West Lindsey District Council
Making a Difference

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GA.10 15/16
Governance & Audit Committee
23 June 2015

Subject: Unaudited Statement of Accounts 2014/15

Report by:	Financial Services Manager (Deputy S151) Tracey Bircumshaw
Contact Officer:	Tracey Bircumshaw Financial Services Manager (Deputy S151) 01427 676560 Tracey.Bircumshaw@west-lindsey.gov.uk
Purpose / Summary:	To note the 2014/15 Unaudited Statement of Accounts

RECOMMENDATIONS:

1) **That Members have the opportunity to discuss the Unaudited Statement of Accounts and any comments of this Committee be referred to the S151 Officer for subsequent discussion with the Council's External Auditors, KPMG prior to issue on 30th June 2015.**

IMPLICATIONS

Legal: The Statement of Accounts is prepared in accordance with the Accounts and Audit (Wales) Regulations 2011.

Financial: Fin/3/16 - The Unaudited Statement of Accounts 2014/15 has been prepared within existing resources and in accordance with proper accounting practices and the requirements of International Financial Reporting Standards (IFRS). This is intended to provide for comparable accounts across all accounting boundaries, public and private, national and international.

The Council remains in a healthy financial position with useable reserves totalling £17.711m being available for future investment.

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. A full risk assessment was undertaken prior to the process initiation.

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 2014/15

Code of Practice on Local Authority Accounting in the United Kingdom – Guidance notes for practitioners 2014/15 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 2014/15 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 consideration and review.

1.4 This Committee is responsible for the approval of the Statement of Accounts and any material amendments of the accounts recommended by the external auditors. The Audited Statement Accounts will therefore be presented to this Committee in September 2015 after the audit process.

1.5 Members of the Governance and Audit Committee will be provided with specific training on the Statement of Accounts to enable them to meet these requirements, prior to the September meeting

1.6 The Statement of Accounts will be combined with the Annual Governance Statement (AGS) as in previous years whereby the Council publishes one document, clearly identifying that these are separate statements, which will also be presented to the September Committee for approval.

1.7 Following the certification of the accounts by the 30th June 2015 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 any significant changes made on the main statements and associated notes will be highlighted in the September report.

1.8 The Statement of Accounts, and all supporting documentation will be available for inspection by the electorate from 13 July 2015 to 7 August 2015 by appointment only. From 10th August to the conclusion of the audit, any local elector may make written representations and/or objections to the external auditor to anything about which the Auditor could take action under section 17 of the Audit Commission Act 1998. Those sections deal with expenditure made by the District Council which is unlawful, and any matter in respect of which the auditor could make a report under section 8 of the Act. An elector must send a copy of any such objection to the Director of Resources (S151).

2 Summary

The Unaudited Statement of Accounts 2014/15 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 £0.108m (£3.423m deficit 2013/14),

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 £17.711m (£17.295m 2013/14)

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 Council (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 £17.711m (£17.295m 2013/14). 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 £18.714m (£13.175m 2013/14) thus giving a net balance sheet position of £1.003m.

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 increase in overall cash is £1.867m (decrease of £2.721m 2013/14).

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.

MOVEMENT IN RESERVES STATEMENT

Movement in Reserves during 2013/14

	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Council Reserves £'000
Balance at 31 March 2013 carried forward	**(2,327)**	**(10,550)**	**(2,485)**	**(556)**	**(15,918)**	**10,289**	**(5,629)**
Surplus or (deficit) on the provision of Services	3,485	0	0	0	**3,485**	0	**3,485**
Other Comprehensive Income and Expenditure	0	0	0	0	**0**	(1,976)	**(1,976)**
Total Comprehensive Income and Expenditure	**3,485**	**0**	**0**	**0**	3,485	**(1,976)**	**1,509**
Adjustment 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	**(1,514)**	**0**	**92**	**45**	**(1,377)**	**2,886**	**1,509**
Transfers to/(from) Earmarked Reserves (Note 8)	1,681	(1,681)	0	0	**0**	0	**0**
Increase/(Decrease) in 2013/14	**167**	**(1,681)**	**92**	**45**	**(1,377)**	**2,886**	**1,509**
Balance at 31 March 2014 carried forward	**(2,160)**	**(12,231)**	**(2,393)**	**(511)**	**(17,295)**	**13,175**	**(4,120)**

Movement in Reserves during 2014/15

	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Council Reserves £'000
Balance at 31 March 2014 carried forward	**(2,160)**	**(12,231)**	**(2,393)**	**(511)**	**(17,295)**	**13,175**	**(4,120)**
(Surplus) or deficit on the provision of Services	(108)	0	0	0	**(108)**	0	**(108)**
Other Comprehensive Income and Expenditure	0	0	0	0	**0**	5,231	**5,231**
Total Comprehensive Income and Expenditure	**(108)**	**0**	**0**	**0**	**(108)**	**5,231**	**5,123**
Adjustment between accounting basis & funding basis under regulations (Note 7)	(319)	0	(14)	25	**(308)**	308	**0**
Net Increase/(Decrease) before Transfers to Earmarked Reserves	**(427)**	**0**	**(14)**	**25**	**(416)**	**5,539**	**5,123**
Transfers to/(from) Earmarked Reserves (Note 8)	(1,573)	1,573	0	0	**0**	0	**0**
Increase/(Decrease) in 2014/15	**(2,000)**	**1,573**	**(14)**	**25**	**(416)**	**5,539**	**5,123**
Balance at 31 March 2015 carried forward	**(4,160)**	**(10,658)**	**(2,407)**	**(486)**	**(17,711)**	**18,714**	**1,003**

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2013/14				2014/15		
Gross Expend-iture £'000	Gross Income £'000	Net Expend-iture £'000		Gross Expend-iture £'000	Gross Income £'000	Net Expend-iture £'000
1,685	(608)	1,077	Central Services to the Public	1,608	(578)	1,030
2,202	(140)	2,062	Cultural and Related Services	1,215	(133)	1,082
5,756	(655)	5,101	Environmental and Regulatory Services	5,307	(543)	4,764
3,682	(1,625)	2,057	Planning Services	2,960	(1,773)	1,187
1,045	(217)	828	Highways and Transport Services	556	(251)	305
25,173	(23,772)	1,401	Other Housing Services	26,009	(24,440)	1,569
2,069	(15)	2,054	Corporate and Democratic Core	1,949	(26)	1,923
926	(15)	911	Non Distributed Costs	15	0	15
42,538	**(27,047)**	**15,491**	**Cost of Services**	**39,619**	**(27,744)**	**11,875**
1,997	0	1,997	Other Operating Expenditure (Note 9)	2,026	0	2,026
1,176	(242)	934	Financing and Investment Income and Expenditure (Note 10)	1,311	(229)	1,082
0	(14,937)	(14,937)	Taxation and Non-Specific Grant Income And Expenditure (Note 11)	0	(15,091)	(15,091)
45,711	**(42,226)**	**3,485**	**(Surplus) or Deficit on Provision of Services**	**42,956**	**(43,064)**	**(108)**
			Items that will not be reclassified to the (Surplus) or Deficit on the Provision of Services			
		(3,489)	(Surplus) or Deficit on Revaluation of Property, Plant & Equipment Assets (Note 12)			(615)
		1,513	Remeasurement of the net defined benefit liability/(asset) (Note 33)			5,871
		(1,976)				**5,256**
			Items that may be reclassified to the (Surplus) or Deficit on the Provision of Services			
		0	Surplus or deficit on revaluation of available for sale financial assets			(25)
		(1,976)	**Other Comprehensive Income and Expenditure**			**5,231**
		1,509	**Total Comprehensive Income and Expenditure**			**5,123**

BALANCE SHEET

31 March 2014 £'000		Notes	31 March 2,015 £'000
16,818	Property, Plant & Equipment	12	16,741
127	Investment Properties	13	127
192	Intangible Assets	14	157
0	Long Term Investments	15	2,064
0	Long Term Debtors	15	395
17,137	**TOTAL LONG TERM ASSETS**		**19,484**
8,723	Short Term Investments	15	7,038
0	Assets Held For Sale	19	34
42	Inventories	16	31
2,687	Short Term Debtors	17	1,693
8,193	Cash and Cash Equivalents	18	10,060
19,645	**TOTAL CURRENT ASSETS**		**18,856**
(3,516)	Short Term Creditors	20	(3,563)
(419)	Provisions Short Term	21	(354)
(181)	Short Term Finance Lease Liability	31	(228)
0	Grants Receipts in Advance - Revenue	28	0
(4,116)	**TOTAL CURRENT LIABILITIES**		**(4,145)**
(43)	Provisions Long Term	21	(25)
(502)	Long Term Finance Lease Liability	31	(342)
(27,912)	Net Pensions Liability	33	(34,716)
(89)	Grants Receipts in Advance - Capital	28	(115)
(28,546)	**TOTAL LONG TERM LIABILITIES**		**(35,198)**
4,120	**TOTAL NET ASSETS/LIABILITIES**		**(1,003)**
(17,295)	Usable Reserves	22	(17,711)
13,175	Unusable Reserves	23	18,714
(4,120)	**TOTAL RESERVES**		**1,003**

CASH FLOW STATEMENT

2013/14 £'000		2014/15 £'000
3,485	**Net (Surplus) or Deficit on the Provision of Services**	**(108)**
(964)	Depreciation of Property, Plant and Equipment	(863)
(3,344)	Impairment and downward valuations	(385)
(34)	Amortisation of Intangible Assets	(46)
43	Increase/Decrease in Impairment provision for bad debts	53
0	Adjustment for internal interest charged	(1)
(417)	(Increase)/Decrease in Creditors	(984)
339	Increase/(Decrease) in Debtors	458
(276)	(Increase)/Decrease in Provisions	83
7	Increase/(Decrease) in Inventories (Stock)	(11)
(1,108)	Movement in Pension Liability	(933)
(100)	Carrying amount of non-current assets and non-current Assets Held For Sale, sold or derecognised	(76)
0	Other non cash items charged to the net surplus or deficit on the Provision of Services	0
(5,854)	**Adjsutments to net surplus or deficit on the Provision of Services for non-cash movements**	**(2,705)**
1,238	Other items for which the cash effects are investing or financing cash flows	**699**
1,238	**Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities**	**699**
(1,131)	**Net Cash Flows from Operating Activities**	**(2,114)**
1,271	Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	609
17,504	Purchase of short-term (not considered to be cash equivalents) and long-term Investments	12,038
(61)	Proceeds from the sale of Property, Plant and Equipment, Investment Property and Intangible Assets	(258)
(14,938)	Proceeds from short-term (not considered to be cash equivalents) and long-term Investments	(11,685)
(679)	Other receipts from investing activities	(389)
3,097	**Net cash flows from investing activities**	**315**
126	Other receipts from financing activities	(251)
191	Cash payments for the reduction of the outstanding liabilities relating to Finance Leases	183
0	Repayments of short and long-term Borrowing	0
0	Other payments for financing activities	0
317	**Net cash flows from financing activities**	**(68)**
2,283	**Net (increase) or decrease in cash and cash equivalents**	**(1,867)**
(10,476)	**Cash and cash equivalents at the beginning of the reporting period**	**(8,193)**
(8,193)	**Cash and cash equivalents at the end of the reporting period (Note 18)**	**(10,060)**

WEST LINDSEY DISTRICT COUNCIL

UNAUDITED

STATEMENT OF ACCOUNTS

2014/15

WEST LINDSEY DISTRICT COUNCIL
STATEMENT OF ACCOUNTS 2014/15

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EXPLANATORY FOREWORD

1 Introduction

As the Council's Chief Finance Officer I am pleased to present the 2014/15 Statement of Accounts. West Lindsey District Council continues its progression towards being an Entrepreneurial Council and has delivered £0.787m in 2014/15 with savings of £1.547m planned for 2015/16.

The Corporate Plan is our key strategic document which sets our objectives over the medium term, under the 5 key objectives listed below. The Corporate Plan is available on our website:

www.west-lindsey.gov.uk/your-council/how-the-council-works/key-plans-policies-and-strategies/corporate-plan

The Corporate Plan has five key themes which are;
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.

In 2014/15 there have been a number of successes for West Lindsey which are worthy of note alongside the financial statements;

During the financial year our Localism Team supported the delivery of 109,829 hours of volunteering across the community in addition to generating £1.426m investment into the District by supporting our local communities.

Our Housing Team brought 63 long term empty properties back into use and made a financial contribution to the construction of youth accommodation within Gainsborough.

The Economic Regeneration Team launched the Gainsborough Growth Fund, a grant funding scheme to support local businesses to expand or relocate within the area.

Our Operational Teams received nation recognition through a nomination for APSE Best Performer Award for refuse collection and the Street Cleaning service was awarded a bronze award and recognised as a Five Star Service by the Chartered Institute of Waste Management 'Clean Britain Awards'. This achievement was in addition to reducing the unit cost of service over the period.

Council staff have contributed to the success of the Agile Working project which has enabled us to rent out surplus office space, and in partnership with other public and third sector organisations has enabled the creation of a Customer Service Hub within the Guildhall. This has resulted in cost savings for all partners and has provided a one stop shop for all our customers. In addition we have invested in providing high speed broadband over most of the district. This has resulted in more efficient ways of doing business with our customers as well as supporting our communities and businesses.

The ICT Team has implemented a shared IT infrastructure which is shared with North Kesteven District Council, this has reduced our costs and has increased our resilience.

These are just a few of the achievements over the last year but gives a sense of the range and flavour of activity going on within the Council.

Since the elections in May 2015 we have begun work with the new administration to refresh the Corporate Plan for the next four years to ensure we are focussing on delivery of the right priorities for the people of our district.

During 2014/15 we have faced the challenges of restructuring at the highest levels of the Council. This has resulted in employee savings as the recruitment process will ensure that right calibre of individuals are appointed to lead the organisation to achieve delivery of our objectives and meet the

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").

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 £0.108m (deficit of £3.485m 2013/14),

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 Council's useable reserves total £17.711m (£17.295m 2013/14)

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/(liabilities) i.e. 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'. The Council's Net Liabilities total £1.003m (Net Assets £4,120m 2013/14).

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 an increase of £1.867m (decrease of £2.283m 2013/14).

