

# Lincolnshire County Council

## Statement of Accounts 2013-14

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# **Statement of Accounts 2013-14**

## **Explanatory Foreword**

### **Introduction to the Accounts**

The Statement of Accounts for the year 2013-14 is set out on pages 12 to 16.

The purpose of the published Statement of Accounts is to give electors, local tax payers and service users, elected members, employees and other interested parties clear information about the Council's finances. It should answer such questions as:

- What did the Council's services cost in the year of account?
- Where did the money come from?
- What were the Council's assets and liabilities at the year-end?

## **Content**

### **The Explanatory Foreword**

This provides a general introduction to the Accounts, focusing on explaining the more significant features of the Council's financial activities during the period 1 April 2013 to 31 March 2014. It is based on the information contained in the Statement of Accounts and the Council's Financial Performance Report for 2013-14.

### **Movement in Reserves Statement for the period 1 April 2013 to 31 March 2014**

This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The (Surplus) or Deficit on the Provision of Services line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for Council Tax setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

### **Comprehensive Income and Expenditure Statement for the period 1 April 2013 to 31 March 2014**

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. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

### **Balance Sheet as at 31 March 2014**

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

### **Cash Flow Statement for the period 1 April 2013 to 31 March 2014**

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

**Notes to the Accounts**

These comprise of a summary of significant accounting policies, further information and detail of entries in the prime Statements above and other explanatory information.

**The Statement of Responsibilities for the Statement of Accounts**

This details the financial responsibilities of the Council, the Chairman of the Council and the Executive Director - Finance and Public Protection).

**The Governance Statement**

This identifies the systems that the Council has in place to ensure that its business is conducted in accordance with the law and proper standards and that public money is safeguarded and properly accounted for.

**Audit Opinion**

This contains the External Auditor's report and opinion on the Accounts.

**The Lincolnshire Pension Fund Account**

This shows the operation of the Lincolnshire Pension Fund run by the Council for its own employees and employees of the seven District, City and Borough Councils in Lincolnshire along with other admitted bodies.

**The Lincolnshire Fire and Rescue Pension Fund Account**

This shows the operation of the Lincolnshire Fire and Rescue Pension Fund run by the Council for its own Fire-fighter employees.

## **A review of financial performance in 2013-14 by the Executive Director of Finance & Public Protection.**

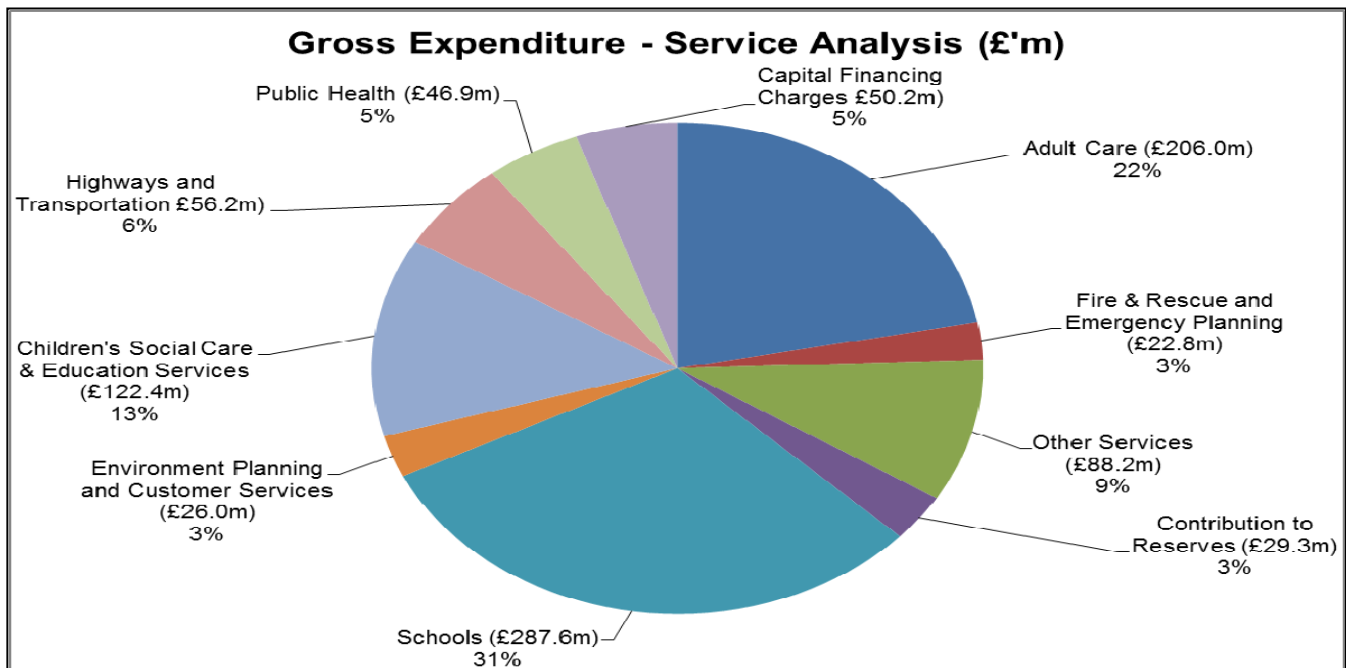
### **Review of the Year**

The County Council set its spending plans for 2013-14 against a backdrop of considerable national economic uncertainty, significantly reduced Government grant funding; the rising demand for services (such as adult care) and delivery of the third year of savings from the Council's core offer review of services. In setting the budget for 2013-14, the Council's aim was to set a balanced and deliverable budget that would effectively address reduced level of funding whilst protecting frontline services wherever possible, and deliver a continued freeze in Council Tax to the people of Lincolnshire for the third year running.

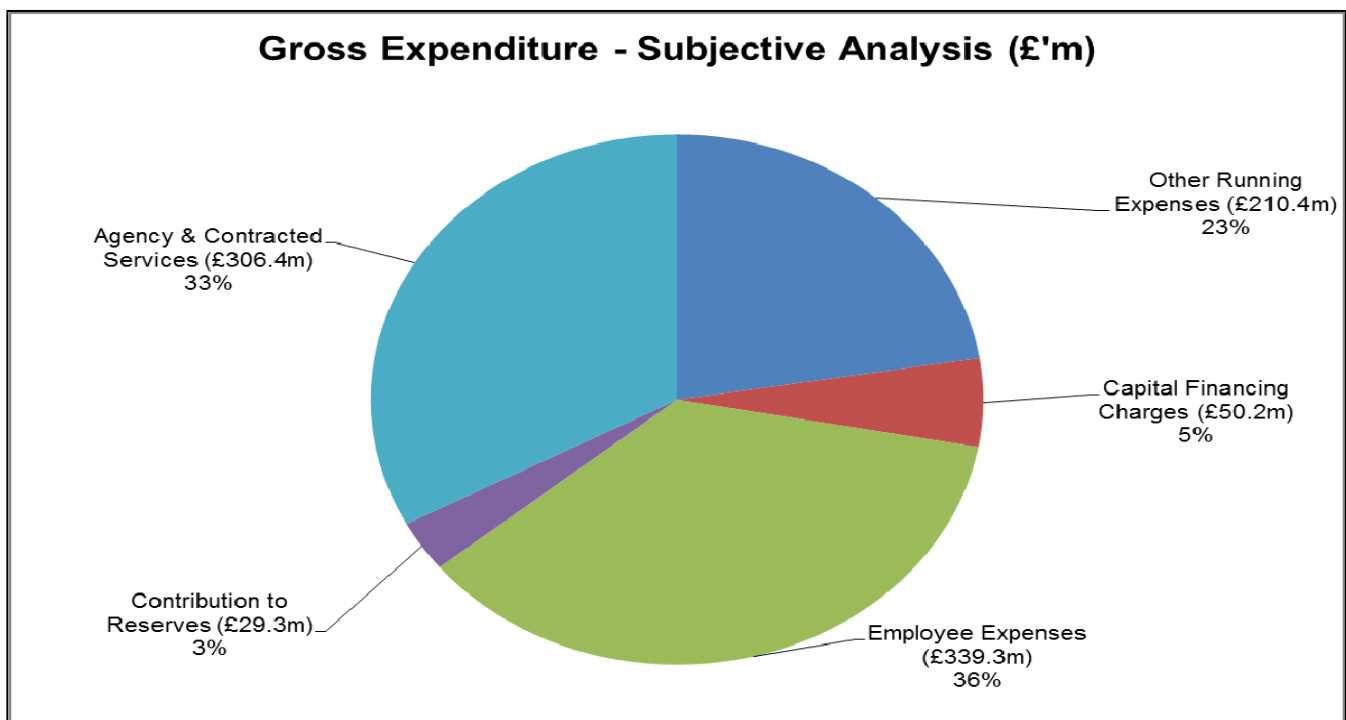
### **Annual Revenue Spending**

The Council spent £906.252m in 2013-14 in providing public services, or £1,238.52 for every person in Lincolnshire.

The Council's annual spending on providing public services are set out in the charts below and show how this was used both by type of service provided and by type of expenditure.



Other Services includes: Economy and Culture, Community Safety and Support Services (including: Finance, ICT and HR).

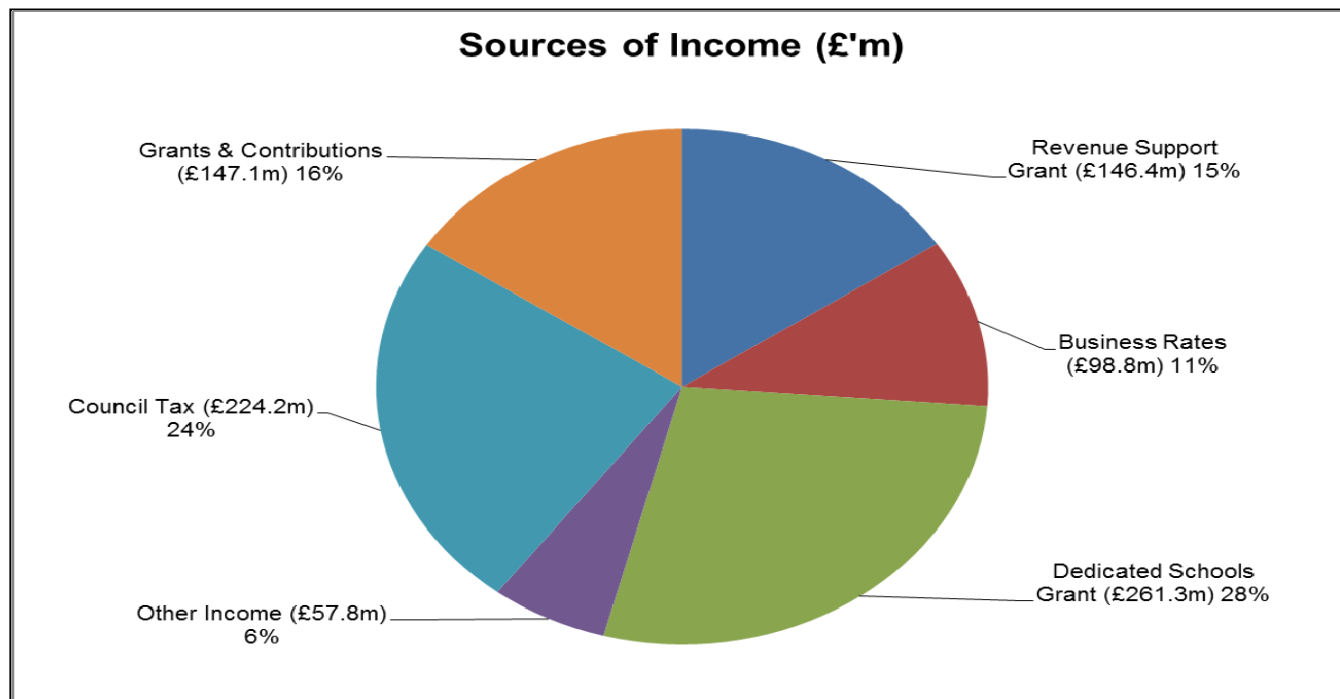


The distribution of expenditure by type differs significantly between different services. For example, salaries and wages comprises 64.6% of expenditure for schools. For services other than schools, salaries and wages comprises 27.0% of expenditure and contract payments comprises 48.6% of total expenditure. These differences reflect how Council services are provided.

Note 32 Amounts Reported for Resource Allocation Decisions provides further details on spending and the services which are provided to the public (page 80).

#### Annual income

The Council's revenue spending was funded by:



In 2013-14 there have been significant changes to how local authorities are funded, plus continued reductions to the amount of funding received. The previous Formula Grant funding has been replaced with Revenue Support Grant and the Local Retention of Business Rates regime, where 10% of the business rates collected in Lincolnshire are retained by the County Council, plus a top up from central government.

In addition to Revenue Support Grant, the Council also receives specific government grants. The most significant of these was £261.338m of Dedicated Schools Grant which is used for funding education in Lincolnshire.

There have also been changes to the Council Tax system, the Council's other main source of income. Prior to 1 April 2013, households qualifying for Council Tax Benefit would be included in the Council Tax base, and government grant for these properties was paid over to the County Council in the precept. From 2013-14 this benefit is given to households as a discount and these properties are removed from the council tax base. This had the effect of reducing council tax base, and hence the income by 11.5% from previous years.

#### Revenue budget outturn 2013-14.

The revenue budget outturn for 2013-14 is summarised below:

- Total service revenue spending, excluding schools, was under spent by £12.056m or 2.9%.
- Schools were underspent by £21.158m or 7.6% of the schools budget.
- There was an underspend of £25.555m on other budgets, mainly reflecting a large underspend on capital financing charges during the year.
- The Council received £3.604m or 0.7% of general funding income in excess of budget.
- This give the Council an overall underspend of £62.373m.

The table below shows the outturn of expenditure in 2013-14 compared with the budgets approved by the Council.

<b>Service Revenue Outturn</b>	<b>Budget £'m</b>	<b>Outturn £'m</b>	<b>Over / Under Spend £'m</b>	<b>Percentage Under or Over Spend %</b>
Children's Social Care	45.645	46.194	0.549	1.2%
Education Services	60.197	57.758	-2.439	-4.1%
Adult Care	134.578	133.196	-1.382	-1.0%
Public Health	16.856	16.227	-0.629	-3.7%
Public Health Grant Expenditure	27.542	26.272	-1.270	-4.6%
Public Health Grant Income	-27.542	-26.272	1.270	-4.6%
Highways & Transportation	45.630	43.650	-1.980	-4.3%
Environment Planning & Customer Services	26.942	24.511	-2.431	-9.0%
Economy & Culture	12.887	12.846	-0.041	-0.3%
Fire & Rescue	19.706	19.598	-0.108	-0.5%
Community Safety	19.161	18.014	-1.147	-6.0%
Finance & Resources	17.219	15.337	-1.882	-10.9%
Performance & Governance	22.844	22.278	-0.566	-2.5%
<b>Total Service Budgets</b>	<b>421.665</b>	<b>409.609</b>	<b>-12.056</b>	<b>-2.9%</b>
Other Budgets	76.303	50.748	-25.555	-33.5%
Schools Budgets	18.481	-2.677	-21.158	-114.5%
<b>Total Expenditure</b>	<b>516.449</b>	<b>457.680</b>	<b>-58.769</b>	<b>-11.4%</b>
<b>Total Income</b>	<b>-483.419</b>	<b>-487.023</b>	<b>-3.604</b>	<b>0.7%</b>
<b>Use of / (Contribution to) Reserves</b>	<b>33.030</b>	<b>-29.343</b>	<b>-62.373</b>	<b>-189%</b>

Significant variances include:

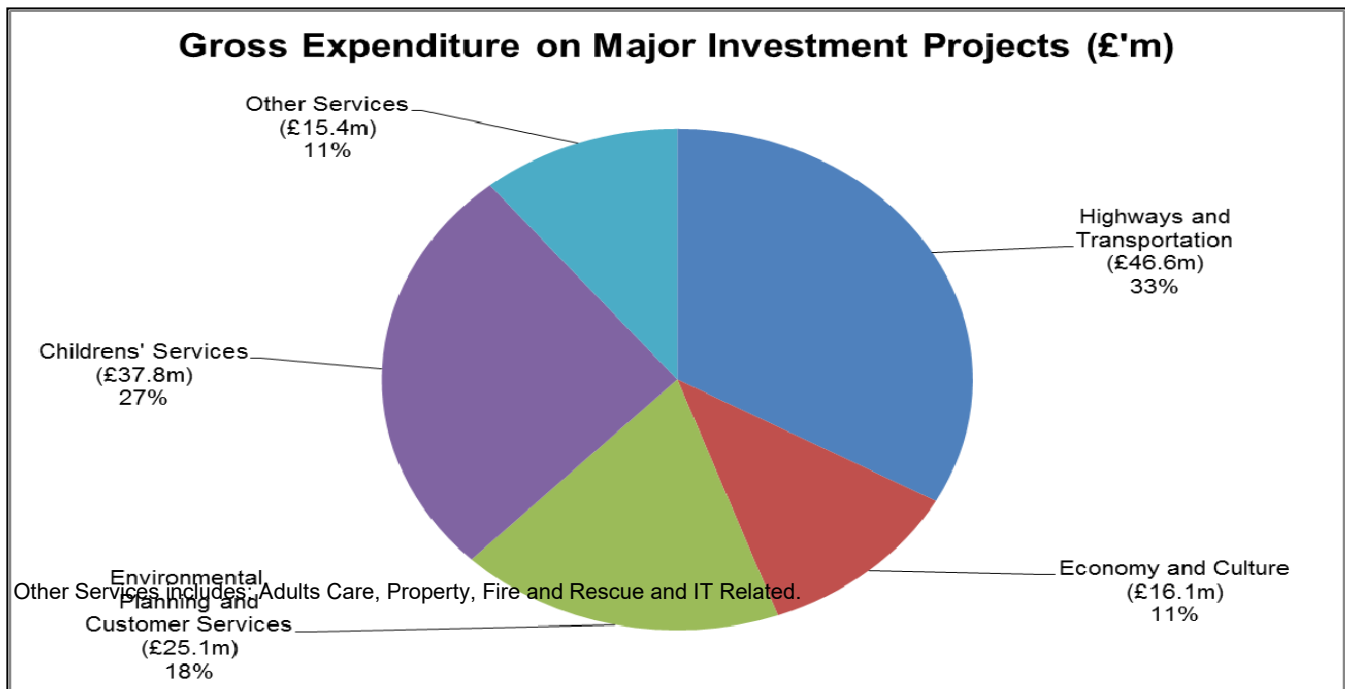
- Education Services (£2.439m underspend). This was due to a number of factors including: the disestablishment of the Children's Sufficiency Team and vacancies in Youth Services and the Connexions Service.
- Environment Planning and Customer Services (£2.431m underspend). This was primarily due to the extension of the commissioning period at the energy from waste plant. During the commissioning period the charge per tonne of waste was lower than the contractual rate that has been in place since the commissioning period ended.
- Other Budgets (£25.555m underspend). Capital Financing Charges were underspent by £21.231m due to use of internal borrowing and slippage in the capital programme. At the end of the year, £2.627m of the Council's contingency remained unused.
- Schools Budgets (£21.158m underspend). Schools budgets are ring-fenced and carried into the next financial year for schools. This underspend represents a significant reduction on previous years underspend.

