

# Lincolnshire County Council

## Statement of Accounts

2017-18

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# Introduction to the Accounts

The Statement of Accounts for the year 2017-18 is set out on pages 15 to 19.

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

### Narrative Report

This provides a general introduction to the Accounts, initially focusing on explaining the more significant features of the Council's financial activities during the period 1 April 2017 to 31 March 2018, including a review of non-financial performance indicators and an assessment of future financial and economic developments that could affect the Council. Together these statements provide evidence of the economy, efficiency and effectiveness of the Council's use of resources over the financial year.

### The Statement of Responsibilities for the Statement of Accounts

This details the financial responsibilities of the Council and the Executive Director – Finance & Public Protection.

### Expenditure and Funding Analysis for the period 1 April 2017 to 31 March 2018

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's directorates, services and departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

### Comprehensive Income and Expenditure Statement for the period 1 April 2017 to 31 March 2018

The Comprehensive Income and Expenditure 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 statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

### Movement in Reserves Statement for the period 1 April 2017 to 31 March 2018

The Movement in Reserves Statement shows the movement from the start of the year to the end 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 'unusable reserves'. The Statement shows how the movements in year of the authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the four statutory adjustments required to return to the amounts chargeable to council tax for the year. The

Net Increase/Decrease line shows the statutory General Fund Balance and movement in the year following those adjustments.

#### Balance Sheet as at 31 March 2018

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 is 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 2017 to 31 March 2018

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.

#### Audit Opinion

This contains the External Auditor's report and opinion and covers the County Council Financial Statements, Lincolnshire County Council Pension Fund and the Lincolnshire Fire and Rescue Pension Fund. There are two aspects to the opinion, one on the Statement of Accounts and one on the Council's arrangements for securing value for money.

#### Annual 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.

#### 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.

# Narrative Report

Lincolnshire County Council provides key local services such as Children Services, Education, Adult Care, Health and Wellbeing, Highways, Public Protection and the Environment to the community of Lincolnshire. To ensure that these services are delivered in an efficient and effective way and at a high level of quality, the Council has developed a vision, purpose and set of values that provides a culture that drives these services forward.

The Council's **vision** is to:

Work for a better future by:

- Building on our strengths.
- Protecting lifestyles.
- Being ambitious for the future.

The Council's **purpose** is to:

- Make the best use of resources.
- Invest in infrastructure and the provision of services.
- Commission for outcomes based on the community's needs.
- Promote community well-being and resilience.
- Influence, co-ordinate and support other organisations that contribute to life in Lincolnshire.

The Council's **values** dictate that it should be:

- Professional.
- Respectful.
- Reflective.
- Resourceful.

Each year the Council approves its business plan, alongside its financial plan to ensure that the level of service it intends to deliver is achievable within the level of finance that is available. For 2018 onwards the Council has approved a two year Business Plan to coincide with the two year financial plan that has been set.

## **Looking backwards;**

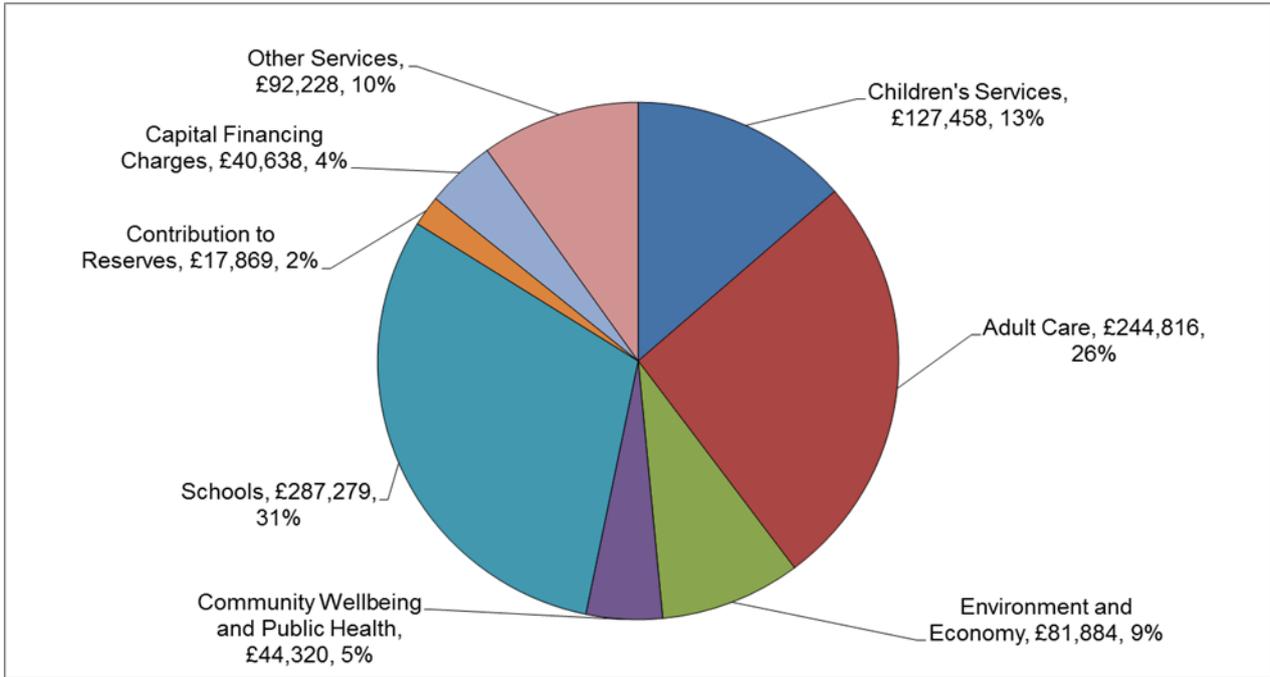
The County Council set its spending plans for 2017-18 against a backdrop of continued significant reductions in government funding, growing cost pressures from demand led services such as adult and children's social care and waste disposal. In developing its financial plan the Council considered all areas of current spending to identify cost pressures which must be funded and savings which could be made, through efficiencies and by reducing the level of service provided. The budget proposals also included an increase in Council Tax levels of 3.95% (1.95% general increase, plus 2.00% for Adult Social Care Services) and one off use of reserves.

## Annual Revenue Spending

The Council spent £936.491m in 2017-18 on providing public services – £1,260 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.

**Gross Expenditure Service Analysis £'000 (£936,491)**



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

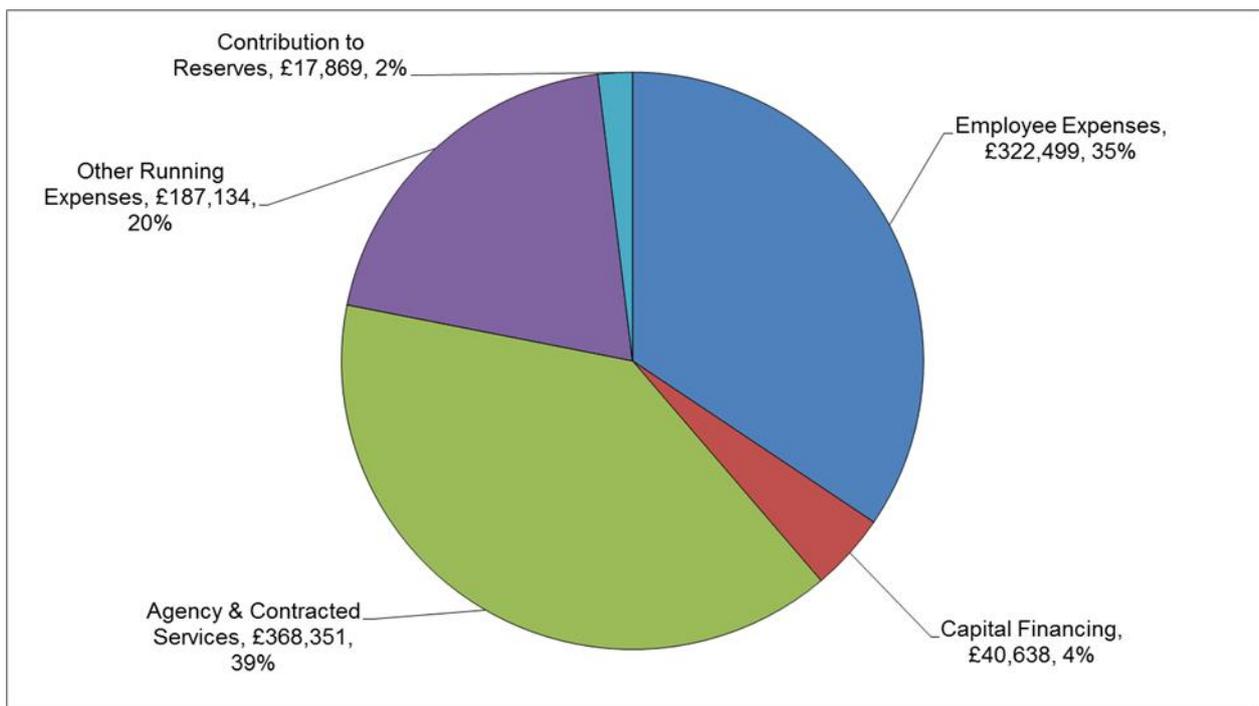
Adult Care Includes: Adult Safeguarding, Adult Frailty, Long Term Conditions and Physical Disability, Carers and Adult Specialities.

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.

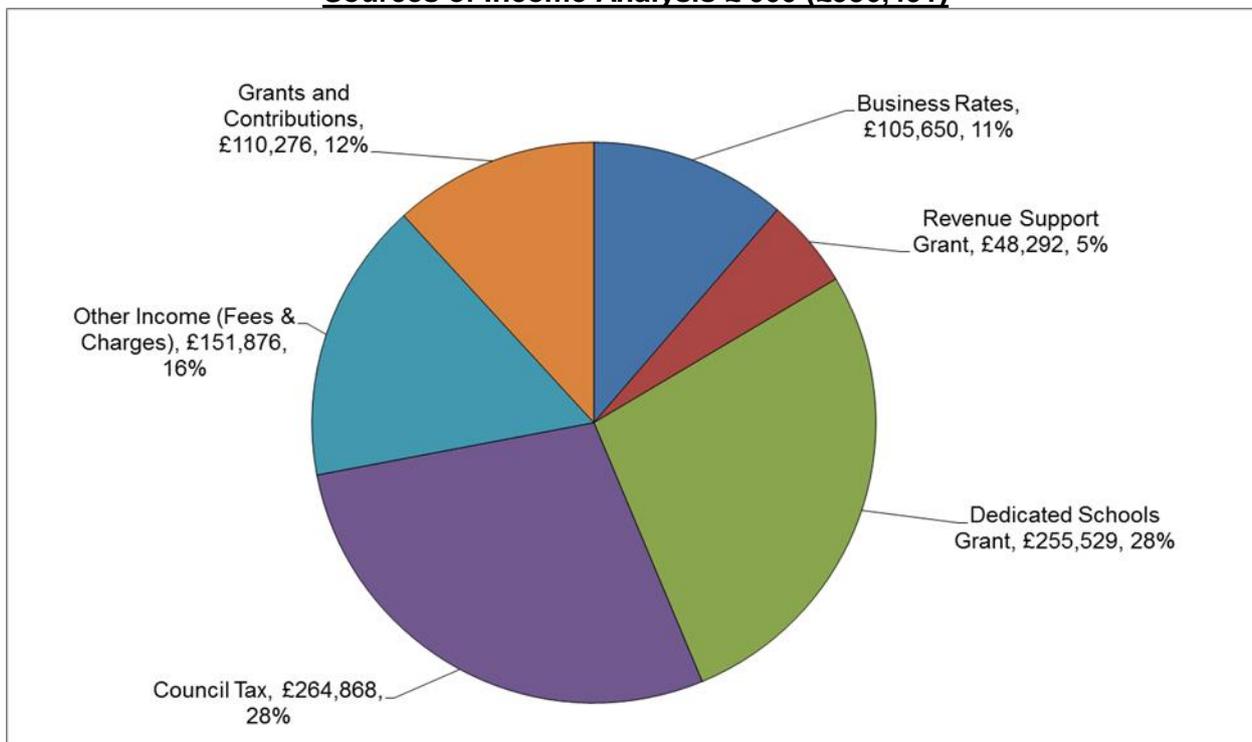
**Gross Expenditure Subjective Analysis £'000 (£936,491)**



The distribution of expenditure type differs significantly between different services. For example employee expenses comprises 57.4% of budgeted expenditure in schools, for other (non-schools) budgets it is only 25.0% of expenditure and contract payments comprises 51.1% of total expenditure. These differences reflect how Council services are provided.

The Council's revenue spending was funded by:

**Sources of Income Analysis £'000 (£936,491)**



In 2017-18 the Council increased Council Tax by 3.95% and also saw growth of 1.44% on the number of band D equivalent properties in Lincolnshire. This in total generated an additional income for the Council of £13.520m. The Council Tax collection funds in Lincolnshire also generated a surplus in 2017-18, of a further £3.156m to the County Council.

Business Rates generated income of £105.650m. This is made up of a number of elements, £18.940m collected from businesses in Lincolnshire, £85.264m received as a top up from central government and an estimated £1.446m from the County Council pooling with six of the Lincolnshire District Councils.

Funding from Revenue Support Grant (RSG) in 2017-18 has provided the County Council with £48.292m. The value of this grant continues to fall. On a like for like basis this has decreased by £22.059m or 31.4% from the grant received in 2016-17.

In addition to RSG the Council also receives specific government grants. The most significant of these was £255.529m of Dedicated Schools Grant which is used for funding education in Lincolnshire and £33.524m for Public Health Grant.

**Revenue Outturn**

The revenue budget outturn for 2017-18 is summarised below:

- Total service revenue spending, excluding schools, was under spent by £6.598m or 1.7%.
- Schools were underspent by £17.058m or 6.7% of the schools budget.
- Other Budgets underspent by £20.721m or 30.3%.

- The Council received £0.349m or 0.1% more general funding income than originally budgeted for.
- This gives the Council an overall underspend of £44.727m. Only the non-schools element of £27.319m is available for the Council to apply.

The table below shows the outturn of expenditure in 2017-18 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 %
<b>COMMISSIONING STRATEGIES</b>				
Readiness for School	4,888	4,734	(154)	-3.14%
Learn & Achieve	33,359	32,902	(457)	-1.37%
Readiness for Adult Life	5,980	5,591	(390)	-6.52%
Children are Safe and Healthy	61,836	61,889	53	0.09%
Adult Safeguarding	3,656	4,092	436	11.93%
Adult Frailty & Long Term Conditions	113,160	111,561	(1,599)	-1.41%
Carers	2,327	2,003	(324)	-13.92%
Adult Specialities	62,463	62,443	(20)	-0.03%
Wellbeing	26,838	26,862	24	0.09%
Community Resilience & Assets	10,456	10,189	(267)	-2.55%
Sustaining & Developing Prosperity Through Infrastructure	38,992	38,994	2	0.01%
Protecting & Sustaining the Environment	23,266	22,357	(908)	-3.90%
Sustaining & Growing Business & the Economy	862	697	(165)	-19.09%
Protecting The Public	23,399	23,768	369	1.58%
How We Do Our Business	8,990	8,162	(828)	-9.21%
Enablers & Support To Council's Outcomes	36,189	33,822	(2,367)	-6.54%
Public Health Grant Income	(33,524)	(33,524)	0	0.00%
Better Care Funding Income	(34,497)	(34,501)	(4)	0.01%
<b>TOTAL COMMISSIONING STRATEGIES</b>	<b>388,637</b>	<b>382,039</b>	<b>(6,598)</b>	<b>-1.70%</b>
Other Budgets	68,491	47,770	(20,721)	-30.25%
Schools Budgets (Other Funding)	9,663	(7,395)	(17,058)	-176.53%
<b>TOTAL EXPENDITURE</b>	<b>466,792</b>	<b>422,414</b>	<b>(44,378)</b>	<b>(9.51)%</b>
<b>TOTAL INCOME</b>	<b>(439,935)</b>	<b>(440,284)</b>	<b>(349)</b>	<b>0.08%</b>
<b>TOTAL USE OF RESERVES</b>	<b>(26,857)</b>	<b>17,869</b>	<b>44,727</b>	<b>(166.54)%</b>
<b>TOTAL</b>	<b>(0)</b>	<b>(0)</b>	<b>(0)</b>	

Significant variances include:

- **Adult Frailty & Long term Conditions** – under spent by £1.599m (or 1.4%). This was mainly due to an under spending in back office functions to deliver the service, additional income derived from additional direct payment refunds back to the Council and from additional service user contributions where property is included in the assessment;
- **Protecting and Sustaining the Environment** – under spent by £0.908m (or 3.9%). This under spending primarily relates to Waste Services where pressures associated with the higher tonnages processed through the Energy from Waste plant remain, however, these additional costs are more than offset by savings on reduced costs from mixed dry recycling and a reduced tonnage for composting and other areas of recycling, which reflects the volatility of the waste industry;

- **How We Do Our Business** – under spent by £0.828m (or 9.2%). This comprises of;
  - an under spending on Serco contract payments (£0.266m),
  - receipt of a surplus from the ESPO joint procurement arrangements (£0.283m),
  - a number of smaller under spends in the Finance and Democratic Services.(£0.279m);
- **Enablers and Support to Council Outcomes** – under spent by £2.367m (or 6.5%). This comprises of;
  - Legal Services achieving an additional surplus (£0.682m),
  - an under spend in Information Management Technology (£0.515m) relating to the Serco contract, Microsoft Enterprise Agreement rollout offset by the additional cost of essential project work and feasibility studies,
  - an under spending in People Strategy and Support (£0.654m) relating to additional income from the employee purchase of annual leave scheme and savings in activity led services,
  - an under spending in Commissioning (£0.610m) relating to staff vacancies and Serco contract abatement penalties,
  - an under spending in Procurement Lincolnshire (£0.104m),
  - Other minor variances (£0.031m);

Offset by;

- an over spending in Property (£0.229m) relating to the property schools maintenance scheme
- **Schools** – (£17.058m under budget). This under spend is ring-fenced for schools to use in future years.
- **Other Budgets** – underspent by £20.271m (or 30.25%). This comprises of;
  - an under spending in capital financing charges due to slippage in the Council's capital programme (£8.100m),
  - the Council not using all of its revenue budget contingency (£2.645m),
  - increases in the national living wage being funded by the Better Care Fund (£8.740m) rather than the mainstream revenue budget,
  - the pension secondary payment to the pension fund reducing. (£3.016m),
  - an under spending in the Corporate and Services Redundancy budget (£1.778m).

Offset by;

- the Council generating less capital receipts than expected (3.970m),
- a small number of budgets over spending (£0.038m).

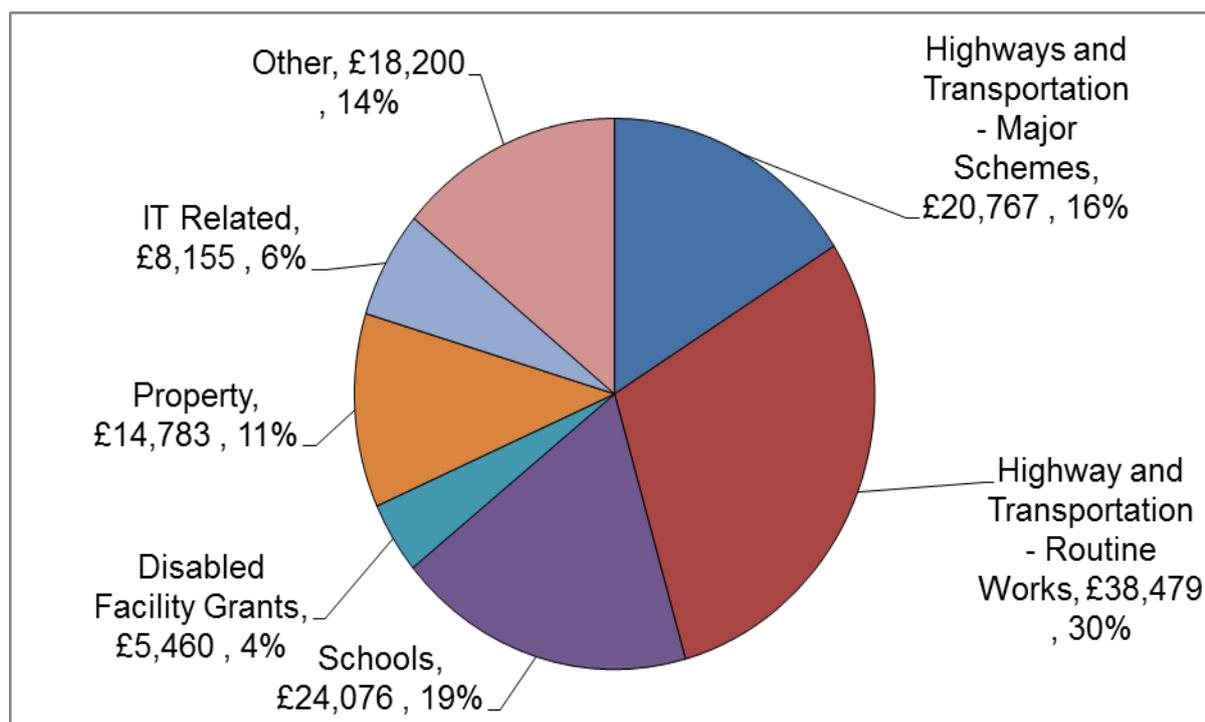
Further information on revenue budget spending and outturns can be found in the Review of Financial Performance 2017-18, which is available on the Council's website.

### Investment in Major Projects

The Council spent £129.920m on the County's assets, in particular on roads and schools. The net capital spend was £53.088m which was £26.750m or 33.5% under budget. Explanations of the variances can be found in the Council's Review of Financial Performance Report for 2017-18.

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

### Gross Expenditure on Major Investment Projects £'000 (£129,920)



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

In 2017-18 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 the other in Grantham;
- Construction of a joint property for all blue light services in Lincoln; 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 (£111.984m) to fund: maintenance work on roads, the Council's programme of modernisation and improvement of condition of school buildings and provision of education places. £14.602m of funding for the capital programme came from temporary internal and external borrowing and £3.334m from revenue funding and use of earmarked reserves.

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 2017-18 was 5.26%. 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.

## 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 £167.1m (£186.9m at 31 March 2017). Although the Council holds a negative cash balance of £32.8m at 31 March 2018, 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 2017-18 planned for £17.970m to be released from reserves.

The Council's decisions on capital spending 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 its 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 capital programme spend of £129.920m in 2017-18 is mainly financed by Government Grants and contributions of £117.146m or 90.1%. Any future reductions in the availability of this funding may therefore restrict the Council's ability to undertake new large scale projects.

## The Council's Pension Fund liability

The Local Government Pension Scheme and the Fire-fighters' Pension Scheme both have a liability balance at year end. That is, the present value of fund obligations exceeds the fair value of employer assets in the fund. The total reported pension liability of the two schemes (which is off set in the Balance Sheet by the Pensions Reserve) has increased over the past year from £870.7m to £882.7m.

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.

## Non Financial Performance Indicators

In 2017 the Council published a Business Plan for the period 2017-18 to make sure services are delivered which 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 its commissioning strategies. Of the 17 commissioning strategies reported for 2017-18:

11 have performed really well (all measures achieved);

- Children are Safe and Healthy
- Safeguarding Adults
- Community Resilience and Assets
- Readiness for Adult Life
- Readiness for School
- Specialist Adult services

- Sustaining and Growing Business and the Economy
- Sustaining and Developing Prosperity Through Infrastructure
- How We Effectively Target Our Resources (3 Strategies)

2 have performed well (all but 1 measure achieved);

- Carers
- Adult Frailty and Long Term Conditions

4 have had mixed performance (some but not all measure have been achieved).

- Protecting the Public
- Wellbeing
- Protecting and Sustaining the Environment
- Learn and Achieve

Further information on the Council's performance against the Council's 2017-2018 Business Plan is contained in its Performance Report available on the Council's website [here](#).

### **Looking forward to the Council's future financial stability;**

#### Economic Climate and future revenue and capital budgets and future financing

The Local Government Finance Settlement for 2018-19 announced levels of funding for the County Council for the final two years of the four year funding deal and the outcome of business rate pilot bids. The County Council was successful in achieving a pilot bid for 2018-19 along with the seven Lincolnshire District Council's and North Lincolnshire Council. The anticipated impact of this bid has been incorporated into the Council's budgets for 2018-19.

The finance settlement from government for 2018-19 places additional funding pressures on the County Council when compared to 2017-18 - Although Revenue Support Grant (RSG) has been incorporated into the baseline funding for 2018-19 trends in this funding continue to reduce. The Council has seen a reduction of £14.328m or 29.67% in funding between 2017-18 and 2018-19. Taking this forward, based on the four year funding deal there will be a reduction between 2018-19 and 2019-20 of £13.825m or 40.70%. Over the four year period there will have been a reduction to RSG of 71.37%.

The business rates pilot has changed how funding will come to the County Council in 2018-19. In 2017-18 the Council received Business Rates – Baseline Funding, Revenue Support Grant (RSG) and Rural Service Delivery Grant (RSDG) separately. In the pilot year these elements of funding will be incorporated into the Baseline Funding.

The Council's revenue budget remains under pressure from reduced funding and service cost pressures. For 2018-19 the Council has set a two year budget, the first time it has been able to set a plan beyond the next financial year for four years. Further work is required for the Council to develop long term sustainable budget plans.

In developing the financial plan for 2018-19, 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 continues to plan to use a mixed approach, funding unavoidable cost pressures and reducing service spending where savings were identified. The Council has also set a Council Tax increase in 2018-19 of 4.95%, 2.95% general increase plus a further 2.00% for Adult Care responsibilities (including demographic pressure and the impact of the national living wage).

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.

The current position on projected budget shortfalls and the available reserves is as follows. The projected revenue budget shortfalls for the current year and the following financial year are now presently estimated as:

- 2018-19 £6.539m (funded from reserves)
- 2019-20 £21.122m (planned use of reserves)

For the financial years 2020-21 and 2021-22 work is ongoing identifying the shortfall. Current estimates project an underlying shortfall in excess of £30m

In addition to the general reserve and Financial Volatility Reserve the Council maintains a number of other reserves earmarked for specific purposes this includes the Adult Care reserve (details of these are set out in Note 10).

Whilst many of the presently known cost pressures have been factored into the estimated budget shortfalls for 2020-21 & 2021-22, no savings proposals have yet been developed. The estimated shortfalls for those years are naturally based on a whole range of assumptions the bias of which are very much on the prudent side. The major unknown is the basis and nature of the funding for local government post April 2020. The impact on the County Council from the current Fair Funding Review and the 75% localisation of business rates is unlikely to be clear until late in the 2019 calendar year. The Corporate Management Board will shortly give consideration to developing contingent savings proposals for the period beyond April 2020.

The Council has a capital programme that matches with the revenue budget running to the end of 2019-20 plus major schemes whose construction will complete after this date. The gross programme is set at £322.647m from 2018-19 onwards, with grants and contributions of £132.088m giving a net programme of £190.559m to be funded by the County Council.

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 2018, as proposed in this report; are £15.200m or 3.5% of the Council's total budget.

The decision to leave the European Union will have both long and short term consequences for the UK economy. It is still too early to assess how this might impact on the Council at this stage.

### Business Plan and Performance

A new two year Business Plan is now in place with a revised and updated set of measures. More details of the Council's 2018-2020 Business Plan can be found on its website.

### Risk Management

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 the risk management approach which also looks at opportunities that may arise.

During the period 2017-18, the Council felt it was timely to review and refresh the strategic risk register. This was in addition to ongoing monitoring and horizon scanning of current strategic risks. The Council looked at whether the current risks were still valid and whether there were any new risks that required inclusion at a strategic level. In addition to this work, an exercise was undertaken to relook at the risk appetite of the Council.

The next phase is to report the findings from the refresh to Corporate Management Board for final sign off prior to its presentation to the Audit Committee. It is confirmed that the majority of the existing risks remain with the exception of the Agresso HR system as this is no longer a strategic risk. It is also a recommendation that there are two new risks to be included within the strategic risk register going forward, which would make a total of 12 strategic risks.

## Statement of Responsibilities for the Statement of Accounts

The Council's Responsibilities are to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its Officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Executive Director of Finance and Public Protection.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

The Statement of Accounts were approved at a meeting of Lincolnshire County Council Audit Committee on 23<sup>rd</sup> July 2018 and signed below by the Chair of Audit Committee:

Signed: ..... Dated: .....

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 this 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<sup>st</sup> March 2018 and of its expenditure and income for the year ended on that date.

Signed: ..... Dated: .....

