West Lindsey District Council
Making a Difference

GA.16 14/15	**G**
Governance & Audit Committee	
31 July 2014	

Subject: Unaudited Statement of Accounts 2013/14

Report by:	Chief Finance Officer – Ian Knowles
Contact Officer:	Tracey Bircumshaw Group Accountant 01427 676560 Tracey.Bircumshaw@west-lindsey.gov.uk
Purpose / Summary:	To note the 2013/14 Unaudited Statement of Accounts

RECOMMENDATIONS:

1) **That Members note the attached Unaudited Statement of Accounts, authorised for issue to the Auditors, KPMG, on 30th June 2014.**

IMPLICATIONS

Legal: None arising from this report.

Financial: Fin/13/15 - The Unaudited Statement of Accounts has been prepared in accordance with proper practices. The Unaudited Statement of Accounts is attached for note.

Staffing : None arising from this report.

Equality and Diversity including Human Rights :

*NB: A full impact assessment **HAS TO BE** attached if the report relates to any new or revised policy or revision to service delivery/introduction of new services.*

Risk Assessment : None arising from this report.

Climate Related Risks and Opportunities : None arising from this report.

Title and Location of any Background Papers used in the preparation of this report:

Code of Practice on local authority accounting in the United Kingdom 2013/14

Code of Practice on Local Authority Accounting in the United Kingdom – Guidance notes for practitioners 2013/14 Accounts

The Accounts and Audit (England) Regulations 2011 – Statutory Instrument Number 817

All papers are located in the Financial Services section, Guildhall

Call in and Urgency:

Is the decision one which Rule 14 of the Scrutiny Procedure Rules apply?

Yes		**No**	**x**

Key Decision:

Yes		**No**	**x**

1 Introduction

1.1 The Unaudited Statement of Accounts for 2013/14 have been prepared under the International Financial Reporting Standards based Code of Practice on Local Authority Accounting (the Code).

1.2 Following the Accounts and Audit Regulations 2011 the Council's Statement of Accounts, subject to audit, must be certified by the Chief Finance Officer (S151) and issued before the 30th June. Following completion of the external audit the Council must formally approve the accounts before the end of September.

1.3 The Committee is presented with the Unaudited Statement of Accounts, authorised for issue on 30th June, for information.

1.4 This Committee is responsible for the approval of the Statement of Accounts and any material amendments of the accounts recommended by the Auditors. The Audited Statement Accounts will therefore be presented to this Committee in September 2014 after the audit process.

1.5 The Statement of Accounts will be combined with the Annual Governance Statement (AGS), as per the decision on 27 June 2011, to continue to publish one document, clearly identifying that these are separate statements, which will also be presented to the September Committee for approval.

1.6 Following the certification of the accounts by the 30th June 2014 by the Chief Financial Officer (S151) the External Auditor (KPMG) will carry out their audit. This may result in some changes being made to the statement of accounts that were originally certified by the Chief Finance Officer and published. The impact of the significant changes made on the main statements and associated will be noted in the September report.

2 Summary

The Unaudited Statement of Accounts 2013/14 is attached at Appendix A. The main elements of which are detailed below;

2.1 **Comprehensive Income and Expenditure Statement (CIES**)

This Statement records the day-to-day expenditure incurred in providing services and includes salaries and wages, other running costs and financing costs and income due from fees and charges and government grants. This statement also shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, but such "accounting costs" do not form part of the amount required to be raised through council tax. The surplus on the Provision of Services totalled £3.423m (£0.181m 2012/13),

2.2 **Movement in Reserves Statement (MIRS)**

This Statement shows the movement in the year on the different reserves held by the Council, analysed into ‘usable reserves’ (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council’s services, more details of which are shown in the CIES. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council. The Councils useable reserves total £17.357m (£15.918m 2012/13)

2.3 **Balance Sheet**

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the authority (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). Useable Reserves total £17.357m (£15.918m 2012/13). The second category of reserves is those that the Council 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 MIRS Statement line ‘Adjustments between accounting basis and funding basis under regulations’. Unusable Reserves total a deficit of £13.175m (£10.289m 2012/13)

2.4 **Cash Flow Statement**

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council’s future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council. The movement in overall cash is £2.721m. (£0.444m 2012/13)

2.5 Notes to the Accounts

The Notes to the accounts include additional information including the accounting policies, material items of income and expense, and explanations of elements contained within the Comprehensive Income and Expenditure Account and the Balance Sheet.

2.6 Other Financial Statements

The Collection Fund is a statutory fund set up under the provisions of the Local Government Finance Act 1988. It includes the transactions of the charging Authority in relation to Non-Domestic Rates and Council Tax and illustrates the way in which the fund balance is distributed to preceptors and the General Fund.

2.7 Icelandic Investments

During the year a final dividend was received from Heritable Bank resulting in a total of 94.8% being recovered. In addition the Council sold its remaining investments in Landsbanki resulting in 93.1% of the original claim being recovered. In respect of Glitner, 100% of its claim had been settled during 2012/13.

Of the original £7m invested with Icelandic Banks a final total of £6.639m has been received.

Whilst the Council no longer holds investments in Icelandic banks, an element of the Glitner distribution was issued in Icelandic Kroner and has been placed in an escrow account. Due to currency controls imposed by the Icelandic Government, we await the Icelandic Courts decision on the repatriation of these funds.

Further information can be found in Appendix A page 86.

West Lindsey District Council

Unaudited Statement of Accounts

2013/2014

Contents

Explanatory Foreword

1 Introduction

As the Council's Chief Finance Officer I am pleased to present the 2013/14 Statement of Accounts. The accounts provide information on how the Council has used the financial resources available to provide services and progress its local priorities. The Council's Corporate Plan explains how the organisation's key priorities would be addressed. The full document is available on the Council's website www.west-lindsey.gov.uk/your-council/how-the-council-works/key-plans-policies-and-strategies/corporate-plan

The Council is striving to promote five themes, as outlined in the corporate plan:

1: A prosperous and enterprising district;
2: An accessible and connected district;
3: A green district where people want to live, work and visit;
4: Active and healthy citizens and communities;
5: Organisational Transformation.

The Council has had to adapt quickly to a much changed environment as the government has carried out plans for deficit reduction and, by the Localism Act, promoted further empowerment of communities. By adopting an entrepreneurial approach, which has facilitated innovation and efficiency improvements, the Council has been able to accommodate the significant reductions in Central Government funding whilst protecting services and jobs. The Council has focussed on developing and meeting the needs of the community through support activities and projects which have increased community participation and attracted additional investment to the District.

The financial statements within this document help to demonstrate that, in a period of considerable uncertainty, the Council's finances are sound and sustainable. This position should support the Council in delivering the aims of the Corporate Plan, responding to the on-going public sector reforms and reductions in Central Government funding and other income streams.

This Explanatory Foreword provides more detail about the purpose of each financial statement; summarises the material items within them and gives a financial overview of the year.

The Council's Statement of Accounts have been based on International Financial Reporting Standards (IFRS) and prepared in accordance with the Chartered Institute of Public Finance and Accountancy/ Local Authority (Scotland) Accounts Advisory Committee (CIPFA/LASAAC) Code of Practice on Local Authority Accounting in Great Britain ("The Code").

Explanatory Forward

The accounts are produced for the Council as a going concern, single entity.

2 The Financial Statements

The code requires that the accounts contain the following statements listed below.

Comprehensive Income and Expenditure Statement (CIES)

This Statement records the day-to-day expenditure incurred in providing services and includes salaries and wages, other running costs and financing costs and income due from fees and charges and government grants. This statement also shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, but such “accounting costs” do not form part of the amount required to be raised through council tax. The surplus on the Provision of Services totalled £3.423m (£0.181m 2012/13),

Movement in Reserves Statement (MIRS)

This Statement shows the movement in the year on the different reserves held by the Council, analysed into ‘usable reserves’ (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council’s services, more details of which are shown in the CIES. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council. The Councils useable reserves total £17.357m (£15.918m 2012/13)

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the authority (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council 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 MIRS Statement line ‘Adjustments between accounting basis and funding basis under regulations’.

Explanatory Foreword

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council. The movement in overall cash is £2.721m. (£0.444m 2012/13)

Supplementary financial statements

The Collection Fund represents the council taxes and business rates collected by West Lindsey District Council on behalf of those authorities responsible for services within the district, and Central Government, and the way in which these monies have been distributed among the authorities and Central Government to finance their expenditure.

3 Summary of Financial Performance in 2013/14

Revenue Income and Expenditure

The Council approved a revenue budget, including Council Tax charges, for 2013/14 which planned to utilise £0.802m of the General Fund Balance (including £0.800m contribution towards Earmarked Reserves and £0.002m to balance the budget). During the year a further £0.249m of the General Fund Balance was approved to support in year projects. Compared to the revised budget for 2013/14 and before allowing for in year decisions to support new initiatives or address budget pressures the Council's revenue position resulted in a surplus of £1.845m.

The utilisation of £1.204m of the surplus for future investment has been transferred to Earmarked Reserves, resulting in £0.640m added to the General Fund working balance. Service surpluses requested for carry forward into the 2014/15 financial year total £0.345m and therefore result in an overall net contribution for the year of £0.296m.

The following table reports the revenue figures for 2013/14 before any adjustments required by accounting standards that are subsequently reversed under statute.

Explanatory Foreword

WLDC Revenue Budget Outturn 2013/14

Year End Draft Position	Actual Totals
Income	**£**
Government Grants	-22,224,631
Service Specific Government Grants	-1,376,174
Other Grants and Contributions	-613,802
Customer and Client Receipts	-2,455,221
Interest and Investment Income	-336,068
Revenue Support Grant	-4,017,171
Non Specific Grants	-395,138
Retained NNDR	-3,381,777
New Homes Bonus	-1,105,235
Council Tax	-5,291,768
Collection Fund Surplus	-116,344
Total Income	**-41,313,329**
Expenditure	
Employees	8,432,917
Premises Related	1,385,409
Transport Related	1,169,854
Supplies & Services	2,472,147
Third Party Payments	1,909,934
Transfer Payments	23,116,450
Total Expenditure	**38,486,711**
Net Total - Surplus	**-2,826,618**
Other Corporate Accounting Adj.	**808,722**
Approved Budget - Contribution to / (from) General Fund Reserves	**1,224,496**
Transfer to / (from) specific reserves approved in year	**-1,051,243**
SURPLUS FOR YEAR	**-1,844,643**
Utilisation of Surplus to Earmarked Reserves	**1,204,400**
Contribution to General Fund Balance	**-640,243**
Carry Forward Approvals 2014/15	344,700
Net contributions 2013/14	**-295,543**

Explanatory Foreword

Included within the surplus is the impact of the NNDR retention scheme which resulted in a £0.741 budget surplus. This surplus is required to be Earmarked to finance the £0.808m deficit on the Collection Fund, which under Statutory Regulation is not a charge against Council Tax Payers, until the following financial year.

During the year the Council sold its investment held with Landsbanki , this transaction resulted in a gain of £0.113m, to the General Fund, exceeding previous impairment charges.

It should be noted that within the headline position there were budget pressures, however, these have been managed from additional income generated during the year. Where known, and if appropriate, the on-going elements of these pressures have been factored into future budgets.

Adjustments in relation to the impairment allowance for uncollectable debts resulted in a contribution to the impairment allowance of £0.115m.

Considering the extension of existing austerity measures and the predicted future issues, a sustainable and well managed budget is essential as the next five years will see radical reforms to the national benefits system, local government funding and infrastructure financing.

Earmarked Reserves

Following approval of the Medium Term Financial Plan for 2013/14 £2.464m of Earmarked Reserves were approved for Business Rates Volatility £0.250m, Elections £0.031m, Capital Investment £0.300m, Organisational Change £0.500m, future Housing Investment £1.083m, Support for vulnerable communities £0.300m. In addition in year use of reserves (£1.925m) and year end contributions to reserves, £1.204m, has resulted in a net contribution to Earmarked Reserves of £1.743m. The balance of Earmarked Reserves as at 31 March 2014 total £12.293 (£10.550m 2013/14).

The Capital Programme

The revised Capital Programme 2013/14 was budgeted to spend £3.533m, approved adjustments during the year of £0.901m resulted in a revised Capital Programme of £2.632. Actual expenditure incurred was £2.250m, and schemes which are not yet complete, totalling, £0.300m, will be carried forward and added to the 2014/15 Capital Programme.

The in-year expenditure was funded mainly from Government grants and contributions of £1.223m, direct revenue contributions of £0.780m, £0.153m of capital receipts and £0.094m of finance leases.

Explanatory Foreword

At the beginning of the year, the Usable Capital Receipts Reserve balance was £2.485m. New receipts during the year totalled £0.060m due to the sale of Council Houses and DFG repayments and £0.153m was used to finance capital expenditure, the balance of £2.393m is available for future financing. Unapplied Capital Grants and Contributions of £0.045m were applied in year leaving a balance of £0.511m for financing future capital schemes.

The Balance Sheet movement of Property Plant and Equipment relates to, acquisitions and enhancements, changes in valuations, and disposals. These events have resulted in an overall carrying value of £16.818m, an increase of £0.248m from 2013/14. Details are contained within Note 12 to the Statement of Accounts.

Debt and Investments

The Council had no long term debt during the year and did not borrow temporarily to meet cash flow requirements. At the end of the year the Council held £3.719m in short term investments, had no long term investments and £13.197m in cash and cash equivalents. The comparative figures for the end of 2012/13 were £4.785m, £1.373m, £10.476m respectively.

The Council has no external borrowing but does acquire plant and equipment under Finance Leases which are classified as credit arrangements. At 31 March 2014, outstanding obligations in respect of Finance Leases amounted to £0.683m (£0.782m 31 March 2013).

Material assets acquired

No material assets were acquired during the year

Analysis of Capital Expenditure in year

	£m
Buildings	0.584
Vehicles, Plant & Equipment	0.443
Investment Property	0.175
Waste Freighter - Finance Lease	0.093
Intangible Assets	0.070
Revenue Expenditure Funded from Capital Under Statute (REFCUS)	0.886
Total	**2.251**

Significant elements of expenditure in the year related to;

Revenue Expenditure Funded from Capital Under Statute (REFCUS)

Explanatory Foreword

- Disabled Facilities Grants £0.469m
- Gainsborough Regained £0.284m
- Other Capital contributions £0.133m

Material Liabilities incurred

Pensions Liability:

The majority of the employees of the Council are members of the Local Government Pension Scheme (LGPS). The liability for both statutory and discretionary pension benefits, measured on an IAS19 basis has increased over the year. At 31st March 2014 the Council's net liability reported by the Actuary to the LGPS was £27.9m (£25.3m in 12/13), an increase of £2.6m (10.3%). Fair value of LGPS assets was £37.8m (£38.3m in 12/13), a decrease of £0.5m and the value of obligations to pay pension liabilities increased by 3.3% from £63.6m to £65.7m.