Further information on revenue budget spending and outturns can be found in the Review of Financial Performance 2013-14, which is available on the Council's website.

### Investment in major projects

The Council spent £141.077m on the County's assets, in particular on roads, the Energy from Waste plant, and schools. The net capital spend was £86.568m and there was an underspending of £8.300m or 8.7%. Explanations of the variances can be found in the Council's Review of Financial Performance Report for 2013-14.

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



Other includes: Adults Care, Property, Fire and Rescue and IT Related.

In 2013-14 expenditure was incurred on the following schemes:

- Maintenance of roads, bridges, safety fencing, street lighting, signs and lines, and traffic signals;
- Completion of the Energy from Waste scheme, which will divert waste from landfill. The plant is now complete and operational;
- Programme of modernisation to meet the statutory responsibility for provision of educational places and a programme to improve the condition of school buildings;
- Academy schools building programme including: University Academy Holbeach and Grantham Ruskin Academy; and
- Spend on replacement and enhancement of Fire Fleet vehicles and associated equipment.

The Council has received grants from central government and other bodies to fund: maintenance work on roads, the Council's programme of modernisation and improvement of condition of school buildings, provision of education places and the Academies building programme. £46.165m of funding for the capital programme came from temporary internal borrowing, £6.686m from revenue funding and use of earmarked reserves and £3.237m from capital receipts.

The Council sets itself a limit on its total borrowing to ensure that it remains prudent and affordable. The Council's target is to ensure that annual minimum revenue provision (MRP) plus interest are no more than 10.0% of the Council's annual income. The figure for 2013-14 was 5.98%. MRP is the amount required to be set aside as a provision for debt repayment, and in accordance with Regulation, this amount should be prudent to ensure debt is repaid over a period reasonably commensurate with the period over which the capital expenditure funded by borrowing provides benefits. The Council's current policy is to apply the average life method to calculate the MRP and use the MRP in full to repay debt annually.'

### Financial health and performance

The Council's revenue budget remains under pressure from reduced funding and service pressures. 2014-15 is the final year of the Council's four year savings programme (locally termed "Core Offer"). When originally approved, this provided the Council with a total of £125m savings over the period 2011-12 to 2014-15 to re-invest in services to meet unavoidable cost pressures and meet expected reductions in Government support. Additional savings have been added to this target to reflect further reductions in local government financing from 2013-14. Savings targets for 2013-14 and 2014-15 now stand at £27.600m and £40.444m respectively.

As well as additional savings the Council has used £11.700m one off contribution from reserves to bridge the remaining gap between the funding available and Council spending in 2013-14. It also plans to use a further £6.780m for the same purpose in 2014-15.



The savings identified from the Council's Core Offer, the additional savings added into 2013-14 and 2014-15 budgets, plus the one off use of reserves in these two financial years, have ensured the Council is well placed to withstand the immediate pressures in local government funding. However, future challenges remain and significant further savings will need to be identified in future years to deliver a balanced budget. The Council will undertake a second fundamental review of its service priorities and related spending needs prior to setting a budget for 2015-16 and beyond.

To meet some of the future financial pressures, the Council established a Financial Volatility Reserve to help smooth the effects of funding changes to local government. £6.780m is already set aside to meet the budget shortfall in 2014-15. This left the balance available for future years – 2015-16 and beyond, at £18.268m. It is now proposed to transfer a further £29.738m into this reserve at the end of 2013-14 as part of the allocation of the carry forward. This will provide the Council with time to develop sustainable budget plans from 2015-16 onwards.

The Council also maintains a general reserve as a contingency against unexpected events or emergencies. The Council sets itself a target, based on a financial risk assessment, of maintaining these reserves within a range of 2.5% to 3.5% of its total budget. The Council's general reserves at 31 March 2014, is £16.400m or 3.5% of the Council's total budget.

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

The programme of savings together with a prudent level of reserves means that the Council has a sound financial base from which to manage the challenges of a difficult medium to longer term outlook for public sector finances.

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

The finance settlement from government places additional funding pressures on the County Council when compared to 2013-14. A strategy of making further modest budget reductions allied with the use of earmarked reserves has again been used to produce a balanced budget for 2014-15. Thereafter a further fundamental review of service priorities and related spending will be undertaken, during 2014, to produce a sustainable budget for 2015-16 and beyond. Close monitoring of the delivery of savings will be undertaken and, if necessary, corrective action will be initiated to examine alternative options should this be necessary. The delivery of the detailed schedule of planned savings will be monitored and reported regularly to senior management teams and to Executive councillors as part of the formal, published reports.

#### The Council's Pension Fund Liability and Change in Accounting Policy

The Local Government Pension Scheme and the Fire-fighters' Pension Scheme both have a liability balance at year end. That is, the present value of fund obligations exceeds the fair value of employer assets in the fund. The total reported pension liability of the two schemes (which is off set in the Balance Sheet by the Pensions Reserve) has increased over the past year from £641.730m to £715.326m.

Due to the nature of pension funds, the liability cannot occur immediately as it represents benefit payments to pensioners over their lifetime. A significant proportion of the membership is also still actively contributing to the fund. The Lincolnshire Pension Fund contribution rates have been set by the Actuary to target a funding level, for most employers, on an ongoing basis of 100% of the liabilities over a period of 20 years. The Council's contribution rate is consistent with the Actuary's advice.

In 2013-14 there have been revisions to IAS 19 the accounting standard for retirement benefits. The adoption of the revised standard has changed the measurement of the Council's pensions liabilities and requires additional information on asset classification and recognition to be reported. The key changes relates to the expected return on assets for the Local Government Pension Scheme. Advance credit for anticipated outperformance of return seeking assets (such as equities) is no longer permitted. The expected return on assets was previously credited to profit and loss and has been replaced with an equivalent figure calculated using the discount rate (as opposed to that calculated using the expected return on assets assumption).

The Code of Practice on Local Authority Accounting requires any changes in accounting policies to be accounted for retrospectively. To comply with this, the 2012-13 Comprehensive Income and Expenditure Statement has been adjusted. The effect of this change has been calculated by the actuary and has increased the interest on plan asset by £6.627m in the Comprehensive Income and Expenditure Statement. A corresponding adjustment has resulted in reduction in the unrealised loss on Pension Liability in the balance sheet. This change has been reflected in the 2012-13 comparative figures in the Comprehensive Income and Expenditure Statement and supporting notes through the Financial Statements. The prior period adjustment relates solely to the Local Government Pension Scheme, there is no impact on the Fire-fighters' Pension as the scheme is unfunded. Further information on the restatement to the accounts for Retirement Benefits Assets and the new disclosures can be found within Note 54.

#### Energy from Waste Plant

The Council has undertaken the construction of a plant which will alternatively treat household waste and divert it from landfill. The project commenced in 2011 and the plant became fully operational in March 2014. The total cost of the plant to the Council was £123.476m, which the Council funded using prudential borrowing. All assets associated with the plant are held on the Council balance sheet as property, plant and equipment.

### Public Health Responsibilities

In 2013-14 there were two changes to legislation under which the Council took on new responsibilities. Following the implementation of the Health and Social Care Act 2012, the Council took on new responsibilities for Public Health Services from Primary Care Trusts from 1 April 2013. A grant of £27.542m was received from the Department of Health to support this transfer. The Council also received a grant of £1.801m as a result of the Welfare Reform Act 2012 to provide Local Welfare Assistance (Lincolnshire Community Assistance Scheme), following the cessation of the Department of Work and Pensions Social Fund Support (Community Care Grants and Crisis Loans).

### Conversion of Schools into Academies

In 2013-14 a number of secondary and primary schools in the County converted to become Academies. These schools are independent of the Council. They receive funding from the Department of Education directly and incur their own expenditure. Before their conversion, these Schools' income and expenditure formed part of the Council's net expenditure on schools. The effect of these schools becoming Academies has reduced the Council's gross expenditure on Education Services by £54.695m and income in this area by £54.944m. Further information is contained within Note 5 Exceptional Items.

In addition to the loss of income and expenditure on these schools, where the assets of a school becoming an Academy were owned by the County Council (i.e. Community and Voluntary Controlled Schools), the school's land and buildings are leased to the Academy Trust. During 2013-14, four primary and one special school assets have been leased to Academy School Trustees on 125 year leases. The County Council have assessed these leases to be finance leases for the buildings and operating leases for the land. These assets have been valued as such and this has led to £11.130m being removed from the value of County Council's assets held on Balance Sheet as at 31 March 2014. A further £0.096m has been removed from the Council's balance sheet for all academy schools equipment which was previously held by the County Council.

During 2013-14, the Council incurred £15.582m of capital expenditure on schools which have become Academies. The Council has received funding through government grants for the majority of this spend.

The Council also prepares an Annual Report. The Annual Report brings together our vision, achievements and accounts. It not only highlights some real achievements for the past year in the services we provide to residents but also summaries how we spent our annual budget.

## **Statement of Responsibilities for the Statement of Accounts**

### **The 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 Authority, that officer is the Chief Financial Officer.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

### **The Chairman's Responsibilities**

The Statement of Accounts was presented to Lincolnshire County Council Audit Committee and approved on 22 September 2014. The original documents were signed by Councillor Mrs Rawlins (Chairman Lincolnshire County Council Audit Committee) on 22 September 2014.

### **The Executive Director of Finance & Public Protection**

The Executive Director of Finance & Public Protection is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing these Statement of Accounts, the Executive Director of Finance & Public Protection has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent; and
- complied with the Local Authority Code.

The Executive Director of Finance & Public Protection has also:

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Authority as at 31 March 2014 and of its expenditure and income for the year ended on that date.

The original documents were signed by Pete Moore, CPFA (Executive Director -Finance and Public Protection) on 22 September 2014.

## Lincolnshire County Council: Movement in Reserves Statement for the period 1 April 2013 to 31 March 2014

*This statement shows the movement in the year on the different reserves held by Lincolnshire County Council, analysed into 'Usable Reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for Council Tax setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from Earmarked Reserves undertaken by the Council.*

		General Fund Balance	Earmarked GF Reserves (Note 10)	Capital Receipts Reserve (*1)	Capital Grants Unapplied	Total Usable Reserves (Note 27)	Unusable Reserves (Note 28)	Total Council Reserves
	Note	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance as at 01 April 2013</b>		<b>15,900</b>	<b>141,695</b>		<b>56,242</b>	213,837	<b>196,728</b>	410,565
<u>Movement in Reserves during 2013-14</u>								
Surplus/(Deficit) on the provision of services		(13,195)	-	-	-	(13,195)	-	(13,195)
Other Comprehensive Income and Expenditure		-	-	-	-	-	17,280	17,280
Other Recognisable Gains			108			108		108
<b>Total Comprehensive Income and Expenditure</b>		<b>(13,195)</b>	<b>108</b>	<b>-</b>	<b>-</b>	<b>(13,087)</b>	<b>17,280</b>	<b>4,193</b>
Adjustments between accounting basis & funding basis under regulations	9	42,536	-	-	(7,783)	34,753	(34,753)	-
<b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>		<b>29,341</b>	<b>108</b>	<b>-</b>	<b>(7,783)</b>	<b>21,666</b>	<b>(17,473)</b>	<b>4,193</b>
Transfers to/from Earmarked Reserves	10	(28,841)	23,472	-	5,369	-	-	-
<b>Increase/(Decrease) in Year 2013-14</b>		<b>500</b>	<b>23,580</b>		<b>(2,414)</b>	<b>21,666</b>	<b>(17,473)</b>	<b>4,193</b>
<b>Balance as at 31 March 2014 Carried Forward</b>		<b>16,400</b>	<b>165,275</b>	<b>-</b>	<b>53,828</b>	<b>235,503</b>	<b>179,255</b>	<b>414,758</b>

(\*1) It is the Council's policy to fully utilise all capital receipts to finance capital expenditure in the year they are received.

## Lincolnshire County Council: Movement in Reserves Statement for the period 1 April 2012 to 31 March 2013

		Restated (*2) General Fund Balance	Earmarked GF Reserves (Note 10)	Capital Receipts Reserve (*1)	Capital Grants Unapplied	Total Usable Reserves (Note 27)	Restated (*2) Unusable Reserves (Note 28)	Total Council Reserves
	Note	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance as at 01 April 2012</b>		15,900	132,849	0	42,283	191,032	312,248	503,280
<u>Movement in Reserves during 2012-13</u>								
Surplus/(Deficit) on the provision of services		(58,212)	0	-	-	(58,212)	-	(58,212)
Other Comprehensive Income and Expenditure		-	-	-		0	(34,833)	(34,833)
Other Recognisable Gains			330			330		330
<b>Total Comprehensive Income and Expenditure</b>		<b>(58,212)</b>	<b>330</b>	<b>0</b>	<b>0</b>	<b>(57,882)</b>	<b>(34,833)</b>	<b>(92,715)</b>
Adjustments between accounting basis & funding basis under regulations	9	68,305	-	0	12,382	80,687	(80,687)	0
<b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>		<b>10,093</b>	<b>330</b>	<b>0</b>	<b>12,382</b>	<b>22,805</b>	<b>(115,520)</b>	<b>(92,715)</b>
Transfers to/from Earmarked Reserves	10	(10,093)	8,516	-	1,577	0	-	0
<b>Increase/(Decrease) in Year 2012-13</b>		<b>0</b>	<b>8,846</b>	<b>0</b>	<b>13,959</b>	<b>22,805</b>	<b>(115,520)</b>	<b>(92,715)</b>
<b>Balance as at 31 March 2013 Carried Forward</b>		<b>15,900</b>	<b>141,695</b>	<b>0</b>	<b>56,242</b>	<b>213,837</b>	<b>196,728</b>	<b>410,565</b>

(\*1) It is the Council's policy to fully utilise all capital receipts to finance capital expenditure in the year they are received.

(\*2) The presentation of the MIRS has changed from 2012-13 Statement of Accounts due to a prior period adjustment arising from the revision to IAS 19 retirement benefits.

# Lincolnshire County Council: Comprehensive Income and Expenditure Statement for the period 1 April 2013 to 31 March 2014

*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. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.*

(*1) Restated Year ended 31 March 2013							
Gross Expenditure	Income	Net Expenditure		Note	Gross Expenditure £'000	Income £'000	Net Expenditure £'000
<b>Cost of Services</b>							
469,271	(382,979)	86,292	Education Services	(5)	409,721	(311,080)	98,641
62,797	(12,646)	50,151	Children's Social Care		73,280	(13,258)	60,022
236,607	(71,994)	164,613	Adult Care		225,415	(75,824)	149,591
95,724	(11,019)	84,705	Highways and Transport Services		96,437	(13,109)	83,328
23,668	(2,694)	20,974	Cultural and Related Services		23,025	(2,644)	20,381
32,015	(2,095)	29,920	Environmental and Regulatory Services		30,685	(1,610)	29,075
14,858	(5,156)	9,702	Planning Services		18,308	(6,383)	11,925
29,217	(2,985)	26,232	Fire and Rescue Services		32,291	(3,263)	29,028
346	(83)	263	Housing Services		14,704	(693)	14,011
4,212	(1,390)	2,822	Central Services to the Public		5,384	(1,346)	4,038
3,732	(178)	3,554	Corporate and Democratic Core		3,537	(18)	3,519
(11,984)	0	(11,984)	Non Distributed Costs		2,867	0	2,867
<b>960,463</b>	<b>(493,219)</b>	<b>467,244</b>	<b>Cost of Services (excluding Acquired and Discontinued Operations)</b>	<b>(8)</b>	<b>935,654</b>	<b>(429,228)</b>	<b>506,426</b>
0	0	0	Surplus or Deficit on Acquired and Discontinued Operations - Public				
			Health & Local Welfare Assistance	(33)	29,476	(28,580)	896
<b>960,463</b>	<b>(493,219)</b>	<b>467,244</b>	<b>Cost of Services</b>		<b>965,130</b>	<b>(457,808)</b>	<b>507,322</b>
		85,714	Other Operating Expenditure	(11)			18,287
		28,718	Financing and Investment Income and Expenditure	(12)			35,266
		(523,464)	Taxation and Non-Specific Grant Income	(13, 46(a))			(547,680)
		<b>58,212</b>	<b>(Surplus)/Deficit on Provision of Services</b>				<b>13,195</b>
		(56,360)	(Surplus)/Deficit on Revaluation of Non-Current Assets	(28)			(62,388)
		0	Impairment losses on Non-Current Assets charged to Revaluation Reserve				0
		0	(Surplus)/Deficit on Revaluation of Available for Sale Financial Assets				(83)
		91,193	Actuarial (Gains)/Losses on Pension Assets / Liabilities	(28, 54)			45,191
		(330)	Other Recognisable (Gains)/ Losses				(108)
		<b>34,503</b>	<b>Other Comprehensive Income and Expenditure</b>				<b>(17,388)</b>
		<b>92,715</b>	<b>Total Comprehensive Income and Expenditure</b>				<b>(4,193)</b>

(\*1) The presentation of the Comprehensive Income & Expenditure Statement has changed from the 2012-13 Statement of Accounts due to a prior period adjustment arising from the revision to IAS 19 retirement benefits.