# Lincolnshire County Council: Expenditure and Funding Analysis for the period 1 April 2017 to 31 March 2018

2016/17				2017/18		
Net Expenditure chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£'000	£'000	£'000		£'000	£'000	£'000
<b>COMMISSIONING STRATEGIES</b>						
5,090	462	5,552	Readiness for School	4,734	2,095	6,829
35,205	274	35,479	Learn and Achieve	32,902	882	33,784
5,081	932	6,013	Readiness for Adult Life	5,591	1,267	6,858
63,866	1,683	65,549	Children are Safe and Healthy	61,888	5,081	66,969
2,571	42	2,613	Adult Safeguarding	4,091	295	4,386
94,097	(952)	93,145	Adult Frailty and Long Term Conditions	111,561	2,470	114,031
2,225	3	2,228	Carers	2,003	8	2,011
51,478	675	52,153	Adult Specialties	62,443	956	63,399
30,764	486	31,250	Wellbeing	26,862	406	27,268
11,567	1,876	13,443	Community Resilience and Assets	10,188	1,644	11,832
44,584	41,467	86,051	Sustaining and Developing Prosperity through Infrastructure	38,994	45,630	84,624
22,869	11,136	34,005	Protecting and Sustaining the Environment	22,357	8,783	31,140
1,211	1,557	2,768	Sustaining and Growing Business and the Economy	697	1,693	2,390
23,034	7,192	30,226	Protecting the Public	23,768	8,983	32,751
7,803	(240)	7,563	How we do our Business	8,162	931	9,093
33,260	7,725	40,985	Enablers and Support to Council's Outcomes	33,822	21,182	55,004
20	2	22	Enablers and Support to Key Relationships	0	0	0
(34,371)	0	(34,371)	Public Health Grant	(33,524)	0	(33,524)
0	0	0	Better Care Funding Income	(34,501)	0	(34,501)
44,030	(35,435)	8,595	Other Budgets	47,770	(48,079)	(309)
(2,443)	36,900	34,457	Schools Budgets	(7,395)	44,604	37,209
<b>441,943</b>	<b>75,785</b>	<b>517,728</b>	<b>Net Cost of Services</b>	<b>422,413</b>	<b>98,831</b>	<b>521,244</b>
(450,014)	(37,033)	(487,046)	Other Income & Expenditure	(440,282)	(35,488)	(475,769)
<b>(8,071)</b>	<b>38,752</b>	<b>30,682</b>	<b>(Surplus)/Deficit</b>	<b>(17,869)</b>	<b>63,343</b>	<b>45,474</b>
8,371			Movement to/(from) Earmarked Reserves	<b>17,969</b>		
<b>300</b>			<b>(Surplus) or Deficit on General Fund Balance</b>	<b>100</b>		
15,600			Opening General Fund balance at 1 April 2017	15,300		
(300)			Less Deficit on General Fund in Year	(100)		
<b>15,300</b>			<b>Closing General Fund balance at 31 March 2018</b>	<b>15,200</b>		

# Lincolnshire County Council: Comprehensive Income and Expenditure Statement for the period 1 April 2017 to 31 March 2018

2016/17				Note	2017/18		
Gross Expenditure	Gross Income	Net Expenditure			Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000			£'000	£'000	£'000
			<b>Cost of Services</b>				
5,604	(53)	5,551	Readiness for School		6,985	(156)	6,829
39,377	(3,898)	35,479	Learn and Achieve		37,446	(3,662)	33,784
9,889	(3,876)	6,013	Readiness for Adult Life		12,395	(5,537)	6,858
76,778	(11,228)	65,550	Children are Safe and Healthy		79,955	(12,986)	66,969
3,205	(592)	2,613	Adult Safeguarding		4,554	(168)	4,386
148,043	(54,898)	93,145	Adult Frailty and Long Term Conditions		160,574	(46,543)	114,031
2,345	(117)	2,228	Carers		2,074	(63)	2,011
78,055	(25,901)	52,154	Adult Specialties		86,629	(23,230)	63,399
38,907	(7,657)	31,250	Wellbeing		33,796	(6,528)	27,268
14,009	(566)	13,443	Community Resilience and Assets		12,573	(741)	11,832
96,141	(10,090)	86,051	Sustaining and Developing Prosperity through Infrastructure		98,221	(13,597)	84,624
35,925	(1,920)	34,005	Protecting and Sustaining the Environment		32,630	(1,490)	31,140
8,109	(5,341)	2,768	Sustaining and Growing Business and the Economy		6,889	(4,499)	2,390
36,157	(5,931)	30,226	Protecting the Public		39,636	(6,885)	32,751
8,164	(601)	7,563	How we do our Business		9,992	(899)	9,093
47,240	(6,255)	40,985	Enablers and Support to Council's Outcomes		59,070	(4,066)	55,004
87	(65)	22	Enablers and Support to Key Relationships		59	(59)	0
0	(34,371)	(34,371)	Public Health Grant		0	(33,524)	(33,524)
0	0	0	Better Care Funding		0	(34,501)	(34,501)
12,636	(4,041)	8,595	Other Budgets		4,199	(4,508)	(309)
322,458	(288,000)	34,458	Schools Budgets		331,883	(294,674)	37,209
<b>983,128</b>	<b>(465,402)</b>	<b>517,727</b>	<b>Cost of Services</b>		<b>1,019,560</b>	<b>(498,316)</b>	<b>521,244</b>
25,322	0	25,322	Other Operating Expenditure	(11)	42,126	-	42,126
44,143	(4,308)	39,835	Financing and Investment Income and Expenditure	(12)	37,541	(4,308)	33,233
0	(552,204)	(552,204)	Taxation and Non-Specific Grant Income	(13, 38)	0	(551,129)	(551,129)
<b>1,052,593</b>	<b>(1,021,914)</b>	<b>30,680</b>	<b>(Surplus)/Deficit on Provision of Services</b>		<b>1,099,227</b>	<b>(1,053,753)</b>	<b>45,474</b>
		(19,604)	(Surplus)/Deficit on Revaluation of Property, Plant and Equipment Assets	(25)			(836)
		(293)	(Surplus)/Deficit on Revaluation of Available for Sale Financial Assets				(72)
		94,111	Remeasurement of the Net Defined Benefit Liability/(Asset)	(25)			(32,873)
		292	Other Recognisable (Gains)/ Losses				(207)
		<b>74,506</b>	<b>Other Comprehensive Income and Expenditure</b>				<b>(33,989)</b>
		<b>105,186</b>	<b>Total Comprehensive Income and Expenditure</b>				<b>11,485</b>

# Lincolnshire County Council: Movement in Reserves Statement for the period 1 April 2017 to 31 March 2018

2017/18		Total Usable Reserves				Unusable Reserves (Note 25)	Total Council Reserves
	Note	General Fund Balance	Earmarked GF Reserves (Note 10)	Capital Grants Unapplied	Total Usable Reserves (Note 24)		
		£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance as at 1 April 2017</b>		15,300	158,829	92,396	266,525	(7,240)	259,285
<b>Movement in Reserves during 2017/18</b>							
Total Comprehensive Income and Expenditure		(45,474)	207	-	(45,267)	33,781	(11,486)
Adjustments between accounting basis & funding basis under regulations (9)		63,343	0	5,001	68,344	(68,344)	0
Transfers between Reserves		(17,969)	17,969	-	-	-	-
<b>Increase/(Decrease) in Year 2017/18</b>		<b>(100)</b>	<b>18,176</b>	<b>5,001</b>	<b>23,077</b>	<b>(34,562)</b>	<b>(11,485)</b>
<b>Balance as at 31 March 2018 Carried Forward</b>		<b>15,200</b>	<b>177,005</b>	<b>97,397</b>	<b>289,602</b>	<b>(41,802)</b>	<b>247,800</b>

2016/17		Total Usable Reserves				Unusable Reserves (Note 25)	Total Council Reserves
	Note	General Fund Balance	Earmarked GF Reserves (Note 10)	Capital Grants Unapplied	Total Usable Reserves (Note 24)		
		£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance as at 1 April 2016</b>		15,600	150,150	62,677	228,427	136,048	364,475
<b>Movement in Reserves during 2015-16</b>							
Total Comprehensive Income and Expenditure		(30,680)	292	-	(30,388)	(74,802)	(105,190)
Adjustments between accounting basis & funding basis under regulations (9)		38,750	-	29,736	68,486	(68,486)	-
Transfers between Reserves		(8,370)	8,387	(17)	-	-	-
<b>Increase/(Decrease) in Year 2016/17</b>		<b>(300)</b>	<b>8,679</b>	<b>29,719</b>	<b>38,098</b>	<b>(143,288)</b>	<b>(105,190)</b>
<b>Balance as at 31 March 2017 Carried Forward</b>		<b>15,300</b>	<b>158,829</b>	<b>92,396</b>	<b>266,525</b>	<b>(7,240)</b>	<b>259,285</b>

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

## Lincolnshire County Council: Balance Sheet as at 31 March 2018

31 March 2017			31 March 2018
£'000		Note	£'000
1,235,128	Property, Plant and Equipment	(14)	1,205,980
65,101	Heritage Assets	(15)	63,185
101,175	Investment Property	(16)	107,661
11,994	Intangible Assets	(17)	11,259
5,214	Long Term Investments	(18)	15,014
9,289	Long Term Debtors	(19)	9,318
<b>1,427,901</b>	<b>Long Term Assets</b>		<b>1,412,417</b>
250,846	Short Term Investments	(18)	243,125
10,156	Assets Held for Sale	(20)	9,461
1,956	Inventories		636
64,939	Short Term Debtors	(19)	70,171
<b>327,897</b>	<b>Current Assets</b>		<b>323,393</b>
(18,467)	Cash and Cash Equivalents	(29)	(32,768)
(19,525)	Short Term Borrowing	(18)	(39,525)
(94,883)	Short Term Creditors	(21)	(77,572)
(8,090)	Short Term Provisions	(22)	(6,389)
<b>(140,965)</b>	<b>Current Liabilities</b>		<b>(156,254)</b>
(6,941)	Long Term Creditors	(21)	(7,219)
(3,629)	Long Term Provisions	(22)	(3,873)
(462,599)	Long Term Borrowing	(18)	(426,923)
(882,379)	Other Long Term Liabilities	(23)	(893,741)
<b>(1,355,548)</b>	<b>Long Term Liabilities</b>		<b>(1,331,756)</b>
<b>259,285</b>	<b>Net Assets</b>		<b>247,800</b>
266,525	Usable Reserves	(24)	289,602
(7,240)	Unusable Reserves	(25)	(41,802)
<b>259,285</b>	<b>Total Reserves</b>		<b>247,800</b>

## Lincolnshire County Council: Cashflow Statement as at 31 March 2018

31 March 2017		31 March 2018
£'000		£'000
30,680	Net (surplus) or deficit on the provision of services	45,474
(116,466)	Adjustments to net surplus or deficit on the provision of services for non - cash movements	(150,802)
105,461	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	112,225
<b>19,675</b>	<b>Net cash flow from Operating Activities (Note 26)</b>	<b>6,897</b>
(18,117)	Investing Activities (Note 27)	(8,748)
4,080	Financing Activities (Note 28)	16,152
<b>5,638</b>	<b>Net (increase) or decrease in cash and cash equivalents</b>	<b>14,301</b>
12,829	Cash and cash equivalents as at 1 April (Note 29)	18,467
<b>18,467</b>	<b>Cash and cash equivalents as at 31 March</b>	<b>32,768</b>

## Notes to the Financial Statements.

Due to rounding figures to the nearest £000, some figures shown within the proceeding notes may slightly differ when compared to the main Financial Statements or other Notes to the Accounts. The difference in rounding would not be in excess of £5,000 in any single case.

### Note 1. Statement of Accounting Policies.

- General Principles and Concepts

The Statement of Accounts summarises the Council's transactions for the financial year 2017-18 and the position at the year-end 31 March 2018. 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 2017-18 and Service Reporting Code of Practice 2017-18, 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.

- 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.

- 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.

- 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.

### 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).

### 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 for their service potential, 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 for held for sale) have their current value measured at fair value which is estimated at the highest and best use from a market participant's perspective. This is the price that would be received to sell an asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date. The Council use the assumptions that the market participants, i.e. buyers and sellers in the principal or most advantageous market, would use when pricing an asset or liability under current market conditions, including assumption about risk. Therefore, the Council's reasons for holding a surplus asset are not relevant when measuring its fair value;
- 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.

### 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).

### 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 the year the asset becomes available for use. The charge is for 6 months in the first year, for twelve months thereafter and ceases when the asset has been derecognised. There is full year's depreciation in the year of disposal.

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:

- Depreciated Replacement Cost (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).

### 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.

Under a Direction issued pursuant to sections 16 and 20 of the Local Government Act 2003 these receipts will be fully used to fund expenditure that is designed to generate ongoing revenue savings or transform services to reduce costs and is properly incurred for the financial years commencing on 1 April 2016, 2017 and 2018. The Local Government Finance Settlement for 2018-19 announced a continuation of these rules for a further 3 financial years that begin on 1 April 2019, 2020 and 2021.

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

### 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.

- 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. The charge is for 6 months in the first year, for twelve months thereafter and ceases at the date that the asset is derecognised. There is a full year's amortisation in the year of disposal. Amortisation is charged to the relevant service area in the Comprehensive Income and Expenditure Statement. The useful lives for intangible assets are between 3 and 7 years. Useful asset lives are determined by the ICT budget holder and reviewed and updated annually.

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

#### - 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. The fair value of Investment Property held under a lease, is the lease interest in the asset. Investment Properties are subject to annual revaluations.

The fair value measurement of the Council's Investment Properties is categorised as Level 2 on the fair value hierarchy. It uses the market value approach for the County Farms and the term and reversion for the other properties.

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.

## - 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 for Disposal of Property, Plant and Equipment and Impairment of non-current assets).

d) **Depreciation** is not charged on Heritage Assets.

### • 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.

- 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, and 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.

- 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.

- 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.

For pre 2008 debt this is based on a standard asset life of 50 years equating to a 2% flat charge. For 2009-10 debt onwards, asset life of differing categories of assets is estimated and a charge based on an annuity method is used for Infrastructure Assets, where the benefit of these assets are expected to increase in later years. A charge based on Equal Instalments of Principal is used for all other categories of assets. The Council does not charge MRP until assets become operational.

- 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.

- 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.

- 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.

- 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.

- 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:

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

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

- **Capital grants where the conditions have not been met** 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.

- **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 Taxation and Non-specific Grant Income in the Comprehensive Income and Expenditure Statement after Net Cost of Services.

- 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 £25k for individual revenue items and £50k for capital items is set.

- 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 £25k for individual revenue items and £50k for capital items is set.

- 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.

- 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.

- Cash and Cash Equivalents

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

**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.

**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.

- 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 £250k.

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.

- 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.

- 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.

- 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 period 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.

- 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.

- 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.

- Costs of Support Services

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

- 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 acquired and/or 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.

- 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.

- 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).

- Reserves

### **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.

### **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.

- Employee Benefits – Benefits Payable during Employment

**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).

**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.

- 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.

- Employee Benefits – Post Employment Benefits (Pensions)

The 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 Schools' 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. The employer's contributions payable to the National Health Service Pension Scheme in the year are treated as expenditure in the Wellbeing and Children's service lines 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 2006 & 1992 Fire-fighters schemes for new Fire-fighters. The 2015, 2006 and 1992 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 the three funds, 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 the funds at the end of each year will be repaid back to the Department for Communities and Local Government (DCLG). Contributions in respect of ill health retirements are still the responsibility of the Council.
- **Local Government Pension Scheme (LGPS):** Other employees are eligible to join the LGPS. The Council pays contributions to a funded pension scheme from which employee pension benefits are paid out.

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

## The Local Government Pension Scheme (LGPS)

The LGPS is accounted for as a defined benefits scheme:

- The liabilities of the Lincolnshire Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of earnings for current employees;
- Liabilities are discounted to their value at current prices, using a discount rate of 2.6% to 2.7% (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 pension's liability is analysed into the following components:

- Service cost comprising:
  - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
  - past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus of Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;
  - net interest on the net defined benefit liability (asset), i.e. net interest expense for the Council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
- Remeasurements comprising:
  - the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure; and
  - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Contributions paid to the 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 Other Budgets in the Comprehensive Income and Expenditure Statement.

- 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 is 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.

- 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 £10.000m 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.

- Financial Instruments

**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.

**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 & 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.

- Fair Value Measurement

Some of the Council's non-financial assets, such as surplus assets and investment properties and some of its financial instruments, are measured at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market

participants at the measurement date. The fair value measurement assumes that the following takes place either:

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

When measuring the fair value, the Council would use the assumptions of market participants when pricing the asset or liability whilst acting in their economic best interest. On fair value measurement, the Council takes into account the market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses the appropriate valuation techniques appropriate for the asset, maximising the use of relevant observable inputs and minimising unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, as follows:

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

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

The 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 2017-18 accounts, the Council is required to disclose the following changes to Accounting Standards which will have an impact on the Council's accounts in 2018-19. The following standards are being introduced by the 2018-19 Code:

- IFRS 9 Financial Instruments

The way financial instruments are classified and measured will change in accordance with this accounting standard. Any changes in the previous carrying amount (2017-18) and the carrying amount at the beginning of 2018-19 financial year will be adjusted as an opening adjustment to the reserves. This will be presented in the Movement in Reserves Statement in 2018-19. The impact in the Council's accounts in 2018-19 due to this adjustment is not thought to be significant due to the nature of the Financial Instruments held.

- IFRS 15 Revenue from Contracts with Customers

This standard will require the Council to recognise revenue in such a way that it represents the transfer of promised goods or services to the service recipients (customer) in an amount that reflects the consideration to which the authority expects to be entitled in exchange for goods or services. It is not expected that this will have a substantial effect as the Council has a predictable income streams.

## Note 3. Critical judgements in applying accounting policies.- updated

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. 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, particularly beyond March 2019. 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 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 42 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 Council and the Academy to reflect the effects of the conversion. This lease is accounted for in accordance with the 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 these 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 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 Council's policy on investment properties. Further details are contained in Note 16 Investment Properties.

### Classification of Leases

The Council has entered into numerous leases for property and equipment, both as lessee and lessor. All new arrangements are assessed on an annual basis and whether it meets the indicators set out in IAS 17 Leases. The Council has set certain criteria for these indicators and has to be met for the lease to be considered as a finance lease. Details of all leases held by the Council are set out in Note 41 Leases.

## 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 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 Council's Balance Sheet as at 31 March 2018 contains the following entries, for which there is a significant risk of material adjustments in the forthcoming financial year:

<b>Item</b>	<b>Uncertainties</b>	<b>Effect if actual results differ from assumptions</b>
Property, Plant and Equipment - PP&E (Valuations, Asset Lives and Derecognition)	<p>- Land and building assets carrying value and remaining useful life are assessed by the 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.</p> <p>During derecognition the value of the replacement is used as a proxy to index back to original cost. This will lead to changes in asset values, thereby affecting the depreciation charges in the future.</p>	<p>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&amp;ES. The annual depreciation charge for PP&amp;E in 2017-18 is £81.733m (2016-17 was £84.706m) and the gross book value of these assets is £1,789m (2016-17 £1,847m).</p> <p>The derecognition charge for PP&amp;E in 2017-18 is £3.057m (2016-17 was £1.631m). Note 1 on accounting policies and Note 14 Property, Plant and Equipment, details the current policy on valuation methods, asset lives, depreciation and derecognition applied by the Council.</p>
Pensions	<p>- The 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.</p>	<p>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 2017-18 the Council's actuaries advised that the net pension liability had increased to £882.708m (2016-17 £833.625m). Details of the pension fund liabilities are set out in Note 44 Defined Benefit Pension Schemes.</p>

Item	Uncertainties	Effect if actual results differ from assumptions
Accruals	<p>- 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 respectively.</p>	<p>The most significant accrual as at 31 March 2018 relates to the employee leave earned but not taken £5.128m (£5.080m in 2016-17).</p>
Fair Value Measurements	<p>- When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. discounted cashflow model or independent appraisal of company valuations).</p> <p>Where Level 1 input is not available, the Council employs relevant experts to identify the most appropriate valuation techniques to determine the fair value (for example the investment properties, the Council's Valuer).</p> <p>Details of the fair value of the Council's assets and liabilities are set out in Notes 16 and 18.</p>	<p>The Council uses market value and term and reversion approach for some to measure the fair value of some of its Investment properties.</p> <p>The significant unobservable inputs used in the fair value measurement include assumptions regarding rent that any tenant/s is/are capable of meeting its/their obligations, and that there are no rent arrears or undisclosed breaches of covenant.</p> <p>Significant changes in the unobservable inputs would result in a significantly lower fair value measurement for the Investment properties.</p>
Provisions	<p>The Council's accounts contain an estimate of future expenses where a past event has created a legal or constructive current obligation and it is probable that it will be required to settle the obligation based on reliable estimate.</p> <p>Details of the Council's provisions are set out in Note 22.</p>	<p>The provisions have been estimated to current claims or court cases and results of these legal challenges can materially change the obligation of the Council. This can result to a significantly lower or higher settlement of the obligation depending on the outcome of these challenges.</p>
Provisions for Bad and Doubtful Debt	<p>- The Council's accounts contain an estimate of unrecoverable debt relating to some debts over twelve months old.</p> <p>These are annually reviewed and an assumption is made base on the possible default on payment by the debtor from the current information available.</p>	<p>There are 2 types of provisions made, one for Adult Social Care and one for other debtors.</p> <p>The Adult Social Care debtors are reviewed and assumptions are made on the collectability of the debt. Most of these relate to property court cases, which are complex, and the outcome of these cases may be significantly different from the assumptions made.</p> <p>This is also true for some other debts of material value that been provided for. The amount recovered by the Council may be higher than previously assumed as this depends on the settlement agreed with the debtor, which is sometimes affected by their financial situation at the time of settlement.</p>

## Note 5. Material items of income and expenditure.

The 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 6. 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 2015 (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 (31 May 2018) 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 2017-18 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 2017-18 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 7. Note to the Expenditure and Funding Analysis.

Adjustments between Funding and Accounting Basis				Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments between Funding and Accounting Basis			
2016/17					2017/18			
Adjustments for Capital Purposes	Net change for the Pension Adjustments	Other Differences	Total Adjustments		Adjustments for Capital Purposes	Net change for the Pension Adjustments	Other Differences	Total Adjustments
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
<b>COMMISSIONING STRATEGIES</b>								
423	43	(4)	462	Readiness for School	1,890	205	0	2,095
26	227	21	274	Learn & Achieve	19	861	2	882
815	122	(5)	932	Readiness for Adult Life	633	633	1	1,267
741	892	51	1,684	Children are Safe & Healthy	1,195	4,198	(312)	5,081
0	40	2	42	Adult Safeguarding	0	295	0	295
(1,505)	512	41	(952)	Adult Frailty & Long Term Conditions	380	2,083	7	2,470
0	5	(2)	3	Carers	0	8	0	8
531	139	5	675	Adult Specialties	320	635	1	956
269	222	(6)	485	Wellbeing	183	224	(1)	406
1,789	105	(18)	1,876	Community Resilience & Assets	1,191	451	2	1,644
40,891	577	(1)	41,467	Sustaining & Developing Prosperity Through Infrastructure	43,107	2,274	249	45,630
11,621	143	(628)	11,136	Protecting & Sustaining the Environment	9,004	412	(633)	8,783
1,521	51	(15)	1,557	Sustaining & Growing Business & the Economy	1,468	233	(8)	1,693
6,989	262	(59)	7,192	Protecting The Public	5,747	3,235	1	8,983
1	207	(449)	(241)	How We Do Our Business	0	931	0	931
5,114	966	1,644	7,724	Enablers & Support To Council's Outcomes	15,676	3,840	1,666	21,182
0	2	0	2	Enablers & Support To Key Relationships	0	0	0	0
0	0	0	0	Public Health Grant	0	0	0	0
0	0	0	0	Better Care Funding Income	0	0	0	0
5,883	(2,465)	(38,853)	(35,435)	Other Budgets	1,897	(10,511)	(39,465)	(48,079)
36,239	2,760	(2,099)	36,900	Schools Budgets	35,204	11,922	(2,522)	44,604
<b>111,348</b>	<b>4,810</b>	<b>(40,374)</b>	<b>75,784</b>	<b>Net Cost of Services</b>	<b>117,914</b>	<b>21,929</b>	<b>(41,012)</b>	<b>98,831</b>
(79,574)	26,223	16,317	(37,033)	Other Income and Expenditure from the Expenditure and Funding Analysis	(69,528)	22,929	11,111	(35,488)
<b>31,774</b>	<b>31,033</b>	<b>(24,057)</b>	<b>38,750</b>	<b>Difference between General Fund surplus and deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>48,386</b>	<b>44,858</b>	<b>(29,901)</b>	<b>63,343</b>

### Adjustments for Capital Purposes

The column for adjustments for capital purposes adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

- Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- Financing and investment income and expenditure – the statutory charges for Capital Financing i.e. Minimum Revenue Provision and other Revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

### Net Change for the Pensions Adjustments

The Net change for the removal of pension contributions also includes the addition of IAS 19 Employee Benefits pension related expenditure and income:

- For services this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
- For Financing and investment income and expenditure – the net interest on the defined benefit liability is charged to the CI&ES.

### Other Differences

Other differences take into account differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and any amounts payable/receivable to be recognised under statute:

- For Financing and investment income and expenditure the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
- The charge under Taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

## Segmental Income

Income received on a segmental basis is analysed in the below table:

	Income from Services	
	2016/17	2017/18
	£'000	£'000
<b>COMMISSIONING STRATEGIES</b>		
Readiness for School	(53)	(156)
Learn & Achieve	(3,898)	(3,662)
Readiness for Adult Life	(3,876)	(5,537)
Children are Safe & Healthy	(11,228)	(12,987)
Adult Safeguarding	(592)	(168)
Adult Frailty & Long Term Conditions	(50,026)	(41,256)
Carers	(117)	(63)
Adult Specialties	(25,901)	(23,230)
Wellbeing	(7,657)	(6,528)
Community Resilience & Assets	(566)	(742)
Sustaining & Developing Prosperity Through Infrastructure	(10,092)	(13,845)
Protecting & Sustaining the Environment	(1,920)	(1,491)
Sustaining & Growing Business & the Economy	(4,631)	(4,499)
Protecting The Public	(5,931)	(6,885)
How We Do Our Business	(601)	(899)
Enablers & Support To Council's Outcomes	(5,954)	(5,355)
Enablers & Support To Key Relationships	(65)	(60)
Public Health Grant	(34,371)	(33,524)
Better Care Funding	0	(34,501)
Other Budgets	(5,892)	(6,146)
Schools Budgets	(286,852)	(294,674)
<b>Total Income Analysed on a Segmental Basis</b>	<b>(460,223)</b>	<b>(496,208)</b>

## Note 8. Expenditure and Income Analysed by Nature.

The authority's expenditure and income is analysed as follows:

	2016/17	2017/18
	£'000	£'000
<b>Expenditure</b>		
Employee benefits expenses	356,593	370,956
Other service expenses	548,823	572,649
Depreciation, amortisation and impairment	101,140	93,284
Interest payments	20,828	20,254
Precepts and Levies	1,089	1,087
Gain on the disposal of assets	24,121	40,998
<b>Total expenditure</b>	<b>1,052,594</b>	<b>1,099,228</b>
<b>Income</b>		
Fees, charges and other service income	(69,407)	(149,990)
Interest and investment income	(1,865)	(1,886)
Income from Council Tax, Non-domestic Rates	(354,437)	(370,796)
Government Grants and Contributions	(596,205)	(531,082)
<b>Total income</b>	<b>(1,021,914)</b>	<b>(1,053,754)</b>
<b>Surplus or Deficit on the Provision of Services</b>	<b>30,680</b>	<b>45,474</b>

## Note 9. Adjustments between accounting basis and funding basis under regulations.

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

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

### General Fund Balance

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

### Capital Receipts Reserve

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

### Capital Grants Unapplied

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

	Note	2017/18		
		Usable Reserves		Movements in Unusable Reserves £'000
		General Fund Balance £'000	Capital Grants Unapplied £'000	

### Adjustments to Revenue Resources

Amount by which income and expenditure included in the CI&ES are different from revenue for the year calculated in accordance with statutory requirements.

