas Property	18,747	20,809	16,685
Overseas Private Equity	55,886	62,033	49,739
Overseas Fixed Interest	108,036	119,920	96,152
Total	**786,832**	**873,383**	**700,281**

Currency Exposure - Asset Type	Value at 31/03/2015 £000	Change in Year 10% £000	-10% £000
Overseas Equities (quoted)	611,483	672,631	550,335
Pooled Investments:			
Overseas Property	20,098	22,108	18,088
Overseas Private Equity	72,484	79,732	65,236
Overseas Fixed Interest	112,371	123,608	101,134
Total	**816,436**	**898,080**	**734,792**

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 (Fitch Credit Rating Agency) 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 signed by 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 2016, these assets totalled £1,278m, with a further £25.6m 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 West Yorkshire Pension Fund (WYPF), through a shared service agreement. WYPF present to the Pensions Committee on a quarterly basis and both the County Finance Officer and the Pension Fund Manager sit on the Collaboration Board which meets quarterly.

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 $15 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 Custodian's 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	180	17	197
Admitted Body	17	11	28
Total	**197**	**28**	**225**

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
Cherry Willingham 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
Pinchbeck PC
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
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
Castle Wood Academy Gainsborough
Charles Read Academy
Cordeaux Academy
Donington on Bain Primary School
Ellison Boulters Academy
Ermine Primary
Fosse Way
Gainsborough Benjamin Adlard
Gainsborough Parish Church
Giles Academy
Gipsey Bridge Academy
Grantham Ambergate
Grantham Isaac Newton Primary
Grantham Kings School
Grantham Sandon
Grantham Walton Girls
Harrowby C of E Infants
Hartsholme Academy
Heighington Millfield Academy
Hillcrest EY Academy
Holbeach Primary
Hogsthorpe Primary Academy
Horncastle Banovallum
Horncastle QE Grammar
Huntingtower Community Primary
Huttoft Primary Academy
Ingoldsby Primary Academy
Ingoldmells Academy
John Spendluffe Tech. College
Keelby Primary Academy
Kesteven & Sleaford High
Kesteven and Grantham Academy
Kidgate Primary Academy
Kirkby La Thorpe
Lincoln Anglican Academies
Lincoln Castle Academy
Lincoln Christs Hospital School
Lincoln Our Lady of Lincoln
Lincoln St Hugh's
Lincoln St Peter & St Paul's
Lincoln UTC
Lincoln Westgate Academy
Ling Moor Academy
Little Gonerby C of E
Long Bennington C of E
Louth King Edward VI Grammar
Mablethorpe Primary Academy
Manor Leas Infant Academy
Manor Leas Junior Academy
Market Rasen De Aston School
Mercer's Wood Academy
Mount Street Academy
Monks Dyke Tennyson College
Monkshouse Primary School
National C of E Juniors
Nettleham Infants Academy
North Kesteven School
North Thoresby Primary
Phoenix Family Academy
Pinchbeck East C of E Primary
Priory Federation of Academies
Rauceby C of E
Ruskington Academy
Sir John Gleed
Sir Robert Pattinson Academy
Sir William Robertson
Skegness Academy
Skegness Grammar
Skegness Infant Academy
Skegness Junior Academy
Sleaford Carres Grammar
Sleaford Our Lady of Good Counsel
Sleaford St Georges Academy
Sleaford William Alvey
Somercotes Academy
Spalding Grammar
Spalding Parish C of E Day School
Splisby Eresby
Spilsby King Edward Academy
St Giles Academy
St John's Primary Academy
Stamford Malcolm Sargent
Stamford Queen Eleanor
Stamford St Augustine's
Stamford St Gilberts
St Bernards Academy Louth
St Lawrence Academy Horncastle
St Thomas C of E Primary Boston
Surfleet Primary
Tattershall Gartree Community
The Deepings Academy
The Gainsborough Academy
The Garth School
The Priory School
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
BG (Lincoln) Ltd
Boston Mayflower
Edwards & Blake
G4S
Lincoln Arts Trust
Lincoln BIG
Lincs HIA
Lincs Sports Partnership
Kier Group (May Gurney)
Making Space
Magna Vitae
New Linx Housing
Serco
Vinci Construction UK Ltd

29 Exchange Rates Applied

The exchange rates used at 31 March 2016 per £1 sterling were:

Australian Dollar	1.8684
Brazilian Real	5.0938
Canadian Dollar	1.8591
Swiss Franc	1.3764
Danish Krone	9.3970
Euro	1.2613
Hong Kong Dollar	11.1485
Indonesian Rupiah	19,058.5978
Israeli Shekel	5.4035
Japanese Yen	161.5453
Korean Won	1,643.6963
Mexican Peso	24.6321
Norwegian Krone	11.8883
New Zealand Dollar	2.0701
Polish Zloty	5.3495
Swedish Krona	11.6518
Singapore Dollar	1.9355
Thai Baht	50.5642
Turkish Lira	4.0470
Taiwan Dollar	46.2581
US Dollar	1.4373
South African Rand	21.1398

