Public Document Pack

West Lindsey District Council

Guildhall Gainsborough
Lincolnshire DN21 2NA
Tel: 01427 676676 Fax: 01427 675170

AGENDA

This meeting will be recorded and the video archive published on our website

Governance and Audit Committee
Thursday, 15th September, 2016 at 6.30 pm
Council Chamber - The Guildhall, Marshall's Yard, Gainsborough, DN21 2NA

Members:
Councillor Giles McNeill (Chairman)
Councillor Jackie Brockway (Vice-Chairman)
Councillor Sheila Bibb
Councillor David Bond
Councillor John McNeill
Councillor Mrs Angela White

Alison Adams
Peter Walton
Andrew Morriss

1. **Apologies for Absence**

2. **Public Participation Period**
Up to 15 minutes are allowed for public participation. Participants are restricted to 3 minutes each.

3. **Minutes** (PAGES 1 - 10)
Meeting of the Governance and Audit Committee held on 26 July 2016

4. **Declarations of Interest**
Members may make any declarations of interest at this point but may also make them at any point during the course of the meeting.

5. **Matters Arising** (PAGES 11 - 14)

6. **Reports for Consideration**

7. **Strategic Discussion Items**

8. **General Items of Business for Consideration**

M Gill
Chief Executive
The Guildhall
Gainsborough

Wednesday, 7 September 2016

WEST LINDSEY DISTRICT COUNCIL

MINUTES of a Meeting of the Governance and Audit Committee held in the Council Chamber at the Guildhall, Gainsborough on Tuesday 26 July 2016, commencing at 6.30 pm.

Present:	Councillor Giles McNeill (Chairman) Councillor Jackie Brockway (Vice-Chairman)
	Councillor Sheila Bibb Councillor David Bond Councillor Angela White
	Andrew Morriss (Independent Co-opted Member) Peter Walton (Independent Co-opted Member) Alison Adams (Independent Co-opted Member)

In Attendance:

Ian Knowles	Director of Resources and S151 Officer
Tracey Bircumshaw	Team Manager – Financial Services
Michelle Howard	Team Manager – Home Choices
Angela Matthews	Team Manager – Benefits
Lyn Marlow	Team Manager – Customer Strategy and Services
Katie Coughlan	Governance and Civic Officer

Also In Attendance :

John Sketchley	Internal Audit, Lincolnshire County Council
Matthew Waller	Internal Audit, Lincolnshire County Council

Apologies:	Councillor John McNeill
Membership:	No substitutes were appointed for the meeting

17 PUBLIC PARTICIPATION

There was no public participation.

18 MINUTES

(a) Meeting of the Governance and Audit Committee held on 21 June 2016 (GA.10 16/17)

RESOLVED that the Minutes of the meeting of the Governance and Audit Committee held on 21 June 2016 be approved and signed as a correct record.

19 CHAIRMAN'S ANNOUNCMENTS

The Chairman formally welcomed all present to the meeting and advised of two announcements he wished to make. The first regarding daytime meetings, following on from the informal discussion held at the conclusion of the last meeting and having had further discussion at the most recent Chairman's Briefing. The Chairman advised that it was his intention to trial the holding of a daytime meeting of this Committee in January 2017. The meeting was currently scheduled to commence at 6.30pm on 17 January 2017 but would now commence at 2.00 pm on the same day. Members should contact the Chairman or the Governance and Civic Officer at the earliest opportunity if they envisaged this being a problem.

The second related to the date on which mandatory Statement of Accounts Training would be held. This had been arranged for 7 September commencing at 5.00pm and would be open to all Members of the Council. The Governance and Civic Officer undertook to liaise with the Financial Services Team Manager regarding a mop-up session for any Members of the Committee who were unable to attend on this agreed date.

20 MEMBERS' DECLARATIONS OF INTEREST

There were no declarations of interest made at this stage of the meeting.

21 MATTERS ARISING SCHEDULE SETTING OUT CURRENT POSITION OF PREVIOUSLY AGREED ACTIONS AS AT 18 JULY 2016 (GA.11 16/17)

Members gave consideration to the Matters Arising Schedule which set out the current position of all previously agreed actions as at 18 July 2016.

With regard to the green action entitled "report format" the Chairman advised that in the absence of the Monitoring Officer and the Vice-Chairman, this matter had been deferred at his last Chairman's Briefing. The matter would therefore be brought forward to the next Chairman's briefing.

RESOLVED that progress on the Matters Arising Schedule as set out in report GA.11 16/17 be received and noted.

22 INTERNAL AUDIT PLAN – MONITORING REPORT – PERIOD 1 (GA.12 16/17)

The Committee gave consideration to a report which sought to update Members of the progress by the Audit Partner, against the 16/17 annual programmes agreed by the Audit Committee in March 2016. The report further provided details of the audit work undertaken during the period; the current position with agreed management actions in respect of previously issued reports; and details of other audit activity relevant to the Committee.

The report advised on eight audits having been completed during the period; two having received a high assurance rating, namely, Payroll and Treasury Management, five having received substantial assurance rating, namely, Bank Reconciliation, Creditors, Debtors Contract Management (Follow up) and Land Property and Estate Management, and one having received a limited assurance rating, this being Choice Based Lettings. The outcomes of each audit were outlined to Members in detail and it was noted that the Team Manager – Home Options was in attendance to answer any specific questions Members had on the outcome of the Choice Based Lettings.

The report further advised of the audits currently in progress, Section 7 of the report, and other significant audit work undertaken during the period and going forward.

Debate ensued and Members congratulated Officers on the successful Payroll audit. The Committee asked why the issues with the Choice Based Lettings arrangement had not been dealt with quicker. In response the Team Manager – Home Options, was invited to address the Committee to provide the background to the audit having been requested (which had not been planned) and to give an update on the current position.

The Audit had been requested by the Service as there were a number of ongoing issues which had caused concern around performance of other partners which the team had tried to resolve on an informal basis for a considerable period time. The Audit had put these issues on a formal footing, provided an independent judgement of the current situation and thus helped shape an improvement plan. Running alongside the audit had been a partnership improvement plan which had been put in place by the Team immediately. The Audit recommendations had greatly assisted Officers in raising the profile of the issues. Unfortunately the partnership issues had been compounded by ongoing IT issues but the Committee noted that since the writing of the report, the situation was much improved and the Home Options Team Manager outlined the improvements to date, during which it was noted that: -

- There was much improved strategic and operational relationships – Officers now met weekly with the Directors of ACIS and the two teams were working much more closely together. Both Chief Executives were also meeting.

- Now monitor on a weekly basis every property advertised by ACIS through the CBL System in order that the team are clear about the outcomes of each and every nomination they make.

- Previously nominations were being made and refused outside of the policy with limited audit trails. This was predominately a training issue and ACIS staff were not using the system effectively and had not received the training to do so. Therefore WLDC Staff had undertaken training with them, both group sessions and 1-2-1s. Significant improvements had been seen since and stats were shared with the committee.

In responding to the Chairman's questions, Officers confirmed the relationship with ACIS was now a much more formalised one. The formal partnership agreement had been reviewed with assistance from legal service. This had not happened since the stock transfer in 1999 and did not reflect current expectations. Furthermore an operating agreement had been developed underneath this which would guide the working relationship between ACIS and the Council, going forward.

In responding to questions, Officers clarified that the legal agreement referred to earlier was one between ACIS and WLDC. There was a separate legal agreement which covered the wider partnership, specifically housing allocations, this was also under review.

West Lindsey were taking the lead in the wider partnership, it was meeting quarterly and was meeting its objectives. West Lindsey had been applying pressure regarding a New Housing Register system. The current system had been awaiting an upgrade by the current provider, had provided little clarity on how effective the system would be post upgrade and whether the stability issues would be resolved. This matter would be addressed through the revised wider partnership agreement which would be submitted to the Prosperous Communities Committee with the revised Housing Allocations Policy. Officers confirmed that unfortunately they had not been successful in recouping monies from Civica however much more assurance had been received that the upgrade would be effective. Officers still however had reservations. The upgrade would include a complete rebuild of servers. Testing would be undertaken through August and September with the new system launched in October. Demand analysis had been undertaken also, and unfortunately over 50% of this was failure demand as a result of the system. As a separate piece of work Officers were looking at if an alternative system was available, what would they want it to look like. This work was being monitored by the Transformation Board.

In relation to Appendix 4 of the report which detailed all outstanding actions, concern was expressed by an Independent Member that two of these related to actions assigned in November 2012 (Change Programme) and August 2013 (Infrastructure). Further information was sought regarding the detail of these two actions. In response, the Director of Resources advised that the Change Programme action related to the reviewing of all HR Policies. As there were a considerable number of such policies, it was accepted that this action would take time to complete in its entirety. However, assurance was offered that all policies were being reviewed, with a number having already been completed following consultation with the Joint Staff Consultative Committee and subsequent approval by the Corporate Policy and Resources Committee. The Infrastructure action related to the development of an IT Strategy. This was currently scheduled for approval by the Corporate Policy and Resources Committee in the Autumn. On adoption the action would be deemed closed.

The Committee indicated that in future reports it would be useful if Appendix 4 could include a short summary setting out the detail of each outstanding action, and any ongoing related activity.

In response to a Member's question assurance was given that bank reconciliations were regularly completed and reviewed by management.

A Member requested that regular reports be submitted to the Committee on the Progress being made with CBL. In response Officers advised that progress reports on how the partnership was being developed would be submitted to the Prosperous Communities Committee.

On that basis it was:-

RESOLVED that: -

(a) the contents of the report be received and noted: and

(b) having reviewed the content of the report the following identified actions be undertaken in relation to Choice Based Lettings: -

(i) Officers continue to maintain formal communications with ACIS Group Ltd;
(ii) Officers continue to provide operational and strategic leadership to the wider partnership;
(iii) assurance be sought on the new ICT system for Choice Based Lettings; and
(iv) the partnership agreement between ACIS and WLDC be completed.

23 ANNUAL CUSTOMER FEEDBACK REPORT (GA.13 16/17)

Consideration was given to a report which reviewed the number, type and results of compliments, comments and complaints made to the Council during 2015/16. The report further advised on any evident trends, areas for learning and future management or feedback.

In opening the debate, Members commented on the relatively low number of complaints, even in high profile services, given the number of transactions and interactions the Council would have with its customers over the course of year. This was deemed a pleasing picture and gave Members confidence.

It was confirmed that those complaints categorised as "MP" did in the main arise from issues brought to the attention of the local MP through his surgeries.

In responding to comments and questions, Officers confirmed that a lessons learnt process was the next area to be developed. Progress and Delivery Reports currently had customer satisfactions targets within them but there was no formalised method by which to collect data.

The Institute of Customer Services was currently undertaking a survey on behalf of the Council.

Discussion ensued regarding surveying and concern was expressed that too many nowadays were directed through e-mail and this could be exclusive. It was suggested that greater use should be made of Ward Members and Parish Councils. Officers undertook to take on the board the comments expressed, however costs had to be a consideration.

RESOLVED that the content of report GA.13 16/17 be received and noted.

24 SUMMARY OF FRAUD INVESTIGATIONS 2015/16 (GA.14 16/17)

The Committee gave consideration to a report which reviewed the number, type and results of fraud investigations made by the Council during 2015/16. The report also set out information regarding the revised delivery of Corporate Fraud Work and provided information on the overall effectiveness of the authority's arrangements in relation to counter fraud and corruption.

By way of background and context it was noted that 2015/16 was the first year that the newly established West Lindsey Corporate Fraud Team had dealt with all corporate fraud issues, the staff having evolved from the Housing Benefit Fraud Investigations Unit whose work had now transferred in full to the Department for Works and Pensions.

The Corporate Fraud Team was designed to be a self-financing unit of two officers both with fraud detection experience. The unit traded internally and externally, commissioning work from departments within West Lindsey and neighbouring Local Authorities.

It was noted that West Lindsey had worked in conjunction with City of Lincoln Council and North Kesteven in 2015, undertaking investigations funded by the Lincolnshire County Counter Fraud unit to deliver a pilot scheme detecting and investigating Local Council Tax Reduction scheme fraud. The pilot bid was to achieve savings of £65,000 across the three councils.

Other work carried out by the Corporate Fraud Team during 2015/16 included Stage 3 complaints, staff investigations, investigating referrals from the DWP Housing Benefit Matching Service and making referrals and dealing with information requests from the Department for Works and Pensions fraud team.

The WLDC Corporate Fraud future work would include corporate issues in line with the now disbanded Audit Commission's advice to acknowledge that fraud takes place, to take measures to prevent those frauds taking place and to actively pursue fraudulent activity within the Local Authority.

Sections 3 and 4 of the report analysed further both Council Tax Support Investigations and other Corporate Fraud activity undertaken during 2015/16

In conclusion the Committee noted the work the team would be undertaking during 2016/17 which included looking further at Local Council Tax Support Fraud, Business

Rates discounts, a proactive drive to include other departments looking at empty homes, tenancy fraud (homeless applications), council tax payers/council tax exemptions and new Local Council Tax Support claims.

Furthermore a pilot scheme has been agreed with Boston Borough Council to provide an investigation service looking at their Local Council Tax Supports fraud cases commencing July 2016.

Further promotion of the service internally and externally would be undertaken through the Summer and Autumn months.

The Committee welcomed the report however views were sought as to whether in light of the changed thrust of the report from previous years, whether it was now more appropriate for it to be submitted to the Corporate Policy and Resources Committee, in light of its commercial nature.

The general consensus was that the Commercial element of the report was more appropriate for Policy Committee consideration, however the Committee would still welcome an annual report on the number of cases undertaken.

Members also commented on the reassurance the report offered in that it demonstrated the Authority would pursue non-compliance.

RESOLVED that:-

(a) the 2015/16 results be noted and the plan going forward to include corporate fraud investigations be supported; and

(b) in the future the commercial element of the report be submitted to the Corporate Policy and Resources Committee.

25 REVIEW OF THE WHISTLE BLOWING POLICY 2015/2016 (GA.15 16/17)

Members gave consideration to a report which set out the annual review of Whistleblowing incidents.

The Whistle Blowing Policy provided a method for employees to raise concerns about the running of the Council without the risk of victimisation. All employees had access to the policy.

There had been no Whistle Blowing Procedures carried out during 2015/2016. The policy had been publicised to all staff members and it was also highlighted to new starters in their induction.

In the ensuing discussion, Officers confirmed it was not a “happy measure”. Employees had a number of alternative methods for raising concerns and as such whistle blowing was a last resort. In light that there had been no cases it arguably demonstrated that these other avenues were working, and a number of these were outlined.

It was suggested that in future the whistle blowing report, if a nil return, should be extended to include the other support packages and measures on offer to employees. It was further suggested that "web page hits" data could be incorporated.

In response to a Member's question, Officers confirmed that historically a staff survey had been undertaken. However no such survey had been undertaken for around 18 months. Alternatively a Staff Engagement Group had been established to undertake proactive work with the workforce in response to the last survey's results.

Having reviewed the results of the last survey the Group had identified two areas to focus on, these being "The Council Communicates Well" and "I feel Valued and Recognised". With regard to communication, which had been selected as the first priority to be addressed, the Group had devised a number of mini-projects aimed at helping to improve communication across the organisation, examples being, providing staff with an opportunity to set an element of the Corporate Update agenda, ask questions and provide feedback post the event; regularising the Chief Executive's Blog and the introduction of Senior Officer Blogs; making use of newly installed monitors around the Guildhall, to show important and key corporate messages. A number of these had now been implemented and appeared to have been received positively. These mini projects had a formed an action plan and this would be kept under review.

The next area to be addressed by the Group was Reward and Recognition, and the group would again be asked to devise mini-projects for implementation with a view to creating an action plan.

RESOLVED that the Committee be assured the Whistleblowing Policy is in place and working effectively.

26 ANNUAL GOVERNANCE STATEMENT 2015/16 AND ACTION PLAN (GA.16 16/17)

Consideration was given to a report which presented the Annual Governance Statement for 2015/16 and associated Action Plan to Members for approval. The report also set out 2014/15 Action Plan for signing off as completed.

The report outlined how the Statement had been developed and the sources of information used in this process.

As previously reported, the Actions relating to Development and Central Lincolnshire Local Plans Team detailed in the 14/15 Statement had been rolled into the 15/16 statement as these areas had not been completed in year.

The issues for inclusion were set out at Section 5.1 of the report and had been identified through those items listed at 2.1 of the report. The associated action plan was also appended for approval.

RESOLVED that:

(a) the Annual Governance Statement for 2015/16 and the associated Action Plan be approved; and

(b) the Action for 2014/15 be signed off as completed (bar the actions pertaining to the Local Plans Team and Development Management).

27 WORK PLAN (GA.17 16/17)

Members considered their work plan for remaining meetings during the ensuing civic year.

In light of the resolution made by Annual Council in May 2016 regarding investigating alternative governance models, the Chairman requested that a verbal discussion item be added to his next Chairman's briefing and included for the September Committee Meeting in respect of this matter.

RESOLVED that the work plan as at 18 July 2016 be noted, subject to the inclusion of the item detailed above.

28 EXCLUSION OF PUBLIC AND PRESS

RESOLVED that under Section 100 (A)(4) of the Local Government Act 1972, the public and press be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Act.

Note: The Committee took a short recess to allow Members to consider the information tabled (appendices to the report) and the meeting recommenced at 8.00 pm.

29 QUICKLINE BUSINESS PLAN / PAYMENTS – MONITORING REPORT (GA.18 16/17)

Members received a report for assurance purposes and to give the Committee confidence that Quickline were able to meet the conditions of the loan.

In presenting the report, Officers indicated at present the arrangement was in line with expectations and capital repayments continued to be made.

Members also received information on factors which had been affecting sales and cashflow performance, but a new business plan had been adopted by the company and profit figures for the past two months were shared with Members.

Officers confirmed they did not audit the figures provided by the company but accounts and sales data was received every month.

Some Members expressed concern regarding the data in Appendix B and what they believed it indicated. It was suggested that if explanatory notes could be included against any figure which had a greater variance than 10% this would be of assistance. Members also requested that the cumulative sales figures be expressed as a graph in future reports.

Officers again re-iterated that whilst there were a few areas of concern, no action was considered necessary, as all payments to-date had been met and this was the Authority's primary concern.

The meeting concluded at 8.18 pm.

Chairman

B

Governance & Audit Committee Matters Arising Schedule

Purpose:
To consider progress on the matters arising from previous Governance & Audit Committee meetings.

Recommendation: That members note progress on the matters arising and request corrective action if necessary.

Matters arising Schedule

Active/Closed	Active				
Meeting	Governance and Audit Committee				
Status	**Title**	**Action Required**	**Comments**	**Due Date**	**Allocated To**
Black					
	member training	extract from minutes of mtg 21/6/16 Debate ensued and the Chairman indicated that he too would like to be provided with the level of up-take of on-line training It was suggested that the difficult customer / conflict management / assertiveness session should touch on on-line situations also.	**some suggestions and requests made when considering MDev Plan. Dinah please can you build these into your processes. thanks**	31/08/16	Dinah Lilley

	report format	extract from mins of mtg 14/4/16 There was a detailed discussion regarding how reports were presented to Committee, with lay Members making a number of suggestions as to how the reports could be more engaging. Officers undertook to take the suggestions away and give these further consideration.	**this item will be discussed at Chairs Briefing** **It was agreed** **Executive summaries will be included on reports and these should be in total no more than 30 pages for the meeting Duplication will be challenged in reports** **I will contact the County who I was advised have made strides in this area** **We will consider the use of hyperlinks to make the process of drilling into the detail easier.** **Continue to keep this under review and discuss again at our next briefing.** **Deferred to Septembers briefing in absence of MO . Further discussion held, cttee admin are in the process of rolling out a new cttee management system and some of these area may feasible to address through this new system. we will continue to review and engage members where appropriate.**	31/08/16	Alan Robinson
	governance project - briefing item	extract from mins of mtg 26/7 In light of the resolution made by Annual Council in May 2016 regarding investigating alternative governance models, the Chairman requested that a verbal discussion item be added to his next Chairman's briefing and included for the September Committee Meeting in respect of this matter.	**added to relevant work plans and agendas and relevant officer advised accordingly .** **Item included on september's agenda and all members invited to the debate**	24/08/16	Katie Coughlan

	FRAUD INVESTIGATION - future report format	extract from mins of mtg 26/7 The general consensus was that the Commercial element of the report was more appropriate for Policy Committee consideration, however the Committee would still welcome an annual report on the number of cases undertaken.	**please ensure both these reports are added to the FP for GA in July 17 and to CPR for a similar time. Please liaise with Demo Services if assistance required.** **Items added to both work plans for July 17**	30/09/16	Angela Matthews
Green					
	internal audit monitoring reports	extract from mins of mtg 26/7 The Committee indicated that in future reports it would be useful if Appendix 4 (outstanding actions) could include a short summary setting out the detail of each outstanding action, and any ongoing related activity.		30/09/16	Ian Knowles
	whistleblowing report - future format	extract from mins of mtg 26/7 It was suggested that in future the whistle blowing report, if a nil return, should be extended to include the other support packages and measures on offer to employees. It was further suggested that "web page hits" data could be incorporated.		31/12/16	Alan Robinson
	quickline - future report formats	extract from mins of mtg 26/7 It was suggested that if explanatory notes could be included against any figure which had a greater variance than 10% this would be of assistance. Members also requested that the cumulative sales figures be expressed as a graph in future reports.		30/09/16	Tracey Bircumshaw

	Choice Based Lettings	(i) Officers continue to maintain formal communications with ACIS Group Ltd; (ii) Officers continue to provide operational and strategic leadership to the wider partnership; (iii) assurance be sought on the new ICT system for Choice Based Lettings; and (iv) complete the partnership agreement between ACIS and WLDC	**This action only to be turned black when PC Cttee are assured that this work has been completed**	31/12/16	Michelle Howard
Grand Total					

C

GA.21 16/17
Committee Governance and Audit Committee
Date 15th September 2015

Subject: Report to those charged with Governance (ISA260 Report) 2015/16

Report by:	Adrian Benselin KPMG
Contact Officer:	Tracey Bircumshaw Financial Services Manager 01427 676560 Tracey.Bircumshaw@west-lindsey.gov.uk
Purpose / Summary:	The purpose of the report is for our Auditor, KPMG, to present their Report to those charged with Governance (ISA 260 Report) in relation to the Statement of Accounts and Annual Governance Statement 2015/16.

RECOMMENDATION(S):

That Members note and receive the information contained within this report.

IMPLICATIONS

Legal:

None arising from this report.

Financial : FIN/63/17

As detailed within the Report to those charged with Governance.

The corporate Audit Fees are met from an approved budget.

Staffing :

None arising from this report.

Equality and Diversity including Human Rights :

None arising from this report

Risk Assessment :

None arising from this report.

Climate Related Risks and Opportunities :

None arising from this report.

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

Call in and Urgency:

Is the decision one which Rule 14.7 of the Scrutiny Procedure Rules apply?

i.e. is the report exempt from being called in due to urgency (in consultation with C&I chairman)	**Yes**		**No**	x

Key Decision:

A matter which affects two or more wards, or has significant financial implications	**Yes**		**No**	x

Executive Summary

The Report to those charged with Governance is attached at Appendix A, the headlines of which include:

- A proposed unqualified audit opinion on the 2015/16 Statement of Accounts

- That there have been no material audit differences identified

- All presentational audit differences identified have been adjusted for.

- There have been no significant risks identified within the Financial Statements

- The Annual Governance Statement complies with recommended practice (Delivering Good Governance in Local Government; A Framework) and is consistent with understanding of the Authority.

The report will be presented by Adrian Benselin, Audit Manager, KPMG LLP (UK).

At the time of this report the Audit has yet to be concluded, an updated will therefore be provided at this meeting.

The ISA260 report is attached at Appendix A.

Report to those charged with governance (ISA 260) 2015/16

West Lindsey District Council

7 September 2016

Contents

The contacts at KPMG in connection with this report are:

John Cornett
Director

KPMG LLP (UK)

Tel: 0116 256 6064
john.cornett@kpmg.co.u4

Adrian Benselin
Manager

KPMG LLP (UK)

Tel: 0116 256 6089
adrian.benselin@kpmg.co.uk

Vikash Patel
Assistant Manager

KPMG LLP (UK)

Tel: 0116 256 6069
Vikash.patel@kpmg.co.uk

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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. Public Sector Audit Appointments issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies summarising where the responsibilities of auditors begin and end and what is expected from audited bodies. We draw your attention to this document which is available on Public Sector Audit Appointment's website (www.psaa.co.uk).

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact John Cornett, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers (on 0207 694 8981, or by email to andrew.sayers@kpmg.co.uk). After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing generalenquiries@psaa.co.uk, by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3H.

Section one: Introduction

Introduction

This document summarises:

- **The key issues identified during our audit of the financial statements for the year ended 31 March 2016 for the Authority; and**
- **Our assessment of the Authority's arrangements to secure value for money.**

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Scope of this report

This report summarises the key findings arising from:

- Our audit work at West Lindsey Council ('the Authority') in relation to its 2015/16 financial statements; and
- The work to support our 2015/16 conclusion on the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources (the Value for Money (VFM) conclusion).

Financial statements

Our External Audit Plan 2015/16, presented to you in March 2016, set out the four stages of our financial statements audit process.

This report focuses on the third stage of the process: substantive procedures. Our on site work for this took place during June and July 2016.

We are now in the final phase of the audit, the completion stage. Some aspects of this stage are also discharged through this report.

VFM Conclusion

Our External Audit Plan 2015/16 explained our risk-based approach to VFM work. We have now completed the work to support our 2015/16 VFM conclusion. This included:

- Assessing the potential VFM risks and identifying the residual audit risks for our VFM conclusion; and
- Considering the results of any relevant work by the Authority in relation to these risk areas.

Structure of this report

This report is structured as follows:

- Section 2 summarises the headline messages.
- Section 3 sets out our key findings from our audit work in relation to the 2015/16 financial statements of the Authority.
- Section 4 outlines our key findings from our work on the VFM conclusion.

Our recommendations are included in Appendix 1.

Acknowledgements

We would like to take this opportunity to thank officers for their continuing help and co-operation throughout our audit work.

Section two: Headlines

Headlines

This table summarises the headline messages for the Authority. Sections three and four of this report provide further details on each area.

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Proposed audit opinion	We anticipate issuing an unqualified audit opinion on the Authority's financial statements by 30 September 2016. We will also report that your Annual Governance Statement complies with guidance issued by CIPFA/SOLACE in June 2007.
Audit adjustments	Our audit identified a misclassification of receipts in the Cash Flow Statement amounting to £1.135 million. This has been adjusted. The overall balance of the Cash Flow Statement is unaffected. There were a number of minor presentational matters, which officers have agreed to amend. It is our understanding that these will be adjusted in the final version of the financial statements.
Key financial statements audit risks	We identified the following key financial statements audit risks in our 2015/16 External Audit Plan presented to you in March 2016 — Provision for business rates appeals; — Management override of controls; and — Fraudulent revenue recognition. Professional standards require us to consider the latter two risks as standard risks for all organisations. We have worked with officers throughout the year to discuss these risks and our detailed findings are reported in section 3 of this report. There are no matters of any significance arising as a result of our audit work in these key risk areas.

Headlines (cont.)

This table summarises the headline messages for the Authority. Sections three and four of this report provide further details on each area.

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Accounts production and audit process	We received complete draft accounts on 17 June 2016 which was in advance of the 30 June deadline. The accounting policies, accounting estimates and financial statement disclosures are in line with the requirements of the Code. Officers have maintained the quality of the accounts and the supporting working papers. Officers dealt efficiently with audit queries and the audit process has been completed within the planned timescales. We will debrief with the finance team to share views on the final accounts audit. Hopefully this will lead to further efficiencies in the 2016/17 audit process. In particular we would like to thank Authority officers who were available throughout the audit visit to answer our queries.
VFM conclusion and risk areas	We did not identify any VFM risk from our risk assessment work which we reported to you in our Audit Plan in March 2016. We have worked with officers throughout the year and we have not identified any new VFM risks during the year. Our detailed findings are reported in section 4 of this report. The MTFP includes savings targets to be achieved by 2020/21 of £1.2 million which is covered by the projected level of reserves of £8.1 million at March 2021. Based on our work to date, the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We therefore anticipate issuing an unqualified VFM conclusion by 30 September 2016.

Headlines (cont.)

This table summarises the headline messages for the Authority. Sections three and four of this report provide further details on each area.

Completion	At the date of this report our audit of the financial statements is substantially complete subject to completion of the following areas: — Testing of non pay expenditure; — Testing of payroll and pensions; and — General audit file completion and review procedures. Before we can issue our opinion we require a signed management representation letter. We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.

Section three: Financial Statements

Proposed opinion and audit differences

We identified a material misstatement in the Cash Flow Statement. However this did not affect the overall Statement balance.

We anticipate issuing an unqualified audit opinion in relation to the Authority's financial statements by 30 September 2016.

The wording of your Annual Governance Statement complies with guidance issued by CIPFA/SOLACE in June 2007.