#### **Pension Costs** (transferred to (or from) the Pension Reserve):

Reversal of items relating to retirement benefits debited or credited to the CI&ES	(44)	(84,812)	0	84,812
Employer's pensions contributions and direct payments to pensioners payable in the year		39,956	0	(39,956)

#### **Financial Instruments** (transferred to (or from) the Financial Instruments Adjustment Account):

		(8)	0	8
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#### **Council Tax and Business Rates** (transferred to (or from) the Collection Fund Adjustment Account):

		278	0	(278)
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#### **Holiday Pay** (transferred to (or from) the Accumulated Absences Account):

		(48)	0	48
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	Note	2017/18		
		Usable Reserves		Movements in Unusable Reserves £'000
		General Fund Balance £'000	Capital Grants Unapplied £'000	
Reversal of entires included in the Surplus or Deficit on the Provision of Services in relation to <b>Capital Expenditure</b> (these items are charged to the Capital Adjustment Account)				
Charges for depreciation and impairment of non-current assets		(81,773)	0	81,773
Revaluation losses on Property Plant and Equipment		(8,499)	0	8,499
Revaluation losses on Heritage Assets		(476)	0	476
Revaluation losses on Held for Sale Assets		(40)	0	40
Movements in the market value of Investment Properties		6,447	0	(6,447)
Amortisation of intangible assets		(2,496)	0	2,496
Capital grants and contributions applied		70,253	0	(70,253)
Capital Receipts applied		0	0	0
Income in relation of Donated Assets		0	0	0
Revenue expenditure funded from capital under statute (net of Grants and Contributions)		(23,810)	0	23,810
Amounts of Non Current Assets written off on disposal or sale as part of the gain/loss on disposal to the CI&ES		(40,998)	0	40,998
<b>Total Adjustments to Revenue Resources</b>		<b>(126,026)</b>	<b>0</b>	<b>126,026</b>
<b><u>Adjustments between Revenue and Capital Resources</u></b>				
Statutory provision for the repayment of debt (transferred to (or from) the Capital Adjustment Account):		17,737	0	(17,737)
Capital expenditure charged against the General Fund (transferred to (or from) the Capital Adjustment Account):		4,632	0	(4,632)
<b>Total Adjustments between Revenue and Capital Resources</b>		<b>22,369</b>	<b>0</b>	<b>(22,369)</b>
<b><u>Adjustments to Capital Resources</u></b>				
Capital grants and contributions unapplied credited to the CI&ES		40,314	(40,314)	0
Application of grants to capital financing transferred to the Capital Adjustment Account		0	35,313	(35,313)
<b>Total Adjustments to Capital Resources</b>		<b>40,314</b>	<b>(5,001)</b>	<b>(35,313)</b>
<b>Total Adjustments</b>		<b>(63,344)</b>	<b>(5,001)</b>	<b>68,345</b>

CI&ES = Comprehensive Income and Expenditure Statement

	Note	2016/17		
		Usable Reserves		Movements in Unusable Reserves £'000
		General Fund Balance £'000	Capital Grants Unapplied £'000	
<b>Adjustments to Revenue Resources</b>				
Amount by which income and expenditure included in the CI&ES are different from revenue for the year calculated in accordance with statutory requirements.				
<b>Pension Costs</b> (transferred to (or from) the Pension Reserve):				
Reversal of items relating to retirement benefits debited or credited to the CI&ES	(44)	(71,050)	0	71,050
Employer's pensions contributions and direct payments to pensioners payable in the year		40,018	0	(40,018)
<b>Financial Instruments</b> (transferred to (or from) the Financial Instruments Adjustment Account):		1	0	(1)
<b>Council Tax and Business Rates</b> (transferred to (or from) the Collection Fund Adjustment Account):		(1,616)	0	1,616
<b>Holiday Pay</b> (transferred to (or from) the Accumulated Absences Account):		23	0	(23)
Reversal of entires included in the Surplus or Deficit on the Provision of Services in relation to <b>Capital Expenditure</b> (these items are charged to the Capital Adjustment Account)				
Charges for depreciation and impairment of non-current assets		(84,698)	0	84,698
Revaluation losses on Property Plant and Equipment		(13,757)	0	13,757
Revaluation losses on Heritage Assets		0		0
Revaluation losses on Held for Sale Assets		(112)	0	112
Movements in the market value of Investment Properties		3,696	0	(3,696)
Amortisation of intangible assets		(1,930)	0	1,930
Capital grants and contributions applied		54,529	0	(54,529)
Revenue expenditure funded from capital under statute (net of Grants and Contributions)		(10,320)	0	10,320
Amounts of Non Current Assets written off on disposal or sale as part of the gain/loss on disposal to the CI&ES		(24,129)	0	24,129
<b>Total Adjustments to Revenue Resources</b>		<b>(109,345)</b>	<b>0</b>	<b>109,345</b>
<b>Adjustments between Revenue and Capital Resources</b>				
Statutory provision for the repayment of debt (transferred to (or from) the Capital Adjustment Account):		17,560	0	(17,560)
Capital expenditure charged against the General Fund (transferred to (or from) the Capital Adjustment Account):		3,756	0	(3,756)
<b>Total Adjustments between Revenue and Capital Resources</b>		<b>21,316</b>	<b>0</b>	<b>(21,316)</b>
<b>Adjustments to Capital Resources</b>				
Capital grants and contributions unapplied credited to the CI&ES		49,279	(49,279)	0
Application of grants to capital financing transferred to the Capital Adjustment Account		0	19,543	(19,543)
<b>Total Adjustments to Capital Resources</b>		<b>49,279</b>	<b>(29,736)</b>	<b>(19,543)</b>
<b>Total Adjustments</b>		<b>(38,750)</b>	<b>(29,736)</b>	<b>68,486</b>

Note 10. Transfer to/from earmarked reserves.

Balance at 1 April 2016 £'000	Additions in Year £'000	Used in Year £'000	Balance at 31 March 2017 £'000		Balance at 1 April 2017 £'000	Additions in Year £'000	Used in Year £'000	Balance at 31 March 2018 £'000
26,602	12,868	(15,075)	24,395	<b>Balances from dedicated schools budget including those held by schools under a scheme of delegation</b>	24,395	3,848	(15,703)	12,540
				<b>Other Earmarked Reserves:</b>				
4,295	3,144	(4,295)	3,144	Other Services	3,144	0	(3,144)	0
0	0	0	0	Earmarked Reserves - Pre-Council Confirmation	0	44,727	0	44,727
1,000	-	(500)	500	Adverse Weather	500	0	(500)	0
6,395	-	(1,908)	4,487	Insurance	4,487	0	0	4,487
1,143	108	(148)	1,103	Schools Sickness Insurance	1,103	0	0	1,103
1,154	7	(247)	914	Health and Well Being	914	0	(232)	682
2,196	951	(537)	2,610	Shared Services Reserves (Legal & Procurement)	2,610	0	(730)	1,880
20,165	17,870	(20,165)	17,870	Financial Volatility - Budget Shortfall	17,870	5,076	(17,870)	5,076
23,665	26,543	(17,870)	32,338	Financial volatility	32,338	0	(5,076)	27,262
1,709	-	(909)	800	Support Services contract	800	0	(435)	365
1,000	-	(1,000)	0	Waste Management	0	0	0	0
0	1,000	0	1,000	Contract Development	1,000	0	0	1,000
0	2,000	0	2,000	Highways Advanced Design	2,000	0	(237)	1,763
0	5,000	0	5,000	Environmental Improvement and Sustainability	5,000	0	(5,000)	0
11,533	2,055	(1,613)	11,975	Other Service Earmarked Reserves	11,975	6,852	(1,708)	17,119
				<b>Revenue Grants &amp; Contributions Unapplied Reserves:</b>				
7,631	7,011	(7,200)	7,442	Schools	7,442	6,704	(7,018)	7,128
6,457	2,736	(2,582)	6,611	Children Services	6,611	4,311	(345)	10,577
26,678	6,637	(3,360)	29,955	Adult Care and Communtiy Wellbeing	29,955	10,713	(4,638)	36,030
6,907	564	(2,204)	5,267	Environment and Economy	5,267	1,298	(2,575)	3,990
1,527	26	(212)	1,341	Finance and Public Protection	1,341	616	(744)	1,213
92	-	(15)	77	Chief Executive	77	0	(15)	62
<b>150,149</b>	<b>88,520</b>	<b>(79,840)</b>	<b>158,829</b>	<b>Total</b>	<b>158,829</b>	<b>84,146</b>	<b>(65,970)</b>	<b>177,005</b>

The note above 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 2017-18.

The **balance held by schools under the scheme of delegation**, represents the net underspending of school budget shares in 2017-18. 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 2017-18 on services other than schools (i.e. Children's Services, Adult Care, Public Health, Communities, and Corporate Services) which will be carried forward for use in 2018-19.

The **Earmarked Reserves - Pre-Council Confirmation** balance is not included within the General Reserve as it contains funds earmarked for the specific purposes set out in the report to the July 2018 Executive. The Council is to be asked to confirm these proposals at its 03 July 2018 meeting, at which point these funds will be transferred to the relevant earmarked reserve.

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 **Schools Sickness Insurance Reserve** provides reimbursement to schools, who are members of the scheme, when staff are absent from work.

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 **Shared Services Reserve (Legal Services and Procurement)** represents what amounts these services carried forward from 2017-18. The Legal Services Management Board will agree on what proportion of the surplus should be distributed to the shared service partners in 2017-18. The Procurement Reserve represents Procurement Lincolnshire's underspend at the end of 2017-18. The underspend relates to both Council money and partners money. This amount will be carried into 2018-19 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 **Support Services Contract Reserve** will be used to fund the specialist services required to enable the support service contract to be re-let.

The **Waste Management Reserve** was created at the end of 2015-16 and met the anticipated waste volumes and disposal costs in 2016-17.

The **Contract Development Reserve** provides the Council with flexibility to develop and manage contract processes going forwards.

The **Highways Advanced Design Reserve** invests in feasibility work which will keep the development of Lincolnshire's road network a priority and facilitate economic growth projects.

The **Environmental Improvement and Sustainability Reserve** to allow the Council to fund and contribute to a number of environmental and highways schemes across the County for the life of the current Council.

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

The **Revenue Grants and Contributions Unapplied Reserves** are 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 11. Other operating expenditure.

2016/17		2017/18
£'000		£'000
1,089	Precepts paid to non-principal authorities and levies	1,087
24,121	Gain or Loss on the disposal of non-current assets	40,998
112	Revaluation losses on assets held for sale	40
<b>25,322</b>	<b>TOTAL</b>	<b>42,125</b>

Note 12. Financing and Investment Income and Expenditure.

2015-16		2017/18
£'000		£'000
20,828	Interest payable and similar charges	20,295
26,223	Net Interest on the net defined benefit liability (asset)	22,929
(1,865)	Interest receivable and similar income	(1,886)
(5,350)	Income, expenditure and changes in the fair values of investment properties	(8,105)
<b>39,836</b>	<b>TOTAL</b>	<b>33,233</b>

Note 13. Taxation and Non Specific Grant Income.

2016/17		2017/18
£'000		£'000
(251,348)	Council tax income	(264,353)
(103,089)	Business Rates - Districts	(106,443)
	Non-ring-fenced government grants:	
(70,351)	Revenue Support Grant	(48,292)
(6,892)	Rural Service Delivery Grant	(5,565)
(4,899)	Education Services Grant	(1,215)
(4,519)	New Homes Bonus Grant & Returned Top slice	(3,550)
0	Adult Social Care Support Grant 2017/18	(3,383)
(2,458)	Section 31 Grant - Business Rates	(2,773)
(1,755)	Independent Living Fund Grant	(1,698)
(1,501)	Partners in Practice S31 Grant	(1,438)
(1,586)	Other Non Specific Grant	(1,852)
(103,806)	Capital grants and contributions (Note 38)	(110,567)
<b>(552,204)</b>	<b>TOTAL</b>	<b>(551,129)</b>

## Note 14. Property, Plant and Equipment.

### a) Movement on Non-Current Assets

Movement in Property, Plant & Equipment As at 31 March 2018	Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infra-structure	Surplus Assets	Assets Under Construction	Total	PFI Assets Included in Property, Plant & Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>							
At 1 April 2017	654,327	106,481	855,474	4,902	37,597	1,658,781	15,357
Additions	16,246	3,706	27,866	0	50,428	98,246	2
Donations	0	0	0	0	0	0	0
Revaluation Increase to RR	11,558	0	0	651	0	12,209	276
Revaluation Decrease to RR	(35,870)	(603)	0	(157)	0	(36,630)	(951)
Revaluation Increase/(Decrease) to SDPS	(11,570)	(2,390)	0	(89)	0	(14,049)	0
Derecognition - Disposals	(35,111)	(3,184)	(15,757)	(816)	0	(54,868)	(113)
Derecognition to RR	402	0	0	0	0	402	0
Derecognition to SDPS	(3,536)	0	0	0	0	(3,536)	0
Reclassified to/from Held for Sale	0	0	0	(1,324)	0	(1,324)	0
Reclassified to/from Investment Property	(63)	0	0	0	0	(63)	0
Reclassifications - Other	4,779	20	19,927	1,071	(25,797)	0	0
<b>At 31 March 2018</b>	<b>601,162</b>	<b>104,030</b>	<b>887,510</b>	<b>4,238</b>	<b>62,228</b>	<b>1,659,168</b>	<b>14,571</b>
<b>Depreciation and Impairment</b>							
At 1 April 2017	(20,526)	(25,224)	(377,832)	(71)	0	(423,653)	(625)
Depreciation Charge for 2017/18	(28,300)	(9,044)	(44,389)	(39)	0	(81,772)	(382)
Depreciation written out on upward revaluation	4,547	0	0	2	0	4,549	0
Depreciation written out on downward revaluation	20,124	2,563	0	0	0	22,687	364
Depreciation written out to the SDPS	3,403	2,123	0	23	0	5,549	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	607	2,974	15,757	36	0	19,374	0
Derecognition to RR	0	0	0	0	0	0	0
Derecognition - SDPS	76	0	0	0	0	76	0
Reclassifications to Asset Held for Sale	0	0	0	0	0	0	0
Reclassifications - Other	0	0	0	0	0	0	0
<b>At 31 March 2018</b>	<b>(20,069)</b>	<b>(26,606)</b>	<b>(406,464)</b>	<b>(49)</b>	<b>0</b>	<b>(453,188)</b>	<b>(643)</b>
<b>Net Book Value</b>							
<b>At 31 March 2018</b>	<b>581,093</b>	<b>77,424</b>	<b>481,046</b>	<b>4,189</b>	<b>62,228</b>	<b>1,205,980</b>	<b>13,928</b>
At 1 April 2017	633,801	81,257	477,642	4,831	37,597	1,235,127	14,732

RR - Revaluation Reserve

SDPS - Surplus or Deficit on the Provision of Services

<b>Movement in Property, Plant &amp; Equipment As at 31 March 2017</b>	<b>Land &amp; Buildings</b>	<b>Vehicles, Plant, Furniture &amp; Equipment</b>	<b>Infra-structure</b>	<b>Surplus Assets</b>	<b>Assets Under Construction</b>	<b>Total</b>	<b>PFI Assets Included in Property, Plant &amp; Equipment</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost or Valuation</b>							
At 1 April 2016 (*1)	676,056	126,111	807,517	15,673	35,431	<b>1,660,787</b>	21,309
Additions	6,143	3,448	25,062	4,701	40,960	<b>80,314</b>	215
Revaluation Increase to RR	14,746	0	0	3,150	0	<b>17,896</b>	0
Revaluation Decrease to RR	(20,322)	(556)	0	(921)	0	<b>(21,799)</b>	(1,279)
Revaluation Increase/(Decrease) to SDPS	(11,505)	(2,047)	0	(4,590)	0	<b>(18,142)</b>	0
Derecognition - Disposals	(21,623)	(20,513)	(908)	(861)	0	<b>(43,905)</b>	(4,888)
Derecognition to RR	(449)	0	0	0	0	<b>(449)</b>	0
Derecognition to SDPS	(1,224)	0	0	0	0	<b>(1,224)</b>	0
Reclassified to/from Held for Sale	(1,257)	0	0	(8,365)	(134)	<b>(9,756)</b>	0
Reclassified to/from Investment Property	(81)	0	0	(725)	(168)	<b>(973)</b>	0
Reclassifications - Other	13,843	39	23,803	(3,162)	(38,491)	<b>(3,968)</b>	0
<b>As at 31 March 2017</b>	<b>654,327</b>	<b>106,481</b>	<b>855,474</b>	<b>4,902</b>	<b>37,597</b>	<b>1,658,781</b>	<b>15,357</b>
<b>Depreciation and Impairment</b>							
At 1 April 2016	(18,241)	(40,431)	(332,754)	(64)	0	<b>(391,490)</b>	(613)
Depreciation Charge for 2016/17	(28,872)	(9,737)	(45,986)	(111)	0	<b>(84,706)</b>	(529)
Depreciation written out on upward revaluation	3,149	0	0	18	0	<b>3,167</b>	0
Depreciation written out on downward revaluation	20,307	2,115	0	4	0	<b>22,426</b>	517
Depreciation written out to the SDPS	1,996	2,322	0	40	0	<b>4,358</b>	0
Impairment losses/(reversals) recognised in the RR	0	0	0	0	0	<b>0</b>	0
Impairment losses/(reversals) recognised in the SDPS	0	0	0	0	0	<b>0</b>	0
Derecognition - Disposals	1,131	20,506	908	3	0	<b>22,548</b>	0
Derecognition to RR	0	0	0	0	0	<b>0</b>	0
Derecognition - SDPS	43	0	0	0	0	<b>43</b>	0
Reclassifications to Asset Held for Sale	0	0	0	0	0	<b>0</b>	0
Reclassifications - Other	(39)	0	0	39	0	<b>0</b>	0
<b>As at 31 March 2017</b>	<b>(20,526)</b>	<b>(25,224)</b>	<b>(377,832)</b>	<b>(71)</b>	<b>0</b>	<b>(423,653)</b>	<b>(625)</b>
<b>Net Book Value</b>							
As at 31 March 2017	<b>633,801</b>	<b>81,257</b>	<b>477,642</b>	<b>4,831</b>	<b>37,597</b>	<b>1,235,128</b>	<b>14,732</b>
As at 1 April 2016	657,815	85,680	474,763	15,609	35,431	1,269,297	20,696

b) Depreciation and Asset Lives

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

	<b>Useful Economic Life (Years)</b>
<b>Land</b>	999
<b>Buildings</b>	
<u>Specialist Buildings</u> , including Schools, Youth Centres, Residential Homes, Day Centres, Family Centres, Libraries, Museums, Highways Maintenance Depots	15 to 70
<u>Energy From Waste Buildings</u>	
Civil	60
Mechanical	25
Instrumentation, Control and Automation	10
<u>Non-Specialist Buildings</u>	40
<u>Site works</u> , including playground, hard standing, car parks etc.	
- associated with specialist buildings	5 to 55
- associated with non-specialist buildings	20
<b>Infrastructure</b>	
Structures (Bridges)	120
Major Road Construction	60
Street Lighting, Kerbing, and 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 and 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
<b>Vehicles, Furniture &amp; Equipment</b>	
Energy from Waste - Mechanical, Instrumentation, Control and Automation (ICA), and Admin Equipment	10 to 25
IT Equipment	4
Furniture and Equipment	5
Vehicles	3 to 18

### c) Capital Commitments

At 31 March 2018, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2018-19 and future years budgeted to cost £94.735m.

Detail	Gross £'000
Lincoln Eastern Bypass - a major scheme to improve the flow of traffic around Lincoln City Centre	71,300
South Park Development of New Police, Fire and Ambulance Station on South Park Avenue, Lincoln	15,000
LCC/BT Broadband Contract (onlincolnshire)	8,435
	<b>94,735</b>

### d) Valuations

The 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 - Vinci Mouchel Ltd. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations are carried out as at 1 April.

The significant assumptions applied in estimating the fair values are:

Depreciated Replacement Cost (DRC) has been used where the asset is of a specialised nature, or where there is no evidence of market value or suitably comparable properties (e.g. schools).

Vehicles, Furniture and Equipment, Specialist Equipment, Infrastructure and Community Assets are not subject to revaluation. They are reported at the cost of construction or purchase price, where this information is not available the assets are carried at a nominal amount (e.g. for some Community Assets).

Non-Current Assets carried at historic cost	2016/17 £'000	2017/18 £'000
Vehicles, Plant, Furniture and Equipment	15,441	14,045
Infrastructure	477,642	481,046
Assets Under Construction	37,597	62,228
<b>Total Cost of Valuation</b>	<b>530,680</b>	<b>557,319</b>

## Note 15. 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 Local Democracy area, under 'How the council works'.

(<https://www.lincolnshire.gov.uk/local-democracy/how-the-council-works/key-plans-and-strategies/heritage-libraries-and-community-grants-policies/54119.article>)

"Collections Development Policy Museums, Archives and Local Studies 2013".

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

	Windmills	Other Historic Buildings	Collections	Total
	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>				
Balance at 1 April 2017	5,020	20,081	40,000	65,101
Additions - In House construction/Improvement	91	426	0	516
Revaluations recognised in the Revaluation Reserve	(1,956)	0		(1,956)
Revaluations recognised in the CI&ES	(476)	0	0	(476)
<b>At 31 March 2018</b>	<b>2,679</b>	<b>20,507</b>	<b>40,000</b>	<b>63,185</b>
<b>Cost or Valuation</b>				
Balance at 1 April 2016	5,000	19,989	42,000	66,989
Additions - In House construction/Improvement	20	92	0	112
Revaluations recognised in the Revaluation Reserve	0	0	(2,000)	(2,000)
Revaluations recognised in the CI&ES	0	0	0	0
<b>At 31 March 2017</b>	<b>5,020</b>	<b>20,081</b>	<b>40,000</b>	<b>65,101</b>

CI&ES = Comprehensive Income and Expenditure Statement

b) Total Heritage Assets Five Year Summary of Transactions

	2013-14	2014-15	2015-16	2016-17	2017/18
	£000	£000	£000	£000	£000
Balance at Start of the Year	36,356	36,443	52,625	66,989	65,101
Cost of Acquisitions	7	8,003	27	112	516
Revaluations	(38)	-	14,337	(2,000)	(2,432)
Carrying Amount of Disposals/Proceeds	-	-	-	-	-
Reclassifications	118	8,179	-	-	-
<b>Total at Year End</b>	<b>36,443</b>	<b>52,625</b>	<b>66,989</b>	<b>65,101</b>	<b>63,185</b>

## Note 16. 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		Other General Fund Properties	
	2016/17	2017/18	2016/17	2017/18
	£'000	£'000	£'000	£'000
Rental Income from Investment Property	(2,410)	(2,365)	(33)	(57)
Direct Operating Expenses arising from Investment Property	732	747	56	18
<b>Net (Income)/Expenditure</b>	<b>(1,678)</b>	<b>(1,619)</b>	<b>23</b>	<b>(39)</b>

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	
	2016/17	2017/18	2016/17	2017/18
	£'000	£'000	£'000	£'000
Balance at 1 April	95,827	99,650	680	1,525
Additions - Acquisitions (Purchase and Construction)	397	450	2	0
Additions - Subsequent expenditure	0	0	0	0
Disposals	(440)	(477)	0	0
Net Gains/(Losses) from fair value adjustments	3,698	6,348	38	102
Transfers to/from Property, Plant and Equipment	168	0	806	63
<b>Balance at 31 March</b>	<b>99,650</b>	<b>105,971</b>	<b>1,525</b>	<b>1,690</b>

Nature of asset holding	County Farm Estates		Other General Fund Properties	
	2016/17	2017/18	2016/17	2017/18
Owned	99,526	105,852	1,525	1,690
Leased	124	119	0	0
<b>Balance at 31 March</b>	<b>99,650</b>	<b>105,971</b>	<b>1,525</b>	<b>1,690</b>

#### c) Revaluations

The Council revalues investment properties annually to ensure that they are carried at fair value. All valuations are carried out by the Council's appointed Valuers - Savills (L&P Ltd) for the County Farms Estate and Kier Services 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.

#### d) Valuation Techniques Used to Determine Level 2 Fair Values for Investment Properties

Valuations are prepared taking into account the following guidance:

- RICS Valuation – Global Standards 2017 incorporating the IVSC International Valuation Standards (the RICS "Red Book"), issued June 2017, effective from 1st July 2017,
- Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, published by Chartered Institute of Public Finance and Accountancy (CIPFA).

## Note 17. Intangible Assets.

The Council accounts for its software and licences as intangible assets. The IT systems are accounted for as part of Property, Plant and Equipment, under the heading Vehicles, Plant, Furniture and Equipment. Intangible assets recognised by the Council include both purchased software, licences and internally generated software.

### a. Movement on intangible assets:

	Software	Software Licenses	Total
	£'000	£'000	£'000
<b>Balance at 1 April 2017</b>			
- Gross carrying amount	22,809	2,682	25,490
- Accumulated amortisation	(12,527)	(969)	(13,496)
<b>Net carrying amount at 1 April 2017</b>	<b>10,282</b>	<b>1,713</b>	<b>11,994</b>
<b>Additions:</b>			
- Purchases	1,737	24	1,761
Asset classified as held for sale	0	0	0
Other disposals	0	0	0
Amortisation for the period	(2,231)	(265)	(2,496)
Other changes - reclassifications	0	0	0
<b>Net carrying amount at 31 March 2018</b>	<b>9,788</b>	<b>1,472</b>	<b>11,259</b>
<b>Comprising:</b>			
- Gross carrying amounts	24,546	2,692	27,238
- Accumulated amortisation	(14,758)	(1,220)	(15,978)
<b>Balance Sheet amount at 31 March 2018</b>	<b>9,788</b>	<b>1,472</b>	<b>11,260</b>

### b. Depreciation and Asset Lives

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

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

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £2.496m (£1.930m in 2016-17) was charged to revenue in 2017-18.

c. Significant Capitalised Software

At 31 March 2017, the County Council hasn't capitalised material items of software during 2017-18.

d. Capital Commitments

At 1 April 2018, the Council has entered into contracts for future years budgeted to cost £8.435m. The major commitment is:

Detail	Gross £'000
Superfast Broadband - A programme to install high speed internet infrastructure in communities and businesses, particularly in rural areas.	8,435
<b>TOTAL</b>	<b>8,435</b>

e. Revaluation

The 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 18. 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 2017	31 March 2018	31 March 2017	31 March 2018
	£'000	£'000	£'000	£'000
<b>Borrowings</b>				
Financial Liabilities At Amortised Cost	462,599	426,923	19,525	39,525
Financial Liabilities at Fair Value Through Profit and Loss	0	0	0	0
<b>Total Borrowings</b>	<b>462,599</b>	<b>426,923</b>	<b>19,525</b>	<b>39,525</b>
<b>PFI &amp; Finance Lease Liabilities</b>				
PFI and Finance Lease Liabilities	11,654	11,033	0	0
<b>Liabilities</b>	<b>11,654</b>	<b>11,033</b>	<b>0</b>	<b>0</b>
<b>Creditors &amp; Other Long Term Liabilities</b>				
Financial Liabilities Carried at Contract Amount	9,042	7,219	85,893	69,520
<b>Total Creditors</b>	<b>9,042</b>	<b>7,219</b>	<b>85,893</b>	<b>69,520</b>
<b>Investments</b>				
Loans and Receivables	5,200	15,000	199,020	173,175
Available for Sale Financial Assets	0	0	51,826	70,629
Unquoted Equity Investments At Cost	14	14	0	0
Financial Assets at Fair Value Through Profit and Loss	0	0	0	0
<b>Total Investments</b>	<b>5,214</b>	<b>15,014</b>	<b>250,846</b>	<b>243,804</b>
<b>Debtors</b>				
Loans and Receivables	9,076	9,163	0	0
Financial Assets Carried at Contract Amount	0	0	53,485	45,669
<b>Total Debtors</b>	<b>9,076</b>	<b>9,163</b>	<b>53,485</b>	<b>45,669</b>

#### b. Financial Instruments Income, Expense, Gains or Losses

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

The Council's Financial Assets are predominantly loans and receivables valued at amortised cost; although 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 2018. The Council has a small shareholding of £14,000, acquired for Economic Regeneration reasons. Shares are held to the nominal value of £14,000 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:

	2016/17	2017/18
	£'000	£'000
<b>Unrealised Reduction in Fair Value - Available for Sale Financial Assets held at 31st March</b>	<b>0</b>	<b>0</b>
Financial Liabilities At Amortised Cost	20,368	19,876
Financial Liabilities at Fair Value Through Profit and Loss	0	0
<b>Total Interest Expense</b>	<b>20,368</b>	<b>19,876</b>
Total Fee Expense	19	32
<b>Total Expense in Surplus or Deficit on the Provision of Services</b>	<b>20,387</b>	<b>19,908</b>
<b>Unrealised Increase in Fair Value -Available for Sale Financial Assets held at 31st March</b>	<b>(154)</b>	<b>(227)</b>
Loans and Receivables at Amortised Cost	(439)	(699)
Available for Sale Financial Assets	(951)	(690)
Unquoted Equity Investments At Cost	0	0
Financial Assets at Fair Value Through Profit and Loss	0	0
<b>Total Interest Income</b>	<b>(1,390)</b>	<b>(1,389)</b>
<b>Total Fee Income</b>	<b>0</b>	<b>0</b>
<b>Interest Received</b>	<b>(1,390)</b>	<b>(1,389)</b>

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

Financial liabilities and financial assets represented by loans and receivables and long-term debtors and creditors are carried on the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the investments using the following assumptions:

- For loans from the PWLB, equivalent borrowing rates available from the PWLB at 31 March 2018 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 2017		31 March 2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
PWLB Debt (Long Term > 12 Months)	432,599	567,446	396,924	518,685
Non PWLB Debt (Long Term > 12 Months)	30,000	43,481	30,000	40,476
PWLB Debt (Short Term < 12 Months)	15,531	20,353	35,675	46,604
Non PWLB Debt (Short Term < 12 Months)	65	65	58	58
Long-Term Creditors & Other Long Term Liabilities	6,941	6,941	7,219	7,219
<b>Total Financial Liabilities at Amortised Cost</b>	<b>485,136</b>	<b>638,286</b>	<b>469,876</b>	<b>613,042</b>

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

Where the fair value is more than the carrying amount, the opposite is true, i.e. a number of fixed rate loans held in the Council's portfolio have interest rates payable above current market rates for similar loans. The change in fair value from 31 March 2017 to 31 March 2018 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 2018. 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 £663,488k, some £98,199k 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 2017		31 March 2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Loans and Receivables (Long Term > 12 Months)	5,200	5,197	15,000	14,948
Loans and Receivables (Short Term < 12 Months)	199,020	199,020	172,725	172,725
Long-Term Debtors	9,076	9,076	9,318	9,318
<b>Financial Assets at Amortised Cost</b>	<b>213,296</b>	<b>213,293</b>	<b>197,043</b>	<b>196,991</b>

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.

Where estimated rates available for similar loans at the Balance Sheet date are higher than the Council's long term investments, the opposite is true.