Lincolnshire Fire & Rescue Pensions Fund for the year ended 31 March 2016

2014-15 £'000	Fund Account	Note	2015-16 £'000
	Contributions Receivable:		
	From employer:		
(1,620)	Contributions in relation to pensionable pay	4	(1,631)
(38)	Early Retirements - Ill Health	4	(19)
	From members		
(1,275)	Fire-fighters' contributions	4	(1,399)
0	From CLG (commutations special income)		0
	Transfers in:		
0	Individual transfers from other schemes from Local Authorities	7	(88)
(31)	Individual transfers from other schemes other than Local Authorities	7	0
	Benefits payable:		
4,405	Pensions	5	5,031
1,420	Commutations and lump sum retirement benefits	5	1,812
0	Lump sum death benefits	5	0
	Payments to and on account of leavers:		
2	Individual transfer out to other schemes	7	0
1	Refunds of contributions	7	0
2,864	**Sub Total Net amount payable for the year before top up grant receivable**		**3,706**
(2,864)	Top up grant receivable from sponsoring department	6	(3,706)
(0)	**net amount payable/receivable**		**0**

31 March 2015 £'000	Net Asset Statement as at:	31 March 2016 £'000
	Current Assets:	
376	Pensions paid in Advance	0
0	Amounts due from LCC	0
1,034	Pensions top up grant due	1,411
1,410	**Total Current Assets**	**1,411**
	Current Liabilities:	
(1,205)	Amounts payable to LCC	(1,411)
(205)	Unpaid pension benefits	0
0	Pension payable to central government	0
(1,410)	**Total Current Liabilities**	**(1,411)**
0	**Total**	**0**

Notes to the Fire & Rescue Pension Fund Account

1 Basis of Preparation

The Financial Statements have been prepared in accordance with the main recommendations of the code of practice on Local Authority Accounting issued by the Chartered Institute of Finance & Accountancy.

There is no separate bank account for the Pension Fund, therefore the County 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 45 to the County 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 the 1992, 2006 and 2015 Fire-fighters' Pension Schemes. It was established by the Fire-fighters' Pension Scheme (Amendment) (England) Order 2006 (SI2006 No1810), amended by the Fire-fighters' Pension Scheme (England) Regulations 2014; 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 2015-16 the contribution rates for the 2006 scheme were a minimum of 20.5% of pensionable pay (12% employers and tiered contribution of 8.5% to 12.5%, based employees' pensionable pay banding). The contribution rates for the 1992 scheme were a minimum of 32.7% of pensionable pay (21.7% employers and tiered contribution of 11% to 17%, based on employees' pensionable pay banding). The contribution rates for the 2015 scheme were a minimum of 31.7% of pensionable (21.7% employers and tiered contribution of 10.0% to 14.5%, 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. This also applies to protected rights whole time equivalent compensatory payments paid to retained firefighters who were employed from 6th April 2006 and who had been ill health retired due to a qualifying injury.

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

Annual Governance Statement for Lincolnshire County Council 2015-16

Lincolnshire County Council in statistics

Lincolnshire has **731,500** residents comprising **306,971** households.

The number of residents aged 75 years and over is projected to double over the next 20 years to **139,000.**

The average annual house price, all types, is **£176,119.**

Lincolnshire has **87** exciting and varied venues licensed by LCC for civil marriage/partnership.

104,195 pupils are enrolled at **361** schools across Lincolnshire

Lincolnshire's secondary schools have outperformed the national rise in GCSE results. **56.1%** of Lincolnshire's pupils achieved 5A* - C grades.

The unemployment claimant rate as a percentage of the working age population is **1.5%.**

Lincoln's hire bike scheme launched in 2013 and **100** bikes are now available to rent from **19** docking stations across Lincoln.

320,000 passengers used CallConnect in 2015, a service designed to provide accessible transport for the most rural and isolated areas of the county. Adjusting for the difference in working days compared to 2014, this represents a **1.3%** increase in patronage.

200,000 people visited Lincoln Castle in the first 6 months after its £22 million refurbishment.

Lincoln Castle is now the only place in the world where an original **1215** Magna Carta and **1217** Charter of the Forest can be seen side by side, on permanent loan from Lincoln Cathedral.

49.6% of Lincolnshire's household waste is recycled. The remaining black bin waste which used to go to landfill is now processed at the Energy from Waste facility at North Hykeham and presents an opportunity to develop a District Energy Network to benefit local businesses and residents.

How has this Statement been prepared?

Each year we reflect on how well the Council's governance framework has operated during the year and identify any significant governance issues we need to draw to the attention of Lincolnshire residents.

To help us do this the Council's Audit Committee undertakes a review of the Council's governance framework[1] – considering and challenging evidence and information supplied by an Officer Group (comprising of the Chief Financial Officer, Monitoring Officer, Head of Internal Audit, Head of Legal Services and Democratic Services Manager).

On the xxxxxx the draft statement was agreed and signed off by the Corporate Management Team.

On the 18th July 2016 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 19th September 2016 - where it was recommended for signing by the Leader of the Council, Chief Executive and the Executive Director – Finance and Public Protection.

