

WEST LINDSEY DISTRICT COUNCIL

**UNAUDITED
STATEMENT OF ACCOUNTS**

2016/17

**WEST LINDSEY DISTRICT COUNCIL
STATEMENT OF ACCOUNTS 2016/17**

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THE NARRATIVE REPORT TO THE STATEMENT OF ACCOUNTS 2016/17

1. INTRODUCTION



Message from the Director of Resources – Ian Knowles

As the Council's Chief Finance Officer I am pleased to present the 2016/17 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 last twelve months have seen a number of significant changes for the UK. Since the voting population indicated a desire to leave the European Union in the June 2016 Referendum there has been a range of ramifications. There has been a change of Prime Minister, a reduction in the value of sterling against other currencies and a range of views developed about the nature of our departure from the EU by March 2019.

The government has removed the commitment to a balanced budget within this parliament, maintenance of the reduced expenditure for Local Government and an indication that Education will begin to see its available resources reduced. There is still a commitment to maintain Health and Defence budgets but it is clear that Health is struggling to maintain services within the current budget envelope. The Government has also determined that Local Government will become 'self-financing' through Council Tax and Business Rates.

On a policy level the Government has shown an emphasis on Housing and Homelessness through the recently introduced Housing and Planning Act, which has been supported by the new HCA (Homes and Communities Agency) funding programmes and the continued development of OPE (One Public Estate) which requires Council's to look at how to maximise the benefit of public property for the benefit of the wider public sector.

The policy position also extends into the national Industrial Strategy which is expected to provide support to target sectors such as agri-food and manufacturing.

At a regional level the Industrial Strategy has led to the establishment of the concept of the 'Midlands Engine Room' as a focus for developing the economy across the Midlands. It is expected that there will be announcements in February pertaining to the Single Local Growth Fund 3 via the Greater Lincolnshire Local Enterprise Partnership.

The provisional financial settlement announced in December 2016 continued the new methodology (introduced in 2015) for the distribution of resources which has led to the Shire Counties (and districts) experiencing a larger reduction than other local authorities. Figures produced by the SPARSE lobby group suggest the Shire Counties have seen a reduction of 31% whilst the Metropolitan Boroughs have seen a reduction of 22%.

Whilst the Government has agreed the four year settlement for Revenue Support Grant (RSG), Rural Services Delivery Grant (RSDG) and Transition Grant it has made significant changes to the New Homes Bonus distribution. From 2018/19, the government will consider withholding payments from local authorities that are not *“planning effectively, by making positive decisions on planning applications and delivering housing growth”* (Ministers Statement)

A consultation is planned regarding withholding payments for homes that are built following an appeal.

Local Context

In 2017/18 West Lindsey District Council has seen a further reduction in RSG of 54.9% although this continues to be remediated to some degree by the separation of the RSDG. This has also been reduced from the 2016/17 level, taking our overall reduction between 2016/17 and 2017/18 to 14%.

Whilst our plans to date have been based on the reduction of RSG to zero by 2020/21 the four year settlement, which has been sustained in the settlement 2017/18, reduces our RSG to nil by 2019/20.

The Chancellor has committed to continuing with plans to deliver 100% retention of Business Rates. This process will be accompanied by the delegation of further duties expected to be funded from the increased retention and will not offer any replacement for the lost RSG. Further consultation on this issue is expected in the near future.

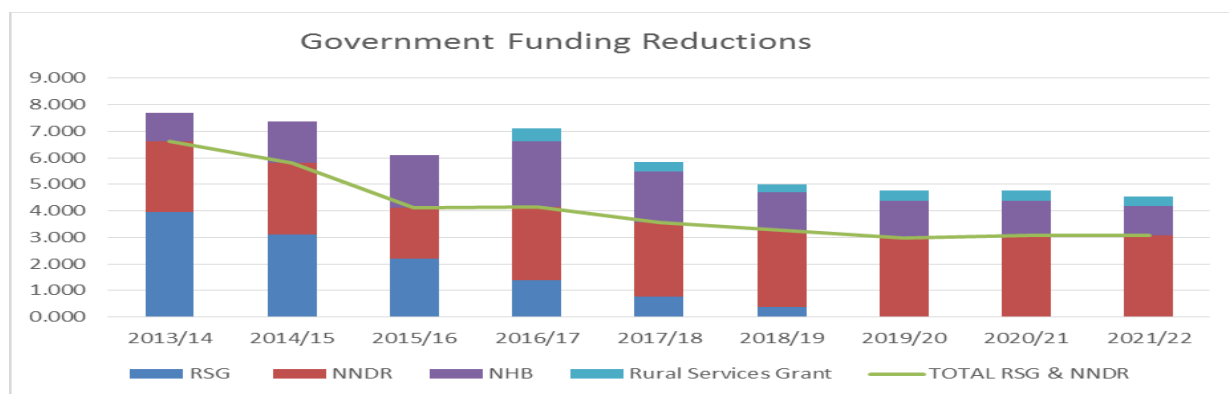
The changes to New Homes Bonus will reduce our expected income, based on the years already announced, by £377k. The lost income due to the changes on future years has not been calculated as the growth element is unknown but it can be assumed as being equivalent to a single year impact in the region of £250k per year. Given that this funding has been earmarked for investment in housing and regeneration since 2011/12 it will have a significant impact on our ability to fund future growth projects.

At the time of this report a General Election has been called and we wait to see how the newly elected Government will approach the funding of Local Government.

West Lindsey District Council Settlement Funding Government Grant Reductions upto end of 4 year settlement

| Settlement Funding | 2013/14 | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 |
|--------------------------------|---------|---------|---------|---------|---------|---------|---------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Formula Grant | 5,513 | 4,482 | 4,586 | 4,154 | 3,582 | 3,275 | 2,997 |
| Other Grants Rolled In | 1,145 | 1,097 | 356 | 0 | 0 | 0 | 0 |
| Grant Reduction Year on Year | 175 | 1,079 | 637 | 788 | 572 | 307 | 278 |
| Percentage Change Year on Year | 3.00% | 16.20% | 12.00% | 15.94% | 13.77% | 8.57% | 8.49% |

The Graph below illustrates government funding levels:



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

Due to the Government's austerity drive since 2013/14 and having agreed to the 4 year settlement 2016/17 to 2019/20 our strategy is to be non-reliant on RSG by 2020

These changes relate to changes in the formula grant (RSG), and the introduction of the Business Rates Retention Scheme (NNDR) 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

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 2020/21 aligned resources to the six Corporate Plan themes as detailed below;

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

The Corporate Plan can be found at <https://www.west-lindsey.gov.uk/my-council/how-the-council-works/key-plans-policies-and-strategies/corporate-plan/>

3. FINANCIAL STRATEGY (16/17 and forward looking)

The Authority has established a portfolio of programmes to deliver the Corporate Plan 2016/17 – 2020/21. The financial strategy 2017/18 has been developed to ensure the Council delivers against the six themes above

We have designed the activities to maximise income generation, improve efficiency and customer services and develop the economy of the district. The programmes include:

- 1 – Closer to the Customer
- 2 – Invest West Lindsey - Housing Development, Land and Property, Gainsborough Growth
- 3 – Trading Services
- 4 – Community Commercial Services
- 5 – Commercial Investments

4. DID 2016/17 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 and those built into the 2016/17 base budget have been achieved. In addition out-turn surpluses of £1.058m (mainly achieved from one-off items of income) have been transferred to the General Fund Working balance for future investment in corporate priorities.

The Medium Term Financial Strategy 2017/18 requires a further £0.434m to be saved, however as this does include elements of risk, therefore an overall target of £1.8m is needs to be identified by 2021 if the Council is to be non RSG reliant in future. .

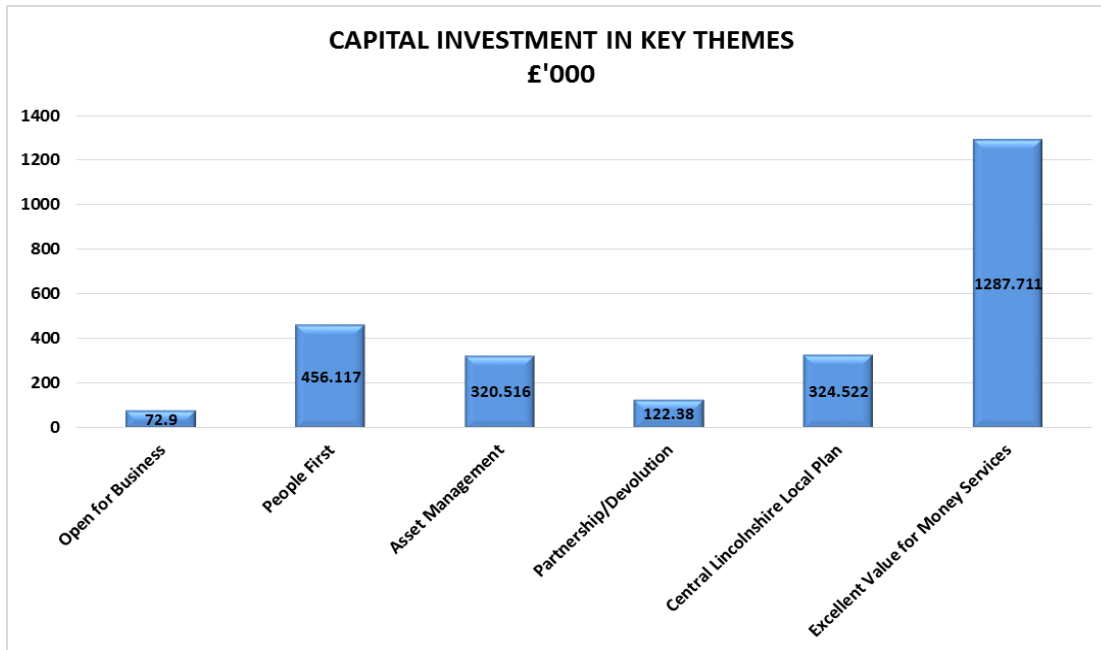


The Medium Term Financial Plan 2017/18 can be found on our website www.west-lindsey.gov.uk

5. CORPORATE PRIORITIES 2016/17

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 as prioritised in the key themes.

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 capital investment for 2016/17 into each of the above theme areas.



In 2016/17 there have been a number of successes for West Lindsey which are worthy of note alongside the financial statements;

Open for Business

- Acquisition of Sure Staff Ltd
- Launch of 'Invest Gainsborough' – Development Partner for WLDC with three national developers shortlisted
- Gainsborough Growth Fund, supported new indoor skate arena and extended to retail sector
- Contractual agreement from Travelodge to lease Sun Inn site
- Starter Homes Bid – Nettleham & Gainsborough sites
- Commercial project progression
- Commercial Trade Waste service launched
- Building Control Commercial Air Testing and Fire Risk Assessment services launched

People First

- Leisure Centre Award
- Selective Licensing Scheme launched
- Street Scene – Gold Award
- New modern, mobile responsive Website Launched
- Increased range of online transactions available on the website.
- Extended range of partner organisations and services available through the Public Sector Hub.
- One Public Estate - £110k feasibility funding secured
- Funding secured for supported housing & extra care

Asset Management

- Expansion of Public Service Hub
- Commercial property partner adviser secured
- Positive Property Audit Finding

Central Lincolnshire Local Plan

- Successful public examination of Local Plan
- Allocation of Hemswell FEZ – 30 hectares of strategic employment site
- Exemplar Neighbourhood Plans; strong take-up and delivery

Devolution/Partnerships

- Post devolution decision – strong partnerships focussed on housing, skills and infrastructure
- GLLEP: Agri-Food Partnership; skills agenda and significant funds via SGF3
- Commercial Partnership with DPL – Sun Inn & Market Street renewal
- Place Board established
- Skills Partnership
- Homes & Community Agency Partnership
- Mentoring Partnership with Gainsborough Academy
- Gainsborough SWW Partnership addressing issues
- NK/WL Shared Partnership effective

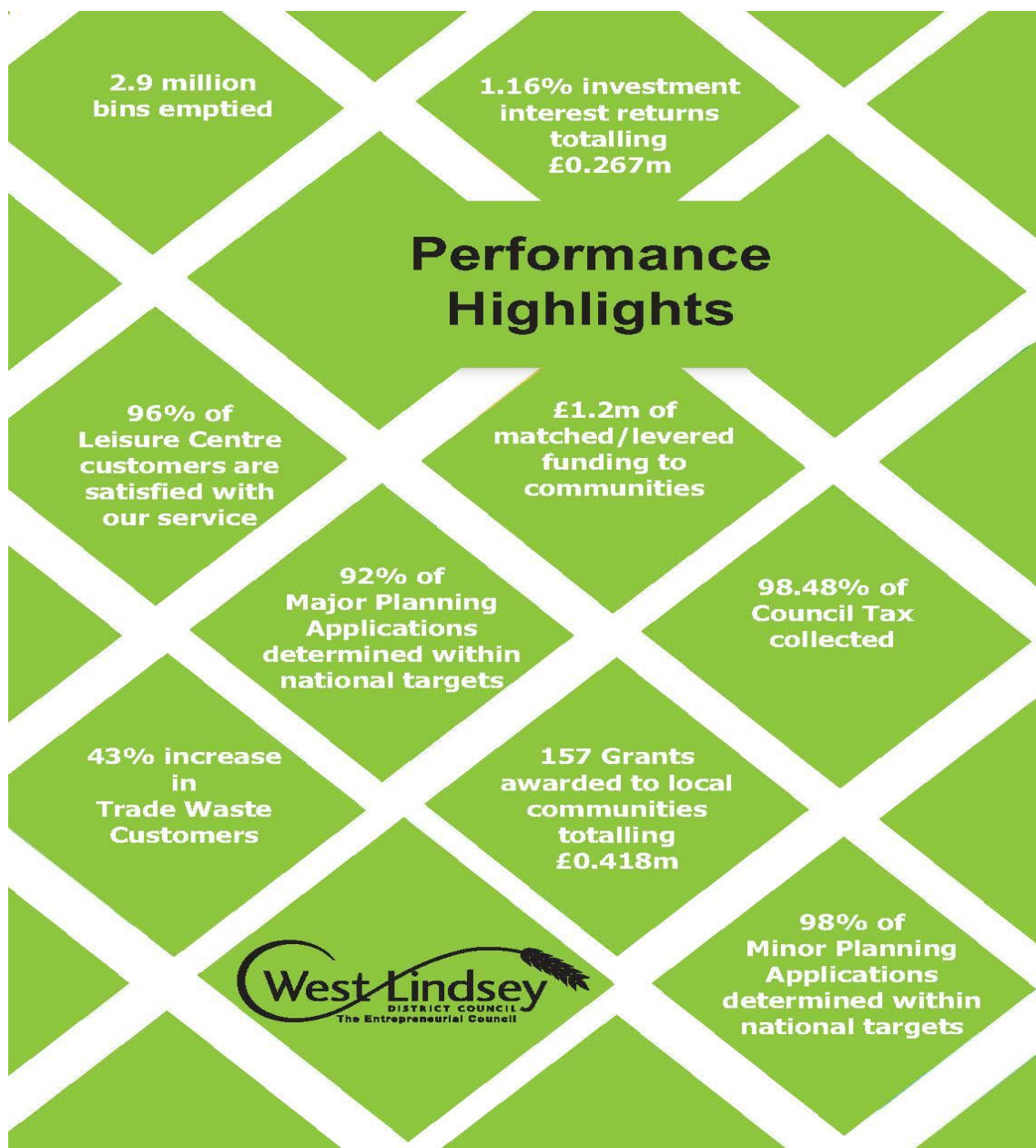
Excellent VfM Services

- Major improvements in development management performance
- Localism restructure undertaken
- Council Tax and NNDR collection rates
- £150k savings identified via analytical reviews

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 | | |
|--|----------------|----------------|
| | 2015/16 | 2016/17 |
| Perspective: Customer | | |
| • Volume of received complaints | 144 | 181 |
| • Volume of received compliments | 168 | 168 |
| • Employee satisfaction | 69.00% | Bi-Annual |
| Perspective: Financial | | |
| • Position against budget | 5% | 6.90% |
| Perspective: Process | | |
| • Percentage of service requests received through digital channels | N/A | 25.30% |
| Perspective: Quality | | |
| • Service and system availability | 99.90% | 99.90% |
| • Percentage of calls answered | 90.00% | 72.50% |
| • Staff absenteeism | 0.51% | 0.74% |



7. SUMMARY OF FINANCIAL PERFORMANCE 2016/17

The Council approved a revenue budget, including Council Tax charges, for 2016/17. There was no requirement to utilise the General Fund Balance to provide a balanced budget. The Actual out-turn has realised a surplus of £1.058m and this has been transferred to the General Fund Balance.