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 Level 1 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 2017		31 March 2018	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
		£000	£000	£000	£000
Certificates of Deposit	Level 1	28,500	28,595	47,000	47,215
Bonds	Level 1	10,132	10,191	5,433	5,445
Money Market Funds	Level 1	13,040	13,040	17,740	17,740
<b>Available For Sale Financial Assets</b>		<b>51,672</b>	<b>51,826</b>	<b>70,173</b>	<b>70,400</b>

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:
  - maximum and minimum exposures to fixed and variable rates;
  - maximum and minimum exposures to the maturity structure of its debt;
  - 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).	AA-

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

Deposits With Banks and Financial Institutions	Amount at 31 March 2017		Amount at 31 March 2018	
	£'000	%	£'000	%
AAA Rated Counterparties	13,040	5.10%	17,740	6.88%
AA Rated Counterparties	142,275	55.60%	144,775	56.13%
A Rated Counterparties	42,245	16.51%	30,000	11.63%
BBB+ Rated Counterparties (*1)	20,132	7.87%	32,433	12.58%
Other Counterparties (*2)	38,214	14.93%	32,964	12.78%
<b>Total Investments</b>	<b>255,906</b>	<b>100.00%</b>	<b>257,912</b>	<b>100.00%</b>

(\*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 2018 can be analysed by age as follows:

Analysis of Debts by Age	Amount at 31 March 2017		Amount at 31 March 2018	
	£'000	%	£'000	%
Less than 3 months	2,985	39.03%	1,937	27.14%
3 to 6 months	631	8.25%	965	13.52%
6 months to 1 year	808	10.57%	1,020	14.29%
More than 1 year	3,223	42.15%	3,216	45.05%
<b>Total Outstanding Debt</b>	<b>7,647</b>	<b>100.00%</b>	<b>7,138</b>	<b>100.00%</b>

#### (iv) Liquidity Risk

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

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

#### (v) Refinancing and Maturity Risk

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

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

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

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

<b>Debt Outstanding- Financial</b>	<b>31 March 2017</b>	<b>31 March 2018</b>
	<b>£'000</b>	<b>£'000</b>
Less than one year	19,525	39,525
Between one and two years	35,675	14,521
Between two and five years	50,141	44,067
Between five and ten years	50,016	62,941
Between ten and fifteen years	38,218	16,845
Between fifteen and twenty-five years	29,000	29,000
Between thirty-five and forty-five	194,726	184,726
Maturing in more than forty-five	28,000	18,000
<b>Total</b>	<b>482,124</b>	<b>466,448</b>

<b>Investments Outstanding - Financial Assets</b>	<b>31 March 2017</b>	<b>31 March 2018</b>
	<b>£'000</b>	<b>£'000</b>
Less than one year	251,389	243,804
Between one and two years	5,200	15,000
Between two and three years	0	0
Maturing in more than three years	14	14
<b>Total</b>	<b>256,603</b>	<b>258,818</b>

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

#### (vi) Market Risk

##### Interest Rate Risk

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

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

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

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

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

Based on the financial liabilities and assets as at the balance sheet date a one percent point movement in average interest rates would be equivalent to a £1.478m change in the Council's net interest charge in the Comprehensive Income and Expenditure Account. This calculation is based on a full year interest effect at a constant level of borrowing and investments as at the reporting date, a further breakdown is shown in the table below:

<b>Financial Impact of the Interest Rate Risk</b>	<b>Amount at 31 March 2018</b>
	<b>£'000</b>
Increase in interest payable on variable rate borrowings	(1)
Increase in interest receivable on variable rate investments	1,479
<b>Impact on Income and Expenditure Account</b>	<b>1,478</b>

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

	<b>Fair Value 31 March 2018</b>	<b>Fair Value at 1% Higher</b>	<b>Fair Value at 1% Lower</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
County Council	604,395	515,839	722,322
Schools	1,370	1,309	1,436
<b>Long Term Fixed Borrowing:</b>	<b>605,765</b>	<b>517,148</b>	<b>723,758</b>
<b>Long Term Fixed Investments:</b>	<b>14,948</b>	<b>14,775</b>	<b>15,123</b>

There is no impact on the Surplus or Deficit on Provision of Services or the Other Comprehensive Income and Expenditure account from the movement in fair value on borrowing and loans & receivables shown above. Fair values have been calculated using the same methodology/assumptions as outlined on page 64 Fair Value of Assets and Liabilities Carried at Amortised Cost.

The impact on fair value of the Councils Available for Sale Investments, already carried on the Balance Sheet at fair value on 31 March 2018, from a 1% movement in average rates is shown in the table below. This impact would be reflected on the Surplus/Deficit on Revenue of Available for Sale Financial Assets as shown in the Comprehensive Income & Expenditure Statement.

	<b>Fair Value 31 March 2018</b>	<b>Fair Value at 1% Higher</b>	<b>Fair Value at 1% Lower</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Available For Sale Investments	70,400	70,244	70,532

### 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 14,000 shares (£1 par value) held for Economic Regeneration 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 19. Debtors.

<b>31 March 2017</b>		<b>31 March 2018</b>
<b>£'000</b>	<b>Amounts falling due within one year:</b>	<b>£'000</b>
18,878	Central government bodies	19,965
6,636	Other local authorities	4,111
5,702	NHS bodies	13,113
19,557	Other entities and Individuals	19,787
14,166	Council Tax & Business Rates agency arrangements	13,195
<b>64,939</b>	<b>Total Short Term Debtors</b>	<b>70,171</b>

<b>31 March 2017</b>		<b>31 March 2018</b>
<b>£'000</b>	<b>Amounts falling due after one year:</b>	<b>£'000</b>
2,193	Central government bodies	1,963
282	Other local authorities	181
102	NHS bodies	52
6,712	Other entities and Individuals	7,122
<b>9,289</b>	<b>Total Long Term Debtors</b>	<b>9,318</b>

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	
	2016/17	2017/18
	£'000	£'000
Balance outstanding at 1 April	1,301	10,156
<u>Assets newly classified as held for sale:</u>		
- Property, Plant and Equipment	9,757	1,340
- Intangible Assets	0	0
- Other assets/liabilities in disposal groups	0	0
Revaluation Increase to RR *	0	
Revaluation Decrease to RR *	(97)	(25)
Revaluation Increase/(Decrease) to SDPS **	(112)	(40)
<u>Assets declassified as held for sale:</u>		
- Property, Plant and Equipment	0	0
- Intangible Assets	0	0
- Other assets/liabilities in disposal groups	0	0
Assets Sold	(693)	(1,970)
Transfers from non-current to current	0	0
<b>Balance Outstanding at 31 March</b>	<b>10,156</b>	<b>9,461</b>

(\*) RR - Revaluation Reserve

(\*\*) SDPS - Surplus or Deficit on the Provision of Services

## Note 21. Creditors.

2016-17		2017/18
£'000	Amounts falling due within one year:	£'000
(3,776)	Central government bodies	(3,497)
(8,681)	Other local authorities	(1,554)
(4,123)	NHS bodies	(2,340)
(69,261)	Other entities and individuals	(62,030)
(9,042)	Council Tax & Business Rates agency arrangements	(8,152)
<b>(94,883)</b>	<b>Total Short Term Creditors</b>	<b>(77,572)</b>

2016-17		2017/18
£'000	Amounts falling due after one year:	£'000
(1,145)	Central government bodies	(1,145)
(426)	Other local authorities	(344)
(5,370)	Other entities and individuals	(5,730)
<b>(6,941)</b>	<b>Total Long Term Creditors</b>	<b>(7,219)</b>

## Note 22. Provisions.

	Balance at 1 April 2017	Additional Provisions made in 2017/18	Amounts Used in 2017/18	Unused amounts reversed in 2017/18	Unwinding of discounting in 2017/18	Balance at 31 March 2018
<b>Summary of Provisions</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Social Services - Section 117 Deposits	(307)	0	0	0	0	(307)
Insurance Claims	(4,569)	(939)	0	0	237	(5,271)
Business Rates Appeals	(2,935)	0	360	0	0	(2,575)
Waking Nights Provision	(338)	0	0	131	0	(207)
CSC Volume Fees Provision	(2,906)	(441)	2,109	0	0	(1,238)
Wellbeing Monitoring Service	(275)	0	0	0	0	(275)
Teal Park Funding Provision	(390)	0	0	0	0	(390)
<b>TOTAL</b>	<b>(11,720)</b>	<b>(1,380)</b>	<b>2,469</b>	<b>131</b>	<b>237</b>	<b>(10,263)</b>

The County Council's accounting policy on provisions includes a de-minimis of £250k.

### Analysis of short and long term provisions

	Balance at 1 April 2017	Additional Provisions made in 2017/18	Amounts Used in 2017/18	Unused amounts reversed in 2017/18	Unwinding of discounting in 2017/18	Balance at 31 March 2018
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Short Term Provisions:</b>						
- Insurance Claims	(1,247)	(457)	0	0	0	(1,704)
- Business Rates Appeals	(2,935)	0	360	0	0	(2,575)
- Waking Nights Provision	(338)	0	0	131	0	(207)
- CSC Volume Fees	(2,906)	(441)	2,109	0	0	(1,238)
- Wellbeing Monitoring Service	(275)	0	0	0	0	(275)
- Teal Park Funding	(390)	0	0	0	0	(390)
	<b>(8,091)</b>	<b>(898)</b>	<b>2,469</b>	<b>131</b>	<b>0</b>	<b>(6,389)</b>
<b>Long Term Provisions:</b>						
- Social Services - Section 117	(307)	0	0	0	0	(307)
- Insurance Claims	(3,322)	(482)	0	0	237	(3,567)
	<b>(3,629)</b>	<b>(482)</b>	<b>0</b>	<b>0</b>	<b>237</b>	<b>(3,874)</b>
<b>TOTAL</b>	<b>(11,720)</b>	<b>(1,380)</b>	<b>2,469</b>	<b>131</b>	<b>237</b>	<b>(10,263)</b>

**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 2018, a review of the provision was carried out and a decision was to maintain the provision at its current level.

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

Type of Insurance	Met by the County Council	
	Each Claim	Maximum for all such claims
	£'000	£'000
Public & employer's liability	500	4,500
School property	150	500
Other property	10	100

The **Business Rates Appeal** provision has been created because the Council, under the new funding regime receives 10% of the business rates collected in Lincolnshire. Under this arrangement the 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 **Contract Volume Fees** Provision represents an estimate of outstanding payments due on a number of contractual arrangements where 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 provider's accounts are settled. A provision has been set up to cover these costs.

The **Teal Park Funding** Provision relates to the potential recovery of Department for Communities and Local Government (DCLG) grant awarded to the Teal Park project.

## Note 23. Other Long Term Liabilities.

31 March 2017		31 March 2018
£'000		£'000
(11,654)	Outstanding Liabilities on PFI and Finance Leases	(11,033)
(870,725)	Net Pension Liability	(882,708)
<b>(882,379)</b>		<b>(893,741)</b>

## Note 24. Usable Reserves.

Balance at 31 March 2017		Balance at 31 March 2018
£'000		£'000
(92,396)	Capital Grants Unapplied	(97,397)
(158,829)	Earmarked Reserves	(177,005)
(15,300)	General Fund	(15,200)
<b>(266,525)</b>	<b>Total</b>	<b>(289,602)</b>

## Note 25. Unusable Reserves.

Balance at 31 March 2017		Note	Balance at 31 March 2018
£'000			£'000
(311,249)	Revaluation Reserve	(25a)	(284,394)
(555,068)	Capital Adjustment Account	(25b)	(559,049)
95	Financial Instruments Adjustment Account	(25c)	102
870,725	Pension Reserve	(25d)	882,708
(2,189)	Collection Fund Adjustment Account	(25e)	(2,467)
5,080	Accumulated Absences Account	(25f)	5,128
(154)	Available for Sale Financial Instrument Reserve	(25g)	(226)
<b>7,240</b>	<b>Total</b>		<b>41,802</b>

### 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.

2016/17		2017/18	
£'000		£'000	£'000
<b>(314,712)</b>	<b>Balance at 1 April</b>		<b>(311,249)</b>
(25,796)	Upward revaluation of assets	(16,762)	
6,192	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	15,926	
<b>(19,604)</b>	<b>Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services</b>	<b>(836)</b>	
13,028	Difference between fair value depreciation and historical cost depreciation	13,775	
10,039	Accumulated gains on assets sold or scrapped	13,917	
23,067	Amount written off to the Capital Adjustment Account	27,692	
<b>(311,249)</b>	<b>Balance at 31 March</b>		<b>(284,394)</b>

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

2016/17		2017/18
£'000		£'000
<b>(567,863)</b>	<b>Balance at 1 April</b>	<b>(555,068)</b>
	<b><u>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</u></b>	
84,698	Charges for depreciation and impairment of non-current assets	81,773
13,757	Revaluation losses on Property, Plant and Equipment	8,499
0	Revaluation losses on Heritage assets	476
112	Revaluation Losses on Held for Sale Assets	40
1,930	Amortisation of intangible assets	2,496
10,320	Revenue expenditure funded from capital under statute (net of Grants and Contributions)	23,810
24,129	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	40,998
(23,067)	Adjusting amounts written out of the Revaluation Reserve	(27,692)
<b>111,879</b>	<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>130,401</b>
	<b><u>Capital financing applied in the year:</u></b>	
	0 Use of Capital Receipts to finance new capital expenditure	0
(54,529)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(70,253)
(19,543)	Application of grants to capital financing from the Capital Grants Unapplied Account	(35,313)
(17,560)	Statutory provision for the financing of capital investment charged against the General Fund	(17,737)
(3,756)	Capital expenditure charged against the General Fund	(4,632)
<b>(95,388)</b>		<b>(127,935)</b>
(3,696)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(6,447)
0	Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement	0
<b>(3,696)</b>		<b>(6,447)</b>
<b>(555,068)</b>	<b>Balance at 31 March</b>	<b>(559,049)</b>

### 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.

<b>2016/17</b>		<b>2017/18</b>
<b>£'000</b>		<b>£'000</b>
	<b>96 Balance at 1 April</b>	<b>95</b>
0	Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	0
15	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	16
(16)	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	(9)
	<b>95 Balance at 31 March</b>	<b>102</b>

### d) Pensions Reserve

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

<b>2016/17</b>		<b>2017/18</b>
<b>£'000</b>		<b>£'000</b>
	<b>745,582 Balance at 1 April</b>	<b>870,725</b>
94,111	Actuarial gains or losses on pensions assets and liabilities	(32,873)
71,050	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CI&ES	84,812
(40,018)	Employer's pensions contributions and direct payments to pensioners payable in the year	(39,956)
	<b>870,725 Balance at 31 March</b>	<b>882,708</b>

e) Collection Fund Adjustment Account

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

2016/17		2017/18
£'000		£'000
<b>(3,805)</b>	<b>Balance at 1 April</b>	<b>(2,189)</b>
1,616	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	(278)
<b>(2,189)</b>	<b>Balance at 31 March</b>	<b>(2,467)</b>

f) Accumulated Absences Account

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

2016/17		2017/18	
£'000		£'000	£'000
<b>5,103</b>	<b>Balance at 1 April</b>		<b>5,080</b>
(5,103)	Settlement or cancellation of accrual made at the end of the preceding year	(5,080)	
5,080	Amounts accrued at the end of the current year	5,128	
(23)	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		48
<b>5,080</b>	<b>Balance at 31 March</b>		<b>5,128</b>

g) Available for Sale Financial Instrument Reserve

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

- revalued downwards or impaired and the gains are lost; and
- disposed of and the gains are realised.

2016/17		2017/18
£'000		£'000
<b>(447)</b>	<b>Balance at 1 April</b>	<b>(154)</b>
293	Change in the value of investments not charged to the Surplus/Deficit on the Provision of Services	(72)
<b>(154)</b>	<b>Balance at 31 March</b>	<b>(226)</b>

## Note 26. Operating Activities.

The cash flow operating activities include the following items:

2016/17	2017/18
£'000	£'000
(1,572) Interest received	(1,959)
20,772 Interest paid	20,160
(2) Dividends received	0

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

2016/17	2017/18
£'000	£'000
(84,706) Depreciation	(81,772)
(18,254) Impairment and downward valuations	(14,565)
(1,930) Amortisation	(2,496)
(1,427) Increase/(decrease) in impairment for bad debts	129
28,203 Increase/decrease in creditors	17,740
9,724 Increase/decrease in debtors	4,076
(428) Increase/decrease in inventories	(1,320)
(31,032) Movement in pension liability	(44,856)
(18,872) Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(35,374)
2,255 Other non-cash items charged to the net surplus or deficit on the provision of services	7,636
<b>(116,468) Net surplus/(deficit) on provision of services for non cash movements</b>	<b>(150,802)</b>

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

2016/17	2017/18
£'000	£'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
103,806 - Capital Grants credited to Surplus or deficit on the provision of services	110,567
0 - Proceeds from sale of property, plant and equipment, investment property and intangible assets	0
1,655 - Any other items for which the cash effects are investing or financing cash flows	1,658
<b>105,461 Net surplus/(deficit) on provision of services for Investing &amp; Financing activities</b>	<b>112,225</b>

## Note 27. Investing Activities.

The cash flow investing activities include the following items:

2016/17		2017/18
£'000		£'000
55,459	Purchase of property, plant and equipment, investment property and intangible assets	100,412
1,064,550	Purchase of short-term and long- term investments	929,786
788	Other payments for investing activities	765
0	Proceeds from sale of property, plant equipment, investment property and intangible assets	0
(1,033,517)	Proceeds from short-term and long-term investments	(927,779)
(102,952)	Capital Grants Received (Government)	(109,510)
(2,443)	Other receipts from investing activities	(2,422)
<b>(18,115) Net cash flow from investing activities</b>		<b>(8,748)</b>

## Note 28. Financing Activities.

The cash flow financing activities include the following items:

2016/17		2017/18
£'000		£'000
(34,082)	Cash receipts of short and long-term borrowing	(51,000)
470	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-Balance-Sheet PFI Contracts	476
37,691	Repayments of short and long-term borrowing	66,676
<b>4,079 Net cash flow from Financing activities</b>		<b>16,152</b>

## Note 29. Cash & Cash Equivalents.

The balance of Cash and Cash Equivalents is made up of the following elements:

Balance at 31 March 2017		Balance at 31 March 2018
£'000		£'000
(95)	Cash held by the authority	63
(18,492)	Bank current accounts	(33,025)
120	Short-term deposits with building societies	194
<b>(18,467) Total</b>		<b>(32,768)</b>

## Note 30. Acquired and Discontinued Operations.

The Council has no Acquired and Discontinued Operations to report for 2017-18.

One acquired operation to be aware of in 2018-19 relates to support of carers up to the age of 25. Section 3 of the Children's and Social Work Act 2017 has introduced a new duty on local authorities, which requires them to offer Personal Advisor support to all carers under the age of 25, irrespective of whether they are engaged in education or training.

This includes care leavers who return to the local authority at any point after the age of 21 up to the age of 25 and request a Personal Advisor support. Under the previous legal framework, all care leavers were entitled to receive support from a Personal Advisor until they reached 21. This will come into effect on May 2018.

## Note 31. 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 2017 the Better Care Fund Section 75 of £147m whereby the Council is the host Authority for the pooled budgets relates to Proactive Care, Specialties including Learning Disabilities, Integrated Community Equipment Service, and Child & Adolescent Mental Health Services, and is responsible for their financial administration. Outside this Better Care Fund Section 75 is a standalone Section 75 for Sexual Health.

### a. Proactive Care

The Proactive Section 75'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 (DTC) are crucial areas that the Board is responsible for reviewing.

<b>2016/17</b>		<b>2017/18</b>
<b>£'000</b>		<b>£'000</b>
46,946	Gross Partnership Expenditure	50,395
(46,946)	Gross Partnership Income	(50,395)
<b>0</b>	<b>Surplus(-)/Deficit(+)</b>	<b>0</b>
<b>Contribution from Lincolnshire</b>		
<b>24,884</b>	<b>County Council</b>	<b>34,636</b>

This was split across both Health and Social care expenditure in 2017-18. 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 2017-18. The increase in LCC funding came about because of additional IBCF funding in year that was utilised against a number of Proactive Care areas.

### b. Learning Disability

In 2001-02 Lincolnshire County Council and Lincolnshire Clinical Commissioning Group's established a pooled budget Partnership Arrangement for the provision of Learning Disability services. This has now been extended to include LD Carers, Personal Health Budgets and Adult care section 256 of the National Health Service (NHS) Act 2006.

Under section 256, the Council incurred expenses on community services and the Primary Care Trust reimbursed the Council on this expenditure in connection with the performance of its functions, which in the opinion of the Primary Care Trust a) have an effect on the health of any individuals; b) have an effect on or are affected by any NHS functions; and/or c) are connected with any NHS functions.

<b>2016/17</b>		<b>2017/18</b>
<b>£'000</b>		<b>£'000</b>
65,386	Gross Partnership Expenditure	73,139
(63,666)	Gross Partnership Income	(71,123)
<b>1,720</b>	<b>Surplus(-)/Deficit(+)</b>	<b>2,016</b>
<b>Contribution from Lincolnshire</b>		
<b>47,290</b>	<b>County Council</b>	<b>54,931</b>

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 2017-18 with an overspend of £2.016m for the year which has been borne by the Council. The service has seen growth in Supported Living and Direct Payments costs from a combination of high cost discharges from in-patient provision and school/college leavers requiring packages of care. There has also been an increase in residential placement costs this year, and the introduction of the Waking Nights new rates. Service user income has increased due to direct payment audit income and the successful conclusion a number of long standing legal disputes in respect out of county placements by other Local Authorities within the County.

### c) Corporate

The Corporate Section 75 up to the end of 2016-17 provided the 'enablers' to the delivery of health and wellbeing of Lincolnshire, essentially focused around BCF-funded activity. So the Section 75 funded (a) the risk framework, the contingency reserve, and provided the mechanism for pooling underspends from other Section 75 agreements; and (b) provided the funds to support Lincolnshire Health and Care (LHAC) review and development. This area was discontinued from the end of March 2017.

<b>2016/17</b>		<b>2017/18</b>
<b>£'000</b>		<b>£'000</b>
4,402	Gross Partnership Expenditure	0
193	Gross Partnership Income	0
<b>4,595</b>	<b>Surplus(-)/Deficit(+)</b>	<b>0</b>
<b>Contribution from Lincolnshire</b>		
<b>0</b>	<b>County Council</b>	<b>0</b>

No costs in year for the Corporate Section 75 as the areas within this section ceased at the end of 2016-17.

d. Integrated Community Equipment Service (ICES)

From 1st April 2015 the Council entered into a Section 75 agreement with the four Lincolnshire CCG's for the provision of an Integrated Community Equipment Service (ICES).

2016/17		2017/18
£'000		£'000
	5,800 Gross Partnership Expenditure	5,813
	(5,800) Gross Partnership Income	(5,800)
	<b>0 Surplus(-)/Deficit(+)</b>	<b>13</b>
<b>Contribution from Lincolnshire</b>		
<b>2,668</b>	<b>County Council</b>	<b>2,668</b>

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.

e. Child & Adolescent Mental Health Services

In 2012-13 the Council and Lincolnshire CCG's established a pooled budget Partnership Arrangement for the provision of Child & Adolescent Mental Health Service. The size of this pooled budget increased from 2016-17 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.

2016/17		2017/18
£'000		£'000
	6,090 Gross Partnership Expenditure	8,011
	(5,365) Gross Partnership Income	(8,011)
	<b>725 Surplus(-)/Deficit(+)</b>	<b>0</b>
<b>Contribution from Lincolnshire</b>		
<b>725</b>	<b>County Council</b>	<b>725</b>

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 2017-18, which also includes the Council's contribution of £725k.

#### f. Sexual Health

During 2015-16 the Council jointly procured a new contract with NHS England to provide sexual health treatment and prevention services around the county. The new contract commenced 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 Council. Whilst the Council is responsible for the contract, the funding is received from NHS England in respect of the HIV services. As such a Section 75 agreement has been agreed between the Council and NHS England.

<b>2016/17</b>		<b>2017/18</b>
<b>£'000</b>		<b>£'000</b>
1,268	Gross Partnership Expenditure	1,244
(1,268)	Gross Partnership Income	(1,244)
<b>0</b>	<b>Surplus(-)/Deficit(+)</b>	<b>0</b>
<b>Contribution from Lincolnshire</b>		
<b>0</b>	<b>County Council</b>	<b>0</b>

#### Note 32. Members Allowances.

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

<b>2016/17</b>		<b>2017/18</b>
<b>£'000</b>		<b>£'000</b>
791	Basic Allowances	741
424	Special Responsibility Allowances	418
1,215		1,159
87	Expenses	83
<b>1,302</b>		<b>1,242</b>

The number of councillors fell from 77 to 70 after the May 2017 local election following the boundaries reform.

#### Note 33. 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, monetary 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:

The table below excludes all employees who are included within the Senior Officer Remuneration table under section b.

2016/17		Pay Band	2017/18	
Number of Staff			Number of Staff	
Remuneration received (excl Staff receiving termination payments)	Staff who received termination payments		Remuneration received (excl Staff receiving termination payments)	Staff who received termination payments
-	-	£145,000- £149,999	-	-
-	-	£140,000- £144,999	-	1
-	-	£135,000- £139,999	-	-
-	-	£130,000- £134,999	-	1
-	-	£125,000- £129,999	-	-
-	-	£120,000- £124,999	-	-
-	-	£115,000- £119,999	-	-
-	1	£110,000- £114,999	1	-
2	1	£105,000- £109,999	-	-
-	2	£100,000- £104,999	2	-
3	-	£95,000- £99,999	1	-
4	-	£90,000- £94,999	4	-
8	-	£85,000- £89,999	6	-
3	-	£80,000- £84,999	7	1
5	4	£75,000- £79,999	11	-
24	1	£70,000- £74,999	23	-
43	3	£65,000- £69,999	42	2
44	5	£60,000- £64,999	48	2
67	1	£55,000- £59,999	64	1
124	2	£50,000- £54,999	149	3
<b>327</b>	<b>20</b>	<b>Total</b>	<b>358</b>	<b>11</b>

A breakdown of the numbers between schools and other services can be found in the following table:

2016/17				Pay Band	2017/18			
Number of Staff					Number of Staff			
Remuneration received (excl those receiving termination payments)		Staff who received termination payments			Remuneration received (excl those receiving termination payments)		Staff who received termination payments	
SCHOOLS	OTHER SERVICES	SCHOOLS	OTHER SERVICES	SCHOOLS	OTHER SERVICES	SCHOOLS	OTHER SERVICES	
-	-	-	-	£145,000- £149,999	-	-	-	-
-	-	-	-	£140,000- £144,999	-	-	-	1
-	-	-	-	£135,000- £139,999	-	-	-	-
-	-	-	-	£130,000- £134,999	-	-	-	1
-	-	-	-	£125,000- £129,999	-	-	-	-
-	-	-	-	£120,000- £124,999	-	-	-	-
-	-	-	-	£115,000- £119,999	-	-	-	-
-	-	-	1	£110,000- £114,999	-	1	-	-
-	2	-	1	£105,000- £109,999	-	-	-	-
-	-	-	2	£100,000- £104,999	1	1	-	-
2	1	-	-	£95,000- £99,999	-	1	-	-
1	3	-	-	£90,000- £94,999	1	3	-	-
2	6	-	-	£85,000- £89,999	1	5	-	-
1	2	-	-	£80,000- £84,999	1	6	-	1
0	5	1	3	£75,000- £79,999	3	8	-	-
8	15	1	-	£70,000- £74,999	15	8	-	-
15	27	2	1	£65,000- £69,999	21	21	1	1
29	11	2	3	£60,000- £64,999	26	22	2	-
35	32	1	-	£55,000- £59,999	27	37	-	1
50	74	1	1	£50,000- £54,999	72	77	1	2
<b>143</b>	<b>178</b>	<b>8</b>	<b>12</b>	<b>Total</b>	<b>168</b>	<b>190</b>	<b>4</b>	<b>7</b>

## b. Senior Officers' Remuneration

The Accounts and Audit Regulations (England) 2015 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). Other Emoluments include the profit element of car hire and medical insurance.

Senior Officers with a salary over £150,000	Year	Salary	Employer's Pension Contribution	Any Other Emoluments	Total
		£	£	£	£
<b>Job Title</b>					
Tony McArdle - Chief Executive (*1)	2017/18	160,772	26,565	-	187,337
	2016/17	172,016	34,125	-	206,141

(\*1) The Chief Executive retired February 2018.

Senior Officers with a salary over £50,000 and less than £150,000	Year	Salary	Employer's Pension Contribution	Any Other Emoluments	Total
		£	£	£	£
Director of Adult Social Services	2017/18	128,515	21,076	-	149,591
	2016/17	127,243	25,067	-	152,310
Executive Director of Children's Services	2017/18	132,140	21,671	-	153,811
	2016/17	132,368	26,077	-	158,445
Executive Director - Finance & Public Protection	2017/18	128,515	21,174	4,362	154,051
	2016/17	127,243	25,184	3,172	155,599
Executive Director - Communities (*4)	2017/18	129,586	21,252	-	150,838
	2016/17	127,243	25,067	-	152,310
Chief Information and Commissioning Officer (*2)	2017/18	0	0	-	0
	2016/17	116,150	22,882	-	139,032
Chief Fire Officer	2017/18	117,417	9,242	-	126,659
	2016/17	115,328	12,709	-	128,037
Director of Public Health (*3)	2017/18	0	0	-	0
	2016/17	88,151	11,435	-	99,586
Interim Director of Public Health (*3)	2017/18	92,824	13,534	-	106,358
	2016/17	6,903	651	-	7,554
Director of Public Health (*3) (appointed Jan 2018)	2017/18	20,269	2,915	-	23,184
	2016/17	-	-	-	0

(\*2) The Chief Information & Commissioning Officer role was dis-established on 31<sup>st</sup> March 2017.