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Proposed audit opinion

Subject to all outstanding queries being resolved to our satisfaction, we anticipate issuing an unqualified audit opinion on the Authority's financial statements following approval of the Statement of Accounts by the Authority.

Audit differences

In accordance with ISA 260 we are required to report uncorrected audit differences to you. We also report any material misstatements which have been corrected and which we believe should be communicated to you to help you meet your governance responsibilities.

The final materiality level (see Appendix 2 for more information on materiality) for this year's audit was set at £600k. Audit differences below £30k are not considered significant.

We agreed with officers that the presentation of information within the Cash Flow Statement be amended to transfer £1.135 million from the category 'proceeds from the sale of property, plant and equipment, investment property and intangible assets' to the category 'other receipts from investing activities' in the section 'net cash flows from investing activities'. The overall balance of the Cash Flow Statement is unaffected.

Officers have also amended the comparative disclosures in the Cash Flow Statement, mainly to reclassify NNDR income amounting to £1.1 million. The overall balance of the Cash Flow Statement is unaffected.

There were a number of minor presentational matters, which officers have agreed to amend.

Annual Governance Statement

We have reviewed the Annual Governance Statement and confirmed that:

- It complies with Delivering Good Governance in Local Government: A Framework published by CIPFA/SOLACE; and
- It is not misleading or inconsistent with other information we are aware of from our audit of the financial statements

Significant audit risks

In our *External Audit Plan 2015/16*, presented to you in March 2016, we identified the significant risks affecting the Authority's 2015/16 financial statements. We have now completed our testing of these areas and set out our evaluation following our substantive work.

The table below sets out our detailed findings for each of the risks that are specific to the Authority. The table on the next page are risk areas required by professional standards.

Areas of significant risk	Summary of findings
Provision for business rates appeals Audit areas affected — Business rates income	**Provision for business rates appeals** — Risk The provision for business rates appeals may not be adequate. Under the new business rates regime the Authority retains a greater share of business rates collected and hence any successful appeals will directly impact on the income stream. — Findings We reviewed the basis and calculation of the provision, and we assessed the adequacy of the provision. There are no matters arising from this work to bring to your attention.

KPMG

Significant audit risks (cont.)

In our External Audit Plan 2015/16 we reported that we would consider two risk areas that are specifically required by professional standards and report our findings to you. These risk areas were Management override of controls and the Fraud risk of revenue recognition.

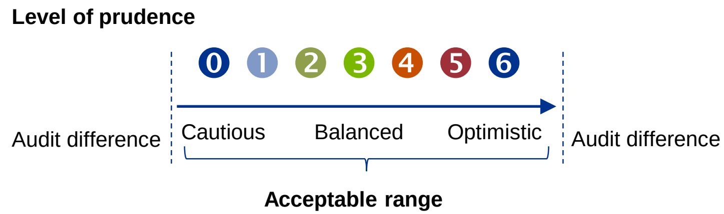
The table below sets out the outcome of our audit procedures and assessment on these risk areas.

Areas of significant risk		Summary of findings
Management override of controls	Audit areas affected — All areas.	Our audit methodology incorporates the risk of management override as a default significant risk. Management is typically in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We have not identified any specific additional risks of management override relating to this audit. In line with our methodology, we carried out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual. There are no matters arising from this work that we need to bring to your attention.
Fraud risk of revenue recognition	Audit areas affected — None.	Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk. In our External Audit Plan 2015/16 we reported that we do not consider this to be a significant risk for Local Authorities as there is unlikely to be an incentive to fraudulently recognise revenue. This is still the case. Since we have rebutted this presumed risk, there has been no impact on our audit work.

Section three

Judgements

We always consider the level of prudence within key judgements in your financial statements. We have summarised our view below using the following range of judgement:



Assessment of subjective areas				
Asset/liability class	**15/16**	**14/15**	**Balance (£m)**	**KPMG comment**
Provisions for business rates appeals	2	3	£0.8 million (PY: £0.2 million)	We have reviewed the calculation of the appeals provision which uses the best information available. Overall, the provision has increased, to recognise the likely appeals in respect of doctors' surgeries following a court ruling, and the increase in appeals made in order to meet the deadline of 31 March 2015. We also consider the provision disclosures to be proportionate.
Property, Plant and Equipment (valuations and asset lives)	3	3	£19.8 million (PY: £16.7 million)	Valuations are consistent with information provided by the external valuers. The asset lives used in the calculation of depreciation are not unreasonable.
Pensions liability	3	3	£28.8 million (PY: £34.7 million)	The balance represents the deficit on the pension scheme. The reported balance, together with assumptions and disclosures for inflation, discount rate, salary growth, life expectancy etc are consistent with the report from the external actuary.

Accounts production and audit process

The Authority has good processes in place for the production of the accounts. Officers dealt efficiently with audit queries and the audit process has been completed within the planned timescales.

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Accounts production and audit process

ISA 260 requires us to communicate to you our views about the significant qualitative aspects of the Authority's accounting practices and financial reporting. We also assessed the Authority's processes for preparing the accounts and their support for an efficient audit.

We considered the following criteria:

Element	Commentary
Accounting practices and financial reporting	The Authority continues to maintain a good financial reporting process and produce statements of accounts to a good standard. We consider that other accounting practices are appropriate.
Completeness of draft accounts	We received a complete set of draft accounts on 17 June 2016. This was well in advance of the deadline of 30 June. We have worked with officers throughout the year to identify and discuss potential issues that could affect the closedown process, and the Authority's response to these issues. The Authority has made a number of minor amendments to the accounts presented for audit, however there have been no changes which affect the financial position.
Quality of supporting working papers	Our Accounts Audit Protocol, which we issued in two sections, in January and February 2016, and discussed with the Financial Services Manager set out our working paper requirements for the audit. The quality of working papers provided met the standard specified in our Accounts Audit Protocol.
Response to audit queries	Officers resolved all audit queries in a timely manner.

Findings in respect of the control environment for key financial systems

There are no significant findings to report to you in respect of the control environment.

Our review of the March 2016 bank reconciliation did not identify any issues to bring to your attention. However officers should seek to simplify the presentation of the bank reconciliation as it is complicated to follow. We have made a recommendation to this effect in Appendix 1.

Section three

Completion

We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.

Before we can issue our opinion we require a signed management representation letter.

Once we have finalised our opinion and conclusion we will prepare our Annual Audit Letter and close our audit.

Declaration of independence and objectivity

As part of the finalisation process we are required to provide you with representations concerning our independence.

In relation to the audit of the financial statements of West Lindsey District Council for the year ended 31 March 2016, we confirm that there were no relationships between KPMG LLP and West Lindsey District Council, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Public Sector Audit Appointments Ltd requirements in relation to independence and objectivity.

We have provided a detailed declaration in Appendix 3 in accordance with ISA 260.

Management representations

You are required to provide us with representations on specific matters such as your financial standing and whether the transactions within the accounts are legal and unaffected by fraud. We have provided a template to the Director of Resources for presentation to the Authority. We require a signed copy of the management representations before we issue our audit opinion.

Other matters

ISA 260 requires us to communicate to you by exception 'audit matters of governance interest that arise from the audit of the financial statements' which include:

— Significant difficulties encountered during the audit;

— Significant matters arising from the audit that were discussed, or subject to correspondence with management;

— Other matters, if arising from the audit that, in the auditor's professional judgment, are significant to the oversight of the financial reporting process; and

— Matters specifically required by other auditing standards to be communicated to those charged with governance (e.g. significant deficiencies in internal control; issues relating to fraud, compliance with laws and regulations, subsequent events, non disclosure, related party, public interest reporting, questions/objections, opening balances etc.).

There are no matters which we wish to draw to your attention in addition to those highlighted in this report.

KPMG

Section four: Value for Money

VFM Conclusion

Our VFM conclusion considers whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

We follow a risk based approach to target audit effort on the areas of greatest audit risk.

We have concluded that the Authority has made proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

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Background

The Local Audit and Accountability Act 2014 requires auditors of local government bodies to be satisfied that the authority 'has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources'.

This is supported by the Code of Audit Practice, published by the NAO in April 2015, which requires auditors to 'take into account their knowledge of the relevant local sector as a whole, and the audited body specifically, to identify any risks that, in the auditor's judgement, have the potential to cause the auditor to reach an inappropriate conclusion on the audited body's arrangements.'

The VFM approach is fundamentally unchanged from that adopted in 2014/2015 and the process is shown in the diagram below. However, the previous two specified reporting criteria (financial resilience and economy, efficiency and effectiveness) have been replaced with a single criteria supported by three sub-criteria.

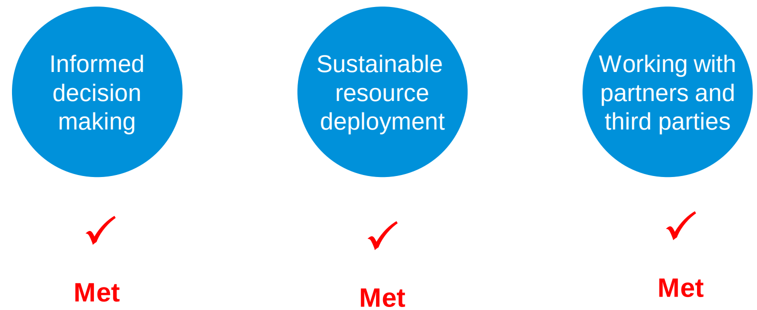
These sub-criteria provide a focus to our VFM work at the Authority.

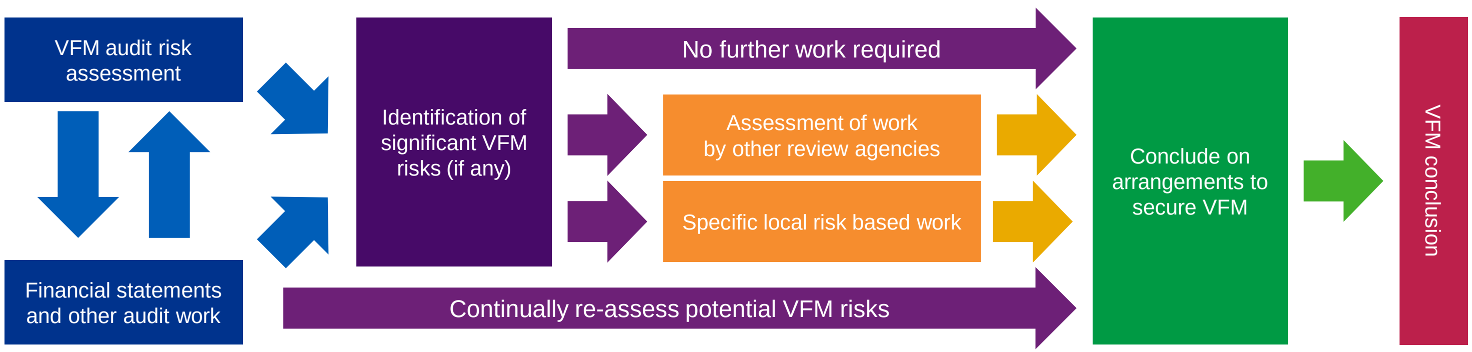
Conclusion

We have concluded that the Authority has made proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

Overall criterion

In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.





Specific VFM Risks

We have not identified any specific VFM risk.

We are satisfied that external or internal scrutiny provides sufficient assurance that the Authority's current arrangements are adequate.

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Work completed

In line with the risk-based approach set out on the previous page, and in our External Audit Plan we have:

— Assessed the Authority's key business risks which are relevant to our VFM conclusion;

— Identified the residual audit risks for our VFM conclusion, taking account of work undertaken in previous years or as part of our financial statements audit; and

— Considered the results of relevant work by the Authority, inspectorates and review agencies in relation to these risk areas.

Key findings

At the planning stage we reviewed the Medium Term Financial Plan (MTFP) reported to and approved by members in February 2016.

The MTFP takes into account the risks and uncertainties from the national and local context.

Fees and charges were separately reviewed/approved in December 2015.

We considered the assumptions used in producing the MTFP, including:

- Pay and non pay inflation.
- Council tax annual rises;
- Returns from commercial property investments
- Nil growth in NNDR income; and
- Changes in the council tax base / projections of property numbers;
- Level of funding settlements and new homes bonus.

In our view these assumptions are not unreasonable.

General Fund and earmarked reserves are expected to fall to £8.1 million by March 2021 (the draft accounts show reserves of £17.6 million at March 2016). However we note that the Authority plans to utilise New Homes Bonus to support regeneration and housing growth schemes rather than to support the revenue budget. This is not the case for many other authorities.

The MTFP includes savings targets to be achieved by 2020/21 of £1.2 million which is covered by the projected level of reserves.

Although we did not identify any significant VFM risks at the planning stage of the audit, we have reviewed the information subsequently reported to members, in July 2016.

The latest revenue budget monitoring report shows a net underspend of £177k for the first two months of 2016/17. There are no other indications that the MTFP is not sustainable.

No account can yet be taken of the impact, if any, that the Greater Lincolnshire Combined Authority will have on the Authority's spending plans. The new authority will have powers covering transport, planning and skills.

We expect the MTFP to be kept up-to-date to reflect the changes in assumptions and financial framework. As officers update us in our regular meetings on the changes in their MTFP projections and the reasons for those changes, we have not made a recommendation to this effect.

Appendices

Key issues and recommendations

We have given each recommendation a risk rating and agreed what action management will need to take.

The Authority should closely monitor progress in addressing specific risks and implementing our recommendations.

We will formally follow up these recommendations next year.

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Priority rating for recommendations					
❶	*Priority one*: issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.	❷	*Priority two*: issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.	❸	*Priority three*: issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.

No.	Risk	Issue and recommendation	Management response/responsible officer
1	❷	**Bank reconciliation** The monthly bank reconciliation is complicated to follow. There is a risk that errors are undetected because of its complexity. Our review of the March 2016 bank reconciliation did not identify any issues to bring to your attention. **Recommendation** Officers should seek to simplify the presentation of the monthly bank reconciliation.	**Financial Services Manager** We have been aware of the issues relating to the bank reconciliation for a number of months, and we have therefore recently procured, and are in the final stages of implementing, an automated bank reconciliation system, which will make the reconciliation simpler and will generate efficiencies within Financial Services.

Audit differences

This appendix sets out the audit differences.

The financial statements have been amended for all of the errors identified through the audit process.

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We are required by ISA 260 to report all uncorrected misstatements, other than those that we believe are clearly trivial, to those charged with governance (which in your case is the Governance and Audit Committee). We are also required to report all material misstatements that have been corrected but that we believe should be communicated to you to assist you in fulfilling your governance responsibilities.

Uncorrected audit differences

We confirm that there are no uncorrected misstatements, other than those that we believe are clearly trivial.

Corrected audit differences

Material misstatements

Our audit identified a material misstatement in the Cash Flow Statement which resulted in a transfer of £1.135 million from the category ‘proceeds from the sale of property, plant and equipment, investment property and intangible assets’ to the category ‘other receipts from investing activities’ in the section ‘net cash flows from investing activities’. The overall balance of the Cash Flow Statement is unaffected.

Non-material misstatements

Our audit identified a number of minor presentational misstatements in the financial statements. These have been discussed with management and the financial statements have been amended.

Materiality and reporting of audit differences

For 2015/16 our materiality is £600k for the Authority's accounts.

We have reported all audit differences over £30k for the Authority's accounts to the Governance and Audit Committee.

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Materiality

The assessment of what is material is a matter of professional judgment and includes consideration of three aspects: materiality by value, nature and context.

— Material errors by value are those which are simply of significant numerical size to distort the reader's perception of the financial statements. Our assessment of the threshold for this depends upon the size of key figures in the financial statements, as well as other factors such as the level of public interest in the financial statements.

— Errors which are material by nature may not be large in value, but may concern accounting disclosures of key importance and sensitivity, for example the salaries of senior staff.

— Errors that are material by context are those that would alter key figures in the financial statements from one result to another – for example, errors that change successful performance against a target to failure.

We used the same planning materiality reported in our External Audit Plan 2015/16, presented to you in April 2016.

Materiality for the Authority's accounts was set at £600k which equates to around 1.5 percent of gross expenditure. We design our procedures to detect errors in specific accounts at a lower level of precision.

Reporting to the Governance and Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Governance and Audit Committee any misstatements of lesser amounts to the extent that these are identified by our audit work.

Under ISA 260, we are obliged to report omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

ISA 450 requires us to request that uncorrected misstatements are corrected.

In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £30k for the Authority.

Where management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Governance and Audit Committee to assist it in fulfilling its governance responsibilities.

Declaration of independence and objectivity

Auditors appointed by Public Sector Audit Appointments Ltd must comply with the Code of Audit Practice.

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Requirements

Auditors appointed by Public Sector Audit Appointments Ltd must comply with the Code of Audit Practice (the 'Code') which states that:

"The auditor should carry out their work with integrity, objectivity and independence, and in accordance with the ethical framework applicable to auditors, including the ethical standards for auditors set by the Financial Reporting Council, and any additional requirements set out by the auditor's recognised supervisory body, or any other body charged with oversight of the auditor's independence. The auditor should be, and should be seen to be, impartial and independent. Accordingly, the auditor should not carry out any other work for an audited body if that work would impair their independence in carrying out any of their statutory duties, or might reasonably be perceived as doing so."

In considering issues of independence and objectivity we consider relevant professional, regulatory and legal requirements and guidance, including the provisions of the Code, the detailed provisions of the Statement of Independence included within the Public Sector Audit Appointments Ltd *Terms of Appointment* ('Public Sector Audit Appointments Ltd Guidance') and the requirements of APB Ethical Standard 1 *Integrity, Objectivity and Independence* ('Ethical Standards').

The Code states that, in carrying out their audit of the financial statements, auditors should comply with auditing standards currently in force, and as may be amended from time to time. Public Sector Audit Appointments Ltd guidance requires appointed auditors to follow the provisions of ISA (UK&I) 260 Communication of *Audit Matters with Those Charged with Governance'* that are applicable to the audit of listed companies. This means that the appointed auditor must disclose in writing:

— Details of all relationships between the auditor and the client, its directors and senior management and its affiliates, including all services provided by the audit firm and its network to the client, its directors and senior management and its affiliates, that the auditor considers may reasonably be thought to bear on the auditor's objectivity and independence.

— The related safeguards that are in place.

— The total amount of fees that the auditor and the auditor's network firms have charged to the client and its affiliates for the provision of services during the reporting period, analysed into appropriate categories, for example, statutory audit services, further audit services, tax advisory services and other non-audit services. For each category, the amounts of any future services which have been contracted or where a written proposal has been submitted are separately disclosed. We do this in our *Annual Audit Letter*.

Appointed auditors are also required to confirm in writing that they have complied with Ethical Standards and that, in the auditor's professional judgement, the auditor is independent and the auditor's objectivity is not compromised, or otherwise declare that the auditor has concerns that the auditor's objectivity and independence may be compromised and explaining the actions which necessarily follow from this. These matters should be discussed with the Governance and Audit Committee.

Ethical Standards require us to communicate to those charged with governance in writing at least annually all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place that, in our professional judgement, may reasonably be thought to bear on our independence and the objectivity of the Engagement Lead and the audit team.

Declaration of independence and objectivity (cont.)

We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.

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General procedures to safeguard independence and objectivity

KPMG's reputation is built, in great part, upon the conduct of our professionals and their ability to deliver objective and independent advice and opinions. That integrity and objectivity underpins the work that KPMG performs and is important to the regulatory environments in which we operate. All partners and staff have an obligation to maintain the relevant level of required independence and to identify and evaluate circumstances and relationships that may impair that independence.

Acting as an auditor places specific obligations on the firm, partners and staff in order to demonstrate the firm's required independence. KPMG's policies and procedures regarding independence matters are detailed in the *Ethics and Independence Manual* ('the Manual'). The Manual sets out the overriding principles and summarises the policies and regulations which all partners and staff must adhere to in the area of professional conduct and in dealings with clients and others.

KPMG is committed to ensuring that all partners and staff are aware of these principles. To facilitate this, a hard copy of the Manual is provided to everyone annually. The Manual is divided into two parts. Part 1 sets out KPMG's ethics and independence policies which partners and staff must observe both in relation to their personal dealings and in relation to the professional services they provide. Part 2 of the Manual summarises the key risk management policies which partners and staff are required to follow when providing such services.

All partners and staff must understand the personal responsibilities they have towards complying with the policies outlined in the Manual and follow them at all times. To acknowledge understanding of and adherence to the policies set out in the Manual, all partners and staff are required to submit an annual ethics and independence confirmation. Failure to follow these policies can result in disciplinary action.

Auditor declaration

In relation to the audit of the financial statements of West Lindsey District Council for the financial year ended 31 March 2016, we confirm that there were no relationships between KPMG LLP and West Lindsey District Council, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Public Sector Audit Appointments Ltd requirements in relation to independence and objectivity.

Audit Independence

Audit Fees

Our scale fee for the audit is £43,403 excluding VAT (£57,871 in 2014/15). This fee is in line with that highlighted within our audit plan agreed by the Governance and Audit Committee in March 2016. Our scale fee for certification of housing benefits subsidy is £3,696 excluding VAT (£7,340 in 2014/15).

Non-audit services

During 2015/16 we provided tax services in relation to the establishment of a Local Authority Trading entity ('LATC') and potential entity acquisition. The fee for this work was £14,000 excluding VAT.

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GA.22 16/17
Governance & Audit Committee
15 September 2016

D

Subject: Audited Statement of Accounts 2015/16

Report by:	Chief Executive and Chief Finance Officer
Contact Officer:	Tracey Bircumshaw Financial Services Manager 01427 676542 Tracey.Bircumshaw@west-lindsey.gov.uk
Purpose / Summary:	The 2015/16 Statement of Accounts is presented for scrutiny and adoption.

RECOMMENDATIONS:

1) **That Members review the attached Statement of Accounts and confirm that there are no concerns arising from the Financial Statements that need to be brought to the attention of the Council.**
2) **That Members approve the Statement of Accounts for 2015/16.**
3) **That Governance & Audit Committee permit the Section 151 Officer and the Chair of this Committee to certify the letter of representation to our Auditor, KPMG, on completion of the audit.**

IMPLICATIONS

Legal:

None arising from this report.

Financial: FIN/62/17

The Revenue out-turn 2015/16 reflected a gross surplus of £1.255m, after deductions for approved carry forwards and unapplied grants an amount of £0.798 was transferred to the General Fund Balance.

Capital Investment totalled £0.965m

In respect of Useable Reserves, we remain in a healthy position with balances detailed below;

- General Fund working balance totals £3.715m, (£4.160m 14/15)
- General Fund Earmarked reserves total £13.817m, (£10,658m 2014/15)
- Capital receipts total £2.984m (£2,407m 2014/15)
- Capital Grants unapplied £0.476m (£0.486m 2014/15)

Staffing :

None arising from this report.

Equality and Diversity including Human Rights :

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

Risk Assessment :

None arising from this report.

Climate Related Risks and Opportunities :

None arising from this report.

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

Code of Practice on local authority accounting in the United Kingdom 2015/16.

Code of Practice on Local Authority Accounting in the United Kingdom – Guidance notes for practitioners 2015/16 Accounts.

The Accounts and Audit (England) Regulations 2015 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 Statement of Accounts for 2015/16 has 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 2015 the Council's Statement of Accounts, subject to audit, must be certified by the Chief Finance Officer and published before the 30th June. Following completion of the external audit the Council must formally approve the accounts before the 30th September.

1.3 This Committee is responsible for the approval of the Statement of Accounts and any material amendments of the accounts recommended by the auditors.

1.4 The Annual Governance Statement (AGS) can be published separately or can 'accompany' the Statement of Accounts in the same document. This Committee on 27 June 2011 resolved to continue to publish one document, clearly identifying that these are separate statements.

1.5 This Committee approved the Annual Governance Statement at its meeting on 26 July 2016.

1.6 As part of the external audit process the Chair of this Committee and the Chief Finance Officer have provided written assurance to the auditors on a number of matters relating to the processes in place to prevent, detect and report fraud.

1.7 Following the certification of the accounts on 30th June 2016 by the Chief Financial Officer our auditors (KPMG) have carried out their final accounts audit. This has resulted in a small number of amendments.

1.8 There have been no identified audit adjustments requiring accounting entry corrections.

1.9 A new methodology has been undertaken to prepare the Cash Flow Statement 2015/16 (CIPFA cash flow toolkit). The 2014/15 Cash Flow Statement has been restated based on the new methodology and which highlighted 2 errors in classification, therefore the 2014/15 Cash Flow Statement has been restated, however this did not affect the overall balance.

2 Amendments to the Statement of Accounts since 30th June 2016

2.1 There has been one material misclassification and a small number of non-trivial adjustments identified by the Auditor, all of which are presentational.

- The Cash Flow Statement: a misclassification of £1.135m incorrectly reflected in Proceeds of Sale of Property Plant and Equipment, Investment Property and Intangible Assets now included within Other Receipts from Investing Activities. This has not affected the overall Cash Flow Statement.

- Events after the Reporting Period: now includes commentary on the outcome of the EU Referendum.

- There are also a small number of presentational changes which have been made to the Statement of Accounts that were originally certified by the Chief Finance Officer and published.

3 Summary

3.1 The Statement of Accounts 2015/16 attached at Appendix A reflects all the alterations made as a result of the KPMG's audit. The audit findings reflected in this report will be used to inform the finance team's review of the final accounts process and the identification of improvements.

3.2 It is recommended that Members having considered the Statement of Accounts and confirm that there are no concerns arising from the Financial Statements that need to be brought to the attention of the Council.

3.3 Members are requested to approve the Statement of Accounts for 2015/16 and permit the Chief Finance Officer in consultation with the Chair of this Committee to certify the letter of representation to KPMG on completion of the audit. A copy of the letter can be found at Appendix B

Appendix A

WEST LINDSEY DISTRICT COUNCIL

STATEMENT OF ACCOUNTS

2015/16

WEST LINDSEY DISTRICT COUNCIL

STATEMENT OF ACCOUNTS 2015/16

CONTENTS

ACCOUNTS AND STATEMENTS

THE NARRATIVE REPORT TO THE STATEMENT OF ACCOUNTS 2015/16

1. INTRODUCTION

Message from the Director of Resources – Ian Knowles

As the Council's Chief Finance Officer I am pleased to present the 2015/16 Statement of Accounts. West Lindsey District Council continues its Entrepreneurial approach towards achieving, quality services, supporting communities and financial sustainability. This Narrative Report 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 accounts are produced for the Council as a going concern, single entity.

EXECUTIVE SUMMARY

1. NATIONAL AND LOCAL FUNDING INCLUDING ECONOMIC OUTLOOK

The government has made commitments to reduce the UK's budget deficit over the life of the parliament and has made clear plans to do this through a significant reduction in the funding available for Public Services. Protection of key services such as Education, Health and Defence means that Local Government will take the largest proportionate reduction.

The general election held in May 2015 returned a majority Conservative Government. The period of austerity for public services, which had already been extended by two years to 2018 is now expected to continue to 2020 after further public sector cuts were announced in the March 2016 budget statement.

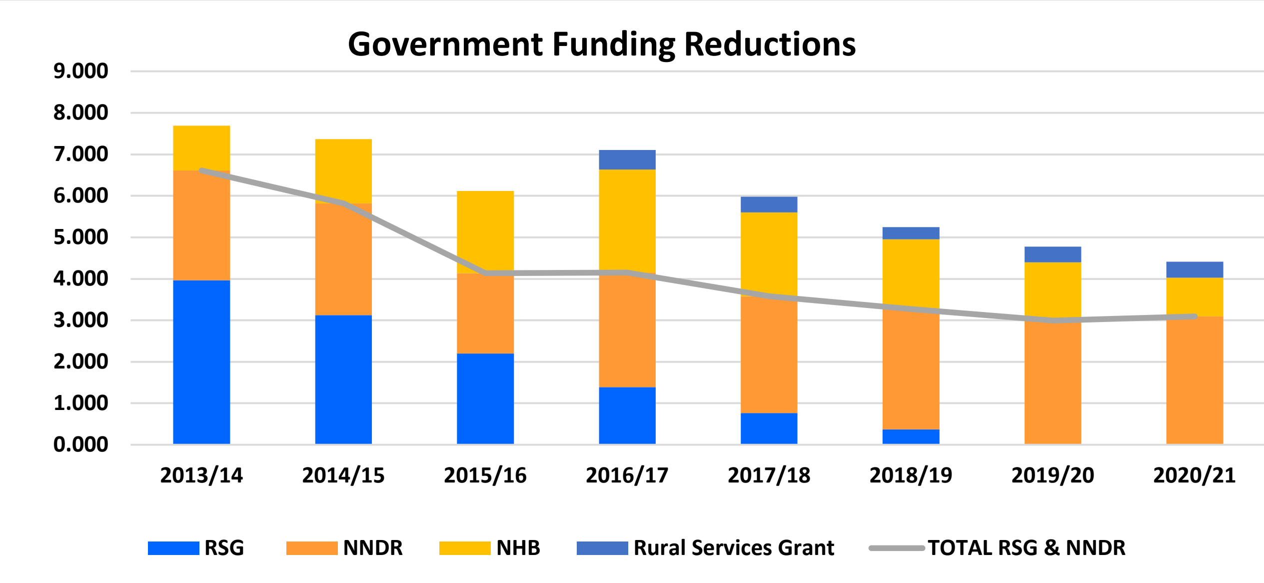
The financial settlement announced in December 2015 introduced a new methodology for the distribution of resources which has led to the Shire Counties (and districts) receiving a greater reduction than other categories of local authorities. Figures produced by the SPARSE lobby group suggest the Shire Counties have seen a reduction of 34% whilst the Metropolitan Boroughs have seen a reduction of 19%. Significant lobbying by ourselves, our local MP, Sir Edward Leigh and the SPARSE network led to changes in the final settlement announced in February 2016.