The following table reports the revenue figures for 2016/17 before any adjustments required by accounting standards that are subsequently reversed under statute.

Revenue Out-Turn 2016/17

The final revenue out-turn position realised a surplus of £1.058m which equates to 6.9% of the Budget Requirement, this was contributed to the General Fund Balance. The total net expenditure by Service Cluster is detailed below;

West Lindsey District Council Statement of Accounts 2016/17

| SERVICE CLUSTER | 2016/17 Budget £ | 2016/17 Actual £ | 2016/17 Variance £ |
|---|---------------------------------|---------------------------------|-----------------------------------|
| Corporate Management | 594,700 | 604,392 | 9,692 |
| Commercial Development | 2,534,900 | 2,513,981 | (20,919) |
| Customer First | 1,662,700 | 1,449,182 | (213,518) |
| Democratic and Business Support | 2,947,700 | 2,591,326 | (356,374) |
| Economic Development and Neighbourhoods | 2,254,771 | 1,822,445 | (432,326) |
| Housing and Regeneration | 1,284,100 | 1,514,586 | 230,486 |
| Organisational Transformation | 1,250,000 | 1,061,438 | (188,562) |
| Controllable Total | 12,528,871 | 11,557,349 | (971,522) |
| Corporate Accounting Total | 1,912,350 | 1,515,799 | (396,551) |
| Statutory Accounting Total | 4,806,300 | 1,484,060 | (3,322,240) |
| Movement in Reserves Total | (3,916,486) | (448,873) | 3,467,613 |
| Net Revenue Expenditure | 15,331,035 | 14,108,335 | (1,222,700) |
| Funding Total | (15,331,035) | (15,166,856) | 164,179 |
| (SURPLUS)/DEFICIT FOR THE YEAR | 0 | (1,058,521) | (1,058,521) |

Service Clusters include the following services;

Corporate Management - Chief Executive, Chief Operating Officer, Commercial Director, Director of Resources.

Commercial Development - Town Centre Markets, Street Cleansing, Waste Management, Trade Waste.

Customer First - Building Control, Customer Services, Debtors, Licences, Support Services-Admin, Food Safety, Housing Benefits, Fraud, Health and Safety, Land Charges, Pest and Dog Control, Parish Lighting, Pollution Control, Local Tax Collection.

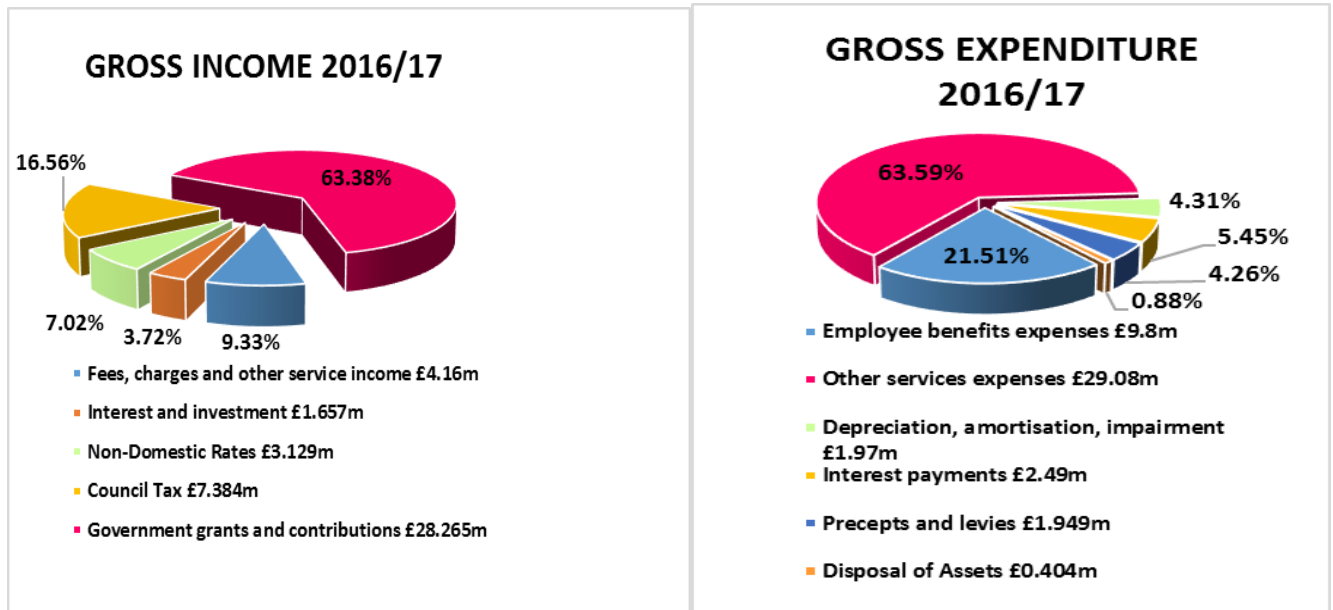
Democratic and Business Support - Civic Support, Apprentices, Democratic Representation, Elections, Financial Services, Support Services-Corporate, Legal Services, Communications, Human Resources.

Economic Development and Neighbourhoods - Community Action, Development Management, Economic Development, General Grants.

Housing and Regeneration - Car Parks, Community Safety, Culture Heritage & Leisure, Emergency Planning, Property Services, Homelessness & Housing, Public Conveniences, Tourism.

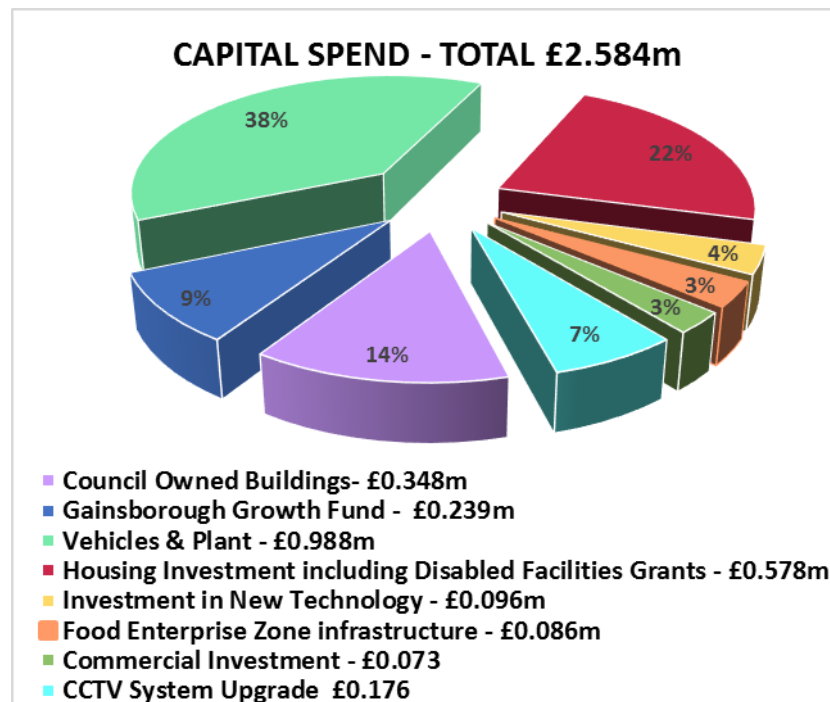
Organisational Transformation - Business Improvement & Commercial Development, Cemeteries and Churchyards, Systems Development, ICT Services, Parks and Open Spaces.

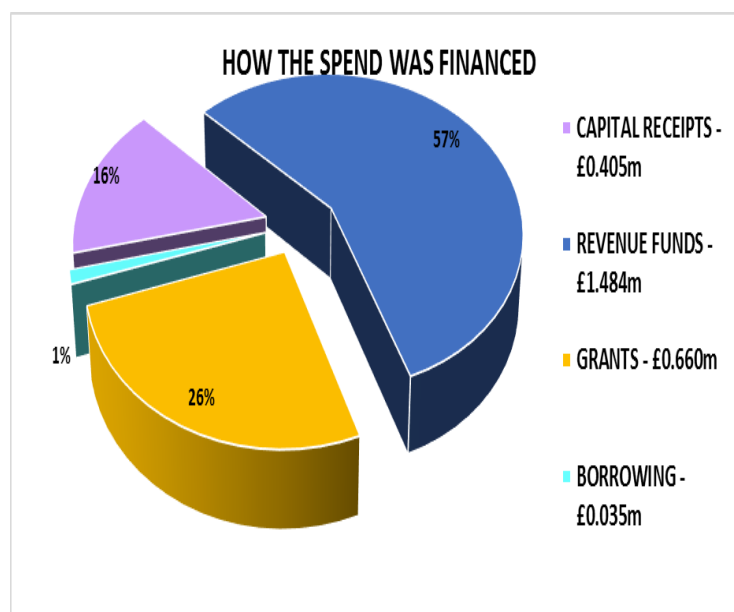
Gross income totalled £27.771m (28.815m 2015/16), and gross revenue spending on services was £40.885m (£39.656m in 2015/16) analysed by type of income and expenditure in the graphs below;



The Capital Programme

Capital expenditure represents money spent by the Council to purchase, upgrade or improve assets such as buildings and vehicles, in addition to providing grant funding for these purposes. The distinction between capital and revenue expenditure is that the Council and its communities receive the benefit from capital expenditure over a number of years. The Council spent the year spent £2.584m during the year as detailed in the graph below;





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 2017 to 31 March 2022.

| Funding | £'m |
|--------------------------|---------------|
| Grants & Contributions | 8.819 |
| Revenue Financing | 14.012 |
| Useable Capital Receipts | 1.714 |
| Prudential Borrowing | 28.808 |
| Total | 53.353 |

Debt and Investments

The Council has no long term external borrowing nor was it necessary to undertake short term borrowing to meet cash flow requirements. The Council does however intend to undertake borrowing to support significant capital investments in future years.

At the end of the year the Council had £18.888m of investments (£20.683m 2015/16) which generated interest totalling £0.266m.

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 2017 the Council's net liability

reported by the Actuary to the LGPS was £36.3826m (£28.876m in 15/16), an increase of £7.056m. This is mainly due to increases in actuarial financial assumptions.

More details of the IAS19 valuation are set out in Note 29 to the Financial Statements.

Significant provisions, contingencies and material write-offs

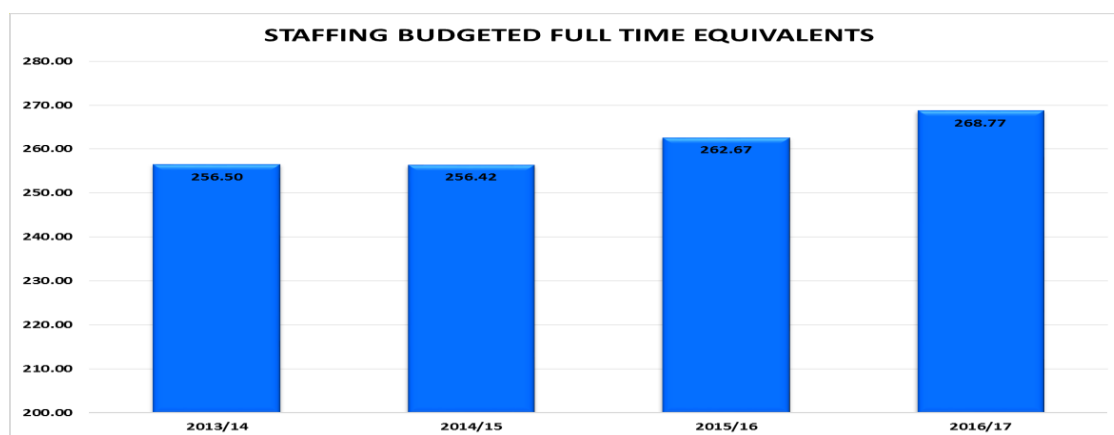
No significant contingencies or material write offs were recognised in 2016/17. However the Council has set aside provisions of £0.928m (£1.012m 2015/16) mainly in respect of appeals against NNDR rating assessments, possible outstanding legal cases and insurance.