(\*3) The Director of Public Health retired during October 2016. An interim Director was appointed until a permanent replacement was made in January 2018.

(\*4) The salary of the Executive Director – Communities includes an honoraria payment in March as an Interim Chief Executive.

All Senior Officers are members of the Local Government Pension Scheme (LGPS) aside from those of Public Health, who are member of the National Health Service Pension Scheme (NHSPS).

From April 2017, the employer's contribution to LGPS has reduced to 16.4% (2017-18) from 19.7% (2016-17). However, the Council has increased its lump sum payment to cover the pension deficit

to £4.541m (2017-18) from £1.166m (2016-17) following receipt of the formal rates certificate from the actuary.

## Note 34. 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	
	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18
							£	£
<b>£0 - £20,000</b>	84	7	6	65	90	72	£758,144	£585,930
<b>£20,001 - £40,000</b>	34	7	2	24	36	31	£967,568	£857,224
<b>£40,001 - £60,000</b>	8	2	5	8	13	10	£621,483	£471,157
<b>£60,001 - £80,000</b>	6	0	2	3	8	3	£511,422	£199,002
<b>£80,001 - £100,000</b>	3	0	0	0	3	0	£278,024	£0
<b>£100,001 - £150,000</b>	3	0	1	0	4	0	£801,924	£0
<b>Total</b>	<b>138</b>	<b>16</b>	<b>16</b>	<b>100</b>	<b>154</b>	<b>116</b>	<b>£3,938,565</b>	<b>£2,113,313</b>

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

Details of the actual costs included within the Council's Income and Expenditure for redundancy and pension strain are set out below in Note 35 Termination Benefits. The difference between the values reported in this note and Note 35 Termination Benefits arise due to provisions and any variances between year end accruals and the actual payments made in the next financial year.

## Note 35. Termination Benefits.

As a result of further reductions to local government funding, the Council is undertaking a review and reshaping of services. In 2017-18 the Council has incurred liabilities of £2.135m (£2.314m in 2016-17) in relation to termination benefits.

- £1.739m for redundancy payments (£1.151m in 2016-17); and
- £0.396m for pension strain (£1.163m in 2016-17).

Further information on termination benefits can be found in Note 34 on Exit Packages, which details the number of exit packages and total cost over bands, and Note 44 on Defined Benefit Pension Schemes which details the effect termination benefits have had on pensions in 2017-18.

## Note 36. External Audit Costs.

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

	2016/17	2017/18
	£'000	£'000
Fees payable to the Appointed Auditor for external audit services	111	107
Fees payable to the Appointed Auditor for other services	53	15
<b>Total</b>	<b>164</b>	<b>122</b>

## Note 37. 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 (ISB), which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2017-18 are as follows:

<b>Schools Budget Funded by Dedicated Schools Grant</b>	<b>Central Expenditure</b>	<b>Individual Schools Budget</b>	<b>Total</b>
	£'000	£'000	£'000
Final DSG for 2017/18 before Academy recoupment			516,137
Academy Figure Recouped for 2017/18			(260,766)
<b>Total DSG after Academy Recoupment for 2017/18</b>			<b>255,371</b>
Brought Forward from 2016/17			15,247
Agreed Initial Budgeted Distribution in 2017/18	29,818	240,800	270,618
In Year Adjustments	(156)	3,759	3,603
<b>Final Budget Distribution for 2017/18</b>	<b>29,662</b>	<b>244,559</b>	<b>274,221</b>
less Actual central expenditure	(26,976)		(26,976)
less Actual ISB deployed to schools		(230,429)	(230,429)
<b>Total actual expenditure in 2017/18</b>	<b>(26,976)</b>	<b>(230,429)</b>	<b>(257,405)</b>
<b>Local Authority Contribution 2017/18</b>	<b>0</b>	<b>16</b>	<b>16</b>
<b>Carry forward to 2018-19</b>	<b>2,686</b>	<b>14,146</b>	<b>16,832</b>

The Individual Schools Budget includes schools contingency. For the purposes of the deployment of the grant, Individual School Budgets are deemed to be spent once allocated. School balances can be seen elsewhere in the Financial Statements in Note 10 Earmarked Reserves.

## Note 38. Grant Income.

The Council credited the following grants and contributions and donations to the Comprehensive Income and Expenditure Statement in 2017-18; for grants and contributions where the conditions have been met, or no conditions existed:

2016/17	a) Credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement	2017/18
£'000		£'000
	<b>Non-ring-fenced government grants:</b>	
70,351	Revenue Support Grant	48,292
6,892	Rural Services Delivery Grant	5,565
4,519	New Homes Bonus Grant	3,550
0	Adult Social Care Support Grant 2017/18	3,383
2,458	Section 31 Grant - Business Rates	2,773
1,755	Independent Living Fund Grant	1,698
1,501	Partners in Practice S31 Grant	1,438
4,899	Education Services Grant	1,215
1,586	Other Non Specific Grant	1,852
	<b>Capital Grants and Contributions:</b>	
31,973	DfT Asset Protection Grant	37,012
16,177	DFT LTP Lincoln Eastern Bypass	27,312
25,496	Growth Deal Grant (LEP)	11,843
14,266	DfE Basic Need Grant	11,667
0	National Productivity Investment Fund	5,366
5,028	DfE Schools Condition Capital Maintenance Grant	4,942
0	Blue Light PIF	4,844
3,312	DfT Integrated Transport Grant	3,312
0	East Midlands Ambulance Service Contribution	1,307
1,266	Devolved Formula Grant	1,213
256	Heritage Lottery Fund	98
1,800	Department of Culture, Media & Sport Broadband Grant	0
1,594	Early Years Capital Grant	0
2,637	Other Capital Grants and Contributions	1,651
<b>197,766</b>	<b>Total</b>	<b>180,333</b>

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.

2016/17	<b>b) Credited to Revenue Service Accounts in the Comprehensive Income and Expenditure Statement</b>	2017/18
£'000		£'000
247,695	Dedicated Schools Grant	255,530
34,371	Public Health Grant	33,524
0	Better Care Fund - Supplementary Improved Element	15,266
13,147	Pupil Premium	12,983
4,884	Disabled Facilities Grant	5,291
4,434	Universal Infant Free School Meals	4,502
4,182	YPLA 16-19 Funding	3,561
1,830	EFA and Sport Grant	2,819
1,954	Troubled Families Grant	2,063
0	Better Care Fund - Improved Element	1,906
1,209	Asylum Seekers	1,481
1,216	Fire New Burdens	1,401
1,158	The Private Finance Initiative	1,158
2,273	Adult Safeguarding Learning	1,078
6,408	Other Revenue Grants	7,060
<b>324,761</b>		<b>349,623</b>

Details of Revenue Grants unutilised during the financial year and transferred to Earmarked Reserves are set out in Note 10.

## Note 39. Related Parties.

The Council is required to disclose transactions with other bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by it. Disclosure of these transactions allows readers to make an informed assessment on how much the Council might have been restricted to operate independently or how it might have limited the other bodies' or individuals' ability to bargain freely.

### 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 are set out in Note 13 Taxation and Non Specific Grant Income and Note 38 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 2017-18 are shown in Note 32.

The Chief Executive and those reporting directly to him may also be able to influence Council policy. Therefore accounting standards require the Council to disclose certain 'related party transactions' between County Councillors, Chief Officers and the Council. This information comes from the statutory registers of interest (maintained for members) and declarations of pecuniary

interests (for Officers). Details of all transactions are recorded in the Register of Members' Interest, which are available for public inspection at County Offices on Newland, Lincoln, during normal office hours, or also on-line from the Council's website. All Council members and Chief Officers have been written to, advising them of their obligations and asking for any declarations of related party transactions to be disclosed within the Statement of Accounts.

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

During 2017-18 the following have been declared:

#### Councillors

- Seventeen Councillors' or their immediate families have provided goods/services to the Council to the value of £0.080m;
- Forty Councillors' or their immediate families are associated with Public Bodies which have provided goods/services to the Council to the value of £19.379m;
- Eleven Councillors are associated with voluntary organisations which have provided goods/services to the Council to the value of £1.064m.

No Councillors or Chief Officers have declared related party transactions for providing services to other entities through the Council.

#### c. Other Public Bodies

The Council has entered into Pooled Budget arrangements, which are shown in Note 31; with Lincolnshire Clinical Commissioning Groups for Specialties including 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 Sexual Health.

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 £0.177m was recharged from the Council to the pension fund for scheme administration and management. The pension fund earned a total interest of £0.071m on deposits managed within the Council's own cash, which the Council paid over to the pension fund.

The 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 (CCG's). The Council paid £7.255m (£7.230m in 2016-17) acting as an agent of the CCG's in order to simplify the payment arrangements to the homes. The total amount paid is recovered from the CCG's.

#### d. Entities Controlled or Significantly Influenced by the Council

The authority controls Transport Connect Ltd through its ownership of the Company which is limited by guarantee. One of the Council's Chief Officers is one of the Non-Executive Directors and Chairman of the Company. The Council has provided a fixed loan of £521,601 with an interest rate of 4.25%, and a revolving credit facility of £257,000 with an interest rate of 4% over Bank of England base rate.

Transport Connect Ltd is a teckal company and as such at least 80% of its turnover has to come from the Council. The turnover for the year ending 31 March 2018 is £2.221m, of which £2.203m (99%) came from the Council.

## Note 40. Capital Expenditure and Capital Financing.

The table below shows the financing of the £131.219m 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 2017-18 expenditure is provided in the Narrative Report, with details of the asset acquired.

2016/17 £'000		2017/18 £'000
<b>559,751</b>	<b>Opening Capital Financing Requirement</b>	<b>557,863</b>
	<u>Capital Investment:</u>	
80,427	Property, Plant and Equipment	98,778
399	Investment Property	450
2,354	Intangible Assets	1,761
0	Loans and Advances Treated as Capital Expenditure	0
19,806	Revenue Expenditure Funded from Capital Under Statute (REFCUS)	30,228
	<u>Sources of Finance:</u>	
0	Capital Receipts	
(74,072)	Government Grants and Contributions	(105,566)
(9,486)	Government Grants and Contributions funding REFCUS	(6,418)
	<u>Sums set aside from Revenue:</u>	
(3,756)	Direct Revenue Contributions	(4,632)
(17,560)	Minimum Revenue Provision/Loans fund principal	(17,737)
<b>557,863</b>	<b>Closing Capital Financing Requirement</b>	<b>554,728</b>
<b>(1,888)</b>	<b>Movement in Year:</b>	<b>(3,135)</b>
	<b>Explanation of movement in year:</b>	
0	Increase in underlying need to borrow (supported by government financial assistance)	0
(2,103)	Increase in underlying need to borrow (unsupported by government financial assistance)	(3,137)
0	Assets acquired under finance leases	0
215	Assets acquired under PFI/PPP contracts	2
<b>(1,888)</b>	<b>Increase/(Decrease) in Capital Financing Requirement</b>	<b>(3,135)</b>

### Capitalisation of Borrowing Costs.

The Council does not capitalise any borrowing costs.

## Note 41. Leases.

### 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 holds 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 £0.026m (£0.112m in 2016-17) were made during the year. £0.005m was charged to the Comprehensive Income and Expenditure Statement as interest payable and £0.021m written down to deferred liabilities.

The following amounts are included within tangible fixed assets Note 14 for the Property, Plant and Equipment held under finance leases:

	Land and Buildings		Vehicles, Plant & Equipment	
	2016/17	2017/18	2016/17	2017/18
	£'000	£'000	£'000	£'000
Balance at 1 April	14,486	13,953	175	85
Additions	21	108	16	0
Revaluations	(242)	(158)	0	0
Depreciation	(424)	(418)	(106)	(48)
Disposals	0	0	0	(21)
Derecognition	(378)	(30)	0	0
Reclassifications	490	12	0	0
<b>Net Book Value at 31 March</b>	<b>13,953</b>	<b>13,467</b>	<b>85</b>	<b>16</b>

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.

	2016/17		2017/18	
	Minimum Lease Payments	Finance Lease Liabilities	Minimum Lease Payments	Finance Lease Liabilities
	£'000	£'000	£'000	£'000
<b>Land and Buildings:</b>				
Not later than one year	6	6	6	13
Between one year and not later than five years	27	62	35	62
Later than five years	186	304	172	292
<b>Total Committed Liabilities as at 31 March</b>	<b>219</b>	<b>372</b>	<b>213</b>	<b>367</b>

	2016/17		2017/18	
	Minimum Lease Payments	Finance Lease Liabilities	Minimum Lease Payments	Finance Lease Liabilities
	£'000	£'000	£'000	£'000
<b>Vehicles, Plant &amp; Equipment:</b>				
Not later than one year	25	6	29	7
Between one year and not later than five years	29	4	20	3
Later than five years	0	0	0	0
<b>Total Committed Liabilities as at 31 March</b>	<b>54</b>	<b>10</b>	<b>49</b>	<b>10</b>

The Council sub-lets County Farm holdings held under finance leases. At 31 March 2018 the minimum payments expected to be received under non-cancellable sub-leases was £0.354m.

## ii) Operating Leases

The Council has acquired the following assets under operating leases:

### Land and Buildings:

- The Council lease various properties for use in delivering services. The rentals paid during 2017-18 amounted to £1.113m (£1.415m in 2016-17).

### 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 £4.272m in 2017-18 (£3.164m in 2016-17).

As at 31 March 2018, the Council is committed to making payments of £17.009m under operating leases, comprising the following elements:

	2016/17	2017/18
	£'000	£'000
Not later than one year	3,402	3,425
Between one year and not later than five years	7,355	6,910
Later than five years	7,121	6,674
<b>Total Committed Liabilities as at 31 March</b>	<b>17,878</b>	<b>17,009</b>

## Lincolnshire County Council as Lessor

### i) Finance Leases

The Council has granted a small number of long-term leases for Adult Care properties, a Children's Centre 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 £2.365m in 2017-18 (£2.410m in 2016-17). The Council also received rental

income from other properties; where the value of the lease is material, the income amounted to £1.661m in 2017-18 (£0.805m in 2016-17).

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

	2016/17	2017/18
	£'000	£'000
Not later than one year	2,103	2,479
Between one year and not later than five years	5,791	6,118
Later than five years	16,177	16,305
<b>Total future minimum lease payments receivable as at 31 March</b>	<b>24,071</b>	<b>24,902</b>

## Note 42. 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 2017-18. These assets are included in the fixed assets shown in Note 14 Property, Plant and Equipment.

	Land & Buildings		Furniture & Equipment	
	2016/17	2017/18	2016/17	2017/18
	£'000	£'000	£'000	£'000
Balance at 1 April	21,256	15,291	27	28
Additions	202	2	13	0
Revaluations	(762)	(311)	0	0
Depreciation	(517)	(363)	(12)	(18)
Disposals	(4,888)	(113)	0	0
Reclassifications	0	0	0	0
De-recognition	0	0	0	0
<b>Net Book Value at 31 March</b>	<b>15,291</b>	<b>14,506</b>	<b>28</b>	<b>10</b>

**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 2017-18:

	PFI Lease Liability	
	2016/17	2017/18
	£'000	£'000
Liability as at 01 April	11,850	11,380
Principal Repayments	(470)	(609)
<b>Liability as at 31 March</b>	<b>11,380</b>	<b>10,771</b>

**d. PFI Contract Liabilities**

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

	Principal Lease Repayments	Financing Costs (Interest)	Service Charges	Total Estimated Payments
	£'000	£'000	£'000	£'000
Payable in 2018-19	745	752	1,861	3,358
Payable between 2019-20 and 2021-22	2,394	1,923	6,221	10,538
Payable between 2022-23 and 2026-27	3,932	2,068	11,382	17,382
Payable between 2027-28 and 2031-32	3,561	550	10,101	14,212
Payable in 2032-33	139	2	650	791
<b>March 2018</b>	<b>10,771</b>	<b>5,295</b>	<b>30,215</b>	<b>46,281</b>

#### e. School Assets

On 1 August 2016, the Lady Jane Franklin School in Spilsby converted to Academy status (now called Woodlands Academy). 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 £1.625m of principal lease liability and £0.799m of interest liability that relate to the Lady Jane Franklin School.

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 £1.635m of principal lease liability and £0.803m 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 £1.780m of principal lease liability and £0.875m of interest liability that relate to St Botolph's County Primary School.

## Note 43. 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 this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2017-18 the Council paid £12.626m to the administrators of the TPS in respect of employer's pension contributions. The Council contribution rate to the teacher's pension fund in 2017-18 is 16.48%. 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 £4.035m in 2017-18 and have an ongoing liability to the Council.

### National Health Service Pension Scheme (NHSPS)

Staff that transferred to the Council from the Health Authority as part of Public Health and Children Services 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 2017-18 the Council paid £0.482m to the administrators of the NHS Pension Scheme in respect of employer contributions. The employer's contribution rate to the scheme is 14.38% in 2017-18.

## Note 44. 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 pension's liabilities with investment assets.

The Council paid employer's contributions of £25.018m (£28.199m in 2016-17 contribution rate 19.7%) into the Lincolnshire Pension Fund in 2017-18, based on 16.4% of scheme employees' pensionable pay and a lump sum payment of £4.451m (£1.166m in 2016-17).

Under the Council's early retirement policy, additional contributions of £0.396m (£1.163m in 2016-17) 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 £5.897m (£6.133m in 2016-17). Further information can be found on pages 108 to 142 and in the Council's Pension Fund Annual Report which is available on request.

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 121.

The principal risks to the authority of the scheme are the longevity assumptions, statutory changes to the scheme, and 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 2017-18 the Council paid employer's contributions of £5.500m (£5.3m in 2016-17) 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 £1.0m (£0.6m in 2016-17) was paid in respect of ill health retirements and £0.477m (£0.343 in 2016-17) in respect of injury benefits. Further information on the Lincolnshire Fire and Rescue Pension fund can be found on pages 143 to 145.

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 MHCLG 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 2018:

2016/17				2017/18		
Assets	Obligations	Net liability/asset		Assets	Obligations	Net liability/asset
£'000	£'000	£'000		£'000	£'000	£'000
950,084	0	<b>950,084</b>	Fair value of employer assets	1,163,183	0	1,163,183
0	(1,405,155)	<b>(1,405,155)</b>	Present value of funded liabilities	0	(1,698,181)	(1,698,181)
0	(94,711)	<b>(94,711)</b>	Present value of unfunded liabilities	0	(102,827)	(102,827)
<b>950,084</b>	<b>(1,499,866)</b>	<b>(549,782)</b>	<b>Opening position as at 31 March</b>	<b>1,163,183</b>	<b>(1,801,008)</b>	<b>(637,825)</b>
<u>Service cost:</u>						
0	(34,448)	<b>(34,448)</b>	Current service cost	0	(55,085)	(55,085)
0	(679)	<b>(679)</b>	Past service costs (including curtailments)	0	(298)	(298)
0	0	<b>0</b>	Effect of settlements	0	0	0
<b>0</b>	<b>(35,127)</b>	<b>(35,127)</b>	<b>Total Service Costs</b>	<b>0</b>	<b>(55,383)</b>	<b>(55,383)</b>
<u>Net Interest:</u>						
33,121	0	<b>33,121</b>	Interest income on planned assets	30,150	0	30,150
0	(52,344)	<b>(52,344)</b>	interest cost on defined benefit obligation	0	(46,979)	(46,979)
0	0	<b>0</b>	Impact on asset ceiling	0	0	0
<b>33,121</b>	<b>(52,344)</b>	<b>(19,223)</b>	<b>Total net Interest</b>	<b>30,150</b>	<b>(46,979)</b>	<b>(16,829)</b>
<b>33,121</b>	<b>(87,471)</b>	<b>(54,350)</b>	<b>Total defined benefit cost recognised in Profit or (Loss)</b>	<b>30,150</b>	<b>(102,362)</b>	<b>(72,212)</b>
<u>Cash flows:</u>						
8,440	(8,440)	<b>0</b>	Plan participants' contributions	8,604	(8,604)	0
29,285	0	<b>29,285</b>	Employer contributions	29,559	0	29,559
6,133	0	<b>6,133</b>	Contributions re unfunded benefits	5,897	0	5,897
(44,025)	44,025	<b>0</b>	Benefits paid	(43,740)	43,740	0
(6,133)	6,133	<b>0</b>	Unfunded benefits paid	(5,897)	5,897	0
(6,300)	41,718	<b>35,418</b>	<b>Total Cash Flows</b>	<b>(5,577)</b>	<b>41,033</b>	<b>35,456</b>
<b>976,905</b>	<b>(1,545,619)</b>	<b>(568,714)</b>	<b>Expected closing position</b>	<b>1,187,756</b>	<b>(1,862,337)</b>	<b>(674,581)</b>
<u>Remeasurements:</u>						
0	26,952	<b>26,952</b>	Changes in demographic assumptions	0	0	0
0	(277,336)	<b>(277,336)</b>	Changes in financial assumptions	0	33,880	33,880
0	(5,005)	<b>(5,005)</b>	Other experience	0	1,623	1,623
186,278	0	<b>186,278</b>	Return on assets excluding amounts included in net interest	(3,530)	0	(3,530)
0	0	<b>0</b>	Changes in asset ceiling	0	0	0
<b>186,278</b>	<b>(255,389)</b>	<b>(69,111)</b>	<b>Total remeasurements recognised in Other Comprehensive Income (OCI)</b>	<b>(3,530)</b>	<b>35,503</b>	<b>31,973</b>
0	0	<b>0</b>	Exchange differences	0	0	0
0	0	<b>0</b>	Effect of business combinations or disposals	0	0	0
<b>0</b>	<b>0</b>	<b>0</b>	<b>Total Exchange and business combinations &amp; disposals</b>	<b>0</b>	<b>0</b>	<b>0</b>
1,163,183	0	<b>1,163,183</b>	Fair value of employer assets	1,184,226	0	1,184,226
0	(1,698,181)	<b>(1,698,181)</b>	Present value of funded liabilities	0	(1,729,335)	(1,729,335)
0	(102,827)	<b>(102,827)</b>	Present value of unfunded liabilities	0	(97,499)	(97,499)
<b>1,163,183</b>	<b>(1,801,008)</b>	<b>(637,825)</b>	<b>Closing position as at 31 March</b>	<b>1,184,226</b>	<b>(1,826,834)</b>	<b>(642,608)</b>

This liability comprises of approximately £1.862m in respect of LPGS unfunded pensions and £4.035m in respect of Teachers unfunded pensions.

From the table above, below is an analysis of the present value of funded liabilities for the Local Government Pension Scheme:

	Liability Split		Duration
	£000	%	
Members	665,624	38.5%	24.1
Deferred Members	425,725	24.6%	23.0
Pensioners	637,986	36.9%	11.5
	<b>1,729,335</b>	<b>100.0%</b>	<b>17.8</b>

**b. Pension Assets and Liabilities Recognised in the Balance Sheet, P & L & OCI for the Fire Fighters Pension Fund as at 31 March 2018**

2016/17				2017/18		
Assets	Obligations	Net liability/asset		Assets	Obligations	Net liability/asset
£'000	£'000	£'000		£'000	£'000	£'000
0	0	0	Fair value of employer assets	0	0	0
0	(181,900)	(181,900)	Present value of funded liabilities	0	(216,300)	(216,300)
0	(13,900)	(13,900)	Present value of unfunded liabilities	0	(16,600)	(16,600)
<b>0</b>	<b>(195,800)</b>	<b>(195,800)</b>	<b>Opening position as at 31 March</b>	<b>0</b>	<b>(232,900)</b>	<b>(232,900)</b>
<u>Service cost:</u>						
0	(4,600)	(4,600)	Current service cost	0	(6,500)	(6,500)
0	(5,100)	(5,100)	Past service costs (including curtailments)	0	0	0
0	0	0	Effect of settlements	0	0	0
<b>0</b>	<b>(9,700)</b>	<b>(9,700)</b>	<b>Total Service Costs</b>	<b>0</b>	<b>(6,500)</b>	<b>(6,500)</b>
<u>Net Interest:</u>						
0	0	0	Interest income on planned assets	0	0	0
0	(7,000)	(7,000)	interest cost on defined benefit obligation	0	(6,100)	(6,100)
0	0	0	Impact on asset ceiling	0	0	0
<b>0</b>	<b>(7,000)</b>	<b>(7,000)</b>	<b>Total net Interest</b>	<b>0</b>	<b>(6,100)</b>	<b>(6,100)</b>
<b>0</b>	<b>(16,700)</b>	<b>(16,700)</b>	<b>Total defined benefit cost recognised in Profit or (Loss)</b>	<b>0</b>	<b>(12,600)</b>	<b>(12,600)</b>

2016/17				2017/18		
Assets	Obligations	Net liability/asset		Assets	Obligations	Net liability/asset
£'000	£'000	£'000		£'000	£'000	£'000
<u>Cash flows:</u>						
1,300	(1,300)	0	Plan participants' contributions	1,400	(1,400)	0
4,300	0	4,300	Employer contributions	4,100	0	4,100
0	0	0	Transfers to/from other authorities	0	0	0
300	0	300	Contributions in respect of injury benefits	400	0	400
-5,600	5,600	0	Benefits paid	(5,500)	5,500	0
0	0	0	Backdated commutation payments	0	0	0
-300	300	0	Injury award expenditure	(400)	400	0
0	4,600	4,600	Total Cash Flows	0	4,500	4,500
0	(207,900)	(207,900)	<b>Expected closing position</b>	0	(241,000)	(241,000)
<u>Remeasurements:</u>						
0	(1,200)	(1,200)	Changes in demographic assumptions	0	2,500	2,500
0	(41,000)	(41,000)	Changes in financial assumptions	0	4,200	4,200
0	17,200	17,200	Other experience	0	(5,800)	(5,800)
0	0	0	Return on assets excluding amounts included in net interest	0	0	0
0	0	0	Changes in asset ceiling	0	0	0
0	(25,000)	(25,000)	<b>Total remeasurements recognised in Other Comprehensive Income (OCI)</b>	0	900	900
0	0	0	Exchange differences	0	0	0
0	0	0	Effect of business combinations or disposals	0	0	0
0	0	0	<b>Total Exchange and business combinations &amp; disposals</b>	0	0	0
0	0	0	Fair value of employer assets	0	0	0
0	(216,300)	(216,300)	Present value of funded liabilities	0	(224,100)	(224,100)
0	(16,600)	(16,600)	Present value of unfunded liabilities	0	(16,000)	(16,000)
0	(232,900)	(232,900)	<b>Closing position as at 31 March</b>	0	(240,100)	(240,100)

The current service cost shown in the table above includes the cost for both the non-injury benefits and injury benefits. This is split £5.8m for the non-injury benefits and £0.7m 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 £5.6m for the non-injury benefits and £0.5m for the injury benefits.

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

2016/17				2017/18		
Liability Split		Duration		Liability Split		Duration
£000	%			£000	%	
98,000	45.31%	24.2	Members	90,600	40.43%	25.1
8,100	3.74%	27.5	Deferred Members	8,600	3.84%	25.2
110,200	50.95%	11.4	Pensioners	124,900	55.73%	11.2
<b>216,300</b>	<b>100.00%</b>			<b>224,100</b>	<b>100.0%</b>	<b>17.4</b>
9,800	59.04%	24.2	Contingent injuries	9,100	56.88%	25.1
6,800	40.96%	12.0	Injury pension	6,900	43.13%	11.2
<b>16,600</b>	<b>100.00%</b>			<b>16,000</b>	<b>100.0%</b>	<b>19.1</b>

The durations are effective as at the previous valuations as at 31 March 2015 and 2016.

### c. Pension Fund Assets Comprise

The Local Government Pension schemes comprise the following assets:

Asset Class	Fair value of scheme assets			
	2016/17		2017/18	
	£'000	%	£'000	%
<b>Equities (b)</b>				
- Consumer	130,772	11.2%	86,996	7.3%
- Manufacturing	17,094	1.5%	67,328	5.7%
- Energy & Utilities	30,158	2.6%	32,833	2.8%
- Financial	80,333	6.9%	81,436	6.9%
- Health & Care	0	0.0%	50,381	4.3%
- Information Technology	44,777	3.8%	92,118	7.8%
- Other	95,490	8.2%	0	0.0%
<b>Total Equities</b>	<b>398,624</b>	<b>34.3%</b>	<b>411,092</b>	<b>34.7%</b>
<b>Bonds:</b>				
- Corporate (Investment)	108,119	9.3%	0	0.0%
- Corporate (Non-Investment Grade)	0	0.0%	0	0.0%
- Government (Fixed)	37,553	3.2%	0	0.0%
- Other	0	0.0%	0	0.0%
<b>Total Bonds</b>	<b>145,672</b>	<b>12.5%</b>	<b>0</b>	<b>0.0%</b>
<b>Total Private Equity</b>	<b>26,861</b>	<b>2.3%</b>	<b>19,174</b>	<b>1.6%</b>
<b>Property</b>				
- UK	105,841	9.1%	100,358	8.5%
- Global	3,540	0.3%	8,841	0.7%
<b>Total Property</b>	<b>109,381</b>	<b>9.4%</b>	<b>109,199</b>	<b>9.2%</b>
<b>Investment Funds &amp; Unit Trusts:</b>				
- Equities	319,575	27.5%	328,571	27.7%
- Bonds	0	0.0%	139,991	11.8%
- Infrastructure	17,485	1.5%	17,252	1.5%
- Other	137,351	11.8%	144,463	12.2%
<b>Total Investment Funds</b>	<b>474,411</b>	<b>40.8%</b>	<b>630,277</b>	<b>53.2%</b>
<b>Cash and Cash Equivalents</b>	<b>8,234</b>	<b>0.7%</b>	<b>14,484</b>	<b>1.2%</b>
<b>Total Derivatives</b>	<b>0</b>	<b>0.0%</b>	<b>0</b>	<b>0.0%</b>
<b>Total Assets</b>	<b>1,163,183</b>	<b>100.0%</b>	<b>1,184,226</b>	<b>100.0%</b>

All scheme assets have quoted prices in active markets.