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 service means 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 reduced West Lindsey's funding for 2015/16 by almost £0.637m; this is combined with historic reductions of circa 25% and anticipated reductions in grant for future years that are estimated to being similar to those already faced.

West Lindsey District Council Main Annual Government Grant Reductions

	2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000
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%



Note: **RSG** is Revenue Support Grant, **NNDR** is National Non Domestic Rates **NHB** is New Homes Bonus Grant

Further reductions of around 8% per annum are anticipated in future years. Our strategy, therefore, is to be non-reliant on RSG by 2020/21

These changes relate to changes in the formula grant (RSG), and the introduction of the Business Rates Retention Scheme in 2013/14, where the estimated income from Business Rates is shared between the Billing Authority (WLDC 40%), the Precepting Authority (Lincolnshire CC 10%) and the Government 50%. Whilst growth in Business Rates can result in increased funding parties share any reduction in Business Rate yield therefore, such gains and losses are subject to special arrangements to reduce potential volatility, 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.

2. CORPORATE PLAN 2016-2020

Since the election, the administration have developed a Corporate Plan to cover the period to the next local elections in 2020.

The Medium Term Financial Strategy (MTFS) for 2016/2017 to 2019/20 aligned resources to the six Corporate Plan themes detailed below;

- Open for Business
- People First
- Asset Management
- Partnership/Devolution
- Central Lincolnshire Local Plan
- Excellent Value for Money Services

3. FINANCIAL STRATEGY (15/16 and forward looking)

The financial year to which the attached financial statements relate was the first full year of the new management team. The new team has a clear emphasis on delivering increased efficiency whilst achieving ambitious commercial income targets. The financial strategy 2016/17 has been developed to ensure the Council delivers against the six themes above

Delivering these priorities in an environment where the Revenue Support Grant (RSG) will be reduced to nil within this parliament and Local Authorities will need to develop plans to live within the reduced financial position. For West Lindsey this means a reduction in grant income of £2.5m. To ensure that services are protected and the above priorities are delivered the following activities will be undertaken:

1 – Increased organisational efficiency – to reduce the overall running cost of the Authority

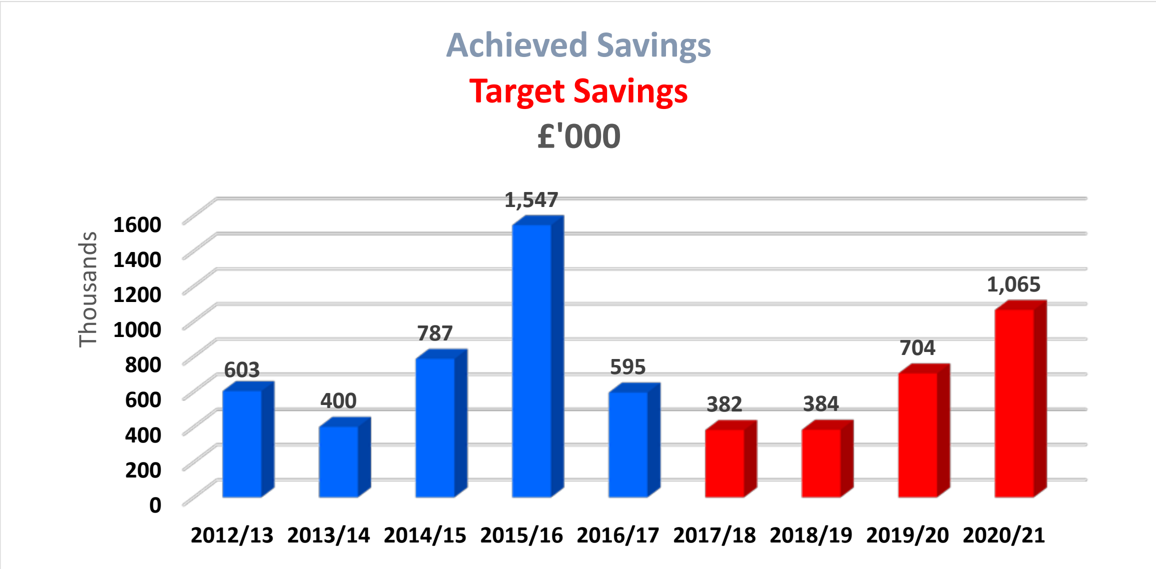
2 – Customer Focus – to ensure continued levels of customer service

3 – Commercial Income – to develop our own income streams to support the provision of services

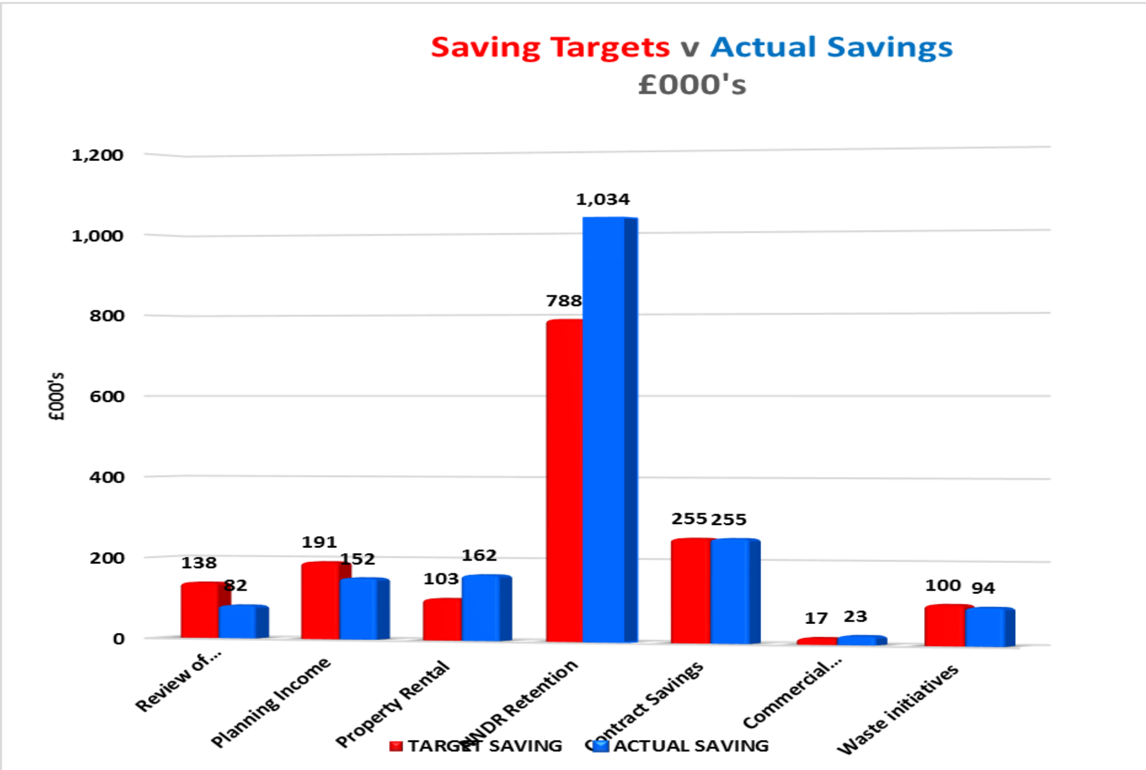
4 – Housing led Economic Growth – to develop the district of West Lindsey, improve the economy and hence the income to the Local Authority from Council Tax and Business Rates.

4. DID 2015-16 ACTUAL SAVINGS MEET THE BUDGETED TARGET?

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 or are anticipated to be achieved, however a further £1.065m 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. Net savings of £1.547m included the following targets which were exceeded during the year.



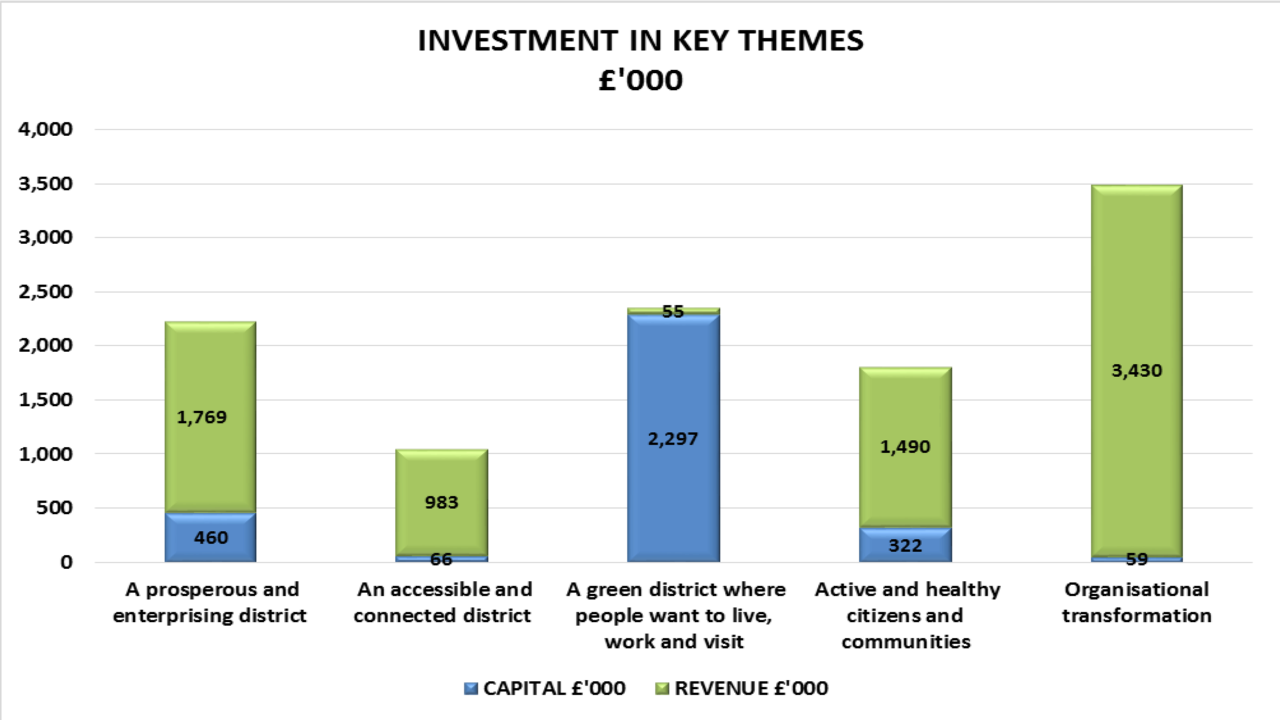
5. CORPORATE PRIORITIES 2015/16

The Corporate Plan is our key strategic document which sets our objectives over the medium term. It is designed to meet the varied needs of the district.

However, the key themes for 2015/16 were;

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

The Corporate Policy & Resources Committee monitors each of these themes on a quarterly basis as part of its performance monitoring processes. The following chart shows the revenue and capital investment for 2015/16 into each of the above theme areas.



In 2015/16 there have been a number of successes for West Lindsey which are worthy of note alongside the financial statements;

- **Supporting Communities**

We have been extremely active in working with our communities to secure external funding to support community based initiatives. This has resulted in over £2.6m being made available across the District to enable communities to develop and thrive and 165 individual projects developed. In addition the Council has awarded almost 400 individual grants totalling over £750,000 to support community based schemes, which in turn have levered external match funding in excess of £850,000. Furthermore, the Localism Team has worked to encourage volunteering across the District, resulting in almost 49,000 volunteer hours undertaken. This equates to over £500,000 of social value invested across our District.

- **Leisure and Wellbeing**

We have continued to invest effort into the promotion of The Trinity Arts Centre, which has born real dividends. A few years ago the venue faced the real risk of closure, but through the efforts of the Council, voluntary groups and patrons, the Centre is now thriving and the annual subsidy the Council provides for its operation has greatly reduced. Average attendance numbers have risen by 75% and the availability of select-a-seat on-line booking facilities has been a welcome development.

Over the lifetime of our previous Corporate Plan we have also witnessed a 45% increase in users of our leisure facilities with almost 268,000 visits in 2015/16. Our on-going commitment to the promotion of healthy lifestyles is a key aspect of our future priorities.

- **Public Services Hub**

During the last 18 months we have incorporated Job Centre Plus and The Citizen's Advice Bureau into our offices at The Guildhall to join our existing tenants from Lincolnshire County Council. The creation of a Public Services Hub was designed to provide joined-up complementary services to our customers. This intention has been fulfilled and has also provided closer working opportunities across the respective organisations to further support our customers. This model of joint working has been recognised nationally and is now intended to be rolled out across the country.

Within the Hub, we have installed 11 public access terminals to enable digitally excluded customers to access services and information on-line. These have proved to be extremely popular and form part of our 'assisted serve' customer access work to support our customers in becoming more familiar and confident in accessing on-line services.

- **Property and Assets**

The Council has been active in purchasing properties (both commercial and residential). This has increased the Council's asset base and returns on investment and has also provided stimulus to the market. We have renovated and offered for re-let the properties we have purchased to help to improve the condition of the housing stock across the District, particularly in the South West Ward of Gainsborough.

To support and direct our activity in this regard we have also compiled and published the Council's Asset Management Strategy 2015-2020. This key document has been welcomed by our Members and other stakeholders.

- **Revenue Collection**

Despite the prevailing financial environment, our Council Tax and Business Rate teams have worked diligently to ensure the traditional high collection rates for both have been maintained. This has resulted in collection rates for 2015/16 of 98.34% and 99.44% respectively. These are amongst the highest collection rates in the country.

High collection rates maintain the integrity of the system and also ensure that financial resources are available to fund vital public services.

- **Economic Development and Housing Regeneration**

Significant work has been completed to progress the Central Lincolnshire Local Plan with the draft version having completed two rounds of public consultation. The Plan provides a settled evidence base to support substantial economic growth and housing targets. The final version is due for publication in April 2016 followed by public enquiry in September 2016, with full adoption anticipated by the end of 2016.

In relation to the agri-food sector, significant support has been provided in the form of linking activity across Central, North East and South Lincolnshire, to create a regional hub. Work has also progressed to form a proposal for the creation of a Food Enterprise Zone (FEZ) based on 26ha of land allocated for large scale food processing at Hemswell Cliff and five acres of land allocated for Research & Development at the Lincolnshire Showground.

The Gainsborough Growth Fund has witnessed strong take-up to support the existing engineering base and to expand and modernise it. Skills issues amongst NEETS have also been addressed via the development of bespoke skills programmes based on mentoring/apprenticeship schemes. Further work is planned to bring enhanced engineering and construction skills to the Gainsborough College Campus.

In respect of regeneration, we have developed a blended programme for housing zone projects combining physical and social regeneration. This is supported by a detailed capital programme for delivery. A masterplan for housing through a Local Development Order process is in place to effectively grant planning permission for up to 450 high quality homes and a linear Riverside Park. Gainsborough Town centre has developed a heritage plan and early works have commended to improve Trinity Street in Gainsborough. Further work is planned for the South West Ward of Gainsborough to improve the public realm and social environment.

Over the last four years, the number of empty homes across the District has reduced with over 320 properties brought back into use. The Council has taken a pro-active stance to achieve this position by working effectively with landlords and also by taking direct action; including Compulsory Purchase Orders. By working to improve the physical fabric of our District we have taken a lead in the regeneration of our communities and also increased the supply of affordable housing available for our residents.

- **Value For Money Services**

To achieve the strategic capacity and capability the Council requires to deliver excellence, Strategic Leads have been appointed to oversee new groupings of service area clusters. The new structure provides the ability to assess the medium term outlook and the potential opportunities and challenges the Council may face in respect of key strategic themes.

To help to improve our services, in addition to conducting internal reviews, we have commissioned a series of external peer reviews. These have been undertaken by colleagues across the local government sector and have provided the opportunity to discuss best practice and to also obtain objective analysis of aspects of service delivery such as performance, costs, processes, workloads and importantly customer satisfaction. The findings of the reviews have been used to form time-framed action plans for improvement; the delivery of which are overseen by senior management and Members.

6. PERFORMANCE OF THE COUNCIL

In order to monitor the performance of the Council, new performance measures for 2016/17 have recently been set relating to our customers, finance, process and quality. Each service within the Council has its own specific measures set and there is an overriding scorecard that shows corporate health. The table below shows those corporate health measures where 2015/16 performance data is available. Data for the remaining indicators will now be collected in order to build a sound baseline for moving forward.

CORPORATE HEATH PERFORMANCE	
Perspective: Customer	**2015/16**
• Volume of received complaints	144
• Volume of received compliments	168
• Employee satisfaction	69%
Perspective: Quality	
• Service and system availability	99.90%
• Percentage of calls answered	90%
• Staff absenteeism	0.51

- **Measuring performance in year**

Commercial Performance

The Council identified a commercial opportunity to acquire a company for the provision of temporary workers. Much of the work was carried out during 2015/16 although the final acquisition date was 1 June 2016.

Performance for the commercial strategy is detailed below:

COMMERCIAL PERFORMANCE		
Perspective: Income Generation	**2014/15**	**2015/16**
• Total amount of external income generated	£1,342,066	£1,440,187
• Income as a % of total expenditure budget	8.71%	9.47%
• External funding secured for communities	£482,805	£577,873

Service Performance

Measure Category	Above target	On target	Below target
Corporate Health measures	3	0	2
Service measures	23	-	21
TOTAL	**26**	**0**	**23**

Key indicators:

Council Tax

The council tax collection rate for 2015/16 is 98.34%. This is an increase of 0.11% from the previous years' total which in monetary terms equates to an increase of £23,000.

An additional 425 council tax properties were brought into the valuation list by the Valuation Officer during 2015/16. Over 75% of council tax payers pay by direct debit.

National non domestic rate collection for 2015/16 also improved from 2014/15 by 0.27% to 99.44%,

Land Charges

The Local Land Charges service has improved over the last six months, improving search times from an average of 45 days to 6-8 days. This will continue to improve in 2016-17 through the implementation of a new IT system.

Environmental Protection

The service completed 100% of all nuisance complaints within the agreed timescales.

Waste

The service has achieved national recognition through APSE benchmarking and continues to be high performing. It achieved a satisfaction rate in excess of 90% and successfully reduced missed bin collections by 16%. This year the recycling rate has dropped by 2% to 52%, this is consistent with national trends, however local factors have also contributed such as a poor growing year for garden waste and the introduction of a new sampling procedure at our Materials Recycling Facility which has resulted in increased contamination. Commercially, 2015/16 has seen the first year of the roll out of a full Commercial Waste service which has achieved the targets set out in the business plan and continues to flourish. All this has been achieved without a rise in cost of service.

7. SUMMARY OF FINANCIAL PERFORMANCE 2015/16

The Council approved a revenue budget, including Council Tax charges, for 2015/16. There was no requirement to utilise the General Fund Balance to provide a balanced budget.

Compared to the revised budget for 2015/16 a surplus of £0.798m has been realised. This has been transferred to the General Fund Balance.

The following table reports the revenue figures for 2015/16 before any adjustments required by accounting standards that are subsequently reversed under statute.

Revenue Out-Turn 2015/16

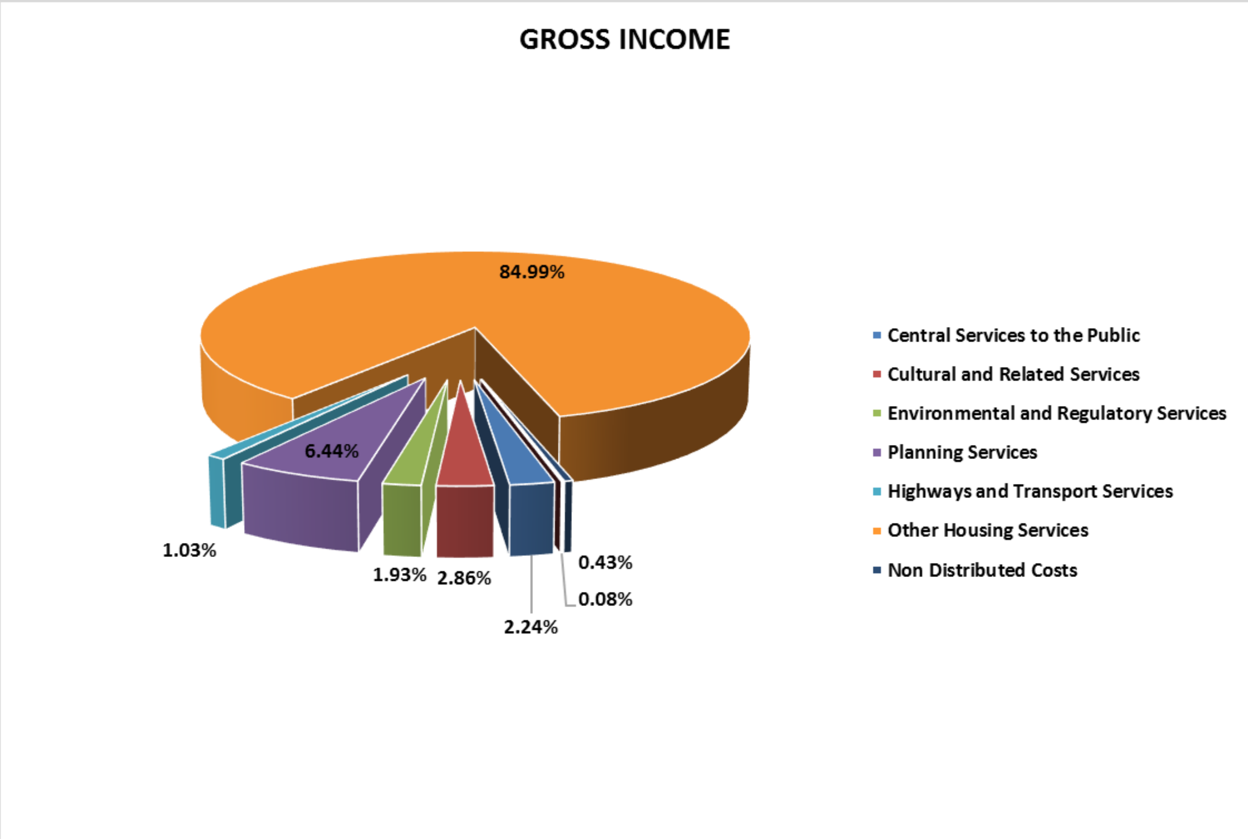
The accounts follow the prescribed Chartered Institute of Public Finance & Accountancy (CIPFA) format. As a result, the Comprehensive Income and Expenditure Statement and the Statement of Movement on the General Fund cannot easily be related to the Council's operational management structure, and the management accounts used for in-year budgetary control. This management information in the format of segmental reporting can be found at Note 20.

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 2015/16 and where the money came from.

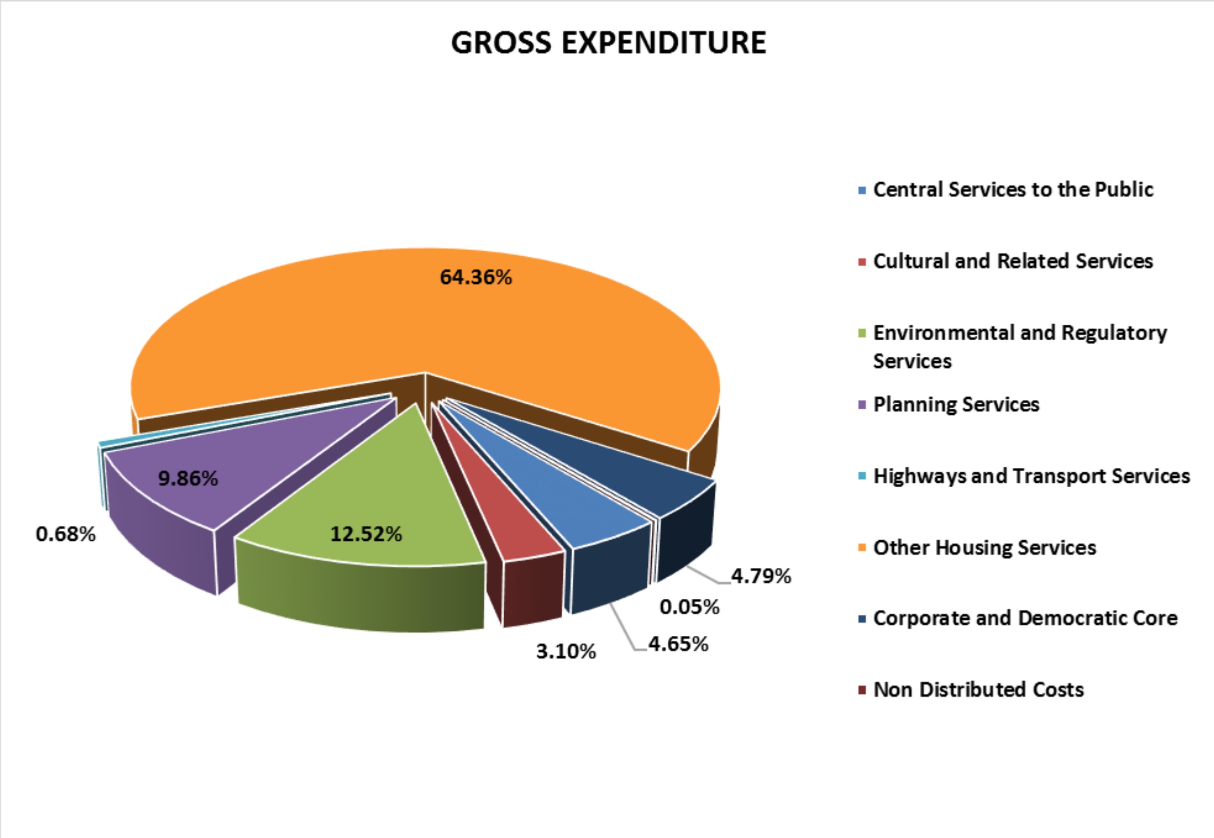
		2015/16 Original Budget £	2015/16 Revised Budget £	2015/16 Actual To 31 March £	2015/16 Variance to Budget £
INCOME					
	Government Grants		0	0	0
	Service Specific Government Grants	(23,735,000)	(23,969,700)	(24,375,552)	(405,852)
	Other Grants and Contributions	(7,000)	(7,000)	(164,304)	(157,304)
	Customer and Client Receipts	(2,483,600)	(2,971,270)	(3,429,885)	(458,615)
Total Income		**(26,225,600)**	**(26,947,970)**	**(27,969,741)**	**(1,021,771)**
EXPENDITURE					
	Employees	9,202,400	9,565,770	9,501,540	(64,230)
	Premises	803,000	876,100	793,427	(82,673)
	Transport	917,100	902,500	849,405	(53,095)
	Supplies and Services	1,812,900	2,280,250	2,275,839	(4,411)
	Third Party Payments	1,810,200	2,006,820	1,641,578	(365,242)
	Transfer Payments	22,843,100	23,049,600	23,396,311	346,711
Total Expenditure		**37,388,700**	**38,681,040**	**38,458,101**	**(222,939)**
BUSINESS UNITS TOTAL (Surplus)/Deficit		**11,163,100**	**11,733,070**	**10,488,360**	**(1,244,710)**
CORPORATE ACCOUNTING					
	Interest and Investment Income	(210,600)	(210,600)	(387,140)	(176,540)
	Interest Payable	37,400	41,100	47,187	6,087
	Parish Precepts	1,551,200	1,551,200	1,551,438	238
	Drainage Board Precept	331,700	331,700	334,736	3,036
STATUTORY ACCOUNTING					
	Capital Expenditure Charged to General Fund	2,947,300	4,933,130	46,389	(4,886,741)
	Support Services	5,292,600	5,423,700	125,496	(5,298,204)
	Recharges	(5,292,600)	(5,423,300)	(125,496)	5,297,804
MOVEMENT IN RESERVES					
	Transfer To / (From) General Fund	712,900	(2,834,900)	171,219	3,006,119
	Transfer To / (From) Specific Reserves	(1,518,800)	(337,900)	1,704,000	2,041,900
NET REVENUE EXPENDITURE		**15,014,200**	**15,207,200**	**13,956,189**	**(1,251,011)**

FUNDED BY					
	Revenue Support Grant	(2,198,100)	(2,198,100)	(2,198,141)	(41)
	Capital Grants and Contributions	(62,000)	(178,800)	(98,213)	80,587
	Other Government Grants	(178,600)	(254,800)	(301,324)	(46,524)
	Business Rate Retention Scheme	(3,460,600)	(3,460,600)	(3,460,600)	0
	New Homes Bonus	(1,986,000)	(1,986,000)	(1,995,298)	(9,298)
	Council Tax	(5,400,400)	(5,400,400)	(5,400,401)	(1)
	Parish Council Tax Requirement	(1,551,200)	(1,551,200)	(1,551,228)	(28)
	Council Tax Freeze Grant	(61,600)	(61,600)	(60,875)	725
	Collection Fund Surplus-Council Tax	(115,700)	(115,700)	(115,726)	(26)
TOTAL FUNDED BY		**(15,014,200)**	**(15,207,200)**	**(15,181,806)**	**25,395**
					0
(SURPLUS) / DEFICIT FOR THE YEAR		**0**	**0**	**(1,225,617)**	**(1,225,617)**
	Carry forwards approved by GCLT				287,800
	Less grants not fully expended in year				139,854
	CIES Outturn position				**(797,963)**
	New Earmarked Reserves: Members Grants,				108,000
	Carry Forward approved by Governance and Corporate Leadership team				176,300
	Movement to/from reserves				176,463
	Returned to General Fund Balance				337,200
					0

Gross income totalled £28.815m (28.342m 2014/15), and is analysed by service below:



Gross revenue spending on services in the year was £39.656m (£40.217m in 2014/15). The following chart shows the services on which the money was spent.