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 2014/15

Revenue Income and Expenditure

The Council approved a revenue budget, including Council Tax charges, for 2014/15 which planned to utilise £0.834m of the General Fund Balance (including £0.588m to create new Earmarked Reserves to support investment in Corporate Priorities). Compared to the revised budget for 2014/15 a surplus of £1.532m has been realised. This has been transferred to the General Fund Balance.

The following table reports the revenue figures for 2014/15 before any adjustments required by accounting standards that are subsequently reversed under statute.

West Lindsey District Council Revenue Budget Outturn 2014/15

Year End Position	Actual Totals
Income	**£**
Government Grants	(23,246,416)
Service Specific Government Grants	(941,836)
Other Grants and Contributions	(333,474)
Customer and Client Receipts	(3,608,674)
Interest and Investment Income	(228,441)
Revenue Support Grant	(3,065,705)
Non Specific Grants	(186,944)
Retained NNDR	(3,281,213)
New Homes Bonus	(1,557,851)
Council Tax	(5,295,100)
Collection Fund Surplus	(125,823)
Total Income	**(41,871,477)**
Expenditure	
Employees	9,326,117
Premises Related	1,283,658
Transport Related	1,152,151
Supplies & Services	2,381,060
Third Party Payments	1,648,239
Transfer Payments	23,375,013
Interest Payable	55,241
Total Expenditure	**39,221,479**
Net Total - Surplus	**(2,649,998)**
Statutory and Corporate Accounting adjustments	2,223,059
Approved Budget - Contribution to / (from) General Fund	
Transfer to / (from) specific reserves approved in year	(1,105,496)
SURPLUS FOR YEAR	**(1,532,435)**
Utilisation of Surplus to Earmarked Reserves	0
Contribution to General Fund Balance at 31 March	**1,532,435**
Carry Forward Approvals 2015/16	
Net contributions for the year	**1,532,435**

The significant variances contributing to the surplus position included; Planning Fee income £0.607m, additional Grant income of £0.718m and employee savings of £0.224m mainly due to vacancies. However, it should be noted that within the headline position there were some 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 will be factored into future budgets.

Improved collection rates have meant that impairment allowances for uncollectable debts has reduced and an amount of £0.074m has been returned to Services.

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. An analytical review of surpluses will be undertaken to establish if these are recurring and therefore can contribute to future savings targets.

Earmarked Reserves

The Medium Term Financial Plan 2014/15 approved new Earmarked Reserves of £0.588m; Connectivity - Rural Transport £0.300m, Community Grants Scheme £0.250m, Members Initiative Fund £0.038m. In addition the use of Earmarked Reserves totalling £1.483m was approved for investment in capital and revenue schemes.

Upon out-turn £1.146m of Earmarked Reserves were applied during the year to fund both capital and revenue investment to match actual expenditure incurred.

With contributions to Earmarked Reserves of £0.468m at the 31 March 2015, the overall net use of Earmarked Reserves totals £1.573m. The balance of Earmarked Reserves as at 31 March 2015 therefore totals £10.658m (£12.231m 2014/15).

The Capital Programme

The Capital Programme 2014/15 was budgeted to spend £4.566m, approved adjustments during the year of minus £1.248m resulted in a revised Capital Programme of £3.318m. Actual expenditure incurred was £1.711m, and schemes which are not yet complete, totalling £1.722m, will be carried forward and added to the 2015/16 Capital Programme.

The in-year expenditure was funded mainly from Government grants and contributions of £0.466m, direct revenue contributions of £0.932m, and £0.244m of capital receipts.

At the beginning of the year, the Usable Capital Receipts Reserve balance was £2.393m. New receipts during the year totalled £0.258m due to the sale of Council Houses, asset sales and DFG repayments and £0.244m was used to finance capital expenditure, the balance of £2.407m is available for future financing. Unapplied Capital Grants and Contributions of £0.306m were applied in the year leaving a balance of £0.486m 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 £16.741m, a decrease of £0.77m from 2014/15. 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 £7.038mm (£8.723m 2013/14) in short term investments, £2.064m long term investments (£0 2013/14) and £10.060m (£8.193m) in cash and cash equivalents.

Whilst the Council has no external borrowing it does acquire plant and equipment under Finance Leases which are classified as credit arrangements. At 31 March 2015, outstanding obligations in respect of Finance Leases amounted to £0.570m (£0.683m 31 March 2014).

Material assets acquired

No material assets were acquired during the year. Capital expenditure was incurred on the following projects:

Analysis of Capital Expenditure in Year	£m
Buildings	0.565
Vehicles, Plant & Equipment	0.030
Intangible Assets	0.014
Rural Broadband - Loan	0.395
Investment in Company	0.010
Disabled Facilities Grants	0.459
Independent Living Assistance	0.084
Photocopiers - Finance Lease	0.069
Other projects	0.085
Total	**1.711**

Material Liabilities incurred

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 2015 the Council's net liability reported by the Actuary to the LGPS was £34.716m (£27.912m in 13/14), an increase of £6,804m (24%). Fair value of LGPS assets was £42.167m (£37.774m in 13/14), an increase of £4,939m and the value of obligations to pay pension liabilities increased by 17% from £65.686m to £76.883m.

The increase in the net liability at 31 March 2015 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 £34.716m 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 was carried out by the Actuary at 31 March 2013, this exercise determines the future contribution rates for employers, and uses different assumptions to those required under IAS19.

The previous triennial valuation, as at 31 March 2013, 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 2013 to 31 March 2016. In addition the Council paid a fixed monetary amount towards the funding deficit of £0.532m in 2013/14. The comparative figures for 2014/15 are 15.1% and £0.623m contribution to reduce the deficit.

More details of the IAS19 valuation are set out in Note 33 to the Financial Statements.

Significant provisions, contingencies and material write-offs

No significant provisions, contingencies or material write offs were recognised in 2014/15.

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 2015 resulted in upward revaluations of £0.264m reflected in Other Comprehensive Income and Expenditure, and net downward revaluations of £0.648m charged to Costs of Services within the Comprehensive Income and Expenditure Account as follows:

Service and Economic Outlook

Economic Background and Outlook

Following a deep and sustained recession the UK economy is now experiencing a period of growth. Although the medium term outlook remains relatively positive for the private sector a consequence of low growth is that, public sector receipts remain significantly below public sector expenditure, and this together with protections for significant elements of public sector expenditure mean that resources will continue to be restricted for Local Authorities, with £2.6bn of savings to be found from Councils budgets nationally in 2015/16 and further reductions required in future years.

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.

As a general election was held in May 2015 and within this context it is particularly difficult to make accurate predictions about future levels of government funding and when the reductions will occur. However, the period of austerity for public services, which had already been extended by two years to 2018 is now expected to continue to 2020, if we exclude ring fenced public health expenditure, spending must fall by 21% in cash terms or 33% in real terms.

West Lindsey District Council Main Annual Government Grant Reductions

	2011/12 £000's	2012/13 £000's	2013/14 £000's	2014/15 £000's	2015/16 £000's
Formula Grant	6,514	5,688	5,513	4,482	4,586
Other grants rolled in	0	0	1,145	1,097	356
Grant reduction year on year	1,710	826	175	1,079	637
Percentage change year on year	20.70%	12.67%	3.00%	16.20%	12.00%

Further reductions of around 8% per annum are anticipated in future years.

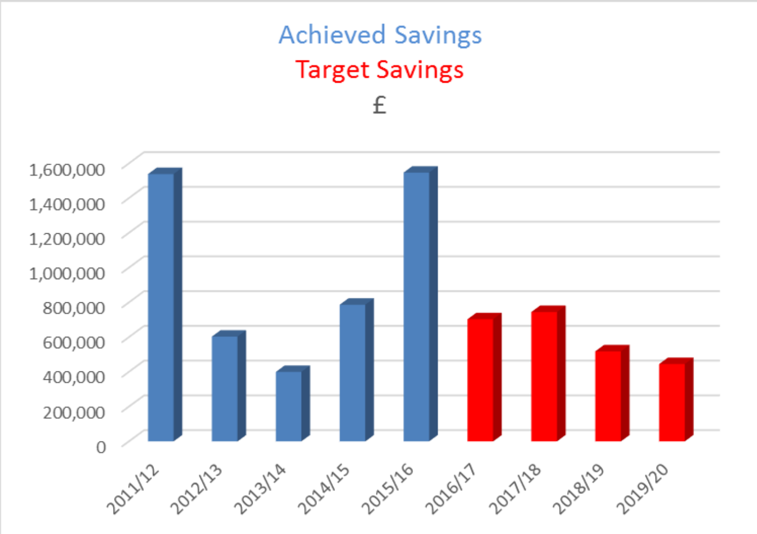
Significant reforms which came into force on 1 April 2013 placed additional burdens on Local Government, but also significantly transfer risk and responsibilities to Local Government which have previously sat with Central Government.

These changes relate to changes in the formula grant (RSG), and the introduction of the Business Rates Retention Scheme, where the estimated yield from Business Rates is shared between the Billing Authority (WLDC 40%), the Precepting Authority (Lincolnshire CC 10%) and the Government 50%. Growth in Business Rates can result in increased funding for Local Authorities concerned. However, they share any reduction in Business Rate yield. Such gains and losses are be subject to "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.

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.

The Medium Term Financial Strategy (MTFS) for 2014/2015 to 2018/19 aligned resources to Corporate Priorities and set out its strategy to manage future challenges.

Within this context the priorities within the MTFS were to maximise available resources through efficient and effective delivery of services; identify and drive innovative approaches to service delivery and resourcing . Significant savings have already been realised, however a target of a further £2.5m is required by 2020 if the Council is to be non RSG reliant in future. The Commercial Strategy and Vision 2020 project plan will identify opportunities which will contribute towards this savings target .



Members approved a balanced budget for 2015/16 and the Medium Term Financial Plan to 2020 recognises 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 2015/16 to 2019/20 was revised to support the Council's objectives including £10.320m allocated for strategic housing projects, including bringing empty homes back into use, £4.061m for property investment projects, £1.918m for Disabled Facilities Grants and £2.227m 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. However, in order to secure much needed investment in the district the Council has recognised that it will now need to borrow. The Council has approved the following capital programme funding plans for the period 1 April 2015 to 31 March 2020.

Funding	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m	TOTAL
Grants & Contributions	0.743	0.486	0.333	0.333	0.333	2.228
Revenue Financing	2.797	2.339	1.170	1.303	0.435	8.044
Useable Capital Receipts	1.249	0.078	0.033	0.032	0.033	1.425
Prudential Borrowing	4.900	4.000	1.000	0.000	0.000	9.900
Total	**9.689**	**6.903**	**2.536**	**1.668**	**0.801**	**21.597**

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 £14.818m as at 31 March 2015, of which £10.658m was earmarked for specific purposes.

Significant Service Changes

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 continues to participate in a pilot project with the DWP in relation to the introduction of the Universal Credit benefit. This will ensure residents can access support to apply and manage their online claims and their finances.

The Commercial Strategy and Transformation Plan will drive initiatives for increasing and generating new income streams, achieving efficiencies, and reducing costs. This may result in changes in the way we provide future services.

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 the 17 September 2015.

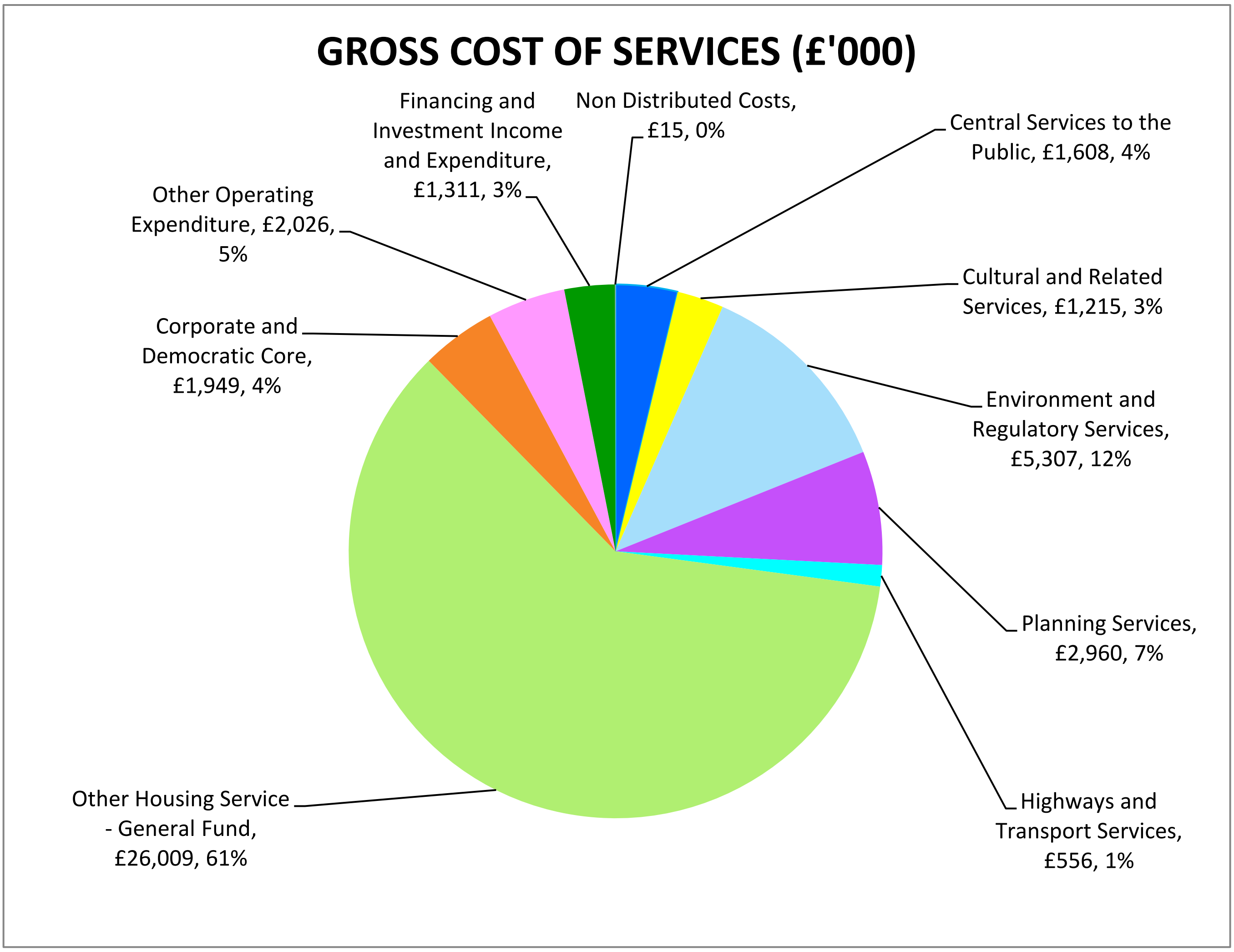
There are no events which have taken place before this date where conditions existed at 31 March 2015. There are no events after 31 March 2015 to disclose that are relevant to an understanding of the Council's financial position.