[1] The Council has adopted a governance and assurance structure which is consistent with the principles of the CIPFA/SOLACE Framework – Delivering Good Governance in Local Government – 2012 Edition

Introduction by Pete Moore
Executive Director, Finance and Public Protection

"If management is about running the business – governance is about seeing that it is run properly"[2]

Good governance is required by the Council to ensure it achieves its objectives and policy priorities in an effective and well managed way. It runs throughout the Council from decision making and scrutiny at the top to service delivery on the front line. It relies on good management, effective processes and other appropriate controls. The Governance Group within the Council has assessed that overall governance arrangements ae working effectively. However, the Council has faced and continues to face a number of challenges, which include:

- The continued significant reductions in Government funding through to 2019/20, requiring a continued programme of efficiency savings and service reductions to balance the budget. This is requiring the Council to re-assess how it assesses and manages risks.
- The implementation of key IT systems including Agresso and Mosaic. Problems in the implementation of the former has weakened aspects of the financial control environment during 2015/16.
- The development of new areas of governance covering the devolution arrangements, including a potential combined authority with a mayor.

The Council will continue to monitor the operation of its governance arrangements and make appropriate adjustments, where and when required.

[2] Robert Tricker. An expert in Corporate Governance.

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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.

Updated good practice guidance was published in April 2016 – we will benchmark our governance arrangements against these during 2016 – reporting the outcome in our Annual Governance Statement for 2016/17.

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. In 2015/16 ten Councillors form the Executive. The Executive make the decisions that deliver the budget and policy framework.

The remaining 67 Councillors form scrutiny committees. These committees develop policy and scrutinise decisions made by the Executive and key decisions made by officers – holding them to account. A number of Committees deal with Regulatory issues.

The conduct of Council's business is defined by formal procedures and rules – known as the Constitution. This explains the roles and remits of all committees and the delegation arrangements that are in place. It also contains the Budget and Policy Framework, finance and other procedure rules and the Codes of Conduct for Members and Employees.

Council elections were held on the 2nd May 2013. This resulted in a change in the ruling political group on the Council, which is now the Lincolnshire Administration – a coalition of Conservatives, Liberal Democrats and Independents.

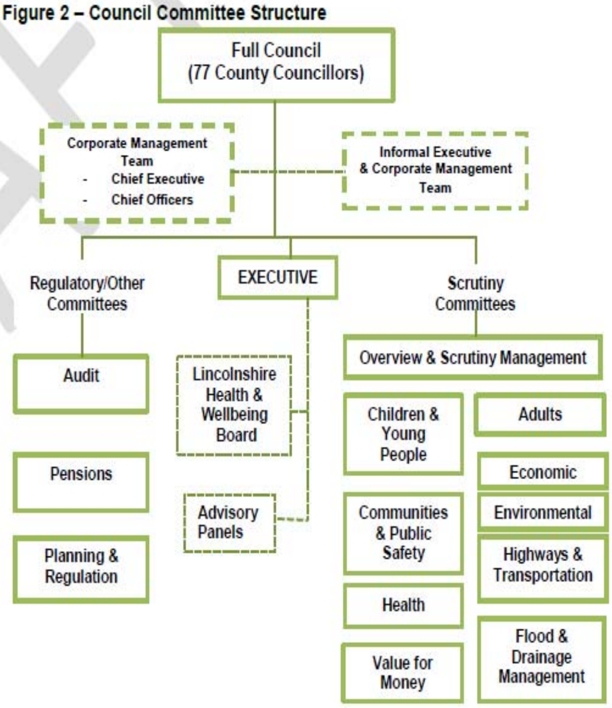
In times motivated by change we are committed to sharing as much information about our plans and programmes as possible. Meetings are therefore normally open to the public and we undertake extensive consultation on major changes to the way we propose to deliver our services.

With substantial funding cuts and cost pressures to absorb we undertook a fundamental budget review – including a widespread public consultation. This helped us identify our overriding priorities, particularly services which keep individuals and communities secure. We deliberately set a one year budget to enable us to respond to changes following the general election. We are delivering £41m savings this year, with an estimated £78m in further savings required over the next three years. This will be 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



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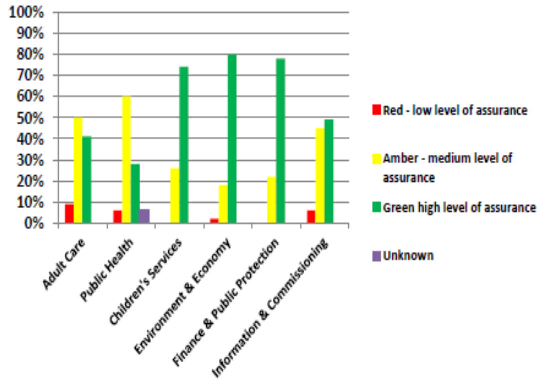
How do we know our arrangements are working?

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 LCC 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.

The Leader's Statement at the Councils Annual General Meeting on the 20th May 2016 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

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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 was challenged by a Claimant about the Council's Library service plans for a second time at a Judicial Review in July 2015. The Court considered the Claimant's arguments but these were dismissed by the Court.