The outturn surplus was a combination of quite a number of small variances over many services. However, the significant variances contributing to the surplus position included; 0.0£93m on the Invest to Earn Budget and £0.082m on the Business Improvement and Transformation Budget both of which are for business case development which will be carried forward to 2016/17, £0.08m after a review of the base budget based on 2014/15 actual outturn savings, £0.043m on salaries, £0.063m on training, £0.059m on software support, £0.090m additional New Burdens grant income and £0.086m unexpected dividend from an investment. Budget pressures were very few and minimal which is very pleasing and reflects the Councils robust monitoring processes.

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.

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

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 with this contract ending on 31 March 2015. Of the original £1,050m available to spend, an amount of £0.679m was returned to the Council together with a loans portfolio amounting to £0.095m

The Council contributed £0.573m to reduce the deficit on the Pension Fund, further information is included at note 28.

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 £9.512m (£7.038m 2014/15) in short term investments, £2.186m (£2.064m 2014/15) in long term investments and £8.985m (£10.060m 2014/15) in cash and cash equivalents.

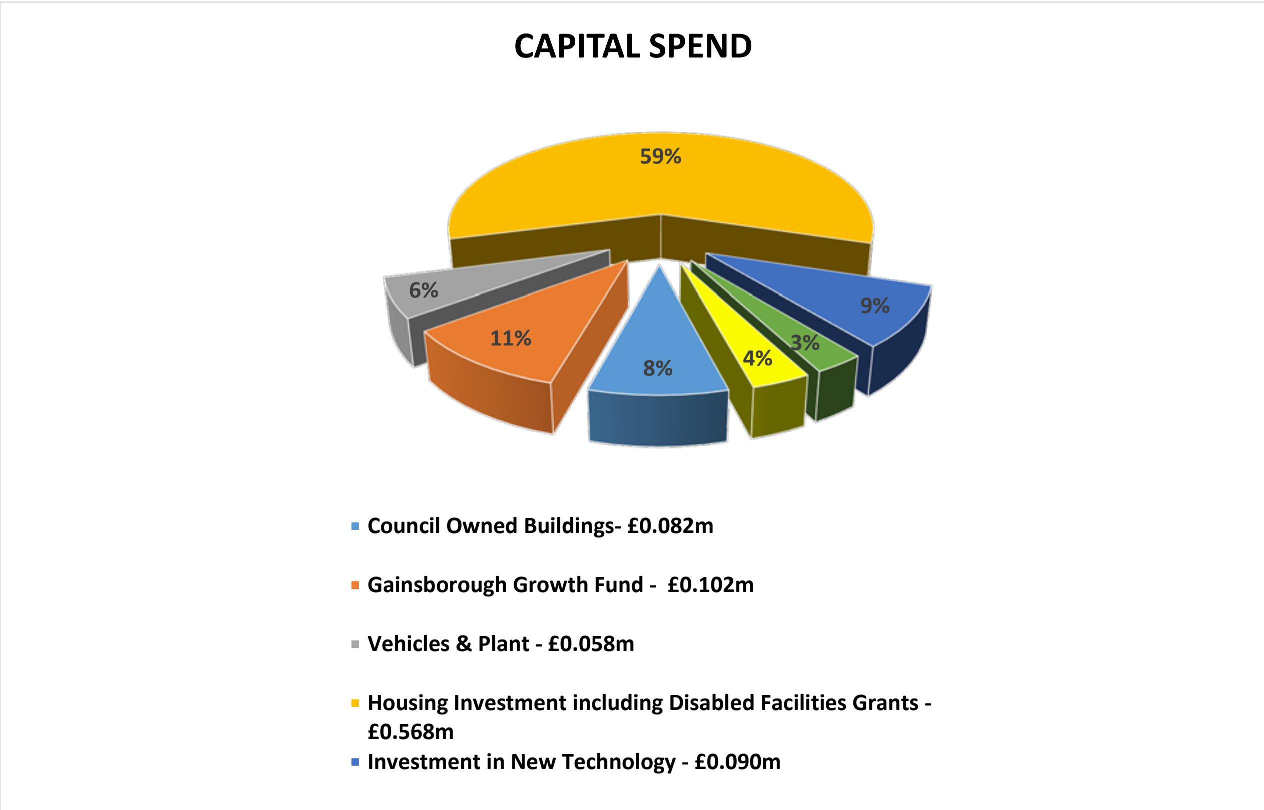
Whilst the Council has no external borrowing it does acquire vehicles, plant and equipment under finance leases which are classified as credit arrangements. At 31 March 2016, outstanding obligations in respect of finance leases amounted to £0.346m (£0.570m 2014/15).

The Capital Programme

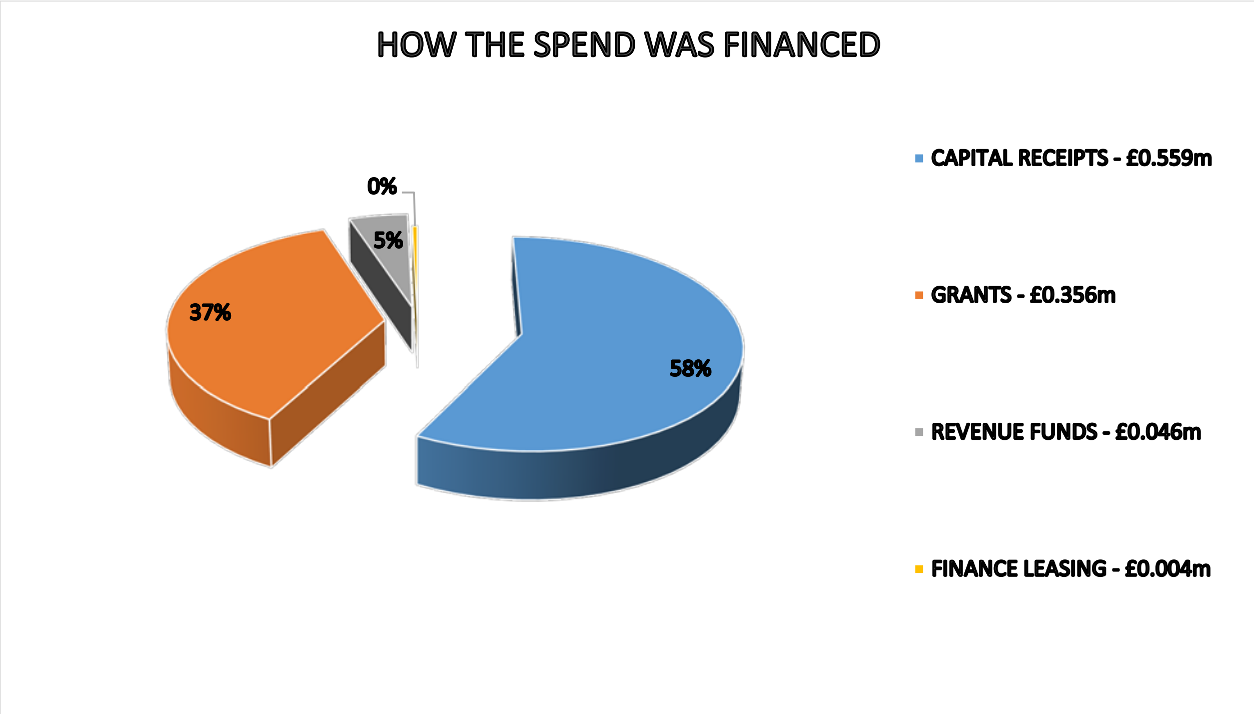
Capital expenditure represents money spent by the Council to purchase, upgrade or improve assets such as buildings and vehicles. The distinction between capital and revenue expenditure is that the Council and its communities receive the benefit from capital expenditure over a longer period of time, usually over a number of years. In the year the Council spent £0.965m on capital expenditure.

The Capital Programme 2015/16 was budgeted to spend £9.689m, approved adjustments during the year of minus £7.255m resulted in a revised Capital Programme of £2.433m. Actual expenditure incurred was £0.965m, and schemes which are not yet complete, totalling £1.468m, will be carried forward and added to the 2016/17 Capital Programme.

No material assets were acquired during the year. However, capital expenditure was incurred on the following projects/areas:



The in-year capital expenditure was funded mainly from Government grants and contributions of £0.356m, direct revenue contributions of £0.046m and £0.559m of capital receipts.



The Council recognises the revenue impact of capital investment and monitors this closely as part of corporate monitoring processes. Business cases supporting the capital investment proposal includes all revenue impacts and these are assessed as part of the budget setting process to ensure that they are affordable.

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 2016 to 31 March 2021.

Funding	£'m
Grants & Contributions	7.776
Revenue Financing	12.876
Useable Capital Receipts	1.317
Prudential Borrowing	39.11
Total	**61.079**

As part of the budget setting process the Council considers a number of financial indicators and ratios in the form of Spider Diagrams. The following table shows how each has moved over the 2015/16 financial year with green upward arrows representing an improvement.

Movement over 2015/16	Budget 2015/16	Budget 2016/17	Direction of travel
Working capital Measures the difficulty in liquidating assets in event of cash flow crisis	102.37	115.99	↑
Equity/Net Revenue Expenditure Ratio Measures property assets against long term liabilities (pension liability, provisions etc)	0.42	0.30	↓
Un-ringfenced Reserves Measures how long a Council can continue to operate without grant or tax income utlising reserves	105.76	93.78	↓
Net change in reserves Measures the movement on reserves	40.52	51.95	↑
Funding level 19/20 - Future Funding Outlook The purpose of this indicator is to measure the medium-term prospects for Councils relative to each other based on a forecast of spending against a forecast of funding.	95.93	91.00	↓
Welfare reform This indicator assumes that Councils where a higher number of benefit claimants live will see higher financial pressures in delivery of services such as homelessness, than those with fewer claimants	13.50	9.50	↑
Business Rates buoyancy This measures how much the area's business rates tax base has grown in the last ten years	36.96	38.71	↑
Council Tax buoyancy The principle behind this measure is similar to the business rates buoyancy measure and the logic is the same. Councils with Council Tax growth will receive a boost from increase in the Council Tax base and also from New Homes Bonus.	2.26	6.32	↑

As a Council we compare favourably with regards to most financial measures due to our high level of reserves, however the reduction in future available resources will reduce our position in this respect. For those indicators that have not improved:

- The Equity/Net Revenue Expenditure Ratio represents property assets as a proportion of long term liabilities. The downward movement shows property assets are lower than long term liabilities (pension liability, provisions etc.). The value of property assets has over recent years fallen but values are now starting to increase as this will reflect in future years. However, as property assets are also being sold to generate funds for further capital investment it may be that any increase in the value of the property portfolio will be offset by a reduction due to property sales. The Council is also making additional contributions to reduce the pension's liability and this will have a favourable effect on the ration.

- The un-ringfenced reserves as a percentage of net revenue spend measures the period over which a Council could continue to operate without grant or tax income by utilising reserves. The downward movement on this indicator results from the Councils financial investment both in capital and revenue projects.

- The purpose of the Funding level 19/20 - Future Funding Outlook is to measure the medium-term prospects for the Council relative to other Councils based on a forecast of spending against a forecast of funding.

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 2016 the Council's net liability reported by the Actuary to the LGPS was £28.876m (£34.716m in 14/15), a decrease of £5.840m (16.8%). Fair value of LGPS assets was £42.106m (£42.167m in 14/15), a decrease of £0.061m and the value of obligations to pay pension liabilities decreased by 7.68% from £76.883m to £70.982m.

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 £28.876m 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 2015/16 are 16.1% and £0.744m contribution to reduce the deficit.

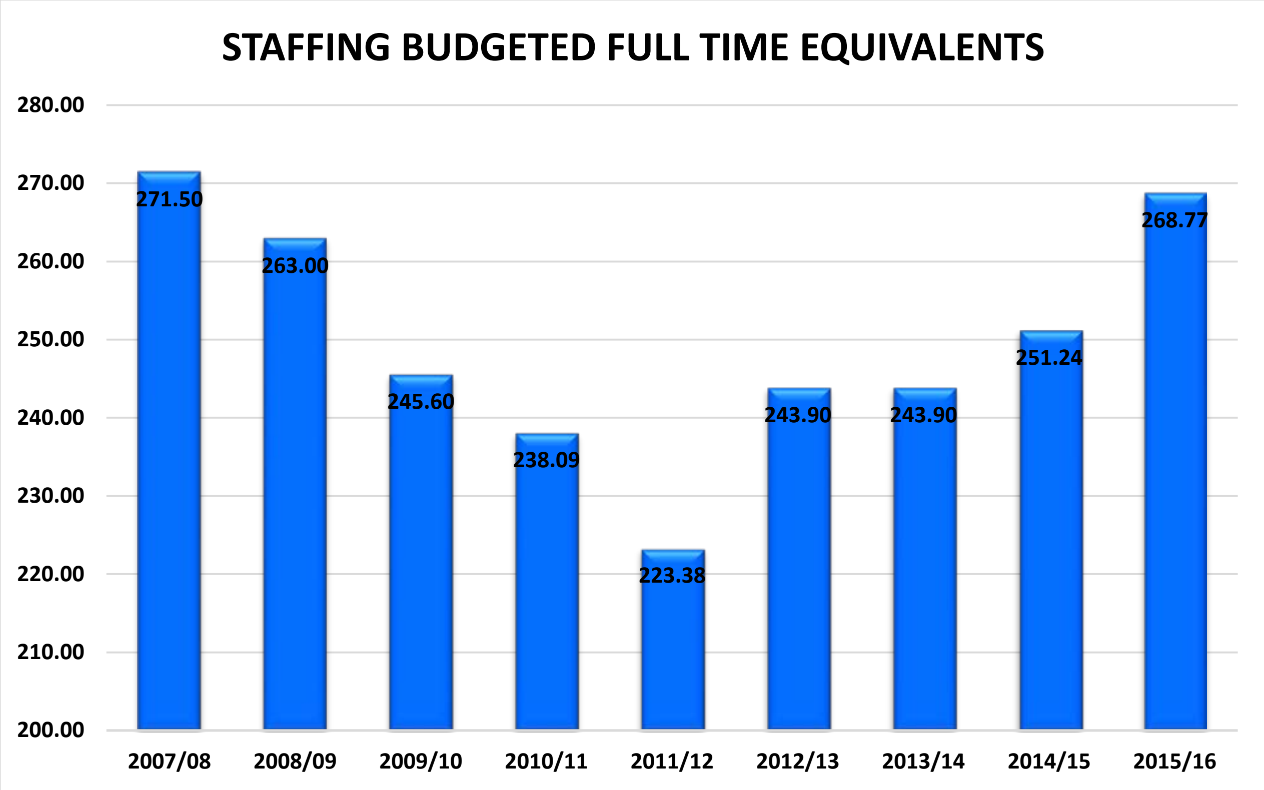
More details of the IAS19 valuation are set out in Note 28 to the Financial Statements.

Significant provisions, contingencies and material write-offs

No significant contingencies or material write offs were recognised in 2015/16. However the Council has set aside provisions amounts to £1.012m mainly in respect of appeals against NNDR rating assessments, possible outstanding legal cases and insurance.

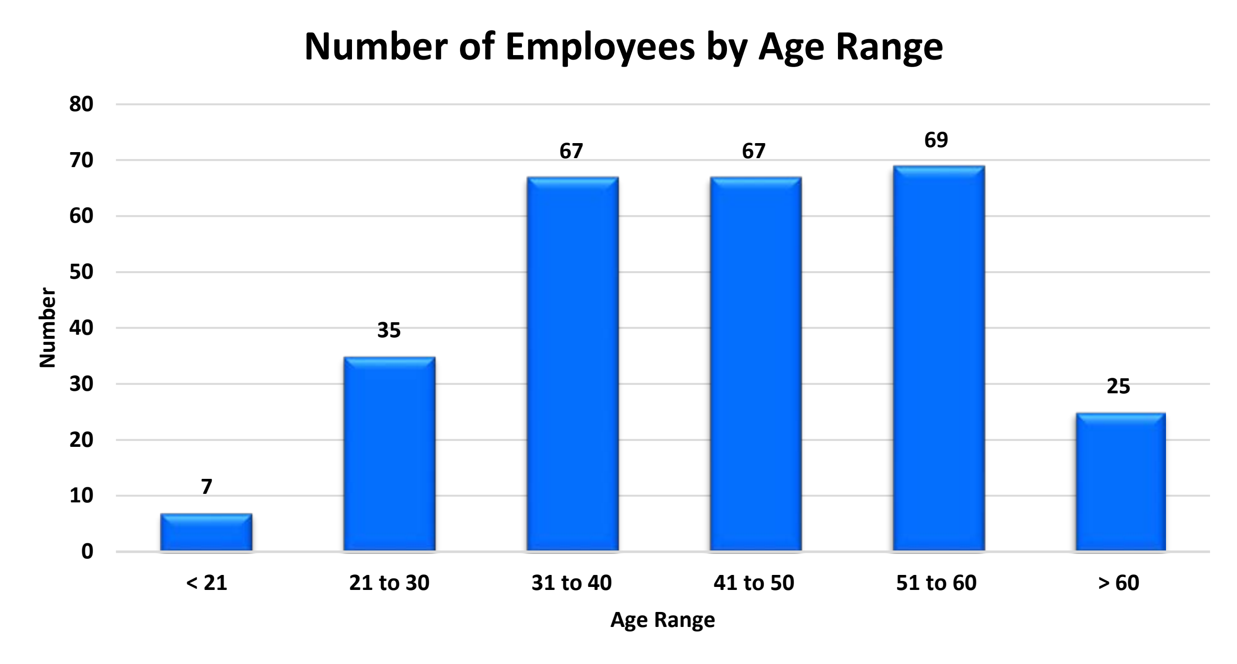
Staffing Trends

The Council has put considerable effort into its drive to become more efficient by reducing staffing numbers yet maintaining quality award winning services. This has been achieved by introducing a range of measures such as more flexible working, restructuring management and streamlining back office activities by the use of new technology.

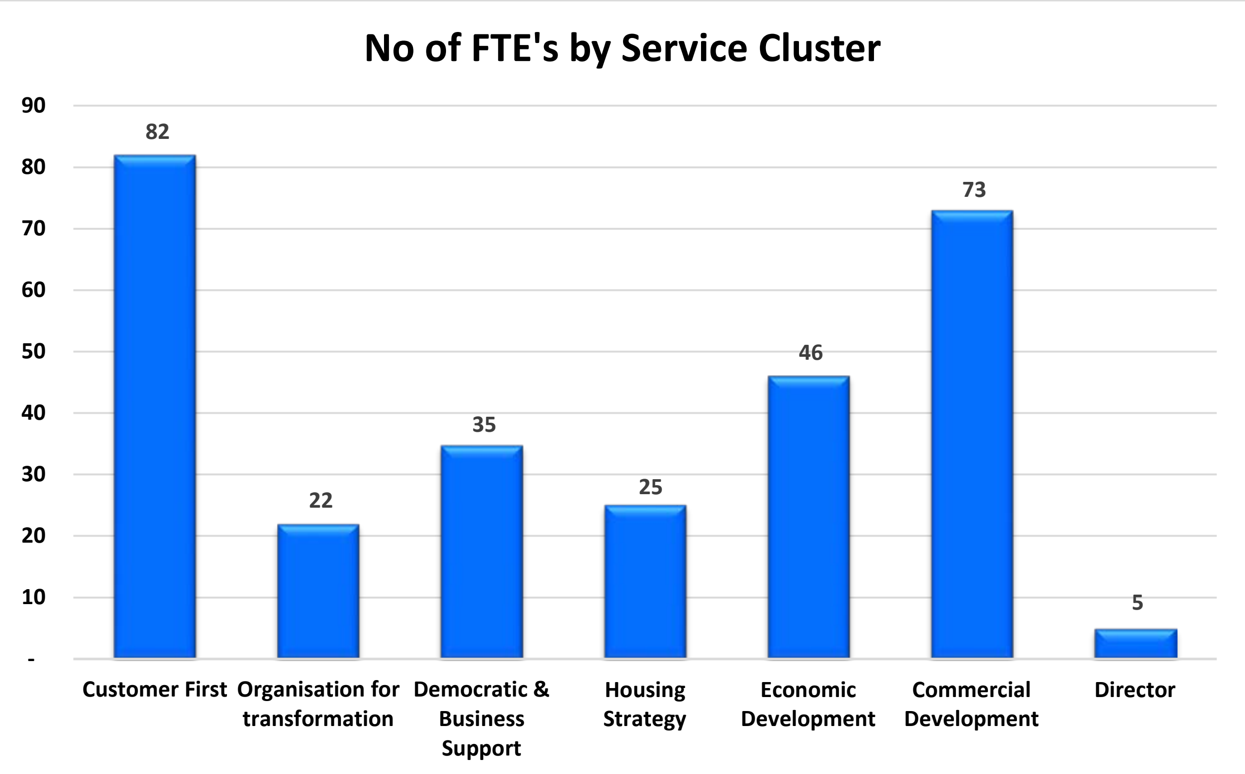


The results show that budgeted full time equivalents have fallen from 271.5 in 2008/09 to 223.38 in 2012/13, an overall reduction of almost 18%, delivered through reorganisations and without the need for whole scale redundancies. Since 2012/13 staffing numbers have increased, however, these increases result mainly from recruitment of officers on fixed term contracts to deliver specific projects. The funding of these projects is from securing external grant or utilising Invest to Earn/Invest to Save reserves and therefore does not impact on Council Tax levels or other service delivery.

The Council is conscious of the demographic of its employees and is keen to ensure business continuity by establishing a workforce development and training plan that will explore and support the organisational need for succession planning.

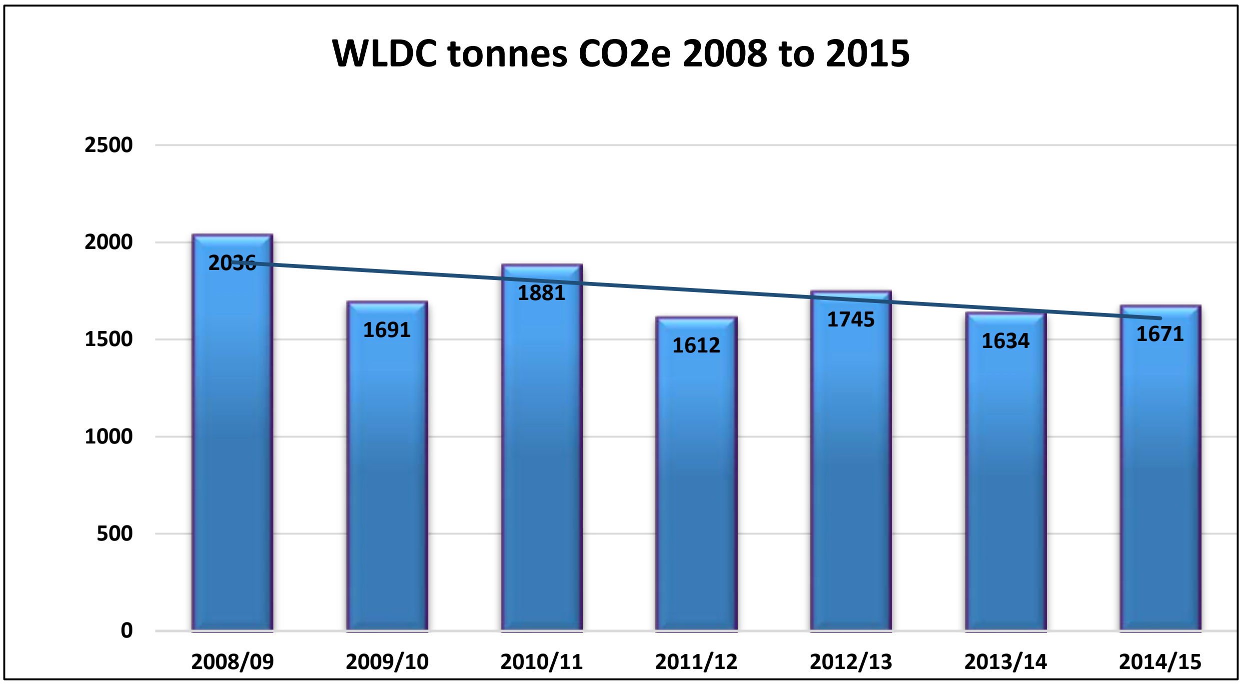


Of the total number of employees 43% are male and 57% are female.



Carbon Management Plan

The Council is committed to reducing energy usage and carbon emissions and has in place within its Carbon Management Plan carbon reducing projects and action plans to deliver this objective. Since 2008/09 CO2 emissions have been reduced by almost 18%. The plan aims to build on this success in order to achieve a target reduction of 35% which is an ambitious target.



An amount of £130,000 is included in the Carbon Management Plan 2016/17 for projects to be delivered over the next 5 year period which will generate ongoing savings.

Projects will include such works as roof insulation, replacement double glazing, replacing and upgrading to energy efficient lighting, including to street lighting and measures to reduce vehicle fuel usage.

8. RISK MANAGEMENT

The Council manages all risks via a formal Approved Code of Practice. As part of the process a comprehensive strategic risk register is maintained and processes are in place for risks identification and review. In addition to risk identification, mitigating actions are agreed to either terminate the risk or reduce its potential impact.

Financial risks are specifically identified and considered within the MTFP report part of the budget setting process. These risks are then monitored by a number of methods depending upon the type of risk. For example, the risk of income targets not being achieved is monitored through monthly income monitoring and reporting is undertaken with a full review of fees and charges annually which incorporates trend analysis and future demand estimations.

Within the MTFP there are assumptions on savings targets in order to meet the budget shortfall expected over the term of the MTFP to 2020/21. Additional or unexpected income could result in a reduced focus on making savings elsewhere in the budget. The Council needs to monitor unexpected income to minimise any risk of additional unexpected item and the potential to impact on organisational focus to deliver the planned financial targets.

It is also very important that schemes to achieve savings are monitored in order to highlight any schemes that are not achieving savings expected and that failing schemes are addressed at an early date. This is done through the close monitoring of service budgets by team mangers with support from their Business Partners. Those activities that are sufficiently significant to merit their own project environment will be managed through the Programme Boards.

Transformation, Commercial and Growth Boards have been established to ensure that the project management framework is in place to deliver on both the budget savings and the vision of the Council being an entrepreneurial council.

9. FUTURE OUTLOOK AND SIGNIFICANT SERVICES CHANGES

With regard to planned future developments, exciting times are ahead for the Council. 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. The following are the key major developments on the near horizon:

- **Greater Lincolnshire Combined Authority Devolution**

The terms of a proposed agreement between government and the leaders of Greater Lincolnshire to devolve a range of powers and responsibilities to the Greater Lincolnshire Combined Authority and a new directly elected combined authority mayor have recently been agreed. Building on the Growth Deals, agreed in July 2014 and January 2015, this Devolution Deal marks the next step in the transfer of resources and powers from central government to Greater Lincolnshire.

This agreement will enable Greater Lincolnshire to accelerate the delivery of its Strategic Economic Plan, which aims to increase the value of the Greater Lincolnshire economy by over £8 billion, creating more than 29,000 new jobs, and delivering at least 100,000 new homes.

This is an exciting opportunity for the Council. It will enable the Council to:

- Focus spending on local priorities and have more of a say over local taxation
- Work together across services and use local knowledge to get better value for money
- Be more self-sufficient and have more responsibility for the future of the local area
- Allow for decisions to be taken by locally elected politicians who better understand local issues and can be held to account more easily

The agreement is still subject to ratification from the Greater Lincolnshire local authorities and to parliamentary approval of the secondary legislation. There will also be a consultation process with the residents in the district.

- **Company Purchase**

On 1 June 2016 the Council purchased a company. It is anticipated that the company will start trading commercially by August 2016.

The purchase accords with the Councils aim to become an entrepreneurial Council and operate services on a commercial basis.