FINANCIAL SUMMARY

STATEMENT OF ACCOUNTS 2014/15

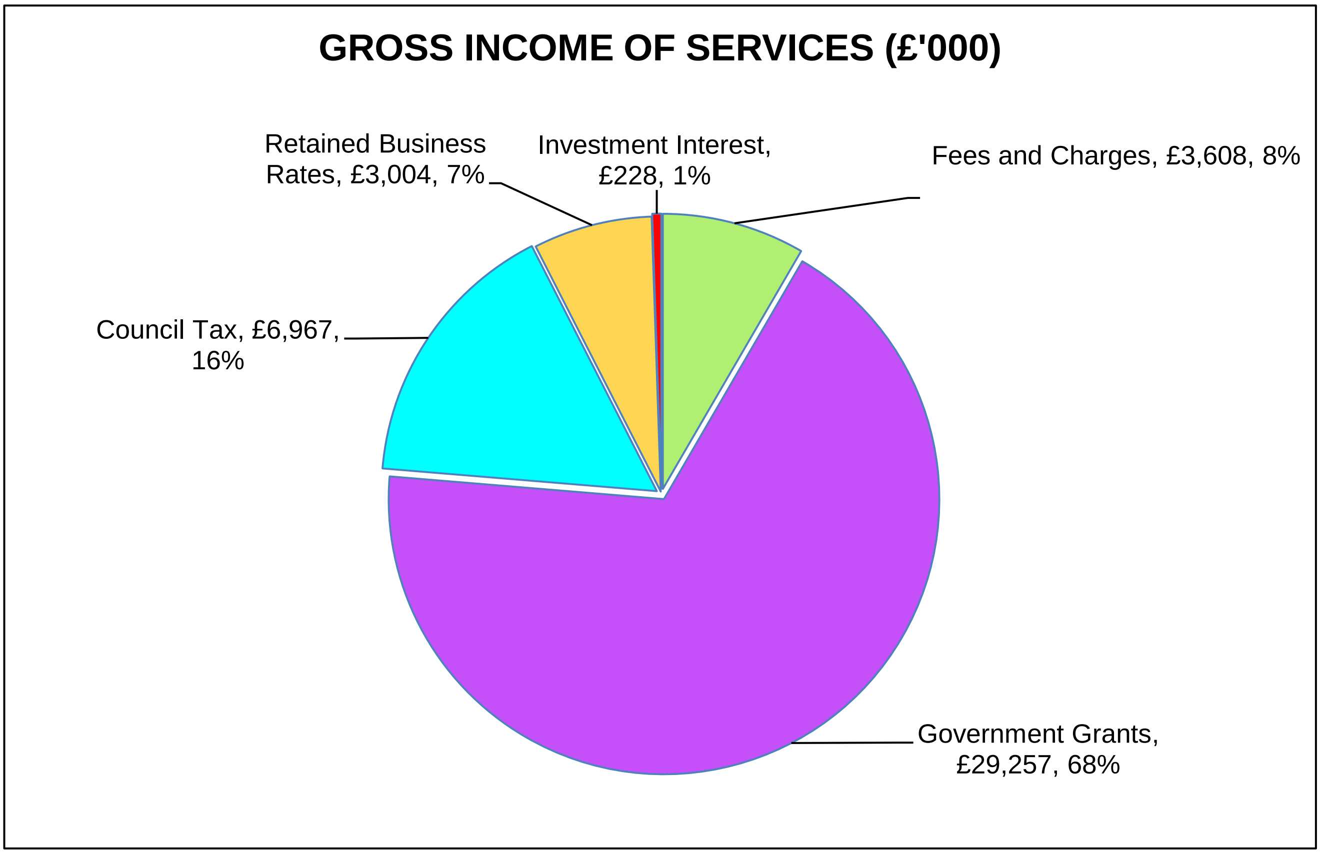
Revenue spending is generally on items that are consumed within a year, and is financed from government grants, Council Tax, and other income (largely charges to service users). The Comprehensive Income and Expenditure Statement sets out how much was spent during 2014/15 and where the money came from.

Gross revenue spending on services in the year was £42.956m (£45.711m in 2013/14). The following charts show the services on which the money was spent:



The accounts follow the prescribed Chartered Institute of Public Finance & Accountancy (CIPFA) format. As a result, the Comprehensive Income and Expenditure Statement and the Statement of Movement on the General Fund cannot be easily related to the Council's operational management structure, and the management accounts used for in-year budgetary control. This management information in the format of segmental reporting can be found at Note 24.

Gross revenue income during the year was £43.064m (£42.226m in 2013/14). The following charts show where the money came from:



General Fund Spending in 2014/15

Budget

The significant changes from the original to revised budget were to reflect additional use of Earmarked Reserves.

Variances

The net surpluses on service and other budgets of £1.532m are mainly made up of employee costs of £0.223m, overachieved fees & charges income of £1.027m (mainly Planning Fees), £0.771m of additional grant income and increased costs of housing benefit of £0.343m

Outturn

A net contribution of £2m has been contributed to the General Fund Balances. The resultant impact on the Council Taxpayer funds is demonstrated in the Statement of Movement on General Fund Balance. This shows that the overall General Fund Balance at 31 March 2015 was £4.160m (31 March 2014 was £2.160m).

Capital Spending in 2014/15

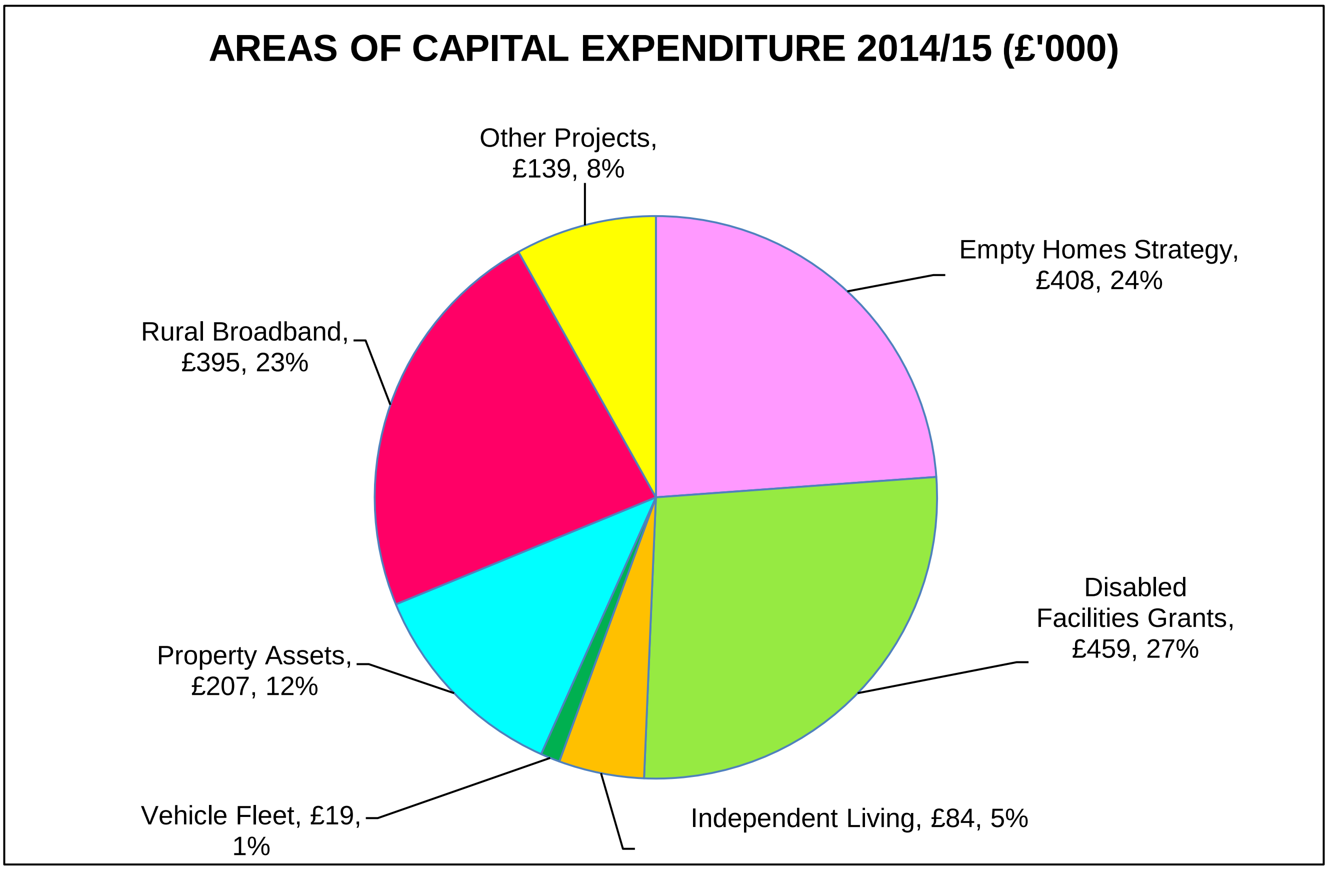
Capital spending is broadly defined as spending on assets (land, buildings, major items of equipment, vehicles) that have a life beyond twelve months.

Capital spending in the year totalled £1.711m (a decrease of £0.540m over 2013/14). This represents a lower than estimated level of spend of £1.607m against the final programme approved at quarter three of £3.318m. To put this into context, the Council has an approved five-year capital programme, and the lower than estimated level of spend merely represents reprofiling within that programme.

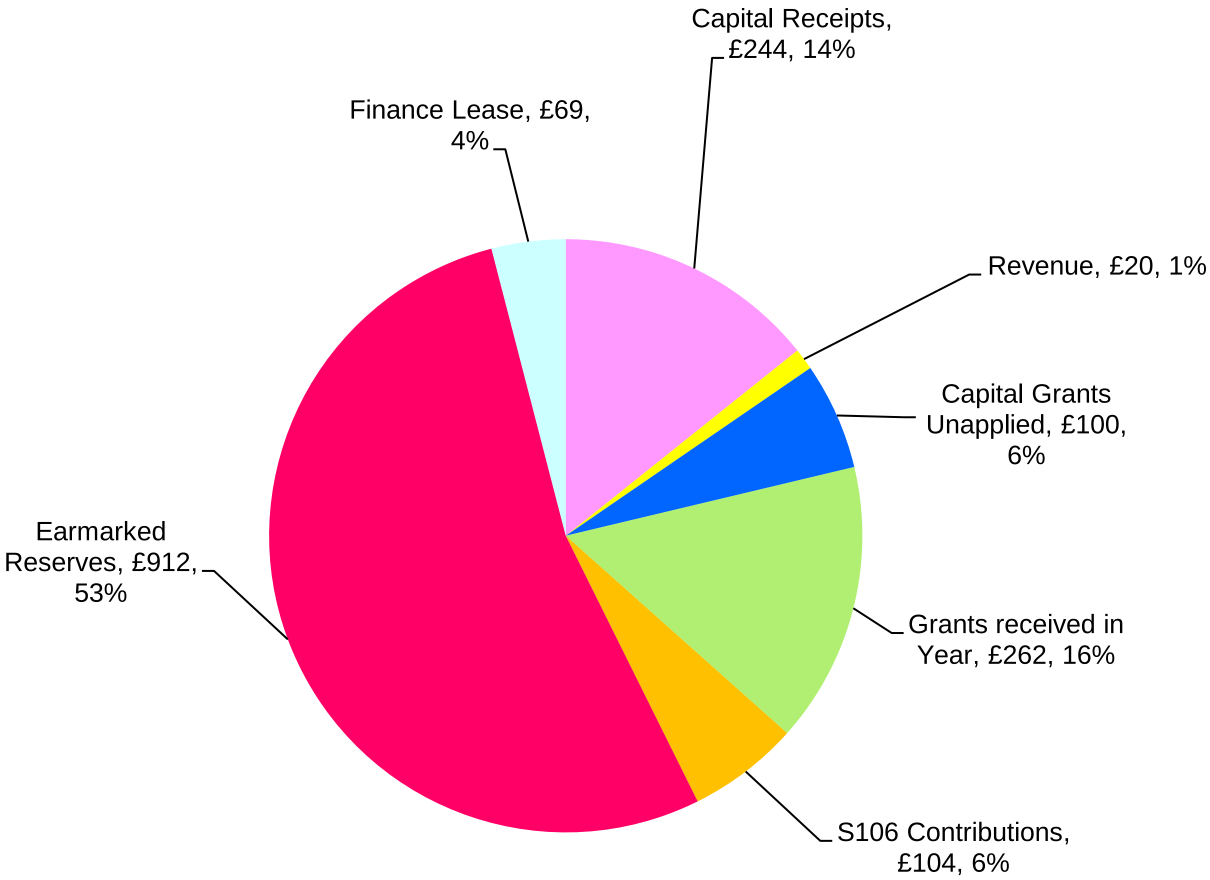
The significant schemes were:

	£'000
Empty Homes Strategy	408
Disabled Facilities Grants	459
Independent Living	84
Vehicle Fleet	19
Property Assets	207
Rural Broadband	395
Other Projects	139
Capital Programme	**1,711**

The following charts show where the capital money was spent and how it was financed during 2014/15.