The increase in the net liability at 31 March 2014 is due to falling real bond yields.

The revenue account does not include the full provision for pension costs of employees. The net liability to the Lincolnshire LGPS of £27.9m represents an estimate at a point in time and there is no direct link to funding or employers' contribution rates. The net liability is matched by the Pension Reserve, also shown in the Balance Sheet. The full triennial valuation of the Lincolnshire LGPS carried out by the Actuary, which determines the future contribution rates for employers, uses different assumptions to those required under IAS19.

The triennial valuation at 31 March 2010 certified a funding level of 69% for the Council and resulted in stabilised employer contributions of 14.1% of pensionable pay to apply from 1 April 2011 to 31 March 2014. In addition the Council will pay fixed monetary amounts towards the funding deficit of £0.623m in 2014/15. The comparative figures for 2013/14 were 14.1% of pensionable pay and £0.532m paid towards the deficit.

More details of the IAS19 valuation are set out in Note 32 to the Financial Statements.

Significant provisions, contingencies and material write-offs

No significant provisions, contingencies or material write offs were recognised in 2013/14.

5 Material Items of Income and Expense and Unusual charge or credit in the accounts

Valuation of Long Term property assets;

The valuation as at 31 March 2014 resulted in upward revaluations of £3.489m reflected in Other Comprehensive Income and Expenditure, and net downward revaluations of £3.296m charged to Costs of Services within the Comprehensive Income and Expenditure Account as follows;

Cultural and Related Servies £0.587m, Environmental and Regulatory Services £0.417m, Planning Services £0.654m, Highways and Transportation Services £0.515m, Other Housing Services (£270m) (net upward revaluation reversing previous downward revaluation), Non Distributed Costs £0.155m. In addition £1.238m was charged to administrative buildings, whose costs are subsequently recharged to Services based on sqmtr occupancy.

Icelandic Banks reversed impairment;

The Council has received £1.580m from the sale of investments held with Landsbanki, this has resulted in a gain of £0.113m on previous estimations of impaired amounts, and is reflected in Financing and Investment Income and Expenditure, within the Comprehensive Income and Expenditure Account.

7 Service and Economic Outlook

Economic Background and Outlook

Following the 2008 financial crisis the UK economy has gone through the slowest recovery in recent history. This recovery has picked up pace during 2013/14 with growth exceeding all expectations and forward surveys indicating that growth prospects are also strong for the coming year in all three main sectors; Service, Construction and Manufacturing. Low wage inflation continues to provide a drag on the economy with wage inflation remaining below CPI inflation meaning disposable income and living standards remain under pressure. The bank rate also remained unchanged at 0.5% resulting in low returns on investments.

Despite these positive signs, as existing public sector spending protections are expected to remain in place the financial outlook for Local Authorities remains difficult. With reductions in funding over the medium term expected to be similar to those already faced by Local Government.

Specific announcements have been made that reduce West Lindsey's funding for 2014/15 by almost £1m; this is combined with historic reductions of circa 30% and anticipated reductions in grant for future years that are estimated to being similar to those already faced.

The Council has already seen significant reductions in financial support from the Government which, paid through formula grant, was £8.2m in 2010/11, compared to support from local council tax of £5.7m. The formula grant announced for 2012/13 was £5.7m, a reduction over two years of £2.5m or 24.7%, with further reductions anticipated, as illustrated below;

Explanatory Foreword

WLDC Main Annual Government Grant Reductions

	2011/12 £000's	2012/13 £000's	2013/14 £000's	2014/15 £000's
Formula Grant	6,514	5,688	5,513	4,482
Other grants rolled in	0	0	1,145	1,097
Grant reduction year on year	1,710	826	175	1,079
Percentage change year on year	20.7%	12.67%	3%	16.2%

A further average reduction of 16.3% has been announced for lower tier authorities in 2015/16.

Significant reforms are also taking place across Local Government with many of the changes coming in to force on the 1st April 2013. These reforms not only place additional burdens on Local Government, but also significantly transfer risk and responsibilities to Local Government which have previously sat with Central Government.

One such change is the basis of the Settlement for 2012-13 and 2013-14. For 2012-13 the main components were a top-up grant called Revenue Support Grant (RSG), and a share of funding from the Business Rate Pool were distributed on a four needs model – Relevant Needs Amount, Relevant Resource Amount, Central Allocation and Floor Dampening.

The principal change for 2013-14 and future years is that there will no longer be a share from the National Pool. Instead the estimated yield from Business Rates will be shared between the Billing Authority (West Lindsey District Council 40%), the Precepting Authority (Lincolnshire County Council 10%) and the Government 50%. Growth in Business Rates can result in increased funding for the local authorities concerned. However, they will share any reduction in Business Rate yield. Such losses and gains will be subject to separate "Safety Net and Levy" arrangements to reduce potential volatility of local authority funding under the new system, effectively limiting the potential gain or loss in any one year.

Under the Business Rates Retention element of local government funding the provisional settlement figures published will no longer provide guaranteed funding levels, but rather the starting point within the scheme. Ultimately, the level of business rates collected will determine the funding received for this element of their funding.

The Government's New Homes Bonus is an un-ring fenced grant with allocations for future years being funded from the total National Non-Domestic Rates (NNDR)

Explanatory Forward

'pool' thus reducing the grant available to be utilised locally. It is therefore likely that competition will be heightened between business and domestic expansion, and between local authorities for growth.

The New Homes Bonus allocations for 2011/12, 2012/13 have been earmarked for use on housing projects with £100k supporting Disabled Facilities Grants and the remaining £1.1m going towards other strategic housing schemes. Due to the uncertainty over future funding allocations no commitment has been made at this stage around the use of future receipts.

The New Homes Bonus and NNDR localisation also provides incentives for growth which, if they can be exploited, provide opportunities to increase revenue streams and deliver improved outcomes for the district.

Members approved a balanced budget for 2014/15 and the Medium Term Financial Plan to 2019 recognised the on-going need to deliver further significant savings to address the planned reduction in government funding and to invest in priorities.

The Capital Programme for 2014/15 to 2018/19 was revised to support the Council's objectives including £1.988m allocated for strategic housing projects including bringing empty homes back into use. £2.650m for property investment projects, £1.963m for Disabled Facilities Grants and £1.573m for the replacement of refuse collection fleet. In addition it is envisaged that this funding will assist with levering in additional investment to the area and enhancing the Council's assets.

Sources of funds - to meet future capital expenditure plans and other financial commitments.

The capital programme is funded mainly from capital receipts, grants and contributions from revenue. Additional funding is provided by finance leases. The Council has approved the following capital programme funding plans for the period 1 April 2014 to 31 March 2019

	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Funding	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Capital receipts	0.153	2.034	0.428	0.149	0.105	0.104
Grants and Contributions	1.223	0.461	0.461	0.352	0.261	0.261
Finance Leases	0.094	0	0	0	0	0
Revenue Contributions	0.780	2.071	1.307	1.539	0.680	1.105
Total	**2.250**	**4.566**	**2.196**	**2.040**	**1.046**	**1.470**

Explanatory Foreword

The Council has adequate revenue balances to provide financial security and a safety mechanism for unforeseen events. The General Fund Revenue Account balances stood at £12.877m as at 31 March 2013, of which £10.550m was earmarked for specific purposes. After the Medium Term Financial Plan 2013/14 approved new earmarked reserves of (£1.838m) for housing initiatives (£1.083m), supporting vulnerable communities (£0.300m), transport connectivity (£0.300m) business rates volatility (£0.250m) and future election costs (£0.030m). A further £1.204 was earmarked from the 2013/14 surplus. After use of reserves during the year, the total held is £14.453m at 31 March 2014 of which £12.293m is earmarked for specific use.

Service Changes – Council Tax Benefit localisation and Universal Credit

Council Tax Benefit - The Council is required to develop a local scheme for Council Tax Benefit and subsequently bear the risk and cost of that scheme. Historically the scheme was funded 100% by the government. From 2013/14, the grant received is expected to be 10% lower than that currently received and will reduce further in line with wider funding reductions, and this ‘pressure’ has fallen on the Council and the precepting authorities (Lincolnshire County Council, Lincolnshire Police Authority and, to an extent, Parish and Town Councils).

This is equivalent to circa £1m for all precepting authorities of which £0.145m relates to the Council. The risk associated with volatility and increases in claimant costs has also transferred to the local authorities. If actual benefit entitlement is lower than the central government funding the Council will retain any balance.

Universal Credit – is one of the key benefit changes introduced by the Welfare Reform Act 2012, this will see the introduction of a single benefit to replace six benefits currently paid by the Department of Works and Pensions (DWP) and Her Majesty’s Revenue and Customs (HMRC) and local authorities. The introduction of Universal Credit will have a significant impact on the residents of the district as they will need to adjust to receiving a single monthly benefit payment which will include an element to cover their housing costs. They will need to manage their finances on a monthly basis, pay their rent to their landlord and apply and manage their benefit claim online.

The Council has been selected to work with DWP as a pilot to ensure residents can access support to apply and manage their online claims and their finances.

Events after the Reporting Period

The code requires disclosure of the date the financial statements were authorised for issue and therefore the date after which events will not have been recognised in the Statement of Accounts, this date was set as the 25th September 2014.

There are no events which have taken place before this date where conditions existed at 31st March 2014. There are no events after 31st March 2014 to disclose that are relevant to an understanding of the Council’s financial position.

Statement of Responsibilities for the Statement of Accounts

The Council's Responsibilities

The Council is required to:

i. Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Chief Finance Officer
ii. manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets
iii. approve the Statement of Accounts

The Chief Finance Officer's Responsibilities

The Chief Finance Officer 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 Chief Finance Officer has:

i. Selected suitable accounting policies and then applied them consistently
ii. Made judgements and estimates that were reasonable and prudent
iii. Complied with the Code of Practice.
iv. Kept proper accounting records which were up to date
v. Taken reasonable steps for the prevention and detection of fraud and other irregularities.

Certification of the Accounts

I certify that the Statement of Accounts gives a true and fair view of the financial position of West Lindsey District Council at 31 March 2014 and its income and expenditure for the year then ended.

Signed ……………………………… 30th June 2014
Ian Knowles
Chief Finance Officer.

Approval of the Accounts

In accordance with the Accounts and Audit Regulations 2011, I certify that the Statement of Accounts was approved by the Governance and Audit Committee on 25th September 2014.

Signed: ……………………………………………………………………25th September 2014
Giles McNeill
Chairman of Governance and Audit Committee

Independent Auditors Report to the Members of West Lindsey District Council

Opinion on the Authority financial statements

These pages are left blank for the Auditors Opinion

Independent Auditors Report to the Members of West Lindsey District Council

Independent Auditors Report to the Members of West Lindsey District Council

Certificate

Signature

KPMG

September 2014

Movement in Reserves Statement

	General Fund Balance (Restated)	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Balance at 31st March 2012	**(5,993)**	**(6,206)**	**(3,421)**	**(563)**	**(16,183)**	**6,254**	**(9,929)**
Movement in Reserves during 2012/13							
(Surplus)/Deficit on provision of services	181	0	0	0	181	0	181
Other Comprehensive Income and Expenditure	0	0	0	0	0	4,119	4,119
Total Comprehensive Income and Expenditure	**181**	**0**	**0**	**0**	**181**	**4,119**	**4,300**
Adjustments between accounting basis & funding basis under regulations (Note 7)	(859)	0	936	7	84	(84)	0
Net (Increase)/Decrease before Transfers to Earmarked Reserves	**(678)**	**0**	**936**	**7**	**265**	**4,035**	**4,300**
Transfers to/(from) Earmarked Reserves (Note 8)	4,344	(4,344)	0	0	0	0	0
(Increase)/Decrease in Year	**3,666**	**(4,344)**	**936**	**7**	**265**	**4,035**	**4,300**
Balance at 31 March 2013 carried forward	**(2,327)**	**(10,550)**	**(2,485)**	**(556)**	**(15,918)**	**10,289**	**(5,629)**
Movement in Reserves during 2013/14							
(Surplus)/Deficit on provision of services	3,423	0	0	0	3,423	0	3,423
Other Comprehensive Income and Expenditure	0	0	0	0	0	(1,976)	(1,976)
Total Comprehensive Income and Expenditure	**3,423**	**0**	**0**	**0**	**3,423**	**(1,976)**	**1,447**
Adjustments between accounting basis & funding basis under regulations (Note 7)	(4,999)	0	92	45	(4,862)	4,862	0
Net (Increase)/Decrease before Transfers to Earmarked Reserves	**(1,576)**	**0**	**92**	**45**	**(1,439)**	**2,886**	**1,447**
Transfers to/(from) Earmarked Reserves (Note 8)	1,743	(1,743)	0	0	0	0	0
(Increase)/Decrease in Year	**167**	**(1,743)**	**92**	**45**	**(1,439)**	**2,886**	**1,447**
Balance at 31 March 2014 carried forward	**(2,160)**	**(12,293)**	**(2,393)**	**(511)**	**(17,357)**	**13,175**	**(4,182)**