- **Universal Credit**

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

Universal Credit was introduced to new single working-age West Lindsey claimants on 30 November 2015 and is having a minor effect on Housing Benefit caseload but quite an impact already for Council Tax Support applicants and claim procedure as CTS is not included in the claimants Universal Credit claim. West Lindsey does not have a date for the current Housing Benefit caseload to be transferred to Universal Credit or for UC to be rolled out to other client groups in addition to single claimants. The Council continues to give support to residents to apply and manage their online claims and their finances.

- **Reduction in the Benefit Cap**

The amount of welfare benefits a household is allowed to receive will be reduced later this year (couples and families from £500 per week to £385 per week and single people £350 to £257 per week). It is expected that up to 199 West Lindsey households will be affected by this change and the reduction in their benefits is managed by removing their Housing Benefit. This will mean that budgeting support, Discretionary Housing Payments and extra communications will have to be managed by the Benefit Team. This may also affect the Home Choices Team where households will be looking to reduce the size of their accommodation or find more affordable housing.

- **Economic Development and Housing Regeneration**

The local plan has made outstanding progress over the last two years and is now in its final round of consultation. It is essential that the Council has the capacity to deliver through the development management service and the growing neighbourhood plan programme.

As part of the Council's commitment to support and deliver strong economic growth in the district, we are changing the way we provide our development management and economic development services. We recognise that a robust and progressive planning service is an essential part of ensuring that our growth ambitions are realised.

The Council has committed to a £15 million programme of regeneration for Gainsborough to rejuvenate the town centre and riverside areas. We need to attract inward investment and joining the services areas together is key and helps the council make savings.

It is now important that both services are aligned to make sure that the development industry recognises the serious potential that West Lindsey has to offer. In order to achieve this, the development management function will be merged with the spatial planning (local planning) and economic development. This will add significant capacity to these work areas and assist the Council in terms of economic growth and regeneration.

Neighbourhood planning is an area that is growing quickly in the district. The work has already seen the adoption of the first two neighbourhood plans. Demand in the area is set to grow as more than 25 further neighbourhood plans are now underway.

The success we have had in the neighbourhood plan area could produce another £0.350m in grants from the Government. Joint working with our neighbouring central Lincolnshire councils has also resulted in significant savings in this area. The changes also represent good value for money as two team manager posts have been merged into one.

10. SIGNIFICANT CHANGES IN ACCOUNTING POLICY

The following changes of accounting policies have been made since the production of the 2014/15 financial statements:

- The introduction of accounting standard IFRS13 Fair Value Measurement requires the Council to measure surplus assets, previously measured at existing use valuation, based on their use as an operational asset, to be measured at fair value in accordance with IFRS13. Accordingly this revision has been made to accounting policy xviii (Measurement) and a new policy on Fair Value Measurement xxiii has been included.

- The introduction of accounting standard IFRS13 also changed the measurement of investment properties from existing use value to fair value, policy xiv Investment Policy.

- The range of Asset Useful Economic Lives Assumed (within policy xviii (Depreciation)) have been revised to reflect the 31 March 2015 revaluations and the revised estimated remaining lives of those assets as provided by the Councils external valuer.

11. THE FINANCIAL STATEMENTS

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 new Corporate Plan for 2016/17 and onwards, responding to the on-going public sector reforms and reductions in Central Government funding and other income streams.

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 £0.798m (surplus of £0.108m 2014/15).

- **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 £21.022m (£17.711m 2014/15).

- **Balance Sheet**

The Balance Sheet shows the value as at the Balance Sheet date of what the Councils owns (it's assets) and what the Councils owes (it's liabilities) and the funds or reserves that support them.

Balance Sheet as at 31st March 2016	
	£'000
Non-Current Assets (e.g. Property, Plant & Equipment)	22,677
Current Assets (e.g. short term debtors)	12,720
Cash and cash equivalents (net)	8,985
Current Liabilities (e.g. short term creditors, short term borrowing)	-4,131
Long Term Liabilities (e.g. long term finance lease liability, pension deficit)	-29,640
Total Net Assets/(Liabilities)	**10,611**
Financed by:	
Usable Reserves	-21,022
Unusable Reserves	10,411
Net Worth	**-10,611**

Valuation of Long Term property assets

The Balance Sheet Non-Current Assets relates to property, plant and equipment and includes acquisitions and enhancements, changes in valuations, and disposals. These events have resulted in an overall carrying value of £19.862m, an increase of £3.121m from 2014/15. Further details are contained within Note12 to the Statement of Accounts.

The valuation as at 31 March 2016 of all assets resulted in net downward revaluations of £0.050m recognised in the Cost of Services and upward revaluations of £3.669m recognised within Other Comprehensive Income.

Liabilities

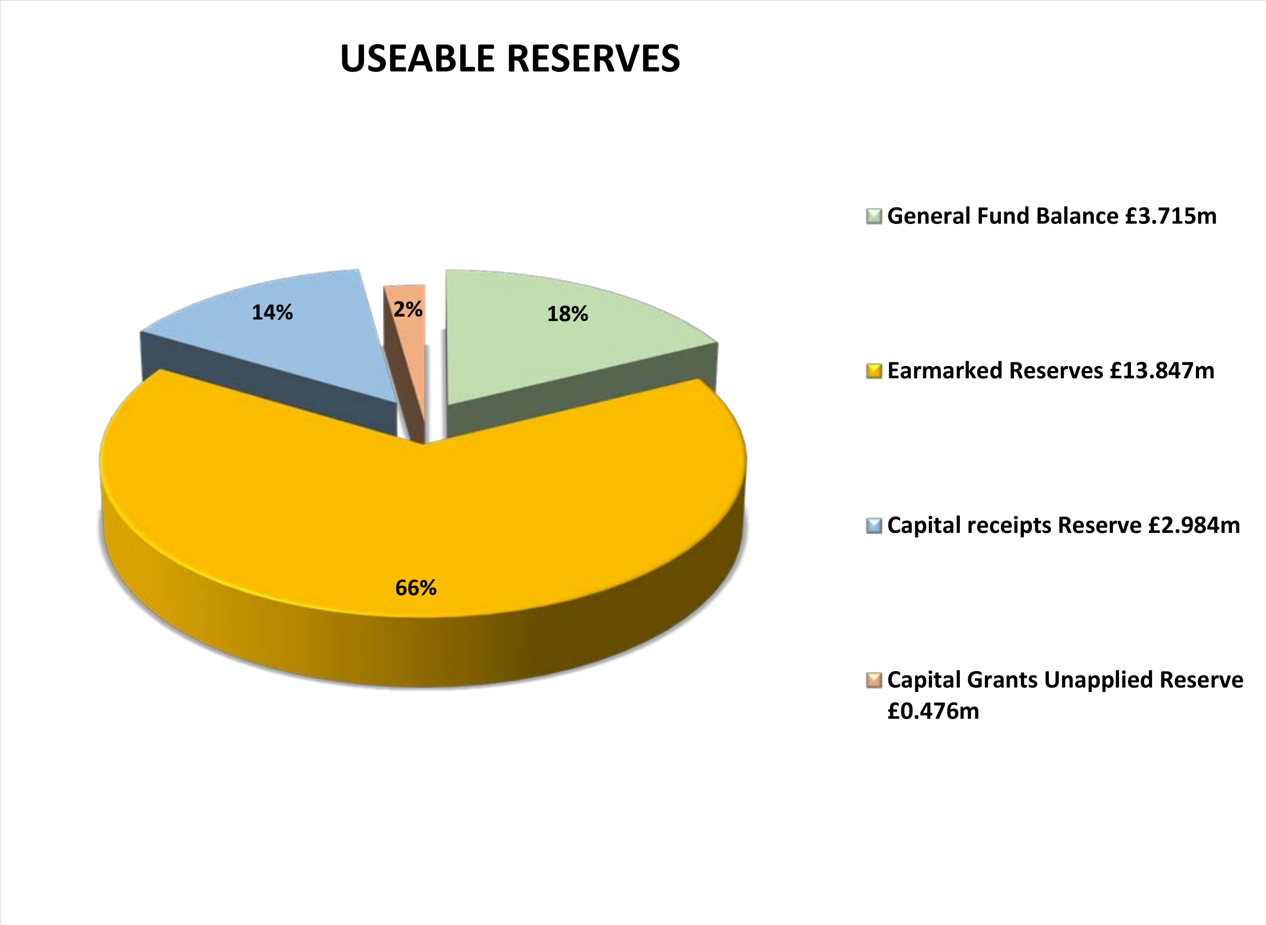
A major liability included within long term liabilities relates the deficit on the pension fund which amounts to £28.876 as at 31 March 2016 (£34.716m). Further information on the pension's position is contained within Note 28 to the Statement of Accounts.

Reserves

Not all reserves can be used to deliver services and this is reflected by reporting reserves in two groups – 'usable' and 'unusable' reserves.

Unusable reserves are determined by technical accounting rules and are not available for use by the Council. These have fallen by £8.303m to £10.411m mainly reflecting the change in the Pensions Reserve.

Usable reserves have increased by £3.311m to £21.022m.



The Council has adequate revenue balances to provide financial security and a safety mechanism for unforeseen events. The need for adequate reserves becomes even more important in view of the financial challenges faced by Councils.

Useable reserves are made up of the following categories:

General Fund Balance

The General Fund Revenue Account balances stood at £3.715m as at 31 March 2016 (£4.160m 31 March 2015) a decrease of £0.445m being the amount of the underspend for the year £0.798m, adjustments between accounting and funding basis of £1.946m less transfers to earmarked reserves of £3.198 for future planned investment. The balance as at 31 March 2016 represents 24.74% of net cost of services.

The Council has a strategy of maintaining the General Fund balance at a level of at least 5% of net operating expenditure. The balance represents funds available to mitigate risks the Council is facing in any one year and which will depend upon the robustness of the estimates within the budgets, the adequacy of budgetary control and external factors such as inflation and interest rates. Such risks may also include changes in Government policy, further funding reductions and market factors.

Earmarked Reserves

Earmarked reserves are reviewed annually to ensure their investment in both revenue and capital initiatives align to Corporate Plan priorities.

The 2015/16 MTFP approved new Earmarked Reserves and contributed to existing reserves as follows;

1. **The creation of a strategic Invest to Earn Fund- £1.0m**
   To fund projects that meet commercial aspirations and generate a return on investment i.e. traded services, attracting external funding, new commercial ventures to generate income to support future sustainability.

2. **To increase the Business Rates Volatility Reserve - £0.250m**
   Whilst it is anticipated that the Council will benefit from additional annual revenue income of circa £0.236m per annum, inclusion in the Lincolnshire Business Rates Pool does come with a higher risk of volatility, therefore it is proposed to increase this reserve.

3. **To increase the Land and Property Reserve- £1.5m**
   The reserve supports capital and revenue investment to deliver the Council's priority of asset acquisition and management, by investing in economic and housing regeneration schemes, to also deliver commercial returns in support of a sustainable budget position.

4. **To increase the Big Society Reserve - £0.150m**
   This reserve was created to support local communities by the provision of loans to Parishes which will generate a favourable return to the Council in terms of interest.

5. **To increase the Finance Reserve - £0.270m**
   The reserve is provided to meet any volatility and risks within the Revenue Budget.

Upon out-turn £2.547m 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 £5.737m at the 31 March 2016, the overall net contribution to Earmarked Reserves totals £3.190m. The balance of Earmarked Reserves as at 31 March 2016 therefore totals £13.848m (£10.658m 2015/16).

Capital Receipts Reserve

Capital receipts reserve increases as a result of receipts from asset disposals and reduces as capital receipts are used to finance further capital investment. The reserve increased from £2.407m to £2.984m.

New receipts during the year totalled £1.136 received from our share of Right to Buy receipts, in accordance with our housing transfer agreement, loan and capital grant repayments. An amount of £0.559 was used to finance capital expenditure, the balance of £2.984m is available for future financing.

Capital Grants Unapplied Reserve

As part of securing capital investment into the district, services will work to secure grant funding towards funding a capital scheme. The majority of grants have been received for specific purposes and are therefore ring-fenced and are not available for funding the Councils general revenue operating expenditure.

This reserve increases as a result of receipts from grants received in year that have not yet been used (£0.092m) and reduces as the grants are used to finance further capital investment (£0.102m). The reserve reduced from £0.486m to £0.476m

- **Cash Flow Statement**

The Cash Flow Statement represents the Council's movement in cash (and cash equivalents) during the year.

Cash flows from operating activities are cash generated from the Council's core business activities

Investing activities are those activities which include capital expenditure and acquisitions which are intended to contribute to the Council's future service delivery.

Cash flows arising from financing activities such as the issue and repayment of debt 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 a decrease of £1.075m (increase of £1.867m 2014/15).

Cash Flow Statement	
	£'000
Cash and cash equivalents 1st April 2015	**10,060**
PLUS Net Cash Flows from Operating Activities	366
less Net Cash Flows from Investing Activities	202
plus Net Cash Flows from Financing Activities	-1,643
Cash and cash equivalents 31st March 2016 (see Balance Sheet)	**8,985**

Based on the Council's current cash flow estimates, the programme of capital investments and borrowings, a working capital balance of circa £8m is required for funding business as usual.

The Council has agreed an ambitious capital investment programme totalling some £61m over the next five years. The major parts of funding this investment will fall to be met from borrowing (£39m) and earmarked reserves (£12.9m). The use of earmarked reserves will inevitably deplete existing levels of reserves. Although the Council has included within its Medium Term Financial Plan some revenue resources provision to top up these reserves, it is estimated that earmarked reserves will fall from £13.848m on 31 March 2016 to £8.1m by 31 March 2021.

Borrowing will be managed as part of the Councils treasury management activities, ensuring that the terms of the loans achieved are as favourable as possible. The key assumptions within the MTFP are that the Council will borrow for commercial capital investments and generate income greater than the cost of borrowing including the minimum revenue provision (MRP), a regulatory requirement on Local Authorities.

In addition, the Council intends to generate significant revenue from new income streams by selling its services.

- **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.

12. 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 15 September 2016.

There are no events which have taken place before this date where conditions existed at 31 March 2016. However, as already mentioned above, on 1 June 2016 the Council acquired a company. The Council is the sole shareholder and therefore to company is a wholly owned subsidiary. The financial effects of the purchase and trading activities will be disclosed in the 2016/17 financial statements.

Ian Knowles (S151 Officer)

Director of Resources

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 2015/16 (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 2015/16 presents a true and fair view of the financial position of West Lindsey District Council at 31 March 2016 and its income and expenditure for the year ended 31 March 2016.

Signed:
Ian Knowles, Director of Resources (S151)
West Lindsey District Council **Date: 15 September 2016**

Approval of the Accounts

In accordance with the Accounts and Audit Regulations 2015, I certify that the Statement of Accounts was approved by the Governance and Audit Committee on xxth September 2016

Signed:
Chairman of Governance and Audit Committee **Date: 15 September 2016**
West Lindsey District Council

MOVEMENT IN RESERVES STATEMENT

Movement in Reserves during 2015/16

	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 2015 carried forward	**(4,160)**	**(10,658)**	**(2,407)**	**(486)**	**(17,711)**	**18,714**	**1,003**
(Surplus) or deficit on the provision of Services	(798)	0	0	0	**(798)**	0	**(798)**
Other Comprehensive Income and Expenditure	0	0	0	0	**0**	(10,816)	**(10,816)**
Total Comprehensive Income and Expenditure	**(798)**	**0**	**0**	**0**	**(798)**	**(10,816)**	**(11,614)**
Adjustment between accounting basis & funding basis under regulations (Note 7)	(1,946)	0	(577)	10	**(2,513)**	2,513	**0**
Net (Increase)/Decrease before Transfers to Earmarked Reserves	**(2,744)**	**0**	**(577)**	**10**	**(3,311)**	**(8,303)**	**(11,614)**
Transfers to/(from) Earmarked Reserves (Note 8)	3,189	(3,189)			**0**		**0**
(Increase)/Decrease in 2015/16	**445**	**(3,189)**	**(577)**	**10**	**(3,311)**	**(8,303)**	**(11,614)**
Balance at 31 March 2016 carried forward	**(3,715)**	**(13,847)**	**(2,984)**	**(476)**	**(21,022)**	**10,411**	**(10,611)**

MOVEMENT IN RESERVES STATEMENT

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 2013/14	**(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

2014/15					2015/16		
Gross Expend-iture £'000	Gross Income £'000	Net Expend-iture £'000		Note	Gross Expend-iture £'000	Gross Income £'000	Net Expend-iture £'000
1,700	(670)	1,030	Central Services to the Public		1,843	(645)	1,198
1,215	(134)	1,081	Cultural and Related Services		1,228	(823)	405
5,348	(583)	4,765	Environmental and Regulatory Services		4,964	(557)	4,407
3,000	(1,812)	1,188	Planning Services		3,910	(1,856)	2,054
556	(252)	304	Highways and Transport Services		270	(297)	(27)
26,426	(24,859)	1,567	Other Housing Services		25,523	(24,489)	1,034
1,986	(32)	1,954	Corporate and Democratic Core		1,901	(23)	1,878
(14)	0	(14)	Non Distributed Costs		17	(125)	(108)
40,217	**(28,342)**	**11,875**	**Cost of Services**		**39,656**	**(28,815)**	**10,841**
		2,026	Other Operating Expenditure	9			2,073
		1,082	Financing and Investment Income and Expenditure	10			739
		(15,091)	Taxation and Non-Specific Grant Income And Expenditure	11			(14,451)
		(108)	**(Surplus) or Deficit on Provision of Services**				**(798)**
			Items that will not be reclassified to the (Surplus) or Deficit on the Provision of Services				
		(615)	(Surplus) or Deficit on Revaluation of Property, Plant & Equipment Assets	12			(3,669)
		5,871	Remeasurement of the net defined benefit liability/(asset)	19			(7,026)
		5,256					**(10,695)**
			Items that may be reclassified to the (Surplus) or Deficit on the Provision of Services				
		(25)	(Surplus) or deficit on revaluation of available for sale financial assets				(121)
		5,231	**Other Comprehensive Income and Expenditure**				**(10,816)**
		5,123	**Total Comprehensive Income and Expenditure**				**(11,614)**

BALANCE SHEET

31 March 2015 £'000		Notes	31 March 2016 £'000
16,741	Property, Plant & Equipment	12	19,862
127	Investment Properties		164
157	Intangible Assets		156
2,064	Long Term Investments	13	2,175
0	Long Term Investments -Other	13	10
345	Long Term Debtors	13	310
19,434	**TOTAL LONG TERM ASSETS**		**22,677**
7,038	Short Term Investments	13	9,512
34	Assets Held For Sale		35
31	Inventories		79
2,212	Short Term Debtors	14	3,094
10,060	Cash and Cash Equivalents	15	8,985
19,375	**TOTAL CURRENT ASSETS**		**21,705**
(4,032)	Short Term Creditors	16	(2,918)
(354)	Short Term Provisions	17	(995)
(228)	Short Term Finance Lease Liability	27	(218)
0	Grants Receipts in Advance - Revenue	24	0
(4,614)	**TOTAL CURRENT LIABILITIES**		**(4,131)**
(25)	Long Term Provisions	17	(17)
(342)	Long Term Finance Lease Liability	27	(128)
(34,716)	Net Pensions Liability	28	(28,876)
(115)	Grants Receipts in Advance - Capital	24	(619)
(35,198)	**TOTAL LONG TERM LIABILITIES**		**(29,640)**
(1,003)	**TOTAL NET ASSETS/(LIABILITIES)**		**10,611**
(17,711)	Usable Reserves	18	(21,022)
18,714	Unusable Reserves	19	10,411
1,003	**TOTAL RESERVES**		**(10,611)**

CASH FLOW STATEMENT

Restated 2014/15 £'000		2015/16 £'000
108	**Net Surplus or (Deficit) on the Provision of Services**	**798**
863	Depreciation of Property, Plant and Equipment	744
385	Impairment and downward valuations	85
46	Amortisation of Intangible Assets	49
108	(Increase)/Decrease in Creditors	(164)
(354)	Increase/(Decrease) in Debtors	(234)
10	Increase/(Decrease) in Inventories (Stock)	(47)
933	Movement in Pension Liability	1,186
76	Carrying amount of non-current assets and non-current Assets Held For Sale, sold or derecognised	6
(70)	Other non cash items charged to the net surplus or deficit on the Provision of Services	511
1,997	**Adjustments to net surplus or deficit on the Provision of Services for non-cash movements**	**2,136**
(688)	**Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities**	**(2,568)**
1,417	**Net Cash Flows from Operating Activities**	**366**
(656)	Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	842
(12,010)	Purchase of short-term (not considered to be cash equivalents) and long-term Investments	(14,000)
(395)	Other payments for investing activities	(237)
258	Proceeds from the sale of Property, Plant and Equipment, Investment Property and Intangible Assets	0
11,675	Proceeds from short-term (not considered to be cash equivalents) and long-term Investments	11,510
393	Other receipts from investing activities	2,087
(735)	**Net cash flows from investing activities**	**202**
	Other receipts from financing activities	(5)
1,368	Other payments from financing activities	(1,410)
(183)	Cash payments for the reduction of the outstanding liabilities relating to Finance Leases	(228)
1,185	**Net cash flows from financing activities**	**(1,643)**
1,867	**Net increase or (decrease) in cash and cash equivalents**	**(1,075)**
8,193	**Cash and cash equivalents at the beginning of the reporting period**	**10,060**
10,060	**Cash and cash equivalents at the end of the reporting period Note 15**	**8,985**

Note: The Council has discovered that the model used for determining the 2014/15 cash flow figures was incorrect. The main variances related to an amount of £1.117m NNDR preceptors creditor being included in operating activities when it should have been included in financing activities together with a loan amount of £395k that had been included in operating activities that should have been included in investing activities. The 2014/15 figures have therefore been restated to reflect the true position.

NOTES TO THE ACCOUNTS

1 ACCOUNTING POLICIES

i General Principles

The Statement of Accounts summarises the Council's transactions for the 2015/16 financial year and its position at the year-end of 31 March 2016 The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, 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 2015/16 (The Code) and the *Service Reporting Code of Practice 2015/16* , 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, (including 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 Acquired Operations

All operations acquired in year will be treated in line with the Council's accounting policies and if material disclosed separately on the face of the Comprehensive Income and Expenditure Statement.

iv 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.

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

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

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

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

vi Charges to Revenues for Non-Current Assets

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

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

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance.

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 2015/16 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 cost of 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 Benefits***

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 at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

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) Lincolnshire Pension Fund, administered by West Yorkshire Pension Fund. 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 beginning of the period taking into account any changes in the net defined benefit liability/asset during the period as a result of contribution and benefit payments.

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 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 Reporting Period

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.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

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

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on 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

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

xi Government Grants and Contributions

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

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

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

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

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

xii Intangible Assets

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

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

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

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

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

xiii Inventories and long-term contracts

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

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

xiv Investment Properties

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

Investment properties are measured initially at cost and subsequently at fair value, being 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 Joint Operations

Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the Council in conjunction with other joint operators involve the use of the assets and the resources of those joint operators. In relation to its interest in a joint operation, the Council as a joint operator recognises:

- its assets, including its share of any assets held jointly
- its liabilities, including its share of any liabilities incurred jointly
- its revenue from the sale of its share of the output arising from the joint operation
- its share of the revenue from the sale of the output by the joint operation
- its expenses, including its share of any expenses incurred jointly

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 2015/16 (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, community assets and assets under construction – depreciated historical cost
- surplus assets - the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective
- all other assets – current 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 current 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 revalued 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 Comprehensive Income and Expenditure Statement 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	20 to 60
Depots & Stores	50
Shops	50
Public Conveniences	41
CCTV Systems/IT Equipment/Wheeled Bins/Office Equipment	1 to 15
Vehicles/Bin Lifters	1 to 6
Infrastructure Assets	22 to 33
Dwellings	44 to 46

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 Comprehensive Income and Expenditure Statement 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, Contingent Liabilities and Contingent Assets

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.

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.

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.

xx *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.

xxi 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 Comprehensive Income and Expenditure Statement 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.

xxii 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.

xxiii Fair Value Measurement

The Council measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as equity shareholdings at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

a) in the principal market for the asset or liability, or

b) in the absence of a principal market, in the most advantageous market for the asset or liability

The Council measures the fair value of an asset or liability using assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

Level 1 - quoted prices (unadjusted) in active markets for identical asstes or liabilities that the Council can access at the measurment date

Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 - unobservable inputs for the asset or liability

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

The following Accounting Standards and amendments have been issued but will not be adopted until the 2016/17 financial year.

a) *Amendments to IAS 19 Employee Benefits (Defined Benefit Plans: Employee Contributions)*
The standard relates to the accounting treatment of employee contributions. The accounting treatment of employee contributions is already consistent with this standard.

b) *Annual Improvements to IFRSs 2010 – 2012 Cycle*
This change relates to the definition of a related party specifically in relation to key management personnel.

c) *Amendment to IFRS 11 Joint Arrangements (Accounting for Acquisitions of Interests in Joint Operations)*
The amendment adds new guidance as to how to account for the acquisition of an interest of a joint operation that constitutes a business.

d) *Amendment to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets*
This amendment requires that local authority accounting policies include relevant detail in relation to the valuation techniques used in measuring property, plant and equipment under current value.

e) *Annual Improvements to IFRSs 2012 – 2014 Cycle*
Amendments relate to specific guidance on reclassification of assets held for sale, clarification on financial instruments disclosure relating to servicing contracts

f) *Amendment to IAS 1 Presentation of Financial Statements (Disclosure Initiative)*
IAS 1 specifies the information to be included in the financial statements but does not prescribe a format.

g) *The changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and the introduction of the new Expenditure and Funding Analysis*

The changes under f) and g) are as a result of a result of the Telling the Story review of the presentation of Councils financial statement and incorporate the requirements of IAS 1 and are presentational only.

These changes are not expected to have a material impact on the 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.

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 Balance Sheet at 31 March 2016 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 2015/16 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 2016. 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 2016.

Property Plant and Equipment.

Property assets are included on the basis of a review based valuation and assessed useful lives undertaken on 31 March 2016. 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 £19.862m (£16.741m 2014/15).

The impact of a change in valuation or useful life as at 31 March 2016 would affect the carrying value of the asset in the balance sheet and the subsequent charge for depreciation or impairment in the CIES.

Surplus Assets have been valued in accordance with IFRS13, at Fair Value, based on an estimate of the price at which a market transaction would take place between market participants for best use of the asset.

In valuing assets at fair value critical judgements have to be made including considerations such as uncertainty and risk. However, any significant changes in the assumptions could affect the fair value of surplus and investment asset carrying values on the balance sheet.

With regard to fair value estimates, where Level 1 inputs are not available, the Council employs RICS qualified valuers (Wilks, Head & Eve) to identify the most appropriate valuation techniques to determine fair value. All valuations are carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The Council's valuation experts work closely with finance officers on a regular basis regarding all valuation matters.

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 2015/16 the Council's Actuaries advised that the net pension liability had decreased by £5.84m. 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 2016	Approx. % increase to Employer Liability	Approx. monetary amount (£000)
0.5% decrease in Real Discount Rate	10%	7,169
1 year increase in member life expectancy	3%	2,129
0.5% increase in Salary Increase Rate	3%	2,018
0.5% in the Pension Increase Rate	7%	5,057

The next full valuation of the Pension Scheme will be undertaken during 2016/17.

Arrears

At 31st March 2016 the Council had arrears of £6.329m outstanding mainly in respect of sundry debtors, NNDR and housing benefit overpayments debtors. A review of balances outstanding and recovery performance suggested an impairment allowance of £1.394m would be appropriate. However, if collection rates were to deteriorate additional allowance would be required.

5 MATERIAL ITEMS OF INCOME AND EXPENDITURE

The Council received a sum of £679k during 2015/16. This relates to a part repayment of a capital grant of £1,050m, funded by the Community Assets Fund, that was given in 2012/13 to support a range of capital projects by way of loans, grants or other assistance to local community groups. A three year contract to deliver this investment was entered into with a third party which ended in March 2015. The amount received represents the unspent sum which has been treated as a capital receipt in the accounts and is therefore available for funding future capital investment.

6 EVENTS AFTER THE REPORTING PERIOD

The Statement of Accounts was authorised for issue by the Director of Resources (S151 Officer) on 15 September 2016. 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 2016, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

On 23 June 2016 the European Union (EU) referendum took place and the people of the UK voted to leave the EU. Until exit negotiations are concluded, the UK remains a full member of the EU and all rights and obligations of EU membership remain in force. During this period the Government will continue to negotiate, implement and apply EU legislation. It will be for the Government under the new Prime Minister to begin negotiations to exit the EU. The outcome of these negotiations will determine what arrangements apply in relation to EU legislation and funding in the future once the UK has left the EU. This is therefore a non-adjusting event for which no estimate of its financial effect on the reporting entity can be made.

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.