METHOD OF FINANCING 2014/15 (£'000)



STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

1 COUNCIL'S RESPONSIBILITIES

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its Officers has the responsibility for the administration of those affairs. In this Council, that Officer is the Chief Finance Officer;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- Approve the Statement of Accounts.

2 CHIEF FINANCE OFFICER'S RESPONSIBILITIES

The Chief Finance Officer is responsible for the preparation of the Council'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 2014/15 (the CODE).

In preparing this Statement of Accounts, the Chief Finance Officer has:

- selected suitable Accounting Policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Local Authority Code of Practice.
- kept proper accounting records which were up to date;
- taken responsible steps for the prevention and detection of fraud and other irregularities.

CERTIFICATION OF THE ACCOUNTS

I certify that the Statement of Accounts for 2014/15 presents a true and fair view of the financial position of West Lindsey District Council at 31 March 2015 and its income and expenditure for the year ended 31 March 2015.

Signed:

Director of Resources (S151)
West Lindsey District Council **Date: 30 June 2015**

Approval of the Accounts

Signed:

West Lindsey District Council
Chairman of Governance and Audit Committee **Date:**

MOVEMENT IN RESERVES STATEMENT

Movement in Reserves during 2013/14

	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Council Reserves £'000
Balance at 31 March 2013 carried forward	**(2,327)**	**(10,550)**	**(2,485)**	**(556)**	**(15,918)**	**10,289**	**(5,629)**
(Surplus) or deficit on the provision of Services	3,485	0	0	0	**3,485**	0	**3,485**
Other Comprehensive Income and Expenditure	0	0	0	0	**0**	(1,976)	**(1,976)**
Total Comprehensive Income and Expenditure	**3,485**	**0**	**0**	**0**	3,485	**(1,976)**	**1,509**
Adjustment 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	**(1,514)**	**0**	**92**	**45**	**(1,377)**	**2,886**	**1,509**
Transfers to/(from) Earmarked Reserves (Note 8)	1,681	(1,681)	0	0	**0**	0	**0**
(Increase)/Decrease in 2013/14	**167**	**(1,681)**	**92**	**45**	**(1,377)**	**2,886**	**1,509**
Balance at 31 March 2014 carried forward	**(2,160)**	**(12,231)**	**(2,393)**	**(511)**	**(17,295)**	**13,175**	**(4,120)**

Movement in Reserves during 2014/15

	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Council Reserves £'000
Balance at 31 March 2014 carried forward	**(2,160)**	**(12,231)**	**(2,393)**	**(511)**	**(17,295)**	**13,175**	**(4,120)**
(Surplus) or deficit on the provision of Services	(108)	0	0	0	**(108)**	0	**(108)**
Other Comprehensive Income and Expenditure	0	0	0	0	**0**	5,231	**5,231**
Total Comprehensive Income and Expenditure	**(108)**	**0**	**0**	**0**	**(108)**	**5,231**	**5,123**
Adjustment between accounting basis & funding basis under regulations (Note 7)	(319)	0	(14)	25	**(308)**	308	**0**
Net (Increase)/Decrease before Transfers to Earmarked Reserves	**(427)**	**0**	**(14)**	**25**	**(416)**	**5,539**	**5,123**
Transfers to/(from) Earmarked Reserves (Note 8)	(1,573)	1,573	0	0	**0**	0	**0**
(Increase)/Decrease in 2014/15	**(2,000)**	**1,573**	**(14)**	**25**	**(416)**	**5,539**	**5,123**
Balance at 31 March 2015 carried forward	**(4,160)**	**(10,658)**	**(2,407)**	**(486)**	**(17,711)**	**18,714**	**1,003**

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2013/14					2014/15		
Gross Expend-iture £'000	Gross Income £'000	Net Expend-iture £'000		Note	Gross Expend-iture £'000	Gross Income £'000	Net Expend-iture £'000
1,685	(608)	1,077	Central Services to the Public		1,608	(578)	1,030
2,202	(140)	2,062	Cultural and Related Services		1,215	(133)	1,082
5,756	(655)	5,101	Environmental and Regulatory Services		5,307	(543)	4,764
3,682	(1,625)	2,057	Planning Services		2,960	(1,773)	1,187
1,045	(217)	828	Highways and Transport Services		556	(251)	305
25,173	(23,772)	1,401	Other Housing Services		26,009	(24,440)	1,569
2,069	(15)	2,054	Corporate and Democratic Core		1,949	(26)	1,923
926	(15)	911	Non Distributed Costs		15	0	15
42,538	**(27,047)**	**15,491**	**Cost of Services**		**39,619**	**(27,744)**	**11,875**
1,997	0	1,997	Other Operating Expenditure	9	2,026	0	2,026
1,176	(242)	934	Financing and Investment Income and Expenditure	10	1,311	(229)	1,082
0	(14,937)	(14,937)	Taxation and Non-Specific Grant Income And Expenditure	11	0	(15,091)	(15,091)
45,711	**(42,226)**	**3,485**	**(Surplus) or Deficit on Provision of Services**		**42,956**	**(43,064)**	**(108)**
			Items that will not be reclassified to the (Surplus) or Deficit on the Provision of Services				
		(3,489)	(Surplus) or Deficit on Revaluation of Property, Plant & Equipment Assets	12			(615)
		1,513	Remeasurement of the net defined benefit liability/(asset)	33			5,871
		(1,976)					**5,256**
			Items that may be reclassified to the (Surplus) or Deficit on the Provision of Services				
		0	Surplus or deficit on revaluation of available for sale financial assets				(25)
		(1,976)	**Other Comprehensive Income and Expenditure**				**5,231**
		1,509	**Total Comprehensive Income and Expenditure**				**5,123**

BALANCE SHEET

31 March 2014 £'000		Notes	31 March 2,015 £'000
16,818	Property, Plant & Equipment	12	16,741
127	Investment Properties	13	127
192	Intangible Assets	14	157
0	Long Term Investments	15	2,064
0	Long Term Debtors	15	395
17,137	**TOTAL LONG TERM ASSETS**		**19,484**
8,723	Short Term Investments	15	7,038
0	Assets Held For Sale	19	34
42	Inventories	16	31
2,687	Short Term Debtors	17	1,693
8,193	Cash and Cash Equivalents	18	10,060
19,645	**TOTAL CURRENT ASSETS**		**18,856**
(3,516)	Short Term Creditors	20	(3,563)
(419)	Provisions Short Term	21	(354)
(181)	Short Term Finance Lease Liability	31	(228)
0	Grants Receipts in Advance - Revenue	28	0
(4,116)	**TOTAL CURRENT LIABILITIES**		**(4,145)**
(43)	Provisions Long Term	21	(25)
(502)	Long Term Finance Lease Liability	31	(342)
(27,912)	Net Pensions Liability	33	(34,716)
(89)	Grants Receipts in Advance - Capital	28	(115)
(28,546)	**TOTAL LONG TERM LIABILITIES**		**(35,198)**
4,120	**TOTAL NET ASSETS/(LIABILITIES)**		**(1,003)**
(17,295)	Usable Reserves	22	(17,711)
13,175	Unusable Reserves	23	18,714
(4,120)	**TOTAL RESERVES**		**1,003**

CASH FLOW STATEMENT

2013/14 £'000		2014/15 £'000
3,485	**Net (Surplus) or Deficit on the Provision of Services**	**(108)**
(964)	Depreciation of Property, Plant and Equipment	(863)
(3,344)	Impairment and downward valuations	(385)
(34)	Amortisation of Intangible Assets	(46)
43	Increase/Decrease in Impairment provision for bad debts	53
0	Adjustment for internal interest charged	(1)
(417)	(Increase)/Decrease in Creditors	(984)
339	Increase/(Decrease) in Debtors	458
(276)	(Increase)/Decrease in Provisions	83
7	Increase/(Decrease) in Inventories (Stock)	(11)
(1,108)	Movement in Pension Liability	(933)
(100)	Carrying amount of non-current assets and non-current Assets Held For Sale, sold or derecognised	(76)
(5,854)	**Adjustments to net surplus or deficit on the Provision of Services for non-cash movements**	**(2,705)**
1,238	Other items for which the cash effects are investing or financing cash flows	**699**
1,238	**Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities**	**699**
(1,131)	**Net Cash Flows from Operating Activities**	**(2,114)**
1,271	Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	609
17,504	Purchase of short-term (not considered to be cash equivalents) and long-term Investments	12,038
(61)	Proceeds from the sale of Property, Plant and Equipment, Investment Property and Intangible Assets	(258)
(14,938)	Proceeds from short-term (not considered to be cash equivalents) and long-term Investments	(11,685)
(679)	Other receipts from investing activities	(389)
3,097	**Net cash flows from investing activities**	**315**
126	Other receipts from financing activities	(251)
191	Cash payments for the reduction of the outstanding liabilities relating to Finance Leases	183
317	**Net cash flows from financing activities**	**(68)**
2,283	**Net (increase) or decrease in cash and cash equivalents**	**(1,867)**
(10,476)	**Cash and cash equivalents at the beginning of the reporting period**	**(8,193)**
(8,193)	**Cash and cash equivalents at the end of the reporting period Note 18**	**(10,060)**

NOTES TO THE ACCOUNTS

1 ACCOUNTING POLICIES

i General Principles

The Statement of Accounts summarises the Council's transactions for the 2014/15 financial year and its position at the year-end of 31 March 2015 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 2014/15 (The Code) and the *Service Reporting Code of Practice 2014/15*, supported by the International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 12 of the Local Government Act 2003.

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

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 2014/15 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:

a) ***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.

b) ***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.

c) ***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.

d) ***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.

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.

Available for Sale Assets

Available-for-sale assets are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value.

Where the asset has fixed or determinable payments, annual credits to the Financing and Investing Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument.

Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Authority.
Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

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

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

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

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

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

x Foreign Currency Translation

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

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 2014/15 (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 SeRCOP 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.

xxii 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 introduction of standard IFRS 13 - Fair Value Measurement. The introduction of this standard requires local authorities to measure their assets and liabilities at fair value where appropriate. The Code of Practice has allowed an adaptation of the IAS 16 standard for 2015/16, effectively allowing the use of current value where fair value is not appropriate i.e. for operational buildings. Where assets are surplus to requirements and held as surplus assets, these are currently measured at existing use valuation, based on their use as an operational asset. However, the 2015/16 Code requires that such assets must now be measured at fair value in accordance with IFRS 13.

IFRIC 21 Levies. This standard provides guidance on levies imposed by government in the financial statements of entities paying the levy. The IFRIC specifies the obligating event as the activity that triggers the timing of the payment of the levy. The amount payable may be based on information relating to a period before the obligation to pay arises or the levy is payable only if a threshold is reached, or both. This standard will not have a material impact on the accounts.

Annual improvements to IFRSs (2011-2013 Cycle). These improvements are minor, principally proving clarification and will not have a material impact on the Statement of Accounts

The Code requires implementation from 1 April 2015 and there is therefore no impact on the 2014/15 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 2015 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 2014/15 and earlier financial years in their proportionate share. Therefore, a provision has been recognised for the best estimate of the amount that businesses may 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 2015.

Property Plant and Equipment.

Property assets are included on the basis of a review based valuation and assessed useful lives undertaken on 31 March 2015. Where possible the valuer has avoided applying indices to calculate the 31 March valuation.

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 £16.741m (£16.818m 2013/14).

The impact of a change in valuation or useful life as at 31 March 2015 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 2014/15 the Council's Actuaries advised that the net pension liability had increased by £6.804m. 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 2015	Approx. % increase to Employer Liability	Approx. monetary amount (£000)
0.5% decrease in Real Discount Rate	10%	7,674
1 year increase in member life expectancy	3%	2,306
0.5% increase in Salary Increase Rate	3%	2,380
0.5% in the Pension Increase Rate	7%	5,141

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

5 MATERIAL ITEMS OF INCOME AND EXPENDITURE

For the purpose of this note the Council considers material items to be those greater than £0.9m.

6 EVENTS AFTER THE REPORTING PERIOD

The Statement of Accounts was authorised for issue by the Director of Resources (S151 Officer) on 17 September 2015. 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 as at 31 March 2015, 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 be 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.

	Useable Reserves			
2013/14 Adjustment between accounting basis & funding basis under regulations	**General Fund Balance £'000**	**Capital Receipts Reserve £'000**	**Capital Grants Unapplied Account £'000**	**Movement in Unusable Reserves £'000**
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 charged to CIES	(3,296)	0	0	**3,296**
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 balance	780	0	0	**(780)**
Adjustments primarily involving the Capital Grant Unapplied Accounts:				
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 Capital Receipts Reserve to finance new capital expenditure	0	153	0	**(153)**
Transfer from Deferred Capital Receipts Reserve upon receipt of Cash	0	0	0	**0**
Adjustments primarily involving the Pension Reserve:				
Reversal of items relating to retirement benefits debited or credited to the CIES (Note 33)	(2,346)	0	0	**2,346**
Employers pension 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 incomeand 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**
Adjustments primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirement	5	0	0	**(5)**
Total Adjustments	**(4,999)**	**92**	**45**	**4,862**

2014/15 Adjustment between accounting basis & funding basis under regulations	Useable Reserves: General Fund Balance £'000	Useable Reserves: Capital Receipts Reserve £'000	Useable Reserves: Capital Grants Unapplied Account £'000	Movement in Unusable Reserves £'000
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	(863)	0	0	**863**
Revaluation losses on Property, Plant and Equipment charged to CIES	(385)	0	0	**385**
Movements in the market value of Investment Properties	0	0	0	**0**
Amortisation of intangible assets	(46)	0	0	**46**
Capital grants and contributions applied	440	0	0	**(440)**
Revenue expenditure funded from capital under statute	(628)	0	0	**628**
Amounts of non-current assets written off on disposal or sale as part of the (gain)/loss on disposal to the CIES	(76)	0	0	**76**
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	183	0	0	**(183)**
Capital expenditure charged against the General Fund Balance	932	0	0	**(932)**
Adjustments primarily involving the Capital Grant Unapplied Accounts:				
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	25	**(25)**
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the (gain)/loss on disposal to the CIES	258	(258)	0	**0**
Use of Capital Receipts Reserve to finance new capital expenditure	0	244	0	**(244)**
Transfer from Deferred Capital Receipts Reserve upon receipt of Cash	0	0	0	**0**
Adjustments primarily involving the Pension Reserve:				
Reversal of items relating to retirement benefits debited or credited to the CIES (Note 33)	(2,453)	0	0	**2,453**
Employers pension contributions and direct payments to pensioners payable in the year	1,520	0	0	**(1,520)**
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax and non-domestic rating income credited to the CIES is different from council tax and non-domestic rating income calculated for the year in accordance with statutory requirements	787	0	0	**(787)**
Adjustments primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirement	12	0	0	**(12)**
Total Adjustments	**(319)**	**(14)**	**25**	**308**

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 2014/15.