Also Civil Parking Enforcement was a new service for the County Council from 1 April 2012. Net expenditure of £0.028m was shown as an acquired operation in 2012-13 Statement of Accounts. This expenditure is now included under the heading of Highways & Transportation.

## Lincolnshire County Council: Balance Sheet as at 31 March 2014

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves are 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 2013 £'000		Note	31 March 2014 £'000
1,267,991	Property, Plant and Equipment	(14)	1,337,523
36,356	Heritage Assets	(15)	36,443
72,620	Investment Properties	(16)	82,482
7,204	Intangible Assets	(17)	5,717
214	Long Term Investments (including Net Pension Assets)	(18)	2,214
6,316	Long Term Debtors	(21)	8,772
<b>1,390,701</b>	<b>Long Term Assets</b>		<b>1,473,151</b>
193,081	Short Term Investments	(18)	185,013
3,660	Assets Held for Sale	(23)	1,544
799	Inventories	(19)	1,212
48,133	Short Term Debtors	(21)	45,193
<b>245,673</b>	<b>Current Assets</b>		<b>232,962</b>
(8,356)	Cash and Cash Equivalents	(22)	(5,375)
(413)	Short Term Borrowing	(18)	(15,749)
(91,414)	Short Term Creditors	(24)	(77,421)
(3,784)	Provisions	(26)	(5,092)
<b>(103,967)</b>	<b>Current Liabilities</b>		<b>(103,637)</b>
(5,477)	Long Term Creditors	(24)	(11,156)
(4,944)	Provisions	(26)	(4,216)
(454,787)	Long Term Borrowing	(18)	(443,222)
(656,635)	Other Long Term Liabilities	(25)	(729,124)
<b>(1,121,843)</b>	<b>Long Term Liabilities</b>		<b>(1,187,718)</b>
<b>410,564</b>	<b>Net Assets</b>		<b>414,758</b>
213,836	Usable Reserves	(27)	235,503
196,728	Unusable Reserves	(28)	179,255
<b>410,564</b>	<b>Total Reserves</b>		<b>414,758</b>

## Lincolnshire County Council: Cashflow Statement as at 31 March 2014

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

31 March 2013 £'000	31 March 2014 £'000
58,212 Net (surplus) or deficit on the provision of services	13,195
Adjustments to net surplus or deficit on the provision of services for non - cash (161,394) movements	(125,563)
Adjustments for items included in the net surplus or deficit on the provision of 65,797 services that are investing and financing activities	68,900
<b>(37,385) Net cash flow from Operating Activities (Note 29)</b>	<b>(43,468)</b>
43,612 Investing Activities (Note 30)	35,443
(4,032) Financing Activities (Note 31)	5,044
<b>2,195 Net (increase) or decrease in cash and cash equivalents</b>	<b>(2,981)</b>
6,161 Cash and cash equivalents as at 1 April	8,356
8,356 Cash and cash equivalents as at 31 March	5,375



## **Note 1. Statement of Accounting Policies**

### **1. General Principles and Concepts**

The Statement of Accounts summarises the Council's transactions for the financial year 2013-14 and the position at the year-end 31 March 2014. The Statement of Accounts has been prepared in accordance with the Accounts and Audit Regulations 2011.

These regulations require the accounts to be prepared in accordance with proper accounting practice. These practices are set out in the Code of Practice on Local Authority Accounting in the United Kingdom 2013-14 and Service Reporting Code of Practice 2013-14, supported by International Financial Reporting Standards and statutory guidance.

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

### **2. Changes in Accounting Policies**

Changes in accounting policy may arise through changes to the Code or changes instigated by the Council. For changes brought in through the Code, the Council will disclose the information required by the Code. For other changes we will disclose: the nature of the change; the reasons why; report the changes to the current period and each prior period presented and the amount of the adjustment relating to periods before those presented. If retrospective application is impracticable for a particular prior period, we will disclose the circumstances that led to the existence of that condition and a description of how and from when the change in accounting policy has been applied.

### **3. Prior period adjustments – estimates and errors**

The Code requires prior period adjustments to be made when material omissions or misstatements are identified (by amending opening balances and comparative amounts for the prior period). Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

The following disclosures will be made:

- the nature of the prior period error;
- for each prior period presented, to the extent practicable, the amount of the correction for each Financial Statement line item affected; and
- the amount of the correction at the beginning of the earliest prior period presented.

Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change. They do not give rise to a prior period adjustment.

### **4. Non-Current Assets – Property, Plant and Equipment**

Property, Plant and Equipment are assets that have a physical substance and are:

- held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and
- expected to be used during more than one period.

#### **Classification**

Property, Plant and Equipment is classified under the following headings in the Council's Balance Sheet:

#### **Operational Assets:**

- Land and Buildings;
- Vehicles, Plant, Furniture and Equipment;
- Infrastructure; and
- Community Assets.

#### **Non-Operational Assets:**

- Surplus Assets; and
- Assets Under Construction.

### **a) Initial Recognition**

The cost of an item of Property, Plant and Equipment shall be recognised as an asset if, and only if:

- it is probable that future economic benefits associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

These costs include expenditure incurred to acquire or construct an item of Property, Plant and Equipment, costs associated with bringing an asset into use and costs incurred subsequently to add to, replace part of, or service it as long as the above criteria are met. All costs associated with a capital scheme will be settled on the asset created or enhanced. Initial recognition of Property, Plant and Equipment shall be at cost.

Further details relating to capital expenditure are set out in the Council's Capitalisation Policy.

De minimus level. The Council has set a de minimis level of £10k for recognising Property, Plant and Equipment. This means that any item or scheme costing more than £10k must be treated as capital if the above criteria are met. This relates to initial recognition and subsequent expenditure on assets.

De-recognition associated with asset enhancements. When capital expenditure occurs on an existing asset the element of the asset being replaced must be derecognised. Where the original value of the asset being replaced is not known the value of the replacement will be used as a proxy, and indexed back to an original cost; with reference to the asset's remaining life. De-recognition costs will be charged to Other Operating Expenditure in the Comprehensive Income and Expenditure Statement (gain or loss on the disposal of non-current assets).

### **b) Measurement after Recognition – Valuation Approach**

The Council value Property, Plant and Equipment using the basis recommended by CIPFA in the Code of Practice and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by The Royal Institution of Chartered Surveyors (RICS).

The code requires the following valuation approaches to be adopted:

#### Operational Assets

- Land and property assets shall be measured at fair value, which is determined as the amount that would be paid for the asset in its existing use (EUV). For assets where there is no market-based evidence of fair value because of the specialist nature of the asset and the asset is rarely sold, a Depreciated Replacement Cost (DRC) approach will be used (such specialised assets include schools);
- Non-property assets (including: vehicles, plant and equipment) shall be measured at fair value. These are determined to have short asset lives and historic cost is used as a proxy for fair value;
- Land, Property and Equipment associated with the Energy from Waste Plant shall be measured at fair value on a Depreciated Replacement Cost (DRC) approach as it is a specialised asset; and
- Infrastructure assets (such as roads and bridges) and community assets are measured at historic cost. NB: where historic cost information is not known for community assets these have been included within the Balance Sheet at a nominal value.

#### Non-Operational Assets

- Surplus assets (i.e. assets which the Council no longer operates/are no longer used for service delivery, but are not Investment Properties or meet the definition held for sale) are valued, measured and depreciated in line with the operational asset class; and
- Assets under Construction are held at cost. When these assets are operationally complete, they are reclassified into the appropriate asset class and valued under the adopted approach.

#### Valuation Programme

Assets are included within the Balance Sheet at fair value. The Council's land and property portfolio is revalued on a five year rolling programme. On an annual basis at year-end, all asset values are reviewed to ensure they are not carried at amounts materially different to fair value.

### **c) Revaluation Gains and Losses**

Movements in asset value arising from revaluation are reflected in the value of these assets held on the Balance Sheet.

If a revaluation increases an asset's carrying amount then this increase will be credited directly to the revaluation reserve to recognise the unrealised gain. In exceptional circumstances, gains might reverse a previous impairment or revaluation decrease charged to the Surplus or Deficit on provision of service.

If a revaluation decreases an asset's carrying amount, the decrease shall be charged initially against any surplus balance in the revaluation reserve in respect of the individual asset. Any additional decrease is recognised in the relevant service revenue account in the Comprehensive Income and Expenditure Statement.

The revaluation reserve only contains revaluation gains recognised since 1 April 2007, the date of its formal implementation. Any movements on revaluation arising before this date have been consolidated into the Capital Adjustment Account (CAA).

#### **d) Depreciation**

Depreciation is charged on all Property, Plant and Equipment assets with a finite life and is the systematic allocation of its worth over its useful life. This charge is made in line with the following policy:

- Operational buildings are depreciated over their useful life. For buildings which are held at existing use value a useful life of 40 years has been assumed. Asset lives for buildings held on a depreciated replacement cost basis are reviewed as part of the rolling programme of revaluations and the Valuer estimates the useful life. Depreciation is charged on a straight line basis;
- Infrastructure assets, primarily roads, are depreciated over their estimated useful lives, varying from 1-3 years (for capital pothole filling) to 120 years (for bridge structures), on a straight line basis;
- Furniture and non-specialist equipment is depreciated over a period of 5 years, on a straight line basis;
- Vehicles, plant and specialist equipment (including computing equipment) are depreciated over their estimated useful lives, varying between 3 and 15 years. For vehicles purchased after 1 April 2004, the reducing balance method of depreciation is used;
- Land, Property and Equipment associated with the Energy from Waste Plant are depreciated over their useful life. These range from 70 years for Civils (including Building Structures) to 10 years for Instrumentation, Control and Automation assets (ICA); and
- Surplus assets are depreciated in line with the operational asset class.

No depreciation is charged on: Heritage Assets, Investment Properties; land; assets under construction; and assets held for sale.

Depreciation of an asset begins when the asset becomes available for use and ceases when the asset has been derecognised.

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

#### **Component Accounting for Property, Plant and Equipment**

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. The Council has identified the following significant components within the property portfolio:

- DRC assets (including fire stations, schools, libraries and museums where the building is of a specialised nature): land, structures, services, roof and externals;
- Office Accommodation / Admin Buildings: land; structures, services, roof and externals;
- Other market value and existing use value assets (including economic regeneration units): land and buildings; and
- Energy from Waste Plant: Civils, Mechanicals and Instrumentation, Control and Automation (for each significant part of the plant).

#### **e) Disposal of Property, Plant and Equipment**

An item of Property, Plant and Equipment shall be derecognised on disposal, or when no future economic benefits are expected from its use or disposal.

The gain or loss arising from disposals is shown in the Comprehensive Income and Expenditure Statement, on the Other Operating Expenditure line. Receipts from disposals are credited to the same line in the Comprehensive Income and Expenditure Statement, netted off against the carrying value of the asset at the time of disposal. Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts in excess of £10k are categorised as capital receipts and can then only be used for new capital investment or to repay the principal of any amounts borrowed. It is Council policy to fully utilise these receipts to fund the capital programme in the year they are received. These receipts are transferred from the General Fund Balance via the Movement in Reserves to be utilised to fund the capital programme. Sale proceeds below £10k are below the de-minimis and are credited to the Comprehensive Income and Expenditure Statement.

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

#### **f) Impairment of non-Current Assets**

If an asset's carrying amount is more than its recoverable amount, the asset is described as impaired. Circumstances that indicate impairment may have occurred include:

- a significant decline in an asset's market value during the period;
- evidence of obsolescence or physical damage of an asset;
- a commitment by the Authority to undertake a significant reorganisation; or
- a significant change in the statutory environment in which the Authority operates.

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

Impairment losses are initially recognised against any revaluation reserve for that asset up to the balance available. Any remaining loss is charged in the Surplus or Deficit on provision of services. This is then reversed through the Movement in Reserves Statement and charged to the Capital Adjustment Account.

### **5. Intangible Assets**

Intangible assets are defined as identifiable non-financial (monetary) assets without physical substance, but are controllable by the Council and expected to provide future economic or service benefits. For the Council the most common classes of intangible assets are computer software and software licences.

**a) Recognition and Measurement** of assets that qualify as intangible assets, shall be measured and carried at cost, as a proxy for fair value, as these are short life assets.

The Council has a set a de minimis level of £10k for recognising intangible assets. This means that any item or scheme costing more than £10k would be treated as capital if the above criteria are met.

**b) Subsequent Expenditure.** Costs associated with maintaining intangible assets are recognised as an expense when incurred in the Comprehensive Income and Expenditure Statement.

**c) Amortisation.** The carrying value of intangible assets with a finite life is amortised on a straight line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. Amortisation is charged to the relevant service area in the Comprehensive Income and Expenditure Statement. The useful lives for intangible assets are between 3 and 7 years. Useful asset lives are determined by the ICT budget holder and reviewed and updated annually.

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

### **6. Investment Properties**

An Investment Property is defined as a property that is solely held to earn rental income or for capital appreciation or both. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods, or is held for sale.

**a) Initial Recognition.** As with Property, Plant and Equipment, initial recognition is at the costs associated with the purchase.

**b) Measurement after Recognition.** Investment Properties will be measured at fair value, which is the amount that would be paid for the asset in its highest and best use, (e.g. market value). The fair value of Investment Property held under a lease, is the lease interest in the asset. Investment Properties are subject to annual revaluations.

**c) Revaluation Gains and Losses.** A gain or loss arising from a change in the fair value of Investment Property shall be recognised in the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. These are not permitted by statute to impact on the General Fund Balance. Therefore these gains or losses are reversed out of the General Fund Balance in the Movement on Reserves and posted to the Capital Adjustment Account.

**d) Depreciation** is not charged on Investment Properties.

**e) Disposal of Investment Properties.** Gains or losses arising from the disposal of an Investment Property shall be recognised in the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. As with revaluation gains or losses, these do not form part of the General Fund Balance and are transferred to fund the capital programme via the Movement in Reserves Statement.

**f) Rental Income.** Rentals received in relation to Investment Properties are credited to the Financing and Investment Income line and results in a gain for the General Fund Balance.

## **7. Heritage Assets**

Heritage Assets are defined as assets that are held by the Council principally for their contribution to knowledge or culture. Heritage assets held by the Council include:

- Historic Buildings including: Lincoln Castle, Temple Bruer and four historic windmills in Lincolnshire; and
- Collections including: Fine Art Collection; the Tennyson Collection; Local Studies and Archive Collections; Lincolnshire Regiment, Militaria and Arms and Armour Collections; and Agriculture Collections.

Heritage assets are recognised and measured (including the treatment of revaluations gains and losses) in accordance with the Council's accounting policy on non-current assets - Property, Plant and Equipment (accounting policy 4, above). However, some of the measurement rules are relaxed in relation to Heritage Assets. Details of this are set out below:

### **a) Initial Recognition**

- Collections: The collections are relatively static, acquisitions and donations rare. Where they do occur acquisitions will be measured at cost and donations will be recognised at a valuation determined in-house.

### **b) Measurement after recognition:**

- Historic Buildings – Windmills: will be valued at existing use value by the Council's Valuer. These valuations will be included on the Council's rolling programme and will be valued every 5 years.
- Historic Buildings – Lincoln Castle and Temple Bruer: will continue to be carried at historic cost as the Council does not consider that a reliable valuation can be obtained for these assets. This is because of the nature of the assets held and the lack of comparable market values.
- Collections: will be valued based on the insurance valuations held by the Council. Insurance valuations will be reviewed and updated on an annual basis.

**c) Impairment and disposals** are accounted for in line with the Council's policy on non-current assets – Property, Plant and Equipment (accounting policy 4: e) Disposal of Property, Plant and Equipment and f.) Impairment of non-current assets).

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

## **8. Non-Current Assets Held for Sale**

These are assets held by the Council which are planned to be disposed of. They meet the following criteria:

- The asset must be available for immediate sale in its present condition subject to terms that are usual and customary for sales of such assets;
- The sale must be highly probable (with management commitment to sell and active marketing of the asset initiated);
- It must be actively marketed for a sale at a price that is reasonable in relation to its current fair value; and
- The sale should be expected to qualify for recognition as a completed sale within one year.

**a) Measurement.** Non-Current Assets Held for Sale will be measured at the lower of carrying value and fair value less costs to sell (fair value here is the amount that would be paid for the asset in its highest and best use, e.g. market value).

**b) Depreciation.** Is not charged on non-current assets held for sale.

**c) Disposal.** Receipts from disposals are recognised in the Surplus or Deficit on provision of services.

Amounts in excess of £10k are categorised as capital receipts and can then only be used for new capital investment or to repay the principal of any amounts borrowed. It is Council policy to fully utilise these receipts to fund the capital programme in the year they are received.

## **9. Donated Assets**

Donated assets are non-current assets which are given to the Council at no cost or at below market value. These assets are initially recognised in the Balance Sheet at this value and then measured at fair value. The difference between the fair value and any consideration paid is credited to the Taxation and Non-Specific grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally.

**a) Where there are conditions associated with the asset which remain outstanding.** The asset will be recognised in the Balance Sheet with a corresponding liability in the Donated Assets Accounts.

**b) Where there are no conditions or the conditions have been met.** The donated asset will be recognised in the Comprehensive Income and Expenditure Statement, then transferred to the Capital Adjustment Account through the Movement in Reserves Statement.

After initial recognition, donated assets are treated like all other non-current assets held by the Council and are subject to revaluation as part of the Council's rolling programme.