Staffing Trends

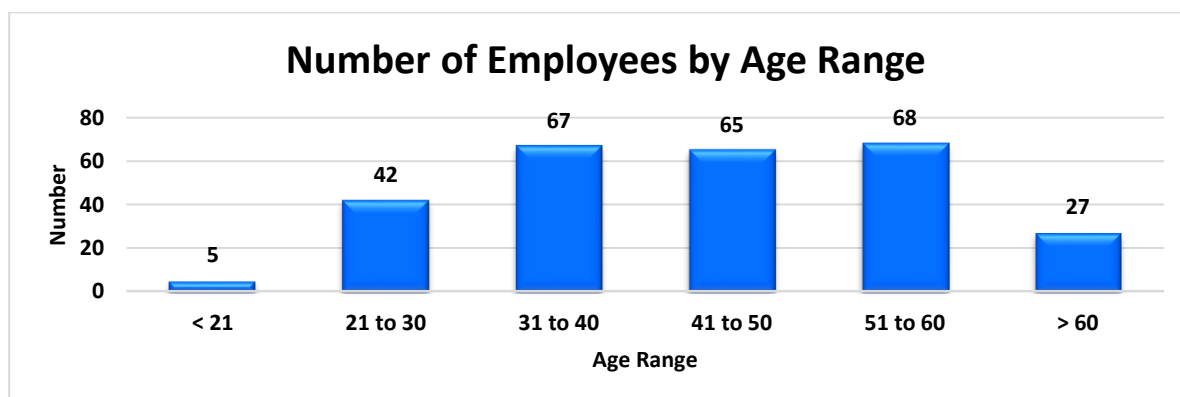
The Council has put considerable effort into its drive to become more efficient by reducing staffing numbers yet maintaining quality award winning services. This has been achieved by introducing a range of measures such as more flexible working, restructuring management and streamlining back office activities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

The Council has 16 temporary/fixed term contract staff who provide additional resource for specific projects or service delivery.

There has been a slight increase in staff of 6 FTE during the year with the creation of a Spatial Planning Team.



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 45% are male and 55% 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 over 20%. The plan aims to build on this success in order to achieve a target reduction of 35% which is an ambitious target.

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 as 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 2021/22. 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 items and the potential to impact on organisational focus to deliver the planned financial targets.

Business Cases for projects within wider Programmes of work, also identify risks and mitigations, these are monitored through a robust process with highlight reports being presented to the Entrepreneurial Board.

9. FUTURE OUTLOOK AND SIGNIFICANT SERVICES CHANGES

With regard to planned future developments, exciting times are ahead for the Council. With significant Capital investment to realise a revenue return in accordance with the Financial Strategy of becoming a self sufficient Council. Services continue to develop commercial acumen and identify ways in which to increase income, achieving efficiencies, and reduce costs. This may result in changes in the way we provide future services. The following are the key major developments on the near horizon:

- **Closer to the Customer programme**

As Customers remain our priority focus the Council is committed to ensuring they receive the best possible experience and service from the resources available. The Closer to the Customer programme is currently being undertaken and will include reviewing organisation structures, systems, processes, information and enabling technologies, creating a 'modern digital-lead business' that meets the customer's needs and expectations, through an excellent customer experience. It is anticipated that future savings and efficiencies will be delivered through this programme of work.

- **Economic Development and Housing Regeneration**

The Council has committed to a £5 million programme of regeneration for Gainsborough to rejuvenate the town centre and riverside areas in addition to delivery of housing as part of

our successful bid for Housing Zone status. This will be delivered by working in partnership with a procured development company and other stakeholders ie the Housing and Communities Agency, Lincolnshire County Council, the Town Council etc with an aim to also attracting inward investment and with innovative solutions to funding requirements being considered, returns may be achievable.

The service continues to achieve success with grant bids, with the recently announced £6.5m of Greater Lincolnshire Local Enterprise Partnership funding resourcing regeneration and the development of a Food Enterprise Zone within the district, in addition to developing innovative ways in which to attract inward investment.

- **Commercial Property Acquisition**

The Council has recently agreed an Investment Policy enabling up to £20m to be invested in commercial property with the aim of generating a revenue return to support future sustainability in line with our Financial Strategy .

10. THE FINANCIAL STATEMENTS

As required by the Code the financial statements which follow consist of the following;

- **Expenditure and Funding Analysis (EFA)**

The accounts follow the prescribed Chartered Institute of Public Finance & Accountancy (CIPFA) format. As a result, the Comprehensive Income and Expenditure and the 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. A new statement, the Expenditure and Funding Analysis shows income and expenditure analysed over the Councils management structure via service Clusters.

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

Consolidates the total gains and losses experienced during the year and the total income and expenditure. The deficit on the Provision of Services totalled £1.134m (surplus of £0.798m 2015/16).

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

Shows the movement in the year on the different reserves held by the Council, which are split between those that are available for the Council to spend (usable reserves) and those that have been created to reconcile the technical and statutory accounting (unusable reserves). The Council's useable reserves total £21.221m (£21.022m 2015/16).

- **Balance Sheet**

The Balance Sheet shows the Councils financial position at 31 March 2017. Showing assets and liabilities in the top part and below the Council's reserves (Net Worth) that match them. Our Net Worth is £4.082m (£10.611m 2015/16), with the movement between years mainly affected by the following;

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 £20.975m, an increase of £1.113m from 2015/16. Further details are contained within Note14 to the Statement of Accounts.

Liabilities

A major liability included within long term liabilities relates the deficit on the pension fund which amounts to £36.382 an increase of £7.506m, this can be attributed to changes to actuarial financial assumptions. Further information on the pension's position is contained within Note 29 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 risen by £6.874m to £17.285m mainly reflecting the change in the Pensions Reserve.

Usable reserves have increased by £0.199m to £21.221m.

The Council has adequate revenue balances to provide financial security and a safety mechanism for unforeseen events, with the General Fund Balance (including Earmarked Reserves) being 25% of Net Operating Expenditure, which compares to our strategy minimum of 5%. The need for adequate reserves becomes even more important in view of the financial challenges faced by Councils. Reserves 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.

Capital Reserves

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 reduced from £2.983m to £2.895m. In addition Capital Grants Unapplied Reserve relates to grant received for a specific capital scheme. The reserve balance is £2.896m (£2.984m 2015/16).

- **Cash Flow Statement**

The Cash Flow Statement represents the Council's movement in cash (and cash equivalents) during the year. It shows that there has been a decrease in cash of £1.763m to £7.222m as cash is expended on capital investments.

- **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.

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 2016/17 (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 2016/17 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 2017.

Signed:



**Ian Knowles, Director of Resources (S151)
West Lindsey District Council**

Date:

31st MAY 2017

Approval of the Accounts

In accordance with the Accounts and Audit Regulations 2015, I certify that the Statement of Accounts will be approved by the Governance and Audit Committee in September 2017.

Signed:

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

Date:

| |
|---|
| EXPENDITURE AND FUNDING ANALYSIS |
|---|

This analysis shows how annual expenditure is used and funded from resources (government grants, council tax and business rates) by Councils in comparison with those resources consumed or earned by Councils in accordance with generally accepted practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Council's different categories of expenditure and income. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement. Further analysis can be found in Note 8.

| Net Expenditure Chargeable to General Fund £'000 | Adjustments between Funding and Accounting Basis £'000 | Net Expenditure in the Comprehensive Income & Expenditure £'000 | | Net Expenditure Chargeable to General Fund £'000 | Adjustments between Funding and Accounting Basis £'000 | Net Expenditure in the Comprehensive Income & Expenditure Statement £'000 |
|---|---|--|--|---|---|--|
| 618 | 49 | 667 | Corporate Management | 605 | 35 | 640 |
| 2,175 | 457 | 2,632 | Commercial | 2,513 | 312 | 2,825 |
| 1,191 | 239 | 1,430 | Customer First | 1,449 | 151 | 1,600 |
| 2,757 | (530) | 2,227 | Democratic & Business Support | 2,592 | (292) | 2,300 |
| 1,351 | (584) | 767 | Economic Development and Neighbourhoods | 1,822 | 410 | 2,232 |
| 1,675 | 321 | 1,996 | Housing and Regeneration | 1,515 | 768 | 2,283 |
| 982 | 140 | 1,122 | Organisational Transformation | 1,062 | 172 | 1,234 |
| 10,749 | 92 | 10,841 | Net Cost of Services | 11,558 | 1,556 | 13,114 |
| (13,493) | 1,854 | (11,639) | Other Income and Expenditure | (12,168) | 188 | (11,980) |
| (2,744) | 1,946 | (798) | (Surplus) or Deficit | (610) | 1,744 | 1,134 |
| (14,818) | | 0 | Impairment Losses on Non-Current Assets Charged to Revaluation Reserve (Note 12) | (17,562) | | |
| (2,744) | | | Opening General Fund Balance 31 March 2016 | (610) | | |
| | | | (Surplus) or Deficit in Year | | | |
| (17,562) | | | Closing General Fund Balance 31 March 2017 | (18,172) | | |

| |
|---------------------------------------|
| MOVEMENT IN RESERVES STATEMENT |
|---------------------------------------|

This statement shows the movement from the start of the year to the end on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be used to fund expenditure or reduce local taxation) and other 'unusable' reserves. The Movement in Reserves Statement shows how the movements in year of the Council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The Net Increase/Decrease line shows the statutory General Fund Balance movements in the year following those adjustments. The Council's useable reserves total £21.221m (£21.022m in 2015/16). Further information can be found in Note 7 and Note 9.

Movement in Reserves during 2016/17

| | General Fund Balance £'000 | Capital Receipts Reserve £'000 | Capital Grants Unapplied £'000 | Total Usable Reserves £'000 | Unusable Reserves £'000 | Total Council Reserves £'000 |
|--|----------------------------------|---|--------------------------------------|-----------------------------------|-------------------------------|------------------------------------|
| Balance at 31 March 2016 | (17,562) | (2,984) | (476) | (21,022) | 10,411 | (10,611) |
| 19 Total Comprehensive Income and Expenditure | 1,134 | 0 | 0 | 1,134 | 5,395 | 6,529 |
| Adjustment from income & expenditure charged under accounting basis to the funding basis | (1,744) | 88 | 323 | (1,333) | 1,333 | 0 |
| (Increase)/Decrease in 2016/17 | (610) | 88 | 323 | (199) | 6,728 | 6,529 |
| Balance at 31 March 2017 carried forward | (18,172) | (2,896) | (153) | (21,221) | 17,139 | (4,082) |

| |
|---------------------------------------|
| MOVEMENT IN RESERVES STATEMENT |
|---------------------------------------|

Movement in Reserves during 2015/16 (Restated)

| | General Fund Balance (Restated) £'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 | (14,818) | (2,407) | (486) | (17,711) | 18,714 | 1,003 |
| Total Comprehensive Income and Expenditure | (798) | 0 | 0 | (798) | (10,816) | (11,614) |
| 20 Adjustment from income & expenditure charged under accounting basis to the funding basis | (1,946) | (577) | 10 | (2,513) | 2,513 | 0 |
| (Increase)/Decrease in 2015/16 | (2,744) | (577) | 10 | (3,311) | (8,303) | (11,614) |
| Balance at 31 March 2016 carried forward | (17,562) | (2,984) | (476) | (21,022) | 10,411 | (10,611) |

This statement has been restated into the new format. No amounts have been amended

| |
|---|
| Comprehensive Income and Expenditure Statement |
|---|

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with the statutory requirements; this may be different from the accounting cost. The taxation position is shown both in the Expenditure and Funding Analysis (EFA) and the Movement in Reserves Statement (MIRS). The deficit on the Provision of Services totalled £1.134m (surplus of £0.798m in 2015/16)

| 2015/16 (Restated) | | | | Note | 2016/17 | | |
|----------------------------|-----------------------|--------------------------|---|------|----------------------------|-----------------------|--------------------------|
| Gross Expenditure £'000 | Gross Income £'000 | Net Expenditure £'000 | | | Gross Expenditure £'000 | Gross Income £'000 | Net Expenditure £'000 |
| 667 | 0 | 667 | Corporate Management | | 640 | 0 | 640 |
| 2,925 | (293) | 2,632 | Commercial | | 3,274 | (449) | 2,825 |
| 25,925 | (24,495) | 1,430 | Customer First | | 25,801 | (24,201) | 1,600 |
| 2,380 | (153) | 2,227 | Democratic & Business Support | | 2,356 | (56) | 2,300 |
| 2,661 | (1,894) | 767 | Economic Development and Neighbourhoods | | 3,581 | (1,349) | 2,232 |
| 3,968 | (1,972) | 1,996 | Housing and Regeneration | | 3,992 | (1,709) | 2,283 |
| 1,130 | (8) | 1,122 | Organisational Transformation | | 1,241 | (7) | 1,234 |
| 39,656 | (28,815) | 10,841 | Cost of Services | | 40,885 | (27,771) | 13,114 |
| | | 2,073 | Other Operating Expenditure | 11 | | | 2,353 |
| | | 739 | Financing and Investment | 12 | | | 833 |
| | | (14,451) | Income and Expenditure | | | | |
| | | | Taxation and Non-Specific Grant | 13 | | | (15,166) |
| | | | Income And Expenditure | | | | |
| | | (798) | (Surplus) or Deficit on Provision of Services | | | | 1,134 |
| | | | Items that will not be reclassified to the (Surplus) or Deficit on the Provision of Services | | | | |
| | | (3,669) | (Surplus) or Deficit on Revaluation of Property, Plant & Equipment Assets | 14 | | | (1,069) |
| | | (7,026) | Remeasurement of the net defined benefit liability/(asset) | 21 | | | 6,431 |
| | | (10,695) | | | | | 5,362 |
| | | | Items that may be reclassified to the (Surplus) or Deficit on the Provision of Services | | | | |
| | | (121) | (Surplus) or deficit on revaluation of available for sale financial assets | 21 | | | 33 |
| | | (10,816) | Other Comprehensive Income and Expenditure | | | | 5,395 |
| | | (11,614) | Total Comprehensive Income and Expenditure | | | | 6,529 |

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|----------------------|
| BALANCE SHEET |
|----------------------|