	Balance at 31 March 2013 £'000	Transfer out 2013/14 £'000	Transfer in 2013/14 £'000	Balance at 31 March 2014 £'000	Transfer out 2014/15 £'000	Transfer in 2014/15 £'000	Balance at 31 March 2015 £'000
Business Improvement & Transformation	**250**	(28)	0	**222**	(26)	0	**196**
Budget Smoothing	**176**	(60)	1,036	**1,152**	(772)	92	**472**
Capital Programme Financing	**1,931**	(371)	0	**1,560**	(345)	0	**1,215**
Capital Financing - Growth Point Status	**259**	(259)	0	**0**	0	0	**0**
Community Action & Volunteering Fund	**206**	(68)	0	**138**	(138)	0	**0**
Community Grant Scheme	**0**	0	0	**0**	0	250	**250**
Contingencies Fund	**300**	(75)	500	**725**	(170)	4	**559**
Economic Regeneration Initiatives	**225**	(33)	0	**192**	(37)	300	**455**
Invest to Save	**645**	(176)	23	**492**	(37)	19	**474**
IT & Communication Upgrades	**114**	(91)	45	**68**	(38)	44	**74**
Maintenance of Facilities	**482**	(10)	375	**847**	(314)	57	**590**
New Homes Bonus	**0**	0	1,083	**1,083**	0	0	**1,083**
Property Asset Fund	**1,200**	(79)	0	**1,121**	(170)		**951**
Regeneration Support Fund	**2,000**	(10)	0	**1,990**	(405)		**1,585**
Revenue Grants Unapplied	**113**	0	24	**137**	(6)	306	**437**
Service Investment	**644**	(214)	13	**443**	(214)	38	**267**
Support Vulnerable Communities	**0**	0	300	**300**	0	0	**300**
Waste Management Fund	**2,005**	(319)	75	**1,761**	(49)	38	**1,750**
Total	**10,550**	**(1,793)**	**3,474**	**12,231**	**(2,721)**	**1,148**	**10,658**

<u>Business Improvement & Transformation</u>
To assist with costs associated with Business Case Development for transformational change

<u>Budget Smoothing</u>
To effectively manage cyclical budget issues i.e. Elections, Local Development Framework etc.

<u>Capital Programme Financing</u>
Grants and contributions received in advance for financing revenue expenditure funded by capital

Capital Financing - Growth Point Status
To finance the Gainsborough growth point government grant funded scheme.

Community Action & Volunteering Fund
To support area management and community engagement

Contingencies Fund
To support areas of volatility i.e. insurance, flooding etc.

Community Grant Scheme
To support local communities and help leveraging additional funding.

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

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

2013/14 £'000		2014/15 £'000
1,399	Parish Council Precepts	1,454
319	Levies	328
179	Payments to Parish Councils	178
100	(Gains)/Losses on the disposal of non-current assets	66
1,997	**Total**	**2,026**

10 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2013/14 £'000		2014/15 £'000
104	Interest payable and similar charges	64
1,137	Net interest on the net defined benefit liability (asset)	1,193
(242)	Interest receivable and similar income	(228)
48	Income and Expenditure in relation to investment properties and changes in their fair value	(1)
(113)	Other Investment Income (Icelandic Banks impairment/ (reversal))	54
934	**Total**	**1,082**

11 TAXATION AND NON-SPECIFIC GRANT INCOME AND EXPENDITURE

2013/14 £'000	2013/14 £'000		2014/15 £'000	2014/15 £'000
(6,807)		Council tax income		(6,967)
	(6,398)	Retained NNDR	(6,457)	
	(316)	S31 Grant re Small business rates relief	(426)	
	3,333	Tariff payable to Government	3,398	
	0	Levy	257	
	0	Other amounts	122	
	808	In Year NNDR (Surplus)/Deficit	102	
(2,573)		Total Non-Domestic Rates income and expenditure		(3,004)
(5,181)		Non ring-fenced Government grants		(5,006)
(376)		Capital grants and contributions		(114)
(14,937)		**Total**		**(15,091)**

12 PROPERTY PLANT AND EQUIPMENT

Comparative Movements in 2013/14:	Other Land and Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant & Equipment £'000
Cost or Valuation							
At 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)**
Derecognition - Disposals	0	0	0	0	(100)	0	**(100)**
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 & Impairment							
At 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**
Other movements in depreciation & 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**

Movements in 2014/15	Other Land and Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant & Equipment £'000
Cost or Valuation							
At April 2014	12,464	5,346	354	139	1,696	149	**20,148**
Additions	294	99	0	0	0	271	**664**
Donations	0	0	0	0	0	0	**0**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	458	0	0	0	5	0	**463**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(536)	0	0	0	68	0	**(468)**
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	**0**
Derecognition - Disposals	0	0	0	0	(72)	0	**(72)**
Derecognition - Other	0	(378)	0	0	0	(1)	**(379)**
Assets reclassified (to)/from Held for Sale	(34)	0	0	0	0	0	**(34)**
Other movements in cost or valuation	248	0	0	0	0	(248)	**0**
At 31 March 2015	**12,894**	**5,067**	**354**	**139**	**1,697**	**171**	**20,322**
Accumulated Depreciation & Impairment							
At April 2014	0	(3,259)	(71)	0	0	0	**(3,330)**
Depreciation charge	(226)	(620)	(9)	0	(9)	0	**(864)**
Depreciation written out to the Revaluation Reserve	147	0	0	0	4	0	**151**
Depreciation written out to the Surplus/Deficit on the Provision of Services	79	0	0	0	5	0	**84**
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0	**0**
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	**0**
Derecognition - Disposals	0	0	0	0	0	0	**0**
Derecognition - Other	0	378	0	0	0	0	**378**
Other movements in depreciation & impairment	0	0	0	0	0	0	**0**
At 31 March 2015	**0**	**(3,501)**	**(80)**	**0**	**0**	**0**	**(3,581)**
Net Book Value							
at 31 March 2015	**12,894**	**8,568**	**434**	**139**	**1,697**	**171**	**16,741**
at 31 March 2014	**12,464**	**8,605**	**425**	**139**	**1,696**	**149**	**16,818**

Depreciation

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

- Other Land and Buildings - 11-112 years
- Vehicles, Plant, Furniture and Equipment - 1-15 years
- Infrastructure - 24-35 years
- Surplus - 1-46 years

Capital Commitments

At 31 March 2015 the Council had no outstanding commitments for capital schemes (31 March 2014 £0).

Effects of Changes in Estimates

There have been no changes in relation to estimated asset life, residual asset values, depreciation method or disposal costs in 2014/15 that would have a material effect.

Revaluations

The Council carries out a full revaluation of its property portfolio every five years. The last full revaluation was carried out on 31 March 2014. In the intervening years a valuation review is carried out. Valuations were carried out as at 31 March 2015 by appointed valuers, Wilks, Head and Eve LLP in accordance with the methodologies and basis for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors (RICS). Valuations of vehicles, plant, furniture and equipment are based on depreciated replacement cost with an annual impairment review.

	Other Land & Buildings £'000	Vehicles, Plant, Equipment £'000	Surplus Assets £'000	Other PPE Assets £'000	Total £'000
Carried at Historical cost		1,567		583	**2,150**
Valued at Fair Value as at:					
31 March 2015	12,894		1,697		**14,591**
Total Cost or Valuation	**12,894**	**1,567**	**1,697**	**583**	**16,741**

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 cost;

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

2013/14 £'000		2014/15 £'000
0	Balance at start of year:	127
0	Additions	0
175	Purchases	0
(48)	Net Gain/(Loss) from fair value adjustments	0
127	**Balance at End of the Year**	**127**

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Consolidated Income and Expenditure Statement.

2013/14 £'000	Income & Expenditure	2014/15 £'000
0	Rental income from investment property	0
0	Direct operating expenses arising from investment property	2
0	**Net Gain/(Loss)**	**2**

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 Council has 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 2013/14 and 2014/15. The movement on Intangible Asset balances during the year is as follows:

2013/14 £'000		2014/15 £'000
	Balance at start of year:	
218	Gross carrying amounts	288
(62)	Accumulated amortisation	(96)
156	**Net carrying amount at start of year**	**192**
	Movements:	
70	Purchases	14
0	Other disposals	(3)
(34)	Amortisation for the period	(46)
0	Other changes	
192	**Net carrying amount at end of year**	**157**
	Comprising:	
288	Gross carrying amounts	299
(96)	Accumulated amortisation	(142)
192	**Total**	**157**

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

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

	Long Term		Current	
	31 March 2014 £'000	31 March 2015 £'000	31 March 2014 £'000	31 March 2015 £'000
Financial Assets Classified as Loans and Receivables:				
Investments	0	0	8,723	7,038
Short-term deposits with Money Market Funds	0	0	7,206	9,619
Operational Debtors	0	0	9	7
Loans and Receivables	0	395	0	0
Available for Sale Financial Assets	0	2,064	0	0
Cash at bank	0	0	987	440
Total Financial Assets Classified as Loans and Receivables	**0**	**2,459**	**16,925**	**17,104**
Financial Liabilities Classified at Amortised Cost:				
Finance Lease Liabilities	502	342	181	228
Operational Creditors	0	0	1,124	472
Provisions	43	25	419	354
Total Financial Liabilities Classified at Amortised Cost	**545**	**367**	**1,724**	**1,054**

Material Soft Loans Made by the Council

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

Derecognition of Instruments

Investments held in Escrow were sold to a third party during the period. The carrying amount as at 31 March 2014 was £202k, dividends received during the year totalled £0 and the amount received from sale was £158k.

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:

2013/14 £'000	2013/14 £'000	2013/14 £'000		2014/15 £'000	2014/15 £'000	2014/15 £'000
Financial Liabilities Measured at Amortised Costs	Financial Assets: Loans & Receivables	Total		Financial Liabilities Measured at Amortised Costs	Financial Assets: Loans & Receivables	Total
104	0	104	Interest Expense	64	0	64
0	(113)	(113)	Impairment loss/(reversal)	0	54	54
104	**(113)**	**(9)**	**Total Expense in Surplus or Deficit on the Provision of Services**	**64**	**54**	**118**
0	(148)	(148)	Interest Income	0	(228)	(228)
0	(94)	(94)	Interest income accrued on impaired financial assets	0	0	0
0	**(242)**	**(242)**	**Total income in Surplus or Deficit on the Provision of Services**	**0**	**(228)**	**(228)**
104	**(355)**	**(251)**	**Net gain/(loss) for the year**	**64**	**(174)**	**(110)**

Fair Vales 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 as at 31 March are as follows:

2013/14 £'000	2013/14 £'000		2014/15 £'000	2014/15 £'000
Carrying Amount	Fair Value		Carrying Amount	Fair Value
8,723	8,723	Investments	7,038	7,038
0	0	Available for Sale Financial Assets	2,064	2,064
0	0	Loans and Receivables	395	0

16 INVENTORIES

2013/14 £'000		2014/15 £'000
34	Balance Outstanding at Start of Year	42
514	Purchases	511
(506)	Recognised as an expense in the Year	(522)
42	**Balance Outstanding at End of Year**	**31**

17 ANALYSIS OF DEBTORS

2013/14 £'000		2014/15 £'000
1,104	Central Government Bodies	439
212	Other Local Authorities	39
0	NHS Bodies	0
882	Other Entities and Individuals	882
489	Prepayments	333
2,687	**Total**	**1,693**

18 CASH AND CASH EQUIVALENTS

2013/14 £'000		2014/15 £'000
1	Cash held by the Council	1
986	Bank current accounts	440
7,206	Short-term deposits	9,619
8,193	**Total Cash and Cash Equivalents**	**10,060**

19 ASSETS HELD FOR SALE

Current 2013/14 £'000	Non Current 2013/14 £'000		Current 2014/15 £'000	Non Current 2014/15 £'000
0	**0**	**Balance outstanding at start of year**	**0**	**0**
		Assets newly classified as held for sale:		
0	0	-„Property, Plant and Equipment	34	0
0	**0**	**Balance outstanding at year-end**	**34**	**0**

20 ANALYSIS OF CREDITORS

2013/14 £'000		2014/15 £'000
309	Central Government Bodies	911
1,075	Other Local Authorities	1,238
0	NHS Bodies	0
2,132	Other Entities and Individuals	1,414
3,516	**Total**	**3,563**

21 PROVISIONS

	Outstanding Legal Cases £'000	Injury and Damange Compensation Claims £'000	Other Provisions £'000	Total £'000
Balance at 1 April	**(115)**	**(43)**	**(304)**	**(462)**
Additional provisions made in year	0	(13)	(68)	(81)
Unused amounts reversed in year	0	16	0	16
Amounts used in year	83	15	50	148
Balance at 31 March 2015	**(32)**	**(25)**	**(322)**	**(379)**

Long term provisions total £0.025m and relate to injury compensation claims. A settlement date for these claims is unknown at this stage. Short term provisions total £0.354m and relate to outstanding legal cases, the cost of employee's accrued leave and NNDR rating appeals. All of these provisions should be settled within the next financial year.

22 USABLE RESERVES

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and also in Note 8.

2013/14 £'000		2014/15 £'000
(2,160)	General Fund Balance	(4,160)
(12,231)	Earmarked Reserves	(10,658)
(2,393)	Capital Receipts Reserve	(2,407)
(511)	Capital Grants Unapplied Reserve	(486)
(17,295)	**Total Usable Reserves**	**(17,711)**

23 UNUSABLE RESERVES

2013/14 £'000	SUMMARY	2014/15 £'000
(4,407)	Revaluation Reserve	(4,921)
(10,986)	Capital Adjustment Account	(10,913)
27,912	Pensions Reserve	34,716
568	Collection Fund Adjustment Account	(219)
0	Available For Sale Financial Instruments	(25)
88	Accumulated Absences Account	76
13,175	**Total Unusable Reserves**	**18,714**

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment and Intangible Assets. The balance is reduced when assets with accumulated gains are:

- re-valued 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.