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 Councillors' Code of Conduct and has a Local Scheme by which the Monitoring Officer deals with complaints that Members may have failed to comply with the requirements of that Code.

In 2015/16 the Monitoring Officer dealt with fewer informal and formal Code of Conduct complaints than in the previous year. In December 2014, the Council added the attribute of "Respect" to the 7 Principles for Standards in Public Life already contained within the Code. It is possible that this has had a positive influence in the way councillors have acted.

In most cases of complaint, the Monitoring Offcier found that the complaint did not fall within the Code of Conduct scheme or were dealt with informally. One complaint required an Investigation and a report was submitted to a Standards Panel of the Audit Committee for consideration. The deteremination was that there had been a breach of the Code and it was referred to the relevant Group Leader for action.

The Monitoring Officer provided an Annual Report to the Council on how he discharged his duties during the year on the 20th May 2016. 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.

In early 2015 the Council commissioned an independent review on how well its scrutiny function worked. In December 2015 the Constitution was amended to transfer responsibility for scrutinising corporate performance and finance from the Value for Money Scrutiny Committee to the Overview and Scrutiny Management Committee. A number of other recommended improvements were made and accepted as part of the Scrutiny Review

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

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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: Assurance Lincolnshire's Risk Management Service

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.

Tackling Fraud Locally (cont)

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. Results of this work have helped generate net savings of over £680k.

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 Meetings

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

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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 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. An external assessment is scheduled for September 2016.

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 Meetings

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.

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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 – 2016/17	Implementation Date
Financial Challenges Ahead			
Since I last reported there have been a number of key, national announcements – the Spending Review 2016, the Local Government Finance Settlement and the Chancellor's Budget. These confirmed significant, further reductions in public spending and Government financial support to the Council for the remainder of this Parliament. During 2014 and 2015 the Council undertook two significant reviews of its budgets and identified a number of options to significantly reduce budgets going forward. Because of the late settlement and other grant announcements the Council published just a one year budget (2016/17). This incorporated budget savings and also significantly draws on the Financial Volatility Reserve in 2016/17. Looking forward the Council has updated its 4 year financial model to take account expected funding levels, budget pressures and anticipated savings. At this stage it is estimated that in addition to those savings identified in the FBR and Financial Challenge work the Council will need to find an additional £78m in base budget savings over the 3 years 2017/18 to 2019/20, with the most significant pressures likely to fall in 2018/19. Within the final settlement announced in February 2016 the Government also invited councils to submit a 4 year 'efficiency plan' by 14th October 2016 in order to secure DCLG grant funding for the financial years 2017/18 to 2019/20.	Executive Director Finance and Public Protection	Ongoing monitoring of budgets and plans to ensure the savings options previously agreed are delivered. The Corporate Management Board will be doing further work with the Executive to identify further savings options for 2017/18 and an indication of options for the following two years. A new Council will be elected in May 2017 and may wish to review options for the following two years. The Council will need to consider submitting a 4 year efficiency plan to help secure Government funding in future years.	Ongoing It is expected that budget options will be available for wider discussion and scrutiny in the Council in the early autumn and that will work will feed into the wider consultation and budget processes leading to the final budget decisions in February 2017. This will need to be considered at the full Council meeting in September 2016.
Financial Control Environment			
The control environment has been significantly impacted during 2015/16 by the implementation of the Agresso system (HR and Financials), new business processes involved and the change to a new contractor (Serco) in April 2015. Internal controls were weakened during this period and it has taken much longer than anticipated for Serco to solve problems and implement improvements. Whilst some key improvements have been made (especially around creditor payments) there are still a number of both historical and current issues outstanding with respect to HR / payroll. This has also had a knock on impact in terms of postings to the general ledger and the availability of financial management information for the majority of 2015/16. The Finance Department has worked with budget holders to provide monitoring information and outturn estimates through alternative means. At the time of writing (June 2016) the majority of the year end activity has been completed. The one issue still being worked on relates to refining the detailed payroll entries in the school accounts. This should be complete by the end of July. It is envisaged that External Audit of the financial statements will start as scheduled on the 1st August 2016.	Executive Director Finance and Public Protection	Controls and monitoring mechanisms in respect of the Serco contract. This has been enhanced over the last 6 months both through a Member / Officer Recovery Board to monitor progress with Serco and ongoing dialogue between Senior Council Officers and Serco Board Members. Follow up of internal audit review of payroll. A separate independent payroll audit by PWC has also been commissioned by Serco and this is due to report in May 2016. An action plan to resolve issues identified will need to be agreed subsequently. Regular dialogue and liaison with External Auditors on close down and year end audit	Ongoing until all issues resolved. Complete any improvements identified by September 2016. Ongoing but complete by September 2016.