2015/16 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	(744)	0	0	**744**
Revaluation losses on Property, Plant and Equipment charged to CIES	(85)	0	0	**85**
Movements in the market value of Investment Properties	39	0	0	**(39)**
Amortisation of intangible assets	(49)	0	0	**49**
Capital grants and contributions applied	254	0	0	**(254)**
Revenue expenditure funded from capital under statute	(502)	0	0	**502**
Amounts of non-current assets written off on disposal or sale as part of the (gain)/loss on disposal to the CIES	(6)	0	0	**6**
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	228	0	0	**(228)**
Capital expenditure charged against the General Fund Balance	46	0	0	**(46)**
Adjustments primarily involving the Capital Grant Unapplied Accounts:				
Capital grants and contributions unapplied credited to the CIES	92	0	(92)	**0**
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	102	**(102)**
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the (gain)/loss on disposal to the CIES	1,077	(1,077)	0	**0**
Repayment of Loan Principal	0	(59)	0	**59**
Use of Capital Receipts Reserve to finance new capital expenditure	0	559	0	**(559)**
Adjustments primarily involving the Pension Reserve:				
Reversal of items relating to retirement benefits debited or credited to the CIES (Note 28)	(2,725)	0	0	**2,725**
Employers pension contributions and direct payments to pensioners payable in the year	1,539	0	0	**(1,539)**
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	(1,054)	0	0	**1,054**
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	(56)	0	0	**56**
Total Adjustments	**(1,946)**	**(577)**	**10**	**2,513**

2014/15 Adjustment between accounting basis & funding basis under regulations	Useable Reserves			
	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	(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)**
Adjustments primarily involving the Pension Reserve:				
Reversal of items relating to retirement benefits debited or credited to the CIES (Note 28)	(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 incomeand NNDR income are credited to the CIES is different from council tax 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 2015/16.

	Balance at 31 March 2014 £'000	Transfer out 2014/15 £'000	Transfer in 2014/15 £'000	Balance at 31 March 2015 £'000	Transfer out 2015/16 £'000	Transfer in 2015/16 £'000	Balance at 31 March 2015 £'000
Business Improvement & Transformation	**222**	(26)	0	**196**	(16)	350	**530**
Budget Smoothing	**1,152**	(772)	92	**472**	(88)	806	**1,190**
Capital Programme Financing	**1,560**	(345)	0	**1,215**	(26)	0	**1,189**
Community Grant/Support Schemes	**438**	(138)	250	**550**	(361)	494	**683**
Contingencies Fund	**725**	(170)	4	**559**	(148)	318	**729**
Investment for Growth Fund	**192**	(37)	300	**455**	(73)	46	**428**
Invest to Earn	**0**	0	0	**0**	(8)	1,000	**992**
Invest to Save	**492**	(37)	19	**474**	(40)	168	**602**
Maintenance of Facilities	**847**	(314)	57	**590**	(82)	304	**812**
Members Initiative Fund	**0**	0	0	**0**	0	108	**108**
New Homes Bonus	**1,083**	0	0	**1,083**	(1,083)	0	**0**
Property Asset Fund	**1,121**	(170)		**951**	(158)	61	**854**
Regeneration Support Fund	**1,990**	(405)		**1,585**	(106)	1,749	**3,228**
Revenue Grants Unapplied	**137**	(6)	306	**437**	(220)	204	**421**
Service Investment	**511**	(252)	82	**341**	(73)	79	**347**
Waste Management Fund	**1,761**	(49)	38	**1,750**	(66)	50	**1,734**
Total	**12,231**	**(2,721)**	**1,148**	**10,658**	**(2,548)**	**5,737**	**13,847**

Business Improvement & Transformation
To assist with costs associated with Business Case Development for transformational change

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

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

Community Grant/Support Schemes
To support area management and community engagement and help leveraging funding.
Provision of support to vulnerable communities

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

Investment for Growth Fund
To support regeneration schemes

Invest to Earn Reserve
To support the council's commercial activity

Invest to Save Reserve
To support efficiency projects to provide a positive net payback over the Medium Term Financial Strategy

Maintenance of Facilities
To meet future property maintenance requirements

New Homes Bonus
Created as part of the MTFP to fund housing regeneration initiatives

Property Assets Fund
To support strategic property/housing policies

Regeneration Support Fund
To support local business growth and housing regeneration

Revenue Grants Unapplied
Revenue grants which have yet to be expended

Service Improvement
To support service development initiatives, including IT upgrades

Waste Management Fund
To support strategic service development and replacement vehicle programme.

9 OTHER OPERATING EXPENDITURE

2014/15 £'000		2015/16 £'000
1,454	Parish Council Precepts	1,551
178	Additional support to Parish Councils	181
328	Levies	335
66	(Gains)/Losses on the disposal of non-current assets	6
2,026	**Total**	**2,073**

10 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2014/15 £'000		2015/16 £'000
64	Interest payable and similar charges	48
1,193	Net interest on the net defined benefit liability (asset)	1,112
(228)	Interest receivable and similar income	(307)
(1)	Income and Expenditure in relation to investment properties and changes in their fair value	(34)
54	Other Investment Income	(80)
1,082	**Total**	**739**

11 TAXATION AND NON-SPECIFIC GRANT INCOME AND EXPENDITURE

2014/15 £'000	2014/15 £'000		2015/16 £'000	2015/16 £'000
(6,967)		Council tax income		(7,168)
	(6,457)	Retained NNDR	(6,531)	
	(426)	S31 Grant re Small business rates relief	(558)	
	3,398	Tariff payable to Pool (Gov 2014/15)	3,463	
	257	Levy/(-)Safety Net	(123)	
	122	Other amounts	60	
	102	In Year NNDR (Surplus)/Deficit	1,154	
(3,004)		Total Non-Domestic Rates income and expenditure		(2,535)
(5,006)		Non ring-fenced Government grants		(4,740)
(114)		Capital grants and contributions		(8)
(15,091)		**Total**		**(14,451)**

12 PROPERTY PLANT AND EQUIPMENT

Movements in 2015/16	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 2015	12,894	5,067	354	139	1,697	171	**20,322**
Additions	110	101	4	0	0	71	**286**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	1,629	0	22	0	1,858	0	**3,509**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(246)	0	0	0	82	0	**(164)**
Derecognition - Disposals	0	(10)	(4)	0	0	0	**(14)**
Derecognition - Other	0	(18)	0	0	0	0	**(18)**
Assets reclassified (to)/from Held for Sale	0	0	0	(35)	34	0	**(1)**
Other movements in cost or valuation	89	0	0	0	82	(171)	**0**
At 31 March 2016	**14,476**	**5,140**	**376**	**104**	**3,753**	**71**	**23,920**
Accumulated Depreciation & Impairment							
At April 2015	0	(3,501)	(80)	0	0	0	**(3,581)**
Depreciation charge	(229)	(494)	(9)	0	(9)	0	**(741)**
Depreciation written out to the Revaluation Reserve	156	0	0	0	3	0	**159**
Depreciation written out to the Surplus/Deficit on the Provision of Services	72	0	0	0	7	0	**79**
Derecognition - Disposals	0	8	0	0	0	0	**8**
Derecognition - Other	0	18	0	0	0	0	**18**
At 31 March 2016	**(1)**	**(3,969)**	**(89)**	**0**	**1**	**0**	**(4,058)**
Net Book Value							
at 31 March 2016	**14,475**	**1,171**	**287**	**104**	**3,754**	**71**	**19,862**
at 31 March 2015	**12,894**	**1,566**	**274**	**139**	**1,697**	**171**	**16,741**

Comparative 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**
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)**
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**
Derecognition - Disposals	0	0	0	0	0	0	**0**
Derecognition - Other	0	378	0	0	0	0	**378**
At 31 March 2015	**0**	**(3,501)**	**(80)**	**0**	**0**	**0**	**(3,581)**
Net Book Value							
at 31 March 2015	**12,894**	**1,566**	**274**	**139**	**1,697**	**171**	**16,741**
at 31 March 2014	**12,464**	**2,087**	**283**	**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 - 20-60 years
• Vehicles, Plant, Furniture and Equipment - 1-15 years
• Infrastructure - 22-33 years
• Surplus - 38-41 years

Capital Commitments

At 31 March 2016 the Council had no outstanding commitments for capital schemes.

Effects of Changes in Estimates

There have been no major changes in relation to estimated asset life, residual asset values, depreciation method or disposal costs in 2015/16 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 2016 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	0	1,171	0	462	**1,633**
Valued at Current Value as at:					
31 March 2016	14,475	0	3,754	0	**18,229**
Total Cost or Valuation	**14,475**	**1,171**	**3,754**	**462**	**19,862**

The significant assumptions applied in estimating the current 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.

Assets Valued at Fair Value

With regard to assets valued at fair value, no assets within the potfolio are classed at Level 1 in the fair value heirarchy i.e. unadjusted prices in active markets for identical assets.

For the remaining assets the majority are classed at Level 2 i.e quoted prices that are observable for the asset with adjustments being made based on perhaps location and condition.

There are remaining 4 assets that are assessed at Level 3 i.e where unobservable inputs have been used to measure fair value:

Pavillion at Sandsfield Lane, Gainsborough (Balance Sheet value £25,000) has been valued based on a comparable approach either by estimated market rental values or subsidised passing rents. The valuer has drawn on his own assumptions plus utilised third party resources to value this asset.

The remaining assets, two oil well sites plus an aggregate site (total Balance Sheet value £227,150) have been valued based on known and estimated cash flows from the properties.

13 FINANCIAL INSTRUMENTS

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

	Long Term		Current	
	31 March 2015 £'000	31 March 2016 £'000	31 March 2015 £'000	31 March 2016 £'000
Financial Assets Classified as Loans and Receivables:				
Investments	0	0	7,038	9,512
Short-term deposits with Money Market Funds	0	0	9,619	8,741
Operational Debtors	0	0	7	116
Loans and Receivables	345	310	50	158
Available for Sale Financial Assets	2,064	2,185	0	0
Cash at bank	0	0	440	242
Total Financial Assets Classified as Loans and Receivables	**2,409**	**2,495**	**17,154**	**18,769**
Financial Liabilities Classified at Amortised Cost:				
Finance Lease Liabilities	342	128	228	218
Operational Creditors	0	0	472	506
Provisions	25	17	354	995
Total Financial Liabilities Classified at Amortised Cost	**367**	**145**	**1,054**	**1,719**

Material Soft Loans Made by the Council

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

Income, Expense, Gains and Losses

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

2014/15 £'000	2014/15 £'000	2014/15 £'000		2015/16 £'000	2015/16 £'000	2015/16 £'000
Financial Liabilities Measured at Amortised Cost	**Financial Assets: Loans & Receivables**	**Total**		**Financial Liabilities Measured at Amortised Cost**	**Financial Assets: Loans & Receivables**	**Total**
64	0	64	Interest Expense	48	0	48
0	54	54	Impairment loss/dividend	0	(80)	(80)
64	**54**	**118**	**Total Expense in Surplus or Deficit on the Provision of Services**	**48**	**(80)**	**(32)**
0	(228)	(228)	Interest Income	0	(307)	(307)
0	**(228)**	**(228)**	**Total income in Surplus or Deficit on the Provision of Services**	**0**	**(307)**	**(307)**
64	**(174)**	**(110)**	**Net gain/(loss) for the year**	**48**	**(387)**	**(339)**

Fair Values of Assets and Liabilities

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

- for loans receivable prevailing benchmark market rates,
- no early repayment or impairment is recognised,
- where an instrument will mature in the next 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount,
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.
- Available for Sale Financial Assets were valued under input level 1 in the fair value hierarchy. There have been no changes in the Fair Value Hierarchy in 2015/16

The fair values calculated as at 31 March are as follows:

2014/15 £'000	2014/15 £'000		2015/16 £'000	2015/16 £'000
Carrying Amount	**Fair Value**		**Carrying Amount**	**Fair Value**
7,038	7,038	Investments	9,512	9,512
2,064	2,064	Available for Sale Financial Assets	2,185	2,157
395	387	Loans and Receivables	468	437
(570)	(628)	Finance Lease Liabilities	(345)	(365)
(472)	(472)	Short Term Creditors	(506)	(506)

14 DEBTORS

2014/15 £'000		2015/16 £'000
439	Central Government Bodies	571
541	Other Local Authorities	516
0	NHS Bodies	(0)
899	Other Entities and Individuals	1,754
333	Prepayments	253
2,212	**Total**	**3,094**

15 CASH AND CASH EQUIVALENTS

2014/15 £'000		2015/16 £'000
1	Cash held by the Council	1
440	Bank current accounts	243
9,619	Short-term deposits	8,741
10,060	**Total Cash and Cash Equivalents**	**8,985**

16 CREDITORS

2014/15 £'000		2015/16 £'000
911	Central Government Bodies	310
1,238	Other Local Authorities	481
0	NHS Bodies	0
1,883	Other Entities and Individuals	2,127
4,032	**Total**	**2,918**

17 PROVISIONS

	Outstanding Legal Cases £'000	Injury and Damage Compensation Claims £'000	NNDR £'000	Other Provisions £'000	Total £'000
Balance at 1 April 2015	**(32)**	**(25)**	**(228)**	**(94)**	**(379)**
Additional provisions made in year	(53)	0	(609)	(58)	(720)
Unused amounts reversed in year	0	8	0	18	26
Amounts used in year	0	0	61	0	61
Balance at 31 March 2016	**(85)**	**(17)**	**(776)**	**(134)**	**(1,012)**

Long term provisions total £0.017m and relate to injury compensation claims. A settlement date for these claims is unknown at this stage. Short term provisions total £0.995m 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.

18 USEABLE RESERVES

Movements in the Council’s usable reserves are detailed in the Movement in Reserves Statement and also in Note 7.

19 UNUSABLE RESERVES

2014/15 £'000	SUMMARY	2015/16 £'000
(4,921)	Revaluation Reserve	(8,528)
(10,913)	Capital Adjustment Account	(10,759)
34,716	Pensions Reserve	28,876
(219)	Collection Fund Adjustment Account	835
(25)	Available For Sale Financial Instruments Reserve	(146)
76	Accumulated Absences Account	133
18,714	**Total Unusable Reserves**	**10,411**

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.

2014/15 £'000	Revaluation Reserve	2015/16 £'000
(4,407)	**Balance at 1 April**	**(4,921)**
(1,209)	Upward revaluations of assets	(3,781)
594	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	112
(615)	**(Surplus) or Deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services**	**(3,669)**
49	Difference between fair value depreciation and historical cost depreciation	62
52	Accumulated gains on assets sold or scrapped	0
101	**Amount written off to the Capital Adjustment Account**	**62**
(4,921)	**Balance at 31 March**	**(8,528)**

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 accumulated gains and lossess on Investment Properties.

The account also contains revaluation gains accumulated on Property, Plant and Equipment before April 2007, the date that the Revaluation Reserve was created to hold such gains.

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

2014/15 £'000	Capital Adjustment Account	2015/16 £'000
(10,986)	**Balance at 1 April**	**(10,913)**
	Reversal of items relating to capital expenditure debited or credited to the CIES	
863	Charges for depreciation and impairment of non-current assets	744
385	Revaluation losses on Property, Plant and Equipment	85
0	Movement in fair value of Investment Properties	(39)
46	Amortisation of intangible assets	49
628	Revenue expenditure funded from capital under statute	502
0	Loan Principal Repaid	58
76	Amounts of non-current assets written off on disposal or sale as part of the (gain)/loss on disposal to the CIES	6
(101)	Adjusting amounts written out of the Revaluation Reserve	(62)
(9,089)	**Net written out amount of the cost of non-current assets consumed in the year**	**(9,570)**
	Capital financing applied in the year:	
(244)	Use of Capital Receipts Reserve to finance new capital expenditure	(559)
(440)	Capital grants and contributions credited to the CIES that have been applied to capital financing	(254)
(25)	Applications of grants to capital financing from the Capital Grant Unapplied Account	(102)
(183)	Statutory provision for the financing of capital investment charged against the General Fund balance	(228)
(932)	Capital expenditure charged against the General Fund balance	(46)
(1,824)		**(1,189)**
(10,913)	**Balance at 31 March**	**(10,759)**

Pensions Reserve

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

2014/15 £'000	Pensions Reserve	2015/16 £'000
27,912	**Balance at 1 April**	**34,716**
5,871	Premeasurement of the net defined benefit liability/(asset)	(7,026)
2,453	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	2,725
(1,520)	Employers pensions contributions and direct payments to pensioners payable in the year	(1,539)
34,716	**Balance at 31 March**	**28,876**

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

2014/15 £'000	Collection Fund Adjustment Account	2015/16 £'000
568	**Balance at 1 April**	**(219)**
(787)	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	1,054
(219)	**Balance at 31 March**	**835**

Available For Sale Financial Instruments Reserve

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 determinable payments. The balance is reduced when investments with accumulated gains are:

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

2014/15 £'000	Available For Sale Financial Instruments	2015/16 £'000
0	**Balance at 1 April**	**(25)**
(25)	Upward revaluation of Instruments	(121)
(25)	**Balance at 31 March**	**(146)**

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

2014/15 £'000	Accumulated Absences Account	2015/16 £'000
88	**Balance at 1 April**	**76**
(88)	Settlement or cancellation of accrual made at the end of the preceding year	(76)
76	Amounts accrued at end of current year	133
(12)	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	57
76	**Balance at 31 March**	**133**

20 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 Corporate Policy and Resources Committee recorded in the budget reports for the year is set out in the tables below:

2014/15 £'000	Committee Income and Expenditure	2015/16 £'000
(3,609)	Fees, Charges and Other Service Income	(3,430)
(228)	Interest & Investment Income	(387)
(6,886)	Income from Council Tax	(7,067)
(24,522)	Government Grants	(24,540)
0	General Funding from Government Grants	(8,115)
(35,245)	**Total Income**	**(43,539)**
9,326	Employee Expenses	9,502
29,840	Other Service Expenses	28,957
0	Support Service Expenses	0
55	Interest Payable and Similar Charges	47
1960	Precepts and Levies	1,886
0	Statutory Accounting	46
0	Movement In Reserves	2,303
41,181	**Total Expenditure**	**42,741**
5,936	**Net Expenditure**	**(798)**

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.

2014/15 £'000		2015/16 £'000
5,936	Net Expenditure in the Committee Analysis	(798)
0	Net Expenditure of Services and Support services	100
1,256	Amounts in the CIES not Reported to Management in the Analysis	433
4,683	Amounts included in the Analysis not included in the CIES	11,106
0	Allocation of Recharges	0
11,875	**Total Income**	**10,841**

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. The reporting format changed between financial years hence the inclusion of other elements in 2015/16

2015/16	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	(3,430)	0	(1,077)	0	110	**(4,397)**		**(4,397)**
Interest & Investment Income	(387)	0	0	387	0	**0**	(341)	**(341)**
Income from Council Tax	(7,067)	0		7,067		**0**	(7,168)	**(7,168)**
Government Grants and Contributions	(24,540)	89	0	0	32	**(24,419)**	(7,282)	**(31,701)**
Funded by Government Grants	(8,115)			8,115		**0**		**0**
Total Income	**(43,539)**	**89**	**(1,077)**	**15,569**	**142**	**(28,816)**	**(14,791)**	**(43,607)**
Employee expenses	9,502	0	132	0	0	**9,634**	0	**9,634**
Other service expenses	28,957	(168)	502	0	(142)	**29,149**	0	**29,148**
Depreciation, amortisation and impairment	0	(2)	876	0	0	**874**	0	**874**
Interest Payments	47	0	0	(47)		**0**	1,080	**1,080**
Precepts & Levies	1,886	181	0	(2,067)		**0**	2,067	**2,067**
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	0	**0**	6	**6**
Statutory Accounting	46	0		(46)	0	**0**		**0**
Movement in Reserves	2,303	0		(2,303)	0	**0**		**0**
Total Expenditure	**42,741**	**11**	**1,510**	**(4,463)**	**(142)**	**39,657**	**3,153**	**42,809**
(Surplus) or Deficit on the Provision of Services	**(798)**	**100**	**433**	**11,106**	**0**	**10,841**	**(11,638)**	**(798)**

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	(3,609)	0	(261)	0	158	**(3,712)**	0	**(3,712)**
Interest & Investment Income	(228)	0	0	228	0	**0**	(229)	**(229)**
Income from Council Tax	(6,886)	0	0	6,886	0	**0**	(6,967)	**(6,967)**
Government Grants and Contributions	(24,522)	0	(120)	0	12	**(24,630)**	(8,124)	**(32,754)**
Total Income	**(35,245)**	**0**	**(381)**	**7,114**	**170**	**(28,342)**	**(15,320)**	**(43,662)**
Employee expenses	9,326	0	(272)	0	0	**9,054**	0	**9,054**
Other service expenses	29,840	0	547	(361)	(157)	**29,869**	0	**29,869**
Depreciation, amortisation and impairment	0	0	1,294	0	0	**1,294**	0	**1,294**
Interest Payments	55	0	65	(120)	0	**0**	1,311	**1,311**
Precepts & Levies	1,960	0	0	(1,960)	0	**0**	1,960	**1,960**
Gain or Loss on Disposal of Fixed Assets	0	0	(10)	10	0	**0**	66	**66**
Total Expenditure	**41,181**	**0**	**1,624**	**(2,431)**	**(157)**	**40,217**	**3,337**	**43,554**
(Surplus) or Deficit on the Provision of Services	**5,936**	**0**	**1,243**	**4,683**	**13**	**11,875**	**(11,983)**	**(108)**

21 MEMBERS' ALLOWANCES

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

2014/15 £'000		2015/16 £'000
185	Basic Allowance	188
53	Special Responsibility	56
32	Expenses	26
270	**Total**	**270**

22 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	**2015/16**	105,000	26,999	**131,999**
	2014/15	105,000	27,837	**132,837**
Chief Operating Officer	**2015/16**	81,600	20,982	**102,582**
	2014/15	80,400	20,100	**100,500**
Director of Resources (S151)	**2015/16**	81,600	20,982	**102,582**
	2014/15	71,368	17,842	**89,210**
Commercial Director	**2015/16**	81,600	20,982	**102,582**
	2014/15	60,622	15,156	**75,778**
Strategic Lead Democratic & Business Support (Monitoring Officer)	**2015/16**	65,000	16,225	**81,225**
	2014/15	57,188	13,496	**70,684**

There were no taxable expenses allowances, other payments or bonus payments made to senior members of staff in 2014/15 or 2015/16.

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

Number of Employees 2014/15	Remuneration Band	Number of Employees 2015/16
0	£50,000 to £54,999	1
2	£55,000 to £59,999	1
1	£60,000 to £64,999	2
1	£65,000 to £69,999	1
1	£70,000 to £74,999	1
0	£75,000 to £79,999	0
1	£80,000 to £84,999	3
2	£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
9	**Total**	**10**

The number of exit packages with total cost per band and total cost of other compulsory and other redundancies for the Council in 2015/16 are set out in the table below:

Exit Package Cost Band (including special payments)	Number of Compulsory Redundancies		Number of Other Departures Agreed		Total Number of Exit packages by Cost Band		Total Cost of Exit Packages in Each Band	
	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16
							£	£
£0 - £20,000	2	2	0	0	2	2	21,250	17,143
£20,000 - £40,000	1	0	0	1	1	1	27,254	36,571
£40,000 - £60,000	2	0	0	0	2	0	93,270	0
Total	**5**	**2**	**0**	**1**	**5**	**3**	**141,774**	**53,714**

23 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:

2014/15 £'000		2015/16 £'000
58	Fees payable to the External Audit with regard to external audit services carried out by the appointed auditor for the year	43
7	Fees payable to the External Audit for the certification of grant claims and returns for the year	4
0	Fees payable in respect of other services provided by the External Audit during the year	14
65	**Total**	**61**

24 GRANT INCOME

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement.

2014/15 £'000		2015/16 £'000
	Credited to Taxation and Non Specific Grant Income:	
3,066	Department of Communities & Local Government - Revenue Support Grant	2,198
3,004	NNDR Retention Scheme	2,535
1,558	Department of Communities & Local Government -New Homes Bonus	1,995
114	Capital Grants & Contributions	8
382	Other Grants & Contributions	547
8,124	**Total Non Specific Grant Income**	**7,283**
	Credited to Services, Revenue Related:	
23,080	Department of Work & Pensions - Housing Benefits Allowance	22,696
261	Communities & Local Government - Disabled Facilties Grants	253
401	Department of Work & Pensions - Housing Benefits Administration Grant	328
49	Department of Work & Pensions - Council Tax Administration Grant*	0
0	Homes and Communities Agency - Housing Action Zone	165
0	Department of Communities and Local Government - Universal Credit	162
550	Other Grants & Contributions	675
24,341	**Total Credited to Services**	**24,279**

*From 2015/16 this grant is classed as non specific and not credited to service. It is included in other grants and contributions

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.

2014/15 £'000		2015/16 £'000
	Capital grants receipts in advance:	
111	S106 Agreements	619
4	Other Grants	0
115		**619**

25 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 20 on reporting amounts for resources allocation decisions.

Members

Members of the Council and potentially the closest members of their family have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2015/16 is shown in Note 21.

During 2015/16, 8 Members and 4 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 and other amounts totalling £309k to four Internal Drainage Boards where Councillors represented the Council, specifically; Witham 3rd IDB (4 members, £189k), Scunthorpe and Gainsborough Water Management Board (3 members, £57k), Upper Witham IDB (2 member, £44k), Ancholme IDB (1 member, £19k). In addition, the Council paid grants (£118k) 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 Lincolnshire and a payment of £99k was made by the Council to the organisation.

Other Pubic Bodies (Subject to Common Control by UK Central Government)

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

Lincolnshire County Council

Pension Fund as disclosed in Note 28.

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 2015/16 the Council contributed £146,000 (£171,400 2014/15).

Entities Controlled or significantly Influenced by the Council

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

26 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.

2014/15 £'000		2015/16 £'000
1,745	**Opening Capital Financing Requirement**	**1,631**
	Capital Investment	
664	Property, Plant and Equipment	286
14	Intangible Assets	47
0	Investment Properties	0
10	Long Term Shares Investment	0
395	Long Term Loan	35
628	Revenue Expenditure Funded from Capital Under Statute	597
	Sources of Finance	
(244)	Capital Receipts	(559)
(466)	Government Grants and Contributions	(356)
	Sums set aside from Revenue:	
(932)	Direct revenue contributions	(46)
(183)	Minimum Revenue Provision	(228)
1,631	**Closing Capital Financing Requirements**	**1,407**
	Explanation of Movements in Year	
0	Increase/(Decrease) in underlying need to borrow (supported by Government financial assistance)	0
(183)	Increase/(Decrease) in underlying need to borrow (unsupported by Government financial assistance)	(228)
69	Assets Acquired under Finance Leases	3
(114)	**Increase/(Decrease) in Capital Financing Requirement**	**(225)**

27 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 minimal/nominal amount.

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:

2014/15 £'000		2015/16 £'000
515	Other Land and Buildings	515
552	Vehicles, Plant, Furniture and Equipment	354
1,067		**869**

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:

2014/15 £'000		2015/16 £'000
	Finance lease liabilities (net present value of minimum lease payments):	
228	Current (Capital)	218
342	Non-Current (Capital)	127
58	Finance Costs Payable in Future Years	20
628		**365**

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

2014/15			2015/16	
Minimum Lease Payments	**Finance Lease Liabilities**		**Minimum Lease Payments**	**Finance Lease Liabilities**
£'000	**£'000**		**£'000**	**£'000**
228	41	Not later than one year	218	15
342	17	Later than one year and not later than five years	128	5
0	0	Later than five years	0	0
570	**58**		**346**	**20**

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 2015/16 no contingent rents were payable by the Council (2014/15 £0).

The Council has sub-let the properties held under these finance leases. At 31 March 2016 the minimum payments expected to be received under non-cancellable sub-leases was £0.120m (£0.120m at 31 March 2015).

<u>Operating Leases</u>

The Council has entered into operating leases for printers, a depot and a lease for a multi-storey car park which ended on 13th June 2015.

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

2014/15 £'000		2015/16 £'000
61	Not later than one year	15
3	Later than one year and not laler than five years	49
0	Later than five years	0
64		**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 leases was:

2014/15 £'000		2015/16 £'000
172	Minimum lease payments	54
139	Contingent rents	20
311		**74**

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 2016 was £0 (31 March 2015 £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 £13.309m (14/15 £11.123m)

The future minimum lease payments receivable in future years are:

2014/15 £000		2015/16 £000
187	Not later than one year	289
467	Later than one year and not later than five years	789
208	Later than five years	321
862	**Total future minimum lease payments receivable**	**1,399**

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 2015/16 ther are no contingent rents were receivable by the Council (2014/15 £0.003m).