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

| 31 March 2016 £'000 | | Notes | 31 March 2017 £'000 |
|---------------------------|---------------------------------------|-------|---------------------------|
| 19,862 | Property, Plant & Equipment | 14 | 20,974 |
| 164 | Investment Properties | | 164 |
| 156 | Intangible Assets | | 127 |
| 0 | Heritage Assets | | 44 |
| 2,175 | Long Term Investments | 15 | 2,135 |
| 10 | Long Term Investments -Other | 15 | 48 |
| 310 | Long Term Debtors | 15 | 180 |
| 22,677 | TOTAL LONG TERM ASSETS | | 23,672 |
| 9,512 | Short Term Investments | 15 | 9,531 |
| 35 | Assets Held For Sale | | 0 |
| 79 | Inventories | | 84 |
| 3,094 | Short Term Debtors | 16 | 4,106 |
| 8,985 | Cash and Cash Equivalents | 17 | 7,222 |
| 21,705 | TOTAL CURRENT ASSETS | | 20,943 |
| (2,918) | Short Term Creditors | 18 | (2,242) |
| (995) | Short Term Provisions | 19 | (917) |
| (218) | Short Term Finance Lease Liability | 28 | (96) |
| (4,131) | TOTAL CURRENT LIABILITIES | | (3,255) |
| (17) | Long Term Provisions | 19 | (11) |
| (128) | Long Term Finance Lease Liability | 28 | (32) |
| (28,876) | Net Pensions Liability | 29 | (36,382) |
| (619) | Grants Receipts in Advance - Capital | 25 | (853) |
| (29,640) | TOTAL LONG TERM LIABILITIES | | (37,278) |
| 10,611 | TOTAL NET ASSETS/(LIABILITIES) | | 4,082 |
| (21,022) | Usable Reserves | 20 | (21,221) |
| 10,411 | Unusable Reserves | 21 | 17,139 |
| (10,611) | TOTAL RESERVES | | (4,082) |

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|----------------------------|
| 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 and expended 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. The movement in overall cash is a decrease of £1.763m (decrease of £1.075m 2015/16). 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.

| 2015/16 (Restated) £'000 | | 2016/17 £'000 |
|--------------------------------|--|------------------|
| 798 | Net Surplus or (Deficit) on the Provision of Services | (1,134) |
| 744 | Depreciation of Property, Plant and Equipment | 759 |
| 85 | Impairment and downward valuations | 296 |
| 49 | Amortisation of Intangible Assets | 47 |
| (164) | (Increase)/Decrease in Creditors | (1,241) |
| (234) | Increase/(Decrease) in Debtors | (546) |
| (47) | Increase/(Decrease) in Inventories (Stock) | (5) |
| 1,186 | Movement in Pension Liability | 1,075 |
| 6 | Carrying amount of non-current assets and non-current Assets Held For Sale, sold or derecognised | 424 |
| 511 | Other non cash items charged to the net surplus or deficit on the Provision of Services | 11 |
| 2,136 | Adjustments to net surplus or deficit on the Provision of Services for non-cash movements | 820 |
| (1,374) | Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities | (357) |
| 1,560 | Net Cash Flows from Operating Activities | (671) |
| (327) | Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets | (1,624) |
| (14,000) | Purchase of short-term (not considered to be cash equivalents) and long-term Investments | (14,538) |
| (237) | Other payments for investing activities | (35) |
| 0 | Proceeds from the sale of Property, Plant and Equipment, Investment Property and Intangible Assets | 20 |
| 11,510 | Proceeds from short-term (not considered to be cash equivalents) and long-term Investments | 14,500 |
| 2,087 | Other receipts from investing activities | 846 |
| (967) | Net cash flows from investing activities | (831) |
| (30) | Other receipts from financing activities | (35) |
| (1,410) | Other payments from financing activities | (8) |
| (228) | Cash payments for the reduction of the outstanding liabilities relating to Finance Leases | (218) |
| (1,668) | Net cash flows from financing activities | (261) |
| (1,075) | Net increase or (decrease) in cash and cash equivalents | (1,763) |
| 10,060 | Cash and cash equivalents at the beginning of the reporting period | 8,985 |
| 8,985 | Cash and cash equivalents at the end of the reporting period Note 17 | 7,222 |

Note: The Council discovered a small number of presentational errors in the 2015/16 Cash Flow figures. These related mainly to the "Purchase of property, plant and equipment, investment property and intangible assets" line that had been shown as a positive sum of £0.842m when in fact it should have been a negative sum of £0.327m. A corresponding adjustment was required to the "Adjustments for items included in the net surplus or deficit on the provision of services that are investing or financing activities" line.

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

i General Principles

The Statement of Accounts summarises the Council's transactions for the 2016/17 financial year and its position at the year-end of 31 March 2017. 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 2016/17 (The Code) and the Service Reporting Code of Practice 2016/17, 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 2016/17 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 Council Tax and Non-Domestic Rates

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the Council's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the Council's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the Council's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

viii 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 those due to be settled 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.

An accrual is made for the holiday entitlements (or any form of leave, e.g. 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 Lincolnshire County Council. The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees work for the Council.

d) The Local Government Pension Scheme

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

- Liabilities of the Lincolnshire Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality 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 2.6% (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.

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**

ix 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.

x 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.

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).

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.

xii Heritage Assets – General

The Council holds Civic Regalia as a Heritage Asset

Heritage assets are recognised and measured (including the treatment of valuation gains and losses) in accordance with the council's policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below.

The carrying amount of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the council's general policies on impairment – (see Accounting Policy xviv Property Plant and Equipment) in this summary of significant accounting policies.

xiii Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (eg software licences, rights to use land) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council. 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.

xiv 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.

xv 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 price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. 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.

xvi 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

xvii 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.

xviii Overheads and Support Services

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

xviv 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.

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 current 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 current value.

Assets included in the Balance Sheet at current 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 CIES where they arise from the reversal of a loss previously charged to a service.

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

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

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

Impairment

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

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

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

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

Depreciation

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

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight line allocation over the life of the property as estimated by the valuer with the exception of a number of leased shops, where the remaining term of the lease has been used
- Vehicles, plant and equipment – straight line allocation over the life of the asset, as advised by a suitably qualified officer
- Infrastructure – straight line allocation.

Asset Useful Economic Lives assumed

| Assets | Useful Life Range (years) |
|---|----------------------------------|
| Offices/Leisure Centre | 20 to 60 |
| Depots & Stores | 46 |
| Shops | 48 |
| Public Conveniences | 39 to 46 |
| CCTV Systems/IT Equipment/Wheeled Bins/Office Equipment | 1 to 12 |
| Vehicles/Bin Lifters | 1 to 7 |
| Infrastructure Assets | 21 to 32 |
| Dwellings | 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 date of the decision not to sell. Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

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

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

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

xx 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.

xxi Reserves

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

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

xxii Revenue Expenditure Funded From Capital Under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the CIES in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

xxiii 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.

xxiv 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 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 hierarchy, as follows:

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

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 2017/18 financial year.

- a) Amendments to IFRS 10 *Consolidated Financial Statements*, IFRS 12 *Disclosures of Interest in other entities* and IAS 28 *Investments in Associates and Joint Ventures: Investment Entities – Applying the Consolidation Exception* (issued 18 December 2014).

The amendments to these standards do not apply to local authorities as they are not investment entities.

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 2017 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 2016/17 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 2017. 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 2017.

Property Plant and Equipment.

Property assets are included on the basis of a review based valuation and assessed useful lives undertaken on 31 March 2017. 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 £20.974m (£19.862m 2015/16).

The impact of a change in valuation or useful life as at 31 March 2017 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 2016/17 the Council's Actuaries advised that the net pension liability had increased by £7.506m. 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 | Approx. % increase to Employer Liability | Approx. monetary amount (£000) |
|--|--|--------------------------------|
| Change in Assumptions at 31 March 2017 | | |
| 0.5% decrease in Real Discount Rate | 9% | 7,781 |
| 0.5% increase in Salary Increase Rate | 1% | 1,153 |
| 0.5% in the Pension Increase Rate | 8% | 6,517 |

The principal demographic assumption is the longevity assumption (i.e. member life expectancy). For sensitivity purposes the Actuary has estimated that a one year increase in life expectancy would approximately increase the Employer Liability by around 3-5%.

A full valuation of the Pension Scheme was undertaken during 2016/17, as at 31st March 2016.

Arrears

At 31st March 2017 the Council had arrears of £6.735m outstanding mainly in respect of sundry debtors, Business Rates and housing benefit overpayments debtors. A review of balances outstanding and recovery performance suggested an impairment allowance of £1.517m would be appropriate. However, if collection rates were to deteriorate additional allowance would be required.

5 MATERIAL ITEMS OF INCOME AND EXPENDITURE

For the purpose of this disclosure note the Council considers material items to be those greater than £750k. In 2016/17 the Council has no items of material income or expense to disclose.

6 EVENTS AFTER THE REPORTING PERIOD

The Statement of Accounts was authorised for issue by the Director of Resources (S151 Officer) on 14 September 2017. 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 2017, 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. Article 50 of the EU was invoked in March 2017, this provides a 2 year window for exit negotiations. Until these 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. The outcome of the exit negotiations will determine what arrangements apply in relation to EU legislation and funding in the future once the UK has left the EU. Great Britain is scheduled to exit the EU by March 2019.

A general election is due to take place on 8 June 2017 the outcome of which may affect current Government Policies and future funding.

These events are non-adjusting for which no estimate of its financial effect on the reporting entity can be made.

NOTE 7 NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

This note provides a reconciliation of the main adjustments Net Expenditure Chargeable to the General Fund Balance to arrive at the amounts in the Comprehensive Income and Expenditure Statement. The relevant transfers between reserves are explained in the Movement in Reserves Statement.

| ADJUSTMENTS BETWEEN FUNDING AND ACCOUNTING BASIS | | | | | | | | |
|---|--|--|----------------------------|---|---|--|--|----------------------------|
| 2015/16 | | | | Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts | 2016/17 | | | |
| Adjustments for Capital Purposes (Note 1) £'000 | Net Change for the Pensions Adjustments (Note 2) £'000 | Other Differences (Note 3) £'000 | Total Adjustments £'000 | | Adjustments for Capital Purposes (Note 1) £'000 | Net Change for the Pensions Adjustments (Note 2) £'000 | Other Differences (Note 3) £'000 | Total Adjustments £'000 |
| 0 | 47 | 2 | 49 | Corporate Management | 0 | 35 | 0 | 35 |
| 284 | 131 | 42 | 457 | Commercial | 293 | 35 | (16) | 312 |
| 40 | 190 | 9 | 239 | Customer First | 2 | 142 | 7 | 151 |
| 20 | (552) | 2 | (530) | Democratic & Business Support | 31 | (344) | 21 | (292) |
| (670) | 83 | 3 | (584) | Economic Development and Neighbourhoods | 325 | 92 | (7) | 410 |
| 212 | 112 | (3) | 321 | Housing and Regeneration | 714 | 55 | (1) | 768 |
| 75 | 63 | 2 | 140 | Organisational Transformation | 122 | 48 | 2 | 172 |
| (39) | 74 | 57 | 92 | Net Cost of Services | 1,487 | 63 | 6 | 1,556 |
| (311) | 1,112 | 1,053 | 1,854 | Other income and expenditure from the Funding Analysis | (1,205) | 1011 | 382 | 188 |
| (350) | 1,186 | 1,110 | 1,946 | Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit | 282 | 1,074 | 388 | 1,744 |

NOTES TO THE EXPENDITURE AND FUNDING ANALYSIS

Adjustments for Capital Purposes

- 1) Adjustments for capital purposes column adds in depreciation and impairment and revaluation gains and losses in the services line for:
 - **Other Operating Expenditure** - adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets
 - **Financing and investment income and expenditure** - the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions and deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
 - **Taxation and non-specific grant income and expenditure** - Capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Net change for the pensions' adjustments

- 2) Net change for the removal of pension contributions and the addition of *IAS 19 Employee Benefits* pension related expenditure and income:
 - **For services** this represents the removal of the employer pension contributions made by the council as allowed by statute and the replacement with current service costs and past service costs.
 - For **Financing and investment income and expenditure** - the net interest on the defined benefit liability is charged to the CIES.

Other Differences

- 3) Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:
 - The charge under **Taxation and non-specific grants income** and expenditure represents the difference between what is chargeable under statutory regulations for Council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

8 EXPENDITURE AND INCOME ANALYSED BY NATURE

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

| Expenditure/ Income | Corporate Management £'000 | Commercial £'000 | Customer First £'000 | Democratic and Business Support £'000 | Economic Development and Neighbourhoods £'000 | Housing and Regeneration £'000 | Organisational Transformation £'000 | Corporate Amounts £'000 | Total £'000 |
|---|-------------------------------|---------------------|-------------------------|--|--|-----------------------------------|--|----------------------------|-----------------|
| Expenditure | | | | | | | | | |
| Employee benefits expenses | 600 | 1,979 | 2,420 | 1,362 | 1,603 | 1,126 | 745 | 0 | 9,835 |
| Other services expenses | 40 | 1,002 | 23,379 | 964 | 1,654 | 1,667 | 374 | 0 | 29,080 |
| Depreciation, amortisation, impairment | 0 | 293 | 2 | 31 | 324 | 1,199 | 122 | 0 | 1,971 |
| Interest payments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2,490 | 2,490 |
| Precepts and levies | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1,949 | 1,949 |
| Disposal of Assets | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 404 | 404 |
| Total Expenditure | 640 | 3,274 | 25,801 | 2,357 | 3,581 | 3,992 | 1,241 | 4,843 | 45,729 |
| Income | | | | | | | | | |
| Fees, charges and other service income | 0 | (429) | (1,190) | (45) | (1,235) | (1,254) | (7) | 0 | (4,160) |
| Interest and investment income | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (1,657) | (1,657) |
| Income from council tax, non-domestic rates, district rate income | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (10,513) | (10,513) |
| Government grants and contributions | 0 | (20) | (23,011) | (12) | (114) | (455) | 0 | (4,653) | (28,265) |
| Total Income | 0 | (449) | (24,201) | (57) | (1,349) | (1,709) | (7) | (16,823) | (44,595) |
| (Surplus) or Deficit on the provision of services | 640 | 2,825 | 1,600 | 2,300 | 2,232 | 2,283 | 1,234 | (11,980) | 1,134 |

2015/2016 Restated

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

| | Corporate Management £'000 | Commercial £'000 | Customer First £'000 | Democratic and Business Support £'000 | Economic Development and Neighbourhoods £'000 | Housing and Regeneration £'000 | Organisational Transformation £'000 | Corporate Amounts £'000 | Total £'000 |
|---|-------------------------------|---------------------|-------------------------|--|--|-----------------------------------|--|----------------------------|-----------------|
| Expenditure/ Income | | | | | | | | | |
| Expenditure | | | | | | | | | |
| Employee benefits expenses | 619 | 1,904 | 2,258 | 1,393 | 1,356 | 1,408 | 694 | 0 | 9,632 |
| Other services expenses | 48 | 737 | 23,627 | 966 | 1,296 | 1,612 | 361 | 0 | 28,647 |
| Depreciation, amortisation, impairment | 0 | 284 | 40 | 21 | 9 | 948 | 75 | 0 | 1,377 |
| Interest payments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1,160 | 1,160 |
| Precepts and levies | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2,068 | 2,068 |
| Disposal of Assets | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 6 | 6 |
| Total Expenditure | 667 | 2,925 | 25,925 | 2,380 | 2,661 | 3,968 | 1,130 | 3,234 | 42,890 |
| Income | | | | | | | | | |
| Fees, charges and other service income | 0 | (260) | (1,098) | (61) | (1,689) | (1,299) | (8) | 0 | (4,415) |
| Interest and investment income | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (421) | (421) |
| Income from council tax, non-domestic rates, district rate income | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (9,703) | (9,703) |
| Government grants and contributions | 0 | (33) | (23,397) | (92) | (206) | (673) | 0 | (4,748) | (29,149) |
| Total Income | 0 | (293) | (24,495) | (153) | (1,895) | (1,972) | (8) | (14,872) | (43,688) |
| (Surplus) or Deficit on the provision of services | 667 | 2,632 | 1,430 | 2,227 | 766 | 1,996 | 1,122 | (11,638) | (798) |

9 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.