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Governance Issue	Lead Officer(s)	Key Delivery Milestones – 2016/17	Implementation Date
An independent, internal audit update on payroll has identified a number of control weaknesses that will need to be addressed.			
Case Management System (Mosiac)			
Delivery of the new Case Management System for Adults, Children's and Public Health for use by the Council, Serco and other delivery partners.	Chief Information and Commissioning Officer	To complete integration, testing, and transition to the new system.	By the end of 2016
Information Management Team (SERCO)			
Delivery IMT transformation projects is behind schedule which is delaying improvements to the Council's IT operations and service efficiencies across the Council.	Chief Information and Commissioning Officer	Various dates for projects tracked through the Transformation Board.	Through to 31.03.17
Establishing the Combined Authority			
Shortly after the General Election in May 2015, the Government indicated that they wished to see Combined Authorities led by a directly elected mayor. Although aimed at cities, our Council along with the other councils in the Greater Lincolnshire Local Enterprise Area (LEP) conferred and concluded that they wished to submit an expression of interest. They were clear that this was to be a combined authority established for the specific intent of receiving devolved powers and funding from Her Majesty's Government. Conversations took place with other organisations and a submission (*Greater Lincolnshire: A place to grow – faster than anywhere*) was made by the deadline of 4 September with a total of 21 signatories. The submission did not propose any powers being ceded by existing councils to the Combined Authority. Thus no direct governance issues arose for the County Council. During the final quarter of the 2015-16 financial year, a lot of work was undertaken by the chief executives and leaders of the ten constituent councils to produce devolution proposals that were negotiated with civil servants. The Government insisted that they would not consider proposals unless a directly elected mayor was included in a governance scheme for a Combined Authority. Council leaders acceded to this, with provision for a combined authority comprising the ten authorities and the Greater Lincolnshire LEP Chair. There will be indirect consequences for governance in the Council in the short term. It is anticipated that the Leader will be the County Council's representative. There are areas of devolved powers in which the Council has interests – transport, highways and skills development, for example. We will need to explore the relationships between our council and the Combined Authority, but it is anticipated that few significant governance problems will arise. The constituent councils will have to fund the operation of the Combined Authority, which will have a financial implication for the Council, albeit it is expected to be relatively small.	Chief Executive Executive Director Environment & Economy	Consultation with residents and businesses in Greater Lincolnshire (Humber to the Wash) Decision on Mayoral Combined Authority for Greater Lincolnshire and agreement of next steps	July / August 2016 August / October 2016

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Governance Issue	Lead Officer(s)	Key Delivery Milestones – 2016/17	Implementation Date
Risk Culture Management of risks needs to be done in an effective way to allow the Council to achieve its strategic objectives and agreed priorities. Both councillors and officers will need to be comfortable in taking high risk decisions. Risk assessment and management is built into key decision making and into the delivery of services. Because of budget retrenchment and reductions in officer numbers and resilience this may lead to some deterioration of the Council's risk control environment, particularly on medium and lower priority activities. The Council's risk appetite and thresholds for risk may need to be reviewed allowing for a high degree of pragmatism that balances cost, affordability, quality and risks. The Council will need to continue to ensure its risk management processes work well and with a risk culture that promotes: • Taking the right risks in an informed way. • Having clear accountability for ownership of specific risks and risk areas (officers and councillors). • Having transparent and timely risk information throughout the organisation and ensuring early and effective learning both from good practice and also when things go wrong.	Executive Director Finance and Public Protection	Continue with risk awareness training and workshops with councillors and members. Executive Directors to ensure the Strategic Risk Register is updated on an annual basis.	Refresh programme in October to January when changing budget priorities are known. Second programme for new councillors after elections 2017. December to February as changes to service and commissioning priorities are identified as part of the annual budget / business plan processes.

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 ....../...../......	**................................ Date ....../...../......**	**................................ Date ....../...../......**
Executive Director – Finance & Public Protection	**Chief Executive**	**Leader of the Council**

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Appendix A - Officer Remuneration split between staff employed in Schools and All Other Parts of the County Council.

SCHOOLS	2014-15		2015-16	
	Number of Staff		Number of Staff	
Pay Band	Remuneration received (excl those receiving termination payments)	Staff who received termination payments	Remuneration received (excl those receiving termination payments)	Staff who received termination payments
£155,000- £159,999	0	0	0	0
£150,000- £154,999	0	0	0	0
£145,000- £149,999	0	0	0	0
£140,000- £144,999	0	0	0	0
£135,000- £139,999	0	0	0	0
£130,000- £134,999	0	0	0	0
£125,000- £129,999	0	0	0	0
£120,000- £124,999	0	0	0	0
£115,000- £119,999	0	0	0	0
£110,000- £114,999	0	0	0	0
£105,000- £109,999	0	0	0	0
£100,000- £104,999	1	0	0	0
£95,000- £99,999	0	0	1	0
£90,000- £94,999	3	0	2	0
£85,000- £89,999	1	0	1	0
£80,000- £84,999	2	0	3	2
£75,000- £79,999	4	0	3	0
£70,000- £74,999	3	0	3	1
£65,000- £69,999	7	0	19	0
£60,000- £64,999	32	2	26	0
£55,000- £59,999	47	1	43	0
£50,000- £54,999	53	2	55	2
Total	**153**	**5**	**156**	**5**