28 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 2016. 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 Movement in Reserves Statement (MIRS) during the year:

2014/15 £'000	LOCAL GOVERNMENT PENSION SCHEME	2015/16 £'000
	Comprehensive Income and Expenditure Statement	
	Cost of Services:	
1,260	Current Service Cost	1,613
	Financing and Investment Income and Expenditure	
1,193	Net Interest Expense	1,112
2,453	**Total Post-employment Benefits charged to the (Surplus) or Deficit on the Provision of Services**	**2,725**
	Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	
	Remeasurement of the net defined benefit liability comprising:	
3,183	Return on plan assets (excluding the amount included in the net interest expense)	(867)
0	Actuarial Gains/(Losses) arising on changes in demographic assumptions	0
(9,674)	Actuarial Gains/(Losses) arising on changes in financial assumptions	6,773
620	Other actuarial Gains/(Losses) on assets	1,120
(3,418)	**Total Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement**	**9,751**
	Movement in Reserves Statement	
(2,453)	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)	(2,725)
	Actual amount charged against the General Fund Balance for pensions in the year:	
1,435	Employers' contributions payable to the scheme	1,445
85	Retirement benefits payable to pensioners	94

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:

2014/15 £'000	Balance Sheet	2015/16 £'000
(76,883)	Present value of the defined benefit obligation	(70,982)
42,167	Fair value of plan assets	42,106
(34,716)	**Net liability arising from the defined benefit obligation**	**(28,876)**

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

2014/15 £'000	Reconciliation of Fair Value of Scheme (Plan) Assets	2015/16 £'000
37,774	**Opening fair value of scheme assets at 1 April**	**42,167**
1,615	Interest Income	1,341
	Remeasurement Gains/(Losses)	
3,183	The return on plan assets, excluding the amount included in the net interest expense	(867)
1,435	Employer Contributions	1,445
358	Contributions paid by scheme participants	361
(2,198)	Benefits paid	(2,341)
42,167	**Closing fair value of scheme assets at 31 March**	**42,106**

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

Funded Liabilities 2014/15 £'000	Reconciliation of present value of the scheme liabilities (defined benefit obligation)	Funded Liabilities 2015/16 £'000
65,686	**Opening balance at 1 April**	**76,883**
1,260	Current service cost	1,613
2,808	Interest cost	2,453
358	Contribution by scheme participants	361
	Remeasurement (Gains)/Losses	
0	Actuarial Gains/Losses arising from changes in demographic	0
9,674	Actuarial Gains/Losses arising from changes in financial assumptions	(6,773)
(620)	Other	(1,120)
(2,283)	Benefits paid	(2,435)
76,883	**Closing balance at 31 March**	**70,982**

Local Government Pension Scheme assets comprised:

2014/15		LGPS Asset Categories	2015/16	
Fair Value of Scheme Assets	% of Total Assets		Fair Value of Scheme Assets	% of Total Assets
£'000	%		£'000	%
		Equity instruments		
8,053	19%	Consumer	8,723	21%
1,178	3%	Manufacturing	935	2%
2,603	6%	Energy & Utilities	2,281	5%
4,997	12%	Financial Institutions	4,542	11%
0				
0				
1,597	4%	Information Technology	1,562	4%
4,984	12%	Other	4,672	11%
		Debt Instruments		
1,404	3%	Corporate Bonds (Investment Grade)	1,442	3%
2,748	7%	Corporate Bonds (Non-Investment Grade)	2,664	6%
800	2%	UK Government	871	2%
550	1%	Other	589	1%
		Private Equity		
1,801	4%	All	1,538	4%
		Real Estate		
4,139	10%	UK Property	4,481	11%
483	1%	Overseas Property	457	1%
		Investment Funds & Unit Trusts		
2,181	5%	Equities	2,376	6%
4,047	10%	Other	4,518	11%
		Cash & Cash Equivalents		
602	1%	All	455	1%
42,167	**100%**	**Total Assets**	**42,106**	**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 2016.

Significant Assumptions used by the Actuary

The significant assumptions used by the actuary have been:

Local Government Pension Scheme		
2014/15		**2015/16**
%	**Long Term Expected Rate of Return on Assets in the Scheme**	**%**
3.20%	Equity Investments	3.50%
3.20%	Bonds	3.50%
3.20%	Property	3.50%
3.20%	Cash	3.50%
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**	**%**
2.40%	Rate of inflation	2.20%
3.80%	Rate of increase in salaries	3.70%
2.40%	Rate of increase in pensions	2.20%
3.20%	Rate for discounting scheme liabilities	3.50%
%	**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 2016	Approx. increase to Employer Liability %	Approx. monetary amount £'000
0.5% decrease in Real Discount Rate	10%	7,169
1 Year increase in member life	3%	2,129
0.5% increase in Salary Increase Rate	3%	2,018
0.5% in the Pension Increase Rate	7%	5,057

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 £1.521m in contributions in 2016/17.

The weighted average duration of the defined benefit obligation for scheme members is 17.9 years as at 31 March 2016, and are as they stood at the previous formal valuation as at 31 March 2013.

29 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.

Planning Appeals

There is the potential for two planning appeals, both are estimated at £25,000 each, however formal claims have not yet been progressed. It is not possible to quantify planning appeals yet to be lodged so there is a risk to the Council that further appeals may have a future impact on the accounts.

Capital Contribution to Rural Broadband

The Council is working with Lincolnshire County Council and BDUK Ltd on a capital scheme to provide broadband services in the district. The £9m project is underway but is significantly underspend which may affect the amount of the Councils contribution.

Although commitment in principle to the project has been given, at this stage it is not known at what level the final Council contribution will be.

Land Charges

A group of Property Search Companies sought to claim refunds of fees paid to Council to access land charges data. The parties have reached agreement on the claims. The Council has agreed to pay the property search companies legal costs to be subject to detailed assessment by way of cost only proceedings if not agreed. The Council is in discussion with the claimants about the costs aspect of the claim. At present it is not possible to put a final value on these potential liabilities and so the Council is recognising a contingent liability. However a provision of £0.85m has been made.

30 CONTINGENT ASSETS

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 circa £0.200m has been received in each of the last 2 financial years.

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 through 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 £220k.

31 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 2 March 2015 and is contained within the Budget Book 2015/16 available on the Council website. The key issues within the Strategy were:

- The Authorised Limit for 2015/16 was set at £12.5m. 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 year and was approved at £10.502m. 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 75% 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
  - (N.B. Viability, Financial Strength and Support ratings have been removed and will not be considered in choosing counterparties)
- Banks 2 – Part nationalised UK banks – Lloyds Banking Group 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)
- Certificates of Deposit
- Local authorities, parish councils etc
- Supranational institutions
- Local Authority Property Asset Funds
- Corporate Bond Funds
- Covered Bonds

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 £13.525m (£8.547m 2014/15) 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 2016 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 2015 £'000	Investments	31 March 2016 £'000
16,657	Less than 1 year	18,253
0	Between 1 and 2 years	0
0	Between 2 and 3 years	0
2,064	More than 3 years	2,186
18,721	**Total**	**20,439**

Refinancing and Maturity Risk

The Council maintains a significant investment portfolio but is currently 'debt free'. Whislt the cash flow procedures above are considered against the refinancing risk procedures, long-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's 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	47
Increase in Government grant receivable for financing costs	123
Impact on Other Comprehensive Income and Expenditure	**170**

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 13 – 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.

32 CASH FLOW STATEMENT - OPERATING ACTIVITIES

The cash flow for operating activities include the following items:

2014/15 £'000		2015/16 £'000
228	Interest received	254
(64)	Interest paid	(46)
0	Dividends Received	80
164		**288**

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

2014/15					2015/16		
Council Tax £'000	NNDR £'000	Total £'000	Income/Expenditure	Note	Council Tax £'000	NNDR £'000	Total £'000
			Income				
42,707	0	**42,707**	Net Council Tax Receivable	1	44,542		**44,542**
0	15,713	**15,713**	Business Rate Receivable	2		15,137	**15,137**
42,707	**15,713**	**58,420**	**Total Income**		**44,542**	**15,137**	**59,679**
			Expenditure				
			West Lindsey District Council				
6,761	6,457	**13,218**	Precepts, Demands & Shares		6,952	6,511	**13,463**
126	(985)	**(859)**	Distributed Surplus/(Deficit)		116	0	**116**
			Lincolnshire County Council				
29,422	1,614	**31,036**	Precepts, Demands & Shares		30,650	1,628	**32,278**
554	(246)	**308**	Distributed Surplus/(Deficit)		504	0	**504**
			Lincolnshire Police Authority				
5,352	0	**5,352**	Precepts, Demands & Shares		5,578	0	**5,578**
99	0	**99**	Distributed Surplus/(Deficit)		91	0	**91**
			Central Government				
0	8,071	**8,071**	Precepts, Demands & Shares		0	8,139	**8,139**
0	(1,231)	**(1,231)**	Distributed Surplus/(Deficit)		0	0	**0**
0	107	**107**	Cost of Collection Allowance		0		**0**
(150)	0	**(150)**	Write offs of uncollectable amounts		27	106	**133**
67	82	**149**	Increase/(Decrease) in Impairment Allowance		(40)	104	**64**
0	76	**76**	Increase/(Decrease) in Provision for Appeals		0	1,373	**1,373**
0	0	**0**	Transitional Protection Payments		0	141	**141**
0	1	**1**	Disregarded Amounts		0	20	**20**
42,231	**13,946**	**56,177**	**Total Expenditure**		**43,878**	**18,022**	**61,900**
476	**1,767**	**2,243**	Surplus/(Deficit) arising during the year	3	**664**	**(2,885)**	**(2,221)**
1,490	**(2,022)**	**(532)**	Surplus/(Deficit) b/fwd 1st April		**1,966**	**(255)**	**1,711**
1,966	**(255)**	**1,711**	**Surplus/(Deficit) c/fwd 31st March**		**2,630**	**(3,140)**	**(510)**

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 2015/16 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 £1,529.88 (£1,504.12, 2014/15) and is multiplied by the ratio specified for the particular band to give an individual amount due.

The Council Tax Base for 2015/16 was 28,224.11 (27,607.95 2014/15). This increase between financial years is as a result of the a reduction in long term empty properties, and new properties added to the rating list. The tax base for 2015/16 was approved by the Council meeting in January 2015 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	
		2014/15	2015/16	2014/15	2015/16	2014/15	2015/16
Disabled	5	0	0	22	21	9	8
Band A	6	15,496	15,607	13,245	13,510	6,141	6,346
Band B	7	7,762	7,824	6,931	7,036	4,723	4,838
Band C	8	7,377	7,476	6,739	6,867	5,597	5,715
Band D	9	5,559	5,607	5,215	5,293	5,050	5,142
Band E	11	3,304	3,328	3,133	3,171	3,727	3,779
Band F	13	1,366	1,386	1,288	1,309	1,839	1,871
Band G	15	509	509	477	482	787	795
Band H	18	61	61	40	42	79	85
Total		**41,434**	**41,798**	**37,090**	**37,731**	**27,952**	**28,579**
Deduction for non-collection, new build, demolition and other adjustments						(477)	(488)
Band D Equivalent for Council Tax Base						**27,475**	**28,091**
Band D Equivalent for Contributions in Lieu						133	133
Council Tax Base (Band D equivalent)						**27,608**	**28,224**

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 49.3p in 2015/16 (48.2p in 2014/15). The non-domestic rate multiplier for small businesses is 48.0p in 2015/17 (47.1p in 2014/15). Subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by this multiplier. Local rateable values totalled £42.652m at 31.12.2014 and were used to calculate the NNDR Retention scheme amounts for 2015/16 (£43.381m in 2014/15).

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 2015/16 were estimated before the start of the financial year as £8.139m to Central Government, £1.628m to Lincolnshire County Council and £6.511m to West Lindsey District Council. These sums have been paid in 2015/16 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 or if the authority is part of an NNDR Pool, to the administering authority. The tariff is 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 £3.643m (£3.398m 2014/15) to the Lincolnshire NNDR Pool (Central Government in 2014/15).

The total income from business rate payers collected in 2015/16 was £15.137m (£15.713m 2014/15).

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 £2.538m (£2.490m 2014/15). 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 2015/16. In 2015/16 the Council received £0.116m, its share of the 2014/15 Council Tax estimated surplus and this amount is reflected in the CIES, Taxation and Other Grant Income.

The actual cumulative Collection Fund deficit at 31 March 2016 includes the NNDR deficit of £3.140m, a significant element of this increase has been the increase in provison for appeals of £1.9m, resulting in a total deficit of £0.511m.

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:

2014/15			2015/16		
CTAX £'000	NNDR £'000		CTAX £'000	NNDR £'000	Total £'000
320	(102)	West Lindsey District Council	421	(1,256)	(835)
1,393	(25)	Lincolnshire County Council	1,871	(314)	1,557
253	0	Lincolnshire Police Authority		0	0
0	(128)	Central Government	337	(1,570)	(1,233)
1,966	**(255)**	**Balance at 31 March**	**2,629**	**(3,140)**	**(511)**

Independent auditor's report to the members of West Lindsey District Council

We have audited the financial statements of West Lindsey District Council for the year ended 31 March 2016 on pages [a] to [b]. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.
This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the members of the Authority, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of the Chief Finance Officer and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Finance Officer; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Narrative Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2016 and of the Authority's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

Matters on which we are required to report by exception

The Code of Audit Practice requires us to report to you if:

- the Annual Governance Statement which accompanies the financial statements does not reflect compliance with ‘Delivering Good Governance in Local Government: a Framework’ published by CIPFA/SOLACE in June 2007; or
- the information given in the Narrative Statement for the financial year for which the financial statements are prepared is not consistent with the financial statements; or
- any matters have been reported in the public interest under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of, the audit; or
- any recommendations have been made under Section 24 of the Local Audit and Accountability Act 2014; or
- any other special powers of the auditor have been exercised under the Local Audit and Accountability Act 2014.

We have nothing to report in respect of these matters.

Conclusion on West Lindsey District Council’s arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority’s responsibilities

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

Auditor’s responsibilities

We are required under Section 20(1) (c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Comptroller and Auditor General (C&AG) requires us to report to you our conclusion relating to proper arrangements.

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by C&AG in November 2015, as to whether West Lindsey District Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The C&AG determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether West Lindsey District Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

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

Conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2015, we are satisfied that, in all significant respects, West Lindsey District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

Certificate

We certify that we have completed the audit of the financial statements of West Lindsey District Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

John Cornett

for and on behalf of KPMG LLP, Appointed Auditor

Chartered Accountants

St Nicholas House
Park Row
Nottingham
NG1 6FQ

xx September 2016

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/CAPITAL RECEIPTS

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 NNDR) and precept upon the billing Council, which then collects it on their behalf. Lincolnshire County Council, Lincolnshireshire Police Authority/Police and Crime Commissioner 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.

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.

Guildhall
Marshall's Yard
Gainsborough
Lincolnshire
DN21 2NA
Telephone (01427) 676676
Fax (01427) 675170
Web www.west-lindsey.gov.uk
DX 27214 Gainsborough

Appendix B

Your contact for this matter is:

Tracey Bircumshaw
Tel 01427 676560

15 September 2016

Mr J Cornett
KPMG LLP
Chartered Accountants
St Nicholas House
Park Row
Nottingham
NG1 6FQ

15 September 2016

Dear Mr Cornett

This representation letter is provided in connection with your audit of the financial statements of West Lindsey District Council ("the Authority"), for the year ended 31 March 2016, for the purpose of expressing an opinion:

i. as to whether these financial statements give a true and fair view of the financial position of the Authority as at 31 March 2016 and of the Authority's expenditure and income for the year then ended; and

ii. whether the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

These financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund and the related notes.

The Authority confirms that the representations it makes in this letter are in accordance with the definitions set out in the Appendix to this letter.

The Authority confirms that, to the best of its knowledge and belief, having made such inquiries as it considered necessary for the purpose of appropriately informing itself:

Financial statements

1. The Authority has fulfilled its responsibilities, as set out in the Accounts and Audit Regulations 2015, for the preparation of financial statements that:

    i. give a true and fair view of the financial position of the Authority as at 31 March 2016 and of the Authority's expenditure and income for the year then ended;

    ii. have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

    The financial statements have been prepared on a going concern basis

2. Measurement methods and significant assumptions used by the Authority in making accounting estimates, including those measured at fair value, are reasonable.

3. All events subsequent to the date of the financial statements and for which IAS 10 *Events after the reporting period* requires adjustment or disclosure have been adjusted or disclosed.

4. In respect of the reclassification of comparative amounts in the Cash Flow Statement, made to correct a material misstatement in the prior period financial statements, the Authority confirms that the restatement is appropriate.

Information provided

5. The Authority has provided you with:

    - access to all information of which it is aware, that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
    - additional information that you have requested from the Authority for the purpose of the audit; and
    - unrestricted access to persons within the Authority from whom you determined it necessary to obtain audit evidence.

6. All transactions have been recorded in the accounting records and are reflected in the financial statements.

7. The Authority confirms the following:

    i) The Authority has disclosed to you the results of its assessment of the risk that the financial statements may be materially misstated as a result of fraud.

    Included in the Appendix to this letter are the definitions of fraud, including misstatements arising from fraudulent financial reporting and from misappropriation of assets.

    ii) The Authority has disclosed to you all information in relation to:

a) Fraud or suspected fraud that it is aware of and that affects the Authority and involves:
    - management;
    - employees who have significant roles in internal control; or
    - others where the fraud could have a material effect on the financial statements; and

b) allegations of fraud, or suspected fraud, affecting the Authority's financial statements communicated by employees, former employees, analysts, regulators or others.

In respect of the above, the Authority acknowledges its responsibility for such internal control as it determines necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In particular, the Authority acknowledges its responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

8. The Authority has disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

9. The Authority has disclosed to you and has appropriately accounted for and/or disclosed in the financial statements, in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

10. The Authority has disclosed to you the identity of the Authority's related parties and all the related party relationships and transactions of which it is aware. All related party relationships and transactions have been appropriately accounted for and disclosed in accordance with IAS 24 *Related Party Disclosures*.

11. The Authority confirms that:

    a) The financial statements disclose all of the key risk factors, assumptions made and uncertainties surrounding the Authority's ability to continue as a going concern as required to provide a true and fair view.
    b) Any uncertainties disclosed are not considered to be material and therefore do not cast significant doubt on the ability of the Authority to continue as a going concern.

12. On the basis of the process established by the Authority and having made appropriate enquiries, the Authority is satisfied that the actuarial assumptions underlying the valuation of defined benefit obligations are consistent with its knowledge of the business and are in accordance with the requirements of IAS 19 (revised) Employee Benefits.

    The Authority further confirms that:

    a) all significant retirement benefits, including any arrangements that are:
        - statutory, contractual or implicit in the employer's actions;
        - arise in the UK and the Republic of Ireland or overseas;

- funded or unfunded; and
- approved or unapproved,

have been identified and properly accounted for; and

b) all plan amendments, curtailments and settlements have been identified and properly accounted for.

This letter was tabled and agreed at the meeting of the Governance and Audit Committee on 15 September 2016.

Yours faithfully,

Cllr. G. McNeill
Chair of the Governance and Audit Committee

Ian Knowles
Chief Financial Officer

Appendix to the Representation Letter of West Lindsey District Council: Definitions

Financial Statements

A complete set of financial statements comprises:

- A Comprehensive Income and Expenditure Statement for the period;
- A Balance Sheet as at the end of the period;
- A Movement in Reserves Statement for the period;
- A Cash Flow Statement for the period; and
- Notes, comprising a summary of significant accounting policies and other explanatory information.

A local authority is required to present group accounts in addition to its single entity accounts where required by chapter nine of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

A billing authority must present a Collection Fund Statement for the period showing amounts required by statute to be debited and credited to the Collection Fund.

An entity may use titles for the statements other than those used in IAS 1. For example, an entity may use the title 'statement of comprehensive income' instead of 'statement of profit or loss and other comprehensive income'.

Material Matters

Certain representations in this letter are described as being limited to matters that are material.

IAS 1.7 and IAS 8.5 state that:

> "Material omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor."

Fraud

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorisation.

Error

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

Prior period errors are omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

a) was available when financial statements for those periods were authorised for issue; and
b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

Management

For the purposes of this letter, references to "management" should be read as "management and, where appropriate, those charged with governance".

Related Party and Related Party Transaction

Related party:

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24 *Related Party Disclosures* as the "reporting entity").

a) A person or a close member of that person's family is related to a reporting entity if that person:
    i. has control or joint control over the reporting entity;
    ii. has significant influence over the reporting entity; or
    iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
b) An entity is related to a reporting entity if any of the following conditions applies:
    i. The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
    ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
    iii. Both entities are joint ventures of the same third party.
    iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
    v. The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
    vi. The entity is controlled, or jointly controlled by a person identified in (a).

vii. A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Key management personnel in a local authority context are all chief officers (or equivalent), elected members, the chief executive of the authority and other persons having the authority and responsibility for planning, directing and controlling the activities of the authority, including the oversight of these activities.

Related party transaction:

A transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

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West Lindsey District Council
The Entrepreneurial Council

GA.23 16/17
Governance and Audit Committee
15th September 2016

Subject: Reviewing West Lindsey Governance Arrangements

Report by:	Monitoring Officer
Contact Officer:	Nicola Calver Governance and Civic Officer 01427 676606 Nicola.calver@west-lindsey.gov.uk
Purpose / Summary:	To receive a briefing on the process for changing governance arrangements and consideration on appointing a Member/Officer Working Group to consider feedback from members and the public, options presented and make recommendations for change to Governance and Audit Committee.

RECOMMENDATION(S): That Members

i) **Note the process and timelines presented; and**

ii) **Appoint a Governance Arrangements Task and Finish Group comprised of Members and Officers to evaluate views gathered and make sound recommendations to Governance and Audit Committee; and**

iii) **Agree the Terms of Reference for the Governance Arrangements Task and Finish Group.**

IMPLICATIONS

Legal: The timelines and process detailed within this report comply with the legal requirements set out in the Local Government Act 2000 and it's amendments from the Localism Act 2011.

Financial : The process for considering change will have a cost that will be met within existing budgets. Further down the line, and based on the decisions that Members take, there may be a financial pressure associated with staffing within the Democratic Services team. This would be due to capacity to deliver to timescales dictated by Members. This financial pressure should not exceed £6000. Further, if timescales do not allow for in-house corrections of the Constitution, an expected cost of £15k would be incurred to procure consultancy services.

Staffing : For the initial scoping of the project, staffing has been allocated to support Members in developing options and supporting the consultation process. As detailed above, dependant on the decisions that Members make as we move through the project, staffing and financial pressures will be identified along with decisions to be made.

Equality and Diversity including Human Rights : None at this point in the project.

Risk Assessment : There are no risks associated with the consideration of different arrangements and evaluation of our current delivery of Governance. Project risks will be identified and reported to Members through the established Task and Finish Group, and any specific risks associated with Options presented will be highlighted to GA Committee along with Financial Implications.

Climate Related Risks and Opportunities : As Members have previously considered, Devolution will have an impact on West Lindsey, and in light of decisions, options for future operation will be considered.

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

Local Government Act 1972

Local Government Act 2000

Localism Act 2011

LGA Paper – Rethinking Governance

Call in and Urgency:

Is the decision one which Rule 14.7 of the Scrutiny Procedure Rules apply?

i.e. is the report exempt from being called in due to urgency (in consultation with C&I chairman)	**Yes**		**No**	**x**

Key Decision:

A matter which affects two or more wards, or has significant financial implications	**Yes**	**x**	**No**	

1. INTRODUCTION

1.1 Previously Governance and Audit Committee received information in regard to considering options for operating under different governance arrangements.

1.2 This paper is designed to outline the key timetables for change, the steps that need to be taken on the journey and facts and issues that Members need to be aware of at this stage in the project.

2. QUICK FACTS

2.1 Any change in governance structure needs to be agreed at a meeting of Full Council and requires a majority vote (51% +).

2.2 Any major change will require public consultation (or at least it is recommended) – this may or may not include a referendum.

2.3 Any change will have a financial impact. The process of change will cost money, a referendum/consultation can be expensive and time consuming, different governance models require different resources to deliver.

2.4 Changes can only occur from an Annual Council (if we miss 2017 it will have to wait until 2018) and last 5 years min. If a referendum is held, governance options cannot be considered for a further 10 years.

2.5 We previously consulted on a leader/cabinet model in 2008, and reviewed in 2011 and both times no change was made.

3. TIMETABLE TO DELIVER TO ANNUAL COUNCIL

3.1 An options timetable has been drawn up detailing the steps to take and projected deadlines up to implementation at Annual Council. Only in some scenarios is this achievable.

3.2 You will note from the flow charts that should a referendum be held, it is very unlikely that a change could be implemented by May 17 as requested by Members in the original brief. However, if Members were to agree only a partial or minor changes, it MAY be possible, subject to quick approval by the Secretary of State (SoS).

3.3 If the political appetite is for change, then the SoS will be contacted at the earliest point to gauge how long it would take to gain approval.

3.4 Further, in pressing to a May 17 timetable for delivery of a new option, there will be greater resource implications in order to have process and procedures ready for implementation. This would include consultancy on rewriting the constitution, rather than doing it in-house (capacity issue rather that capability), and additional hours within the Democratic Services Team.

4. STEPS TO AN IMPROVED GOVERNANCE ARRANGEMENT

4.1 Through the timeline (attached as appendix A) to bring about change, there are steps that will be addressed.

STEP 1 – PLANNING

Evaluate the current position – how are we accountable, how does WL involve its members, how transparent are our decisions, is what we deliver efficient use of our resources?	LGA Workshop Member / Officer Working Group
Establish a purpose for a change – why change, what is needed from change?	Member / Officer working Group
Develop a scope for the process – Member involvement, views of interested parties, consider impact outside of the Council, evaluate the democratic expectations of WLs residents.	Lead Officer
Assess our delivery – involvement of members in decisions/developing, integration of the public voice, effectiveness of delegations, forward planning arrangements and access to information for both Members and the public.	Member / Officer Working Group

4.2 STEP 2 – CONSIDER DESIGN PRINCIPALS

Look at our strengths and weaknesses in areas such as: • Member/officer relationships • Forward planning / work programming • Decision information • Involving the public in our decisions	Member / Officer Working Group

Consider not only the pros and cons of 4^{th} option, but how we operate within it.	Member / Officer Working Group
Set tangible aims for operating in any model – e.g.: provide a speedy but fully involved decision making process.	Member / Officer Working Group

4.3 STEP 3 – ESTABLISHING A SYSTEM THAT MEETS SET AIMS

Look at clear rules about forward planning	Lead Officer
Key decision processes involving the public and members	Lead Officer
Can 4^{th} option deliver the aims set with minor change?	Lead Officer
Transparency, scrutiny development etc	Lead Officer
Would a new model assure Members of good decision making / involvement?	Member / Officer Working Group
[redacted]	
Find Solutions • Minor constitutional changes • Major changes to scheme of delegation / processes / systems / public engagements whilst retaining 4^{th} Option • Formal change to decision making (hybrid) • All out change (Elected Mayor/Leader/Cabinet)	Lead Officer
Establish risks and mitigating actions that could be taken.	Lead Officer
Weigh up change: • Clear rationale required • Does it achieve aims and purpose set • How will it strengthen our governance • Does it establish a break in bad practice • Does it deliver Devolution requirements / improved partnership working	Member / Officer Working Group

4.4 STEP 4: MAKE A CHANGE

Financial Procedure (including Audit)	MO
Access to Performance Information / Financials	MO
Forward Planning / Strategic Decisions	MO
Changes of Structures	MO
Formal Changes in Governance	MO / All Member Agreement

4.5 STEP 5: REVIEW WL'S DECISIONS
After a year, the Council should review its decisions made. There is always opportunity for further refinement without making major changes.

5. ISSUES / DISCUSSION POINTS

5.1 At this point in this project, Governance and Audit Committee need to be aware that to deliver to the timelines set will require a dedication of Member time and Governance resources. It would be helpful to receive confirmation that this is still the timeline required, and this will be identified along with project costs. The Project Initiation Document is attached for information only at Appendix B.

5.2 There is a real risk of non-delivery to this timeline if Members pursue substantial change.

5.3 Do Governance and Audit Committee wish to appoint a Task and Finish Group to assist with project delivery as a way of involving Members in the process?

6. RECOMMENDATIONS

6.1 That Governance and Audit Committee appoint a cross-party Task and Finish Group to work alongside officers to consider Member and Public Feedback, discuss options in detail and make recommendations to Governance and Audit Committee in line with the timelines set out in Appendix A.

6.2 That Governance and Audit Committee consider the timelines set out in Appendix A and consider their aspirations for achieving a decision in May 2017.

6.3 That Members approve the Terms of Reference for a Governance Arrangements Task and Finish Group as set out in Appendix C.

APPENDIX A

SUBJECT: Timetable and Process for Changing Governance Arrangements

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PART 1

1
- Discussion Document and Timeline to GA Brief
- 5th September 2016

2
- Consultation by Email with all Members
- 12th - 23rd September 2016

3
- Reccomendation to GA for establishing a Member/Officer Working Group
- 15th September 2016

4
- GA Working Group considers Member feedback, principles of review and agrees aims
- Mid October 2016

5
- Solution to aims is presented to GA Committee
- 8th November 2016

6
- Either GA Chairman puts in notice of motion to CL or rec from GA to CL to amend current arrangments or to propose public consultation
- 14th November 2016

PART 2:

OPTION A: If amending current arrangements, with minor changes (tweaking governance procedures e.g. better forward planning, greater transparency), a constitutional review will commence to bring in changes ready for Annual Council. The process would be as follows:

7A
- Plans drawn up for minor change
- November 2016 - January 2017

8A
- Futher consideration by GA Committee
- 17th January 2017

9A
- GA Committee reccomends changes for approval by Council
- 6th March 2017

10A
- Changes Implemented at Annual Council
- 8th May 2017

OPTION B: If considering substantial change (different governance model / hybrid), Members should choose to set a period of public consultation.