Comprehensive Income and Expenditure Statement

2012/13				2013/14		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000's	£000's	£000's		£000's	£000's	£000's
7,648	(6,899)	749	Central Services to the public	1,685	(608)	1,077
2,694	(87)	2,607	Cultural and Related Services	2,202	(140)	2,062
4,788	(505)	4,283	Environmental & Regulatory Services	5,756	(655)	5,101
2,458	(1,562)	896	Planning Services	3,682	(1,625)	2,057
494	(334)	160	Highways and transport services	1,045	(217)	828
25,660	(24,159)	1,501	Other Housing Services	25,172	(23,772)	1,401
1,770	(25)	1,745	Corporate and Democratic Core	2,069	(15)	2,054
144	(14)	130	Non Distributed Costs	926	(15)	911
45,656	**(33,585)**	**12,071**	**Cost of Services**	**42,537**	**(27,047)**	**15,491**
1,962	0	1,962	Other Operating Expenditure (Note 9)	1,997	0	1,997
834	(321)	513	Financing and investment income and expenditure (Note 10)	1,176	(242)	934
0	(14,365)	(14,365)	Taxation and non-specific grant income (Note 11)	0	(14,999)	(14,999)
		181	**(Surplus) or Deficit on Provision of Services**			**3,423**
		121	(Surplus) or deficit on revaluation of Property, Plant and Equipment assets (Note 12)			(3,489)
		3,998	Actuarial (gains)/losses on pension assets / liabilities (Note 32)			1,513
		4,119	**Other Comprehensive Income and Expenditure**			**(1,976)**
		4,300	**Total Comprehensive Income and Expenditure**			**1,447**

Balance Sheet

31 March 2013 £000's		Notes	31 March 2014 £000's
16,570	Property, Plant & Equipment	12	16,818
0	Investment Property	13	127
156	Intangible Assets	14	192
1,373	Long Term Investments	15	0
18,099	**Long Term Assets**		**17,137**
4,785	Short Term Investments	15	3,719
34	Inventories	16	42
1,989	Short Term Debtors	17	2,820
10,476	Cash and Cash Equivalents	18	13,197
17,284	**Current Assets**		**19,778**
(3,349)	Short Term Creditors	20	(3,587)
(95)	Provisions	21	(419)
(190)	Other Current Liabilities	31	(181)
(3,634)	**Current Liabilities**		**(4,187)**
(25,291)	Net Pension Liability	33	(27,912)
(90)	Provisions	21	(43)
(592)	Other Long Term Liabilities	31	(502)
(147)	Capital Grants Receipts in Advance	28	(89)
(26,120)	**Long Term Liabilities**		**(28,546)**
5,629	**Net Assets**		**4,182**
(15,918)	Usable Reserves	22	(17,357)
10,289	Unusable Reserves	23	13,175
(5,629)	**Total Reserves**		**(4,182)**

Cash Flow Statement

2012/13		2013/14	
£000's		£000's	
181	**Net (Surplus) or Deficit on the provision of Services**	**0**	**3,423**
(970)	Depreciation	(964)	
452	Impairment and Downward valuations	(3,344)	
(34)	Amortisation	(34)	
(190)	Increase/Decrease in impairment provision for bad debts	43	
143	(Increase)/Decrease in creditors	(621)	
(345)	Increase/(Decrease) in debtors	472	
	Increase/(Decrease) in provisions	(143)	
(25)	Increase/(Decrease) in inventories (stock)	7	
176	Movement in pension liability	(1,108)	
(214)	Carrying amount of Non Current Assets sold or derecognised	(100)	
(115)	Other non cash items charged to the net surplus or deficit on the provision of services	0	
(1,122)	**Adjustments to net surplus or deficit on the provision of services for non-cash movements**		**(5,792)**
787	Other items for which the cash effects are investing or financing cash flows	1,238	
787	**Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities**		**1,238**
(154)	**Net cash flows from Operating Activities**		**(1,131)**
381	Purchase of property, plant and equipment, investment property and intangible assets	1,271	
4,300	Purchase of short-term (not considered to be cash equivalents) and long-term investments	12,500	
(172)	Proceeds from the sale of non current assets	(61)	
(3,593)	Proceeds from short-term (not considered to be cash equivalents) and long-term investments	(14,938)	
(629)	Other receipts from investing activities	(679)	
287	**Net cash flows from Investing Activities**		**(1,907)**
63	Other receipts from financing activities	126	
248	Cash payments for the reduction of the outstanding liabilities relating to finance leases.	191	
311	**Net cash flows from Financing Activities**		**317**

444	**Net (increase) or decrease in cash and cash equivalents**		**(2,721)**
(10,920)	**Cash and cash equivalents at the beginning of the reporting period**		**(10,476)**
(10,476)	**Cash and cash equivalents at the end of the reporting period (Note 17)**		**(13,197)**

Notes to the Accounts

1 ACCOUNTING POLICIES

i General Principles

The Statement of Accounts summarises the Council's transactions for the 2013/14 financial year and its position at the year-end of 31 March 2014. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011, which require them to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 (The Code) and the *Service Reporting Code of Practice 2013/14*, supported by the International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 12 of the 2003 Act.

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

ii Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks 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.

- 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

- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption they are carried as inventories on the Balance Sheet.

- Expenses in relation to services received, (excluding services provided by employees) are recorded as expenditure when the services are received rather than when payments are made. Expenses incurred, which relate to employees, are not accrued for as they are considered to be relatively stable year on year and omitting them would not result in a material error.

- Interest receivable on investments is accounted for as income on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Iii 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 highly liquid investments that mature in 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

iv Exceptional Items

When items of income and expense are material, their nature and amount is 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.

v Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

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

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

vi Charges to Revenues for Non-Current Assets

Services and support services are debited with the following amounts to record the cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- amortisation of intangible fixed assets attributable to the service

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement.

The Council has assessed the Minimum Revenue Provision (MRP) in accordance with the guidance issued by the Secretary of State under section 21(1A) of the Local Government Act 2003. Any charge in 2013/14 is for either new borrowing under the prudential system, based on the asset life method, or relates to the Council's current credit arrangements for Finance Leases for which the outstanding liabilities are repaid over the term of the agreement.

Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

vii Employee Benefits

The Council accounts for employment and post employment benefits when employees earn them and the Council is committed to providing them, even if the actual provision might be many years into the future. Employee benefits are accounted for in the following four categories:

Benefits Payable During Employment

Short-term employee benefits are payable within twelve months of the Balance Sheet date and include, wages, salaries, social security contributions, paid annual leave and paid sick leave, bonuses and non-monetary benefits, and similar payments and are recognised as an expense for services in the year in which employees render service to the Council.

Short term compensated absences are periods during which an employee does not provide services to the Council, but employee benefits continue to be paid. Typical employee benefits include annual leave, sick leave, maternity leave, jury service and military service.

An accrual is made for the holiday entitlements (or any form of leave, eg time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the relevant service line (or in discontinued operations) in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council 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.

Post – Employment Benefits

Employees of the Council are eligible to be members of the Local Government Pension Scheme (LGPS), administered by Lincolnshire County Council. The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees work for the Council.

The Local Government Pension Scheme

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

- 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 morality rates, employee turnover rates, etc. and projections of projected earnings for current employees.

- Liabilities are discounted to their value at current prices, using a discount rate of 4.3% (determined by reference to market yields at the end of the reporting period on high quality corporate bonds (iBoxx AA over 15 year index).

- The assets of the Lincolnshire Pension Fund attributable to the Council are included in the Balance Sheet at fair value:
  - quoted securities – current bid price
  - unquoted securities – professional estimate
  - unitised securities – current bid price
  - property – market value

The assessment process takes the most recent triennial actuarial valuation and updates it to reflect current conditions.

The change in the net pensions liability is analysed into seven 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 Costs – the increase in liabilities as a result of a scheme amendment or a decision whose effect relates to years of service earned in earlier years(curtailment) – debited to the Surplus or 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 end 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.

Remeasurement comprising:

Return on scheme assets – excluding amounts included in net interest on the net defined benefit liability/asset – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

Actuarial gains and losses - changes in net pension 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 Pension Reserve as Other Comprehensive Income and Expenditure.

Contributions paid to the Lincolnshire CC Pension Fund

Cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pension 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.

Discretionary Benefits

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

Further information can be found in the Lincolnshire Local Government Pension Fund Annual Report

Which is available from:

The Resources Directorate
Lincolnshire County Council,
County Offices
Newland,
Lincoln, LN1 1YG

viii Events after the Balance Sheet date

Events after the balance sheet date are those events, favourable and unfavourable, that occur between the balance sheet date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events,

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

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

ix Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

The Council has no borrowing.

Financial liabilities are classified into two types:

- amortised cost – liabilities that are not held for trading, such as operational creditors and borrowings; and
- fair value through profit or loss – liabilities held for trading.

The Council currently only has liabilities carried at amortised cost relating to Finance Leases, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the lease agreement.

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 that have a quoted market price and/or do not have fixed or determinable payments.

The Council currently only has assets classified as “loans and receivables”

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. They are subsequently measured at the amortised costs. Annual credits to the Financing and 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 most of the loans that the Council has made this means that the amount presented on the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement as the amount receivable for the year in the loan agreement.

Where assets are 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 relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. 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 an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

x Foreign Currency Translation

Where the Council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

xi Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants or contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line or Taxation and Non-Specific Grant Income (non-ring fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

xii Intangible Fixed Assets

Expenditure on non-monetary assets without physical substance that are controlled by the Council as a result of past events, and future economic benefits or service potential is expected to flow to the Council. The most common item posted to this line will be software, but might also cover such things as rights to use land. All such expenditure is accounted for on an accruals basis and capitalised as a non-current asset.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

xiii Inventories and long-term contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value.

Long term contracts are accounted for on the basis of charging the surplus or deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

xiv Investment Properties

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000 the Capital Receipts Reserve)

xv Jointly Controlled Operations and Jointly Controlled Assets

Jointly controlled operations are activities undertaken by the Council in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the CIES with the expenditure it incurs and the share of income it earns from the activity of the operation.

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Council and other venturers, with the assets being used to obtain benefits for the venturers. The joint venture does not involve the establishment of a separate entity. The Council accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

xvi Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

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

The Council as Lessee

Finance Leases

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

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and

- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

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

Operating Leases

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

The Council as Lessor

Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure

Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debt) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and

- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

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

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

Operating Leases

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

xvii Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Service Reporting Code of Practice 2013/14* (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation.

Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in S*e*RCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

xviii Property Plant and Equipment

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

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is possible that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an assets potential to deliver future economic benefits or service potential (e.g. repairs and maintenance) is charged as an expense when it is incurred.

Assets valued at less than £10,000 are not normally recognised in the Balance Sheet.

Measurement

Assets are initially measured at cost, comprising;

- The purchase price
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.
- The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

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

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

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure assets and assets under construction – depreciated historical cost

- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV)

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

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

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

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)

- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

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

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)

- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives commencing in the first full year that the asset is included in the Council's accounts. An exception is made for assets without a determinable useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- dwellings and other buildings– straight line allocation over the life of the property as estimated by the valuer with the exception of a number of leased shops, where the remaining term of the lease has been used

- Vehicles, plant and equipment – straight line allocation over the life of the asset, as advised by a suitably qualified officer

- Infrastructure – straight line allocation.

Asset Useful Economic Lives assumed

Assets	**Useful life Range (years)**
Offices/Leisure Centre	11 to 46
Depots & Stores	17
Shops	112
Public Conveniences	16 to 36
CCTV Systems/IT Equipment/ Wheeled Bins/Office equipment	1 to 15
Vehicles / Bin Lifters	1 to 6
Infrastructure Assets	24 to 35

Where an item PPE asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. Materiality levels have been assessed and a materiality level of £0.5m for major components has been applied.

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

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

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

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the CIES also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts and credited to the Capital Receipts Reserve. The balance on the Capital Receipts Reserve can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the Capital Financing Requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

xix Provisions

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

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

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

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

xx Contingent liabilities

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

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

xxi Contingent assets

A contingent asset arises where an event has taken place that gives the authority a possible asset whose existence will only be confirmed only by the occurrence or otherwise of uncertain future events, not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

xxii Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingences. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

xxiii Revenue Expenditure Funded From 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 has been charged as expenditure to the relevant service in the CIES in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

xxiv Value Added Tax (VAT)

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

2. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED

The Code of Practice on Local Council Accounting in the United Kingdom (the Code) has introduced a change in accounting policy in relation to the adoption of the amendments to:

- IFRS10 Consolidated Financial Statements (issued May 2011) – This new standard introduces a new definition of control, which is used to determine which entities are consolidated for the purpose of group accounts.
- IFRS 11 Joint Arrangements (issued May 2011) – This standard addresses accounting for a "joint arrangement" which is defined as a contractual arrangement over which two or more parties have joint control. The Council has no material joint ventures.
- IFRS 12 Disclosures of Interests in Other Entities (issued May 2011) – This is a consolidated disclosure standard requiring a range of disclosures about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated "structured entities". The Council has no material relationships in this regard.

- IAS 27 Separate Financial Statements and IAS28 Investments in Associates and Joint Ventures (as amended in May 2011) – These statements have been amended to conform with the changes in IFRS10, 11 and 12. Given there will be no changes in financial statements, except for disclosure, due to these changes, there will be no impact for the Council.
- IAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities (as amended in December 2011) – relates to amended application guidance when offsetting financial asset and a financial liability. The gains and losses are separately identified in the Comprehensive Income and Expenditure Statement and therefore no further disclosure is required.
- IAS 1 Presentation of Financial Statements (as amended in May 2011) – The changes clarifies the disclosure requirements in respect of comparative information of the preceding period. The Statement of Accounts fully discloses comparative information for the preceding period therefore these changes will not have a material impact on the Statement of Accounts.

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

Future Government Funding

There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision, nor that there is a risk to the Council being a going concern.

Investment Properties

Investment properties have been estimated using the criteria under IFRS of being held for rental income or for capital appreciation. These properties have been assessed using these criteria, which is subject to interpretation.

Leases

The Council has examined the leases, and classified them as either operational or finance leases. In some cases the lease transaction is not always conclusive and the Council uses judgement in determining whether the lease is a financial lease arrangement that transfers substantially all the risks and rewards incidental to ownership. In reassessing the lease the Council has estimated the implied interest rate within the lease to calculate the interest and principal repayments.

4. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

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

Items in the Council's Balances Sheet at 31 March 2014 for which there is a significant risk of material adjustment in the forthcoming financial year are:

Business Rates

Since the introduction of the Business Rates Retention Scheme effective from 1 April 2013. Local Authorities are liable for successful appeals against business rates charged to businesses in 2012/13 and earlier financial years in their proportionate share. Therefore, a provision has been recognised for the best estimate of the amount that businesses have been overcharged up to March 2014. The estimate has been calculated using the Valuation Office (VOA) ratings list of appeals and the analysis of successful appeals to date when providing the estimate of total provision up to and including 31 March 2014

Property Plant and Equipment.

Property assets are included on the basis of a full valuation and assessed useful lives undertaken on 31 March 2014.