## **10. Charges to Revenue for the use of Non-Current Assets**

Service accounts and central support services are charged with a capital charge for all non-current assets used in the provision of services to record the real cost of holding non-current assets during the year. The total charge covers:

- the annual provision for depreciation, attributed to the assets used by services;
- revaluation and impairment losses on assets used by services where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off; and
- amortisation of intangible assets attributable to services.

The Council is not required to raise Council Tax to cover depreciation, impairment losses or amortisation. However, it is required to make a prudent annual provision from revenue to contribute towards the reduction in its overall borrowing requirement. Depreciation, impairment losses and amortisation are therefore replaced by revenue provision in the Movement on Reserves Statement, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

## **11. Minimum Revenue Provision**

The Council makes provision for the repayment of debt in accordance with the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008. This requires the Council to set a Minimum Revenue Provision (MRP) which it considers to be prudent. The approach adopted by the Council is to use the average life method (the average life of all the Council's assets) in calculating the MRP to be charged to revenue each year. MRP will be made in equal instalments over the estimated life of the assets acquired through borrowing.

## **12. Revenue Expenditure Financed through Capital under Statute**

Expenditure incurred during the year that may be capitalised under statutory provisions, but does not result in the creation of a non-current asset in the Balance Sheet; has been charged as expenditure to the relevant service revenue account in the year.

Statutory provision reverses these charges from the Surplus or Deficit on provision of services by debiting the Capital Adjustment Account and crediting the General Fund Balance via the Movement in Reserves Statement.

## **13. Service Concession Agreements (including Private Finance Initiative (PFI) and similar contracts)**

Service Concession Agreements are agreements to receive services, where the responsibility for making available the Property, Plant and Equipment needed to provide the services passes to the contractor. As the Council is deemed to control the services that are provided under such schemes and as ownership of the assets will pass to the Council at the end of the contract for no additional charge, the Council carries these assets used under the contracts on the Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets is balanced by the recognition of a liability for amounts due to the scheme operator to pay for the assets. Assets recognised on the Balance Sheet are revalued and depreciated in the same way as Property, Plant and Equipment owned by the Council.

The amounts payable to the contractors each year are analysed into five elements:

- fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement;
- finance cost – an interest charge of 7.20% on the outstanding Balance Sheet liability, debited to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement;
- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement;
- payment towards liability – applied to write down the Balance Sheet liability towards the contractor; and
- lifecycle replacement costs – recognised as additions to Property, Plant and Equipment on the Balance Sheet.

The Council has one PFI scheme for the provision of seven separate schools across the county, which is classified as a Service Concession Arrangement.

## **14. Borrowing Costs**

The Council has adopted the accounting policy of expensing borrowing costs of qualifying assets to the Comprehensive Income and Expenditure Statement (disclosed within Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement) in the year in which they are incurred.

This is current practice based on the fact that borrowing undertaken is not attributed to individual schemes making capitalisation of costs complex with marginal benefit.

## **15. Classification of Leases**

Leases are classified as a finance lease or an operating lease depending on the extent to which risks and rewards of ownership of a leased Property, Plant and Equipment lie with the lessor (landlord) or the lessee (tenant).

IAS 17 'Leases' includes indicators for the classification of leases as a finance lease. Within these indicators the Council has set the following criteria: the 'major part' of the asset life is determined to be 75%; and 'substantially all' of the value is determined to be 75%.

- **Finance Lease:** A lease is classified as a finance lease when the lease arrangement transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee.
- **Operating Lease:** All other leases are determined to be operating leases.

Where a lease covers both land and buildings, these elements are considered separately.

This policy on accounting for leased assets also includes contractual arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment.

#### **a) Finance Leases**

**i) Lessee – Vehicles, Plant & Equipment** will be recognised on the Balance Sheet at cost and depreciated on a straight line basis over the term of the lease (in line with the Council's capitalisation and depreciation policy for vehicles, plant and equipment).

**ii) Lessee – Property** will be recognised on the Balance Sheet at an amount equal to the fair value of the property, or if lower, the present value of the minimum lease payments, determined at the inception of the lease.

The asset recognised is matched by a liability representing the obligation to pay the lessor. This is reduced as lease payments are made. Minimum lease payments are to be apportioned between the finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement) and the reduction of the deferred liability in the Balance Sheet.

Statutory provision reverses the finance charge, depreciation and any impairment or revaluation from the Comprehensive Income and Expenditure Statement to the Capital Adjustment Account through the Movement in Reserves statement. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements.

**iii) Lessor – Property.** When a finance lease is granted on a property, the relevant assets are written out of the Balance Sheet to gain or loss on disposal of assets in the Other Operating Expenditure line of the Comprehensive Income and Expenditure Statement. A gain is also recognised on the same line in the Comprehensive Income and Expenditure Statement to represent the Council's net investment in the lease. This is matched by a lease asset set up in long term debtors in the Balance Sheet. The lease payments are apportioned between repayment of principal written down against the lease debtor and finance income (credited to the Finance and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Initial direct costs are included in the initial measurement of the debtor and recognised as an expense over the lease term on the same basis as the income.

Rental income from finance leases entered into after 1 April 2010, will be treated as a capital receipt and removed from the General Fund Balance to capital receipts via the Movement in Reserves Statement.

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

#### **b) Operating Leases**

**i) Lessee – Property, Vehicles, Plant & Equipment** will be treated as revenue expenditure in the service revenue accounts in the Comprehensive Income and Expenditure Statement on a straight line basis over the term of the lease.

**ii) Lessor – Property, Vehicles, Plant & Equipment** shall be retained as an asset on the Balance Sheet. Rental income is recognised on a straight line, basis over the lease term, credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

**c) Investment Property Leases (Lessee).** In line with IAS 49 'Investment Properties', any lease which is assessed to be an Investment Property will be treated as if it was a finance lease. The fair value of the lease interest is used for the asset recognised. Separate measurement of land and buildings elements is not required when the leases are classified as an Investment Property.

### **16. Government Grants and Contributions**

Government grants and contributions may be received on account, by instalments or in arrears. However, they should be recognised in the Comprehensive Income and Expenditure Statement, as due to the Council when there is reasonable assurance that:

- The Council will comply with the conditions attached to the payments. Conditions are stipulations that specify how the future economic benefits or service potential embodied in the grant or contribution must be consumed, otherwise the grant or contribution will have to be returned to the awarding body; and



- The grant or contribution will be received.

Grants and contributions received where the conditions have not yet been satisfied, are carried in the Balance Sheet as creditors and not credited to the Comprehensive Income and Expenditure Statement until the conditions are met.

### **Capital Grants and Contributions (non-current assets)**

Capital grants and contributions are used for the acquisition of non-current assets. The treatment of these grants is as follows:

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

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

b) Capital grants where the conditions have not been met at the Balance Sheet date. At the Balance Sheet date the grant will be recognised as a Capital Grant Receipt in Advance in the liabilities section of the Balance Sheet. When the conditions have been met, the grant will be recognised as income in the Comprehensive Income and Expenditure Statement and the appropriate statutory accounting requirements for capital grants applied.

c) Capital grants where no conditions remain outstanding at the Balance Sheet date, but expenditure has not been incurred. The income will be recognised immediately in the Taxation and Non Specific Grant Income line of the Comprehensive Income and Expenditure Statement. As the expenditure being financed from the grant has not been incurred at the Balance Sheet date, the grant will be transferred to the Capital Grants Unapplied Account (within usable reserves section of the Balance Sheet), through the Movement in Reserves Statement. When the expenditure is incurred, the grant shall be transferred from the Capital Grants Unapplied Account to the Capital Adjustment Account to reflect the application of capital resources to finance expenditure.

### **Revenue Government Grants and Contributions**

Government grants and other contributions are accounted for on an accruals basis and recognised in the Comprehensive Income and Expenditure Statement when the conditions for their receipt have been complied with and there is reasonable assurance that the grant or contribution will be received. Where the conditions have not been met these grants will be held as creditors on the Balance Sheet.

Specific revenue grants are included in the specific service expenditure accounts together with the service expenditure to which they relate. Grants which cover general expenditure (e.g. Revenue Support Grant) are credited to the foot of the Comprehensive Income and Expenditure Statement after Net Cost of Services.

## **17. Debtors**

Debtors are recognised in the accounts when the ordered goods or services have been delivered or rendered by the Council in the financial year but the income has not yet been received. In particular:

- Revenue from the sale of goods is recognised when the Council transfers the significant risk and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council; and
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.

Debtors are recognised and measured at fair value in the accounts. When considering the fair value of long term debtors, the Council has set a £50k de minimis limit. Below this amount, the carrying value of the long term debtor will be used as a proxy for fair value.

For estimated manual debtors, a de-minimis level of £10k for individual revenue items and £25k for capital items is set.

## **18. Creditors**

Creditors are recorded where goods or services have been supplied to the Council by 31 March but payment is not made until the following financial year.

Creditors are recognised and measured at fair value in the accounts. When considering the fair value of long term creditors, the Council has set a £50k de minimis limit. Below this amount, the carrying value of the long term creditors will be used as a proxy for fair value.

For estimated manual creditors, a de-minimis level of £10k for individual revenue items and £25k for capital items is set.

## **19. Provision for Bad and Doubtful Debt**

Where there is evidence that the Council may not be able to collect all amounts due to it, a provision for impairment is established. The provision made is the difference between the current carrying value of the debt and the amount likely to be collected. At the end of the financial year, bad debt provisions will be made for debts that have been outstanding for more than twelve months. The Council's policy is:

- Adult Social Care debtors are grouped by type and provided for on this basis plus the age of the debt; and
- Other aged debtors over 12 months old. Significant debtors are reviewed on a case by case basis, all remaining debtors are 100% provided for.

The provision for impairment is recognised as a charge to the relevant revenue service account in the Comprehensive Income and Expenditure Statement for the income that might not be collected.

## **20. Inventories**

Inventory assets include and will be carried at the following values:

- Materials or supplies to be consumed or distributed in the rendering of services (e.g. highways salt). These are carried at the lower of cost (calculated as an average price) or current replacement cost (at the Balance Sheet date for an equivalent quantity); and
- Held for sale or distribution in the ordinary course of operations, are carried at the lower of cost or net realisable value.

The Council has set a de-minimis level for recognising inventories of £100k. Inventory balances below this level are not recorded on the Balance Sheet.

## **21. Cash and Cash Equivalents**

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

**b) Cash Equivalents** are held for the purpose of meeting short term cash commitments rather than for investment or other purposes. The Council will classify these as follows:

- Instant Access Deposit Accounts or Overnight Bank Facilities set up for the purpose of meeting short term liquidity requirements and whose return (if any) does not make up the Average Yield Return on Investments, are to be classed as Cash Equivalents.
- Overnight Fixed Deposits, Deposit Based Bank Accounts and Net Asset Value Money Market Funds held for investment purposes for the returns offered, which make up the Council's Average Yield Return on its Investments, are to be classed as Short Term Investments.

**c) Bank Overdrafts** are to be shown separately from Cash and Cash Equivalents where they are not an integral part of an Authority's cash management. They are to be shown net of Cash and Cash Equivalents where they are an integral part of an Authority's cash management.

## **22. Provisions**

The Council sets aside provisions for future expenses where: a past event has created a current obligation (legal or constructive) to transfer economic benefit; it is probable that an outflow of economic benefits or service potential will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

Provisions are charged to relevant revenue service account in the Comprehensive Income and Expenditure Statement in the year the Council becomes aware of the obligation. When the obligation is settled, the costs are charged to the provision set up in the Balance Sheet. When payments are eventually made, they are charged against the provision carried in the Balance Sheet.

The Council has set a de-minimis level for recognising provisions of £100k.

Provisions contained within the Balance Sheet are split between current liabilities (those which are estimated to be settled within the next 12 months) and non-current liabilities (those which are estimated to be settled in a period greater than 12 months).

Provisions are recognised and measured at fair value in the accounts. When considering the fair value of long term provisions, the Council has set a £50k de minimis limit. Below this amount, the carrying value of the long term provisions will be used as a proxy for fair value.

## **23. Contingent Liabilities**

A contingent liability is where there is a possible obligation to transfer economic benefit resulting from a past event, but the possible obligation will only be confirmed by the occurrence or non-occurrence of one or more events in the future. These events may not wholly be within the control of the Council. The Council discloses these obligations in the narrative notes to the accounts.

These amounts are not recorded in the Council's accounts because:

- it is not probable that an outflow of economic benefits or service potential will be required to settle the obligation; or
- the amount of the obligation cannot be measured with sufficient reliability at the year end.

The Council has set a de-minimis level for recognising Contingent Liabilities of £100k.

## **24. Contingent Assets**

A contingent asset is where there is a possible transfer economic benefit to the Council from a past event, but the possible transfer will only be confirmed by the occurrence or non-occurrence of one or more events in the future. These events may not wholly be within the control of the Council. The Council discloses these rights in the narrative notes to the accounts.

The Council has set a de-minimis level for recognising Contingent Assets of £100k.

## **25. Events after the Reporting Date**

These are events that occur between the end of the reporting period and the date when the Financial Statements are authorised for issue. The Council will report these in the following way if it is determined that the event has had a material effect on the Council's financial position.

- Events which provide evidence of conditions that existed at the end of the reporting period will be adjusted and included within the figures in the accounts; and
- Events that are indicative of conditions that arose after the reporting will be reported in the narrative notes to the accounts.
- Events which take place after the authorised for issue date are not reflected in the Statement of Accounts.

## **26. Recognition of Revenue (Income)**

Revenue shall be measured at the fair value of the consideration received or receivable.

Revenue is recognised only when it is probable that the economic benefits or service potential associated with the transaction will flow to the Council, with the exception of non-exchange transactions (such as Council Tax and general rate) where it is assumed there is no difference between the delivery and payment date.

## **27. Exceptional Items**

Exceptional items are material amounts of income or expenditure which occur infrequently in the course of the Council's normal business and are not expected to arise at regular intervals. When these items of income or expense are material, their nature and amount will be disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts depending on how significant the items are to an understanding of the Council's financial performance.

## **28. Costs of Support Services**

The costs of overheads and support services are charged to those who benefit from the supply of services in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2013-14 (SeRCOP). The costs are recharged to services on the following basis:

<b>Costs</b>	<b>Basis of apportionment</b>
Accommodation	staff numbers
Accountancy services	estimated time
Business support	budget amount
Communications	gross expenditure and sales
Creditor payments	number of payments
Customer service centre	number and length of calls
Debtor services and income collection	number of debtor accounts and number of cash receipts
IT services	number of PC's
Payroll services	number of employees
People Management	number of employees
Programme Centre and Property Rationalisation Programme	gross expenditure and sales
Property services	number of properties
Adult Social Care (Assessments Team and associated Swift IT)	number of Adult Social Care clients

The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation; and
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on non-operational properties.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Cost of Services.

## **29. Acquired and Discontinued Operations**

Where the Council takes on new activities or ceases providing services, the costs relating to these activities will be identified in the Comprehensive Income and Expenditure Statement, on the surplus or deficit on discontinued operations line. These items will not form part of the net cost of services in the Comprehensive Income and Expenditure Statement in the year they occur.

## **30. Value Added Tax (VAT)**

The Council's Comprehensive Income and Expenditure Statement excludes VAT. All VAT must be passed on (where output tax exceeds input tax) or repaid (where input tax exceeds output tax) to HM Revenue and Customs.

The net amount due to or from HM Revenue and Customs for VAT at the year-end shall be included as part of creditors or debtors balance.

### **31. Council Tax and Business Rates Income**

The collection of Council Tax and Business Rates is in substance an agency arrangement with the seven Lincolnshire District Councils (billing Authorities) collecting Council Tax and Business Rates on behalf of the Council.

The Council Tax and Business Rates income is included in the Comprehensive Income and Expenditure Statement on an accruals basis and includes the precept for the year plus the Council's share of Collection Fund surpluses and deficits from the billing Authorities.

The difference between the income reported in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund, shall be taken to the Collection Fund Adjustment Account through the Movement in Reserves Statement.

The year-end Balance Sheet includes the Council's share of debtors (arrears and collection fund surpluses) and creditors (prepayments, overpayments and collection fund deficits).

### **32. 'Cap and Trade' Schemes**

#### Landfill Allowance Trading Scheme – LATS (ceases 31 March 2013)

LATS is the only 'cap and trade' scheme that currently affects Lincolnshire County Council. The LATS scheme is recorded in our accounts as:

- an asset for allowances held;
- LATS grant income (treated as a revenue government grant); and
- a liability for actual biodegradable municipal waste landfill usage.

Allowances, whether allocated by DEFRA or purchased from another Waste Disposal Authority, shall be recognised as current assets. They shall be measured initially at their fair value. Landfill allowances allocated by DEFRA are accounted for as a government grant.

After initial measurement, Authorities shall re-measure the value of landfill allowances as the lower of cost or net realisable value.

As landfill is used, a liability shall be recognised for actual landfill usage. The liability is discharged by using allowances to meet the liability or paying a cash penalty to DEFRA. The liability is measured as the best estimate of the expenditure required to meet the obligation at the reporting date (this will be the present market price of LATS at the Balance Sheet date).

#### Carbon Reduction Commitment Scheme – CRC

The Council is required to participate in the CRC Energy Efficiency Scheme. This scheme is currently in its introductory phase which will last until 31 March 2014. The Council is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances.

The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the Authority is recognised and reported in the costs of the Authority's services and is apportioned to services on the basis of energy consumption.

### **33. Reserves**

#### **a) Useable Reserves**

The Council's general revenue balances are held in the General Fund. The Council also maintains a number of specific 'earmarked' reserves for future expenditure on either policy purposes or to cover contingencies. When expenditure is financed from an earmarked reserve, it is charged to the relevant revenue service account in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back to the General Fund Balance via the Movement in Reserves Statement, so that there is no net charge against council tax.

## **b) Unusable Reserves**

Certain reserves are kept to maintain the accounting processes for non-current assets, financial instruments and employee benefits. These accounts do not represent usable resources for the Council. These include:

- Capital Adjustment Account;
- Revaluation Reserve;
- Financial Instruments Adjustment Account;
- Pension Reserve;
- Collection Fund Adjustment Account; and
- Accumulated Absences Reserve.