NOTE 9 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

| 2016/17 Adjustment between accounting basis & funding basis under regulations | Useable Reserves | | | Movement in Unusable Reserves £'000 |
|--|-------------------------------|-----------------------------------|---|--|
| | General Fund Balance £'000 | Capital Receipts Reserve £'000 | Capital Grants Unapplied Account £'000 | |
| Adjustments to Revenue Resources | | | | |
| Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements | | | | |
| Pension Costs (transferred to (or from) the Pensions Reserve) | (1,075) | 0 | 0 | 1,075 |
| Council Tax and NNDR (transfers to or from Collection Fund Adjustment Account) | (381) | 0 | 0 | 381 |
| Holiday pay transferred to the Accumulated Absences Reserve | (6) | 0 | 0 | 6 |
| Reversal of Entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account) | (2,488) | 0 | 0 | 2,488 |
| Total Adjustments to Revenue Resources | (3,950) | 0 | 0 | 3,950 |
| Adjustments between Revenue and Capital Resources | | | | |
| Transfer of non current asset sale proceeds from revenue to Capital Receipts Reserve | 167 | (167) | 0 | 0 |
| Repayment of Loan Principal | 0 | (155) | 0 | 155 |
| Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account) | 218 | 0 | 0 | (218) |
| Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account) | 1,484 | 0 | 0 | (1,484) |
| Total Adjustments between Revenue and Capital Resources | 1,869 | (322) | 0 | (1,547) |
| Adjustments to Capital Resources | | | | 0 |
| Use of Capital Receipts Reserve to finance capital expenditure | 0 | 405 | 0 | (405) |
| Capital grants and contributions unapplied credited to the CIES | 337 | 0 | 0 | (337) |
| Use of Capital Receipts Reserve to finance statutory provision on loans funded by borrowing | 0 | 5 | 0 | (5) |
| Application of capital grants to finance capital expenditure | 0 | 0 | 323 | (323) |
| Total Adjustments to Capital Resources | 337 | 410 | 323 | (1,070) |
| Total Adjustments | (1,744) | 88 | 323 | 1,333 |

NOTE 9 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

| 2015/16 Adjustment between accounting basis & funding basis under regulations | Useable Reserves | | | Movement in Unusable Reserves £'000 |
|--|-------------------------------|-----------------------------------|---|--|
| | General Fund Balance £'000 | Capital Receipts Reserve £'000 | Capital Grants Unapplied Account £'000 | |
| Adjustments to Revenue Resources | | | | |
| Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements | | | | |
| Pension Costs (transferred to (or from) the Pensions Reserve) | (1,186) | 0 | 0 | 1,186 |
| Council Tax and NNDR (transfers to or from Collection Fund Adjustment Account) | (1,054) | 0 | 0 | 1,054 |
| Holiday pay transferred to the Accumulated Absences Reserve | (56) | 0 | 0 | 56 |
| Reversal of Entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account) | (1,093) | 0 | 0 | 1,093 |
| Total Adjustments to Revenue Resources | (3,389) | 0 | 0 | 3,389 |
| Adjustments between Revenue and Capital Resources | | | | |
| Transfer of non current asset sale proceeds from revenue to Capital Receipts Reserve | 1,077 | (1,077) | 0 | 0 |
| Repayment of Loan Principal | 0 | (59) | 0 | 59 |
| Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account) | 228 | 0 | 0 | (228) |
| Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account) | 46 | 0 | 0 | (46) |
| Total Adjustments between Revenue and Capital Resources | 1,351 | (1,136) | 0 | (215) |
| Adjustments to Capital Resources | | | | |
| Use of Capital Receipts Reserve to finance capital expenditure | 0 | 559 | 0 | (559) |
| Capital grants and contributions unapplied credited to the CIES | 92 | 0 | (92) | 0 |
| Application of capital grants to finance capital expenditure | 0 | 0 | 102 | (102) |
| Total Adjustments to Capital Resources | 92 | 559 | 10 | (661) |
| Total Adjustments | (1,946) | (577) | 10 | 2,513 |

10 MOVEMENTS IN 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 2016/17.

| | Balance at 31 March 2015 £'000 | Transfer out 2015/16 £'000 | Transfer in 2015/16 £'000 | Balance at 31 March 2016 £'000 | Transfer out 2016/17 £'000 | Transfer in 2016/17 £'000 | Balance at 31 March 2017 £'000 |
|---------------------------------------|---|----------------------------------|------------------------------------|---|-------------------------------------|------------------------------------|--------------------------------------|
| Business Improvement & Transformation | 196 | (16) | 350 | 530 | (312) | 188 | 406 |
| Budget Smoothing | 472 | (88) | 806 | 1,190 | (359) | 250 | 1,081 |
| Capital Programme Financing | 1,215 | (26) | 0 | 1,189 | (870) | 0 | 319 |
| Community Grant/Support Schemes | 550 | (361) | 494 | 683 | (433) | 375 | 625 |
| Contingencies Fund | 559 | (148) | 318 | 729 | (33) | 0 | 696 |
| Investment for Growth Fund | 455 | (73) | 46 | 428 | (211) | 115 | 332 |
| Invest to Earn | 0 | (8) | 1,000 | 992 | (461) | 21 | 552 |
| Invest to Save | 474 | (40) | 168 | 602 | (138) | 22 | 486 |
| Maintenance of Facilities | 590 | (82) | 304 | 812 | (361) | 54 | 505 |
| Members Initiative Fund | 0 | 0 | 108 | 108 | (31) | 0 | 77 |
| New Homes Bonus | 1,083 | (1,083) | 0 | 0 | 0 | 0 | 0 |
| Property Asset Fund | 951 | (158) | 61 | 854 | (44) | 0 | 810 |
| Regeneration Support Fund | 1,585 | (106) | 1,749 | 3,228 | (699) | 3,240 | 5,769 |
| Revenue Grants Unapplied | 437 | (220) | 204 | 421 | (209) | 223 | 435 |
| Service Investment | 341 | (73) | 79 | 347 | (46) | 94 | 395 |
| Waste Management Fund | 1,750 | (66) | 50 | 1,734 | (988) | 100 | 846 |
| Total | 10,658 | (2,548) | 5,737 | 13,847 | (5,195) | 4,682 | 13,334 |

| RESERVE NAME | PURPOSE |
|--|--|
| <u>Business Improvement & Transformation</u> | To assist with costs associated with Business Case Development for transformational change |
| <u>Budget Smoothing</u> | To effectively manage cyclical budget issues i.e. Elections, Local Development Framework etc. |
| <u>Capital Programme Financing</u> | Grants and contributions received in advance for financing revenue expenditure funded by capital under statute and funding set aside to finance the capital programme. |
| <u>Community Grant/Support Schemes</u> | To support area management and community engagement and help leveraging funding. Provision of support to vulnerable communities |
| <u>Contingencies Fund</u> | To support areas of volatility i.e. insurance, flooding etc. |
| <u>Investment for Growth Fund</u> | To support regeneration schemes |
| <u>Invest to Earn Reserve</u> | To support the Council's commercial activity |
| <u>Invest to Save Reserve</u> | To support efficiency projects to provide a positive net payback over the Medium Term Financial Strategy |
| <u>Maintenance of Facilities</u> | To meet future property maintenance requirements |
| <u>New Homes Bonus</u> | Created as part of the MTFP to fund housing regeneration |
| <u>Property Assets Fund</u> | To support strategic property/housing policies |
| <u>Regeneration Support Fund</u> | To support local business growth and housing regeneration |
| <u>Revenue Grants Unapplied</u> | Revenue grants which have yet to be expended |
| <u>Service Improvement</u> | To support service development initiatives, including IT upgrades |
| <u>Waste Management Fund</u> | To support strategic service development and replacement vehicle programme. |

11 OTHER OPERATING EXPENDITURE

| 2015/16 £'000 | | 2016/17 £'000 |
|------------------|--|------------------|
| 1,551 | Parish Council Precepts | 1,610 |
| 181 | Additional support to Parish Councils | 0 |
| 335 | Levies | 339 |
| 6 | (Gains)/Losses on the disposal of non-current assets | 404 |
| 2,073 | Total | 2,353 |

Payments to Parish Councils (additional support) for 2016/17 are now included as part of Service Expenditure for Democratic and Business Support. For 2015/16 this was £181,000 and in 2016/17 £178,000.

12 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

| 2015/16 £'000 | | 2016/17 £'000 |
|------------------|---|------------------|
| 48 | Interest payable and similar charges | 17 |
| 1,112 | Net interest on the net defined benefit liability (asset) | 1,011 |
| (307) | Interest receivable and similar income | (290) |
| (34) | Income and Expenditure in relation to investment properties and changes in their fair value | 95 |
| (80) | Other Investment Income | 0 |
| 739 | Total | 833 |

13 TAXATION AND NON-SPECIFIC GRANT INCOME AND EXPENDITURE

| 2015/16 £'000 | 2015/16 £'000 | | 2016/17 £'000 | 2016/17 £'000 |
|------------------|------------------|---|------------------|------------------|
| (7,168) | | Council tax income | | (7,384) |
| | (6,531) | Retained Business Rates | (6,546) | |
| | (558) | S31 Grant re Small business rates relief | (478) | |
| | 3,463 | Tariff payable to Pool (Gov 2014/15) | 3,492 | |
| | (123) | Levy/(-)Safety Net | 65 | |
| | 60 | Other amounts | 192 | |
| | 1,154 | In Year Business Rates (Surplus)/Deficit | 146 | |
| (2,535) | | Total Business Rates income and expenditure | | (3,129) |
| (4,740) | | Non ring-fenced Government grants | | (4,632) |
| (8) | | Capital grants and contributions | | (21) |
| (14,451) | | Total | | (15,166) |

14 PROPERTY PLANT AND EQUIPMENT

| Movements in 2016/17 | 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 2016 | 14,476 | 5,140 | 376 | 104 | 3,753 | 71 | 23,920 |
| Additions | 260 | 1,228 | 0 | 0 | 0 | 42 | 1,530 |
| Revaluation increases/ (decreases) recognised in the Revaluation Reserve | (281) | 0 | 0 | 0 | 1,150 | 0 | 869 |
| Revaluation increases/ (decreases) recognised in the (Surplus)/Deficit on the Provision of Services | (397) | 0 | 0 | 0 | 21 | 0 | (376) |
| Derecognition - Other | 0 | (1,002) | 0 | 0 | (382) | 0 | (1,384) |
| Other movements in cost or valuation | 24 | (37) | 1 | 2 | 3 | (30) | (37) |
| At 31 March 2017 | 14,082 | 5,329 | 377 | 106 | 4,545 | 83 | 24,522 |
| Accumulated Depreciation & Impairment | | | | | | | |
| At April 2016 | (1) | (3,969) | (89) | 0 | 1 | 0 | (4,058) |
| Depreciation charge | (265) | (475) | (9) | 0 | (8) | 0 | (757) |
| Depreciation written out to the Revaluation Reserve | 192 | 0 | 0 | 0 | 0 | 0 | 192 |
| Depreciation written out to the (Surplus)/Deficit on the Provision of Services | 73 | 0 | 0 | 0 | 7 | 0 | 80 |
| Derecognition - Other | 0 | 995 | 0 | 0 | 0 | 0 | 995 |
| At 31 March 2017 | (1) | (3,449) | (98) | 0 | 0 | 0 | (3,548) |
| Net Book Value | | | | | | | |
| at 31 March 2017 | 14,081 | 1,880 | 279 | 106 | 4,545 | 83 | 20,974 |
| at 31 March 2016 | 14,475 | 1,171 | 287 | 104 | 3,754 | 71 | 19,862 |

| Comparative 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 |

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: 1-12 years
- Infrastructure: 21-32 years
- Surplus: 39-40 years

Capital Commitments

At 31 March 2017 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 2016/17 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 2017 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 | 1,881 | 0 | 467 | 2,348 |
| Valued at Current Value as at: | | | | | |
| 31 March 2017 | 14,081 | 0 | 4,545 | 0 | 18,626 |
| Total Cost or Valuation | 14,081 | 1,881 | 4,545 | 467 | 20,974 |

The significant assumptions applied in estimating the current values are:

- no allowance has been made for liability of taxation upon disposal;
- the instant build approach has been used for Depreciated Replacement Cost valuations;
- valuations have been provided at gross cost and do not include an allowance for purchasers cost;
- that good title can be shown and all valid planning permissions and statutory approvals are in place;
- 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;
- that an inspection of those parts not inspected would not reveal defects that would affect the valuation;
- that the testing of electrical or other services would not reveal defects that would cause the valuation to alter;
- 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 portfolio are classed at Level 1 in the fair value hierarchy 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. The valuations have been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local authority area. Market conditions for these asset types are such that the level of observable inputs is significant leading to the properties being categorised at Level 2 in the fair value hierarchy.

Level 3 inputs comprise unobservable inputs for an asset used to measure fair value in circumstances where market data is not available as there is little, if any, market activity for the asset at the measurement date.

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

Pavilion at Sandsfield Lane, Gainsborough (Balance Sheet value £0.026m) has been based on a comparable approach either by estimated market rental values as the majority of these assets are let at sub-market or subsidised passing rents. The valuer has had to draw on a number of his own assumptions and utilised third party resources in order to value these assets.

Two oil well sites plus an aggregate site (total Balance Sheet Value £0.227m) have been based on known and estimated cash flows from the properties. These assets are therefore categorised as Level 3 in the fair value hierarchy as the measurement technique uses significant unobservable inputs to determine the fair value measurements (and there is no reasonably available information that indicates that market participants would use different assumptions).