The assessment of useful lives is subject to revision and the valuation would therefore be expected to change accordingly. The carrying value of these long term assets at the end of the reporting period was £16.818m

The impact of a change in valuation or useful life as at 31 March 2014 would affect the carrying value of the asset in the balance sheet and the subsequent charge for depreciation or impairment in the CIES.

Pensions Liability

The estimation of the net liability to pay pensions depends on a number of judgements relating to the discounts used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting Actuaries is engaged by Lincolnshire County Council, the administering authority for the Local Government Pension Scheme, to provide expert advice about the assumptions to be applied. During 2013/14 the Council's Actuaries advised that the net pension liability had increased by £2.621m. The table below illustrates the potential financial impact of changes in the specific assumptions applied by the Actuary in future years:

Pensions Liability Sensitivity to changes in assumptions

Sensitivity Analysis Change in Assumptions at 31 March 2014	Approx. % increase to Employer Liability	Approx monetary amount (£000)
0.5% decrease in Real Discount Rate	9%	6,040
1 year increase in member life expectancy	3%	1,971
0.5% increase in Salary Increase Rate	3%	1,752
0.5% in the Pension Increase Rate	6%	4,221

The next full valuation of the Pension Scheme will be undertaken during 2015/16.

5. MATERIAL ITEMS OF INCOME AND EXPENSE

For the purpose of this note the Council considers material items to be those greater than £1.0m.

The Council contributed £1.238m towards the past service pension cost.

The new regime for the retention of NNDR as a funding stream resulted in the following material transactions; Retained amount £6,978m, Tariff payable to the Government £3.333m, Deficit share £0.808m.

An amount of £1.580m was received from the sale of Landsbanki Investments which has been reflected in the Balance Sheet, with a £0.112m gain reflected in the Comprehensive Income and Expenditure Account.

An amount of £3.296m was charged to services within the Comprehensive Income and Expenditure account reflecting downward valuations in land and property, which exceeded any previous gains held in the Revaluation Reserve.

6. EVENTS AFTER THE REPORTING PERIOD

The Unaudited Statement of Accounts was authorised for issue by the Director of Resources (S151 Officer on 30th June 2014). Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2014, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

7. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS.

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council 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 paid and out of which all liabilities of the authority 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 the 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 the 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.

2013/14	Usable Reserves General Fund Balance £000's	Usable Reserves Capital Receipts Reserve £000's	Usable Reserves Capital Grants Unapplied £000's	Movement in Unusable Reserves £000's
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	(964)	0	0	964
Revaluation losses on Property Plant and Equipment	(3,296)	0	0	3,296
Revaluation losses on Assets Held for Sale	0	0	0	0
Movements in the market value of Investment Properties	(48)	0	0	48
Amortisation of intangible assets	(34)	0	0	34
Capital grants and contributions applied	1,178	0	0	(1,178)
Revenue expenditure funded from capital under statute	(886)	0	0	886
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES.	(100)	0	0	100
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	192	0	0	(192)
Capital expenditure charged against the General Fund	780	0	0	(780)
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the CIES.	0	0	45	(45)
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES.	61	(61)	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	153	0	(153)
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the CIES (Note 35)	(2,346)	0	0	2,346
Employer's pensions contributions and direct payments to pensioners payable in the year.	1,238	0	0	(1,238)
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax and NNDR income are credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	(779)	0	0	779
Adjustment primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.	5	0	0	(5)
Total Adjustments	**(4,999)**	**92**	**45**	**4,862**

2012/13	Usable Reserves General Fund Balance £000's	Capital Receipts Reserve £000's	Capital Grants Unapplied £000's	Movement in Unusable Reserves £000's
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	(970)	0	0	970
Revaluation (gain)/loss on Property Plant and Equipment	452	0	0	(452)
Revaluation losses on Assets Held for Sale	0	0	0	0
Movements in the market value of Investment Properties	0	0	0	0
Amortisation of intangible assets	(34)	0	0	34
Capital grants and contributions applied	615	0	(9)	(606)
Revenue expenditure funded from capital under statute	(1,823)	0	0	1,823
Amounts of non-current assets written off on disposal or sale as part of the (gain)/loss on disposal to the CIES.	(214)	0	0	214
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	248	0	0	(248)
Capital expenditure charged against the General Fund	505	0	0	(505)
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the CIES.	0	0	0	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	16	(16)
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES.	172	(172)	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	1,104	0	(1,104)
Transfer from Deferred Capital Receipts Reserve upon receipt of cash.	0	4	0	(4)
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the CIES (Note 32)	(1,637)	0	0	1,637
Employer's pensions contributions and direct payments to pensioners payable in the year.	1,813	0	0	(1,813)
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	36	0	0	(36)
Adjustment primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.	(22)	0	0	22
Total Adjustments	**(859)**	**936**	**7**	**(84)**

8. TRANSFERS TO/FROM EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund balance in Earmarked Reserves to provide financing for future expenditure plans and the amounts posted back from Earmarked Reserves to meet General Fund expenditure in 2013/14

	Transfers 2012/13				Transfers 2013/14		
Balance at 31/03/12	Out	In	Balance at 31/03/13	General Fund:	Out	In	Balance at 31/03/14
£000's	£000's	£000's	£000's		£000's	£000's	£000's
1,350	-1,350	0	0	Business Growth Initiatives	0	0	0
250	0	0	250	Business Improvement & Transformation	-28	0	222
253	-137	60	176	Budget Smoothing	-60	1,098	1,214
936	-80	1,075	1,931	Capital Programme Financing	-371	0	1,560
306	-47	0	259	Capital Financing - Growth Point Status	-259	0	0
240	-116	82	206	Community Action & Volunteering Fund	-68	0	138
305	-58	53	300	Contingencies Fund	-75	500	725
298	-73	0	225	Economic Regeneration Initiatives	-33	0	192
660	-81	67	646	Invest to Save	-176	23	493
250	-182	46	114	IT and Communication Upgrades	-91	45	68
128	0	354	482	Maintenance of Facilities	-10	375	847
0	0	0	0	New Homes Bonus	0	1,083	1,083
497	-497	0	0	Pension Reserve	0	0	0
0	0	1,200	1,200	Property Asset Fund	-79	0	1,121
0	0	2,000	2,000	Regeneration Support Fund	-10	0	1,990
0	0	113	113	Revenue Grants Unapplied	0	24	137
733	-201	111	643	Service Investment	-214	13	442
0	0	0	0	Support for Vulnerable Communities	0	300	300
0	0	2,005	2,005	Waste Management Fund	-319	75	1,761
6,206	-2,822	7,166	10,550	Total	-1,793	3,536	12,293

Business Growth Initiative – funds set aside to support future revenue and capital projects.
Business Improvement &Transformation – to assist with costs associated with Business Case Development for transformational change.
Budget Smoothing – to effectively manage cyclical budget issues ie Elections, Local development framework etc.
Capital Programme Financing – grants and contributions received in advance for financing of revenue expenditure funded by capital under statute and funding set aside to finance the capital programme.
Capital Financing – Growth Point Status – to finance the Gainsborough growth point government grant funded scheme.
Community Action & Volunteering - to support area management and community engagement.
Contingencies Fund – to support areas of volatility i.e. insurance, flooding, etc.
Economic Regeneration Initiatives – to support regeneration schemes
Invest to Save Reserve – to support efficiency projects to provide a positive net payback over the Medium Term Financial Strategy.
Information & Communications Technology Upgrades –to meet the costs of IT upgrades.

Maintenance of Facilities - to meet future property maintenance requirements.
New Homes Bonus – created as part of the MTFP to fund housing initiatives.
Pension Reserve –to offset future potential pension cost increases and any additional early retirement costs.
Property Assets Fund – to support strategic property/housing policies
Regeneration Support Fund (previously Dragons Den Fund) – to support local business growth
Revenue Grants Unapplied – revenue grants which have yet to be expended.
Service Improvement – to support service development initiatives
Support for Vulnerable Communities – created as part of the MTFP to support vulnerable communities.
Waste Management Fund - to support strategic service development

9. OTHER OPERATING EXPENDITURE

2012/13 £000's	Other Operating Expenditure	2013/14 £000's
1,550	Parish council precepts	1,399
314	Levies	319
8	Contribution to Parish Councils	179
90	(Gains)/losses on the disposal of non-current assets	100
1,962	**Total**	**1,997**

10. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2012/13 £000's	Financing and Investment Income and Expenditure	2013/14 £000's
98	Interest payable and similar charges	104
706	Net interest on the net defined benefit liability (asset)	1,137
(321)	Interest receivable and similar income	(242)
0	Income and Expenditure in relation to investment properties and changes in their fair value	48
30	Other Investment Income (Icelandic Banks impairment reversal)	(113)
513	**Total**	**934**

11. TAXATION AND NON SPECIFIC GRANT INCOMES

2012/13 £000's	Taxation and Non-specific Grant Income		2013/14 £000's
(7,470)	Council Tax Income		(6,807)
	Retained NNDR	(6,398)	
	S31 Grant re Small business rates relief	(316)	
	Tariff payable to Government	3,333	
	In Year NNDR Surplus(-)/Deficit	808	
(5,721)	Total Non Domestic Rates Income and Expenditure		(2,573)
(1,174)	Non-ringfenced Government Grants		(5,243)
0	Capital Grants and Contributions		(376)
(14,365)	**Total**		**(14,999)**

12. PROPERTY, PLANT AND EQUIPMENT

	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Cost or Valuation							
At 1 April 2013	12,859	4,773	354	139	1,141	2	19,268
Additions	316	536	0	0	100	168	1,120
Revaluation increases/(decreases) recognised in the Revaluation Reserve	2,890	0	0	0	305	15	3,210
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(2,768)	0	0	0	(583)	(36)	(3,387)
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services		0	0	0	0	0	0
Derecognition – disposals	0	0	0	0	(100)	0	(100)
Derecognition – other	0	0	0	0	0	0	0
Assets reclassifications	(833)	0	0	0	833	0	0
Other movements in cost or valuation	0	37	0	0	0	0	37
At 31 March 2014	**12,464**	**5,346**	**354**	**139**	**1,696**	**149**	**20,148**
Accumulated Depreciation and Impairment							
At 1 April 2013	0	(2,634)	(61)	0	(3)	0	(2,698)
Depreciation charge	(353)	(588)	(9)	0	(14)	0	(964)
Depreciation written out to the Revaluation Reserve	271	0	0	0	8	0	279
Depreciation written out to the Surplus/Deficit on the Provision of Services	80	0	0	0	11	0	91
Impairment losses/(reversals)recognised in the Revaluation Reserve	0	0	0	0	0	0	0
Derecognition – disposals	0	0	0	0	0	0	0
Derecognition – other	0	0	0	0	0	0	0
Other movements in depreciation and impairment	2	(37)	(1)	0	(2)	0	(38)
At 31 March 2014	**0**	**(3,259)**	**(71)**	**0**	**0**	**0**	**(3,330)**
Net Book Value							
At 31 March 2014	**12,464**	**2,087**	**283**	**139**	**1,696**	**149**	**16,818**
At 31 March 2013	**12,859**	**2,139**	**293**	**139**	**1,138**	**2**	**16,570**

	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Cost or Valuation							
At 1 April 2012	12,888	4,258	354	139	1,191	2	18,832
Additions	98	525	0	0	0	0	623
Revaluation increases/(decreases) recognised in the Revaluation Reserve	40	0	0	0	0	0	40
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(156)	0	0	0	(50)	0	(206)
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0
Derecognition – disposals	(11)	(10)	0	0	0	0	(21)
Derecognition – other	0	0	0	0	0	0	0
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	0	0
Other movements in cost or valuation	0	0	0	0	0	0	0
At 31 March 2013	**12,859**	**4,773**	**354**	**139**	**1,141**	**2**	**19,268**
Accumulated Depreciation and Impairment							
At 1 April 2012	(98)	(2,034)	(53)	0	(40)	0	(2,225)
Depreciation charge	(348)	(600)	(8)	0	(13)	0	(969)
Depreciation written out to the Revaluation Reserve	(190)	0	0	0	28	0	(162)
Depreciation written out to the Surplus/Deficit on the Provision of Services	636	0	0	0	22	0	658
Impairment losses/(reversals)recognised in the Revaluation Reserve	0	0	0	0	0	0	0
Derecognition – disposals	0	0	0	0	0	0	0
Derecognition – other	0	0	0	0	0	0	0
Other movements in depreciation and impairment	0	0	0	0	0	0	0
At 31 March 2013	**0**	**(2,634)**	**(61)**	**0**	**(3)**	**0**	**(2,698)**
Net Book Value							
At 31 March 2013	**12,859**	**2,139**	**293**	**139**	**1,138**	**2**	**16,570**
At 31 March 2012	**12,790**	**2,224**	**301**	**139**	**1,151**	**2**	**16,607**

Depreciation

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

- Other Land and Buildings – dependent on the asset ranging from 11 years to 112 years
- Vehicles, Plant, Furniture & Equipment – from 1 to 15 years
- Infrastructure – From 24 to 35 years
- Surplus Assets – From 1 to 46 years

Capital Commitments

At 31 March 2014, the Council had no outstanding commitments for capital schemes (31^{st} March 2013 £89k).

Effects of Changes in Estimates

In 2013/14 the Council made no material changes to its accounting estimates in relation to Property Plant and Equipment.

Revaluations

The Council carries out a full revaluation of its property portfolio every five years. Valuations were carried out as at 31 March 2014 by appointed external valuers, Wilks, Head and Eve LLP in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on depreciated replacement cost with an annual impairment review.

The significant assumptions applied in estimating the fair values are:

a. no allowance has been made for liability of taxation upon disposal
b. the instant build approach has been used for Depreciated Replacement Cost valuations
c. valuations have been provided at gross cost and do not include an allowance for purchasers costs.
d. that good title can be shown and all valid planning permissions and statutory approvals are in place;
e. that the property is connected and has a right to use mains services and that sewers, main services and roads giving access to it have been adopted;
f. that an inspection of those parts not inspected would not reveal defects that would affect the valuation
g. that the testing of electrical or other services would not reveal defects that would cause the valuation to alter;
h. that there are no deleterious or hazardous materials or existing or potential environmental factors that would affect the valuation.

13. INVESTMENT PROPERTIES

The Council purchased and one investment property during the period.