## **34. Employee Benefits – Benefits Payable during Employment**

### **a) Benefits Payable During Employment – Short Term Benefits**

These are amounts expected to be paid within 12 months of the Balance Sheet date. These include:

- Salaries, wages and expenses accrued up to the Balance Sheet date. These items are charged as an expense to the relevant service revenue account in the year the employees' services are rendered; and
- Annual leave and flexi hours earned, but not yet taken at the Balance Sheet date. An accrual is made for items at the wage and salary rate payable. The accrual is charged to the relevant service revenue account, but then reversed out through the Movement in Reserves Statement to the Accumulated Absences Account, so this does not have an impact on council tax.

#### **Teacher Leave Accrual**

The accrual for short term benefits for teachers is calculated using a standard methodology, reflecting the fact that teachers across the Council are subject to standard terms and conditions of employment. This methodology is based on the number of days of the Spring Term (both term-time and holiday) that fall within the financial year and the leave entitlement of the teacher (which varies according to whether an individual has left the teaching profession at the end of the Spring term).

### **b) Long Term Benefits**

These are amounts which are payable beyond 12 months. The Council does not have any material long term benefits to be declared within the Financial Statements.

## **35. Employee Benefits – Termination Benefits**

Employee termination benefits arise from the Council's obligation to pay redundancy costs to employees. These costs will be recognised in the Council's Financial Statements at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises the costs for a restructuring. For example; when there is a formal plan for redundancies (including the location, function and approximate number of employees affected; the termination benefits offered, and the time of implementation).

These items will be accrued in the Balance Sheet at the year end and charged to the relevant service revenue account. If payments are likely to be payable in more than 12 months from the year end, then these costs will be discounted at the rate determined by reference to market yields.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

### **36. Employee Benefits – Post Employment Benefits (Pensions)**

Lincolnshire County Council participates in three different pension schemes which provide scheme members with defined benefits related to pay and service. The schemes are as follows:

- **Teachers' Pension Scheme:** This is a notionally funded scheme administered nationally by Capita Teachers' Pensions on behalf of the Department for Education (DFE). The pension contributions to be paid by the Council are determined by the Government Actuary and reviewed periodically. The scheme is accounted for as if it were a defined contribution scheme. There is no liability for future payments of benefits recognised in the Balance Sheet. All employer's contributions payable to teachers' pensions in the year are treated as expenditure on the education service line in the Comprehensive Income and Expenditure Statement.
- **National Health Service Pension Scheme (NHSPS):** This is a notional funded scheme administered national by NHS Pensions on behalf of the Department of Health (DoH). The pension contributions to be paid by the Council are determined by the Government Actuary and reviewed periodically. The scheme is accounted for as if it were a defined contribution scheme. There is no liability for future payments of benefits recognised in the Balance Sheet. All employer's contributions payable to the National Health Service Pension Scheme in the year are treated as expenditure in the Public Health service line in the Comprehensive Income and Expenditure Statement.
- **Uniformed Fire-fighters Pension Scheme (FPS):** From 1 April 2006, a new pension fund for Fire-fighters was set up. This scheme replaced the 1992 Fire-fighters scheme for new Fire-fighters. Both the 1992 and 2006 schemes remain unfunded but there are differences in the contributions payable into each scheme and the benefits paid to members. Both employee and employer contributions are paid into each fund, against which pension payments are made. Each fund is topped up by additional government funding if contributions are insufficient to meet the cost of the pension payments. Any surplus in each fund at the end of each year will be repaid back to the Department for Communities and Local Government (DCLG). Contributions in respect of ill health retirements are still the responsibility of the Council.
- **Local Government Pension Scheme (LGPS):** Other employees are eligible to join the LGPS. The Council pays contributions to a funded pension scheme from which employee pension benefits are paid out.

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

#### **The Local Government Pension Scheme (LGPS)**

The LGPS is accounted for as a defined benefits scheme:

- The liabilities of the Lincolnshire Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 4.5% (based on long term UK Government bonds greater than 15 years).
- The assets of Lincolnshire Pension Fund attributable to the Authority are included in the Balance Sheet at their fair value:
  - quoted securities – current bid or last traded price;
  - unquoted securities – professional estimates;
  - unitised securities – current bid price.

The change in net pensions liability is analysed into the following components:

- Service cost comprising:
  - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;

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

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

The Council also pays any costs arising in relation to unfunded elements of pensions, paid to certain employees that have retired early and have been awarded discretionary compensation under the provisions of the Council’s early retirement policy. These costs are charged to Non-Distributed Costs in the Comprehensive Income and Expenditure Statement.

### **37. Accounting for Schools Income, Expenditure, Assets, Liabilities and Reserves**

In Lincolnshire, Local Authority education is provided in: Foundation, Voluntary Aided, Voluntary Controlled and Community Schools (all known as ‘maintained schools’).

#### **Income and Expenditure**

All income and expenditure relating to maintained schools in Lincolnshire is shown in the Council’s Comprehensive Income and Expenditure Statement.

#### **Non-Current Assets**

Schools non-current assets will be accounted for by considering their substance and economic reality and not merely their legal form. The Code defines non-current assets as “a resource controlled by the Council as a result of a past event and from which future economic benefits or service potential are expected to flow”.

If assets are owned by the Council, or the future economic benefits are identified to sit with the Council, then the non-current assets will be recorded in the Balance Sheet. Where the non-current assets and long term liabilities for a school are vested in the individual governing bodies, and it is assessed that the future economic benefits sit with the governing body of the school; no Property, Plant and Equipment is recorded in the Council’s Balance Sheet.

The exception to this is for any finance leases for IT equipment taken out by the Council on behalf of a school; these remain within the Council’s Balance Sheet as the Council retains the liability.

#### **Assets and Liabilities**

All assets and liabilities, excluding non-current assets which are covered above, relating to maintained schools are included within the Council’s Balance Sheet.



## Reserves

The Council maintains specific earmarked reserves for schools balances. At year end balances from dedicated schools budgets, including those held by schools under a scheme of delegation, are transferred into the reserve to be carried forward for each school to use in the next financial year. This ensures that any unspent balances at the end of the financial year are earmarked for use by those schools as required by the Council's scheme for financing schools approved by the Secretary of State for Education.

## **38. Group Relationships**

The Council assesses on an annual basis relationships with other bodies to identify the existence of any group relationships. A de-minimis level of £1.000m has been set for considering bodies to be included within group accounts.

The Council has not identified, and does not in aggregate have any material interests in subsidiaries, associated companies or joint ventures and therefore is not required to prepare group accounts.

## **39. Financial Instruments**

### **a) Financial Liabilities**

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing & Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised. All the Council's borrowings are carried at amortised cost and the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and the interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

No repurchase has taken place as part of a restructuring of the loan portfolio that included the modification or exchange of existing instruments. Therefore gains and losses on the repurchase or early settlement of borrowing are credited and debited to Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement and spread over future years under statutory regulation.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain/loss over ten years or the term that was remaining on the loan if less than ten years. The reconciliation of premiums / discounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund is managed by a transfer to or from the Financial Instruments Adjustment Account through the Movement in Reserves Statement.

### **b) Financial Assets**

Financial Assets are classified into two types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market; and
- Available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

#### **i) Loans and Receivables**

Loans and Receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual credits to the Financing & Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For the majority of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

However, the Council has a number of loans at less than market rates (soft loans) for the purpose of service objectives. When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be forgone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing & Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account through the Movement in Reserves Statement.

The Council has set a £50k de minimis limit to the value of soft loans or the discounting of interest rates. Below this amount the above accounting treatment for soft loans is not applied and the soft loans are shown in the accounts at their carrying value.

Where assets are identified as impaired, because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Financing & Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement or the relevant service (for receivables specific to that service). The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the derecognition of the assets are credited/debited to the Financing & Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

## ii) Available-for-sale Assets

Available-for-sale assets are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing & Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

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

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

The Council holds a small equity holding of 14,000 of shares at £1 par value, in a company called 'Investors for Lincoln Ltd'. These shares do not have a quoted market price in an active market and therefore their fair value cannot be measured reliably, consequently they are shown in the Balance Sheet at cost.

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

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

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing & 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.

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

The County Council is required to disclose information relating to the impact of changes in accounting standards on the financial statements as a result of new standards that have been issued, but are not yet required to be adopted.

In the 2013-14 accounts, the County Council is required to disclose the following changes to Accounting Standards which may have an impact on the County Council's accounts in 2014-15. The following standards are being introduced by the 2014-15 Code:

IFRS 10 Consolidated Financial Statements;  
IFRS 11 Joint Arrangements;  
IFRS 12 Disclosure of Interests in Other Entities;  
IAS 27 Separate Financial Statements;  
IAS 28 Investments in Associates and Joint Ventures;  
IAS 32 Financial Instruments: Presentation; and  
Annual Improvements to IFRS 2009-11 Cycle.

The above changes to Accounting Standards and the Code of Practice have been considered and are not expected to have a material impact on the County Council's accounts in 2014-15.

## **Note 3. Critical judgements in applying accounting**

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

### Government Funding

- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.

### PFI Contract- Focus Education Lincolnshire

-The County Council entered into a PFI contract with Focus Education (Lincolnshire), for the construction and provision of seven fully serviced school premises. The Council is deemed to control the service provided in these schools and also control the residual value in the school buildings at the end of the agreement. The accounting policy for Service Concessions and Similar Arrangements (including PFI agreements) has been applied to account for this contract and the property, plant and equipment assets associated with these schools, plus the outstanding liability for the PFI finance lease have been included within the Council's balance sheet. Details of the Council's PFI contract accounting are set out in Note 50 Private Finance Initiatives (PFI) and Similar Contracts.

On the 1st March 2013, one of the seven PFI schools - the Phoenix School at Grantham, converted to Academy status. A lease has been agreed between the County Council and the Academy to reflect the effects of the conversion. This lease is accounted for in accordance with the County Council's Accounting Policies on Leases.

### Energy from Waste Plant

- The Council has reviewed the arrangements in place for the construction and operation of the Energy from Waste Plant. There are elements of the Energy from Waste contract that meet the definition of a service concession arrangement in that the contract is design, build and operate. However, the land, building and equipment assets associated with the plant have been purchased outright by the Council (and financed through Prudential Borrowing), as such these have been recognised as assets of the Council's in the balance sheet.

### Classification of Leases

-The County Council has entered into numerous leases for property and equipment, both as lessee and lessor. All new arrangements are assessed on an annual basis using the Council's accounting policies on leasing. Details of all leases held by the Council are set out in Note 49 Leases.

### Group Boundaries - Eastern Shires Purchasing Organisation

- The County Council is one of seven local authority members of Eastern Shires Purchasing Organisation (ESPO). The relationship between the County Council and ESPO has been assessed to be a jointly controlled entity. ESPO has not been consolidated into the County Council's accounts as the relationship is not deemed to be material for the County Council. This relationship has been disclosed as a narrative note within the accounts. Full details of group relationships and other interests are detailed in Note 57.

## School Assets

- The County Council's accounting policies on accounting for schools assets states: 'The Code defines non-current assets as "a resource controlled by the Council as a result of a past event and from which future economic benefit or service potential are expected to flow". In applying this accounting policy, the following school assets have been included within the balance sheet as non-current assets: community school assets and voluntary controlled school assets. Voluntary aided and foundation school assets have not been included within the County Council's balance sheet as ownership, economic benefit and future service potential of these assets is deemed to be vested in the school's governing body.

## Investment Properties

- The County Council has assessed its portfolio of property assets and has identified a small number of assets held for investment purposes (including the Council's County Farms Estate). These assets are held purely for the purposes of capital appreciation or income generation, or both, and have been accounted for under the County Council's policy on investment properties. Further details are contained in Note 16.

## **Note 4. Assumptions made about the future and other major sources of estimation uncertainty**

The Statement of Accounts contain a number of estimated figures that are based on assumptions made by the County Council, about the future or where there is a degree of uncertainty about outcomes. Estimates made take into account: historical experience, current trends and relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates included in the Statement of Accounts.

The County Council's balance sheet as at 31 March 2014 contains the following entries for which there is a significant risk of material adjustments in the forthcoming financial year:

Item	Uncertainties	Effect if actual results differ from assumptions
Property, Plant and Equipment - PP&E (Valuations and Asset Lives)	- Land and building assets carrying value and remaining useful life are assessed by the County Council's Valuers. These valuations include an assessment of the condition and use of assets. Changes in local government funding and future restructuring of services by the Council may affect the use of existing assets and levels of spending to maintain these assets. This may lead to changes in asset values and asset lives in the future.	Changes to asset value and lives, will have an effect on the annual depreciation charge for use of assets charged to services in the CI&ES. The annual depreciation charge for PP&E in 2013-14 was £67.056m (2012-13 was £75.855m) and the gross book value of these assets was £1,654.837m (2012-13 £1,720.155m). Note 1 on accounting policies and Note 14 Property, Plant and Equipment, details the current policy on valuation methods, asset lives and depreciation applied by the County Council.
Pensions	- The County Council's accounts contain an estimate of the future liability to pay pensions on the retirement of employees. This liability is estimated by the Council's actuary who applies a number of assumptions relating to: salary projections, retirement ages, changes in mortality rates and expected rates of return on pension assets and the discount rates used.	Changes to the actuaries assumptions may materially affect the value of the pension fund liability, however, these changes are difficult to predict as the assumptions interact in complex ways. During 2013-14 the Council's actuaries advised that the net pension liability had increased by £73.596m (£96.359m increase in 2012-13). Details of the pension fund liabilities are set out in Note 54 Defined Benefit Pension Schemes.
Accruals	- Debtor and creditor accruals are measured at the best estimate of the income / expenditure expected at the balance sheet date. Details of debtor and creditor balances are set out in Note 21 (Debtors) and Note 24 (Creditors).	The most significant accrual as at 31 March 2013, is for pay which totals £7.678m (£5.427m of which is for employee leave earned but not taken).

This list does not include assets and liabilities that are carried at fair value based on a recently observed market price.

## **Note 5. Exceptional Items**

The County Council is required to disclose separately within the financial statements any exceptional items which are material and are not expected to recur frequently in the Council's normal operations.

In 2013-14, an exceptional item has arisen due to the number of schools converting to Academy status. Academies are independent of the Council, they receive funding from the Department for Education directly and incur their own expenditure. Prior to becoming Academy Schools, this income and expenditure formed part of the Council's net expenditure on schools.

The effect of schools converting to Academies in 2013-14 on the Comprehensive Income and Expenditure Statement is:

	Reduction to Gross Expenditure £'000	Reduction to Income £'000	Effect on Net Expenditure £'000
Primary Schools	(19,766)	19,926	160
Secondary Schools	(32,603)	32,666	63
Special Schools	(2,326)	2,352	26
<b>Total Effect on Comprehensive Income &amp; Expenditure Statement</b>	<b>(54,695)</b>	<b>54,944</b>	<b>249</b>

These amounts have not been shown separately on the face of the Comprehensive Income and Expenditure Statement.

In addition to the loss of income and expenditure for schools, where the assets of a school becoming an Academy were owned by the County Council (i.e. Community and Voluntary Controlled Schools), the school's land and buildings are leased to the Academy Trust. During 2013-14, four primary and one special school assets have been leased to Academy School Trustees on 125 year leases. The County Council have assessed these leases to be finance leases for the buildings and operating leases for the land. These assets have been valued as such and this has led to £11.130m being removed from the value of County Council's assets held on Balance Sheet as at 31 March 2014. A further £0.096m has been removed from the Council's balance sheet for all academy schools equipment which was previously held by the County Council.

In 2012-13 a similar reduction occurred due schools becoming Academies. The effect on the CI&ES was to reduce gross expenditure by £75.335m and income by £77.229m, giving a net effect of £1.894m. The effect on the County Council's balance sheet as at 31 March 2013 was a reduction of £86.077m due to land and building assets being leased to Academies Trusts and the removal of schools equipment from the balance sheet of £0.647m.

## **Note 6. Material items of income and expenditure**

The County Council is required to disclose any material amounts of income or expenditure which are not disclosed on the face of the Comprehensive Income and Expenditure Statement or in other supporting notes to the accounts anywhere. Any items that are over 10m that are not disclosed on the face of Comprehensive Income and Expenditure or in other supporting notes needs to be disclosed via this note. Material items (over £10m) not disclosed elsewhere in the accounts are:

A number of Lincolnshire schools have gained academy status during the 2013-14 financial year which has resulted in them no longer being owned by the Council. Further details on the impact on the Comprehensive Income & Expenditure Statement and the gain and loss on the disposal of assets can be found in Note 5 Exceptional Items.

A number of Public Health responsibilities transferred to the County Council from April 2013. Further details can be found in Note 33 Acquired and Discontinued Operations.

In 2013-14 the County Council saw a significant reduction in the Early Intervention Grant (£26.506m in 2012-13 to £19.587m in 2013-14). In 2013-14 rather than being paid as a separate grant it was included partially in the Revenue Support Grant (RSG) and partially in the Dedicated Schools Grant (DSG). As a result of this the income figures for Children's Services on the Comprehensive Income and Expenditure Statement for the 2013-14 financial year were significantly lower. The reason for this may not be obvious but the reduction in the grant can be seen in Note 46 Revenue Grants and Contributions.

## **Note 7. Events after the balance sheet date**

### **a) Authorisation of Accounts for Issue**

The Statement of Accounts were authorised for issue by Pete Moore, CPFA (Executive Director of Finance & Public Protection) in accordance with the Accounts and Audit Regulations 2011 (England).

### **b) Post Balance Sheet Events**

In accordance with IAS 10 'Events after the Reporting Period' have been considered on the following basis:

- Events taking place after the date the Accounts were authorised for issue (22 September 2014) are not reflected in the Financial Statements or the notes.
- Events that provide evidence of conditions that existed at the end of the reporting period 31 March 2014 are reflected in the figures in the Financial Statements and the notes, where the information has a material impact.
- Events that arose after the reporting period have not been reflected in the figures in the Accounts. A note of material events which took place after 31 March 2014 is set out here to provide information that is relevant to an understanding of the Council's financial position, but do relate to conditions at this date.