OTHER SERVICES	2014-15		2015-16	
	Number of Staff		Number of Staff	
Pay Band	Remuneration received (excl those receiving termination payments)	Staff who received termination payments	Remuneration received (excl those receiving termination payments)	Staff who received termination payments
£155,000- £159,999	0	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	0	0
£120,000- £124,999	0	1	1	0
£115,000- £119,999	0	0	0	0
£110,000- £114,999	0	1	0	0
£105,000- £109,999	0	0	0	0
£100,000- £104,999	3	1	3	1
£95,000- £ 99,999	0	0	0	1
£90,000- £94,999	0	2	2	1
£85,000- £89,999	4	2	5	1
£80,000- £84,999	4	0	2	4
£75,000- £79,999	4	1	6	1
£70,000- £74,999	10	4	12	4
£65,000- £69,999	23	1	19	5
£60,000- £64,999	17	6	23	5
£55,000- £59,999	34	1	35	6
£50,000- £54,999	60	0	78	6
Total	**159**	**23**	**186**	**35**

STATEMENT OF ACCOUNTS GLOSSARY OF TERMS

Academy Schools
Academy schools are directly funded by central government (the Department for Education) and are independent of local Council control.

Accounting Period
The period of time covered by the accounts, normally a period of twelve months commencing on 1 April. The end of the accounting period is the Balance Sheet date.

Accounting Policies
The principles, bases, conventions, rules and practices applied by an organisation that specify how the effects of transactions and other events are to be reflected in its Financial Statements.

Accruals
Sums included in the final accounts to recognise revenue and capital income and expenditure attributable to the accounting period, but for which payment has not been received or made by 31 March.

Acquired Operations
Operations comprise services and division of service as defined in SERCOP. Acquired operations are those operations of the local Council that are acquired in the period.

Amortisation
The term used to describe the charge made for the cost of using intangible fixed assets. The charge for the year will represent the amount of economic benefits consumed (e.g. wear and tear).

Appropriation
The transfer of sums to and from reserves, provisions and balances.

Assets
An item having value to the Council in monetary terms, categorised as:

· Current assets are assets that are intended to be sold within the normal operating cycle; the assets are held primarily for the purpose of trading or the Council expects to realise the assets within 12 months after the reporting date.

· Non–current assets are assets that do not meet the definition of a current asset and can be tangible (e.g. school buildings) or intangible (e.g. computer software licences).

Audit of Accounts
An independent examination of the Council's financial affairs.

Balances
The total revenue reserves required to provide a working balance during the financial year, for example in periods when expenditure exceeds income.

Balance Sheet
Shows all balances including reserves, long-term debt, fixed and net current assets, together with summarised information on the fixed assets held.

Borrowing costs
Are interest and other costs that an entity incurs in connection with the borrowing of funds.

Budget
The forecast of net revenue and capital expenditure over the accounting period.

Capital Adjustment Account
Capital reserve largely consisting of resources applied to capital financing and not available to the Council to support new investment.

Capital Charges
This is a general term used for the notional charges made to service expenditure accounts for the use of fixed assets. The term covers depreciation and impairment charges (included in gross expenditure).

Capital Grants Unapplied Account
Grants that have been recognised as income in the Comprehensive Income and Expenditure Statement but where the expenditure has not yet been incurred.

Capital Expenditure
Expenditure on assets which have a long term value. Includes the purchase of land, purchase or cost of construction of buildings and the acquisition of plant, equipment and vehicles.

Capital Financing Costs
These are the revenue costs of financing the capital programme and include the repayment of loan principal, loan interest charges, loan fees and revenue funding for capital.

Capital Financing Requirement

Statutory requirement to ensure that over the medium term the net borrowing by the Council will only be for capital purposes.

Capital Receipts
Proceeds received from the sale of property and other fixed assets.

Carrying Amount
The amount of an asset that is recognised on the Balance Sheet after all costs have been charged for the accounting period (e.g. accumulated depreciation and impairment losses).

Cash equivalents
Are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value (e.g. bank balances).

Cash Flow Statement
This consolidated statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes

CIPFA
The Chartered Institute of Public Finance and Accountancy.

Comprehensive Income and Expenditure Statement (CI&ES)
This statement reports the net cost of all the services which the Council is responsible for, and demonstrates how that cost has been financed.

Contingent Liability
Potential costs that the Council may incur in the future because of something that happened in the past, but there is no certainty that a cost will occur.

Contingent Asset
Is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Council.

Corporate Democratic Core
The corporate and democratic management costs are the costs of activities which Local Authorities undertake specifically because they are elected multi-purpose Authorities. They cover corporate policy making, representing local interests, services to elected members as local representatives and duties arising from public accountability.

Creditors
Amounts owed by the Council for work done, goods received or services rendered but for which payment has not been made at 31 March.

Debtors
Sums of money owed to the Council but unpaid at 31 March.

Defined Benefit Scheme
Also known as a final salary scheme. Pension scheme arrangement where the benefits payable to the members are determined by the scheme rules. In most cases there is a compulsory member's contribution but over and above this all costs of meeting the quoted benefits are the responsibility of the employer.

Depreciation
The allocation of the cost of the useful economic life of the Council's non-current assets for the accounting period through general wear and tear, consumption or obsolescence.