For level 3 assets the following quantitative data shows the effect on their fair value measurement.

| ASSET | Valuation technique used to measure fair value | Unobservable Inputs | Range | Sensitivity |
|----------------|--|---------------------|--------------------------|---|
| Oil Well Sites | Adopting the expected cash flows from the properties | Yields | 4% - 9% | Changes in income, yields, term length will result in a lower or higher fair value |
| Aggregate Site | Adopting the expected cash flows from the properties | Yields | 4% - 9% | Changes in income, yields, term length will result in a lower or higher fair value |
| Pavilions | Comparative based on limited rental evidence | Rental Value Yields | £10 - £50 psm 10%-14% | Changes in rental growth, yields, occupancy will result in a lower or higher fair value |

15 FINANCIAL INSTRUMENTS

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

| | Long Term | | Current | |
|---|---------------------------|---------------------------|---------------------------|---------------------------|
| | 31 March 2016 £'000 | 31 March 2017 £'000 | 31 March 2016 £'000 | 31 March 2017 £'000 |
| <i>Financial Assets Classified as Loans and Receivables:</i> | | | | |
| Investments | 0 | 0 | 9,512 | 9,531 |
| Short-term deposits with Money Market Funds | 0 | 0 | 8,741 | 7,104 |
| Operational Debtors | 0 | 0 | 116 | 518 |
| Loans and Receivables | 310 | 180 | 158 | 167 |
| Available for Sale Financial Assets | 2,185 | 2,183 | 0 | 0 |
| Cash at bank | 0 | 0 | 242 | 117 |
| Total Financial Assets Classified as Loans and Receivables | 2,495 | 2,363 | 18,769 | 17,437 |
| <i>Financial Liabilities Classified at Amortised Cost:</i> | | | | |
| Finance Lease Liabilities | 128 | 32 | 218 | 96 |
| Operational Creditors | 0 | 0 | 506 | 863 |
| Provisions | 17 | 11 | 995 | 917 |
| Total Financial Liabilities Classified at Amortised Cost | 145 | 43 | 1,719 | 1,876 |

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:

| 2015/16 £'000 | 2015/16 £'000 | 2015/16 £'000 | | 2016/17 £'000 | 2016/17 £'000 | 2016/17 £'000 |
|--|---------------------------------------|------------------|---|--|---------------------------------------|------------------|
| Financial Liabilities Measured at Amortised Cost | Financial Assets: Loans & Receivables | Total | | Financial Liabilities Measured at Amortised Cost | Financial Assets: Loans & Receivables | Total |
| 48 | 0 | 48 | Interest Expense | 17 | 0 | 17 |
| 0 | (80) | (80) | Impairment loss | 0 | 0 | 0 |
| 48 | (80) | (32) | Total Expense in (Surplus) or Deficit on the Provision of Services | 17 | 0 | 17 |
| 0 | (307) | (307) | Interest Income | 0 | (290) | (290) |
| 0 | (307) | (307) | Total income in (Surplus) or Deficit on the Provision of Services | 0 | (290) | (290) |
| 48 | (387) | (339) | Net (gain)/loss for the year | 17 | (290) | (273) |

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 2016/17

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

| 2015/16 £'000 | 2015/16 £'000 | | 2016/17 £'000 | 2016/17 £'000 |
|------------------|------------------|-------------------------------------|------------------|------------------|
| Carrying Amount | Fair Value | | Carrying Amount | Fair Value |
| 9,512 | 9,512 | Investments | 9,531 | 9,531 |
| 2,185 | 2,157 | Available for Sale Financial Assets | 2,183 | 2,161 |
| 468 | 437 | Loans and Receivables | 346 | 286 |
| (345) | (365) | Finance Lease Liabilities | (128) | (145) |
| (506) | (506) | Short Term Creditors | (863) | (863) |

16 DEBTORS

| 2015/16 £'000 | | 2016/17 £'000 |
|------------------|--------------------------------|------------------|
| 571 | Central Government Bodies | 1,430 |
| 516 | Other Local Authorities | 742 |
| 0 | NHS Bodies | 0 |
| 1,754 | Other Entities and Individuals | 1,775 |
| 253 | Prepayments | 159 |
| 3,094 | Total | 4,106 |

17 CASH AND CASH EQUIVALENTS

| 2015/16 £'000 | | 2016/17 £'000 |
|------------------|--|------------------|
| 1 | Cash held by the Council | 1 |
| 243 | Bank current accounts | 117 |
| 8,741 | Short-term deposits | 7,104 |
| 8,985 | Total Cash and Cash Equivalents | 7,222 |

18 CREDITORS

| 2015/16 £'000 | | 2016/17 £'000 |
|------------------|--------------------------------|------------------|
| 310 | Central Government Bodies | 181 |
| 481 | Other Local Authorities | 884 |
| 0 | NHS Bodies | 0 |
| 2,127 | Other Entities and Individuals | 1,177 |
| 2,918 | Total | 2,242 |

19 PROVISIONS

| | Outstanding Legal Cases £'000 | Injury and Damage Compensation Claims £'000 | Business Rates £'000 | Other Provisions £'000 | Total £'000 |
|------------------------------------|-------------------------------------|---|----------------------------|------------------------------|----------------|
| Balance at 1 April 2016 | (85) | (17) | (776) | (134) | (1,012) |
| Additional provisions made in year | 0 | (2) | 0 | (140) | (142) |
| Unused amounts reversed in year | 72 | 6 | 0 | 133 | 211 |
| Amounts used in year | 13 | 2 | 0 | 0 | 15 |
| Balance at 31 March 2017 | 0 | (11) | (776) | (141) | (928) |

Long term provisions total £0.011m and relate to injury compensation claims. A settlement date for these claims is unknown at this stage. Short term provisions total £0.917m and relate to the cost of employee's accrued leave and Business Rates rating appeals. All of these provisions should be settled within the next financial year.

20 USABLE RESERVES

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and also in Note 9.

21 UNUSABLE RESERVES

| 2015/16 £'000 | SUMMARY | 2016/17 £'000 |
|------------------|--|------------------|
| (8,528) | Revaluation Reserve | (9,117) |
| (10,759) | Capital Adjustment Account | (11,368) |
| 28,876 | Pensions Reserve | 36,382 |
| 835 | Collection Fund Adjustment Account | 1,216 |
| (146) | Available For Sale Financial Instruments Reserve | (113) |
| 133 | Accumulated Absences Account | 139 |
| 10,411 | Total Unusable Reserves | 17,139 |

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.

| 2015/16 £'000 | Revaluation Reserve | 2016/17 £'000 |
|------------------|--|------------------|
| (4,921) | Balance at 1 April | (8,528) |
| (3,781) | Upward revaluations of assets | (1,222) |
| 112 | Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services | 153 |
| (3,669) | (Surplus) or Deficit on revaluation of non-current assets not posted to the (Surplus) or Deficit on the Provision of Services | (1,069) |
| 62 | Difference between fair value depreciation and historical cost depreciation | 98 |
| 0 | Accumulated gains on assets sold or scrapped | 382 |
| 62 | Amount written off to the Capital Adjustment Account | 480 |
| (8,528) | Balance at 31 March | (9,117) |

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

| 2015/16 £'000 | Capital Adjustment Account | 2016/17 £'000 | 2016/17 £'000 |
|------------------|---|------------------|------------------|
| (10,913) | Balance at 1 April | | (10,759) |
| | Reversal of items relating to capital expenditure debited or credited to the CIES | | |
| 744 | Charges for depreciation and impairment of non-current assets | 759 | |
| 85 | Revaluation losses on Property, Plant and Equipment | 296 | |
| 49 | Amortisation of intangible assets | 47 | |
| 502 | Revenue expenditure funded from capital under statute | 869 | |
| 6 | Amounts of non-current assets written off on disposal or sale as part of the (gain)/loss on disposal to the CIES | 424 | |
| 1,386 | | | 2,395 |
| (62) | Adjusting amounts written out of the Revaluation Reserve | | (480) |
| 1,324 | Net written out amount of the cost of non-current assets consumed in the year | | 1,915 |
| | Capital financing applied in the year: | | |
| (559) | Use of Capital Receipts Reserve to finance new capital expenditure | (405) | |
| (254) | Capital grants and contributions credited to the CIES that have been applied to capital financing | (337) | |
| (102) | Applications of grants to capital financing from the Capital Grant Unapplied Account | (323) | |
| (228) | Statutory provision for the financing of capital investment charged against the General Fund balance | (218) | |
| 0 | Statutory provision charged against Capital Receipts Reserve for the repayment of loans funded by borrowing | (5) | |
| 58 | Loan Principal Repaid | 155 | |
| (46) | Capital expenditure charged against the General Fund balance | (1,484) | |
| (1,131) | | | (2,617) |
| (39) | Movement in fair value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Account | | 93 |
| (10,759) | Balance at 31 March | | (11,368) |

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.

| 2015/16 £'000 | Pensions Reserve | 2016/17 £'000 |
|------------------|--|------------------|
| 34,716 | Balance at 1 April | 28,876 |
| (7,026) | Premeasurement of the net defined benefit liability/(asset) | 6,431 |
| 2,725 | Reversal of items relating to retirement benefits debited or credited to the (Surplus) or Deficit on the Provision of Services in the CIES | 2,500 |
| (1,539) | Employers pensions contributions and direct payments to pensioners payable in the year | (1,425) |
| 28,876 | Balance at 31 March | 36,382 |

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.

| 2015/16 £'000 | Collection Fund Adjustment Account | 2016/17 £'000 |
|------------------|--|------------------|
| (219) | Balance at 1 April | 835 |
| 1,054 | 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 | 381 |
| 835 | Balance at 31 March | 1,216 |

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

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

| 2015/16 £'000 | Available For Sale Financial Instruments | 2016/17 £'000 |
|------------------|--|------------------|
| (25) | Balance at 1 April | (146) |
| (121) | (Upward)/Downward revaluation of Instruments | 33 |
| (146) | Balance at 31 March | (113) |

21 UNUSABLE RESERVES - Continued

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.

| 2015/16 £'000 | Accumulated Absences Account | 2016/17 £'000 |
|------------------|---|------------------|
| 76 | Balance at 1 April | 133 |
| (76) | Settlement or cancellation of accrual made at the end of the preceding year | (133) |
| 0 | Amounts accrued at the end of the current year | |
| 133 | Amounts accrued at end of current year | 139 |
| 57 | 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 | 6 |
| 133 | Balance at 31 March | 139 |

22 MEMBERS' ALLOWANCES

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

| 2015/16 £'000 | | 2016/17 £'000 |
|------------------|------------------------|------------------|
| 188 | Basic Allowance | 189 |
| 56 | Special Responsibility | 59 |
| 26 | Expenses | 29 |
| 270 | Total | 277 |

23 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 | 2016/17 | 106,050 | 23,463 | 129,513 |
| | 2015/16 | 105,000 | 26,999 | 131,999 |
| Chief Operating Officer | 2016/17 | 82,416 | 18,234 | 100,650 |
| | 2015/16 | 81,600 | 20,982 | 102,582 |
| Director of Resources (S151) | 2016/17 | 82,416 | 18,234 | 100,650 |
| | 2015/16 | 81,600 | 20,982 | 102,582 |
| Commercial Director Left 31/12/16 | 2016/17 | 65,231 | 14,328 | 79,559 |
| | 2015/16 | 81,600 | 20,982 | 102,582 |
| Strategic Lead Democratic & Business Support (Monitoring Officer) | 2016/17 | 65,600 | 14,169 | 79,769 |
| | 2015/16 | 65,000 | 16,225 | 81,225 |
| Economic & Commercial Growth Director (Commenced 12/12/16) | 2016/17 | 22,782 | 3,470 | 26,252 |
| | 2015/16 | 0 | 0 | 0 |

There were no taxable expenses allowances, other payments or bonus payments made to senior members of staff in 2015/16 or 2016/17.

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 2015/16 | Remuneration Band | Number of Employees 2016/17 |
|-----------------------------|----------------------|-----------------------------|
| 1 | £50,000 to £54,999 | 1 |
| 1 | £55,000 to £59,999 | 0 |
| 2 | £60,000 to £64,999 | 4 |
| 1 | £65,000 to £69,999 | 2 |
| 1 | £70,000 to £74,999 | 0 |
| 0 | £75,000 to £79,999 | 0 |
| 3 | £80,000 to £84,999 | 3 |
| 0 | £85,000 to £89,999 | 0 |
| 0 | £90,000 to £94,999 | 0 |
| 0 | £95,000 to £99,999 | 0 |
| 0 | £100,000 to £104,999 | 0 |
| 1 | £105,000 to £109,999 | 1 |
| 10 | Total | 11 |

The number of exit packages with total cost per band and total cost of other compulsory and other redundancies for the Council in 2016/17 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 | |
|---|-----------------------------------|----------|-----------------------------------|----------|--|-----------|--|----------------|
| | 2015/16 | 2016/17 | 2015/16 | 2016/17 | 2015/16 | 2016/17 | 2015/16 | 2016/17 |
| | | | | | | | £ | £ |
| £0 - £20,000 | 2 | 9 | 0 | 2 | 2 | 11 | 17,143 | 113,961 |
| £20,000 - £40,000 | 0 | 0 | 1 | 1 | 1 | 1 | 36,571 | 25,250 |
| Total | 2 | 9 | 1 | 3 | 3 | 12 | 53,714 | 139,211 |

24 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:

| 2015/16 £'000 | | 2016/17 £'000 |
|---------------|---|---------------|
| 43 | Fees payable to the External Audit with regard to external audit services carried out by the appointed auditor for the year | 43 |
| 4 | Fees payable to the External Audit for the certification of grant claims and returns for the year | 6 |
| 14 | Fees payable in respect of other services provided by the External Audit during the year | 5 |
| 61 | Total | 54 |

Fees in respect of other services for 2016/17 relate to tax advice on acquisition of a company

25 GRANT INCOME

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

| 2015/16 £'000 | | 2016/17 £'000 |
|------------------|---|------------------|
| | Credited to Taxation and Non Specific Grant Income: | |
| 2,198 | Department of Communities & Local Government - Revenue Support Grant | 1,388 |
| 2,535 | Business Rates Retention Scheme | 3,767 |
| 1,995 | Department of Communities & Local Government -New Homes Bonus | 2,487 |
| 8 | Capital Grants & Contributions | 21 |
| 547 | Other Grants & Contributions | 757 |
| 7,283 | Total Non Specific Grant Income | 8,420 |
| | Credited to Services, Revenue Related: | |
| 22,696 | Department of Work & Pensions - Housing Benefits Allowance | 22,546 |
| 253 | Department of Communities & Local Government - Disabled Facilities Grants | 337 |
| 328 | Department of Work & Pensions - Housing Benefits Administration Grant | 307 |
| 165 | Homes and Communities Agency - Housing Action Zone | 52 |
| 162 | Department of Communities and Local Government - Universal Credit | 156 |
| 675 | Other Grants & Contributions | 256 |
| 24,279 | Total Credited to Services | 23,654 |

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.

| 2015/16 £'000 | | 2016/17 £'000 |
|------------------|--|------------------|
| | Capital grants receipts in advance: | |
| 619 | S106 Agreements | 853 |
| 619 | | 853 |

26 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 analysis in Note 25.