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

The estimated return on scheme assets in the year was 2.3% (2017-18).

#### d. 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 2016.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme		Fire-fighters' Pension Scheme	
	2016/17	2017/18	2016/17	2017/18
	%	%	%	%
Price Increases	3.4	3.4	3.2	3.4
Salary Increases	2.8	2.8	3.2	3.4
Pension Increases (CPI)	2.4	2.4	2.2	2.4
Discount Rate	2.6	2.7	3.5	2.7
Equity investments	22.8	2.3	N/A	N/A
Take up of option to convert annual pension to lump sum prior to 1 April 2008	50	50	N/A	N/A
Take up of option to convert annual pension to lump sum post 1 April 2008	75	75	N/A	N/A

The table below shows the life expectancy of future and current pensioners and is based on the CMI 2013 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		Fire-fighters' Pension Scheme	
	Male	Female	Male	Female
Current Pensioners	22.1 years	24.4 years	29.5 years	31.5 years
Future Pensioners (*1)	24.1 years	26.6 years	30.8 years	32.8 years

(\*1) Figures assume members aged 45 as at the last formal valuation.

#### e. 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 an 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 2018	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%	176,632	9.0%	21,616
1 year increase in member life expectancy	-	-	3.0%	7,208
0.5% increase in the Salary Increase Rate	1.0%	20,975	1.0%	1,817
0.5% increase in the Pension Increase Rate	8.0%	153,751	7.0%	17,848
1 year increase in member life expectancy on the Current Service	-	-	3.0%	196

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

The principle demographic assumption is the longevity assumption for the LGPS (i.e. member life expectancy). For sensitivity purposes, we estimate that a one year increase in life expectancy would approximately increase the Employer's Defined Benefit obligation by around 3-5%. In practice, the actual cost of a one year increase in life expectancy will depend on the structure of the revised assumption (i.e. if improvements to survival rates predominantly apply at younger or older ages). There would be a similar increase in the Current Service costs of 3-5%.

#### Asset and Liability Matching (ALM) Strategy

The 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 (37.4% of scheme assets) and Investment Funds (53.2%). 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 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 2020. 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.

f. Projected defined benefit cost for the period to 31 March 2018

Local Government Pension Scheme:

	Assets	Obligations	Net (liability) /asset	% of pay
	£000	£000	£000	
Projected Current Service Cost	0	53,154	(53,154)	-39.7%
Past service cost including curtailments	0	0	0	
Effect of settlements	0	0	0	
<b>Total Service Cost</b>	<b>0</b>	<b>53,154</b>	<b>(53,154)</b>	<b>-39.7%</b>
Interest income on plan assets	31,895	0	31,895	23.8%
Interest cost on defined benefit obligation	0	49,465	(49,465)	-36.9%
<b>Total Net Interest Cost</b>	<b>31,895</b>	<b>49,465</b>	<b>(17,570)</b>	<b>-13.1%</b>
<b>Total included in Income and Expenditure</b>	<b>31,895</b>	<b>102,619</b>	<b>(70,724)</b>	<b>-52.8%</b>

The weighted average duration of the defined benefit obligation for scheme members is 17.8 years in 2017-18.

The authority expects to pay £30.692m in contributions to the LGPS in 2018-19.

Fire Fighters Pension Scheme:

	Assets	Obligations	Net (liability) /asset	% of pay
	£000	£000	£000	
Projected Current Service Cost	0	6,500	(6,500)	-55.9%
Past service cost including curtailments	0	0	0	
Effect of settlements	0	0	0	
<b>Total Service Cost</b>	<b>0</b>	<b>6,500</b>	<b>(6,500)</b>	<b>-55.9%</b>
Interest income on plan assets	0	0	0	
Interest cost on defined benefit obligation	0	6,500	(6,500)	-55.9%
<b>Total Net Interest Cost</b>	<b>0</b>	<b>6,500</b>	<b>(6,500)</b>	<b>-55.9%</b>
<b>Total included in Income and Expenditure</b>	<b>0</b>	<b>13,000</b>	<b>(13,000)</b>	<b>-111.8%</b>

The weighted average duration of the defined benefit obligation for scheme members is 17.4 years in 2017-18.

## Note 45. Contingent Liabilities.

At 31 March 2018 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 employer's liability remain, due to a significant increase in disease related claims particularly relating to hearing loss. It is expected that most types of public liability claims for this period are likely to have been submitted. There are currently no open claims for either policy across the years where cover was in place. It should be noted that as The Independent Inquiry into Child Sexual Abuse (IICSA) is still in progress there is a possibility 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 total liability.

Municipal Mutual Insurance Limited (MMI), the Council's insurer for employers and public liability ceased writing insurance business in September 1992 and entered a Scheme of Arrangement for an expectation of a solvent run off. This did not occur and the Scheme was triggered on 1 January 2014, when the Scheme Administrator announced a Levy on Scheme Creditors of 15% on all claims payments made by MMI since September 1993, less the first £50,000. A further levy of 10% was then applied in April 2016. This results in a requirement of a total of 25% of future claim payments to be self-insured. There had been an expectation that the levy might be increased further but with the accounts in June 2017 there was a slight improving position and accordingly no further levy has yet been announced. Again as part of the annual review by the insurance actuary consideration to the exposure is considered as a part of the reserves recommendation.

From 1st April 2013 there are no longer insurance provisions in place for conditions caused by the exposure to asbestos or the Legionella Bacterium, for employees or the public. However, the Council has stringent policies and procedures in place to minimise the exposure to either of these risks.

### b. 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.

### c. Wrangle Sea Banks

The Council is underwriting Witham 4th District Drainage Board's risk of European Structural and Investment Funds (ESIF) funding clawback in respect of the Wrangle Sea Banks Flood Scheme. The scheme will raise the level of flood protection in the area.

The liability is in the range of nil to £0.500m as this is the level of funding expected from the ESIF.

## Note 46. Contingent Assets.

At 31 March 2018 the Council has no material contingent assets.

# Lincolnshire County Council's Pension Fund Account as at 31 March 2018

2016/17		Note	2017/18
£'000			£'000
	<b>Contributions and Benefits</b>		
(90,083)	Contributions Receivable	(6)	(97,471)
(5,170)	Transfer In From Other Pension Funds	(7)	(6,861)
<b>(95,253)</b>			<b>(104,332)</b>
80,219	Benefits Payable	(8)	86,584
3,209	Payments To and On Account of Leavers	(9)	4,605
<b>83,428</b>			<b>91,189</b>
<b>(11,825)</b>	<b>Net additions from dealings with Fund Members</b>		<b>(13,143)</b>
11,841	Management Expenses	(10)	11,978
<b>16</b>	<b>Net additions including Management Expenses</b>		<b>(1,165)</b>
	<b>Returns on Investments</b>		
(29,264)	Investment Income	(11)	(17,743)
37,156	Profit/(Loss) on Forward Foreign Exchange	(14)	(19,943)
(364,274)	Change in Market Value of Investments	(13a)	(35,084)
<b>(356,382)</b>	<b>Net Returns on Investments</b>		<b>(72,770)</b>
(356,366)	Net (Increase)/Decrease in the Net Assets Available for Benefits during the year		(73,935)
(1,759,056)	Opening Net Assets of the Fund		(2,115,422)
<b>(2,115,422)</b>	<b>Closing Net Assets of the Fund</b>		<b>(2,189,357)</b>

## Net Asset Statement as at 31 March 2018

2016/17		Note	2017/18
£'000			£'000
2,104,148	Investment Assets	(13)	2,169,901
(4,383)	Investment Liabilities	(13)	(2,018)
<b>2,099,765</b>	<b>Total Net Investments</b>		<b>2,167,883</b>
19,188	Current Assets	(20)	23,853
(3,531)	Current Liabilities	(21)	(2,379)
<b>2,115,422</b>	<b>Net Assets of the Fund Available to Fund Benefits at the end of the Reporting Period</b>		<b>2,189,357</b>

**Note:** The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The actuarial present value of promised retirement benefits is disclosed in Pension Note 19.

# Notes to the Pension Fund Account

## Note 1. Description of the Pension Fund

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 2017/18 (available on the Fund's shared website at [www.wypf.org.uk](http://www.wypf.org.uk)), and in the underlying statutory powers underpinning the scheme, namely the Public Service Pensions Act 2013 and the Local Government Pension Scheme (LGPS) Regulations.

### General

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

- the LGPS Regulations 2013 (as amended);
- the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended); and
- the LGPS (Management and Investment of Funds) Regulations 2016.

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; and
- 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 219 contributing employer organisations in the Fund including the County Council (a list of employers is shown in Pension Fund Note 29) and over 74,000 members as detailed below (information reported based on March processed data):

	31 March 2017	31 March 2018
Number of employers with active members	225(*)	219(*)
Number of employees in the scheme		
- Lincolnshire County Council	11,457	12,193
- Other Employers	13,436	13,960
<b>Total</b>	<b>24,893</b>	<b>26,153</b>
Number of Pensioners:		
- Lincolnshire County Council	13,913	13,768
- Other Employers	6,003	6,775
<b>Total</b>	<b>19,916</b>	<b>20,543</b>
Number of Deferred Pensioners:		
- Lincolnshire County Council	21,206	19,540
- Other Employers	6,976	7,816
<b>Total</b>	<b>28,182</b>	<b>27,356</b>

(\*) The number of employers will differ from those listed in Pension Fund Note 29 due to Academies within Multi Academy Trust and prime account schools.

#### 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 2016, and employer contribution rates were set ranging from 15.9% to 29.1% of pensionable pay. In addition, the majority 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 up-rated 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 April 2008	Service post April 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 pension's website at [www.wyph.org.uk](http://www.wyph.org.uk).

## Note 2. Basis of Preparation

The Statement of Accounts summarises the Fund's transactions for the 2017-18 financial year and its position at year end as at 31 March 2018.

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18, 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.

## Note 3. Significant Accounting Policies

### **Fund account - revenue recognition**

#### **a. 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.

#### **b. 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 LGPS Regulations 2013. Transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged.

#### **c. Investment Income**

##### **i) Interest income.**

Interest income is recognised in the Fund account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination. Income includes the amortisation of any discount or premium, transaction costs (where material) or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis.

##### **ii) Dividend income.**

Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

iii) Distributions from pooled funds

Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

iv) Movement in the net market value of investments

Changes in the net market value of investments (including investment properties) are recognised as income and comprise all realised and unrealised profits/losses during the year.

## **Fund account - expense items**

### d. Benefits payable

Pensions and lump sum benefits payable are included in the accounts at the time of payment.

### e. 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.

### f. 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 CIPFA's Accounting for Local Government Pension Scheme Management Expenses (2016).

i) Administrative expenses

All administrative expenses are accounted for on an accruals basis. All staff costs of the pension's 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.

ii) 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.

iii) Investment management 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

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.

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.

## **Net assets statement**

### **g. 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 at fair value in accordance with the requirements of the Code and IFRS13 (see Pension Fund Note 15). For the purposes of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

### **h. 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 2018 are shown in Pension Fund Note 30.

### **i. 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 (see Pension Fund Note 14).

### **j. 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.

### **k. Financial liabilities**

The fund recognises financial liabilities at 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.

### **l. Actuarial present value of promised retirement benefits**

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial standards.

As permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the net assets statement (see Pension Fund Note 19).

#### m. Additional voluntary contributions

The Fund provides an additional voluntary contribution (AVC) scheme for its members, the assets of which are invested separately from those of the pension fund. The Fund has appointed Prudential as its AVC provider. AVCs are paid to the AVC provider by employers and are specifically for providing additional benefits for individual contributors. Each AVC contributor receives an annual statement showing the amount held in their account and the movements in the year.

AVCs are not included in the accounts in accordance with Regulation 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 but are disclosed as a note only (see Pension Fund Note 22).

#### n. Contingent assets and contingent liabilities

A contingent liability arises where an event has taken place prior to the year-end giving rise to a possible financial obligation whose existence will only be confirmed or otherwise by the occurrence of future events. Contingent liabilities can also arise in circumstances where a provision would be made, except that it is not possible at the balance sheet date to measure the value of the financial obligation reliably.

A contingent asset arises where an event has taken place giving rise to a possible asset whose existence will only be confirmed or otherwise by the occurrence of future events.

Contingent assets and liabilities are not recognised in the net assets statement but are disclosed by way of narrative in the Pension Fund notes.

#### **Accounting Standards That Have Been Issued but Have Not Yet Been Adopted**

On an annual basis the pension fund is required to consider the impact of accounting standards that have been issued but have not yet adopted. For the 2018-19 IFRS9 Accounts Financial Instruments will be introduced. The standard introduces changes to the way financial instruments are classified and measured in the accounts. The impact on the pension fund accounts from this new standard is not thought to be significant due to the nature of the financial instruments held.

## Note 4. Critical Judgements in Applying Accounting Policies

### **Pension Fund liability**

The net Pension Fund liability is recalculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines.

This estimate is subject to significant variances based on changes to the underlying assumptions which are agreed with the actuary and have been summarised in Pension Fund Note 18.

These actuarial revaluations are used to set future contribution rates and underpin the Fund's most significant investment management policies, for example in terms of the balance struck between longer term investment growth and short-term yield/return.

## Note 5. Assumptions Made About the Future and Major Sources of Estimation Uncertainty

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

The items in the accounts for the year ended 31 March 2018 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits (Note 19)	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 £310m. 2) a 0.25% increase in assumed earnings inflation would increase the value of liabilities by approximately £24m. 3) a 0.5% increase in the pension increase rate would increase the value of liabilities by approximately £276m. 4) a one-year increase in assumed life expectancy would increase the liability by approximately £134m.
Private Equity (Note 15)	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.  Private Equity valuations within the pension fund accounts are all based on the reported information held by the Council on 31 March each year.	The total private equity investments in the Fund are £29m. There is a risk that these may be over or under-stated in the accounts by £8m.

## Note 6. Contributions Receivable

Contributions receivable are analysed by category below:

	2016/17 £'000	2017/18 £'000
<b>Employers</b>		
Normal	60,252	55,197
Deficit Recovery Funding	9,401	21,334
Additional - Augmentation	1,198	1,519
<b>Members</b>		
Normal	19,001	19,341
Additional years	231	80
<b>Total</b>	<b>90,083</b>	<b>97,471</b>

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

	2016/17 £'000	2017/18 £'000
Lincolnshire County Council	36,193	37,659
Scheduled Bodies	47,975	48,461
Admitted Bodies	5,915	11,351
<b>Total</b>	<b>90,083</b>	<b>97,471</b>

## Note 7. Transfers In From Other Pension Funds

	2016/17 £'000	2017/18 £'000
Individual transfers from other schemes	5,170	6,861
Group transfers from other schemes	-	-
<b>Total</b>	<b>5,170</b>	<b>6,861</b>

There were no material outstanding transfers due to the Pension Fund as at 31 March 2018.

## Note 8. Benefits Payable

Benefits payable are analysed by category below:

	2016/17 £'000	2017/18 £'000
Pensions	66,666	68,800
Commutations & Lump Sum Retirement Benefits	11,920	14,482
Lump Sum Death Benefits	1,633	3,302
<b>Total</b>	<b>80,219</b>	<b>86,584</b>

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

	2016/17 £'000	2017/18 £'000
Lincolnshire County Council	43,169	45,951
Scheduled Bodies	33,758	36,214
Admitted Bodies	3,292	4,419
<b>Total</b>	<b>80,219</b>	<b>86,584</b>

## Note 9. Payments to and on account of leavers

	2016/17 £'000	2017/18 £'000
Individual transfers to other schemes	2,988	4,390
Group transfers to other schemes	-	-
Refunds to members leaving service	221	215
<b>Total</b>	<b>3,209</b>	<b>4,605</b>

There were no material outstanding transfers due from the Pension Fund as at 31 March 2018.

## Note 10. 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 £0.024m (£0.024m in 2016-17):

	2016/17 £'000	2017/18 £'000
Administration Costs	1,130	1,047
Investment Management Expenses	10,038	10,476
Oversight and Governance Costs	673	455
<b>Total</b>	<b>11,841</b>	<b>11,978</b>

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

	2016/17 £'000	2017/18 £'000
Transaction Costs	837	690
Management Fees	6,883	6,982
Performance Related Fees	1,499	2,146
Custody Fees	819	658
<b>Total</b>	<b>10,038</b>	<b>10,476</b>

## Note 11. Investment Income

	2016/17	2017/18
	£'000	£'000
Equities	27,954	16,173
Pooled Investments:		
- Property	840	1,384
- Infrastructure	72	(7)
- Alternatives	(2)	3
Cash Deposits	78	61
Stock Lending	322	129
<b>Total</b>	<b>29,264</b>	<b>17,743</b>

## Note 12. Taxes on Income

	2016/17	2017/18
	£'000	£'000
Withholding Tax - Equities	1,283	1,355
<b>Total</b>	<b>1,283</b>	<b>1,355</b>

## Note 13. Investments

	2016/17	2017/18
	£'000	£'000
Equities	726,451	751,286
Pooled Investments:		
- Property	187,038	194,461
- Infrastructure	31,381	35,420
- Private Equity	43,334	29,345
- Bonds	262,168	264,097
- Equities	577,302	582,508
- Alternatives	245,375	268,167
Cash Deposits	26,609	38,746
Investment Income Due	4,189	4,412
Amount Receivable for Sales	301	1,409
Open Forward Foreign Exchange (FX)	-	50
<b>Total Investment Assets</b>	<b>2,104,148</b>	<b>2,169,901</b>
Open Forward Foreign Exchange (FX)	(3,668)	-
Investment Income Payable	(1)	(2)
Amount Receivable for Purchases	(714)	(2,016)
<b>Total Investment Liabilities</b>	<b>(4,383)</b>	<b>(2,018)</b>
<b>Total Investment Assets</b>	<b>2,099,765</b>	<b>2,167,883</b>

### 13A Reconciliation of Movements in Investments

2017/18	Market Value at 31 March 2017	Purchases and Derivative Payments	Sales and Derivative Receipts	Change in Market Value	Market Value at 31 March 2018
	£'000	£'000	£'000	£'000	£'000
Equities	726,451	347,673	(330,951)	8,113	751,286
Pooled Investments:					
- Property	187,038	82	(17,625)	24,966	194,461
- Infrastructure	31,381	4,211	(7,190)	7,018	35,420
- Private Equity	43,334	663	(3,300)	(11,352)	29,345
- Bonds	262,168	4,578	(4,578)	1,929	264,097
- Equities	577,302	-	(1,650)	6,856	582,508
- Alternatives	245,375	53,814	(28,576)	(2,446)	268,167
	<b>2,073,049</b>	<b>411,021</b>	<b>(393,870)</b>	<b>35,084</b>	<b>2,125,284</b>
Cash Deposits	26,609				38,746
Other Investment Balances:					
- Open Forward FX	(3,668)				50
- Amount receivable for Sales	301				1,409
- Investment Income Due	4,188				4,410
- Amount Payable from Purchases	(714)				(2,016)
<b>Total Investment Assets</b>	<b>2,099,765</b>				<b>2,167,883</b>
2016/17	Market Value at 31 March 2016	Purchases and Derivative Payments	Sales and Derivative Receipts	Change in Market Value	Market Value at 31 March 2017
	£'000	£'000	£'000	£'000	£'000
Equities	951,839	321,843	(789,482)	242,251	726,451
Pooled Investments:					
- Property	171,951	15,208	(4,972)	4,851	187,038
- Infrastructure	27,355	1,015	(3,100)	6,111	31,381
- Private Equity	56,338	774	(19,838)	6,060	43,334
- Bonds	227,600	159,941	(142,904)	17,531	262,168
- Equities	99,033	436,053	(2,654)	44,870	577,302
- Alternatives	183,434	88,467	(69,126)	42,600	245,375
	<b>1,717,550</b>	<b>1,023,301</b>	<b>(1,032,076)</b>	<b>364,274</b>	<b>2,073,049</b>
Cash Deposits	24,570				26,609
Other Investment Balances:					
- Open Forward FX	(2,354)				(3,668)
- Amount receivable for Sales	499				301
- Investment Income Due	5,183				4,188
- Amount Payable from Purchases	(1,307)				(714)
<b>Total Investment Assets</b>	<b>1,744,141</b>				<b>2,099,765</b>

## 13B Analysis of Investments

Geographical Analysis of Fund Assets as at 31 March 2018:

	UK	Non-UK	Global	Total
	£'000	£'000	£'000	£'000
Equities	403,797	498,160	431,837	1,333,794
Bonds	264,097	-	-	264,097
Alternatives Incl. PE, Property & Infrastructure	212,465	43,795	271,133	527,393
Cash and Equivalents	38,746	-	-	38,746
Other Investment Balances - Assets				5,871
<b>Total Investment Assets</b>	<b>919,105</b>	<b>541,955</b>	<b>702,970</b>	<b>2,169,901</b>
Other Investment Balances - Liabilities				(2,018)
<b>Total Investment Liabilities</b>				<b>(2,018)</b>
<b>Total as at 31 March 2018</b>				<b>2,167,883</b>

	UK	Non-UK	Global	Total
	£'000	£'000	£'000	£'000
Equities	398,290	489,866	415,597	1,303,753
Bonds	262,168	-	-	262,168
Alternatives Incl. PE, Property & Infrastructure	199,260	40,769	267,099	507,128
Cash and Equivalents	26,609	-	-	26,609
Other Investment Balances - Assets				4,489
<b>Total Investment Assets</b>	<b>886,327</b>	<b>530,635</b>	<b>682,696</b>	<b>2,104,147</b>
Other Investment Balances - Liabilities				(4,382)
<b>Total Investment Liabilities</b>				<b>(4,382)</b>
<b>Total as at 31 March 2017</b>				<b>2,099,765</b>

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

	2016/17	2017/18
	£'000	£'000
Property:		
- Unit Trusts	161,526	175,574
- Other Managed Funds (LLP's)	25,512	18,887
Infrastructure - Other Managed Funds (LLP's)	31,381	35,420
Private Equity - Other Managed Funds (LLP's)	43,334	29,345
Bonds - Other Managed Funds	262,168	264,097
Equities - Other Managed Funds	577,302	582,508
Alternatives - Other Managed Funds	245,375	268,167
<b>Total as at 31 March</b>	<b>1,346,598</b>	<b>1,373,998</b>

### 13C Investments Analysed by Fund Manager

Fund Manager	31 March 2017		31 March 2018	
	£'000	%	£'000	%
<b>Externally Managed</b>				
Invesco	495,686	23.7	504,993	23.4
Schroders	117,615	5.6	123,942	5.7
Columbia Threadneedle	121,890	5.8	133,095	6.1
Morgan Stanley (Global Brands)	179,016	8.6	178,715	8.2
Morgan Stanley (Alternatives)	246,032	11.8	280,716	12.9
Morgan Stanley (Private Equity)	45,394	2.2	31,634	1.5
Blackrock	262,168	12.5	264,122	12.2
Legal and General	398,286	19.0	403,793	18.6
<b>Internally Managed</b>				
Property	194,607	9.3	207,567	9.6
Infrastructure	31,381	1.5	35,650	1.6
UK Equity	4	-	334	-
Unallocated Cash	-	-	3,322	0.2
<b>Total</b>	<b>2,092,079</b>	<b>100.0</b>	<b>2,167,883</b>	<b>100.0</b>

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

Fund Manager	31 March 2017		31 March 2018	
	£'000	%	£'000	%
Legal and General UK Equity Fund	398,286	18.8	403,793	18.4
Morgan Stanley Alternatives Investments	245,375	11.6	268,167	12.2
Morgan Stanley Global Brands	179,016	8.5	178,715	8.2
Blackrock 1-5 year Corporate Bond Fund	125,928	6.0	126,293	5.8

### 13D Stock Lending

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 £37.464m (£20.761m at 31 March 2017) 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 £40.314m (£22.876m at 31 March 2017), which represented 107.6% of the value of securities on loan.

Stock-lending commissions are remitted to the Fund via the custodian. During the period the stock is on loan, the voting rights of the loaned stock pass to the borrower. Income received from stock lending activities, before costs, was £0.123m for the year ending 31 March 2018 (£0.362m at 31 March 2017) and is included within the 'Investment Income' figure detailed on the Pension Fund Account. There are no liabilities associated with the loaned assets.

## Note 14. 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 in place between the Fund and 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.

### Open forward Currency Contracts

Settlement	Currency Bought	Local Value	Currency Sold	Local Value	Asset Value	Liability Value
		'000		'000		£'000
Up to one month	GBP	14	DKK	120	-	-
	USD	197	JPY	21,000	-	-
Over one month	GBP	596	AUD	1,089	2	-
	GBP	1,670	CAD	3,064	-	(20)
	GBP	8,144	EUR	9,273	-	(7)
	GBP	223,786	USD	314,865	75	-
<b>Total</b>					<b>77</b>	<b>(27)</b>
<b>Net Forward Currency Contracts at 31 March 2018</b>						<b>50</b>
<b>Prior year comparative</b>						
Open forward currency contracts at 31 March 2017					4,646	(8,314)
<b>Net Forward Currency Contracts at 31 March 2017</b>						<b>(3,668)</b>

### Profit (Loss) of Forward Currency Deals and Currency Exchange

The profit or loss from any forward deals and from currency exchange is a result of normal trading of the Fund's managers who manage multi-currency portfolios. For 2017-18 this was a gain of £19.943m (£37.156m loss in 2016-17).

## Note 15. Fair Value – Basis of Valuation

The basis of the valuation of each class of investment asset is set out below. There has been no change in the valuation techniques used during the year. All assets have been valued using fair value techniques which represent the highest and best price available at the reporting date.

Description of Asset	Value Hierarchy	Basis of Valuation	Observable and Unobservable	Key Sensitivities Affecting the Valuations Provided
Market quoted investments	Level 1	Published bid market price ruling on the final day of the	Not Required	Not Required
Exchange traded pooled investments	Level 1	Closing bid value on published exchanges.	Not Required	Not Required
Forward foreign exchange derivatives	Level 2	Market forward exchange rates at the year-end.	Exchange rate risk	Not Required
Pooled investments	Level 2	Closing bid price where bid and offer prices are published. Closing single price where single price published.	NAV-based pricing set on a forward pricing basis.	Not Required
Private Equity	Level 3	Comparable valuation of similar companies in accordance with 'International Private Equity and Venture Capital Valuation Guidelines (2012)'. EBITDA multiple Revenue multiple Discount for lack of marketability Control premium	EBITDA multiple Revenue multiple Discount for lack of marketability Control premium	Valuations could be affected by material events occurring between the date of the financial statements provided and the pensions funds own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts.

### Sensitivity of assets valued at level 3

Having analysed historical data and current market trends, and consulted with independent investment advisors and investment managers, the Fund has determined that the valuation methods described above are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2018.

	Assessed Valuation Range	Value as at 31 March 2018	Value on Increase	Value on Decrease
	(+/-)	£'000	£'000	£'000
Private Equity	26%	29,345	36,975	21,715

## 15A Fair Value Hierarchy

Asset and liability valuations have been classified into three levels, according to the quality and reliability of information used to determine fair values. Transfers between levels are recognised in the year in which they occur.

### Level 1

Assets and liabilities 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 securities, quoted index linked securities and unit trusts.

### Level 2

Assets and liabilities at level 2 are those where quoted market 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.

### Level 3

Assets and liabilities 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.

The following table provides an analysis of the financial assets and liabilities of the Pension Fund grouped into levels 1 to 3, based on the level at which the fair value is observable.