2013/14 £'000	Revaluation Reserve	2014/15 £'000
(941)	**Balance at 1 April**	**(4,407)**
(3,682)	Upward revaluations of assets	(1,209)
193	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	594
(3,489)	**(Surplus) or Deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services**	**(615)**
23	Difference between fair value depreciation and historical cost depreciation	49
0	Accumulated gains on assets sold or scrapped	52
23	**Amount written off to the Capital Adjustment Account**	**101**
(4,407)	**Balance at 31 March**	**(4,921)**

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to 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 April 2007, the date that the Revaluation Reserve was Statutory 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.

2013/14 £'000	Capital Adjustment Account	201415 £'000
(13,942)	**Balance at 1 April**	**(10,986)**
	Reversal of items relating to capital expenditure debited or credited to the CIES	
964	Charges for depreciation and impairment of non-current assets	863
3,296	Revaluation losses on Property, Plant and Equipment	385
48	Movement in fair Value of Investment Properties	0
34	Amortisation of intangible assets	46
886	Revenue expenditure funded from capital under statute	628
100	Amounts of non-current assets written off on disposal or sale as part of the (gain)/loss on disposal to the CIES	76
(23)	Adjusting amounts written out of the Revaluation Reserve	(101)
5,305	**Net written out amount of the cost of non-current assets consumed in the year**	**(9,089)**
	Capital financing applied in the year:	
(154)	Use of Capital Receipts Reserve to finance new capital expenditure	(244)
(1,178)	Capital grants and contributions credited to the CIES that have been applied to capital financing	(440)
(45)	Applications of grants to capital financing from the Capital Grant Unapplied Account	(25)
(192)	Statutory provision for the financing of capital investment charged against the General Fund balance	(183)
(780)	Capital expenditure charged against the General Fund balance	(932)
(2,349)		**(1,824)**
(10,986)	**Balance at 31 March**	**(10,913)**

Pensions Reserve

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

2013/14 £'000	Pensions Reserve	2014/15 £'000
25,291	**Balance at 1 April**	**27,912**
1,513	Actuarial (gains) or losses on pensions assets and liabilities	5,871
2,346	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	2,453
(1,238)	Employers pensions contributions and direct payments to pensioners payable in the year	(1,520)
27,912	**Balance at 31 March**	**34,716**

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 rate payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2013/14 £'000	Collection Fund Adjustment Account	2014/15 £'000
(211)	**Balance at 1 April**	**568**
779	Amount by which council tax and non-domestic rating income credited to the CIES is different from council tax and non-domestic rating income calculated for the year in accordance with statutory requirements	(787)
568	**Balance at 31 March**	**(219)**

Available For Sale Financial Instruments

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

- revalued downwards or imapired and the gains are lost
- disposed of and the gains are realised

2013/14 £'000	Available For Sale Financial Instruments	2014/15 £'000
0	**Balance at 1 April**	**0**
0	Upward revaluation of Instruments	(25)
0	**Balance at 31 March**	**(25)**

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

2013/14 £'000	Accumulated Absences Account	2014/15 £'000
93	**Balance at 1 April**	**88**
(93)	Settlement or cancellation of accrual made at the end of the preceding year	(88)
88	Amounts accrued at end of current year	76
(5)	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	(12)
88	**Balance at 31 March**	**76**

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:

2013/14 £'000	Committee Income and Expenditure	2014/15 £'000
(5,837)	Fees, Charges and Other Service Income	(6,890)
(336)	Interest & Investment Income	(228)
(5,408)	Income from Council Tax	(5,421)
(29,670)	Government Grants	(29,332)
(41,251)	**Total Income**	**(41,871)**
8,432	Employee Expenses	9,326
31,036	Other Service Expenses	31,013
0	Support Service Expenses	0
39,468	**Total Expenditure**	**40,339**
(1,783)	**Net Expenditure**	**(1,532)**

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.

2013/14 £'000		2014/15 £'000
(1,783)	Net Expenditure in the Committee Analysis	(1,532)
0	Net Expenditure of Services and Support services	0
5,680	Amounts in the CIES not Reported to Management in the Analysis	1,596
11,594	Amounts included in the Analysis not included in the CIES	11,811
15,491	**Total Income**	**11,875**

Reconcilation to Subjective Analysis

This reconciliation 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.

2014/15	Committee Analysis	Services and Support Services not in Analysis	Amounts not reported to management for decision making	Amounts not included in 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	(6,890)			312	6,290	**(288)**	(114)	**(402)**
Interest & Investment Income	(228)			230		**2**	(230)	**(228)**
Income from Council Tax	(5,421)			5,513		**92**	(5,513)	**(5,421)**
Government Grants and Contributions	(29,332)			8,124		**(21,208)**	(8,012)	**(29,220)**
Total Income	**(41,871)**	**0**	**0**	**14,179**	**6,290**	**(21,402)**	**(13,869)**	**(35,271)**
Employee expenses	9,326					**9,326**	1,193	**10,519**
Other service expenses	31,013		302	(1,817)	(6,290)	**23,208**		**23,208**
Depreciation, amortisation and impairment			1,294	(55)		**1,239**	55	**1,294**
Interest Payments				(65)		**(65)**	65	**0**
Precepts & Levies				(507)		**(507)**	507	**0**
Gain or Loss on Disposal of Fixed Assets				76		**76**	66	**142**
Total Expenditure	**40,339**	**0**	**1,596**	**(2,368)**	**(6,290)**	**33,277**	**1,886**	**35,163**
(Surplus) or Deficit on the Provision of Services	**(1,532)**	**0**	**1,596**	**11,811**	**0**	**11,875**	**(11,983)**	**(108)**

2013/14	Committee Analysis	Services and Support Services not in Analysis	Amounts not reported to management for decision making	Amounts not included in 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)	0	0	549	7,123	**1,835**	(376)	**1,459**
Interest & Investment Income	(336)	0	0	242	0	**(94)**	(242)	**(336)**
Income from Council Tax	(5,408)	0	0	6,807	0	**1,399**	(6,807)	**(5,408)**
Government Grants and Contributions	(29,670)	0	(886)	8,052	0	**(22,504)**	(7,754)	**(30,258)**
Total Income	**(41,251)**	**0**	**(886)**	**15,650**	**7,123**	**(19,364)**	**(15,179)**	**(34,543)**
Employee expenses	8,432	0	0	0	0	**8,432**	1,137	**9,569**
Other service expenses	31,036	0	2,306	(2,247)	(7,123)	**23,972**	0	**23,972**
Depreciation, amortisation and impairment	0	0	4,260	192	0	**4,452**	(65)	**4,387**
Interest Payments	0	0	0	(104)	0	**(104)**	104	**0**
Precepts & Levies	0	0	0	(1,897)	0	**(1,897)**	1,897	**0**
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	0	**0**	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	**(1,783)**	**0**	**5,680**	**11,594**	**0**	**15,491**	**(12,006)**	**3,485**

Note: The figures included within the Allocation of Recharges column have been restated from those previously approved to reflect Gross recharges, rather than Net Recharges (£0.332m) for comparability

25 MEMBERS' ALLOWANCES

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

201314 £'000		2014/15 £'000
182	Basic Allowance	185
53	Special Responsibility	53
28	Expenses	32
263	**Total**	**270**

26 OFFICERS' REMUNERATION

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

Post title		Salary (including fees & allowances) £	Pension contributions £	TOTAL £
Chief Executive	**2014/15**	**105,000**	**27,837**	**132,837**
	2013/14	105,000	27,695	**132,695**
Director of Communtities & Localism (Monitoring Officer) to 28/07/2013	**2014/15**	**0**	**0**	**0**
	2013/14	23,329	6,143	**29,472**
Chief Operating Officer	**2014/15**	**80,400**	**20,100**	**100,500**
	2013/14	72,679	19,170	**91,849**
Director of Resources from 12/05/2014	**2014/15**	**71,368**	**17,842**	**89,210**
	2013/14	0	0	**0**
Commercial Director from 30/06/2014	**2014/15**	**60,622**	**15,156**	**75,778**
	2013/14	0	0	**0**
Head of Service Central Services to 28/02/15, Strategic Lead Democratic & Business Support	**2014/15**	**57,188**	**13,496**	**70,684**
	2013/14	56,847	13,079	**69,926**
Financial Services Manager (Chief Finance Officer) to 31/12/2014	**2014/15**	**57,954**	**9,735**	**67,689**
	2013/14	55,000	13,764	**68,764**

There were no taxable expenses allowances, other payments or bonus payments made to senior members of staff in 2013/14 or 2014/15.

An additional contribution of £0.623m was paid to the Pension Fund during 2014/15 (£0.528m 2013/14) 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:

Number of Employees 2013/14	Remuneration Band	Number of Employees 2014/15
2	£50,000 to £54,999	2
2	£55,000 to £59,999	3
0	£60,000 to £64,999	1
0	£65,000 to £69,999	0
1	£70,000 to £74,999	1
0	£75,000 to £79,999	0
0	£80,000 to £84,999	1
0	£85,000 to £89,999	0
0	£90,000 to £94,999	0
0	£95,000 to £99,999	0
0	£100,000 to £104.999	0
1	£105,000 to £109,999	1
6	**Total**	**9**

The number of exit packages with total cost per band and total cost of other compulsory and other redundancies for the Council in 2014/15 are set out in the table below:

Exit Package Cost Band (including special payments)	Number of Compulsory Redundancies		Number of Other Departures Agreed		Total Number of Exit packages by Cost Band		Total Cost of Exit Packages in Each Band	
	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15
							£	£
£0 - £20,000	0	2	3	0	3	2	26,922	21,250
£20,000 - £40,000	0	1	0	0	0	1	0	27,254
£40,000 - £60,000	0	2	0	0	0	2	0	93,270
Total	**0**	**5**	**3**	**0**	**3**	**5**	**26,922**	**141,774**

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:

2013/14 £'000		2014/15 £'000
57	Fees payable to the External Audit with regard to external audit	62
6	Fees payable to the External Audit for the certifiaction of grant claims and returns for the year	7
3	Fees payable in respect of other services provided by the External Audit during the year	0
66	**Total**	**69**

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.

2013/14 £'000		2014/15 £'000
	Credited to Taxation and Non Specific Grant Income:	
4,017	Department of Communities & Local Government - Revenue Support Grant	3,066
3,382	NNDR Retention Scheme	3,004
1,105	Department of Communities & Local Government -New Homes	1,558
376	Capital Grants - DCLG Empty Homes Cluster Funding	0
58	Capital Grants & Contributions	114
0	Other Grants & Contributions	382
8,938	**Total Non Specific Grant Income**	**8,124**
	Credited to Services, Revenue Related:	
22,101	Department of Work & Pensions - Housing Benefits Allowance	23,080
251	Communities & Local Government - Disabled Facilties Grants	261
444	Department of Work & Pensions - Housing Benefits Administration Grant	401
140	Department of Work & Pensions - Council Tax Administration Grant	49
219	Department of Communities and Local Government - Cluster Funding	0
1,194	Other Grants & Contributions	550
24,349	**Total Credited to Services**	**24,341**

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 require the monies or property to be returned to the giver. The balances at year end are as follows.

2013/14 £'000		2014/15 £'000
	Capital grants receipts in advance:	
86	S106 Agreements	111
3	Other Grants	4
89	**Total receipts in advance**	**115**

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 of the accounts to assess the extent to which there exists the possibility that the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

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.

UK Central Government

The UK Central 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 and Housing Benefits). Grants received from Government Departments are set out in the subjective analysis in Note 24 on reporting amounts for resources allocation decisions. Grant receipts outstanding at 31 March 2015 are shown in Note 28.

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 2014/15 is shown in Note 25.

During 2014/15, 9 members and 3 spouses/family members declared a related party interest with regard to being either a director or partner or having an interest in a company or organisations. However, no material transactions occurred between the Council and these organisations (companies or other bodies) in which members had control/influence. The Council paid levies of £312k to four Internal Drainage Boards where Councillors represented the Council, specifically; Witham 3rd IDB (4 members, £187k), Scunthorpe and Gainsborough Water Management Board (2 members, £56k), Upper Witham IDB (1 member, £50k), Ancholme IDB (1 member, £18k). 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.

Senior 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. One officer is a trustee of Community Linconshire and a payment of £113k was made by the Council to the organisation. A partner of an officer works for Lincolnshire County Council with both Councils making and receiving payments from each other as indicated above.

Other Pubic 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 – preceptors 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 2014/15, the Council contributed £171,400 (2013/14 £185,400)

Entities Controlled or significantly Influenced by the Council

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

30 CAPITAL EXPENDITURE AND 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 movement on the CFR is analysed in the second part of this note.

2013/14 £'000		2014/15 £'000
1,842	**Opening Capital Financing Requirement**	**1,745**
	Capital Investment	
1,120	Property, Plant and Equipment	664
70	Intangible Assets	14
175	Investment Properties	0
0	Long Term Shares Investment	10
0	Long Term Loan	395
886	Revenue Expenditure Funded from Capital Under Statute	628
	Sources of Finance	
(153)	Capital Receipts	(244)
(1,223)	Government Grants and Contributions	(466)
	Sums set aside from Revenue:	
(780)	Direct revenue contributions	(932)
(192)	Minimum Revenue Provision	(183)
1,745	**Closing Capital Financing Requirements**	**1,631**
	Explanation of Movements in Year	
0	Increase/(Decrease) in underlying need to borrow (supported by Government financial assistance)	0
(190)	Increase/(Decrease) in underlying need to borrow (unsupported by Government financial assistance)	(183)
93	Assets Acquired under Finance Leases	69
(97)	**Increase/(Decrease) in Capital Financing Requirement**	**(114)**

31 LEASES

WEST LINDSEY DISTRICT COUNCIL AS LESSEE

Finance Leases

The Council acquired ten shops, in 1989 on long term leases (125 years) with all rents payable at peppercorn.