There have been no Events After the Balance Sheet Date to report in the Financial Statements.

## Note 8. Service Expenditure Analysis

The net cost of services is presented according to the service expenditure analysis detailed in the Service Reporting Code of Practice (SeRCOP) as issued by CIPFA. A further breakdown of the figures shown in the Comprehensive Income and Expenditure Statement is provided below:

2012-13			2013-14			
Gross Expenditure £'000	Income £'000	(*1) Restated Net Expenditure £'000		Gross Expenditure £'000	Income £'000	Net Expenditure £'000
CHILDREN'S AND EDUCATION SERVICES - EDUCATION SERVICES						
40,651	(30,657)	9,994	Early Years	40,295	(5,694)	34,601
217,606	(176,520)	41,086	Primary Schools	194,538	(185,333)	9,205
131,703	(124,300)	7,403	Secondary Schools	83,472	(59,442)	24,030
42,597	(36,513)	6,084	Special Schools	43,480	(37,704)	5,776
			Services to Young People and Other			
15,510	(5,180)	10,330	Community Learners	13,684	(2,179)	11,505
21,204	(9,809)	11,395	Other Strategic Functions	34,252	(20,728)	13,524
469,271	(382,979)	86,292	TOTAL	409,721	(311,080)	98,641
CHILDREN'S AND EDUCATION SERVICES - CHILDREN'S SOCIAL CARE						
1,620	(60)	1,560	Service Strategy	2,497	(88)	2,409
15,650	(2,258)	13,392	Commissioning and Social Work	25,931	(5,145)	20,786
20,911	(1,044)	19,867	Children Looked After	22,018	(1,401)	20,617
14,056	(4,600)	9,456	Family Support Services	13,131	(2,121)	11,010
4,524	(3,579)	945	Youth Justice	4,417	(3,740)	677
413	(173)	240	Children's and Young People's Safety	590	(137)	453
525	(545)	(20)	Asylum Seekers	4	0	4
5,098	(387)	4,711	Other Children's and Families' Services	4,692	(626)	4,066
62,797	(12,646)	50,151	TOTAL	73,280	(13,258)	60,022
ADULT CARE						
1,460	(13)	1,447	Service Strategy	269	(4)	265
			Older People (Aged 65 or Over) including			
131,575	(40,445)	91,130	Older Mentally Ill	129,380	(47,968)	81,412
			Adults Aged Under 65 with a Physical			
18,993	(3,235)	15,758	Disability or Sensory Impairment	19,503	(4,525)	14,978
			Adults Aged Under 65 with Learning			
61,263	(19,616)	41,647	Disabilities	60,679	(16,563)	44,116
			Adults Aged Under 65 with Mental Health			
13,770	(5,627)	8,143	Needs	12,917	(5,099)	7,818
9,546	(3,058)	6,488	Other Adult Services	2,667	(1,665)	1,002
236,607	(71,994)	164,613	TOTAL	225,415	(75,824)	149,591
HIGHWAYS AND TRANSPORT SERVICES						
7,567	(1,450)	6,117	Transport Planning, Policy and Strategy	6,059	(1,403)	4,656
11,140	(741)	10,399	Structural Maintenance	10,620	(3,862)	6,758
			Capital Charges Relating to Construction			
29,055	(3,075)	25,980	Projects	30,980	0	30,980
			Environmental, Safety and Routine			
10,776	(994)	9,782	Maintenance	11,433	(1,122)	10,311
5,637	(564)	5,073	Street Lighting (including energy costs)	6,159	(686)	5,473
7,634	(198)	7,436	Winter Service	4,672	(221)	4,451
5,711	(1,766)	3,945	Traffic Management and Road Safety	6,503	(1,488)	5,015
302	(274)	28	Parking Services	769	(897)	(128)
17,902	(1,957)	15,945	Public Transport	19,242	(3,430)	15,812
95,724	(11,019)	84,705	TOTAL	96,437	(13,109)	83,328
CULTURAL AND RELATED SERVICES						
6,513	(1,382)	5,131	Culture and Heritage	6,434	(1,393)	5,041
1,612	(103)	1,509	Recreation and Sport	1,369	(85)	1,284
892	(26)	866	Open Spaces	509	(65)	444
1,295	(392)	903	Tourism	1,590	(359)	1,231
13,356	(791)	12,565	Library Services	13,123	(742)	12,381
23,668	(2,694)	20,974	TOTAL	23,025	(2,644)	20,381



2012-13			2013-14		
Gross Expenditure £'000	Income £'000	(*1) Restated Net Expenditure £'000	Gross Expenditure £'000	Income £'000	Net Expenditure £'000
<b>ENVIRONMENTAL AND REGULATORY SERVICES</b>					
2,828	(137)	2,691	2,621	(251)	2,370
912	(215)	697	867	(27)	840
3,263	(828)	2,435	3,072	(734)	2,338
19,999	(202)	19,797	19,438	(89)	19,349
119	(115)	4	130	(111)	19
4,867	(597)	4,270	4,480	(392)	4,088
27	(1)	26	77	(6)	71
<b>32,015</b>	<b>(2,095)</b>	<b>29,920</b>	<b>30,685</b>	<b>(1,610)</b>	<b>29,075</b>
<b>PLANNING SERVICES</b>					
901	(345)	556	1,090	(387)	703
612	(32)	580	728	(48)	680
1,434	(467)	967	1,431	(436)	995
578	(8)	570	464	(22)	442
3,383	(1,025)	2,358	4,040	(1,151)	2,889
5,379	(2,506)	2,873	7,737	(3,840)	3,897
2,571	(773)	1,798	2,818	(499)	2,319
<b>14,858</b>	<b>(5,156)</b>	<b>9,702</b>	<b>18,308</b>	<b>(6,383)</b>	<b>11,925</b>
<b>FIRE &amp; RESCUE SERVICES</b>					
1,475	(376)	1,099	1,345	(421)	924
27,742	(2,609)	25,133	30,946	(2,842)	28,104
<b>29,217</b>	<b>(2,985)</b>	<b>26,232</b>	<b>32,291</b>	<b>(3,263)</b>	<b>29,028</b>
<b>HOUSING SERVICES</b>					
346	(83)	263	541	(79)	462
			14,163	(614)	13,549
<b>346</b>	<b>(83)</b>	<b>263</b>	<b>14,704</b>	<b>(693)</b>	<b>14,011</b>
<b>CENTRAL SERVICES TO THE PUBLIC</b>					
1,930	(1,187)	743	2,132	(1,184)	948
18	0	18	846	0	846
837	(164)	673	767	(116)	651
1,427	(39)	1,388	1,639	(46)	1,593
<b>4,212</b>	<b>(1,390)</b>	<b>2,822</b>	<b>5,384</b>	<b>(1,346)</b>	<b>4,038</b>
<b>CORPORATE &amp; DEMOCRATIC CORE</b>					
2,342	(32)	2,310	2,374	(6)	2,368
1,390	(146)	1,244	1,163	(12)	1,151
<b>3,732</b>	<b>(178)</b>	<b>3,554</b>	<b>3,537</b>	<b>(18)</b>	<b>3,519</b>
<b>NON DISTRIBUTED COSTS</b>					
(11,984)	0	(11,984)	2,867	0	2,867
<b>(11,984)</b>	<b>0</b>	<b>(11,984)</b>	<b>2,867</b>	<b>0</b>	<b>2,867</b>
<b>COST OF SERVICES (EXCLUDING ACQUIRED AND DISCONTINUED OPERATION)</b>					
<b>960,463</b>	<b>(493,219)</b>	<b>467,244</b>	<b>935,654</b>	<b>(429,228)</b>	<b>506,426</b>

(\*1) The presentation of the Service Expenditure Analysis has changed from 2012-13 Statement of Accounts. Civil Parking Enforcement was a new service undertaken by the Council from 1 April 2012. As an acquired operation, net expenditure £0.028m was excluded from the SEA in the 2012-13 Statement of Accounts. For comparability, this expenditure is now included under the heading Highways & Transport Services.

(\*2) The presentation of Supporting People costs has changed from 2013-14. In 2012-13 these costs were included within Adult Care in the Service Expenditure Analysis. From 2013-14 the costs are shown under Housing Services.

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

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

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

### **General Fund Balance**

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

### **Capital Receipts Reserve**

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

### **Capital Grants Unapplied**

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

## Note 10. Transfer to/from earmarked reserves.

The note below sets out the amounts set aside from the General Fund into Earmarked Reserves to provide financing for future expenditure plans and the amounts posted back from Earmarked Reserves to meet General Fund expenditure in 2013-14.

Balance at 1 April 2012 £'000	Additions in Year £'000	Used in Year £'000	Balance at 31 March 2013 £'000		Balance at 1 April 2013 £'000	Additions in Year £'000	Used in Year £'000	Balance at 31 March 2014 £'000
<b>Balances from dedicated schools budget including those held by schools under a scheme of delegation</b>								
46,705	27,371	(36,158)	37,918		37,918	21,139	(25,161)	33,896
<b>Other Earmarked Reserves:</b>								
2,232	3,965	(2,232)	3,965	Other Services	3,965	3,999	(3,965)	3,999
1,053	1,000	(1,053)	1,000	Adverse Weather	1,000	0	0	1,000
3,023	1,035	0	4,058	Insurance	4,058	1,028	0	5,086
114	0	0	114	Invest to Save	114	0	(114)	0
943	0	(266)	677	School's Sickness Insurance Scheme	677	126	0	803
139	10	0	149	Purchase of Museums Exhibits	149	0	(11)	138
11,745	0	(11,745)	0	Waste Disposal	0	0	0	0
				Development - Economic Development Reserve				
563	0	(30)	533		533	0	0	533
126	0	(61)	65	Development - Migrant Workers Reserve	65	0	(65)	0
771	143	(359)	555	Development - SCS Reserve	555	0	(511)	44
				Development - Lincs Coastal Country Park				
0	0	0			0	386	0	386
5,312	54	(1,382)	3,984	Health and Well Being	3,984	24	(1,076)	2,932
832	851	(543)	1,140	Legal Services	1,140	1,029	(600)	1,569
0	730	0	730	Procurement	730	51	0	781
203	219	(128)	294	Salix Carbon Management	294	138	(331)	101
1,168	315	(150)	1,333	Safer Communities Development Fund	1,333	0	(500)	833
685	140	0	825	Community Safety Development Fund	825	120	0	945
0	0	150	150	Co-Responder Services	150	0	0	150
				Financial Volatility Reserve - Budget				
0	23,200	0	23,200	Shortfall	23,200	0	(16,420)	6,780
4,356	9,948	(1,256)	13,048	Financial volatility	13,048	29,958	0	43,006
50	0	0	50	Teal Park	50	0	0	50
				Youth Service Positive Activities				
400	0	0	400	Development Fund	400	0	(99)	301
171	0	0	171	Corby Glen/South Lincolnshire Sports fund	171	0	0	171
9,000	0	(9,000)	0	Fire Fleet	0	0	0	0
2,000	0	(2,000)	0	Roads Maintenance - Drought Damage	0	0	0	0
0	2,000	0	2,000	Roads Maintenance	2,000	5,843	(2,000)	5,843
				Responders to Warmth				
0	500	0	500		500	0	(500)	0
500	4,000	(307)	4,193	Support Services contract	4,193	725	(918)	4,000
0	156	0	156	Civil Parking Enforcement	156	156	0	312
0	363	0	363	Youth Offending Service	363	0	0	363
0	50	0	50	Domestic Homicide Reviews	50	50	0	100
0	0	0	0	New Salt Dome Willingham	0	200	0	200
0	0	0	0	Waste Management Reserve	0	727	0	727
0	0	0	0	Planning Appeals Reserve	0	100	0	100
0	0	0	0	Adoption Reform Reserve	0	600	0	600
0	0	0	0	Community Advisors Reserve	0	287	0	287
0	0	0	0	Local Welfare Provision Reserve	0	221	0	221
0	0	0	0	Property Management	0	250	0	250
0	0	0	0	Broadband Project	0	292	0	292
154	81	0	235	Flood and Water Risk Management (1*)	235	386	0	621
327	6	0	333	Young People in Lincolnshire (1*)	333	0	0	333
52	24	(52)	24	Members Big Society (1*)	24	0	(16)	8
500	0	0	500	Lincoln Eastern Bypass (LEB) (1*)	500	0	0	500
400	0	(300)	100	Unsuitable Transport Routes (1*)	100	0	0	100

Balance at 1 April 2012 £'000	Additions in Year £'000	Used in Year £'000	Balance at 31 March 2013 £'000		Balance at 1 April 2013 £'000	Additions in Year £'000	Used in Year £'000	Balance at 31 March 2014 £'000
522	216	0	738	Families Working Together (1*)	738	0	0	738
413	0	(213)	200	Enterprise Schemes (1*)	200	0	(9)	191
0	180	0	180	Asbestos Pressure Reserve (1*)	180	0	(43)	137
0	191	0	191	Children's Insurance Pressures Reserve (1*)	191	0	(191)	0
0	20	0	20	Adult Care Operations - Lincoln Prison Reserve (1*)	20	0	0	20
0	381	0	381	DAAT Pooled Budget (1*)	381	0	(115)	266
<b>Revenue Grants and Contributions</b>								
<b>Unapplied Reserves</b>								
7,046	0	(906)	6,140	Growth Points - Lincoln	6,140	10	(2,307)	3,843
3,789	0	(1,631)	2,158	Growth Points - Grantham	2,158	0	(286)	1,872
2,359	2,069	(460)	3,968	Children Services	3,968	524	(1,033)	3,459
735	163	(45)	853	Highways and Transport	853	3,972	(120)	4,705
7,015	3,721	(1,596)	9,140	Adult Care	9,140	14,737	(7,106)	16,771
9,801	4	(10)	9,795	Growing Places	9,795	186	(2,931)	7,050
6,378	2,592	(3,852)	5,118	Other Grants and Contributions	5,118	3,992	(1,248)	7,862
<b>131,582</b>	<b>85,698</b>	<b>(75,585)</b>	<b>141,695</b>	<b>Total</b>	<b>141,695</b>	<b>91,256</b>	<b>(67,676)</b>	<b>165,275</b>

(\*1) The presentation of the temporary service reserves has been changed to show these balances individually from 2013-14.

The balance held by schools under the scheme of delegation, represents the net underspending of school budget shares in 2013-14. It is earmarked for use by those schools as required by the Lincolnshire County Council Scheme for financing Schools approved by the Secretary of State for Education.

The **Other Services Reserve** represents net under and overspendings in 2013-14 on services other than schools (i.e. Children's Services, Adult Care, Public Health, Communities, Corporate Services) which will be carried forward for use in 2014-15.

The **Adverse Weather** reserve is used to fund any overspend of the council's Winter Maintenance budget caused by the weather being particularly severe.

The reserve for **Insurance** is earmarked for potential future claims under the excess clauses of the Council's external insurance policies. Separate provision is made within Provisions for all claims currently outstanding.

The **Invest to Save** reserve provides funding for the implementation costs of initiatives which will produce future savings and pay back the initial investment over a period of years.

The reserve for **Schools Sickness Insurance Scheme** represents the unspent balance of amounts set aside by schools to provide cover for staff absences.

The reserve for the **Purchase of Museum Exhibits** is earmarked for this purpose in future years. This also includes the reserve for the Tennyson Collection, which is earmarked for the preservation and expansion of the collection of Tennyson's works held at Lincoln's central library.

The specific need for a **Waste Disposal** reserve is no longer applicable. This has been transferred into the Financial Volatility Reserve.

The **Development** reserve will be used to fund one off service developments and improvements.

The **Health and Wellbeing** reserve has been set up with contributions from both Lincolnshire County Council and Lincolnshire Primary Care Trust. It will be used to fund future initiatives which will help to achieve the objectives and aspirations of both parties.

The **reserve for Legal Services** represents what the Practice carried forward from 2013-14. The Legal Services Management Board will agree on what proportion of the surplus should be distributed to the shared service partners in 2014-15.

The **Procurement Reserve** represents Procurement Lincolnshire's underspend at the end of 2013-14. The underspend relates to both Council money and partners money. This amount will be carried into 2014-15 for schemes for mutual benefit to all the partners.

**Salix Carbon Management** is a reserve to provide the Council match funding for Salix compliant carbon management projects.

The **Safer Communities Development Fund** was set up from a planned underspend of Area Based Grant in 2008-09. The reserve will enable the commissioning process to continue as the Government grant reduces.

**Community Safety Development Fund** was set up from an underspend of development funding in 2008-09 to be used for the implementation of the Positive Futures and Neighbourhood Management Projects.

The **Co-responder Services Reserve** has been set up to provide financial support to Lincolnshire Fire and Rescue co-responder scheme. The scheme is based at twenty-one stations and operates in partnership with LIVES and EMAS. The scheme provides a vital first response to medical emergencies within Lincolnshire and helps maintain the health and wellbeing of our communities.

The **Financial Volatility** and the **Financial Volatility - Budget Shortfall** reserves have been established to help the Council deal with the future uncertainties around Local Government funding. The Financial Volatility - Budget Shortfall Reserve contains £23.2m which the Council has budgeted as contributions to the revenue budget in 2014-15 and 2015-16.

The **Teal Park** reserve was created for a bond that has been put in place for the development of this site.

The **Youth Service Positive Activities Development** reserve has been established to support a small grants scheme to transform the traditional Youth Services to a community delivery model.

**Corby Glen South Lincolnshire Sports Fund** has been established to recycle a capital receipt from the sale of playing field land in Corby Glen back into sports facilities in the Corby Glen area of the county.

The **Fire Fleet reserve** was used to fund the purchase of the fire and rescue vehicles when the Council took on ownership of the fleet during 2012-13.

The **Roads Maintenance - Drought Damage** reserve was used for key road maintenance schemes including that relating to drought damage to the highways during 2013-14.