2012/13 £000's		2013/14 £000's
0	**Balance at Start of year**	**0**
0	Additions	0
0	Purchases	175
0	Net Gain/Loss from fair value adjustments	-48
0	**Balance at the End of the Year**	**127**

There has been no income of expenditure relating to the investment property during 2013/14. There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Councilhas no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

14. INTANGIBLE ASSETS

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include purchased licenses. The Council has no internally generated software.

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 life assigned to the major software suites used by the Council is ten years.

The carrying amount of intangible assets is amortised on a straight-line basis. Amortisation has been charged on Intangible Assets in both 2012/13 and 2013/14. The movement on Intangible Asset balances during the year is as follows:

2012/13 £000's		2013/14 £000's
	Balance at start of year:	
218	Gross carrying amounts	218
(28)	Accumulated amortisation	(62)
190	**Net carrying amount at start of year**	**156**
	Additions:	
0	Purchases	70
(34)	Amortisation for the period	(34)
0	Other changes	0
156	**Net carrying amount at end of year**	**192**
	Comprising:	
218	Gross carrying amounts	287
(62)	Accumulated amortisation	(95)
156	**Total**	**192**

There are no items of capitalised software that are individually material to the financial statements. Amortisation is charged directly to services, however for general software, charges are made to the IT Department and are then absorbed as an overhead across all service headings in the Cost of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

15. FINANCIAL INSTRUMENTS

Categories of Financial Instruments

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

Long-term	Current		Long-term	Current
31 March 2013	31 March 2013		31 March 2014	31 March 2014
£000's	£000's	**Financial Assets classified as Loans and Receiveables**	£000's	£000's
1,373	4,785	Investments	0	3,719
0	9,909	Short-term deposits with Money Market Funds	0	12,210
0	17	Operational Debtors	0	9
0	0	Loans and receivables	0	0
0	566	Cash at bank	0	987
1,373	**15,277**	**Total Financial Assets classified as Loans and Receiveables**	**0**	**16,925**
		Financial Liabilities classified at amortised cost		
592	190	Finance lease liabilities	502	181
0	153	Operational Creditors	0	1,124
91	95	Provisions	43	419
683	**438**	**Total Financial Liabilities classified at amortised cost**	**545**	**1,724**

The Council has not made any soft loans, employee car loans or reclassifications during the financial year.

Income, Expense, Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

Derecognition of Instruments

Investments held with Landsbanki were sold to a third party during the period. The carrying amount as at 31 March 2014 was £1.695m, dividends received during the year totalled £0.203m and the amount received from sale was £1.580m.

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows;

2012/13				2013/14		
Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables	Total		Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables	Total
£000's	£000's	£000's		£000's	£000's	£000's
98	0	**98**	Interest expense	104	0	**104**
0	30	**30**	Impairment loss / (reversal)	0	(113)	**(113)**
98	**30**	**128**	**Total expense in Surplus or Deficit on the Provision of**	**104**	**(113)**	**(9)**
0	(188)	**(188)**	Interest income	0	(148)	**(148)**
0	(133)	**(133)**	Interest income accrued on impaired financial assets	0	(94)	**(94)**
0	**(321)**	**(321)**	**Total income in Surplus or Deficit on the Provision of Services**	**0**	**(242)**	**(242)**
98	**(291)**	**(193)**	**Net gain/(loss) for the year**	**(104)**	**(355)**	**(251)**

Fair Values of Assets and Liabilities

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

- for loans receivable prevailing benchmark market rates,
- no early repayment or impairment is recognised,
- where an instrument will mature in the next 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount,
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

31 March 2013			31 March 2014	
Carrying Amount	Fair Value		Carrying Amount	Fair Value
£000's	£000's		£000's	£000's
4,785	4,785	Loans and Receivables	3,719	3,719

16. INVENTORIES

2012/13 £000's		2013/14 £000's
59	**Balance outstanding at start of year**	**34**
439	Purchases	514
(464)	Recognised as an expense in the year	(506)
34	**Balance outstanding at year-end**	**42**

17. DEBTORS

2012/13 £000's		2013/14 £000's
619	Central government bodies	1,104
182	Other local authorities	345
37	NHS bodies	-
660	Other entities and individuals	882
491	Prepayments	489
1,989	**Total**	**2,820**

18. CASH AND CASH EQUIVALENTS

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

2012/13 £000's		2013/14 £000's
1	Cash held by the Council	1
566	Bank current accounts	986
9,909	Short-term deposits	12,210
10,476	**Total Cash and Cash Equivalents**	**13,197**

19. ASSETS HELD FOR SALE

There are currently no assets held for sale.

Current 2012/13 £000's	Non Current 2012/13 £000's		Current 2013/14 £000's	Non Current 2013/14 £000's
200	**0**	**Balance outstanding at start of year**	**0**	**0**
		Assets newly classified as held for sale:		
0	0	Property, Plant and Equipment	0	0
0	0	Impairment losses	0	0
		Assets declassified as held for sale:		
(200)	0	Assets sold	0	0
0	**0**	**Balance outstanding at year-end**	**0**	**0**

20. CREDITORS

2012/13 £000's		2013/14 £000's
568	Central government bodies	373
1,234	Other local authorities	1,208
1,547	Other entities and individuals	2,006
3,349	**Total**	**3,587**

21. PROVISIONS

Provisions represent amounts set aside to meet future liabilities/assets.

	Outstanding Legal Cases £000's	Injury and Damage Compensation Claims £000's	Other Provisions £000's	Total £000's
Balance at 1 April 2013	**0**	**(93)**	**(92)**	**(185)**
Additional provisions made in 2013/14	(115)	(31)	(304)	(450)
Amounts used in 2013/14	0	81	93	174
Balance at 1 April 2014	**(115)**	**(43)**	**(303)**	**(461)**

Long term provisions total £0.042m (relating to injury compensation claims) and Short term provisions total £0.419m, relating to outstanding legal cases, injury compensation claims. The Council has recognised three short term provisions in respect of the cost of employee's accrued leave, NNDR rating appeals and a provision for exchange rate fluctuation relating to investments with Glitnir Bank.

22. USABLE RESERVES

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement. Notes 7 and 8 show the movements in Useable Reserves.

23. UNUSABLE RESERVES

SUMMARY

31 March 2013 £000's	Summary	31 March 2014 £000's
(941)	Revaluation Reserve	(4,407)
(13,942)	Capital Adjustment Account	(10,986)
(1)	Deferred Capital Receipts Reserve	0
25,291	Pensions Reserve	27,912
(211)	Collection Fund Adjustment Account	568
93	Accumulated Absences Account	88
10,289	**Total Unusable Reserves**	**13,175**

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property Plan 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.

31 March 2013	Revaluation Reserve	31 March 2014	
£000's		£000's	£000's
(1,260)	**Balance at 1 April**		**(941)**
(184)	Upward revaluation of assets	(3,682)	
306	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services.	193	
122	**Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services.**		**(3,489)**
18	Difference between fair value depreciation and historical cost depreciation	23	
179	Accumulated gains on assets sold or scrapped	0	
197	**Amount written off to the Capital Adjustment Account**		**23**
(941)	**Balance at 31 March**		**(4,407)**

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 subsequent costs as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and subsequent costs.

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

31 March 2013 £000's	Capital Adjustment Account	31 March 2014 £000's	31 March 2014 £000's
(13,855)	**Balance at 1st April**		**(13,942)**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
970	Charges for depreciation and impairment of non-current assets	964	
(452)	Revaluation losses on Property, Plant and Equipment	3,296	
0	Revaluation losses on Assets held for Sale		
0	Movement in Fair Value of Investment Properties	48	
34	Amortisation of intangible assets	34	
1,823	Revenue expenditure funded from capital under statute	886	
214	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES.	100	
(197)	Adjusting amounts written out of the Revaluation Reserve	(23)	
2,392	**Net written out amount of the cost of non-current assets consumed in the year**		**5,305**
	Capital financing applied in the year:		
(1,104)	Use of the Capital Receipts Reserve to finance new capital expenditure	(154)	
(606)	Capital grants and contributions credited to the CIES that have been applied to capital financing	(1,178)	
(16)	Application of grants to capital financing from the Capital Grants Unapplied Account	(45)	
(248)	Statutory provision for the financing of capital investment charged against the General Fund balance	(192)	
(505)	Capital expenditure charged against the General Fund balance	(780)	
(2,479)			**(2,349)**
(13,942)	**Balance at 31 March**		**(10,986)**

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 that benefits earned are 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.

31 March 2013 £000's	Pension Reserve	31 March 2014 £000's
21,469	**Balance at 1 April**	**25,291**
3,998	Actuarial gains or losses on pensions assets and liabilities.	1,513
1,637	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	2,346
(1,813)	Employer's pensions contributions and direct payments to pensioners payable in the year	(1,238)
25,291	**Balance at 31 March**	**27,912**

Deferred Capital Receipts Reserve (England and Wales)

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

31 March 2013 £000's	Deferred Capital Receipts Reserve	31 March 2014 £000's
3	**Balance at 1 April**	**(1)**
(4)	Transfer to the Capital Receipts Reserve upon receipt of cash	1
(1)	**Balance at 31 March**	**0**

Collection Fund Adjustment Account

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

31 March 2013 £000's	Collection Fund Adjustment Account	31 March 2014 £000's
(175)	**Balance at 1 April**	**(211)**
(36)	Amount by which council tax and NNDR income credited to the CIES is different from council tax and NNDR income calculated for the year in accordance with statutory requirements.	779
(211)	**Balance at 31 March**	**568**

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.

31 March 2013	Accumulated Absences Account	31 March 2014	
£000's		£000's	£000's
71	**Balance at 1 April**		**93**
(71)	Settlement or cancellation of accrual made at the end of the preceding year	(93)	
93	Amounts accrued at the end of the current year		(5)
22	Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.	(98)	
93	**Balance at 31 March**		**88**

24. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the *Service Reporting Code of Practice*. However, decisions about resource allocation are taken by the Council's Policy Committees on the basis of budget reports analysed across services. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- No charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- The cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year
- Expenditure on support services is budgeted for centrally and not reflected in Service monitoring reports
- Rentals in respect of finance leases are reported as revenue items in year for budget monitoring purposes

The income and expenditure of the Council's Policy and Resources Committee recorded in the budget reports for the year is set out in the tables below:

Committee Income and Expenditure	**Total**
2013/14	**£000's**
Fees, charges and other service income	(5,837)
Interest & Investment Income	(336)
Income from Council Tax	(5,408)
Government Grants	(29,732)
Total Income	**(41,313)**
Employee expenses	8,432
Other service expenses	31,036
Support service recharges	0
Total Expenditure	**39,468**
Net Expenditure	**(1,845)**

Committee Income and Expenditure	**Total**
2012/13	**£000's**
Fees, charges and other service income	(3,486)
Income from Council Tax	(7,433)
Government Grants	(36,726)
Total Income	**(47,645)**
Employee expenses	8,798
Other service expenses	37,886
Support service recharges	0
Total Expenditure	**46,684**
Net Expenditure	**(961)**

Reconciliation of Committee Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

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

2012/13		2013/14
£000's		£000's
(961)	Net expenditure in the Committee Analysis	(1,845)
0	Net expenditure of services and support services	0
734	Amounts in the CIES not reported to management in the Analysis	5,680
12,298	Amounts included in the Analysis not included in the CIES	11,656
12,071	**Cost of Services in Comprehensive Income and Expenditure**	**15,491**

Reconciliation to Subjective Analysis

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

2013/14	Committee Analysis	Services and Support Services not in Analysis	Amounts not reported to management for decision making	Amounts not included in the CIES	Allocation of Recharges	Cost of Services	Corporate Amounts	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Fees, charges & other service income	(5,837)			549	7,123	1,835	(376)	1,459
Interest and investment income	(336)			242		(94)	(242)	(336)
Income from council tax	(5,408)			6,807		1,399	(6,807)	(5,408)
Government grants and contributions	(29,732)		(886)	8,114		(22,504)	(7,816)	(30,320)
Total Income	**(41,313)**	**0**	**(886)**	**15,712**	**7,123**	**(19,364)**	**(15,241)**	**(34,605)**
Employee expenses	8,432					8,432	1,137	9,569
Other service expenses	31,036		2,306	(2,247)	(7,123)	23,972		23,972
Depreciation, amortisation and impairment			4,260	192		4,452	(65)	4,387
Interest Payments				(104)		(104)	104	
Precepts & Levies				(1,897)		(1,897)	1,897	
Gain or Loss on Disposal of Fixed Assets							100	100
Total expenditure	**39,468**	**0**	**6,566**	**(4,056)**	**(7,123)**	**34,855**	**3,173**	**38,028**
(Surplus) or deficit on the provision of services	**(1,845)**	**0**	**5,680**	**11,656**	**0**	**15,491**	**(12,068)**	**3,423**

2012/13	Committee Analysis	Services and Support Services not in Analysis	Amounts not reported to management for decision making	Amounts not included in the CIES	Allocation of Recharges	Cost of Services	Corporate Amounts	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Fees, charges & other service income	(3,486)		(172)	188	5,414	1,944		1,944
Interest and investment income							(321)	(321)
Income from council tax	(7,433)			7,433			(7,470)	(7,470)
Government grants and contributions	(36,726)		(616)	6,895		(30,447)	(6,895)	(37,342)
Total Income	**(47,645)**	**0**	**(788)**	**14,516**	**5,414**	**(28,503)**	**(14,686)**	**(43,189)**
Employee expenses	8,798		(860)			7,938	706	8,644
Other service expenses	37,886		8	(2,218)	(5,414)	30,262		30,262
Depreciation, amortisation and impairment			2,374			2,374	30	2,404
Interest Payments							98	98
Precepts & Levies							1,872	1,872
Gain or Loss on Disposal of Fixed Assets							90	90
Total expenditure	**46,684**	**0**	**1,522**	**(2,218)**	**(5,414)**	**40,574**	**2,796**	**43,370**
(Surplus) or deficit on the provision of services	**(961)**	**0**	**734**	**12,298**	**0**	**12,071**	**(11,890)**	**181**

25. MEMBERS' ALLOWANCES

The following amounts were paid to Members of the Council during the year.