The Council also acquired vehicles and other plant and equipment 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:

2013/14 £'000		2014/15 £'000
499	Other Land and Buildings	515
690	Vehicles, Plant, Furniture and Equipment	552
1,189		**1,067**

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:

2013/14 £'000		2014/15 £'000
	Finance lease liabilities (net present value of minimum lease payments):	
181	Current (Capital)	228
502	Non-Current (Capital)	342
118	Finance Costs Payable in Future Years	58
801		**628**

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

2013/14			2014/15	
Minimum Lease Payments	**Finance Lease Liabilities**		**Minimum Lease Payments**	**Finance Lease Liabilities**
£'000	**£'000**		**£'000**	**£'000**
181	66	Not later than one year	228	41
502	52	Later than one year and not later than five years	342	17
0	0	Later than five years	0	0
683	**118**		**570**	**58**

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 2014/15 no contingent rents were payable by the Council (2013/14 £0m).

The Council has sub-let the properties held under these finance leases. At 31 March 2015 the minimum payments expected to be received under non-cancellable sub-leases was £0.092m (£0.134m at 31 March 2014).

Operating Leases

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

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

2013/14 £'000		2014/15 £'000
164	Not later than one year	61
38	Later than one year and not laler than five years	3
0	Later than five years	0
202		**64**

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

2013/14 £'000		2014/15 £'000
164	Minimum lease payments	172
132	Contingent rents	139
296		**311**

WEST LINDSEY DISTRICT COUNCIL AS A 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 2015 was £0 (31 March 2014 £0). 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 land and 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 £11.123m (13/14 £11.368m)

The future minimum lease payments receivable in future years are:

2013/14 £000		2014/15 £000
254	Not later than one year	187
499	Later than one year and not later than five years	467
290	Later than five years	208
1,043	**Total future minimum lease payments receivable**	**862**

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 2014/15 £0.003m contingent rents were receivable by the Council (2013/14 £0.003m).

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 2014/15 the Council had no impairments losses (£0 2013/14).

33 DEFINED BENEFIT PENSION SCHEME

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 contracted the day to day administration of the fund to Mouchel Business Services. From 1st April 2015 the administration of the fund has transferred to West Yorkshire Pension Fund (WYPF). Lincolnshire County Council continue to undertake the investment of the pension fund assets.

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 Council's 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 2015. A full revaluation exercise is undertaken every 3 years, and this exercise was undertaken as at 31 March 2013, the next triennial review being 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:

2013/14 £'000	LOCAL GOVERNMENT PENSION SCHEME	2014/15 £'000
	Comprehensive Income and Expenditure Statement	
	Cost of Services:	
1,209	Current Service Cost	1,260
	Financing and Investment Income and Expenditure	
1,137	Net Interest Expense	1,193
2,346	**Total Post-employment Benefits charged to the Surplus or (Deficit) on the Provision of Services**	**2,453**
	Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	
	Remeasurement of the net defined benefit liability comprising:	
(1,677)	Return on plan assets (excluding the amount included in the net interest expense)	3,183
(1,211)	Actuarial Gains/(Losses) arising on changes in demographic assumptions	0
228	Actuarial Gains/(Losses) arising on changes in financial assumptions	(9,674)
1,147	Other actuarial Gains/(Losses) on assets	620
833	**Total Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement**	**(3,418)**
	Movement in Reserves Statement	
(2,346)	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code (see note)	(2,453)
	Actual amount charged against the General Fund Balance for pensions in the year:	
1,153	Employers' contributions payable to the scheme	1,435
85	Retirement benefits payable to pensioners	85

Note: The amount for 2013/14 has been amended from (£1,108k) to (£2,346k) since the (1,108k) incorrectly included the two amounts £1,153k and £85k charged to the General Fund Balance as in the table above.

Pension Assets and Liabilities Recognised in the Balance Sheet

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

2013/14 £'000	Balance Sheet	2014/15 £'000
(65,686)	Present value of the defined benefit obligation	(76,883)
37,774	Fair value of plan assets	42,167
(27,912)	**Net liability arising from the defined benefit obligation**	**(34,716)**

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

2013/14 £'000	Reconciliation of Fair Value of Scheme (Plan) Assets	2014/15 £'000
38,347	**Opening fair value of scheme assets at 1 April**	**37,774**
1,711	Interest Income	1,615
	Remeasurement Gains/(Losses)	
(1,677)	The return on plan assets, excluding the amount included in the net interest expense	3,183
1,153	Employer Contributions	1,435
323	Contributions paid by scheme participants	358
(2,083)	Benefits paid	(2,198)
37,774	**Closing fair value of scheme assets at 31 March**	**42,167**

Reconciliation of present value of the scheme liabilities (defined benefit obligation)

Funded Liabilities 2013/14 £'000	Reconciliation of present value of the scheme liabilities (defined benefit obligation)	Funded Liabilities 2014/15 £'000
63,638	**Opening balance at 1 April**	**65,686**
1,209	Current service cost	1,260
2,848	Interest cost	2,808
323	Contribution by scheme participants	358
	Remeasurement (Gains)/Losses	
1,211	Actuarial Gains/Losses arising from changes in demographic	0
(228)	Actuarial Gains/Losses arising from changes in financial assumptions	9,674
(1,147)	Other	(620)
(2,168)	Benefits paid	(2,283)
65,686	**Closing balance at 31 March**	**76,883**

Local Government Pension Scheme assets comprised:

2013/14		LGPS Asset Categories	2014/15	
Fair Value of Scheme Assets	% of Total Assets		Fair Value of Scheme Assets	% of Total Assets
£'000	%		£'000	%
		Equity instruments		
6,950	18%	Consumer	8,053	19%
1,276	3%	Manufacturing	1,178	3%
2,774	7%	Energy & Utilities	2,603	6%
4,462	12%	Financial Institutions	4,997	12%
0	0%	Health & Care	0	0%
1,032	3%	Information Technology	1,597	4%
4,797	13%	Other	4,984	12%
		Debt Instruments		
1,178	3%	Corporate Bonds (Investment Grade)	1,404	3%
0	0%	Corporate Bonds (Non-Investment Grade)	2,748	7%
694	2%	UK Government	800	2%
451	1%	Other	550	1%
		Private Equity		
2,070	5%	All	1,801	4%
		Real Estate		
3,551	9%	UK Property	4,139	10%
572	2%	Overseas Property	483	1%
		Investment Funds & Unit Trusts		
1,764	5%	Equities	2,181	5%
2,382	6%	Bonds	0	0%
0	0%	Hedge Funds	0	0%
0	0%	Commodities	0	0%
0	0%	Infrastructure	0	0%
3,238	9%	Other	4,047	10%
		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		
583	2%	All	602	1%
37,774	**100%**	**Total Assets**	**42,167**	**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 latest formal valuation of the scheme as at 31 March 2015.

Significant Assumptions used by the Actuary

The significant assumptions used by the actuary have been:

Local Government Pension Scheme		
2013/14		**2014/15**
%	**Long Term Expected Rate of Return on Assets in the Scheme**	**%**
4.30%	Equity Investments	3.20%
4.30%	Bonds	3.20%
4.30%	Property	3.20%
4.30%	Cash	3.20%
Years	**Mortality Assumptions:**	**Years**
	Longevity at 65 for current pensioners:	
22.2	Men	22.2
24.4	Women	24.4
	Longevity at 65 for future pensioners:	
24.5	Men	24.5
26.8	Women	26.8
%	**Financial Assumptions**	**%**
2.80%	Rate of inflation	2.40%
4.10%	Rate of increase in salaries	3.80%
2.80%	Rate of increase in pensions	2.40%
4.30%	Rate for discounting scheme liabilities	3.20%
%	**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%

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 reasonable and possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that only the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice this is unlikely to occur and changes in some of the assumptions may be interrelated. The 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 2015	Approx. % increase to Employer Liability %	Approx. monetary amount £'000
0.5% decrease in Real Discount Rate	10%	7,674
1 Year increase in member life	3	2,306
0.5% increase in Salary Increase Rate	3	2,380
0.5% in the Pension Increase Rate	7	5,141

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 Council'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 31 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 Council expects to pay £1.416m in contributions in 2015/16.

The weighted average duration of the defined benefit obligation for scheme members is 17.9 years as at 31 March 2015, and are as they stood at the previous formal valuation as at 31 March 2013.

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 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

Beaumont Street Car Park

The Council has occupied and operated a car park facility at Beaumont Street, Gainsborough for the last 25 years.

The agreement expires on 13th June 2015. There is uncertainty on the basis of the agreement as to whether the occupation constitutes a lease or a licence. In the event the occupation is determined a lease the Council have a secure tenancy under the Landlord and Tenant Act 1954 with the protection and benefits that legislation affords. If it is determined to be a licence the Council will have no protection following the expiry of the agreement. The Council considers that the occupation amounts to a lease.

If it is a lease, the Council is entitled to continue occupation (subject to the landlord's legitimate right to oppose renewal under prescribed grounds) or receive substantial compensation (2 x rateable value to the premises) if renewal is not permitted upon proof of the grounds.

There is therefore the potential for the Council to receive circa £84k compensation from the landlord if the dispute regarding the status of the lease is resolved in the Councils favour.

Community Assets Fund

During 2012/13 the Council implemented an investment scheme, funded by the Community Assets Fund, that was designed to support a range of development or refurbishment of assets projects by way of loans, grants and other assistance to local community groups.

A three year contract to deliver this investment was entered into with a third party. Of the original £1.050m available to spend, some £0.700m remains unspent. The third party contract to deliver the scheme ended on 31 March 2015, therefore the Council expects to receive the return of the remaining funds together with details of the loans portfolio.

The Council expects to receive an amount in the region of £678k

VAT on Postages

Historically Royal Mail postal services have been VAT exempt. Following a case by TNT against Royal Mail in April 2009 it was found that Royal Mail were too loose on their interpretation of public/universal postal services. Therefore Councils should have had the ability to recover input tax on business postal services going back to 1973.

The Councils VAT advisors are now involved in a High Court claim for damages restitution against Royal Mail though the Legal firm Mishcon De Reya. Currently 38 Councils stand behind this claim.

In addition, a claim is being made to the HMRC for output tax on exempt charges over the past 4 years.

It is difficult to determine how much the Council might receive should the claims prove to be successful but it could be in the region of £200k.

Professional Negligence Claim

The Council is pursuing a claim for professional negligence against a contractor that was used to survey and identify hazardous waste as part of a buildings demolition project. It is difficult to assess how much the Council might receive should the claim be settled.

Right to Buy Sharing Agreement

As with other agreed stock transfers, the Council has entered into an agreement with ACIS relating to any future sales of the transferred housing stock to existing tenants.

The Council will receive capital receipts each year for any properties sold. The value of the receipt is calculated using a formula that takes the net income forgone from the total proceeds from the sale of dwellings. It is difficult to ascertain how much the Council might receive but an amount of cira £0.200m has been received in each of the last 2 financial years.

36 NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Key risks

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

- **Credit risk** the possibility that other parties might fail to pay amounts due to the Council;
- **Liquidity risk** the possibility that the Council might not have funds available to meet its commitments to make payments;
- **Re-financing risk** the possibility that the Council might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms;
- **Market risk** the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates 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; and
- 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 Investment Strategy, MRP Policy and prudential indicators was approved by Council on 3 March 2014 and is contained within the Budget Book 2014/15 available on the Council website. The key issues within the Strategy were:

- The Authorised Limit for 2014/15 was set at £3m. 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 £0.303m. 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. These 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.

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 £8.547m 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 31 March 2015 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 2014 £'000	Investments	31 March 2015 £'000
15,929	Less than 1 year	16,657
0	Between 1 and 2 years	0
0	Between 2 and 3 years	0
0	More than 3 years	2,064
15,929	**Total**	**18,721**

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 Provisions of Services will rise;
- Borrowings at fixed rates – the fair value of the liabilities borrowing 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
Increase in interest payable on variable rate borrowings	0
Increase in interest receivable on variable rate investments	61
Increase in Government grant receivable for financing costs	138
Impact on Other Comprehensive Income and Expenditure	**199**

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 15 – 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

The Council no longer has foreign exchange rate risk exposure.

37 CASH FLOW STATEMENT - OPERATING ACTIVITIES

The cash flow for operating activities include the following items:

2013/14 £'000		2014/15 £'000
(266)	Interest received	(228)
85	Interest paid	64
(181)		**(164)**

COLLECTION FUND ACCOUNT

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 Lincolnshire County Council 10% and Central Government 50%.

NNDR Surpluses and Deficits declared by West Lindsey District Council in relation to Collection Fund are apportioned to the relevant 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.

COLLECTION FUND ACCOUNT

2013/14 Council Tax £'000	2013/14 NNDR £'000	2013/14 Total £'000	Income/Expenditure	Note	2014/15 Council Tax £'000	2014/15 NNDR £'000	2014/15 Total £'000
			Income				
42,026		**42,026**	Net Council Tax Receivable	1	42,707		**42,707**
	14,673	**14,673**	Business Rate Receivable	2		15,713	**15,713**
42,026	**14,673**	**56,699**	**Total Income**		**42,707**	**15,713**	**58,420**
			Expenditure				
			West Lindsey District Council				
6,691	6,398	**13,089**	Precepts, Demands & Shares		6,761	6,457	**13,218**
87	0	**87**	Distributed Surplus/(Deficit)		126	(985)	**(859)**
			Lincolnshire County Council				
29,473	1,600	**31,073**	Precepts, Demands & Shares		29,422	1,614	**31,036**
385	0	**385**	Distributed Surplus/(Deficit)		554	(246)	**308**
			Lincolnshire Police Authority				
5,257	0	**5,257**	Precepts, Demands & Shares		5,352		**5,352**
67	0	**67**	Distributed Surplus/(Deficit)		99		**99**
			Central Government				
0	7,998	**7,998**	Precepts, Demands & Shares			8,071	**8,071**
			Distributed Surplus/(Deficit)			(1,231)	
0	106	**106**	Cost of Collection Allowance			107	**107**
(183)	109	**(74)**	Write offs of uncollectable amounts		(150)	0	**(150)**
75	(10)	**65**	Increase/(Decrease) in Impairment Allowance		67	82	**149**
0	494	**494**	Increase/(Decrease) in Provision for Appeals			76	**76**
2	0	**2**	Disregarded Amounts			1	**1**
41,854	**16,695**	**58,549**	**Total Expenditure**		**42,231**	**13,946**	**57,408**
172	**(2,022)**	**(1,850)**	Surplus/(Deficit) arising during the year	3	**476**	**1,767**	**2,243**
1,318	**0**	**1,318**	Surplus/(Deficit) b/fwd 1st April		**1,490**	**(2,022)**	**(532)**
1,490	**(2,022)**	**(532)**	**Surplus/(Deficit) c/fwd 31st March**		**1,966**	**(255)**	**1,711**

NOTES TO THE COLLECTION FUND ACCOUNT

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 2014/15 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 £1,504.12 (2013/14 £1,497.70) and is multiplied by the ratio specified for the particular band to give an individual amount due.