The **Roads Maintenance reserve** has been established to provide for additional funding for Highways related matters to be undertaken in 2014-15.

The **Responders to Warmth reserve** has been established to continue the Council's contribution to this voluntary sector organisation who assist people with disabilities and long term conditions which are worsened by living in cold conditions.

The **Support Services Contract reserve** will be used to fund the specialist services required to enable the support service contract to be re-let.

The **Civil Parking Enforcement Reserve** has been set up to carry forward annual surpluses/deficits in this area, due to the volatility of income in this service.

The **Youth Offending Service reserve** has been set up to deal with changes in funding for the service area.

The **Domestic Homicide Reviews Reserve** has been established to fund the Council's costs for the statutory responsibility under section 9 of the Domestic Violence, Crime and Victim's Act (2004).

The **New Salt Dome Reserve** has been established to fund a new salt dome at Willingham Highways Depot to enable a more efficient Winter Maintenance service.

The **Waste Management Reserve** has been created to fund £0.727m of Waste Management's 2014/15 savings target. The service will use the fundamental budget review to identify a base budget solution for the savings target.

The **Planning Appeals Reserve** has been created to fund complex and costly planning appeals during future financial periods.

The **Adoption Reform Reserve** has been created to carry forward the unspent part of the unringfenced element of the Adoption Reform Grant received by the Council in 2013-14.

The **Community Advisors Reserve** has been created to fund the Community Engagement Services capacity for building resilience in communities by sharing through the development of community hub networks.

The **Local Welfare Provision Reserve** has been created to carry forward the unspent, unringfenced grant received by the Council in 2013/14 for the Lincolnshire Community Assistance Scheme (LCAS).

The **Property Management Reserve** has been established to tackle various property issues which will arise in 2014/15 and 2015/16 where dual premises costs may be a pressure along with relocating staff.

The **Broadband Reserve** is to provide funding for costs associated with implementing the 'OnLincolnshire' broadband programme.

The **Temporary Service** reserves will be used to fund a number of service projects to be undertaken in 2013-14 and beyond.

The **Flood and Water Risk Management Reserve** has been established to retain monies from the Local Services Support Grant for flood and risk water management in future years.

The **Young People in Lincolnshire Reserve** will be used for initiatives that benefit young people.

The **Members Big Society Reserve** has been established to carry forward any unspent elements of their £2,000 allowance to be spent in their constitution.

The **Lincoln Eastern Bypass (LEB) Reserve** will fund initial costs on getting the scheme started.

The **Unsuitable Transport Routes Reserve** will fund capital investment in a number of unsuitable transport routes will generate savings on school transport.

The **Families Working Together Reserve** has been established to carry forward the underspend on this programme in future financial years.

The **Enterprise Schemes Reserve** has been established to fund four schemes which run across more than one financial year.

The **Asbestos Pressure Reserve** will fund the Council's statutory duty to manage asbestos in non-domestic premises and annual inspections of asbestos containing materials in buildings.

The **Children's Insurance Pressures Reserve** has been established to meet an addition charge for third party insurance claims in 2013/14.

The **Adult Care Operations - Lincoln Prison Reserve** has been established to support the Council's agenda of developing broader links with HMP Lincoln and an improved service to inmates and their families.

The **DAAT Pooled Budget Reserve** has been established with the underspend from the Pooled budget for Drug and Alcohol Action Team. This money has been identified to fund the 'Enough is Enough' alcohol action programme.

The **Revenue Grants and Contributions Unapplied** reserve is used where the Council has received funding but the expenditure has not yet taken place. The funding will be used for the schemes that it was awarded for in future accounting periods.

Restated 2012-13				2013-14			
General Fund	Usable Reserves	Capital	Movements in	General Fund	Usable Reserves	Capital	Movements in
Balance	Receipts	Grants	Unusable	Balance	Receipts	Grants	Unusable
£'000	Reserve	Unapplied	Reserves	£'000	Reserve	Unapplied	Reserves
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b><u>Adjustments primarily involving the Capital Adjustment Account:</u></b>							
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>							
(75,802)	0	0	75,802 Charges for depreciation and impairment of non-current assets	(67,055)	0	0	67,055
(14,846)	0	0	14,846 Revaluation losses on Property Plant and Equipment	(13,455)	0	0	13,455
0	0	0	0 Revaluation losses on Heritage Assets	0	0	0	0
(402)	0	0	402 Revaluation losses on Held for Sale Assets	(112)	0	0	112
12,957	0	0	(12,957) Movements in the market value of Investment Properties	10,813	0	0	(10,813)
(2,491)	0	0	2,491 Amortisation of intangible assets	(2,082)	0	0	2,082
29,296	0	0	(29,296) Capital grants and contributions applied	41,533	0	0	(41,533)
1,063	0	0	(1,063) Movement in the Donated Assets Account	0	0	0	0
(6,074)	0	0	Revenue expenditure funded from capital under statute (net of 6,074 Grants and Contributions)	(22,557)	0	0	22,557
(86,122)	0	0	86,122 Amounts of Property, Plant & Equipment written off on disposal or sale as part of the gain/loss on disposal to the CI&ES	(16,879)	0	0	16,879
(656)	0	0	656 Amounts of assets held for sale written off on disposal or sale as part of the gain/loss on disposal to the CI&ES	(1,996)	0	0	1,996
(3,521)	0	0	3,521 Amounts of investment properties written off on disposal or sale as part of the gain/loss on disposal to the CI&ES	(1,452)	0	0	1,452

2012-13				2013-14			
General Fund Balance £'000	Usable Reserves Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movements in Unusable Reserves £'000	General Fund Balance £'000	Usable Reserves Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movements in Unusable Reserves £'000
<b><u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u></b>							
29,682	0	0	(29,682) Statutory provision for the financing of capital investment	25,925	0	0	(25,925)
17,255	0	0	(17,255) Capital expenditure charged against the General Fund	9,677	0	0	(9,677)
<b><u>Adjustments primarily involving the Capital Grants Unapplied Account:</u></b>							
28,207	0	(28,207)	0 Capital grants and contributions unapplied credited to the CI&ES	22,890	0	(22,890)	0
0	0	15,825	(15,825) Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	30,673	(30,673)
<b><u>Adjustments primarily involving the Capital Receipts Reserve:</u></b>							
6,049	(6,049)	0	Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CI&ES	3,238	(3,238)	0	
0	6,049	0	Use of the Capital Receipts Reserve to finance new capital expenditure	0	3,238	0	(3,238)



2012-13				2013-14				
Usable Reserves				Usable Reserves				
General Fund	Capital	Capital	Movements in	General Fund	Capital	Capital	Movements in	
Balance	Receipts	Grants	Unusable	Balance	Receipts	Grants	Unusable	
£'000	Reserve	Unapplied	Reserves	£'000	Reserve	Unapplied	Reserves	
	£'000	£'000	£'000		£'000	£'000	£'000	£'000
<b><u>Adjustment primarily involving the Financial Instruments</u></b>								
<b><u>Adjustment Account:</u></b>								
15	0	0	(15)	Amount by which finance costs charged to the CI&ES are different from finance costs chargeable in the year in accordance with statutory requirements	(171)	0	0	171
<b><u>Adjustments primarily involving the Pensions Reserve:</u></b>								
(41,200)	0	0	41,200	Reversal of items relating to retirement benefits debited or credited to the CI&ES (Note 54)	(64,207)	0	0	64,207
36,034	0	0	(36,034)	Employer's pensions contributions and direct payments to pensioners payable in the year	35,802	0	0	(35,802)
<b><u>Adjustments primarily involving the Collection Fund</u></b>								
<b><u>Adjustment Account:</u></b>								
291	0	0	(291)	Amount by which council tax & business rate income credited to the CI&ES is different from council tax & business rates income calculated for the year in accordance with statutory requirements	(3,766)	0	0	3,766
<b><u>Adjustment primarily involving the Accumulated Absences Account:</u></b>								
1,961	0	0	(1,961)	Amount by which officer remuneration charged to the CI&ES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	1,318	0	0	(1,318)
<b>(68,304)</b>	<b>0</b>	<b>(12,382)</b>	<b>80,686</b>	<b>Total Adjustments</b>	<b>(42,536)</b>	<b>0</b>	<b>7,783</b>	<b>34,753</b>

### **Note 11. Other operating expenditure.**

Other operating expenditure in the Comprehensive Income and Expenditure Statement is made up of:

<b>2012-13</b>	<b>2013-14</b>
<b>£'000</b>	<b>£'000</b>
1,062 - Precepts paid to non-principal authorities and levies	1,079
84,250 - Gain or Loss on the disposal of non-current assets	17,096
402 - Revaluation losses on assets held for sale	112
<b>85,714 TOTAL</b>	<b>18,287</b>

### **Note 12. Financing and Investment Income and Expenditure.**

Financing and investment income and expenditure included in the Comprehensive Income and Expenditure Statement is made up of:

<b>Restated (*1) 2012-13</b>	<b>2013-14</b>
<b>£'000</b>	<b>£'000</b>
19,713 - Interest payable and similar charges	19,906
25,445 - Net Interest on the net defined benefit liability (asset)	28,824
(2,302) - Interest receivable and similar income	(1,412)
(14,138) - Income, expenditure and changes in the fair values of investment properties	(12,052)
<b>28,718 TOTAL</b>	<b>35,266</b>

(\*1) The presentation of this note has changed from 2012-13 Statement of Accounts due to a prior period adjustment arising from the revision to IAS 19 retirement benefits.

### **Note 13. Taxation and Non Specific Grant Income.**

Taxation and Non Specific Grant Income in the Comprehensive Income and Expenditure Statement is made up of:

<b>2012-13</b>	<b>2013-14</b>
<b>£'000</b>	<b>£'000</b>
(253,681) Council tax income	(221,137)
(197,680) National Non-Domestic Rates Income	0
0 Business Rates - Districts	(18,501)
0 Business Rates - Top up fund	(79,603)
<u>Non-ringfenced government grants</u>	
(3,832) - Revenue Support Grant	(146,366)
(6,332) - Council Tax freeze Grant	(2,547)
(2,000) - Local Services Support Grant	(1,378)
(1,374) - New Homes Bonus Grant & Returned Topslice	(2,864)
0 - Education Services Grant	(7,492)
0 - Adoption Reform Grant	(1,277)
0 - Other Non Specific Grant	(2,092)
(58,565) - Capital grants and contributions	(64,423)
<b>(523,464) TOTAL</b>	<b>(547,680)</b>

New Homes bonus grant was included within Note 46 Specific Grants credited to the Revenue Account in the Comprehensive Income and Expenditure Statement in 2012-13.

## Note 14. Property, Plant and Equipment.

### a) Movement on Non-Current Assets

Movement in Property, Plant & Equipment As at 31 March 2014	Land & Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infra-structure £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total £'000	PFI Assets Included in Property, Plant & Equipment £'000
<b>Cost or Valuation</b>								
At 1 April 2013	695,929	192,937	673,228	22	26,298	131,741	<b>1,720,155</b>	26,579
Additions	22,120	20,830	37,790	0	4,768	19,901	<b>105,409</b>	84
Donations	0	0	0	0	0	0	<b>0</b>	0
Revaluation Increase to RR	51,708	0	0	0	1,739	0	<b>53,447</b>	(527)
Revaluation Decrease to RR	(36,434)	0	0	0	(2,797)	0	<b>(39,231)</b>	(85)
Revaluation Increase/(Decrease) to SDPS	(8,641)	0	0	(22)	(4,792)	0	<b>(13,455)</b>	86
Derecognition - Disposals	(11,772)	(152,396)	0	0	(3,314)	0	<b>(167,482)</b>	0
Derecognition to RR	(329)	0	0	0	0	0	<b>(329)</b>	0
Derecognition to SDPS	(2,025)	0	0	0	0	0	<b>(2,025)</b>	0
Reclassified to/from Heritage Property	0	0	0	0	0	(118)	<b>(118)</b>	0
Reclassified to/from Held for Sale	(365)	0	0	0	(370)	0	<b>(735)</b>	0
Reclassified to/from Investment Property	0	0	0	0	0	(80)	<b>(80)</b>	0
Reclassifications - Other	52,704	66,302	2,537	0	1,778	(124,040)	<b>(719)</b>	0
<b>At 31 March 2014</b>	<b>762,895</b>	<b>127,673</b>	<b>713,555</b>	<b>0</b>	<b>23,310</b>	<b>27,404</b>	<b>1,654,837</b>	<b>26,137</b>
<b>Depreciation and Impairment</b>								
At 1 April 2013	(52,866)	(171,053)	(224,895)	0	(3,350)	0	<b>(452,164)</b>	(2,100)
Depreciation Charge for 2013-14	(21,466)	(11,082)	(34,305)	0	(202)	0	<b>(67,055)</b>	(475)
Depreciation written out on upward revaluation	44,390	0	0	0	2	0	<b>44,392</b>	531
Depreciation written out on downward revaluation	3,934	0	0	0	426	0	<b>4,360</b>	0
Depreciation written out to the SDPS	0	0	0	0	0	0	<b>0</b>	0
Impairment losses/(reversals) recognised in the RR	0	0	0	0	0	0	<b>0</b>	0
Impairment losses/(reversals) recognised in the SDPS	0	0	0	0	0	0	<b>0</b>	0
Derecognition - Disposals	106	152,300	0	0	420	0	<b>152,826</b>	0
Derecognition to RR	43	0	0	0	0	0	<b>43</b>	0
Derecognition - SDPS	284	0	0	0	0	0	<b>284</b>	0
Reclassified to/from Heritage Property	0	0	0	0	0	0	<b>0</b>	0
Reclassifications to Asset Held for Sale	0	0	0	0	0	0	<b>0</b>	0
Reclassifications to/from Investment Property	0	0	0	0	0	0	<b>0</b>	0
Reclassifications - Other	(13)	0	0	0	13	0	<b>0</b>	0
<b>At 31 March 2014</b>	<b>(25,588)</b>	<b>(29,835)</b>	<b>(259,200)</b>	<b>0</b>	<b>(2,691)</b>	<b>0</b>	<b>(317,314)</b>	<b>(2,044)</b>
<b>Net Book Value</b>								
<b>At 31 March 2014</b>	<b>737,307</b>	<b>97,838</b>	<b>454,355</b>	<b>0</b>	<b>20,619</b>	<b>27,404</b>	<b>1,337,523</b>	<b>24,093</b>
At 1 April 2013	643,063	21,884	448,333	22	22,948	131,741	<b>1,267,991</b>	24,479

<b>Movement in Property, Plant &amp; Equipment As at 31 March 2013</b>	<b>Land &amp; Buildings £'000</b>	<b>Vehicles, Plant, Furniture &amp; Equipment £'000</b>	<b>Infra-structure £'000</b>	<b>Community Assets £'000</b>	<b>Surplus Assets £'000</b>	<b>Assets Under Construction £'000</b>	<b>Total £'000</b>	<b>PFI Assets Included in Property, Plant &amp; Equipment £'000</b>
<b>Cost or Valuation</b>								
At 1 April 2012	730,875	183,202	614,222	563	34,183	83,806	<b>1,646,851</b>	32,767
Additions	15,590	11,082	44,477	0	0	74,972	<b>146,121</b>	64
Donations	0	1,063	0	0	0	0	<b>1,063</b>	0
Revaluation Increase to RR	66,637	0	0	0	2,332	0	<b>68,969</b>	0
Revaluation Decrease to RR	(18,917)	0	0	0	(4,066)	0	<b>(22,983)</b>	(1,804)
Revaluation Increase/(Decrease) to SDPS	(11,758)	0	0	(675)	(2,413)	0	<b>(14,846)</b>	0
Derecognition - Disposals	(85,965)	(1,654)	0	0	(1,260)	0	<b>(88,879)</b>	(4,448)
Derecognition to RR	(605)	0	0	0	0	0	<b>(605)</b>	0
Derecognition to SDPS	(4,159)	0	0	0	0	0	<b>(4,159)</b>	0
Reclassified to/from Heritage Property	0	0	0	0	0	(1,324)	<b>(1,324)</b>	0
Reclassified to/from Held for Sale	(1,140)	0	0	0	(1,836)	0	<b>(2,976)</b>	0
Reclassified to/from Investment Property	(542)	0	0	0	0	(122)	<b>(664)</b>	0
Reclassifications - Other	5,913	(756)	14,529	134	(642)	(25,591)	<b>(6,413)</b>	0
<b>At 31 March 2013</b>	<b>695,929</b>	<b>192,937</b>	<b>673,228</b>	<b>22</b>	<b>26,298</b>	<b>131,741</b>	<b>1,720,155</b>	<b>26,579</b>
<b>Depreciation and Impairment</b>								
At 1 April 2012	(47,097)	(150,343)	(194,154)	0	(3,474)	0	<b>(395,068)</b>	(2,032)
Depreciation Charge for 2012-13	(22,623)	(22,032)	(30,741)	0	(459)	0	<b>(75,855)</b>	(534)
Depreciation written out on upward revaluation	9,080	0	0	0	39	0	<b>9,119</b>	0
Depreciation written out on downward revaluation	1,654	0	0	0	509	0	<b>2,163</b>	152
Depreciation written out to the SDPS	0	0	0	0	0	0	<b>0</b>	0
Impairment losses/(reversals) recognised in the RR	0	0	0	0	0	0	<b>0</b>	0
Impairment losses/(reversals) recognised in the SDPS	0	0	0	0	0	0	<b>0</b>	0
Derecognition - Disposals	5,604	963	0	0	138	0	<b>6,705</b>	314
Derecognition to RR	30	0	0	0	0	0	<b>30</b>	0
Derecognition - SDPS	391	0	0	0	0	0	<b>391</b>	0
Reclassified to/from Heritage Property	0	0	0	0	0	0	<b>0</b>	0
Reclassifications to Asset Held for Sale	(8)	0	0	0	0	0	<b>(8)</b>	0
Reclassifications to/from Investment Property	0	0	0	0	0	0	<b>0</b>	0
Reclassifications - Other	103	359	0	0	(103)	0	<b>359</b>	0
<b>At 31 March 2013</b>	<b>(52,866)</b>	<b>(171,053)</b>	<b>(224,895)</b>	<b>0</b>	<b>(3,350)</b>	<b>0</b>	<b>(452,164)</b>	<b>(2,100)</b>
<b>Net Book Value</b>								
<b>At 31 March 2013</b>	<b>643,063</b>	<b>21,884</b>	<b>448,333</b>	<b>22</b>	<b>22,948</b>	<b>131,741</b>	<b>1,267,991</b>	<b>24,479</b>
At 1 April 2012	683,778	32,859	420,068	563	30,709	83,806	<b>1,251,783</b>	30,735

RR - Revaluation Reserve

SDPS - Surplus or Deficit on the Provision of Services

## b) Depreciation and Asset Lives

The Council's depreciation policies are set out in Note 1 Statement of Accounting Policies. All non-current assets that are subject to depreciation are dealt with in accordance with these policies. All assets are assigned a useful economic life over which they are depreciated. For assets subject to revaluation, this life is reviewed whenever an asset is revalued. For assets carried at cost, this is considered on an annual basis.