	Quoted Market Price Level 1	Using Observable Inputs Level 2	With Significant Unobservable Level 3	Non-Tiered	Total
<b>Values at 31 March 2018</b>					
	£'000	£'000	£'000	£'000	£'000
<b>Financial Assets</b>					
Fair value through profit and loss	1,603,710	229,931	297,512	-	2,131,153
Loans and receivables	-	-	-	62,599	62,599
<b>Total Financial Assets</b>	<b>1,603,710</b>	<b>229,931</b>	<b>297,512</b>	<b>62,599</b>	<b>2,193,752</b>
<b>Financial Liabilities</b>					
Fair value through profit and loss	-	-	-	(2,016)	(2,016)
Measured at amortised cost	-	-	-	(2,379)	(2,379)
<b>Total Financial Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4,395)</b>	<b>(4,395)</b>
<b>Net Investment Assets</b>	<b>1,603,710</b>	<b>229,931</b>	<b>297,512</b>	<b>58,204</b>	<b>2,189,357</b>
<b>Values at 31 March 2017</b>					
	£'000	£'000	£'000	£'000	£'000
<b>Financial Assets</b>					
Fair value through profit and loss	1,570,410	218,419	288,709	-	2,077,538
Loans and receivables	-	-	-	45,797	45,797
<b>Total Financial Assets</b>	<b>1,570,410</b>	<b>218,419</b>	<b>288,709</b>	<b>45,797</b>	<b>2,123,335</b>
<b>Financial Liabilities</b>					
Fair value through profit and loss	-	-	-	(4,382)	(4,382)
Measured at amortised cost	-	-	-	(3,531)	(3,531)
<b>Total Financial Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(7,913)</b>	<b>(7,913)</b>
<b>Net Investment Assets</b>	<b>1,570,410</b>	<b>218,419</b>	<b>288,709</b>	<b>37,884</b>	<b>2,115,422</b>

### 15B Reconciliation of Fair Value Measurements within Level 3

Period 2017/18	Market value at 31 March 2016	Transfers into Level 3	Transfers out of Level 3	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Unrealised gains/(losses)	Realised gains/(losses)	Market value at 31 March 2017
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Private Equity	43,334	-	-	663	(3,300)	(26,693)	15,341	29,345
Alternatives	245,375	-	-	53,814	(28,576)	(24,408)	21,962	268,167
<b>Total</b>	<b>288,709</b>	<b>-</b>	<b>-</b>	<b>54,477</b>	<b>(31,876)</b>	<b>(51,101)</b>	<b>37,303</b>	<b>297,512</b>
Period 2016/17	Market value at 31 March 2015	Transfers into Level 3	Transfers out of Level 3	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Unrealised gains/(losses)	Realised gains/(losses)	Market value at 31 March 2016
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Private Equity	56,338	-	-	774	(19,838)	(10,486)	16,546	43,334
Alternatives	183,434	-	-	88,467	(69,126)	18,230	24,370	245,375
<b>Total</b>	<b>239,772</b>	<b>-</b>	<b>-</b>	<b>89,241</b>	<b>(88,964)</b>	<b>7,744</b>	<b>40,916</b>	<b>288,709</b>

Unrealised and realised gains and losses are recognised in the profit and losses on disposal and change in market values line of the Fund account.

## Note 16. Financial Instruments

### Classification of Financial Instruments

The following table analyses the carrying amounts of financial instruments by category and net assets statement heading. No financial assets were reclassified during the accounting period.

	31 March 2017			31 March 2018		
	Fair value through profit & loss	Loans & receivables	Financial liabilities at amortised cost	Fair value through profit & loss	Loans & receivables	Financial liabilities at amortised cost
	£000	£000	£000	£000	£000	£000
<b>Financial Assets</b>						
Equities	726,451	-	-	751,286	-	-
Pooled Investments:						
- Property	187,038	-	-	194,461	-	-
- Infrastructure	31,381	-	-	35,420	-	-
- Private Equity	43,334	-	-	29,345	-	-
- Bonds	262,168	-	-	264,097	-	-
- Equities	577,302	-	-	582,508	-	-
- Alternatives	245,375	-	-	268,167	-	-
Cash	-	37,490	-	-	54,894	-
Other Investment Balances	4,489	-	-	5,869	-	-
Debtors	-	8,307	-	-	7,705	-
	<b>2,077,538</b>	<b>45,797</b>	<b>-</b>	<b>2,131,153</b>	<b>62,599</b>	<b>-</b>
<b>Financial Liabilities</b>						
Other Investment Balances	(4,382)	-	-	(2,016)	-	-
Creditors	-	-	(3,531)	-	-	(2,379)
	<b>(4,382)</b>	<b>-</b>	<b>(3,531)</b>	<b>(2,016)</b>	<b>-</b>	<b>(2,379)</b>
	<b>2,073,156</b>	<b>45,797</b>	<b>(3,531)</b>	<b>2,129,137</b>	<b>62,599</b>	<b>(2,379)</b>

### Net Gains and Losses on Financial Instruments

	2016/17	2017/18
	£000	£000
<b>Financial Assets</b>		
Designated at Fair Value through Profit and Loss	364,274	35,084
Loans and Receivables	-	-
<b>Financial Liabilities</b>		
Fair Value through Profit and Loss	-	-
Financial Liabilities at Amortised Cost	-	-
	<b>364,274</b>	<b>35,084</b>

The authority has not entered into any financial guarantees that are required to be accounted for as financial instruments.

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

### **Risk and Risk Management**

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. The Council manages these investment risks as part of its overall Pension Fund risk management programme.

#### **a) 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.

#### **Other 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 and derivative 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. The Fund's investment managers mitigate this price risk through diversification, and the selection of securities and other financial instruments is monitored by the Council to ensure it is within limits specified in the Fund investment strategy.

#### **Other 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 2017-18 reporting period. The potential price changes disclosed below are broadly consistent with a one-standard deviation movement in the value of the assets. The sensitivities are consistent with the assumptions contained in the investment advisor's most recent review. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same.

Asset Type	Potential market movements (+/-)
UK Bonds	6.0%
UK Equities	10.0%
Overseas Equities	10.0%
Property	16.0%
Infrastructure	18.0%
Private Equity	26.0%
Alternatives	10.0%

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 2018	Percentage Change	Value on Increase	Value on Decrease
	£'000	%	£'000	£'000
UK Bonds	264,097	6.0%	279,943	248,251
UK Equities	403,796	10.0%	444,176	363,416
Overseas Equities	929,997	10.0%	1,022,997	836,997
Property	194,461	16.0%	225,575	163,347
Infrastructure	35,420	18.0%	41,796	29,044
Private Equity	29,345	26.0%	36,975	21,715
Alternatives	268,167	10.0%	294,984	241,350
<b>Total Assets Available</b>	<b>2,125,283</b>		<b>2,346,446</b>	<b>1,904,120</b>

Asset Type	Value at 31 March 2017	Percentage Change	Value on Increase	Value on Decrease
	£'000	%	£'000	£'000
UK Bonds	262,168	8.0%	283,141	241,195
UK Equities	398,290	13.0%	450,068	346,512
Overseas Equities	905,463	12.0%	1,014,119	796,807
Property	187,038	13.0%	211,353	162,723
Infrastructure	31,381	13.0%	35,461	27,301
Private Equity	43,334	21.0%	52,434	34,234
Alternatives	245,375	8.0%	265,005	225,745
<b>Total Assets Available</b>	<b>2,073,049</b>		<b>2,311,581</b>	<b>1,834,517</b>

#### Interest rate risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future 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 2018 and 31 March 2017 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair values.

### 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.

#### Assets Exposed to Interest Rate Risk

Asset Type	Value at 31 March 2018	Percentage movement on 1% change in Interest Rates	Value on Increase	Value on Decrease
	£'000		£'000	£'000
Cash and Cash Equivalents	38,746	-	38,746	38,746
Cash Balances	16,148	-	16,148	16,148
Bonds	264,097	2,641	266,738	261,456
<b>Total</b>	<b>318,991</b>	<b>2,641</b>	<b>321,632</b>	<b>316,350</b>

Asset Type	Value at 31 March 2017	Percentage movement on 1% change in Interest Rates	Value on Increase	Value on Decrease
	£'000		£'000	£'000
Cash and Cash Equivalents	26,609	-	26,609	26,609
Cash Balances	10,881	-	10,881	10,881
Bonds	262,168	2,622	264,790	259,546
<b>Total</b>	<b>299,658</b>	<b>2,622</b>	<b>302,280</b>	<b>297,036</b>

#### Income Exposed to Interest Rate Risk

Asset Type	Value at 31 March 2018	Percentage movement on 1% change in Interest Rates	Value on Increase	Value on Decrease
	£'000		£'000	£'000
Cash Deposits, Cash and Cash Equivalents	61	1	62	60
Bonds	-	-	-	-
<b>Total</b>	<b>61</b>	<b>1</b>	<b>62</b>	<b>60</b>

Asset Type	Value at 31 March 2017	Percentage movement on 1% change in Interest Rates	Value on Increase	Value on Decrease
	£'000		£'000	£'000
Cash Deposits, Cash and Cash Equivalents	78	1	79	77
Bonds	-	-	-	-
<b>Total</b>	<b>78</b>	<b>1</b>	<b>79</b>	<b>77</b>

This analysis demonstrates that a 1% increase in interest rates will not affect the interest received on fixed interest assets but will reduce their fair value, and vice versa. Changes in interest rates do not impact on the value of cash and cash equivalent balances but they will affect the interest income received on those balances. Changes to both the fair value of assets and the income received from investments impact on the net assets available to pay benefits.

### 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. The Fund holds both monetary and non-monetary assets denominated in currencies other than UK sterling.

### Currency risk - sensitivity analysis

Following analysis of historical data, the Fund considers the likely volatility associated with foreign exchange rate movements to be 8%, as measured by one standard deviation (13% in 2016-17).

An 8% 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.

An 8% 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:

### **Assets Exposed to Currency Risk**

Asset Type	Value at 31 March 2018	Percentage Market Movement	Value on Increase	Value on Decrease
	£'000	£'000	£'000	£'000
Overseas/Global Equities	751,282	60,103	811,385	691,179
<b>Pooled Investments:</b>				
Overseas/Global Equity	178,715	14,297	193,012	164,418
Overseas/Global Property	15,918	1,273	17,191	14,645
Overseas/Global Infrastructure	1,498	120	1,618	1,378
Overseas/Global Private Equity	29,345	2,348	31,693	26,997
Overseas/Global Alternatives	268,167	21,453	289,620	246,714
<b>Total</b>	<b>1,244,925</b>	<b>99,594</b>	<b>1,344,519</b>	<b>1,145,331</b>

Asset Type	Value at 31 March 2017	Percentage Market Movement	Value on Increase	Value on Decrease
	£'000	£'000	£'000	£'000
Overseas/Global Equities	726,447	94,438	820,885	632,009
<b>Pooled Investments:</b>				
Overseas/Global Equity	179,016	23,272	202,288	155,744
Overseas/Global Property	19,159	2,491	21,650	16,668
Overseas/Global Infrastructure	2,566	334	2,900	2,232
Overseas/Global Private Equity	40,769	5,300	46,069	35,469
Overseas/Global Alternatives	245,375	31,899	277,274	213,476
<b>Total</b>	<b>1,213,332</b>	<b>157,734</b>	<b>1,371,066</b>	<b>1,055,598</b>

### **b) Credit Risk**

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the fund's financial assets and liabilities.

The Fund is additionally exposed to credit risk through securities lending 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, and 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.

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.

### **c) 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 31 March 2018, these assets totalled £1,598m (£1.566m as at 31 March 2017), with a further £54.893m held in cash (£37.489m as at 31 March 2017). 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.

### **d) Outsourcing risk**

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 \$22 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 2016. Manager's 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.

## Note 18. Funding Arrangements

In line with the Local Government Pension Scheme Regulations 2013, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2016 and the next valuation will take place as at 31 March 2019.

The key elements of the funding policy are:

- to ensure the long-term solvency of the fund, i.e. that sufficient funds are available to meet all pension liabilities as they fall due for payment
- to ensure that employer contribution rates are as stable as possible
- to minimise the long-term cost of the scheme by recognising the link between assets and adopting an investment strategy that balances risk and return
- to reflect the different characteristics of employing bodies in determining contribution rates where reasonable to do so, and
- to use reasonable measures to reduce the risk to other employers and ultimately to the council tax payer from an employer defaulting on its pension obligations.

The aim is to achieve 100% solvency over a period of 20 years and to provide stability in employer contribution rates, where possible. Solvency is achieved when the funds held, plus future expected investment returns and future contributions are sufficient to meet expected future pension benefits payable. When an employer's funding level is less than the 100% funding target, then a deficit recovery plan will be put in place requiring additional employer contributions.

At the 2016 actuarial valuation, the Fund was assessed as 76.9% funded (71.5% at the March 2013 valuation). This corresponded to a deficit of £529m (2013 valuation: £597m) at that time.

The table below summarises the whole Fund Primary and Secondary Contribution rates at this triennial valuation. The Primary rate is the payroll weighted average of the underlying individual employer primary rates and the Secondary rate is the total of the underlying individual employer secondary rates (before any pre-payment or capitalisation of future contributions), calculated in accordance with the Regulations and CIPFA guidance.

Primary Rate (% of Pay)	Secondary Rate £'000		
	2017/18	2018/19	2019/20
17.40%	18,004	20,539	23,222

At the previous formal valuation at 31 March 2013, a different regulatory regime was in force. Therefore a contribution rate that is directly comparative to the rates above is not provided.

Individual employers' rates will vary from the common contribution rate depending on the demographic and actuarial factors particular to each employer. Full details of the contribution rates payable can be found in the 2016 Actuarial Valuation report on the Fund's website.

The market value of the Fund's assets as at the valuation date are compared against the value placed on the Fund's liabilities in today's terms (calculated using a market-based approach). By maintaining a link to the market in both cases, this helps ensure that the assets and liabilities are valued in a consistent manner. The calculation of the Fund's liabilities also explicitly allows for expected future pay and pension increases.

The principal assumptions were as follows:

### Financial Assumptions

Future Assumed Returns as at 2016	%
UK Equities	5.9
Overseas Equities	5.5
Fixed Interest GILTS	2.2
Index Linked GILTS	2.2
Corporate Bonds	3.4
Property & Infrastructure	3.8
Cash	2.5

Other Financial Assumptions	31 March 2013	31 March 2016
	% p.a.	% p.a.
Discount Rate	4.6	4.0
Price Inflation (RPI)	3.3	3.2
Pay Increases (*)	3.8	2.6
Pension Increases	2.5	2.1
Revaluation of Deferred Pension	2.5	2.1
Revaluation of Accrued CARE Pension	2.5	2.1
Expenses	0.4	0.5

(\*) An allowance is also made for promotional pay increases

### Demographic Assumptions

The baseline longevity assumptions are a bespoke set specifically tailored to fit the membership profile of the Fund. These base tables are then projected using the CMI 2013 Model, allowing for a long-term rate of improvement of 1.25% per year. The assumed life expectancy from age 65 is as follows:

	31 March 2013	31 March 2016
	Years	Years
<b>Males:</b>		
Current Pensioners	22.2	22.1
Future Pensioners	24.5	24.1
<b>Females:</b>		
Current Pensioners	24.4	24.4
Future Pensioners	26.8	26.6

### Commutation assumption

It is assumed that future retirees will take 50% of the maximum additional tax-free lump sum up to HMRC limits for pre-April 2008 service and 75% of the maximum for post-April 2008 service.

### 50:50 option

It is assumed that 2% of active members (evenly distributed across age, service length and salary range) will take up the 50:50 option in the LGPS 2014 scheme.

## Note 19. 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 2018 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 2017-18 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. I have been instructed by the Administering Authority to provide the necessary information for the Lincolnshire Pension Fund ("the Fund").

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 the 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 Fund's funding assumptions.

#### **Present value of promised retirement benefits**

<b>Year ended</b>	<b>31 March 2018</b>	<b>31 March 2017</b>
Active members (£m)	1,465	1,347
Deferred members (£m)	750	755
Pensioners (£m)	1,128	1,174
<b>Total (£m)</b>	<b>3,343</b>	<b>3,276</b>

The promised retirement benefits at 31 March 2018 have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2016. The approximation involved in the roll forward model means that the split of benefits between the three classes of member may not be reliable. However, I am satisfied that the total figure is a reasonable estimate of the actuarial present value of benefit promises.

The above figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value. Further, I have not made any allowance for unfunded benefits.

It should be noted the above figures are appropriate for the Administering Authority only for preparation of the pension fund accounts. 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 and are different as at 31 March 2018 and 31 March 2017. I estimate that the impact of the change in financial assumptions to 31 March 2018 is to decrease the actuarial present value by £66m. There

is no impact from any change in the demographic and longevity assumptions because they are identical to the previous period.

### Financial assumptions

Year ended (% p.a.)	31 March 2018	31 March 2017
Pension Increase Rate	2.4%	2.4%
Salary Increase Rate	2.8%	2.8%
Discount Rate	2.7%	2.6%

### Longevity assumptions

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2013 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	22.1 years	24.4 years
Future pensioners (assumed to be aged 45 at the latest formal valuation)	24.1 years	26.6 years

Please note that the longevity assumptions have not changed since the previous IAS26 disclosure for the Fund.

### Commutation assumptions

An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 75% of the maximum tax-free cash for post-April 2008 service.

### Sensitivity Analysis

CIPFA guidance requires the disclosure of the sensitivity of the results to the methods and assumptions used. The sensitivities regarding the principal assumptions used to measure the liabilities are set out below:

Sensitivity to the assumptions for the year ended 31 March 2018	Approximate % increase to liabilities	Approximate monetary amount (£m)
0.5% p.a. increase in the Pension Increase Rate	8%	276
0.5% p.a. increase in the Salary Increase Rate	1%	49
0.5% p.a. decrease in the Real Discount Rate	10%	345

The principal demographic assumption is the longevity assumption. For sensitivity purposes, I estimate that a 1 year increase in life expectancy would approximately increase the liabilities by around 3-5%.

### Professional notes

This paper accompanies my covering report titled 'Actuarial Valuation as at 31 March 2018 for accounting 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.

Prepared by:-

Anne Cranston AFA

30 April 2018

For and on behalf of Hymans Robertson LLP

## Note 20. Current Assets

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. Long term debtors are amounts due to the Pension Fund that will not be received within 12 months. Debtors includes £3.839m relating to contributions due from employers (£4.701m in 2016-17) and £1.288m for contributions due from employees (£1.411m in 2016-17).

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.

	31 March 2017	31 March 2018
	£'000	£'000
Debtors	7,028	6,852
Long Term Debtors	1,279	853
Cash Balances	10,881	16,148
	<b>19,188</b>	<b>23,853</b>

### Analysis of Debtors

	31 March 2017	31 March 2018
	£'000	£'000
<b>Debtors:</b>		
Central Government Bodies	345	1,792
Other Local Authorities	6,007	3,684
Other Entities and Individuals	676	1,376
	<b>7,028</b>	<b>6,852</b>
<b>Long Term Debtors:</b>		
Central Government Bodies	1,279	853
	<b>1,279</b>	<b>853</b>

## Note 21. Current Liabilities

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.

	31 March 2017	31 March 2018
	£'000	£'000
Creditors	(3,531)	(2,379)
	<b>(3,531)</b>	<b>(2,379)</b>

## Analysis of Liabilities

	31 March 2017	31 March 2018
	£'000	£'000
<b>Creditors:</b>		
Central Government Bodies	9	(19)
Other Local Authorities	(4)	(27)
Other Entities and Individuals	(3,536)	(2,333)
	<b>(3,531)</b>	<b>(2,379)</b>

## Note 22. 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 £8.651m (£8.902m in 2016-17). Member contributions of £1.021m (£1.020m in 2016-17) were received by the Prudential in the year to 31 March and £1.814m (£1.954m in 2016-17) 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.

## Note 23. Related Party Transactions

The Lincolnshire Pension Fund is administered by Lincolnshire County Council. Consequently there is a strong relationship between the Council and the Pension Fund.

During the reporting period, the council incurred costs of £0.172m in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses. The council is also the single largest employer of members of the Pension Fund and contributed £28.386m to the Fund in 2017-18. All monies owing to and due from the Fund were paid in year.

The Treasury Management section of the 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 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 £15.763m and interest of £0.071m was earned over the year.

### Governance

Under legislation introduced in 2003-04, Councillors have been entitled to join the Scheme, however this changed from the 1 April 2014 and no new Councillors are now able to join the scheme. Following the Council elections in May 2017, any Councillors who were contributing members became deferred members in the scheme. One Committee member, A Antcliff (employee representative), is a contributing member of the Pension Fund as at 31 March 2018.

Each member of the Pension Fund Committee is required to declare their interests at each meeting.

## Note 24. Key Management Personnel

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 Schedule 1 of the Accounts and Audit (England) Regulations 2015) 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.

This disclosure can be found in the main accounts of Lincolnshire County Council at Note 33, which are available on the Council's website at [www.lincolnshire.gov.uk/finance](http://www.lincolnshire.gov.uk/finance).

## Note 25. Contingent Liabilities and Contractual Commitments

Investment commitments have been made to a number of pooled vehicles that make private equity, property or infrastructure investments. At the year end, the value of outstanding commitments to the twenty-one investment vehicles amounted to £46.743m.

## Note 26. Contingent Assets

Six 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.

## Note 27. Impairment Losses

The Fund has no recognised impairment losses.

## Note 28. Dividend Tax Claims

The Council has lodged a number of claims with HM Revenue and Customs for the recovery of dividend tax credits relating to earlier years. Claims 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 Council is participating with other pension funds in progressing a legal test case to support the claims.

The table below summarise the position of the claims as at 31 March 2018. 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.

Territory	Claim Period	Amount (local currency)	Submitted	Status
FID - Mannimen Claims	1994-1998	£793,497	Aug 2006	The test case is being progressed by Pinsent Masons. Statutory Claims - Court of Appeal - the court has proceeded to make a positive final order, however, the claims are held to be out of time by this court and need to proceed to the High Court to recover these periods. High Court claimants may be able to benefit from the provisions of the Limitation Act 1980 which would allow an extended time limit for claims. Pinsent Masons are currently liaising with the test claimant and Counsel regarding these proceedings.
Stock Lending Claims	2004-2014	£1,422,421	Feb 2010 Feb 2011 Jul 2012 Aug 2016	The test case is being progressed by Pinsent Masons. The test case was heard at the Upper Tier (UT) Tribunal in February 2018 and it is expected that there will be a decision by the end of May. Although it is notoriously difficult to make predictions based on the hearing we were encouraged by how the arguments progressed and questions asked by the UT. It is possible the UT will decide a reference to the Couoty of Justice of the EU (CJEU).
<b>Total</b>		<b>£2,215,918</b>		

Territory	Claim Period	Amount (local currency)	Submitted	Status
Fokus Bank Netherlands	2004-2006	€ 130,076	Jan 2010	Claims repaid in January 2010.
Germany	2007-2010	€ 191,946	Dec 2011	There has been no response from the German Tax Authorities. Litigation has been initiated by a Canadian resident pension fund. The Court issued a positive decision, finding that the Canadian-resident pension fund was comparable to a German-resident Pension Funds. This may be helpful to UK pension fund claims.
Spain	Q4 2007 - Q4 2009	€ 85,072	Jan 2012	Claims repaid except for Q4 2007 (claim amount 10,545 euros) awaiting decision from Spanish Tax Authorities.
<b>Total</b>		<b>€ 407,094</b>		

## Note 29. Scheduled & Admitted Bodies

Analysis of Active and Ceased Employers in the Fund:

	Active	Ceased	Total
Scheduled Body	195	17	212
Admitted Body	20	12	32
<b>Total</b>	<b>215</b>	<b>29</b>	<b>244</b>

### Scheduled & Admitted Bodies Contributing to the Fund as at 31 March 2018:

County and District Councils	Parish and Town Councils (cont)	Academies
Lincolnshire County Council (inc LCC Schools)	Stamford TC	Aegir Community Academy
Boston Borough Council	Sutton Bridge PC	Alford Queen Elizabeth
East Lindsey District Council	Sudbrooke PC	Barnes Wallis Academy
City of Lincoln Council	Washingborough PC	Bassingham Primary Academy
North Kesteven District Council	Woodhall Spa PC	Beacon Primary
South Kesteven District Council		Boston Grammar
South Holland District Council	<b>FE Establishments</b>	Boston High School
West Lindsey District Council	Bishop Grosseteste University	Boston John Fielding
	Boston College	Boston West Academy
	Grantham College	Boston Witham Federation
<b>Internal Drainage Boards</b>	Lincoln College	Bourne Abbey Academies Trust
Black Sluice	Stamford College	Bourne Academy
Lindsey Marsh		Bourne Grammar
North East Lindsey	<b>Other Scheduled Bodies</b>	Bourne Westfield Primary
South Holland	Acorn Free School	Bracebridge Infant and Nursery
Upper Witham	BG Lincoln	Branston CofE Infant School
Welland and Deeping	Compass Point	Branston Community Academy
Witham First	Lincs Police Chief Constable	Branston Junior Academy
Witham Fourth	Police & Crime Commissioner	Browns CofE Academy
Witham Third		Caistor Grammar Academy
	<b>Admitted Bodies</b>	Caistor Yarborough
<b>Parish and Town Councils</b>	Active Lincolnshire	Carlton Academy
Billinghay PC	Active Nation	Castle Wood Academy
Bourne TC	Adults Supporting Adults	Caythorpe Primary Academy
Bracebridge Heath PC	Aspens Services (Monks Dyke	Charles Read Academy
Cherry Willingham PC	Tennyson Academy)	Coningsby St. Michaels CofE Primary
Crowland PC	Boston Mayflower	Academy
Deeping St James PC	Caterlink	Cordeaux Academy
Gainsborough TC	Easy Clean Contractors Ltd	Edenham CofE Academy
Gedney PC	Edwards & Blake	Ellison Boulters Academy
Greetwell PC	G4S	Ermine Primary
Heighington PC	GLL	Fosse Way Academy
Horncastle TC	Kier Group	Gainsborough Benjamin Adlard
Ingoldmells PC	Lincoln Arts Trust	Gainsborough Parish Church
Langworth PC	Lincoln BIG	Giles Academy
Louth TC	Lincs HIA	Gipsey Bridge Academy
Mablethorpe & Sutton TC	Magna Vitae	Gosberton House Academy
Market Deeping TC	Making Space	Grantham Ambergate
Metheringham PC	New Linx Housing	Grantham Isaac Newton Primary
Nettleham PC	Outspoken Training	Grantham Kings School
North Hykeham TC	Serco	Grantham Sandon
Pinchbeck PC	Vinci	Grantham Walton Girls
Skegness TC		Harrowby CofE Infants
Skellingthorpe PC		Hartsholme Academy
Sleaford TC		Heighington Millfield Academy

Academies (cont)	Academies (cont)	Academies (cont)
Hillcrest EY Academy	Marton Primary Academy	Stamford Malcolm Sargent
Hogsthorpe Primary Academy	Mercer's Wood Academy	Stamford St Augustines
Holbeach Primary	Morton CofE Academy	Stamford St Gilberts
Horncastle Banovallum	Mount Street Academy	Stamford Welland Academy
Horncastle QE Grammar	National CofE Junior	The Deepings Academy
Huntingtower Community Primary	Nettleham Infants Academy	The Gainsborough Academy
Huttoft Primary Academy	North Kesteven School	The Garth School
Ingoldmells Academy	North Thoresby Primary	The Lincolnshire Teaching & Learning Centre
Ingoldsby Primary Academy	Phoenix Family Academy	The Phoenix School
John Spendluffe Tech College	Priory Federation of Academies	The Priory School
Keelby Primary Academy	Rauceby CofE	Theddlethorpe Primary Academy
Kesteven & Grantham Academy	Ruskington Chestnut Street	Thomas Cowley Academy
Kesteven & Sleaford High	Sir Robert Pattinson Academy	Thomas Middlecott Academy
Kidgate Primary Academy	Sir William Robertson	Tower Road Academy
Kirkby La Thorpe	Skegness Academy	University Academy Holbeach
Lincoln Castle Academy	Skegness Grammar	Utterby Primary Academy
Lincoln Christs Hospital School	Skegness Infant Academy	Waddington All Saints Primary Academy
Lincoln Our Lady of Lincoln	Skegness Junior Academy	Wainfleet Magdalene Primary
Lincoln St Hugh's Catholic	Sleaford Carres Grammar	Warren Wood Specialist Academy
Lincoln St Peter & St Paul's	Sleaford Our Lady of Good Counsel	Washingborough Academy
Lincoln UTC	Sleaford St Georges	Welton William Farr CE
Lincoln Westgate Primary	Sleaford William Alvey	Welton St Mary's CofE
Lincoln Anglican Academies	Somercotes Academy	West Grantham Federation
Ling Moor Academy	South Witham Community	Weston St Mary
Little Gonerby CofE	Spalding Academy	Whaplode CofE Academy
Long Bennington CofE	Spalding Grammar	White's Wood Academy
Louth Academy	Spilsby Eresby	William Lovell Academy
Louth King Edward VI Grammar	Spilsby King Edward Academy	Witham St Hughs Academy
Mablethorpe Academy	Spilsby Primary Academy	Woodhall Spa St Andrews
Manor Farm Academy	St Bernards Academy Louth	Woodlands Academy Spilsby
Manor Leas Infant Academy	St Giles Academy	
Manor Leas Junior Academy	St John's Primary Academy	
Market Rasen De Aston	St Lawrence Academy Horncastle	

## Note 30 Exchange Rates Applied

The exchange rates used at 31 March 2018 per £1 sterling were:

<b>Exchanges Rates Applied</b>	
Australian Dollar	1.8288
Brazilian Real	4.6624
Canadian Dollar	1.8086
Swiss Franc	1.3433
Danish Krone	8.5023
Euro	1.1406
Hong Kong Dollar	11.0096
Indonesian Rupiah	19,313.0503
Israeli Shekel	4.9250
Japanese Yen	149.1878
Korean Won	1,495.2446
Mexican Peso	25.6060
Norwegian Krone	11.0133
New Zealand Dollar	1.9446
Polish Zloty	4.8050
Swedish Krona	11.7482
Singapore Dollar	1.8395
Thai Baht	43.8656
Turkish Lira	5.5571
Taiwan Dollar	40.9015
US Dollar	1.4028
South African Rand	16.6215

# Lincolnshire Fire & Rescue

## Pensions Fund 2017-18

2016/17	Fund Account	Note	2017/18
£'000			£'000
	<b>Contributions Receivable:</b>		
	From employer:		
(1,561)	Contributions in relation to pensionable pay	4	(1,711)
0	Early Retirements - Ill Health	4	0
	From members		
(1,336)	Fire-fighters' contributions	4	(1,394)
0	From MHCLG ( commutations special income)		0
	<b>Transfers in:</b>		
0	Individual transfers from other schemes from Local Authorities	7	(97)
0	Individual transfers from other schemes other than Local Authorities	7	0
	<b>Benefits payable:</b>		
5,319	Pensions	5	4,896
598	Commutations and lump sum retirement benefits	5	999
0	Lump sum death benefits	5	0
	<b>Payments to and on account of leavers:</b>		
15	Individual transfer out to other schemes	7	0
0	Refunds of contributions	7	0
<b>3,035</b>	<b>Sub Total Net amount payable for the year before top up grant receivable</b>		<b>2,693</b>
(3,035)	Top up grant receivable from sponsoring department	6	(2,693)
<b>0</b>	<b>net amount payable/receivable</b>		<b>0</b>

31 March 2017	Net Asset Statement as at:	31 March 2018
£'000		£'000
	<b>Current Assets:</b>	
996	Pensions top up grant due	64
<b>996</b>	<b>Total Current Assets</b>	<b>64</b>
	<b>Current Liabilities:</b>	
(996)	Amounts payable to LCC	64
<b>(996)</b>	<b>Total Current Liabilities</b>	<b>64</b>
<b>0</b>	<b>Total</b>	<b>0</b>

MHCLG = Ministry of Housing, Communities and Local Government

# Notes to the Fire & Rescue Pension Fund Account

## Note 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 Councils General Fund is shown as 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 44 to the Councils Financial Statement shows the Councils long term pension obligations in accordance with International Accounting Standards (IAS19).