Councillors

Councillors have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2016/17 is shown in Note 22

During 2016/17, 9 Councillors and 2 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 Councillors had control/influence. The Council paid levies and service costs of £0.304m to four Internal Drainage Boards where Councillors represented the Council, specifically; Witham 3rd IDB (4 councillors, £0.183m), Scunthorpe and Gainsborough Water Management Board (3 councillors, £0.058m), Upper Witham IDB (2 councillors, £0.044m), Ancholme IDB (1 councillor, £0.019m). In addition, the Council paid grants totalling £0.164m to voluntary organisations in which councillors have a position on the governing body. The relevant councillors 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 £0.058m was made by the Council to the organisation. The Chief Executive is Director of the Council's companies WLDC Staffing Services Ltd, Surestaff Ltd and WLDC Trading Ltd. The Director of Commercial and Economic Growth has been appointed Director to Market Street Renewal Ltd part owned by WLDC.

Other Public 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 29

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 11.

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 2016/17 the Council contributed £146,000 (£146,000 2015/16).

Entities Controlled or Significantly Influenced by the Council

In 2016/17 the Council acquired Surestaff (Lincs) Ltd and created a Teckal Company (WLDC Staffing Services Ltd that provides services solely to the Council) along with a holding company WLDC Trading Ltd all classed as subsidiaries in relation to the Council under group accounts, the Council being 100% shareholder of these companies. Surestaff (Lincs) Ltd and WLDC Staffing Services Ltd were established to provide temporary operational workers but not key management personnel to the Council. The director of the companies is Manjeet Gill, who is also the Chief Executive to the Council and the Company secretary is Tracey Bircumshaw, Financial Services Manager.

During the year 2016/17 the Council had the following transactions with each of the companies.

| Surestaff Lincs Ltd | | |
|------------------------------|----------------------|----------------------|
| | 2015/16 £ | 2016/17 £ |
| Council Received | Not Active | 10,696 |
| Council Paid Out | Not Active | 209,782 |
| Surestaff Share Capital | Not Active | 200 |
| Company Purchase | Not Active | 37,500 |
| Loans issued | Not Active | 20,000 |
| Loans Outstanding 31/03/2017 | Not Active | 15,000 |

| WLDC Staffing Services Ltd | | |
|-----------------------------------|----------------------|----------------------|
| | 2015/16 £ | 2016/17 £ |
| Council Received | Not Active | 577 |
| Council Paid Out | Not Active | 37,302 |
| Surestaff Share Capital | Not Active | 200 |
| Company Purchase | | |
| Loans issued | Not Active | 15,000 |
| Loans Outstanding 31/03/2017 | Not Active | 15,000 |

WLDC Trading Ltd was created as a holding company for the purpose of governance and as such no transactions between the company and the Council have taken place.

Group Accounts have not been produced for 2016/17 incorporating the financial position of Surestaff Lincs Ltd and WLDC Staffing Services Ltd.

In 2016/17 West Lindsey District Council became a shareholder of Market Street Renewal Limited and Eve Fawcett-Moralee (Commercial and Economic Growth Director for WLDC) was appointed as a Director on 26/03/2017. The company was primarily set up for the development and renovation of Market Street in Gainsborough. There has been no financial transactions between West Lindsey District Council and Market Street Renewal Limited in 2016/17 and group accounts have not been produced incorporating the position of Market Street Renewal Ltd.

27 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.

| 2015/16 £'000 | | 2016/17 £'000 |
|------------------|---|------------------|
| 1,631 | Opening Capital Financing Requirement | 1,407 |
| | Capital Investment | |
| 286 | Property, Plant and Equipment | 1,488 |
| 0 | Assets Under Construction | 42 |
| 47 | Intangible Assets | 19 |
| 0 | Investment Properties | 93 |
| 0 | Long Term Shares Investment | 38 |
| 35 | Long Term Loan | 35 |
| 597 | Revenue Expenditure Funded from Capital Under Statute | 869 |
| | Sources of Finance | |
| (559) | Capital Receipts | (405) |
| (356) | Government Grants and Contributions | (660) |
| | <i>Sums set aside from Revenue:</i> | |
| (46) | Direct revenue contributions | (1,484) |
| (228) | Minimum Revenue Provision | (223) |
| 1,407 | Closing Capital Financing Requirements | 1,219 |
| | Explanation of Movements in Year | |
| 0 | Increase/(Decrease) in underlying need to borrow (supported by Government financial assistance) | 0 |
| (228) | Increase/(Decrease) in underlying need to borrow (unsupported by Government financial assistance) | (188) |
| 3 | Assets Acquired under Finance Leases | 0 |
| (225) | Increase/(Decrease) in Capital Financing Requirement | (188) |

28 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:

| 2015/16 £'000 | | 2016/17 £'000 |
|------------------|--|------------------|
| 515 | Other Land and Buildings | 519 |
| 354 | Vehicles, Plant, Furniture and Equipment | 157 |
| 869 | | 676 |

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:

| 2015/16 £'000 | | 2016/17 £'000 |
|------------------|---|------------------|
| | Finance lease liabilities (net present value of minimum lease payments): | |
| 218 | Current (Capital) | 96 |
| 127 | Non-Current (Capital) | 32 |
| 20 | Finance Costs Payable in Future Years | 4 |
| 365 | | 132 |

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

| 2015/16 | | | 2016/17 | |
|------------------------|---------------------------|---|------------------------|---------------------------|
| Minimum Lease Payments | Finance Lease Liabilities | | Minimum Lease Payments | Finance Lease Liabilities |
| £'000 | £'000 | | £'000 | £'000 |
| 218 | 15 | Not later than one year | 96 | 4 |
| 128 | 5 | Later than one year and not later than five years | 32 | 0 |
| 0 | 0 | Later than five years | 0 | 0 |
| 346 | 20 | | 128 | 4 |

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 2016/17 no contingent rents were payable by the Council (2015/16 £0).

The Council has sub-let the properties held under these finance leases. At 31 March 2017 the minimum payments expected to be received under non-cancellable sub-leases was £0.093m (£0.120m at 31 March 2016).

Operating Leases

The Council has entered into operating leases for printers and a depot.

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

| 2015/16 £'000 | | 2016/17 £'000 |
|------------------|---|------------------|
| 15 | Not later than one year | 15 |
| 49 | Later than one year and not later than five years | 37 |
| 0 | Later than five years | 0 |
| 64 | | 52 |

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:

| 2015/16 £'000 | | 2016/17 £'000 |
|------------------|------------------------|------------------|
| 54 | Minimum lease payments | 23 |
| 20 | Contingent rents | (1) |
| 74 | | 22 |

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 65 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 2017 was £0 (31 March 2016 £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 £13.066m (15/16 £13.309m)

The future minimum lease payments receivable in future years are:

| 2015/16 £000 | | 2016/17 £000 |
|-----------------|---|-----------------|
| 289 | Not later than one year | 268 |
| 789 | Later than one year and not later than five years | 649 |
| 321 | Later than five years | 321 |
| 1,399 | Total future minimum lease payments receivable | 1,238 |

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 2016/17 there are no contingent rents were receivable by the Council (2015/16 £0).

29 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 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 2017. A full revaluation exercise is undertaken every 3 years, and this exercise was undertaken as at 31 March 2016, the next triennial review being due 31 March 2019.

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 built up 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, therefore the Council is required to meet the costs of any early retirements awarded

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:

| 2015/16 £'000 | LOCAL GOVERNMENT PENSION SCHEME | 2016/17 £'000 |
|------------------|--|------------------|
| | <i>Comprehensive Income and Expenditure Statement</i> | |
| | Cost of Services: | |
| 1,613 | Current Service Cost | 1,430 |
| 0 | Past Service Cost/ (Gain) | 59 |
| | Financing and Investment Income and Expenditure | |
| 1,112 | Net Interest Expense | 1,011 |
| 2,725 | Total Post-employment Benefits charged to the (Surplus) or Deficit on the Provision of Services | 2,500 |
| | Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement | |
| | Remeasurement of the net defined benefit liability comprising: | |
| (867) | Return on plan assets (excluding the amount included in the net interest expense) | 4,946 |
| 0 | Actuarial Gains/(Losses) arising on changes in demographic assumptions | 1,295 |
| 6,773 | Actuarial Gains/(Losses) arising on changes in financial assumptions | (12,459) |
| 1,120 | Other actuarial Gains/(Losses) on assets | (213) |
| 9,751 | Total Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement | (3,931) |
| | Movement in Reserves Statement | |
| (2,725) | 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) | (2,500) |
| | Actual amount charged against the General Fund Balance for pensions in the year: | |
| 1,445 | Employers' contributions payable to the scheme | 1,338 |
| 94 | Retirement benefits payable to pensioners | 87 |

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:

| 2015/16 £'000 | Balance Sheet | 2016/17 £'000 |
|------------------|--|------------------|
| (70,982) | Present value of the defined benefit obligation | (84,292) |
| 42,106 | Fair value of plan assets | 47,910 |
| (28,876) | Net liability arising from the defined benefit obligation | (36,382) |

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

| 2015/16 £'000 | Reconciliation of Fair Value of Scheme (Plan) Assets | 2016/17 £'000 |
|------------------|---|------------------|
| 42,167 | Opening fair value of scheme assets at 1 April | 42,106 |
| 1,341 | Interest Income | 1,462 |
| (867) | Remeasurement Gains/(Losses) The return on plan assets, excluding the amount included in the net interest expense | 4,946 |
| 1,445 | Employer Contributions | 1,338 |
| 361 | Contributions paid by scheme participants | 385 |
| (2,341) | Benefits paid | (2,327) |
| 42,106 | Closing fair value of scheme assets at 31 March | 47,910 |

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

| Funded Liabilities 2015/16 £'000 | Reconciliation of present value of the scheme liabilities (defined benefit obligation) | Funded Liabilities 2016/17 £'000 |
|--|--|--|
| 76,883 | Opening balance at 1 April | 70,982 |
| 1,613 | Current service cost | 1,430 |
| 2,453 | Interest cost | 2,473 |
| 361 | Contribution by scheme participants | 385 |
| | Remeasurement (Gains)/Losses | |
| 0 | Actuarial Gains/Losses arising from changes in demographic | (1,295) |
| (6,773) | Actuarial Gains/Losses arising from changes in financial assumptions | 12,459 |
| (1,120) | Other | 213 |
| 0 | Past service costs | 59 |
| (2,435) | Benefits paid | (2,414) |
| 70,982 | Closing balance at 31 March | 84,292 |

Local Government Pension Scheme assets comprised:

| 2015/16 | | LGPS Asset Categories | 2016/17 | |
|-----------------------------|-------------------|---|-----------------------------|-------------------|
| Fair Value of Scheme Assets | % of Total Assets | | Fair Value of Scheme Assets | % of Total Assets |
| £'000 | % | | £'000 | % |
| | | Equity instruments | | |
| 8,723 | 21% | Consumer | 5,386 | 11% |
| 935 | 2% | Manufacturing | 704 | 1% |
| 2,281 | 5% | Energy & Utilities | 1,242 | 3% |
| 4,542 | 11% | Financial Institutions | 3,309 | 7% |
| 1,562 | 4% | Information Technology | 1,844 | 4% |
| 4,672 | 11% | Other | 3,933 | 8% |
| | | Debt Instruments | | |
| 1,442 | 3% | Corporate Bonds (Investment Grade) | 4,453 | 9% |
| 2,664 | 6% | Corporate Bonds (Non-Investment Grade) | 0 | 0% |
| 871 | 2% | UK Government | 1,547 | 3% |
| 589 | 1% | Other | 0 | 0% |
| | | Private Equity | | |
| 1,538 | 4% | All | 1,106 | 2% |
| | | Real Estate | | |
| 4,481 | 11% | UK Property | 4,359 | 9% |
| 457 | 1% | Overseas Property | 146 | 0% |
| | | Investment Funds & Unit Trusts | | |
| 2,376 | 6% | Equities | 13,165 | 28% |
| 0 | 0% | Infrastructure | 720 | 2% |
| 4,518 | 11% | Other | 5,657 | 12% |
| | | Cash & Cash Equivalents | | |
| 455 | 1% | All | 339 | 1% |
| 42,106 | 100% | Total Assets | 47,910 | 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 | | |
|---------------------------------|--|--------------|
| 2015/16 | | 2016/17 |
| % | Long Term Expected Rate of Return on Assets in the Scheme | % |
| 3.50% | Equity Investments | 2.60% |
| 3.50% | Bonds | 2.60% |
| 3.50% | Property | 2.60% |
| 3.50% | Cash | 2.60% |
| Years | Mortality Assumptions: | Years |
| | Longevity at 65 for current pensioners: | |
| 22.2 | Men | 22.1 |
| 24.4 | Women | 24.4 |
| | Longevity at 65 for future pensioners: | |
| 24.5 | Men | 24.1 |
| 26.8 | Women | 26.6 |
| % | Financial Assumptions | % |
| 2.20% | Rate of inflation | 2.40% |
| 3.70% | Rate of increase in salaries | 2.80% |
| 2.20% | Rate of increase in pensions | 2.40% |
| 3.50% | Rate for discounting scheme liabilities | 2.60% |
| % | 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 | 50.00% |
| 63.00% | Post April 2008 service - Maximum tax-free cash | 75.00% |

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 | Approx. increase to Employer Liability % | Approx. monetary amount £'000 |
|---|--|-------------------------------|
| Change in Assumptions at 31 March 2017 | | |
| 0.5% decrease in Real Discount Rate | 9% | 7,781 |
| 0.5% increase in Salary Increase Rate | 1% | 1,153 |
| 0.5% in the Pension Increase Rate | 8% | 6,517 |

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 2019.

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 £1.623m in contributions in 2017/18.

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.

30 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.

Business Rates Appeals

The Council has made a provision for Business Rates 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

The Council is waiting to hear from the Planning Inspectorate whether a formal or informal inquiry is to be held regarding a planning appeals recently lodged. If the appeal is successful then there is the potential that the Council could be required to pay substantial damages. At this stage it is not possible to determine the success or otherwise of the appeal or the level of any damages that may be awarded.

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 underspent 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.