The Council Tax Base for 2014/15 was 27,607.95 (27,529.84 2013/14). 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 2014/15 was approved by the Council meeting in January 2014 and was calculated as follows:

Valuation Band	Ratio (ninths)	No of Dwellings on Valuation List		Equivalent Dwellings after discounts, exemptions and reliefs		Number of Band D Equivalent Dwellings	
		2013/14	2014/15	2013/14	2014/15	2013/14	2014/15
Disabled	5	0	0	22	22	12	9
Band A	6	15,396	15,125	12,807	13,245	8,538	6,141
Band B	7	7,722	7,621	6,798	6,931	5,287	4,723
Band C	8	7,345	7,266	6,624	6,739	5,888	5,597
Band D	9	5,510	5,522	5,127	5,215	5,127	5,050
Band E	11	3,303	3,296	3,113	3,133	3,805	3,727
Band F	13	1,355	1,356	1,263	1,288	1,824	1,839
Band G	15	510	506	474	477	790	787
Band H	18	61	55	38	40	77	79
Total		**41,202**	**40,747**	**36,266**	**37,090**	**31,348**	**27,952**
Deduction for non-collection, new build, demolition and other adjustments						-3,818	-477
Band D Equivalent for Council Tax Base						**27,530**	**27,475**
Band D Equivalent for Contributions in Lieu						126	133
Council Tax Base (Band D equivalent)						**27,656**	**27,608**

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 48.2p in 2014/15 (47.1p in 2013/14). The non-domestic rate multiplier for small businesses is 47.1p in 2014/15 (46.2p in 2013/14). Subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by this multiplier. Local rateable values totalled £43.381m at 31.12.2015 and were used to calculate the NNDR Retention scheme amounts for 2014/15 (£42.748m in 2013/14).

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 2014/15 were estimated before the start of the financial year as £6.840m to Central Government, £1.368m to Lincolnshire County Council and £5.579m to West Lindsey District Council. These sums have been paid in 2014/15 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 £3.398m (£3.333m 2013/14) to Central Government.

The total income from business rate payers collected in 2014/15 was £15.713m (£14.673m 2013/14).

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 £2.490m (£2.443m 2013/14). 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.

3 Collection Fund Surpluses and Deficits

The year-end surplus or deficit on the Collection Fund is to be distributed between billing and precepting authorities on the basis of estimates made on the year end balance. The calculation is made on the 15 January each year and taken into consideration when setting the Council Tax 2014/15. In 2014/15 the Council received £0.126m, its share of the 2013/14 Council Tax estimated surplus and this amount is reflected in the CIES, Taxation and Other Grant Income.

The actual cumulative Collection Fund surplus at 31 March 2015 now includes the NNDR surplus in year, resulting in a total deficit of £0.255m.

For the purpose of these accounts the accumulated surplus/(deficit) is attributed in relevant amounts for both Council Tax and NNDR to the precepting bodies' debtor/(creditor) accounts and the billing authority (WLDC) as follows:

2013/14			2014/15		
CTAX £'000	NNDR £'000		CTAX £'000	NNDR £'000	Total £'000
241	(808)	West Lindsey District Council	320	(102)	218
1,060	(202)	Lincolnshire County Council	1,393	(25)	1,368
189	0	Lincolnshire Police Authority	253	0	253
0	(1,012)	Central Government	0	(128)	(128)
1,490	**(2,022)**	**Balance at 31 March**	**1,966**	**(255)**	**1,711**

GLOSSARY OF TERMS

ACCOUNTING POLICIES

Those principles, basis, conventions, rules and practices applied by an entity that specify how the effects of transactions and other events are to be reflected in its financial statements though:

- Recognising
- Selecting measurement bases for, and
- Presenting assets, liabilities, gains, losses and changes to reserves.

Accounting policies do not include estimation techniques.

Accounting policies define the process whereby transactions and other events are reflected in financial statements. For example, an accounting policy for a particular type of expenditure may specify whether an asset or loss is to be recognised, the basis on which it is to be measured, and where in the revenue account or Balance Sheet it is to be presented.

ACCRUALS

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

AMORTISATION

The measure of the consumption or other reduction in the useful life of an intangible asset, charged annually to service revenue accounts.

AUTHORISED LIMIT

This represents the legislative limit on the Council's external debt under the Local Government Act 2003.

BALANCES

Surplus of income over expenditure that may be used to finance expenditure. Balances can be earmarked in the accounts for specific purposes. Those that are not, represent resources set aside for such purposes as general contingencies and cash flow management.

BALANCE SHEET

A statement of the recorded assets, liabilities and other balances at a specific date at the end of an accounting period.

BILLING AUTHORITIES

Those authorities that set the Council Tax and collect the Council Tax and Non-Domestic Rates.

CAPITAL ADJUSTMENT ACCOUNT

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

Annual charges to service revenue accounts to reflect the cost of fixed assets used in the provision of services, an example being depreciation.

CAPITAL EXPENDITURE

Spending that produces or enhances an asset, like land, buildings, roads, vehicles, plant and machinery. Definitions are set out in Section 40 of the Local Government and Housing Act 1989. Any expenditure that does not fall within the definition must be charged to a revenue account.

CAPITAL PROGRAMME

The capital projects a Council proposes to undertake over a set period of time. The usual period covered by a capital programme is five years.

CAPITAL RECEIPTS

The proceeds from the sale of fixed assets such as land and buildings. Capital receipts can be used to repay any outstanding debt on fixed assets or to finance new capital expenditure within rules set down by Government. Capital receipts cannot, however, 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 National Local Government Finance Act 1988. It includes the transactions of the charging Council in relation to Non-Domestic Rates and Council Tax and illustrates the way in which the fund balance is distributed to Central Government, preceptors and the General Fund.

COMMUNITY ASSETS

These are fixed assets that the Council intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings not used in the direct provision of services. It also covers items of Civic Regalia.

CONTINGENT LIABILITIES

Potential losses for which a future event will establish whether a liability exists and for which it is inappropriate to set up a provision in the accounts.

COUNCIL TAX

The main source of local taxation to local authorities. Council Tax is levied on households within its area by the billing Council and the proceeds are paid into its Collection Fund for distribution to precepting authorities and for use by its own General Fund.

COUNCIL TAX BASE

The council tax base of an area is equal to the number of band “D” equivalent properties. It is calculated by counting the number of properties in each of the eight Council Tax bands and then converting this into an equivalent number of band “D” properties (e.g. a band “H” property pays twice as much Council Tax as a band “D” property and therefore is equivalent to two band “D” properties). For the purpose of calculating Formula Grant, the Government assumes a 100% collection rate. For the purpose of calculations made by a local Council of the basic amount of Council Tax for its area for each financial year, the Council makes an estimate of its collection rate and reflects this in the tax base.

CURRENT EXPENDITURE

Expenditure on running costs such as that in respect of employees, premises and supplies and services.

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, e.g. mortgages. The balance is reduced by the amount repayable in any financial year.

DEPRECIATION

Charges reflecting 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.

EMOLUMENTS

All sums paid to or receivable by an employee and any sums due by way of expenses allowance (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash. Pension contributions payable by either employee or employer are excluded.

EXTERNAL AUDIT

The independent examination of the activities and accounts of local authorities to ensure that the accounts have been prepared in accordance with legislative requirements and proper practices and to ensure that the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

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.

FEES AND CHARGES

Income raised by charging users of services for the facilities. For example, Councils usually make charges for the use of leisure facilities, car parks and the collection of trade refuse etc.

FINANCE LEASE

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 INSTRUMENT

Contracts which give rise to a financial asset of one organisation and a financial liability.

FINANCIAL INSTRUMENT ADJUSTMENT ACCOUNT

An account that holds the accumulated difference between the financing costs included in the Comprehensive Income and Expenditure Account and the accumulated financing costs required in accordance with regulations to be charged to the General Fund Balance.

FINANCIAL REPORTING STANDARDS (FRS)

A statement of accounting practice issued by the Accounting Standards Board.

FINANCIAL YEAR

The Council's financial year commences on 1 April and ends on 31 March the following year.

FIXED ASSET

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

GAAP

Generally Accepted Accounting Principles is the standard framework of guidelines for financial accounting. It includes the standards, conventions and rules accountants follow in recording and summarising transactions and in the preparation of financial statements.

GENERAL FUND

The main revenue fund of a billing Council. Day to day spending on services is met from this Fund.

GROSS EXPENDITURE

The total cost of providing Council services before taking into account income from government grants and fees and charges for services.

IMPAIRMENT

Impairment occurs when that value of an asset has reduced. This can be either as a result of a general fall in prices or by a clear consumption of economic benefits such as by physical damage to the asset. Examples of factors which may cause such a reduction in value include evidence of obsolescence or physical damage to the asset.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

Accounting standards adopted from 1 April 2010 for Local Government entities.

INFRASTRUCTURE ASSETS

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

INTERNAL AUDIT

An independent appraisal function established by the management of an organisation for the review of the internal control system as a service to the organisation. It objectively examines, evaluates and reports on the adequacy of internal control as a contribution to the proper economic, efficient and effective use of resources. Every Council is required to maintain an adequate and efficient internal audit. A review of the effectiveness of the internal audit function of a Council has to be considered and approved by the Council's Members each year.

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

Deposits with approved institutions.

LONG TERM DEBTORS

Amounts due to the Council more than one year after the Balance Sheet date.

MINIMUM REVENUE PROVISION (MRP)

The minimum annual provision from revenue towards a reduction in a Council's overall borrowing requirement.

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%).

NET EXPENDITURE

Gross expenditure less gross income.

NON-OPERATIONAL ASSET

Fixed assets held by the Council but not directly used or consumed in the delivery of its services. This would include properties and land that are Held For Sale or Surplus.

OPERATIONAL ASSET

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

OPERATING LEASE

An arrangement whereby the risks and rewards of ownership of the leased asset remain with the leasing company, or lessor.

OPERATIONAL BOUNDARY

This reflects the maximum anticipated level of external debt consistent with budgets and forecast cashflows.

PENSION FUND

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

PRECEPT

The levy made by precepting authorities on billing authorities, requiring the latter to collect income from council taxpayers on their behalf.

PRECEPTING AUTHORITIES

Those authorities that are not billing authorities (i.e. do not collect Council Tax or NDR) and precept upon the billing Council, which then collects it on their behalf. Lincolnshire County Council, Lincolnshireshire Police Authority/Police and Crime Commissioner, Lincolnshireshire Fire and Rescue Authority and Parish Councils all 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.

RELATED PARTIES

Two or more parties are related parties when at any one time in the financial period:

- One party has direct or indirect control of the other party;
- The parties are subject to common control from the same source;
- One party has influence over the financial or operational policies of the other party to an extent that the other party might be inhibited from pursuing at all times its own separate interests;
- The parties, in entering a transaction are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interests.

Examples of related parties of an Council include:
- UK Central Government;
- Local authorities and other bodies precepting or levying demands on the Council Tax;
- Its subsidiary and associated companies;
- Its joint ventures and joint venture partners;
- Its Members;
- Its Senior Officers.

For individuals identified as related parties, the following are also presumed to be related parties:
- Members of close family, or the same household;
- Partnerships, companies, trusts and other entities in which the individual, or a member of their close family or the same household, has a controlling interest.

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).

REVALUATION RESERVE

This records unrealised revaluation gains arising since 1st April 2007 from holding 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. It should be noted that this reserve and the Capital Adjustment Account are matched by fixed assets within the Balance Sheet. They are not resources available to the Council and are therefore termed 'Unusable'.

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)

Expenditure of a capital nature for which there is no tangible asset acquired by the Council. This would include capital grants or renovation grants to private persons.

REVENUE SUPPORT GRANT (RSG)

This funding is the Government Grant provided by the Department of Communities and Local Government (DCLG) that is based on the Government’s 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, and is announced as part of the Comprehensive Spending Review. It now forms part of the formula grant.

SOFT LOANS

A "soft loan" is where a loan has been made for policy reasons, rather than as a financial instrument. These loans may be interest free or at rates below prevailing market rates. Commonly, such loans are made to local organisations that undertake activities that the Council considers will have benefit to the local population.

STATEMENT OF ACCOUNTS

Local authorities are required to prepare, in accordance with proper practices, a Statement of Accounts in respect of each financial year, which contains prescribed financial statements and associated notes. Members of the Council must approve the Statement by 30 September following the end of the financial year.

STATEMENT OF RECOMMENDED PRACTICE (CODE)

The accounts have been produced in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice.

TOTAL COST

The total cost of a service or activity includes all costs that relate to the provision of the service (directly or bought in) or to the undertaking of the activity. Gross total cost includes employee costs, expenditure relating to premises and transport, supplies and services, third party payments, transfer payments, support services and depreciation charges. This includes an appropriate share of all support services and overheads that need to be apportioned.

USABLE CAPITAL RECEIPTS

Amounts available to finance capital expenditure in future years.

USABLE RESERVES

Amounts set aside in the accounts for future purposes that fall outside the definition of provisions. They include general balances and reserves that have been earmarked for specific purposes. Expenditure is not charged directly to a reserve, but to the appropriate service revenue account.

UNUSABLE RESERVES

Represent gains and losses yet to be realised and which are not available to support services.