## Note 2. Lincolnshire Fire and Rescue Pension Fund Account

The Fund was established at 1 April 2006 and now 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.

## Note 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 Ministry of Housing, Communities and Local Government (MHCLG)/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 firefighters 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.

## Note 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 on 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 pay (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.

## Note 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.

## Note 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 Ministry of Housing, Communities and Local Government (MHCLG); if contributions are insufficient to meet the cost of benefits payable, or by paying over any surplus to the MHCLG. 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.

## Note 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.

Audit Opinion (cont).

Audit Opinion (cont).



## Contents

1	<a href="#"><u>Executive Summary</u></a>
2	<a href="#"><u>Significant governance issues</u></a>
4	<a href="#"><u>Looking back at 2016/17</u></a>
5	<a href="#"><u>How the council works</u></a>
6	<a href="#"><u>Outcomes and value for money</u></a>
8	<a href="#"><u>Roles and responsibilities</u></a>
10	<a href="#"><u>How we carry out assurance</u></a>
11	<a href="#"><u>The council's assurance levels</u></a>
13	<a href="#"><u>Appendix 1 - Governance framework</u></a>
14	<a href="#"><u>Appendix 2 - Strategic Risks</u></a>

## Executive summary

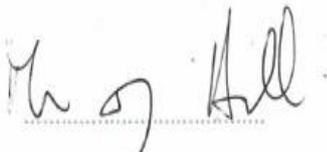
The Leader of the Council (Cllr Martin Hill OBE) and Interim Chief Executive (Richard Wills) both recognise the importance of having good management, effective processes and other appropriate controls in place to have a well-run Council - delivering services to the communities of Lincolnshire.

Each year the Council is required to produce an Annual Governance Statement (AGS) which describes how its corporate governance arrangements have been working. To help us do this the Council's Audit Committee undertakes a review of our governance framework and the development of the AGS.

On the 26th March 2018 the Audit Committee considered and challenged the content and the significant governance issues identified in the Statement – ensuring that the Statement properly reflects how the Council is run – identifying any improvement actions.

The final statement was formally approved by the Audit Committee on the 25th June 2018 - where it was recommended for signing by the Leader of the Council, Interim Chief Executive and the Executive Director – Finance and Public Protection.

## Signed on behalf of Lincolnshire County Council



Councillor Martin Hill OBE  
Leader of the Council



Richard Wills  
Interim Chief Executive



Pete Moore  
Executive Director – Finance and Public Protection  
(oversight responsibility for Governance and the Council's  
Section 151 Officer)

## Significant governance issues

Overall we can confirm that the council has the appropriate systems and processes in place to ensure good governance is maintained. Whilst we are satisfied that these generally work well our review has identified a number of areas for improvement or where governance oversight is needed.

Key improvement area	Lead officer	To be delivered by
IT governance	Executive Director – Environment and Economy	31 <sup>st</sup> March 2019
Fairer funding – financial sustainability	Executive Director – Finance and Public Protection	Ongoing through to late 2019
Market supply - adult social care	Executive Director – adult care	Ongoing through to 2020
Collaborative working – governance arrangements	Executive Director – Environment and Economy	31 <sup>st</sup> December 2018

## What is corporate governance?

Good governance can mean different things to people – in the public sector it means:

*"Achieving the intended outcomes while acting in the public interest at all times"*

Corporate governance generally refers to the processes by which an organisation is directed, controlled, led and held to account.

The council's governance framework aims to ensure that in conducting its business it:

- operates in a lawful, open, inclusive and honest manner
- makes sure public money is safeguarded, properly accounted for and spent wisely
- has effective arrangements in place to manage risk
- meets the needs of Lincolnshire communities - secures continuous improvements in the way it operates.

Our governance framework comprises of the culture, values, systems and processes by which the council is directed and controlled. It brings together an underlying set of legislative and regulatory requirements, good practice principles and management processes. The full governance framework can be found at the end of this document.

# Principles of corporate governance

 <b>Principle A: Integrity and values</b> <ul style="list-style-type: none"><li>• Staying true to our strong ethical values and standards of conduct</li><li>• Respecting the rule of law</li><li>• Creating a culture where statutory officers and other key post holders are able to fulfil their responsibilities</li><li>• Ensuring fraud, corruption and abuse of position are dealt with effectively</li><li>• Ensuring a safe environment to raise concerns and learning from our mistakes</li></ul>	 <b>Principle D: Making a difference</b> <ul style="list-style-type: none"><li>• Having a clear vision and strategy setting out our intended outcome for citizens and service users</li></ul>
 <b>Principle B: Openness and engagement</b> <ul style="list-style-type: none"><li>• Keeping relevant information open to the public and continuing their involvement</li><li>• Consultation feedback from the public is used to support service and budget decisions</li><li>• Providing clear rationale for decision making – being explicit about risk, impact and benefits.</li><li>• Having effective scrutiny to constructively challenge what we do and the decisions made</li></ul>	 <b>Principle E: Capability</b> <p>Clear roles and responsibilities for council leadership Maintaining a development programme that allows councillors and officers to gain the skills and knowledge they need to perform well in their roles. Evaluating councillor and officers' performance Regular oversight of performance, compliments and complaints to enable results (outcomes) to be measured and enable learning</p>
 <b>Principle C: Working together</b> <ul style="list-style-type: none"><li>• Having a clear vision and strategy to achieve intended outcomes - making the best use of resources and providing value for money</li><li>• Being clear about expectations - working effectively together within the resources available</li><li>• Developing constructive relationships with stakeholders</li><li>• Having strong priority planning and performance management processes in place</li><li>• Taking an active and planned approach to consult with the public</li><li>• Regularly consult with employees and their representatives</li></ul>	 <b>Principle F: Managing risk and performance</b> <ul style="list-style-type: none"><li>• Ensuring that effective risk management and performance systems are in place, and that these are integrated in our business systems / service units</li><li>• Having well developed assurance arrangements in place – including any commercial activities</li><li>• Having an effective Audit Committee</li><li>• Effective counter fraud arrangements in place</li></ul>
	 <b>Principle G: Transparency and accountability</b> <ul style="list-style-type: none"><li>• Having rigorous and transparent decision making processes in place</li><li>• Maintaining an effective scrutiny process</li><li>• Publishing up to date and good quality information on our activities and decisions</li><li>• Maintaining an effective internal and external audit function</li></ul>

## Looking back at 2016/17

A number of improvement actions were identified as part of the 2016/17 Annual Governance Statement.

The table below shows progress with these actions:

Key improvement area	To be delivered by (original target date)	Progress
IT governance	March 2018	Behind plan*
Financial sustainability	February 2018	On track – carried forward
Financial control environment	March 2018	Behind plan
Market supply	March 2018	On track – carried forward
SERCO contract – lessons learnt (KPMG report).	March 2018	Completed
Delivery of support services and improvement - SERCO	March 2018	Behind Plan – historic issues and projects On track – business as usual
Collaborative working - governance arrangements	March 2018	Behind plan – financial procedure requires updating

### Areas behind plan

**IT governance** – The Council has a robust and mature system of governance around information management, with the Executive Director – Environment and Economy as the designated Senior Information Risk Owner and we appointed a Data Protection Officer some time ago. However, a review of the Council's IT Governance and IT Strategy was commenced in 2017. A monthly meeting of the Executive Councillor with the Executive Director and Chief Digital Officer has already been put in place, but further proposals for the delivery of IT and its associated governance and oversight will be decided upon by the Executive by October 2018 as part to the Corporate Support Services programme

**Financial control environment** – improvements in the control environment have been made. Payroll has improved from an internal assurance '**low assurance**' to '**limited assurance**' opinion during the year. It is anticipated that this will move to '**substantial assurance**' in 2018.

**Delivery of support services and improvement – SERCO** - since October 2017 performance against the contract's Key Performance Indicators has been strong but there is still a way to go around delivery of some IT projects, the payroll control environment and delivery of the pay statement project. The target date for completion is September 2018.

**Collaborative working - governance arrangements** – the financial procedure is due to be updated by 31<sup>st</sup> December 2018. It includes procedures around commercial activities, external funding as well as partnerships.

## How the council works

The Annual Governance Statement covers the 2017/18 financial year. The information below relates to this period. A new Executive and Scrutiny structure came into effect from May 2017.

**The council is made up of 70 councillors and operates a 'Leader and Executive' model of decision making.**

- All 70 councillors meet to agree the budget and policy framework.

**The Executive makes the decisions that deliver the budget and policy framework of the council and consists of a minimum of 2 members and a maximum of 10.**

- In 2017/18 the Leader and 7 councillors sat on the Executive.

**The remaining 62 councillors form scrutiny committees.**

- These committees develop policy and scrutinise decisions made by the Executive officers – holding them to account.
- A number of these committees deal with regulatory issues.



## Outcomes and value for money

### Our plan and performance dashboard

We want to support a society where people contribute to their communities and are willing and able to look after themselves and others; a county where:



A link to the Performance Dashboard can be found [here](#).

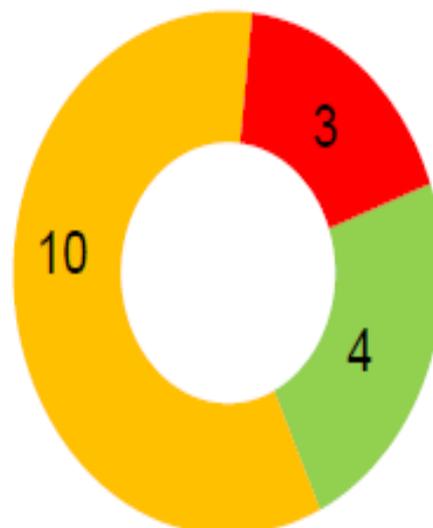
### Performance summary

We achieved the majority of the targets we set out in our Council Business Plan 2017/18.

The performance of the 17 commissioning strategies is shown below.

**Mostly achieved**  
(59%)

- Adult frailty, long-term conditions and physical disability
- Community resilience and assets
- How we effectively target our resources (a combination of 3 commissioning strategies)
- Learn and achieve
- Readiness for adult life
- Readiness for school
- Specialist adult services
- Wellbeing



**Some achieved**  
(18%)

- Carers
- Protecting the public
- Protecting and sustaining the environment

**Fully achieved**  
(23%)

- Children are safe and healthy
- Safeguarding adults
- Sustaining and growing business and the economy
- Sustaining and developing prosperity through infrastructure

## Value for money

The external auditors of the council issued an unqualified Value for Money judgement for 2016/17.

**The council is generally in a sound financial position relative to other councils over the short term.** This is because of considerable savings made in the earlier part of this decade. The council has had a financial strategy for a number of years now which has combined:

- service efficiency savings
- modest service reductions
- prudent use of reserves

Continuing to follow this strategy, **the council has set a two year budget up to March 2020**, and this would leave the council with at least enough in reserves to cover an underlying deficit at April 2020 for a minimum of at least another year.

As in previous years, **there has been no general increase in public dissatisfaction across the board with the standard of services delivered.** Specific changes have caused some public disquiet at and just after the point of their initiation.

**The 2018/19 budget does not include any major service reductions.**

Final budget proposals have been modified in two specific areas to reflect feedback from the public and other key stakeholders:

- Funding to the Citizen Advice Service has been partly reinstated rather than stopped completely to allow a core service still to be provided across the county.
- Extra local funding has been allocated to highways maintenance to deal, in particular, with public concerns over the damage the winter weather has caused to the network.

**The council is constantly monitoring its long term financial position** using a funding model which currently goes to March 2022, and includes the last two years covered by the four year funding deal agreed with central Government in 2016. The model predicts the budget shortfall for future years taking into account known cost pressures and planned savings.

During the 2018/19 financial year, the council will also be considering the impacts of:

- the partial localisation of business rates from April 2020
- the outcomes of the Fair Funding Review being undertaken by Government
- any lessons learned or recommendations issued by CIPFA arising from the financial governance issues identified at Northamptonshire County Council

**The council's governance for commercial activities will be formally established during 2018** with the development of a Commercial Strategy and oversight functions.

The council has responded proactively in its role as accountable body for the [Greater Lincolnshire Enterprise Partnership](#) (GLEP) to enhanced accountability and governance requirements emanating from Central Government. The GLEP was recently assessed by Government as 'good' for governance and strategy and has some 'areas for improvement' regarding delivery. Action is well in hand to mitigate any concerns that have been highlighted.

## Roles and Responsibilities

### **Head of internal audit**

The head of internal audit is required to provide an independent opinion on the overall adequacy of and effectiveness of the council's governance, risk and control framework and therefore the extent to which the council can rely on it.

The annual report has been considered in the development of the Annual Governance Statement and any significant governance issues incorporated as appropriate. The opinion of the head of internal audit is included in this statement.

### **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 Monitoring Officer provided an [Annual Report](#) to the council on how he discharged his duties during the year on the 11<sup>th</sup> May 2018. It gave assurances that:

- the council acted and operated within the law
- appropriate arrangements are in place and operated effectively under the Regulation of Investigatory Powers Act and the council's whistleblowing policy
- an effective officer and member register of interest process is in place
- any actions have been taken arising from the published findings by the Local Government Ombudsman.

### **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.

### **Council managers**

Our managers have the day to day responsibility for services, and 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.

### **Corporate management board**

Our corporate management board oversees the review, the council's governance arrangements and the development of the Annual Governance Statement. There is also a corporate governance group of officers and councillors, whose role is to support the council to ensure that it complies with the standards of good governance.

**The Leader of the council, interim chief executive and executive director for finance and public protection have overseen the review of our governance, and have signed the Annual Governance Statement.**

## Effective Scrutiny and Review

### Overview and Scrutiny Management Board

The [Overview and Scrutiny Management Board](#) exists to review and scrutinise any decision made by the executive, executive councillor or key decision made by an officer.

The key aim of scrutiny in councils is to:

- Provide healthy and constructive challenge
- Give voice to public concerns
- Support improvement in services
- Provide independent review

Each year an [overview and scrutiny annual report](#) is produced showing the activities undertaken.

### Audit committee

The council's audit committee plays a vital role overseeing and promoting good governance, ensuring accountability and reviewing the ways things are done.

It 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 and make 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.

[Find out more about the audit committee here.](#)

### Full council

The Annual Governance Statement is brought to the attention of the full council

### 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.

## How we carry out assurance

A combined assurance status report is produced by each executive director. It looks at the level of confidence the council can have in each area for:

- service delivery arrangements
- management of risks
- operation of controls
- performance

These reports were reviewed by the audit committee in January 2018.

The council adopts the 'three lines of assurance' methodology, as seen below.

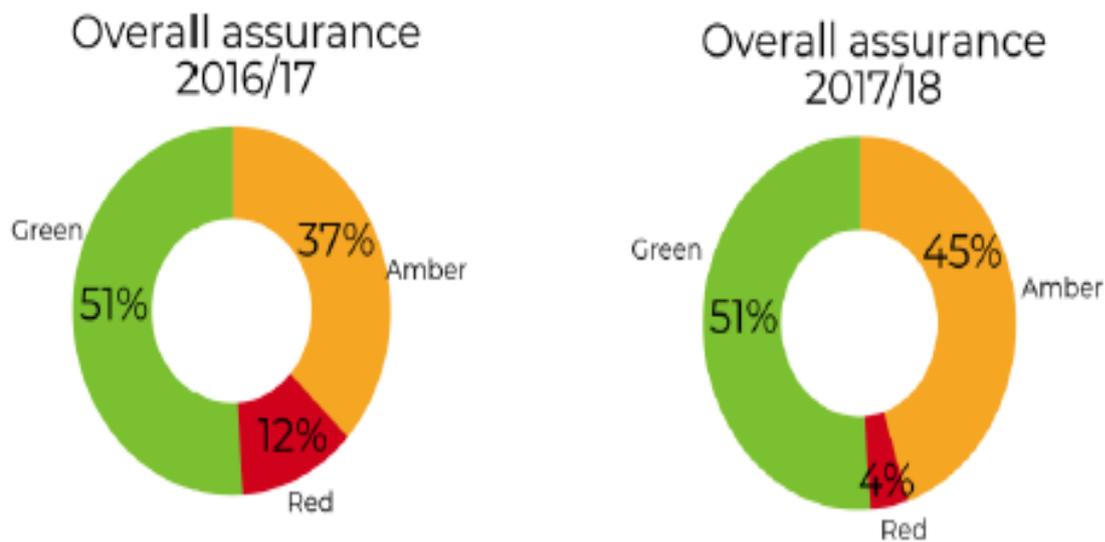
How do we assure ourselves about how the council is run?



## The council's assurance levels

Overall there is a positive assurance picture for the council but one that reflects the complex environment in which we operate.

In future, 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.



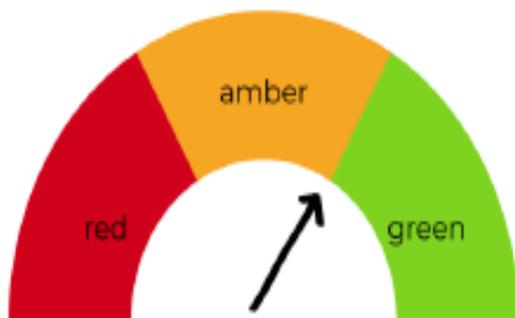
- Red** High impact on resources, significant costs likely, high impact on service delivery
- Amber** Medium or short term impact on resources, costs covered within existing financial plans, low impact on service delivery
- Green** Monitor and be aware, activity to mitigate risk within existing service delivery plans

## Head of internal audit opinion

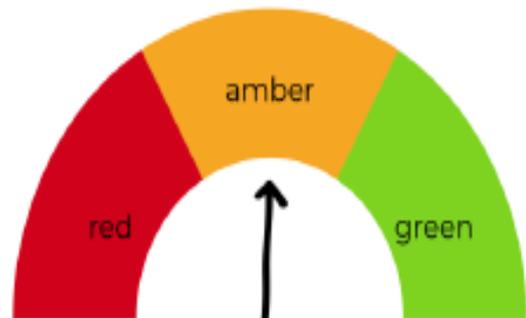
The opinion of the head of internal audit is given for 2017/18 on four areas of council assurance:

- **governance** (how the council is run)
- **risk** (the risks to the council's operations)
- **internal controls** (the processes in place to ensure compliance)
- **financial controls** (the processes in place to ensure we manage our finances appropriately)

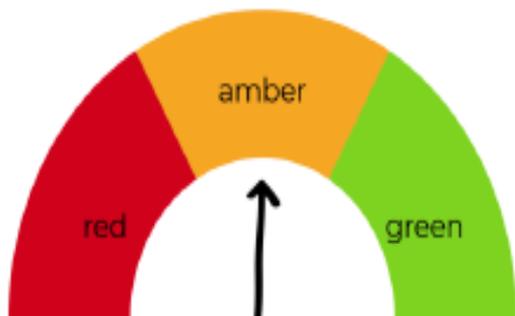
### Governance



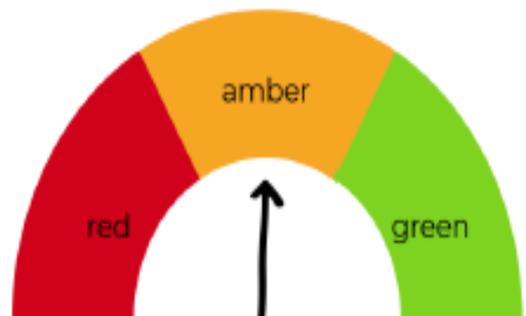
### Risk



### Internal control



### Financial control

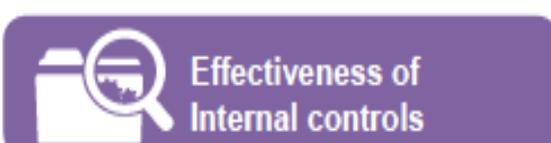
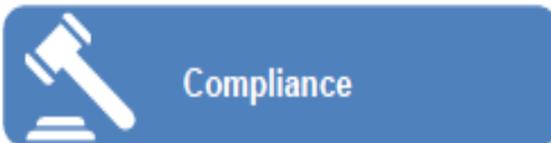


The council is **performing well** for governance – some improvements may be required to frameworks or to manage medium risks across the council.

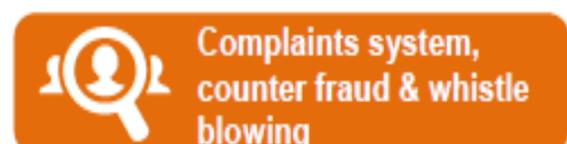
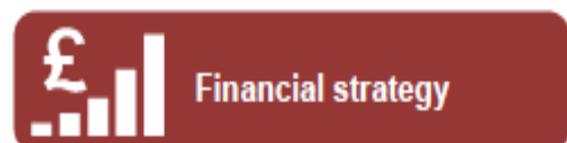
The council is **performing adequately** for risk, internal control and financial control - some improvements may be required to manage a significant issue, a specific high risk, or medium risks across the council.

## Appendix 1 – Governance framework

### Where do we need assurance?



### Where can / do we get assurance from?



## Appendix 2 – Strategic risk register

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 put us in a stronger position to deliver our goals and provide excellent services.

Our Strategic Risk Register is regularly reviewed and our risks are being effectively managed.

Risk	Mitigating actions	Risk rating	Level of assurance
Safeguarding children	<i>Good and effective management arrangements in place with controls working effectively</i>	Amber	Substantial
Safeguarding adults	<i>Good and effective management arrangements in place with controls working effectively</i>	Amber	Substantial
Good business continuity and resilience	<i>Programme in place to review and test continuity and recovery plans</i>	Amber	Limited
Funding and maintaining financial resilience	<i>Balanced budget and medium-term financial strategy in place</i>	Amber	Substantial
Ability to deliver our programme of designated projects	<i>Project management arrangements in place</i>	Amber	Limited
Adequacy of market supply to meet eligible needs for adults	<i>Ongoing work with market and suppliers to stimulate market in target areas</i>	Amber	Limited
Ability to recruit and retain staff in high risk areas	<i>Proactive work continuing in this area</i>	Amber	Limited
Ensuring contracts are fit for purpose in the commission agenda/significant contracts	<i>Commercial team supports the business with ongoing work to strengthen contract management (intelligent client) and learning from procurement/existing contracts</i>	Amber	Limited
Cyber security	<i>Ongoing work to identify and manage the ever changing risk presented by cyber threats. ISO/IEC 27001:13 accreditation attained</i>	Red	Limited
Key	Risk	Assurance	
Red	High impact on resources, significant costs likely, high impact on service delivery	Low level of confidence over the design and operation of controls, performance or management of risk	
Amber	Medium or short term impact on resources, cost covered within existing financial plans, low impact on service delivery	Medium level of confidence over the design and operation of controls, performance or management of risk	
Green	Monitor and be aware, activity to mitigate the risk within existing service delivery plans / management arrangements	High level of confidence over the design and operation of controls, performance or management of risk	

## Statement of Accounts Glossary of Terms

<b><u>A</u></b>	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.  Retrospective application is applying a new accounting policy to transactions, other events and conditions as if that policy had always been applied.
	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.
	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: <ul style="list-style-type: none"> <li>• 'Current assets' are intended for use or to be sold within the normal operating cycle. They are held for the purpose of current service provision, trading or the Council expects to realise the assets within 12 months after the reporting date.</li> <li>• 'Non-current assets' do not meet the definition of a current asset and can be tangible (e.g. school buildings) or intangible (e.g. computer software licences).</li> <li>• 'Donated assets' are assets which transferred to the Council at nil value or acquired at less than fair value.</li> <li>• 'Heritage Assets' are of an historic nature, including buildings and collections; which are held by the Council.</li> <li>• 'Intangible Assets' are without physical substance. Examples include: computer software and licences.</li> </ul>
	Audit of Accounts	An independent examination of the Council's financial affairs.
<b><u>B</u></b>	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.
<b><u>C</u></b>	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 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 & Requirements)	<p>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.</p> <p>Requirements - Statutory requirement to ensure that over the medium term the net borrowing by the Council will only be for capital purposes.</p>
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 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...	<p>...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.</p> <p>...Liability are potential costs 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.</p>
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.
<u>D</u> Debtors	<p>Sums of money owed to the Council but unpaid at 31 March.</p> <p>Long Term Debtors are 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.</p>
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	<p>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.</p> <ul style="list-style-type: none"> <li>• Straight Line basis is the method of calculating depreciation by charging the same amount each year over the assets life.</li> </ul>
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.

<u>E</u>	Employee benefits	Are all forms of consideration (both monetary and in-kind) given by the Council in exchange for service rendered.  Short Term Employee Benefits (other than termination benefits) fall due wholly within 12 months after the end of the period in which the employees render the related service.
	Exceptional Items	Are all forms of consideration (both monetary and in-kind) given by the Council in exchange for service rendered.
<u>F</u>	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 are a right to future economic benefits controlled by the Council.  ... Liabilities are an obligation to transfer 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).
	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.
<u>G</u>	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.
<u>I</u>	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.
	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.
<u>L</u>	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. <ul style="list-style-type: none"> <li>• 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.</li> <li>• Operating Lease – a lease where the risks and rewards, and</li> </ul>

		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.
<u>M</u>	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).
<u>N</u>	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.
<u>O</u>	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'.
	Operations (Acquired & Discontinued)	Operations comprise services and division of service as defined in SERCOP. - Acquired operations are those that are acquired in the period by the Council. - Discontinued operations are those that are discontinued in the period. Responsibilities that are transferred from one part of the public sector to another are not discontinued operations.
<u>P</u>	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 is the precepting Authority and the District Councils are the collecting Authorities 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 method in which the scheme liabilities at the valuation date relate to: <ul style="list-style-type: none"> <li>the benefits for pensioners and deferred pensioners and their dependants, allowing where appropriate for future increases, and</li> <li>the accrued benefits for members in service on the valuation date.</li> </ul>
	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. <ul style="list-style-type: none"> <li>Land and buildings.</li> <li>Vehicles, plant, furniture and equipment.</li> <li>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).</li> <li>Community 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 &amp; coastal parks and picnic sites).</li> <li>Surplus assets are non-current assets held by the Council but not directly occupied, used or consumed in the delivery of services.</li> <li>Investment properties are land or buildings held to earn rental income or for capital appreciation or both.</li> <li>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.</li> <li>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.</li> </ul>
	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	A set of financial indicators and limits that are calculated in order to demonstrate that Councils' capital investment plans are affordable, prudent and sustainable.
	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.
<u>R</u>	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	<p>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.</p> <ul style="list-style-type: none"> <li>• Capital Adjustment Account reserve largely consisting of resources applied to capital financing and not available to the Council to support new investment.</li> <li>• Earmarked Reserves are those elements of total Council reserves which are retained for specific purposes.</li> <li>• Revaluation Reserve holds revaluation gains on assets recognised since 1 April 2007 only, the date of its formal implementation.</li> </ul>
	Retirement Benefits	<ul style="list-style-type: none"> <li>• Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.</li> <li>• 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.</li> <li>• Actuarial gains and losses for a defined benefit pension scheme are the changes in actuarial deficits or surpluses that arise because: <ul style="list-style-type: none"> <li>○ Events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or</li> <li>○ The actuarial assumptions have changed.</li> </ul> </li> <li>• Current service cost is the increase in the present value of a defined benefit obligation resulting from employee service in the current period.</li> <li>• Defined benefit plans are post-employment benefit plans other than defined contribution plans.</li> <li>• 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.</li> <li>• 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.</li> <li>• 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).</li> </ul>
	Revaluation Gain	The increase to the fair value of an asset following a valuation.
	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 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.

<u>S</u>	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.
	Specific Grant	A grant awarded to a Council for a specific purpose or service that cannot be spent on anything else.
<u>T</u>	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.
<u>U</u>	Useful Life	The period with which an asset is expected to be useful to the Council in its current state.

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