7B
- Consultation Period Commences
- November - December 2016

8B
- Consultation evaluated by the Member/Officer Working Group
- Early January 2017

9B
- GA recieves the outcome of the consultation with an officer report and makes appropriate reccomendations to Council
- 17th January 2017

10B
- Council agrees the outcome of consultation and makes a decision to either make No Change, Minor changes, Major amendments (requiring SoS approval eg Hybrid, Leader/Cabinet), or call a public referendum
- Extraordinary Council in February

PART 3

OPTION C: At this point, a proposal would be submitted to the Secretary of State to approve changes in Governance arrangements for WLDC

11C
- SoS recieves proposals for a change in Governance arrangements
- February 2017

12C
- SoS either approves/declines or requests a referendum to be held (See option D)
- April 2017

13C
- Acceptance of SOS ruling at Council
- 10th April 2017

14C
- Work commences to pull together appropriate resources and governance procedures (including Consitutional review and members allowances) to operate under new arrangements by Annual Council
- 8th May 2017

OPTION D: Members call a public referendum on governance operations

11D
- Notice of Referendum issued and date set
- February 2017

12D
- Referendum Held
- 4th May 2017

13D
- Resolution for Change/ No Change by Council
- June / July 2017

14D
- If change required, proposal put to the SoS for approval
- August 2017

15D
- Work commences to pull together appropriate resources and governance procedures(including constitutional review and members allowances) to operate under new arrangments by Annual Council
- May 2018

PROJECT TITLE:

STAGE 1 – Project Initiation & Board Approval

1. What is the evidence of need, demand or gap?

The Leader of the Council requires autonomy to make decisions on behalf of West Lindsey in the proposed Greater Lincolnshire Authority, the current governance arrangements in place make this unclear. Further, Members felt this an opportunity to refine procedures to combat a perceived slow pace in decision-making, address decision predetermination, accountability of decisions as well as connectivity, duplication of discussion, and value for money on the decision making process.

2. What is the idea?

To fully review the governance arrangements in place, and provide Members with options for future delivery that address (to the best extent) the requirements identified. Further to ensure efficiency, transparency and accountability to its best potential for decisions made at West Lindsey.

3. What outcomes are you trying to deliver?

1. Speed of Decision Making – The Council's decision making process allows it to take advantage of opportunities on commercial projects and ensure that WLDC can work as quickly as it's colleagues in Greater Lincolnshire
2. Empowering Individuals – Those Members charged with representing the Council with partners have the authority to act and take responsibility for the decisions they make.
3. Effective Council Governance and roles of Members and Officers – to ensure the Council has maximum influence and impact with any potential Mayor and combined authority to the benefit of West Lindsey.
4. Specialist Knowledge – Members have the knowledge and skills to make good, well informed, and safe decisions.
5. Transparency – Governance arrangements that ensure that residents can see that decisions are made reasonably and fairly.
6. Accountability – there is clear accountability for success and failure for both members and officers.
7. Involvement – Members are able to set policy and take ownership of clear decisions.

4. Stakeholders and Expectations:

Stakeholders	Expectations	How will their expectations be addressed?
Members	To be fully briefed throughout the development process	Regular email briefing notes. Planned reports on a regular basis to GA Committee and Full Council.
	To be provided with sound information from which to base decisions	Good research, well presented in simple option format weighing risks, financial implications and strengths and weaknesses.
	To be involved and consulted in this major decision	Member/Officer working group to be established. Email consultation with all members.
	To be delivered options that reflect their desired outcomes	Establish Members top 3 outcomes at the beginning of the process, and base presented options on how they deliver to those outcomes
	The political parties will have a voice in the process, and it is not completely administration-led	Cross-Party representation on Member/Officer working group. Group leader involvement in the development process. Independent facilitation of Member Engagement workshops.
	Delivery to identified timescales	

		Sound project management with projected timelines and milestones. Slippage with reasons regularly reported to Members.
Chief Officers	Delivery to identified timescales	Sound project management with projected timelines and milestones. Slippage with reasons regularly reported to Chief Officers.
	Delivery within agreed budgets with risks identified	Financial Implications identified at the start of the process with risk management and mitigating actions identified and monitored regularly.
	Potential Resource implications / efficiencies are identified and communicated	Finance and HR appraised of risks / opportunities.
	To be fully briefed throughout the development process	Regular email briefing notes. Planned reports on a regular basis to GA Committee and Full Council.
Public	For the Council to make best use of resources on a Governance process	Facilitate good decision making by producing clear, well informed reports with detailed background information.
	Quick, clear decisions	Review speed and clarity of publication of decisions
	Accountable and transparent decisions	Review public display of documents, public involvement and participation.
	Consultation on major change at some level	Involve Citizens panel in consultation on any change, even if Member chose not to pursue a public consultation / referendum exercise.
Democratic Services / MO	A constitution reflective of any change	Any changes to Governance Arrangements be built in to a full Constitutional review or the Annual Review dependant on their complexity and impact.
	A staffing structure that supports the requirements of the arrangements chosen	HR and the Team Manager be fully appraised through the process.
	Training and development opportunities considered through the planning process	HR and the Team Manager be fully appraised through the process to highlight risks and opportunities.
	To be fully involved in the development and change process	Regular feedback to be sought from team members on the developments made. Sharing draft reports for comment.
	To be fully briefed to support members through the process	Regular feedback to be sought from team members on the developments made. Sharing draft reports for comment. Regular briefings to be held with team members.
	That unrealistic aims and objectives are mitigated with Members	Regular feedback to be sought from team members on the developments made. Sharing draft reports for comment. Regular briefings to be held with team members.
	A safe decision making process is agreed	Careful consideration be given to procedures and processes around any changes to governance arrangements.
Secretary of State	To be given notice of receipt of any proposal for changes in Governance Arrangements.	Good Communication at all points of the process.

	To receive a final proposal document without requirement for clarity on contents.	Understand the requirements of such a proposal in advance of writing. Good communication at all points of the process.
West Lindsey Staff	To understand the implications of any changes and consider the impact on working arrangements. To fully understand any amendments to processes and timescales.	Corporate Updates to be used as a communication and engagement mechanism. Training and communication be rolled out following any decision through SLT, and team workshops.
Member / Officer Working Group	To have a clear remit and scope to work within To have an understanding of their role and limitations To have full exposure to all issues, risks, opportunities To be fully informed on processes, timescales and options	Terms of reference to be developed. Terms of reference to be developed. Reports delivered with clear recommendations. Regular meetings, with clearly presented and current information. Email communication on pressing issues. Regular meetings, with clearly presented and current information. Email communication on pressing issues.

5. How will the project be funded?

The initial scoping exercises will be delivered within existing resources. Further financial implications will arise through the project development. No funding for these implications has been identified at present.

6. Scoping Team

Nicola Calver, Project Manager

Alan Robinson, Lead Officer / Project Sponsor

Emma Redwood, Project Sponsor

Democratic Services, Support

7. Date Project Considered by Board:

NA

8. Board Comments:

NA

APPENDIX C

Draft Terms of Reference – Governance Arrangements Task and Finish Group

a) Membership 2016/17

The Membership of the GA T&F is appointed at Governance and Audit Committee.

- Cllr
- Cllr
- Cllr
- Project Manager
- Project Sponsor

The Membership will remain for the duration of the task.

All Members of Council are welcome to feed in to the discussions of the group.

b) Purpose

The purpose of the GA T&F is to:

- To fully review the governance arrangements in place, and develop options for future delivery that address (to the best extent) the requirements identified within the specified outcomes:
    1. Speed of Decision Making – The Council’s decision making process allows it to take advantage of opportunities on commercial projects and ensure that WLDC can work as quickly as it’s colleagues in Greater Lincolnshire
    2. Empowering Individuals – Those Members charged with representing the Council with partners have the authority to act and take responsibility for the decisions they make.
    3. Effective Council Governance and roles of Members and Officers – to ensure the Council has maximum influence and impact with any potential Mayor and combined authority to the benefit of West Lindsey.
    4. Specialist Knowledge – Members have the knowledge and skills to make good, well informed, and safe decisions.
    5. Transparency – Governance arrangements that ensure that residents can see that decisions are made reasonably and fairly.
    6. Accountability – there is clear accountability for success and failure for both members and officers.
    7. Involvement – Members are able to set policy and take ownership of clear decisions.
- To evaluate evidence presented and request evidence to support proposals for different arrangements to ensure efficiency, transparency and accountability to its best potential for decisions made at West Lindsey
- to consider refined procedures to combat a perceived slow pace in decision-making, address decision predetermination, accountability of decisions as well as connectivity, duplication of discussion, and value for money on the decision making process.
- To make recommendations with evidence and implications to G&A Committee for full consideration.

c) Role

- The GA T&F group aims to meet its objectives, and then will be disbanded.
- The GA T&F Group represents cross party working and considers the views of all Members and political parties.
- The GA T&F Group reports directly to GA Cttee, and is not a decision making body.

d) Responsibilities

The GA T&F Group take collective responsibility for:

- Engaging all Members in the work it undertakes;
- Reporting on a regular basis and when requested to its parent committee (Governance and Audit Committee);
- Developing ideas to further its objectives;
- Making recommendations, where necessary to its parent committee.

e) Modes of Operation

- The Group tailors its ways of working to its various functions;
- The Group meets on a regular basis, as business progression dictates.
- Agendas and Minutes are produced for each meeting, and Minutes are provided to the parent committee on a regular basis by email.

F

GA.24 16/17
Governance and Audit Committee
15 September 2016

Subject: **Report on the Governance arrangements for managing the risks of a wholly owned limited company subsidiary.**

Report by:	Director of Resources
Contact Officer:	Ian Knowles Director of Resources 01427 675183 Ian.knowles@west-lindsey.gov.uk
Purpose / Summary:	The purpose of this report is to provide assurance to members of Governance and Audit Committee that appropriate arrangements are being put in place to manage the risks of a wholly owned limited company subsidiary.

RECOMMENDATION(S):
Members are asked to review the governance arrangements in the attached report, seek assurance that appropriate governance is in place and make comments that may be raised by the Chair at Full Council.

IMPLICATIONS

Legal: none arising from this report

Financial : none arising from this report

Staffing : none arising from this report

Equality and Diversity including Human Rights :

NB: Please explain how you have considered the policy's impact on different groups (for example: young people, elderly, ethnic minorities, LGBT community, rural residents, disabled, others). **none arising from this report**

Risk Assessment : none arising from this report

Climate Related Risks and Opportunities : none arising from this report

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

Wherever possible please provide a hyperlink to the background paper/s

If a document is confidential and not for public viewing it should not be listed.

Call in and Urgency:

Is the decision one which Rule 14.7 of the Scrutiny Procedure Rules apply?

i.e. is the report exempt from being called in due to urgency (in consultation with C&I chairman)	**Yes**	☐	**No**	☐

Key Decision:

A matter which affects two or more wards, or has significant financial implications	**Yes**	☐	**No**	☐

1 Introduction

1.1 In June of this year WLDC acquired local business operating as a staff agency in the district and surrounding area. This company will continue to operate as an independent limited company that is wholly owned by the Authority. In addition, a second subsidiary will be created to act as a TECKAL company for supply of the same services to public bodies. The TECKAL status currently allows Authorities to give work to such companies without an open tender process.

1.2 At its meeting in July Corporate Policy and Resources Committee agreed a governance structure for recommendation to Full Council.

1.3 That same report is presented today for members of Governance and Audit Committee to review the arrangements, seek assurance that appropriate governance is in lace and make comments that may be raised by the Chair of this committee at the meeting of Full Council.

West Lindsey District Council
The Entrepreneurial Council

APPENDIX A TO GA.24 16/17

CPR.18 16/17

Corporate Policy and Resources Committee

Date: 28 July 2016

Establishing a Group Trading Company for West Lindsey District Council

Report by:	Commercial Director
Contact Officer:	Penny Sharp Commercial Director Landline: 01427 675185 Mobile: 07810 658324
Purpose / Summary:	The purpose of this report is to consider establishment of a group of trading companies to support the Council's commercial activities.

RECOMMENDATION(S):

(1) That Corporate Policy and Resources Committee recommends to Council approval the proposed group structure for trading companies (the trading arm) to facilitate the return of profits to the Council which can be used to ensure the sustainable delivery of front line services.

(2) That Corporate Policy and Resources Committee recommends that Council delegates authority to the Committee for approval of annual business plans and accounts for the Group Holding Company and its individual subsidiaries.

(3) That Corporate Policy and Resources Committee recommends to Council that it approves the Shareholder Agreement for the Group Holding Company and its associated subsidiaries.

(4) That Corporate Policy and Resources Committee recommends to Council that it approves the Articles of Association for the Group Holding Company and its associated subsidiaries.

(5) That Corporate Policy and Resources Committee recommends to Council the nomination of the Commercial Director as Company Director and Chief Executive as Non-Executive Director for the Group Holding Company (WLDC Trading Ltd) and its Sure Staff subsidiaries (Sure Staff Lincs Ltd and WLDC Staffing Services Ltd).

(6) That Corporate Policy and Resources Committee recommends to Council the nomination of the S151 Officer, (the Director of Resources) as the Council's Shareholder representative.

(7) The members delegate authority to the Council's Section 151 Officer and the appointed Director of the SureStaff subsidiaries to agree the format and content of a Resourcing Agreement for the supply of services by the Council.

IMPLICATIONS

Legal:

The Council has the legal power to establish and operate trading companies. These can be wholly owned by West Lindsey District Council in order to enable the Council to take advantage of the powers to trade for profit introduced under the Local Government Act 2003, where opportunities to do so arise and it is appropriate to use the company as a vehicle for the trading activity proposed.

In addition, under the "general power of competence" introduced by Section 1 of the Localism Act 2011 local authorities now have a general power that enables them to do anything that a private individual is entitled to do, subject to certain statutory limitations.

It should be noted that things done for a commercial purpose even under the Localism Act 2011 must be done through a company.

Financial: FIN/58/17

A business case has been produced (and will be produced) for each company which forms part of the trading arm. These forecast the potential cost and revenue implications for the Council of developing and operating each specific commercial activity.

The establishment of the trading arm, including the costs of specialist advice (legal, taxation) and company incorporation will be met from existing Invest to Earn funds. Any working capital requirements and/or cashflow subsidies will be provided to each company by the Council on commercial terms.

Each company within the trading arm will operate as a separate legal and commercial entity and distributable profits will be returned to the Council by way of dividend payments. The Council may also benefit from ownership of these companies by way of payments under a Resourcing Agreement and via interest charges on loans.

Staffing:

In most cases, the creation of the trading arm will represent the commercialisation of existing Council activities. Where this is the case, it is anticipated that existing staff will be used to deliver the service.

In the case of other commercial activity where the Council does not currently have an offer, the business plan includes provision for the creation of an appropriate staffing structure.

The acquisition of SureStaff Lincs Ltd has created the requirement to recruit a qualified professional to operate the company. Provision for this is again included in the specific business case.

Equality and Diversity including Human Rights:

There are no equality and diversity issues arising directly from this report

Risk Assessment:

The development of a trading arm represents a significant step forward for WLDC as it develops a range of commercial activities. Although this course of action presents opportunities, there are a number of potential risks.

In summary, the key risks are:

Failure to comply with legislation or trade *ultra vires* – the Council has engaged commercial support on an interim basis and is also commissioning legal advice (from specialists Bevan Brittan LLP) to guide it through the process of establishing a trading arm.

Possibility of State Aid challenge –Council support for any trading entities will be provided under a Resourcing Agreement and a set of Service Level Agreements that will ensure that market rates are used to set the relevant fees and payments.

Failure to comply with prevailing taxation laws/regulations – specialist advice has been commissioned from KPMG to provide guidance in relation to meeting the requirements in respect of both Corporation Tax and VAT.

Failure to trade successfully – each 'business' will be/has been developed using a market driven business plan which identifies and evaluates the market opportunity alongside the commercial and competitive landscape. In addition, the business plans identify relevant performance targets and the indicators for success/failure. Each reports monthly to Commercial Board in this respect, as well as holding their own monthly Board meetings to review activity and performance.

Poor investment/acquisition – the Council has developed a comprehensive due diligence checklist for a range of investment/acquisition scenarios; from property and land purchases to company acquisitions and market lending.

Conflict of interest with Council priorities and resources – each business case evaluates the resourcing requirements needed to trade in the context of the Council's statutory duties. Where a conflict occurs, the business plan will need to support any additional resources that are needed.

Climate Related Risks and Opportunities: **There are no direct climate related risks arising from this report**

Title and Location of any Background Papers used in the preparation of this report:
None

Call in and Urgency:

Is the decision one which Rule 14.7 of the Scrutiny Procedure Rules apply?

i.e. is the report exempt from being called in due to urgency (in consultation with C&I chairman)	**Yes**		**No**	x

Key Decision:

A matter which affects two or more wards, or has significant financial implications	**Yes**	x	**No**	

1 Background

1.1 A number of local authorities have identified that setting up a trading company – wholly owned by the Council, but operated as a separate legal entity –offers a way to develop services beyond their existing focus.

According to Localis, 58% of local authorities had trading companies in 2015[1] - based on a survey of 150 leaders in local government (e.g. chief executives, council leaders, finance). If representative of the sector as a whole, this would translate to around 189 English local authorities at the district/unitary level, indicating that the concept of the council-owned/run trading company is widely accepted. There is also significant evidence to suggest that trading companies are either under consideration or in active development by many other local authorities

1.2. West Lindsey District Council is developing a portfolio of commercial propositions based on both existing and new activities. Currently these activities are generating a modest level of income, but there is an ambition to build a number into significant revenue generating operations.

1.3 The Council has identified the need to establish a trading vehicle and has reviewed the options available to provide support for anticipated future activities by providing:

- Strategic direction
- Business opportunity development
- Support services

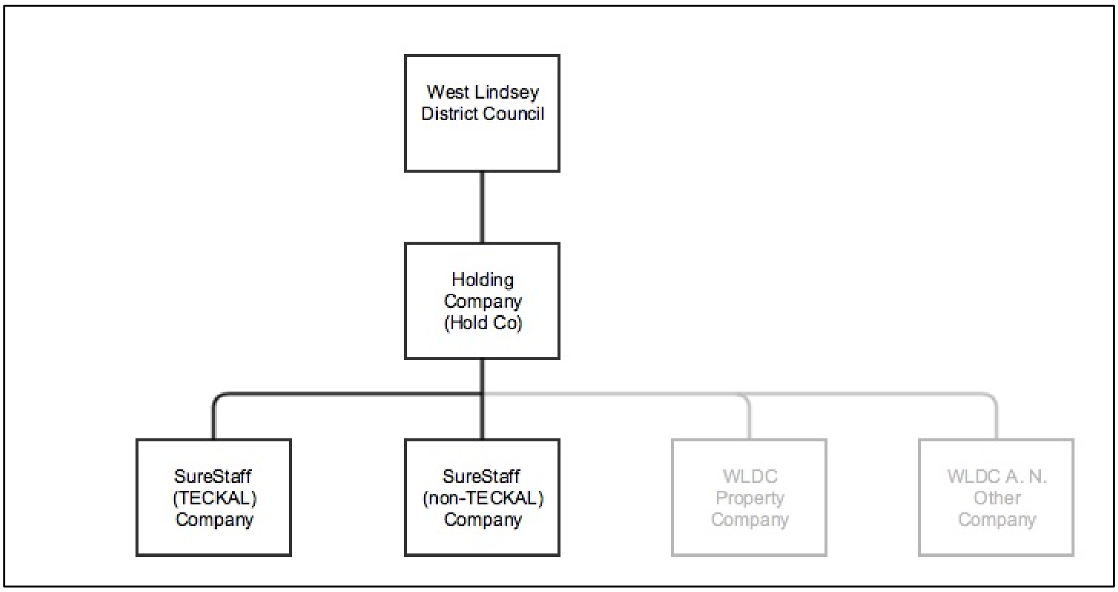
- Governance arrangements
- Financial planning

1.4 As well as establishing a vehicle to allow a range of trading activities, setting up a trading arm will support a number of WLDC's wider objectives:

- Service Quality
- Customer Focus
- Workforce Quality
- Innovation
- Cultural
- Sustainability
- Reputation.
- Retention of control and benefits

2 Group structure

2.1 It is likely that the Council will want to consider establishing a series of Companies Limited by Shares for those operations which have a commercial character. It is believed that a group structure, similar to the example shown in the diagram below, would be the most appropriate to support the Council's commercial ambitions.



2.2 A group structure of this type will offer WLDC a number of advantages:

- Assets – usually property and intellectual property - can be ring-fenced to protect against claim if the trading company is subject to litigation.
- The operation of separate companies for different areas of the business of the company can be helpful if one part of a business is regulated or has a higher risk profile.

- To allow the operation of employee share schemes which are limited to the business in which the particular employees work.
- If there is potential to sell the business avoiding some of the legal issues that can arise with a sale of assets.
- A group company structure can be tax efficient.

2.3 Initially one the companies in this group structure will be configured as a ‘Teckal’ company (WLDC Staffing Services Ltd). This enables the company to trade directly with the council, and potentially other public sector bodies. A Teckal company will provide:

Services to the Council and other legal persons controlled by the Council (within the meaning of regulation 12 of the Public Contracts Regulations 2015) in accordance with any business plan then in force and on terms agreed between the Teckal Co and the Council

2.4 Once a group holding company is established with approved Articles of Association and Shareholder agreement, any future subsidiaries that the Council be created through a ‘Deed of Adherence’. In essence, this means that any susbsidiary companies will be bound by the approved Articles and Shareholder agreement. This does not preclude the Council from establishing other companies or Special Purpose Vehicles outside this structure.

3 Shareholding

3.1 The Council will be the sole (100%) member of a group holding company which in turn with be the sole member of each of the subsidiaries, thereby creating a "flat" subsidiary structure underneath the holding company.

The Council will be named as the sole member of each subsidiary, but will exercise its rights (as owner or contract counterparty) through one or more authorised representatives.

4 Governance

4.1 As the sole owner of the Group Holding Company and its subsidiaries, the Council will have ultimately govern the operations of the companies.

The Shareholders Agreement (Appendix 1) is a legally binding document that sets out the Council’s expectations of its companies. The Council must approve the annual business plan and accounts for the Group Holding Company and its subsidiaries. The Shareholder Agreement also details a list of *Reserved Matters,* issues that must revert to the Council, as sole Shareholder, for decision-making.

4.2 The Articles of Association (Appendix 2) set out the purpose and operational requirements of the Group Holding Company and its individual subsidiaries. These govern the way that the individual companies must operate.

4.3 Apart from the reserved matters, decisions which the Council (as member) is required to approve under the Companies Act 2006, and any matters which the Council directs a company's board to undertake (or not undertake), the day to day running of each subsidiary will be left to the company directors.

5 Council appointments:

5.1 The Council will appoint one or more directors to each subsidiary Board and, depending on the composition, may appoint a majority of directors. Legal advice recommends that the Council’s nominated directors should be officers rather than elected members to avoid potential conflicts of interest and given that it is the Council (ie all elected members) which is the shareholder and owner.

5.2 It is recommended that the Commercial Director is appointed as Director and Manjeet Gill as Non-Executive Director for WLDC Staffing Services Ltd, SureStaff Lincs Ltd and the Group Holding Company (WLDC Trading Ltd).

5.3 It is recommended that the Council’s Section 151 officer, the Director of Resources be nominated as the Council’s shareholder representative.

6 Tax Implications

6.1 The Council commissioned specialist advice from KPMG, the Council’s external auditors, in relation to both Corporation Tax and VAT. The advice focused on high level considerations in relation to Local Authority Trading Companies (LATC) and also provided detailed analysis in relation to SureStaff Lincs Ltd.

6.2 KPMG advised that it is common for local authorities to establish a group company structure:
“Often a company is incorporated which sits between the Local Authority and the Local Authority Trading Company. This is commonly referred to as a holding company. There are various reasons why a holding company structure is utilised however a major reason includes; facilitating management charges for services and mitigating tax on a future sale by way of substantial shareholding exemption relief” KPMG April 2016.

6.3 It is proposed that any profits generated by subsidiary companies will be returned to the Council through a dividend payment and will only be distributed in accordance with approved business plans and with Council approval.

6.4 It may be necessary to obtain more detailed advice about tax implications for each specific subsidiary. This advice will be commissioned as and when required.

6. Update on Sure Staff

6.1 The acquisition of SureStaff was completed on 30th May 2016. The company, now formally owned by West Lindsey District Council, has moved into a start-up office in The Plough Business Hub. The company held its first formal Board meeting on 7th June.

6.2 Under the terms of the acquisition the previous owner has been working full-time in the business and will continue to do so until 31 July 2016. He has successfully set up the office and configured all the systems to operate as before. In addition, he has made a number of calls to both worker suppliers (Job Centre, employment services) and former clients with promising outcomes.

6.3 The business has successfully recruited and appointed a Manager who is now in place and is rapidly gaining knowledge of Sure Staff. The Manager has previous staffing agency experience and is ambitious to develop the business. The Council’s Finance team member has also been trained and are now provides the payroll administration service under the Resourcing Agreement.

6.4 Preparations to transfer the Council’s Operational Services contract (Garden Waste) over to SureStaff are progressing well. A reduced handover period has been negotiated with the incumbent agency supplier (Essential Recruitment) and this contract will ‘go live’ with SureStaff at the end of July. This will produce revenue for the business one month earlier than projected in the business plan. In addition, the Council has placed additional requirements with Sure Staff after only two weeks of operation, generating non-forecast revenue in June and July.

7 Conclusions

7.1 The creation of a trading arm, configured as described above, offers the Council the opportunity to develop a suite of commercial activities and optimise its financial position in order to help fund front line services.

7.2 It is proposed that members approve and recommend to Council the establishment of a Group Holding Company, the proposed Articles of Association and Shareholder agreement. In addition, it is recommended that the Council’s nominated representatives are approved and recommended to Council.

Purpose:
This report provides a summary of reports that are due on the Forward Plan over the next 12 months for the Governance and Audit Committee.

Recommendation:

1. That members note the schedule of reports.

Governance and Audit			
Active/Closed	Active		
Date	**Title**	**Lead Officer**	**Purpose of the report**
08/11/2016	Annual Audit Letter	Tracey Bircumshaw	To present the Annual Audit Letter - KPMG External Audit
	Members Allowances	Alan Robinson	Discussion item to inform the work of the Independent Remuneration Panel prior to their recommendations to Council
	AGS 15/16 Monitoring Report Q1	James O'Shaughnessy	To assess progress against the agreed AGS action plan at the end of quarter 1
	Internal Audit Plan Q2	Ian Knowles	To present progress against the agreed internal audit plan up until the end of period 2 extract from mins of mtg 21/6 Referring to Appendix 4, the continuous improvement plan for the Audit Lincolnshire service, Independent Members enquired as to how they as a Committee sought assurance the plan was being delivered. It was stressed that Audit Lincolnshire was a service provided by the County Council and as such its service improvement plan would be held to account by Mangers at the County Council. However if the Committee were minded, Officers would request that it be submitted in six months time alongside the internal audit plan progress report. The Committee welcomed this suggestion. it is therefore requested that this report includes an update improvement plan for Audit Lincolnshire

	Quickline Monitoring Report Q2	Tracey Bircumshaw	Exempt monitoring report assessing progress against the agreed business loan
	Strategic Risks - 6 month Update	James O'Shaughnessy	to present the 6 month update
	Member Champions	Alan Robinson	To formalise the role of Member Champions for the Constitution
	sample decision making	Ian Knowles	to provide g and lay members with an example of the governance key decisions go through by way of assurance
	sector led biody for audit appointments	Ian Knowles	to set out the next steps for joining the sector led body for audit appointment
17/01/2017	Treasury Management Draft Strategy	Tracey Bircumshaw	To present the draft strategy for scrutiny purposes
	Internal Audit Plan Q3	Ian Knowles	To present progress against the agreed internal audit plan up until the end of period 3
	Quickline Monitoring Q3	Tracey Bircumshaw	Exempt monitoring report to assess progress against the agreed business loan
14/03/2017	Certification of Grants and Claims	Tracey Bircumshaw	For External Audit to present the Certification of Grants and Claims
	Combined Assurance Report 2016/17	James O'Shaughnessy	To present the Combined Assurance Report
18/04/2017	Quickline Monitoring Q4	Tracey Bircumshaw	Exempt monitoring report to assess progress against the agreed loan as the end of period 4
	Constitution Annual Review	Alan Robinson	To present the Annual Review of the Constitution
	Strategic Risks - 6 month Update	James O'Shaughnessy	to present the 6 monthly update
20/06/2017	Member Training update	Alan Robinson	To present an update on the Member development programme
25/07/2017	annual fraud report - number and nature	Angela Matthews	to present the annual report - commercial element will go to cpr
Grand Total			