Depreciated replacement cost (DRC)
Is a method of valuation which provides the current cost of replacing an asset with its modern equivalent asset less deductions for all physical deterioration and all relevant forms of obsolescence and optimisation.

Discontinued Operations
Operations comprise services and division of service as defined in SERCOP. Discontinued operations are those operations of the Council that are discontinued in the period. Responsibilities that are transferred from one part of the public sector to another are not discontinued operations.

Donated assets
These are assets which are transferred to the Council at nil value or acquired at less than fair value.

Earmarked Reserves
Those elements of total Lincolnshire County Council reserves which are retained for specific purposes.

Employee benefits
Are all forms of consideration (both monetary and in-kind) given by the Council in exchange for service rendered by employees.

Exceptional Items

Events which are material in terms of the County's overall expenditure and are not expected to recur frequently or regularly.

Fair Value
The amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's-length deal.

Finance Costs

Reflects the element of annual payment for PFI or Leased assets which is in relation to interest payable on the loan liability.

Financial Assets
A right to future economic benefits controlled by the Council.

Financial Instrument
A contract that gives rise to a financial asset of one entity and a financial liability of another entity; for example, at its simplest, a contractual right to receive money (debtor) and a contractual obligation to pay money (creditor).

Financial Liability
An obligation to transfer economic benefits controlled by the Council.

Foundation Schools
Schools run by their own governing body, which employs the staff and sets the administrations criteria. Land and buildings are usually owned by the governing body or a charitable foundation.

General Fund
The main revenue fund of the Council. Income from the council tax precept and government grants is paid into the fund, from which the costs of providing services are met.

Going Concern
The going concern accounting concept assumes that the organisation will not significantly curtail the scale of its operation in the foreseeable future.

Government Grants
Payments by central government towards Council expenditure. They are receivable in respect of both revenue and capital expenditure.

Grants and Contributions
Assistance in the form of transfers of resources to the Council in return for past or future compliance with certain conditions relating to the operation of activities.

Heritage Assets
Assets that are held by the Council which are of historic nature including buildings and collections.

Impairment
A reduction in the value of a fixed asset to below its carrying amount on the Balance Sheet, due to damage, obsolescence or a general decrease in market value.

Intangible Asset
Is an asset without physical substance examples include: computer software and licences.

International Accounting Standard (IAS)
Regulations outlining the method of accounting for activities, IASs are currently being replaced with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board.

International Financial Reporting Standards (IFRS)
Regulations outlining the method of accounting for activities, issued by the International Accounting Standards Board.

Inventories
Items of raw materials, work in progress or finished goods held at the financial year end, valued at the lower of cost or net realisable value.

Leases
A lease is an agreement whereby the lessor conveys to the lessee, in return for a payment, the right to use an asset for an agreed period of time.

- Finance Lease – a lease whereby all the risks and rewards of ownership of an asset are with the lessee. In substance the asset belongs to the lessee.
- Operating Lease – a lease where the risks and rewards, and therefore ownership, of the asset remains with the lessor.

Lessee
The person or organisation that is using or occupying an asset under lease (tenant).

Lessor
The person or organisation that owns an asset under lease (landlord).

Liabilities
A present obligation to transfer economic benefits. Current liabilities are payable within one year.

Liquid Resources
Cash and current asset investments that can be easily converted to known amounts of cash without penalty, or can be traded in an active market.

Long-Term Contract
A contract entered into for the design, manufacture or construction of a single substantial asset, or the provision of a service (or a combination of assets and services which together constitute a single project), where the project life falls into more than one accounting period.

Long Term Debtors
Sums of money due to the Council originally repayable within a period in excess of twelve months but where payment is not due until future years.

Materiality

Materiality is an expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the item, or a combination of both, could be the determining factor.

Minimum Revenue Provision (MRP)
A minimum amount, set by law, which the Council must charge to the income & expenditure account, for debt redemption or for the discharge of other credit liabilities (e.g. finance lease).

Net Book Value
The value of fixed assets included on the Balance Sheet, being the historical cost or a current revaluation less the cumulative amounts provided for depreciation.

Net Debt
The Council's borrowings less liquid resources.

Non Distributed Costs
These are overhead costs from which no user now benefits. They include the costs associated with unused assets and certain pension costs.

Off Balance Sheet
Accounting category not shown or recorded on a Balance Sheet, such as an operating lease or a deferred or contingent asset or liability which is shown only when it becomes 'actual.'

Pension fund accounts
This covers accounting and reporting by pension funds to all fund participants as a group rather than being concerned with determination of the cost of retirement benefits in the Financial Statements of employers.

Precept
The amount levied by one Authority which is collected by another e.g. Lincolnshire County Council is the precepting Authority and the District Councils are the collecting Authorities for the collection of Council Tax. Water Authorities also precept on the Council for land drainage purposes.

Previous Year Adjustments
These are material adjustments relating to prior year accounts that are reported in subsequent years and arise from changes in accounting policies or from the correction of fundamental errors.

Principal
The amount of repayment to a lender which relates to the reduction in the loan, rather than the interest paid on the loan.

Private Finance Initiative (PFI)
A government initiative that enables Authorities to carry out capital projects, in partnership with the private sector, through the provision of financial support.