Historic Planning Fees

The Council may be required to refund some historic planning fees under the refund guarantee in accordance with the Planning Guarantee, as denoted by Regulation 9A of the Town and Country Planning Regulations 2013

It is not possible to quantify the number of requests yet to be lodged so there is a risk to the Council that further requests may have a future impact on the accounts.

31 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 over 180 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 £0.220m.

S106 Agreements

There may be S106 developers agreements and consequently contributions payable to the Council in the future. However, it is not possible to accurately determine when or the value of any such sums due since they are often dependent upon planning conditions and development

Greater Lincolnshire Enterprise Partnership

On 09 March 2017 it was confirmed that the Greater Lincolnshire Enterprise Partnership had been successful in securing £29.45m from EU funding. The Council's element of the overall bid included £4m towards the Gainsborough Growth Programme and £1.5m of funding for the Food Enterprise Zone. It is unclear at this time what the conditions of these grants are and how and when funding will be received.

32 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 programme focuses on the unpredictability of financial markets, and seeks to minimise potential adverse effects on the resources available to fund services. 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:
 - o The Council's overall borrowing;
 - o Its maximum and minimum exposures to fixed and variable rates of interest;
 - o its maximum and minimum exposures to the maturity structure of its debt (if required);
 - o its maximum annual exposures to investments maturing beyond a year; and
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with Government guidance.

These are required to be reported and approved at or before the Council's annual Council Tax setting budget or before the start of the year to which they relate. These items are reported with the annual Treasury Management Strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported after each year, as is a mid-year update.

The annual Treasury Management Strategy which incorporates the Investment Strategy, MRP Policy and prudential indicators was approved by Council on 3 March 2016 and is contained within the Budget Book 2016/17 available on the Council website. The key issues within the Strategy were:

- The Authorised Limit for 2016/17 was set at £22.9m. This is the maximum limit of external borrowings or other term liabilities.
- The Operational Boundary was expected to be £10.41m. This is the expected level of debt and other long term liabilities during the year.
- The maximum amounts of fixed and variable interest rate exposure were set at 100% and 75% based on the Council's net debt.

Risk management is carried out by officers in the Financial Services team, under policies approved by the Council in the annual treasury management strategy. The Council provides 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 with a financial institution located in each category.

The credit criteria in respect of financial assets held by the Council are detailed below:

The Council uses creditworthiness service provided by Capita Asset Services. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moody's and Standard and Poor's, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- credit watches and credit outlooks from credit rating agencies
- CDS spreads to give early warning of likely changes in credit ratings
- sovereign ratings to select counterparties from only the most creditworthy countries
- 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 Council's 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.

The full Investment Strategy for 2016/17 was approved by Full Council on 3 March 2016 and is available on the Council's website.

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

The Council's maximum exposure to credit risk in relation to its investments in financial institutions of £14m (£13.525m 2015/16) 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 Authority's deposits, but there was no evidence at 31 March 2017 that this was likely to crystallise.

No credit limits were exceeded 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 2016 | | 31 March 2017 |
|---------------|-----------------------|---------------|
| £'000 | Investments | £'000 |
| 18,253 | Less than 1 year | 16,635 |
| 0 | Between 1 and 2 years | 0 |
| 0 | Between 2 and 3 years | 0 |
| 2,186 | More than 3 years | 2,183 |
| 20,439 | Total | 18,818 |

Refinancing and Maturity Risk

The Council maintains a significant investment portfolio but is currently 'debt free'. Whilst the cash flow procedures above are considered against the refinancing risk procedures, 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 Comprehensive Income and Expenditure Statement will rise;
- Borrowings at fixed rates – the fair value of the borrowing will fall (no impact on revenue balances),
- Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement 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 | 52 |
| Impact on Other Comprehensive Income and Expenditure | 52 |

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed. These assumptions are based on the same methodology as used in the Note 15 – Fair Value of Assets and Liabilities carried at Amortised Cost.

Price Risk

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

Foreign Exchange Risk

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

33 CASH FLOW STATEMENT - OPERATING ACTIVITIES

The cash flow for operating activities include the following items:

| 2015/16 £'000 | | 2016/17 £'000 |
|------------------|--------------------|---------------|
| 254 | Interest received | 308 |
| (46) | Interest paid | (23) |
| 80 | Dividends Received | 0 |
| 288 | | 285 |

34 ACQUIRED AND DISCONTINUED OPERATIONS

West Lindsey District Council purchased Surestaff Lincs Ltd for £0.038m in June 2016. Initially, the primary function of Surestaff Ltd was a recruitment business with the main objective to supply the Council with temporary workers to fulfill the garden waste demand during eight months of the year when the service is delivered. This will now be fulfilled through WLDC Staffing Services Ltd. Surestaff Lincs Ltd continues to operate as a recruitment business providing agency staff to companies in the area.

In March 2017 West Lindsey District Council became a 50% shareholder of Market Street Renewal Limited and Eve Fawcett-Moralee (Commercial and Economic Growth Director for WLDC) was appointed as a Director on 24/03/2017. The company was primarily set up for the development and renovation of Market Street in Gainsborough.

35 AGENCY SERVICES

In accordance with the Code, the collection and distribution of National Non-Domestic Rates (NNDR) and Council Tax is deemed to be an agency arrangement. The costs of collection of NNDR and the surplus or deficit on the Collection Fund for the year, are shown in the Collection Fund Statement.

| |
|--------------------------------|
| 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 Business 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 Business Rates. 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 Business Rates tax base.

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

Business Rates 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

| 2015/16 | | | Income/Expenditure | Note | 2016/17 | | |
|----------------------|-------------------------|----------------|--|------|----------------------|-------------------------|----------------|
| Council Tax £'000 | Business Rates £'000 | Total £'000 | | | Council Tax £'000 | Business Rates £'000 | Total £'000 |
| 44,542 | 0 | 44,542 | Income | | | | |
| 0 | 15,137 | 15,137 | Net Council Tax Receivable | 1 | 46,397 | 0 | 46,397 |
| | | | Business Rate Receivable | 2 | 0 | 16,401 | 16,401 |
| 44,542 | 15,137 | 59,679 | Total Income | | 46,397 | 16,401 | 62,798 |
| | | | Expenditure | | | | |
| 6,952 | 6,511 | 13,463 | West Lindsey District Council | | | | |
| 116 | 0 | 116 | Precepts, Demands & Shares | | 7,279 | 6,653 | 13,932 |
| | | | Distributed Surplus/(Deficit) | | 202 | (146) | 56 |
| 30,650 | 1,628 | 32,278 | Lincolnshire County Council | | | | |
| 504 | 0 | 504 | Precepts, Demands & Shares | | 32,599 | 1,663 | 34,262 |
| | | | Distributed Surplus/(Deficit) | | 891 | (36) | 855 |
| 5,578 | 0 | 5,578 | Lincolnshire Police Authority | | | | |
| 91 | 0 | 91 | Precepts, Demands & Shares | | 5,819 | 0 | 5,819 |
| | | | Distributed Surplus/(Deficit) | | 162 | 0 | 162 |
| 0 | 8,139 | 8,139 | Central Government | | | | |
| 0 | 0 | 0 | Precepts, Demands & Shares | | 0 | 8,316 | 8,316 |
| | | | Distributed Surplus/(Deficit) | | 0 | (183) | (183) |
| 0 | 106 | 106 | Cost of Collection Allowance | | 0 | 106 | 106 |
| 27 | 0 | 27 | Write offs of uncollectable amounts | | 0 | 24 | 24 |
| (40) | 104 | 64 | Increase/(Decrease) in Impairment Allowance | | 51 | 377 | 428 |
| 0 | 1,373 | 1,373 | Increase/(Decrease) in Provision for Appeals | | 0 | 0 | 0 |
| 0 | 141 | 141 | Transitional Protection Payments | | 0 | 325 | 325 |
| 0 | 20 | 20 | Disregarded Amounts | | 0 | 25 | 25 |
| 43,878 | 18,022 | 61,900 | Total Expenditure | | 47,003 | 17,124 | 64,127 |
| 664 | (2,885) | (2,221) | Surplus/(Deficit) arising during the year | 3 | (606) | (723) | (1,329) |
| 1,966 | (255) | 1,711 | Surplus/(Deficit) b/fwd 1st April | | 2,630 | (3,140) | (510) |
| 2,630 | (3,140) | (510) | Surplus/(Deficit) c/fwd 31st March | | 2,024 | (3,863) | (1,839) |

| |
|---|
| 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 2016/17 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 £1,582.38 (£1,529.88, 2015/16) and is multiplied by the ratio specified for the particular band to give an individual amount due.

The Council Tax Base for 2016/17 was 28,878.71 (28,224.11 2015/16). 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 2016/17 was approved by the Council meeting in January 2016 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 | |
|---|-------------------|-----------------------------------|---------------|--|---------------|---------------------------------------|---------------|
| | | 2015/16 | 2016/17 | 2015/16 | 2016/17 | 2015/16 | 2016/17 |
| Disabled | 5 | 0 | 0 | 21 | 14 | 8 | 5 |
| Band A | 6 | 15,607 | 15,800 | 13,510 | 13,736 | 6,346 | 6,651 |
| Band B | 7 | 7,824 | 7,908 | 7,036 | 7,141 | 4,838 | 4,985 |
| Band C | 8 | 7,476 | 7,539 | 6,867 | 6,918 | 5,715 | 5,791 |
| Band D | 9 | 5,607 | 5,650 | 5,293 | 5,332 | 5,142 | 5,206 |
| Band E | 11 | 3,328 | 3,355 | 3,171 | 3,204 | 3,779 | 3,826 |
| Band F | 13 | 1,386 | 1,396 | 1,309 | 1,326 | 1,871 | 1,895 |
| Band G | 15 | 509 | 511 | 482 | 484 | 795 | 799 |
| Band H | 18 | 61 | 64 | 42 | 42 | 85 | 84 |
| Total | | 41,798 | 42,223 | 37,731 | 38,197 | 28,579 | 29,242 |
| Deduction for non-collection, new build, demolition and other adjustments | | | | | | (488) | (497) |
| Band D Equivalent for Council Tax Base | | | | | | 28,091 | 28,745 |
| Band D Equivalent for Contributions in Lieu | | | | | | 133 | 134 |
| Council Tax Base (Band D equivalent) | | | | | | 28,224 | 28,879 |

2 Business Rates

Business Rates (NNDR) are determined on a national basis by Central Government which sets an annual non-domestic rating multiplier amounting to 49.7p in 2016/17 (49.3p in 2015/16). The non-domestic rate multiplier for small businesses is 48.4p in 2016/17 (48.0p in 2015/16). Subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by this multiplier. Local rateable values totalled £42.531m at 31 December 2015 and were used to calculate the Business Rates Retention scheme amounts for 2016/17 (£42.652m in 2015/16).

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 Business Rates to the central pool. (WLDC 40%, Lincolnshire CC 10% and Central Government 50%)

The business rates shares payable for 2016/17 were estimated before the start of the financial year as £8.316m to Central Government, £1.663m to Lincolnshire County Council and £6.653m to West Lindsey District Council. These sums have been paid in 2016/17 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 a Business Rates 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 £3.492m (£3.463m 2015/16) to the Lincolnshire Business Rates Pool (Central Government in 2015/16).

The total income from business rate payers collected in 2016/17 was £16.401m (£15.137m 2015/16).

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 £2.559m (£2.538m 2015/16). The comparison 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 2016/17. In 2016/17 the Council received £0.202m, its share of the 2015/16 Council Tax estimated surplus and this amount is reflected in the CIES, Taxation and Other Grant Income.

The actual cumulative Collection Fund deficit of £1.839m at 31 March 2017 includes the Business Rates deficit of £3.863m. There has been no increase in the provision for appeals in 2016/17 with the total provision remaining at £1.942m.

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

| 2015/16 | | | 2016/17 | | |
|---------------|----------------------------|-------------------------------|---------------|----------------------------|----------------|
| CTAX £'000 | Business Rates £'000 | | CTAX £'000 | Business Rates £'000 | Total £'000 |
| 421 | (1,256) | West Lindsey District Council | 324 | (1,545) | (1,221) |
| 1,871 | (314) | Lincolnshire County Council | 1,444 | (386) | 1,058 |
| 337 | 0 | Lincolnshire Police Authority | 256 | 0 | 256 |
| 0 | (1,570) | Central Government | 0 | (1,932) | (1,932) |
| 2,629 | (3,140) | Balance at 31 March | 2,024 | (3,863) | (1,839) |

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.

AVAILABLE FOR SALE FINANCIAL INSTRUMENTS

The Available for Sale Financial Instruments are investments that have quoted market prices or otherwise do not have fixed or determinable payments.

Any gains arising from increases in the value of the investments are credited to the Available For Sale Financial Instruments Reserve. The balance of the reserve is reduced when instruments with accumulated gains are:

- Revalued downwards or impaired and the gains are lots
- Disposed of and the gains are realisable

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.

BUSINESS RATES/NATIONAL NON DOMESTIC RATES (NNDR)

See National Non Domestic Rates (NNDR).

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

CONTINGENT LIABILITIES

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

COUNCIL TAX

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

COUNCIL TAX BASE

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

CURRENT EXPENDITURE

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

DEFERRED CREDITS

This is the term applied to deferred capital receipts. These transactions arise when fixed assets are sold and the amounts owed by the purchasers are repaid over a number of years, e.g. mortgages. The balance is reduced by the amount repayable in any financial year.

DEPRECIATION

Charges reflecting the wearing out, consumption or other reduction in the useful life of a fixed asset.

EARMARKED RESERVES

These are reserves set aside for a specific purpose or a particular service or type of expenditure.

EMOLUMENTS

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

EXTERNAL AUDIT

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

FAIR VALUE

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

FEES AND CHARGES

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

FINANCE LEASE

Arrangement whereby the lessee is treated as owner of the leased asset and is required to include such assets within fixed assets on the Balance Sheet.

FINANCIAL INSTRUMENT

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

FINANCIAL INSTRUMENT ADJUSTMENT ACCOUNT

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

FINANCIAL REPORTING STANDARDS (FRS)

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

FINANCIAL YEAR

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

FIXED ASSET

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

GAAP

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

GENERAL FUND

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

GROSS EXPENDITURE

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

HERITAGE ASSETS

A tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

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)/BUSINESS RATES

Business rates is the common term used for national non domestic rates (NNDR) which is the levy on business property. It is 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 cash flows.

PENSION FUND

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

PRECEPT

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

PRECEPTING AUTHORITIES

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

PROVISIONS

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

RELATED PARTIES

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

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

Examples of related parties of a 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.