2012/13 £000's		2013/14 £000's
186	Basic Allowances	182
55	Special Responsibility Allowance	53
27	Expenses	28
268	**Total**	**263**

26. OFFICERS' REMUNERATION

The remuneration paid to the Council's senior employees is as follows:

		Salary, Fees and Allowances £	Pension Contribution £	Total £
Chief Executive	2013/14	105,000	27,695	**132,695**
	2012/13	105,000	39,903	**144,903**
Director of Communities & Localism (Monitoring Officer) to 28/07/13	2013/14	23,329	6,143	**29,472**
	2012/13	71,721	27,211	**98,932**
Director of Regeneration and Planning from 08/12/2011	2013/14	72,679	19,170	**91,849**
	2012/13	71,604	27,211	**98,815**
Financial Services Manager (Chief Finance Officer) from 06/09/2010	2013/14	55,000	13,764	**68,764**
	2012/13	57,000	19,529	**76,529**

There were no taxable expenses allowances, other payments nor bonus payments made for senior members of staff in 2012/13 or 2013/14

An additional contribution of £0.528m was paid to the Pension Fund during 2013/14 (£1.116m 2012/13) which is reflected in the contributions above.

The number of Council's employees (including senior officers) receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

2012/13		2013/14
4	£50,000 – £54,999	2
1	£55,000 – £59,999	2
0	£60,000 – £64,999	0
0	£65,000 – £69,999	0
2	£70,000 – £74,999	1
0	£75,000 – £79,999	0
0	£80,000 - £84,999	0
0	£85,000 - £89,999	0
0	£90,000 - £94,999	0
0	£95,000 - £99,999	0
0	£100,000 – £104,999	0
1	£105,000 – £109,999	1

The number of exit packages with total cost per band, and total cost of other compulsory and other redundancies for the Council in 2013/14 are set out in the table below.

Exit Package Cost Band (including special payments)	Number of Compulsary Redundancies		Number of other Departures Agreed		Total Number of Exit Packages by Cost Band		Total Cost of Exit Packages in Each Band	
	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14
							£	£
£0 - £20,000	0	0	0	3	0	3	0	26,922
£20,001 - £80,000	0	0	1	0	1	0	38,042	0
Total	**0**	**0**	**1**	**3**	**1**	**3**	**38,042**	**26,922**

27. EXTERNAL AUDIT COSTS

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

2012/13 £000's		2013/14 £000's
57	Fees payable to the External audit with regard to external audit services carried out by the appointed auditor for the year	74
9	Fees payable to the External Audit for the certification of grant claims and returns for the year	6
0	Fees payable in respect of other services provided by the External Audit during the year	3
66	**Total**	**83**

Of the £74k payable to External Audit in 13/14, £17k relates to additional work relating to the 12/13 value for money conclusion.

The fees for other services payable in 2013/14 related to a Governance training workshop for Members.

28. GRANT INCOME

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2013/14

2012/13 £000's		2013/14 £000's
	Credited to Taxation and Non Specific Grant Income	
111	Department of Communities & Local Government - Revenue Support Grant	4,017
5,721	Department of Communities & Local Government - NNDR Entitlement	0
0	NNDR Retention Scheme	3,381
100	Department of Communities & Local Government - High Street Innovation Fund	0
145	Department of Communities & Local Government - Ctax Freeze Grant	0
64	Department of Communities & Local Government - Local Services Support Grant	0
735	Department of Communities & Local Government - New Homes Bonus	1,105
19	Other Grants and Contributions	23
6,895	**Total - Non Specific Grant Income**	**8,526**
	Credited to Services	
22,400	Department of Work & Pensions - Housing Benefits Allowance	22,101
6,358	Department of Work & Pensions - Council Tax Benefits Grant	0
107	Department of Work & Pensions - Council Tax Reform	0
332	Communities & Local Government - Disabled Facilities Grants	470
484	Department of Work & Pensions - Housing Benefits Administration Grant	444
157	Department of Work & Pensions - Council Tax Administration Grant	140
238	Department of Communities and Local Government - Growth Point	0
298	DCLG Cluster Funding	596
620	Other Grants & Contributions	766
30,994	**Total Credited to Services**	**24,517**

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at the year-end are as follows:

2012/13 £000's		2013/14 £000's
	Capital Grants Receipts in Advance	
120	S106 agreements	86
27	Other Grants	3
147	**Total**	**89**

29. RELATED PARTIES

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

All Members and senior officers have been required to complete a related party declaration identifying the organisations with which they (and/or their closest family members) have influence and/or control, and which may have a related party interest with the Council

Central Government

The UK Government has significant influence 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, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 24 on reporting for resources allocation decisions.

Members

Members of the Council and potentially the closest members of their family have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2013/14 is shown in Note 24.

During 2013/14, 2 members and one spouse declared a related party interest with regard to being either a director or partner in organisations. However, no transactions occurred between the council and these organisations (companies or other bodies) in which members had control/influence. The Council paid levies of £287k to five Internal Drainage Boards where Councillors represented the Council, specifically; Witham 3rd IDB (4 members, £174k), Scunthorpe and Gainsborough Water Management Board (2 members, £56k), Upper Witham IDB (1 member, £40k), Ancholme IDB (1 member, £17k). In addition, the Council paid grants to voluntary organisations in which members have a position on the governing body. The relevant members did not take part in any discussion or decision relating to the grants. The Register of Members' Interest is available to be viewed on the Council's website.

Members of the Council and potentially the closest members of their family have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2013/14 is shown in Note 25.

Officers

All senior officers of the Council and the closest members of their families have the potential to significantly influence the policies of the Council although this is limited by the Council's scheme of delegation. There were no declarations made by Senior Officers.

Other Public Bodies [subject to common control by central government]

The Council has determined that material transactions have occurred with the following parties;

Lincolnshire County Council

Pension Fund as disclosed in Note 33

Preceptor as disclosed in the Collection Fund

A number of members of the Council are also elected members of Lincolnshire County Council.

Lincolnshire Police Authority - Preceptor as disclosed in the Collection Fund Note

Parish Councils - a number of members of the Council have been elected as Parish Councillors – Precepts as disclosed in Note 9

The Council has representation on the Central Lincolnshire Joint Strategic Planning Committee. Voting rights on the committee are shared equally with the Council holding a 25% share. During 2013/14, the Council contributed £185,400 (2012/13 £171,400)

Entities Controlled or Significantly Influenced by the Council

The Council does not control, or significantly influence any other entities.

30. CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

2012/13		2013/14
£000's		£000's
1,887	***Opening Capital Financing Requirement***	**1,842**
	Capital investment	
623	Property, Plant and Equipment	1,120
0	Intangible Assets	70
0	Investment Properties	175
1,823	Revenue Expenditure Funded from Capital under Statute	886
	Sources of finance	
(1,104)	Capital receipts	(153)
(634)	Government grants and other contributions	(1,223)
0	Sums set aside from revenue:	
(505)	Direct revenue contributions	(780)
(248)	Minimum Revenue Provision	(192)
1,842	***Closing Capital Financing Requirement***	**1,745**
	Explanation of movements in year	
0	Decrease in underlying need to borrowing (supported by government financial assistance)	0
(248)	Increase/Decrease(-) in underlying need to borrowing (unsupported by government financial assistance)	(190)
215	Assets acquired under finance leases	93
(33)	*Increase/(decrease) in Capital Financing Requirement*	(97)

31. LEASES

Council as Lessee

Finance Leases

The Council acquired ten shops, in 1989 on long term leases (125 years) with all rents payable as peppercorn rent. In addition, vehicles and other plant and equipment have been acquired under finance leases.

The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

31 March 2013		31 March 2014
£000's		£000's
498	Other Land and Buildings	494
843	Vehicles, Plant, Furniture and Equipment	690
1,341		**1,184**

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Council and finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

31 March 2013 £000's		31 March 2014 £000's
	Finance lease liabilities (net present value of minimum lease payments):	
190	current (capital)	181
592	non-current (capital)	502
188	Finance costs payable in future years	118
970	**Minimum lease payments**	**801**

The minimum lease payments will be payable over the following periods:

31 March 2013			31 March 2014	
Minimum Lease Payments	Finance Lease Liabilities		Minimum Lease Payments	Finance Lease Liabilities
£000's	£000's		£000's	£000's
190	84	Not later than one year	181	66
577	104	Later than one year and not later than five years	502	52
15	0	Later than five years	0	0
782	**188**		**683**	**118**

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2013/14 no contingent rents were payable by the Council (2012/13 £0m).

The Council has sub-let the properties held under these finance leases. At 31 March 2014 the minimum payments expected to be received under non-cancellable sub-leases was £0.134m (0.154m at 31 March 2013).

Operating Leases

The Council has entered into operating leases for one vehicle, a multi-storey car park (life expectancy in excess of 25 years) and a depot. The agreement in respect of the multi-storey car park is treated as an embedded lease and the payments associated with this are linked to RPI.

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

31 March 2013 £000's		31 March 2014 £000's
164	Not later than one year	164
202	Later than one year and not later than five years	38
0	Later than five years	0
366		**202**

The expenditure charged to the Environmental and Regulatory Services line in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

31 March 2013 £000's		31 March 2014 £000's
164	Minimum lease payments	164
120	Contingent rents	132
284		**296**

Council as Lessor

Finance Leases

The Council leased out three properties on finance leases in the 1980's with remaining terms in excess of 70 years. A premium was paid on commencement of the lease term, for each property with annual rents payable on a peppercorn basis. The total existing use value of the three properties at 31 March 2014 was £0m. The properties are themselves held by the Council on long leases. Based on the materiality of the values, the peppercorn rents and the length of the lease terms the Council has not assessed any gross investment in the leases.

Operating Leases

The Council leases out property under operating leases for the following purposes:

- for the provision of community services, such as sports facilities,
- for economic development purposes to provide suitable affordable accommodation for local businesses.

The net book value of these assets is £11.368m (12/13 £7.297m).

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

31 March 2013 £000's		31 March 2014 £000's
245	Not later than one year	254
688	Later than one year and not later than five years	499
261	Later than five years	290
1,194		**1,043**

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2013/14 £0.003m contingent rents were receivable by the Council (2012/13 £0.004m).

32. IMPAIRMENT LOSSES

The Code requires disclosure by class of assets of the amounts for impairment losses and impairment reversals charged to the Surplus or Deficit on the Provision of Services and to Other Comprehensive Income and Expenditure. These disclosures are consolidated in Notes 12 and 13 reconciling the movement over the year in the Property, Plant and Equipment and Intangible Asset balances.

During 2013/14, the Council had no impairment losses.

33. DEFINED BENEFIT PENSION SCHEMES

The Local Government Pension Scheme (LGPS) is a defined benefit statutory scheme, administered in accordance with the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007, the Local Government Pension Scheme (Administration) Regulations 2008 and the Local Government Pension Scheme (Transitional Provisions) Regulations 2008. It is contracted out of the State Second Pension.

The Pension Fund is administered by Lincolnshire County Council who contracts the day to day administration of the fund to Mouchel Business Services. They undertake the investment of the pension fund assets and make payment of pension liabilities on the Councils behalf.

The key risk to the Council is the future payments that need to be made to pensioners under the defined benefit scheme and making sure these are adequately funded. Therefore, a professional Actuary is engaged by the County Council to assess the likely asset returns and future liabilities of the Councils sub fund within the overall Lincolnshire Pension Fund. The current Actuary is Hymans Robertson LLP. The following notes are based on the assumptions and reports received from the Actuary as at 31 March 2014. A full revaluation exercise is undertaken every 3 years – the next triennial review is due 31 March 2016.

The Council can also make discretionary enhancements in accordance with its agreed policies. The additional costs resulting from historically awarding such discretions are included in the tables below.

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 (for those benefits) and to disclose them at the time that employees earn their future entitlement. The Council participates in two post-employment schemes:

> *The Local Government Pension Scheme*, administered locally by Lincolnshire County Council – this is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.
>
> *Arrangements for the award of discretionary post-retirement benefits upon early retirement* – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be erated to meet actual pension payments as they eventually fall due.

The Lincolnshire Pension Fund is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the Pensions Committee of Lincolnshire County Council. Policy is determined in accordance with the Pension Fund Regulations. The investment managers of the Fund are appointed by the Committee and are detailed in Pension Fund Annual Report and Accounts, which can be found on the Pension Fund website at www.lincolnshire.gov.uk/pensions.

The principal risks to the authority of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund the amounts required by statute as described in the accounting policies note.

Discretionary Post-retirement Benefits

Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no plan assets built up to meet these pension liabilities.

Transactions Relating to Post-employment Benefits

The Council recognises 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 the Council is required to make against Council Tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the CIES and the General Fund Balance via the MIRS during the year:

Local Government Pension Scheme		
£000's	**Comprehensive Income and Expenditure Statement**	**£000's**
2012/13		**2013/14**
	Cost of Services:	
931	Current service cost	1,209
0	Past service cost / (Gain)	0
	Financing and Investment Income and Expenditure	
706	Net Interest expense	1,137
1,637	***Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services***	**2,346**
	Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	
(3,998)	Remeasurement of the net defined benefit liability comprising:	
	- Return on plan assets excluding the amount included in net interest	(1,677)
	- Actuarial gains and losses arising on changes in demographic assumptions	(1,211)
	- Actuarial gains and losses arising on changes in financial assumptions	228
	- Other	1,147
(2,361)	***Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement***	**833**
	Movement in Reserves Statement	
176	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(1,108)
	Actual amount charged against the General Fund Balance for pensions in the year:	
(1,728)	Employers' contributions payable to the scheme	(1,153)
(85)	Retirement benefits payable to pensioners	(85)

The 2012/13 figures have not been restated to reflect the changes to IAS19 that took effect from 1 January 2013 for accounting periods ending on or after 31 December 2013. The effect of this would have been a £303k change on 'Net Interest Expenses' and a corresponding change on the 'Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code'.

Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit scheme is as follows:

Local Government Pension Scheme	Balance Sheet	Local Government Pension Scheme
£000's		£000's
2012/13		2013/14
(63,638)	Present value of the defined benefit obligation	(65,686)
38,347	Fair value of plan assets	37,774
(25,291)	***Sub total***	**(27,912)**
0	Other movements in the liability (asset)	0
(25,291)	***Net Liability arising from defined benefit obligation***	**(27,912)**

Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets

Local Government Pension Scheme	Reconciliation of fair value of scheme (plan) assets	Local Government Pension Scheme
£000's		£000's
2012/13		2013/14
33,729	**Opening balance at 1 April**	**38,347**
1,621	Expected rate of return	1,711
	Remeasurement (gains) and losses	
2,933	- The return on plan assets, excluding the amount included in the net interest expense	(1,677)
1,728	Employer contributions	1,153
316	Contributions by scheme participants	323
(1,980)	Benefits paid	(2,083)
0	Entity combinations	0
0	Assets Distributed on Settlements	0
38,347	**Closing balance at 31 March**	**37,774**

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

Funded liabilities: Local Government Pension Scheme	Reconciliation of present value of the scheme liabilities (defined benefit obligation)	Funded liabilities: Local Government Pension Scheme
£000's		£000's
2012/13		2013/14
55,198	**Opening balance at 1 April**	**63,638**
931	Current service cost	1,209
2,630	Interest cost	2,848
316	Contributions by scheme participants	323
	Remeasurement (gains) and losses	
0	- Actuarial gains/losses arising from changes in demographic assumptions	1,211
6,717	- Actuarial gains/losses arising from changes in financial assumptions	(228)
(89)	- Other	(1,147)
0	Past service Costs	0
0	Losses / (Gains) on Curtailments	0
0	Entity combinations	0
(2,065)	Benefits paid	(2,168)
0	Liabilities Extinguished on Settlements	0
63,638	**Closing balance at 31 March**	**65,686**

Local Government Pension Scheme assets comprised:

Period Ending 31 March 2013		LGPS Asset Categories	Period Ending 31 March 2014	
Fair Value of Scheme Assets	% of Total Assets		Fair Value of Scheme Assets	% of Total Assets
£000's	%		£000's	%
		Equity investments		
7,147	19%	Consumer	6,950	18%
1,584	4%	Manufacturing	1,276	3%
3,118	8%	Energy & Utilities	2,774	7%
4,113	11%	Financial Institutions	4,463	12%
0	0%	Health & Care	0	0%
1,375	4%	Information Technology	1,032	3%
4,354	11%	Other	4,797	13%
		Debt Instruments		
1,239	3%	Corporate Bonds (Investment Grade)	1,178	3%
0	0%	Corporate Bonds (non-investment Grade)	0	0%
760	2%	UK Government	694	2%
500	1%	Other	451	1%
		Private Equity		
2,543	7%	All	2,070	5%
		Real Estate		
3,281	9%	UK Property	3,551	9%
711	2%	Overseas Property	572	2%
		Investment Funds & Unit Trusts		
1,905	5%	Equities	1,764	5%
2,264	6%	Bonds	2,382	6%
0	0%	Hedge Funds	0	0%
0	0%	Commodities	0	0%
0	0%	Infrastructure	0	0%
3,020	8%	Other	3,238	9%
		Derivatives		
0	0%	Inflation	0	0%
0	0%	Interest Rate	0	0%
0	0%	Foreign Exchange	0	0%
0	0%	Other	0	0%
		Cash & Cash Equivalents		
434	1%	All	583	2%
38,348	**100%**	**Total**	**37,775**	**100%**

All scheme assets have quoted prices in open markets.

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 provided by Hymans Robertson LLP, an independent firm of actuaries, estimates for the Lincolnshire County Council Fund being based on the last formal valuation of the scheme as at 31 March 2013.

Significant assumptions used by the actuary:

The significant assumptions used by the actuary have been:

Local Government Pension Scheme		Local Government Pension Scheme
2012/13		**2013/14**
	Long-term expected rate of return on assets in the scheme:	
4.50%	Equity investments	4.30%
4.50%	Bonds	4.30%
4.50%	Property	4.30%
4.50%	Cash	4.30%
	Mortality assumptions:	
	Longevity at 65 for current pensioners:	
21.2	Men	22.2
23.4	Women	24.4
	Longevity at 65 for future pensioners:	
23.7	Men	24.5
25.7	Women	26.8
	Inflation assumptions:	
2.80%	Rate of Inflation	2.80%
5.1% *	Rate of increase in salaries*	4.10%
2.80%	Rate of increase in pensions	2.80%
4.50%	Rate for discounting scheme liabilities	4.30%
	Take-up of option to convert annual pension into maximum retirement lump sum - within HMRC limits	
25.00%	pre April 2008 service - maximum additional-tax free cash	25.00%
63.00%	post April 2008 service - maximum tax-free cash	63.00%

* Salary increases are assumed to be 1% p.a. until 31 March 2015 reverting to the long term assumption shown thereafter.

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably and 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 decrease for men and women. In practice this is unlikely to occur and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for 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 the previous period.

Sensitivity Analysis **Change in Assumptions at 31 March 2014**	**Approx. % increase to Employer Liability**	**Approx monetary amount (£000)**
0.5% decrease in Real Discount Rate	9%	6,040
1 year increase in member life expectancy	3%	1,971
0.5% increase in Salary Increase Rate	3%	1,752
0.5% in the Pension Increase Rate	6%	4,221

Funding Strategy

The Lincolnshire County Council fund has approved a Funding Strategy Statement (FSS), the purpose of the FSS is:

- *“to establish a **clear and transparent fund-specific strategy** which will identify how employers’ pension liabilities are best met going forward;*
- *to support the regulatory framework to maintain **as nearly constant employer contribution rates as possible**; and*
- *to take a **prudent longer-term view** of funding those liabilities*

The objectives of the Fund's funding policy include the following:

- to ensure the long-term solvency of the Fund as a whole and the solvency of each of the notional sub-funds allocated to the individual employers or pools of employers;
- to ensure that sufficient funds are available to meet all benefits as they fall due for payment;
- not to restrain unnecessarily the investment strategy of the Fund so that the Administering Authority can seek to maximise investment returns (and hence minimise the cost of the benefits) for an appropriate level of risk;
- to help employers recognise and manage pension liabilities as they accrue, with consideration to the effect on the operation of their business where the Administering Authority considers this appropriate;
- to minimise the degree of short-term change in the level of each employers' contributions where the Administering Authority considers it reasonable to do so;
- 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.

Impact on the Authority's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31st March 2016.

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 schemes in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The authority anticipates to pay £1,284,000 expected contributions for 2014/15.

The weighted average duration of the defined benefit obligation for scheme members is 17.9 years as at 31 March 2014.

34. CONTINGENT LIABILITIES

Grant Claims

The Council submits grant claims for substantial amounts each year. From time to time interpretation of legislation may be a matter of professional and technical judgement. In this context it may lead to possible grant qualifications by the external auditors. It is not possible to produce a reliable forecast for the cost of any grant qualifications.

The Council also acts as the Accountable Body for a range of grant funding that is or has been paid for the benefit of third parties. In the role of Accountable Body, the Council has to agree to the repayment of grant should there be a breach of the terms and conditions of the grant. Whilst every effort is taken to administer the grants to minimise any risk of financial loss to the Council, this risk cannot be eliminated. However, it is not possible to make a reliable forecast of any grant claw back arising from Accountable Body status.

NNDR Appeals

The Council has made a provision for NNDR appeals based upon its best estimates of the actual liability as at the year-end in known appeals. It is not possible to quantify appeals that have not yet been lodged with the Valuation Office so there is a risk to the Council that national and local appeals may have a future impact on the accounts.

35. CONTINGENT ASSETS

There are no contingent assets to disclose.

36. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Council's activities expose it to a variety of financial risks:

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 requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms.

Market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

Overall procedures for managing risk

The Council's overall risk management procedures focus on the unpredictability of financial markets, and are structured to implement suitable controls to minimise these risks. The procedures for risk management are set out through a legal framework based on the *Local Government Act 2003* and associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services 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 CIPFA Treasury Management Code of Practice;

- by the adoption of a Treasury Policy Statement and treasury management clauses within the Council's Constitution;
- by approving annually in advance prudential and treasury indicators for the following three years limiting:
  - The Council's overall borrowing;
  - Its maximum and minimum exposures to fixed and variable rates of interest;
  - Its maximum and minimum exposures to the maturity structure of its debt (if required);
  - Its maximum annual exposures to investments maturing beyond a 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 are required to be reported and approved at or before the Council's annual Council Tax setting budget or before the start of the year to which they relate. These items are reported with the annual Treasury Management Strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported after each year, as is a mid-year update.

The annual Treasury Management Strategy which incorporates the prudential indicators was approved by Council on 03/03/14 and is available on the Council website. The key issues within the strategy were:

- The Authorised Limit for 2013/14 was set at £6.250m. This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary is the expected level of debt and other long term liabilities during the year and was approved at £0.76m. Periods where the actual position is above the Operational Boundary is acceptable subject to the Authorised Limit not being breached
- The maximum amounts of fixed and variable interest rate exposure were set at 100% and 25% based on the Council's net debt.

These policies are implemented by officers in the Financial Services team. The Council maintains written principles for overall risk management, as well as written policies (Treasury Management Practices – TMPs) covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash. The TMPs are a requirement of the Code of Practice and are reviewed periodically.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as any credit exposures to the Council's customers. This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poors Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above. Additional selection criteria can be applied after the initial criteria is applied.

The criteria for providing a pool of high quality investment counterparties (both specified and non-specified investments) is:

- Banks 1 – good credit quality – the Council will only use banks which have, as a minimum, the following Fitch, Moody's and Standard and Poors credit ratings (where rated)
  - Short Term F1
  - Long term A
  - Viability / financial strength – C (Fitch/ Moody's only)
  - Support – 2 (Fitch only)
- Banks 2 – Part nationalised UK banks – Lloyds Bank and Royal Bank of Scotland. (These banks can be included if they continue to be part nationalised or they meet the ratings in Banks 1 above).
- Banks 3 – The Councils own banker for transactional purposes. If the bank falls below the above criteria, although in this case balances will be minimised in both monetary size and time.
- Bank subsidiary and treasury operation – The Council will use these where the parent bank has provided an appropriate guarantee or has the necessary ratings outlined above
- Building Societies – The Council will use all societies which meet the ratings for banks outlined above
- Money Market Funds – AAA
- Enhanced Money Market Funds - AAA
- UK Government (including gilts and the DMADF)
- Local authorities, parish councils etc
- Supranational institutions

A limit of £2m per counterparty will be applied to the use of Non-Specified investments largely determined by the long term investment limits.

The full Investment Strategy for 2013/14 was approved by the Council on 3 March 2013 and is available on the Council's website.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Council.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £16.916m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2014 that this was likely to crystallise.

No breaches of the Council's counterparty criteria occurred during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

Liquidity Risk

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

The Council has ready access to borrowings from the money markets to cover any day to day cash flow need, and the PWLB and money markets for access to longer term funds. The Council is also required to 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.

All trade and other payables are due to be paid in less than one year.

The maturity analysis of financial investments excluding sums due from customers, is as follows:

31 March 2013	Investments	31 March 2014
£000's		£000's
14,694	Less than 1 year	15,929
275	Between 1 and 2 years	0
259	Between 2 and 3 years	0
839	More than 3 years	0
16,067	**Total**	**15,929**

Refinancing and Maturity Risk

The Council maintains a significant investment portfolio but is currently ‘debt free’. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer-term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets, although currently only applies to longer term financial assets.

The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council’s day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

Market Risk

Interest Rate Risk

The Council has no long term debt but may borrow for short term cash flow purposes. The Council is exposed to interest rate movements on its investments and potentially any borrowings. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Surplus or deficit on the Provision of Services will rise,
- Borrowings at fixed rates – the fair value of the liabilities borrowings will fall (no impact on revenue balances),
- Investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Service will rise,
- Investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the 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 the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the Other Comprehensive Income and Expenditure Statement.

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

If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

	£'000's
Increase in interest payable on variable rate borrowings	0
Increase in interest receivable on variable rate investments	(146)
Increase in government grant receivable for financing costs	0
Impact on Surplus or Deficit on the Provision of Services	**(146)**

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed. These assumptions are based on the same methodology as used in the Note – Fair value of Assets and Liabilities carried at Amortised Cost.

Price Risk

The Council, excluding the pension fund, does not generally invest in equity shares or marketable bonds.

Foreign Exchange Risk

Foreign exchange risk in Relation to Icelandic Deposits - The Council has foreign exchange exposure resulting from an element of the settlement received from Glitnir. This is being held in Icelandic Krona in an escrow account due to the current imposition of currency controls. The value of these deposits at 31 March 2014:

Glitnir £0.212m

For 2013/14 a small loss of £0.018m (loss £0.016m 2012/13) has been reflected in the CIES (Financing and investment income and expenditure)

Icelandic Bank Defaults

In October 2008, the Icelandic banks Landsbanki, Kaupthing and Glitnir collapsed and two UK subsidiaries of the banks, Heritable and Kaupthing Singer and Friedlander went into administration. The Council had a total investment of £7m (claim amount £7.252m) with Icelandic Banks at the time of their collapse in 2008. The Council has received £6.639m from dividend repayments and sale of investments. There are no further amounts anticipated however £0.212m remains held in an Escrow account pending the Supreme Court of Iceland’s approval to repatriate.

The table below sets out the position in relation to Icelandic Banks

Bank	Amount Invested £000s	Repaid to Date £000s	Further Amount Anticipated £000s	Variance £000s
Glitnir	1,000	1,019	0	-19
Heritable Bank	2,000	1,896	0	104
Landsbanki	4,000	3,724	0	276
	7,000	**6,639**	**0**	**361**

Glitnir Bank hf

The Council has received 100% of its claim in full settlement for Glitnir Bank hf. However, an element of the distribution is in Icelandic Kroner which has been placed in an escrow account in Iceland and is earning interest of 4.2% as at 31st March 2014. This element of the distribution has been retained in Iceland due to currency controls currently operating in Iceland and as a result is subject to exchange rate risk, over which the Council has no control. The authority has recognised a provision of £.018m in 2013/14 due to currency fluctuations resulting in a carrying amount of £0.202m.

37. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

2012/13		2013/14
£000's		£000's
(166)	Interest received	(266)
98	Interest paid	85
(68)		**(181)**

Supplementary Financial Statements and Explanatory Notes

The Collection Fund

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of Council Tax and National Non-Domestic Rates (NNDR)

The Council has a statutory requirement to operate a Collection Fund as a separate account to the General Fund. The purpose of the Collection Fund therefore is to isolate the income and expenditure relating to Council Tax and NNDR. The administrative costs associated with the collection process are charged to the General fund.