Projected Unit Method

An accrued pension benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:

- the benefits for pensioners and deferred pensioners and their dependants, allowing where appropriate for future increases, and
- the accrued benefits for members in service on the valuation date.

Property, Plant & Equipment
Are tangible assets (i.e. assets with physical substance) that are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes, and expected to be used during more than one period.

- Land and buildings.
- Vehicles, plant, furniture and equipment.
- Infrastructure assets that form part of the economic or social framework of the area and whose function is not transferable (e.g. highways, bridges and footpaths).
- Community assets are assets that the Council intends to hold in perpetuity, that have no determinable useful life and may have restrictions on their disposal (e.g. nature reserves, country & coastal parks and picnic sites).
- Surplus assets are non-current assets held by the Council but not directly occupied, used or consumed in the delivery of services.
- Investment properties are properties (land or buildings) held to earn rentals or for capital appreciation or both.
- Assets under construction are non-current assets which include expenditure capitalised for work in progress in respect of activities to develop, expand or enhance items of property, plant and equipment, intangible assets and exploration assets.
- Non-current assets held for sale and discontinued operations. These are non-current assets that are either going to be sold or disposed of within the next twelve months.

Provision
This is an amount which is put aside to cover future liabilities or losses which are considered to be certain or very likely to occur, but the amounts and timing are uncertain.

Prudential Indicators

Prudential indicators are a set of financial indicators and limits that are calculated in order to demonstrate that Councils' capital investment plans are affordable, prudent and sustainable. They are outlined in the CIPFA Prudential Code of Practice. The code was introduced in 2004, to underpin the system of capital finance in local government. All Councils must adhere to this.

There are 11 prudential indicators that must be used to cover the categories of affordability, prudence, capital spending, external debt/borrowing and treasury management. They take the form of limits, ratios or targets which are approved by Council before 1 April each year and are monitored throughout the year on an on-going basis. A Council may also choose to use additional voluntary indicators.

Public Works Loan Board (PWLB)
A central government agency, which provides loans for one year and above to Authorities at favourable rates which are only slightly higher than the Government can borrow itself.

Recognition
The process upon which assets are deemed to belong to the Council either by purchase, construction or other forms of acquisition.

Related party

These are parties which are considered to be related if one party has the ability to control the other party, or exercise significant influence over the other party in making financial and operating decisions, or if the related party entity and another entity are subject to common control. Related party transactions are transfers of resources or obligations between related parties, regardless of whether a price is charged. Related party transactions exclude transactions with any other entity that is a related party solely because of its economic dependence on the Council or the Government of which it forms part.

Reserves
The accumulation of surpluses, deficits and appropriations over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Council. Some capital reserves such as the Revaluation Reserve and Capital Adjustment Account cannot be used to meet current expenditure.

Retirement Benefits

- Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.
- Actuarial basis is the estimation technique applied when estimating the liabilities to be recognised for defined benefit pension schemes in the Financial Statements of an organisation.
- Actuarial gains and losses for a defined benefit pension scheme are the changes in actuarial deficits or surpluses that arise because:
- Events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or
- The actuarial assumptions have changed.
- Current service cost is the increase in the present value of a defined benefit obligation resulting from employee service in the current period.
- Defined benefit plans are post-employment benefit plans other than defined contribution plans.
- Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.
- Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.
- Past service cost is the increase in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (where benefits are introduced or improved) or negative (where existing benefits are reduced).

Retrospective application

This is applying a new accounting policy to transactions, other events and conditions as if that policy had always been applied.

Revaluation Gain
The increase to the fair value of an asset following a valuation.

Revaluation Reserve

This reserve contains revaluation gains on assets recognised since 1 April 2007 only, the date of its formal implementation.

Revenue Contributions
This refers to the financing of capital expenditure directly from revenue rather than from loans or other sources.

Revenue Expenditure
The day to day expenditure of the Council on such items as employees and equipment.

Revenue Expenditure Funded from Capital under Statute (REFCUS)
Expenditure which may be funded from capital, but which does not result in fixed assets owned by the Council. These costs are included in the net cost of services shown in the Income and Expenditure Account.

Revenue Support Grant (RSG)
Grant paid by central government to Local Authorities in aid of service provision.

Service Reporting Code of Practice (SERCOP)
Details standard definitions of service and total cost which enables spending comparisons to be made with other Local Authorities.

Short-term employee benefits
These are employee benefits (other than termination benefits) that fall due wholly within 12 months after the end of the period in which the employees render the related service.

Specific Grant
A grant awarded to a Council for a specific purpose or service that can not be spent on anything else.

Straight Line basis
The method of calculating depreciation via charging the same amount each year over the life of the assets.

Termination Benefits
Employee benefits paid upon termination of employment such as redundancy.

Treasury Management
The utilisation of cash flows through investments and loans.

Trust Funds
Funds administered by the Council for such purposes as prizes, charities and specific projects or on behalf of minors.

Useful Life
The period with which an asset is expected to be useful to the Council in its current state.

Value Added Tax (VAT)
VAT is an indirect tax levied on most business supplies of goods and services.

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