In 2013/14 the local government finance regime was revised with the introduction of the retained business rates scheme. The main aim of the scheme is to give Councils a greater incentive to grow businesses in the district. It does, however, also increase the financial risk due to non-collection and the volatility of the NNDR tax base.

The scheme allows the Council to retain a proportion of the total NNDR received. The Council's share is 40% with the remainder paid to precepting bodies (Lincolnshire County Council 10% and Central Government 50%).

NNDR Surpluses and deficits declared by the billing authority in relation to Collection Fund are apportioned to the relevant precepting bodies in the subsequent financial year in their respective proportions.

The Code of Practice followed by Local Authorities in England stipulates that the Collection Fund Income and Expenditure Account is included in the Council's accounts. The Collection Fund balance sheet meanwhile is incorporated into the Council's balance sheet.

2012/13 Council Tax £000's	2012/13 NNDR £000's	2012/13 Total £'000		Notes	2013/14 Council Tax £000's	2013/14 NNDR £000's	2013/14 Total £'000
			Income				
40,190		40,190	Net Council Tax Receivable	1	42,026		42,026
6,292		6,292	Council Tax Benefit				
	15,618	15,618	Income collectable from Business Ratepayers	2		14,673	14,673
46,482	**15,618**	**62,100**	**Total Income**		**42,026**	**14,673**	**56,699**
			Expenditure				
			West Lindsey District Council				
7,344		7,344	Precepts, Demands & Shares		6,691	6,398	13,089
89		89	Distributed Surplus		87		87
			Lincolnshire County Council				
32,752		32,752	Precepts, Demands & Shares		29,473	1,600	31,073
396		396	Distributed Surplus		385		385
			Lincolnshire Police Authority				
5,728		5,728	Precepts, Demands & Shares		5,257		5,257
67		67	Distributed Surplus		67		67
			Central Government				
			Precepts, Demands & Shares			7,998	7,998
	15,343	15,343	Payment to NNDR Pool				
	106	106	Cost of Collection Allowance			106	106
(168)	255	87	Write-offs of uncollectable amounts		(183)	109	(74)
47	(86)	(39)	Increase/(Decrease) in Impairment Allowance		75	(10)	65
			Increase/(Decrease) in Provision for Appeals			494	494
		0	Disregarded Amounts		2		2
46,255	**15,618**	**61,873**	**Total Expenditure**		**41,854**	**16,695**	**58,549**
227	0	227	Surplus/ (Deficit) for the year	3	172	-2,022	-1,850
1,091	0	1,091	Opening Surplus / (Deficit)		1,318	0	1,318
1,318	**0**	**1,318**	**Carry forward Surplus / (Deficit)**		**1,490**	**-2,022**	**-532**

Collection Fund Explanatory Notes

1. Council Tax

Council tax income derives from charges raised according to the value of residential properties that have been classified into eight Valuation Bands (A to H). Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Lincolnshire County Council, Lincolnshire Police Authority and West Lindsey District Council together with each Parish requirement. This is then divided by the Council Tax base i.e. the number of properties in each valuation band for 2013/14 this was converted to an equivalent number of band D dwellings and adjusted for discounts. The basic amount of Council Tax for a band D property including an average parish charge is £1,497.70 (2012/13 £1,491.06) and is multiplied by the ratio specified for the particular band to give an individual amount due.

The Council Tax Base for 2013/14 was 27,529.84 (30,610.11 2012/13). This reduction between financial years is as a result of the Governments Council Tax Localisation changes which revised the way Central Government pay Council Tax benefit compensation to the Council. The tax base for 2013/14 was approved by the Council meeting in January 2013 and was calculated as follows:

The Council Tax base was calculated as follows:

Band	Total Dwellings on Valuation List		Equivalent Dwellings after discounts, exemptions and reliefs		Ratio	Band D Equivalent Dwellings	
	2012/13	**2013/14**	**2012/13**	**2013/14**		**2012/13**	**2013/14**
Disabled	0	0	24.25	22.25	5/9	13.47	12.40
A	15,314	15,396	12,694.55	12,807.00	6/9	8,463.03	8,538.00
B	7,655	7,722	6,728.95	6,798.00	7/9	5,233.63	5,287.30
C	7,299	7,345	6,579.65	6,624.25	8/9	5,848.58	5,888.20
D	5,477	5,510	5,080.80	5,126.75	9/9	5,080.80	5,126.80
E	3,266	3,303	3,074.40	3,113.00	11/9	3,757.60	3,804.80
F	1,354	1,355	1,263.75	1,262.50	13/9	1,825.42	1,823.60
G	504	510	465.85	474.00	15/9	776.42	790.00
H	62	61	38.65	38.25	18/9	77.30	76.50
						31,076.25	**31,347.60**
Adjustments and non-collection allowance						**-466.14**	**-3,817.76**
Band D Equivalent for Council Tax Base						**30,610.11**	**27,529.84**
Band D Equivalent of Contributions in Lieu						**122.66**	**126.52**
Total Council Tax base						**30,732.77**	**27,656.36**

In 2013/14, the local government finance regime was revised and Council Tax Benefit is no longer received by the Council. This has been replaced by a Council Tax Reduction Scheme which is administered in each authority.

2. Business Rates

Non-Domestic Rates are determined on a national basis by Central Government which sets an annual non-domestic rating multiplier amounting to 47.1p in 2013/14 (45.8p in 2012/13). The non-domestic rate multiplier for small businesses is 46.2p in 2013/14 (45.0p in 2012/13). Subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by this multiplier. Local rateable values were £42.748m in 2013/14 (£43.348m in 2012/13).

The introduction of the Business Rates Retention Scheme in 2013/14 resulted in local authorities retaining a proportion of the total collectable rates due, rather than paying the whole NNDR to the central pool. (WLDC 40%, Lincolnshire CC 10% and Central Government 50%)

The business rates shares payable for 2013/14 were estimated before the start of the financial year as £7.998m to Central Government, £1.600m to Lincolnshire County Council and £6.398m to West Lindsey District Council. These sums have been paid in 2013/14 and charged to the Collection Fund in year.

When the scheme was introduced, Central Government set a baseline level for each authority identifying the expected level of retained business rates and a top up or tariff amount to ensure that all Authorities receive their baseline amount. Tariffs due from Authorities are payable to Central Government and are used to finance the top ups to those authorities who do not achieve their targeted baseline funding. In this respect the Council paid a tariff of £3.333m to Central Government.

The total income from business rate payers collected in 2013/14 was £14.673m (£15.618m 2012/13).

In addition to the tariff, a ‘safety net’ figure is calculated at 92.5% of baseline amount which ensures that authorities are protected to this level of Business Rates income. The safety net figure for the Council is £2.443m. The comparision of business rate income to the safety net uses the total income collected from business rate payers and adjusts for losses in collection, losses on appeal, transitional protection payments, the cost of collection and the revision to Small Business Rate Relief (announced in the Autumn Statement 2012) not allowed for when the safety net was set, this totalled £2.573m therefore, the Council does not qualify for a safety net payment for 2013/14.

3. Collection Fund Surpluses and Deficits

The year-end surplus or deficit on the Collection Fund is to be shared between billing and precepting authorities on the basis of estimates made on the year end balance. The calculation has to be made on the 15th January each year. In 2013/14 the Council received £0.086m, its share of the 2012/13 estimated deficit.

The cumulative surplus of £0.532m at the 31 March 2014 has been disaggregated for the purpose of these accounts to attribute relevant amounts to the precepting Council's debtor account and the billing authority as follows:

2012/13 £000's	2012/13 £000's	Share of Collection Fund Balance	2013/14 £000's	2013/14 £000's
CTAX	**NNDR**		**CTAX**	**NNDR**
211	0	West Lindsey District Council	241	(809)
944	0	Lincolnshire County Council	1,060	(202)
163	0	Lincolnshire Police Authority	189	0
0	0	Central Government	0	(1,011)
1,318	**0**	**Total Surplus / (Deficit)**	**1,490**	**(2,022)**

GLOSSARY OF TERMS

- **Accruals**
  Sums included in the final accounts of the Council to cover income or expenditure attributable to the accounting period for which payment has not been received/ made in the financial year.
  Local authorities accrue for both revenue and capital expenditure.

- **Authorised Limit**
  This represents the legislative limit on the Council's external debt under the Local Government Act 2003

- **Capital Adjustment Account (CAA)**
  The Capital Adjustment Account contains the amounts which are required by statute to be set aside from capital receipts and revenue for the repayment of external loans, as well as amounts of revenue, useable capital receipts and contributions which have been used to fund capital expenditure. It also accumulates depreciation impairment and write off of fixed assets on disposal.

- **Capital Charges**
  A charge representing the cost of using an asset, an example being depreciation.

- **Capital Expenditure**
  Spending that produces or enhances an asset, like land, buildings, vehicles, plant and machinery.

  Definitions are set out in Section 40 of the Local Government and Housing Act 1989. Any expenditure which does not fall within the definition must be charged to a revenue account.

- **Capital Receipts**
  The proceeds from the sale of fixed assets such as land and buildings. Capital receipts cannot be used to finance revenue expenditure.

- **Chartered Institute of Public Finance and Accountancy (CIPFA)**
  The professional accountancy body concerned with local authorities and the public sector.

- **Collection Fund**
  The Collection Fund is a statutory fund set up under the provisions of the Local Government Finance Act 1988. It includes the transactions of the charging Authority in relation to Non-Domestic Rates and Council Tax and illustrates the way in which the fund balance is distributed to preceptors and the General Fund.

- **Community Assets**
  Fixed Assets that the Council intends to hold in perpetuity which have no determinable finite useful life and, in addition, may have restrictions on their disposal. Examples include parks and churchyards.

- **Deferred Charges**
  Expenditure of a capital nature where no tangible asset is created such as housing renovation grants.

- **Deferred Credits**
  This is the term applied to deferred capital receipts.

  These transactions arise when fixed assets are sold and the amounts owed by the purchasers are repaid over a number of years, such as mortgages. The balance is reduced by the principal amount repayable in any financial year.

- **Deferred Grants**
  Amounts received or receivable that have been used to finance capital expenditure. Under the capital accounting arrangements these amounts will be released to offset depreciation in respect of the fixed assets to which they relate.

- **Depreciation**
  The measure of the wearing out, consumption or other reduction in the useful life of a fixed asset.

- **Earmarked Reserves**
  These are Reserves set aside for a specific purpose or a particular service, or type of expenditure.

- **Fair value**
  Fair value is the price at which an asset could be exchanged in an arm’s length transaction, less any grants receivable towards the purchase of the asset.

- **Finance Leases**
  Arrangement whereby the lessee is treated as owner of the leased asset and is required to include such assets within fixed assets on the balance sheet.

- **Financial Reporting Standards (FRS)**
  A statement of accounting practice issued by the Accounting Standards Board.

- **Fixed Assets**
  Tangible asset that yields benefits to the Council and the services it provides for a period of more than one year.

- **Impairment**
A reduction in the value of a fixed asset below its value brought forward in the Balance Sheet. Examples of factors which may cause such a reduction in value include general price decreases, a significant decline in a fixed asset's market value and evidence of obsolescence or physical damage to the asset.

- **Infrastructure Assets**
Expenditure on works of construction or improvement but which have no tangible value, such as construction of, or improvement to highways.

- **Intangible Assets**
Capital expenditure which does not result in the creation of a tangible fixed asset but which gives the Council a controllable access to future economic benefits, e.g. software licences.

- **Investments**
Cash deposits with approved institutions.

- **Long Term Debtors**
Amounts due to the Council more than one year after the balance sheet date.

- **Main Account Statements**
  - **Comprehensive Income and Expenditure Statement (CIES)**
  A financial statement which records the day to day activity of the Council

  - **Movement in Reserves Statement (MIRS)**
  This statement shows the movement in the year on the different reserves held by the Council

  - **The Balance Sheet**
  This statement shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council

  - **Cash Flow Statement**
  This statement shows the changes in cash and cash equivalents of the Council during the reporting period.

- **National Non-Domestic Rate (NNDR)**
NNDR is the levy on business property, based on a national rate in the pound applied to the 'rateable value' of the property. The Government determines a national rate poundage each year which is applicable to all Local Authorities. Local Authorities collect the non-domestic rate but the proceeds are apportioned on a % basis to the Billing Authority (40%), the precepting Authority (10%) and Central Government (50%).

- **Non-Operational Assets**

Fixed assets held by the Council but not directly used or consumed in the delivery of its services. This would include surplus properties awaiting disposal.

- **Operational Assets**
  Fixed assets held by the Council and used or consumed in the delivery of its services.

- **Operational Leases**
  An arrangement whereby the risks and rewards of ownership of the leased asset remain with the leasing company.

- **Operational Boundary**
  This reflets the maximum anticipated level of external debt consistent with budgets and forecast cashflows.

- **Pension Fund**
  An employees' pension fund maintained by an authority, or a group of authorities, in order primarily to make pension payments on retirement of participants. It is financed from contributions from the employing authority, the employee and investment income.

- **Precepting Authorities**
  Those authorities that are not billing authorities (i.e. do not collect Council Tax) precept upon the billing authority, who then collect on their behalf. Lincolnshire County Council, Lincolnshire Police Authority and the Parishes precept upon West Lindsey District Council.

- **Provisions**
  Sums set aside to meet future expenditure where a specific liability is known to exist but that cannot be measured accurately.

- **Reporting Standards**
  The Code of Practice prescribes the accounting treatment and disclosures for all normal transactions of a local authority. It is based on International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), International Public Sector Accounting Standards (IPSAS) and International Financial Reporting Interpretations Committee (IFRIC) plus UK Generally Accepted Accounting Practice (GAAP) and Financial Reporting Standards (FRS) including Statements of Standard Accounting Practice (SSAP).

  IFRS was applicable to all Local Authorities from 1 April 2011.

- **Revaluation Reserve**
  The Revaluation Reserve records the accumulated gains from increases in the revaluation of assets. It also records any reductions in the value of assets subject to the limit of any previous increases in the value of the same asset.

- **Revenue Expenditure Funded From Capital under Statute (REFCUS)**
  Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non-current asset.

- **Revenue Support Grant**
  This funding is the Government Grant provided by the Department of Communities and Local Government (DCLG) that is based on the Government assessment as to what should be spent on local services. The amount provided by the DCLG is fixed at the beginning of each financial year.