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

	Useful Economic Life (Years)
<b>Land</b>	999
<b>Buildings</b>	
<u>Specialist Buildings</u> , including Schools, Youth Centres, Residential Homes, Day Centres, Family Centres, Libraries, Museums, Highways Maintenance Depots	15 to 70
<u>Energy From Waste Buildings</u>	
Civil	60
Mechanical	25
Instrumentation, Control and Automation	10
<u>Non-Specialist Buildings</u>	40
<u>Siteworks</u> , including playground, hardstanding, car parks etc.	
- associated with specialist buildings	5 to 55
- associated with non-specialist buildings	20
<b>Infrastructure</b>	
Structures (Bridges)	120
Major Road Construction	60
Street Lighting, Kerbing	40
Drainage	40
Safety Fencing	25
Traffic Signals, Other Street Furniture (Signs, Ornamental structures), Junction Improvements, Bus Stop Infrastructure, Carriageway Works, Footways, Materials Testing, Verges, Rights of Way	20
Reactive Signs	15
Carriageway Surfacing - Non-Principal Roads	12
Patching, Footway Slurry Sealing	10
Carriageway Surfacing - Principal Roads	8
Carriageway Slurry Sealing	6
Potholes - Non-Principal Roads	3
Potholes - Principal Roads	1
<b>Vehicles, Furniture &amp; Equipment</b>	
Energy from Waste - Mechanical	25
Energy from Waste - Instrumentation, Control and Automation (ICA) and Admin Equipment	10
IT Equipment	4
Furniture and Equipment	5
Vehicles	3 to 18

### c) Capital Commitments

At 31 March 2014, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2014-15 and future years budgeted to cost £17.795m.

<b>Detail</b>	<b>Gross £'000</b>
Grantham Priory Ruskin Academy -Major rebuilding programme	1,596
Bourne Elsea Park -Construction of new Primary School	1,860
Skegness -Construction of new Primary School	2,614
Boston Staniland Academy -Extensions to existing school to provide additional places	1,082
Spalding Wygate Park -Construction of new Primary School	1,606
Crowland Primary School -Remodelling former St Guthlac's School into replacement Primary School	1,917
Kirton Primary School -Extensions to existing school to provide additional places	1,314
Lincoln Castle -To restore Lincoln Castle improving the visitor offer and strengthening the local economy - repair of the walls	1,548
Lincoln Castle -To restore Lincoln Castle improving the visitor offer and strengthening the local economy - developing the prison & building a vault for Magna Carta	4,258

#### d) Valuations

The County Council undertakes a five year rolling programme of revaluations to ensure that land and buildings are measured at fair value. All valuations are carried out by the Council's appointed Valuers - Mouchel Ltd. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations are carried out as at 1 April.

In addition to the five year rolling programme, and to comply with the Code requirements to carry assets at fair value at balance sheet date, the Council's appointed Valuers have undertaken a review of properties held by the Council to ensure they are all held at Fair Value, as such, all current cost valuations were up to date as at 31 March 2014.

The significant assumptions applied in estimating the fair values are:

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

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

<b>Non-Current Assets carried at historic cost</b>	<b>2012-13 £'000</b>	<b>2013-14 £'000</b>
Vehicles, Plant, Furniture and Equipment (*1)	21,884	97,838
Infrastructure	448,333	454,355
Community Assets	22	0
Assets Under Construction (*1)	131,741	27,404
<b>Total Cost of Valuation</b>	<b>601,980</b>	<b>579,597</b>

(\*1) The large increase in Vehicles, Plant, Furniture and Equipment relates to the Energy from Waste Plant becoming operational. This has also caused the large reduction in value seen for Assets Under Construction.

## **Note 15. Heritage Assets.**

Heritage assets are assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture.

The assets held by the Council, which have been classed as Heritage Assets fall into three categories:

### **1) Windmills**

The Council is responsible for four windmills:

- Alford five sail windmill
- Burgh le Marsh windmill
- Ellis Mill in Lincoln
- Heckington Windmill

All four windmills are operational, open to the public on a managed basis and usually staffed by volunteers. Each windmill provides value to the cultural heritage of the County, preserving unusual or even unique features such as Heckington Mill which is the only surviving eight sailed mill in the country.

### **2) Historic Buildings**

The Council owns various historic buildings, the most famous of which is Lincoln Castle. The Castle was constructed by William the Conqueror on the site of a pre-existing Roman fortress. The Castle is open to the public and guided tours are available to give an insight into the history of Lincoln and Lincolnshire. Various cultural and entertainment events are also held at the Castle each year.

Also, the 12th century Temple Bruer Preceptory Tower, which was built to house the military order formed to guard the shrines of the Holy Land and protect pilgrims on the road. This site is managed by Heritage Lincolnshire on behalf of the Council.

### **3) Collections**

The Council owns and is responsible for more than three million items in its collections (held across libraries, museums and archives). These include physical and digital collections from all periods of Lincolnshire's history.

Many items are unique and of high cultural significance on a national or international scale (for example the Tennyson collection, Bishops Rolls and Registers). Others are of local interest for Lincolnshire.

The County's collections bring a wealth of enjoyment and education to those living in Lincolnshire and beyond. The County is legally obliged to protect significant elements of these collections but, importantly, their management and development ensures that the cultural heritage and life of the County are preserved for future generations and are available to the current generation.

The management and development of the collections is governed by the Council's Policy on Collection Management, which can be found on the Council's website in the resident's area, under Leisure, Culture and Heritage. (<http://www.lincolnshire.gov.uk/residents-culture-and-heritage/heritage/>)

#### **a) Reconciliation of the carrying value of Heritage Assets held**

	<b>Windmills</b>	<b>Other Historic Buildings</b>	<b>Collections</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost or Valuation</b>				
At 1 April 2013	4,605	4,024	27,727	36,356
Additions - In House construction/Improvement	5	2	0	7
Revaluations recognised in the Revaluation Reserve	(38)	0	0	(38)
Reclassifications	118	0	0	118
<b>At 31 March 2014</b>	<b>4,690</b>	<b>4,026</b>	<b>27,727</b>	<b>36,443</b>



	Windmills	Other Historic Buildings	Collections	Total
	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>				
At 1 April 2012	4,599	2,696	27,727	35,022
Additions - In House construction/Improvement	10	4	0	14
Revaluations recognised in the Revaluation Reserve	(4)	0	0	(4)
Reclassifications	0	1,324	0	1,324
<b>At 31 March 2013</b>	<b>4,605</b>	<b>4,024</b>	<b>27,727</b>	<b>36,356</b>

**b) Valuation**

The Heritage Assets held by the Council are valued using an appropriate basis:

- Windmills are valued on an 5 year rolling programme. These valuations are carried out by the Council's appointed Valuers (Mouchel Ltd).
- Other Historic Buildings are carried at historic cost. No current cost valuation is applied to these properties.
- The Collections are valued at their insurance valuation as at 31 March each year. These valuations are provided by the Council's insurers. Valuations for the Collections are reviewed and updated annually.

**c) Depreciation**

Depreciation is not charged on Heritage Assets

**d) Additions to Heritage Assets**

There have been no new material Heritage assets purchased during 2013-14.

The £1.329m addition to Other Historic Buildings is the Castle Revealed project at Lincoln Castle.

**e) Disposals**

There have been no material disposals of Heritage Assets during 2013-14.

**f) Heritage Assets Five Year Summary of Transactions**

The Code of Practice stipulates that a five year summary of transactions on Heritage Assets should be included here, if such information is available. The Council hold this information from 2010-11 onwards. This is set out in the tables below. It is intended that such information will be complete by 2014-15.

	2010-11 Total Heritage Assets	2011-12 Total Heritage Assets	2012-13 Total Heritage Assets	2013-14 Total Heritage Assets
	£000	£000	£000	£000
Balance at Start of the Year	26,935	31,157	35,022	36,356
Cost of Acquisitions	315	109	14	7
Donated Assets	0	0	0	0
Revaluations	3,907	3,718	(4)	(38)
Carrying Amount of Disposals/Proceeds	0	(114)	0	0
Impairment	0	0	0	0
Reclassifications	0	152	1,324	118
<b>Total at Year End</b>	<b>31,157</b>	<b>35,022</b>	<b>36,356</b>	<b>36,443</b>

## **Note 16. Investment Properties.**

Investment Properties are assets held for either capital appreciation or income generation, or both. For these purposes the Council holds the County Farms estates and a small number of other general fund properties. The County Farms estate includes both freehold (owned by the Council) and leasehold (rented by the Council) properties.

### **a) Investment Properties Income and Expenditure**

The following items of income and expenditure have been accounted for in the financing and investment income and expenditure in the Comprehensive Income and Expenditure Statement:

<b>County Farm Estates</b>	<b>2012-13 £'000</b>	<b>2013-14 £'000</b>
Rental Income from Investment Property	(1,940)	(2,097)
Direct Operating Expenses arising from Investment Property	805	862
<b>Net (Income)/Expenditure</b>	<b>(1,135)</b>	<b>(1,235)</b>

<b>Other General Fund Properties</b>	<b>2012-13 £'000</b>	<b>2013-14 £'000</b>
Rental Income from Investment Property	(65)	(56)
Direct Operating Expenses arising from Investment Property	18	52
<b>Net (Income)/Expenditure</b>	<b>(47)</b>	<b>(4)</b>

There are no restrictions on the Council's ability to realise the value inherent in its Investment Property, or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

### **b) Movement on Investment Properties**

The following table summarises the movement in the fair value of investment properties over the year:

	<b>County Farm Estates £'000</b>	<b>Other General Fund Properties £'000</b>
Balance at 1 April 2013	71,919	701
Additions - Acquisitions (Purchase and Construction)	0	0
Additions - Subsequent expenditure	421	0
Disposals	(1,452)	0
Net Gains/(Losses) from fair value adjustments	10,813	0
Transfers to/from Property, Plant and Equipment	80	0
<b>Balance at 31 March 2014</b>	<b>81,781</b>	<b>701</b>

<b>Nature of asset holding</b>		
Owned	81,693	701
Leased	88	0
<b>Balance at 31 March 2014</b>	<b>81,781</b>	<b>701</b>

	County Farm Estates £'000	Other General Fund Properties £'000
Balance at 1 April 2012	61,776	614
Additions - Acquisitions (Purchase and Construction)	0	0
Additions - Subsequent expenditure	130	0
Disposals	(3,521)	0
Net Gains/(Losses) from fair value adjustments	13,412	(455)
Transfers to/from Property, Plant and Equipment	122	542
<b>Balance at 31 March 2013</b>	<b>71,919</b>	<b>701</b>
<b>Nature of asset holding</b>		
Owned	71,819	701
Leased	100	0
<b>Balance at 31 March 2013</b>	<b>71,919</b>	<b>701</b>

#### c) Revaluations

The Council revalues investment properties annually to ensure that they are carried at fair value. All valuations are carried out by the Council's appointed Valuers - Savills (L&P Ltd) for the County Farms Estate and Mouchel Ltd for other general fund Investment Properties. Valuations were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations are carried out as at 31 March each year to ensure all Investment Properties are carried at fair value at the Balance Sheet date.

## **Note 17. Intangible Assets.**

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

### **a. Movement on intangible assets:**

	<b>Software £'000</b>	<b>Software Licenses £'000</b>	<b>Other Intangibles £'000</b>	<b>Total £'000</b>
Balance at 1 April 2013				
- Gross carrying amount	16,037	3,926	41	20,004
- Accumulated amortisation	(9,027)	(3,732)	(41)	(12,800)
<b>Net carrying amount at 1 April 2013</b>	<b>7,010</b>	<b>194</b>	<b>0</b>	<b>7,204</b>
Additions:				
- Purchases	454	0	0	454
Asset classified as held for sale	0	0	0	0
Other disposals	0	0	0	0
Amortisation for the period	(2,007)	(75)	0	(2,082)
Other changes - reclassifications	141	0	0	141
<b>Net carrying amount at 31 March 2014</b>	<b>5,598</b>	<b>119</b>	<b>0</b>	<b>5,717</b>
Comprising:				
- Gross carrying amounts	12,174	310	0	12,484
- Accumulated amortisation	(6,575)	(192)	0	(6,767)
<b>Balance Sheet amount at 31 March 2014</b>	<b>5,599</b>	<b>118</b>	<b>0</b>	<b>5,717</b>

### **b. Depreciation and Asset Lives**

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

	<b>Useful Economic Life (Years)</b>	
	<b>From</b>	<b>To</b>
- Software	1	10
- Software Licenses	1	7
- Other Intangibles	4	4

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £2.082m (£2.490m in 2012-13) charged to revenue in 2013-14 was charged to the IT cost centre and then absorbed as an overhead across all the service headings in the Net Expenditure on Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

### **c. Significant Capitalised Software**

At 31 March 2014, the County Council has not capitalised any material items of software (with a value over £1m) in 2013-14.

#### d. Capital Commitments

At 1 April 2014, the Council has entered into a number of contracts for the purchase of intangible assets for 1 April 2014 to 31 March 2015 and for future years budgeted to cost £38.984m. The major commitments are:

<b>Detail</b>	<b>Gross £'000</b>
Superfast Broadband - A programme to trigger the installation of digital infrastructure in communities and businesses	30,303
Replacement ERP Finance System - Replacement of the SAP finance system with Agresso in line with the FDSS (Future Delivery of Support Services) programme.	7,000
Case Management System (CMPP) - Replacement of fragmented social care IT systems with a new multi-agency case management system.	1,681

#### e. Revaluation

The Council does not revalue its intangible assets, all assets are carried at cost. Annually, an impairment review is undertaken to ensure that all intangible assets have an appropriate asset life and carrying value as at 31 March each year.

## **Note 18. Financial Instruments and the Nature and Extent of Risks Arising from Financial Instruments.**

### **a. Financial Instruments Balance**

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

	Long-Term		Current	
	31 March 2013	31 March 2014	31 March 2013	31 March 2014
	£'000	£'000	£'000	£'000
<b>Borrowings</b>				
Financial Liabilities At Amortised Cost (*1)	454,787	443,222	413	15,749
Financial Liabilities at Fair Value Through Profit and Loss	0	0	0	0
<b>Total Borrowings</b>	<b>454,787</b>	<b>443,222</b>	<b>413</b>	<b>15,749</b>
<b>PFI &amp; Finance Lease Liabilities</b>				
PFI and Finance Lease Liabilities	14,905	13,799	0	0
<b>Total PFI &amp; Finance Lease Liabilities</b>	<b>14,905</b>	<b>13,799</b>	<b>0</b>	<b>0</b>
<b>Creditors &amp; Other Long Term Liabilities</b>				
Financial Liabilities Carried at Contract Amount (*2)	5,477	11,156	78,541	68,533
<b>Total Creditors</b>	<b>5,477</b>	<b>11,156</b>	<b>78,541</b>	<b>68,533</b>
<b>Investments</b>				
Loans and Receivables	200	2,200	157,056	149,930
Available for Sale Financial Assets	0	0	36,025	35,083
Unquoted Equity Investments At Cost	14	14	0	0
Financial Assets at Fair Value Through Profit and Loss	0	0	0	0
<b>Total Investments</b>	<b>214</b>	<b>2,214</b>	<b>193,081</b>	<b>185,013</b>
<b>Debtors</b>				
Loans and Receivables	6,316	8,772	0	0
Financial Assets Carried at Contract Amount	0	0	31,744	28,263
<b>Total Debtors</b>	<b>6,316</b>	<b>8,772</b>	<b>31,744</b>	<b>28,263</b>

(\*1) Long term loans repayable within one year and accrued interest on long term borrowing have been reclassified as short term borrowing and are included in Current Borrowing Balance as opposed to being classified as Current Creditors for both 2013 and 2014.

(\*2) S106 agreements have been a split between current and long term creditors, this has resulted in an increase in long term creditors and a reduction of current creditors in 2013-14.

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

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

The Council's Financial Assets are predominantly loans and receivables valued at amortised cost; although its investments held in Stable Net Asset Value Money Market Funds are classed as Available for Sale Financial Assets which are valued at fair value that equates to the carrying value, as 1 unit held in these funds = £1 fair value. Investments held in Certificate of Deposits are also classed as Available for Sale which are also valued at fair value based on the prevailing price at 31 March 2014. The Council has a small share holding in Investors in Lincoln Ltd, a company established to promote economic regeneration and the development and expansion of industry, commerce and enterprise in and around the City of Lincoln. Shares are held to the nominal value of £14,000. These are classed as Unquoted Equity Investments and are valued at cost. No income is received from this investment.

There have been no gains or losses on derecognition or impairment losses during the year on the financial assets held by the Council. No revaluation of assets has taken place and hence no gains or losses on revaluation have occurred.

Interest received or incurred, fee expenses or income received or incurred, or any unrealised gains or losses in fair value of Available for Sale investments, in relation to the financial instruments held by the Council is shown in the following table:

	2012-13 £'000	2013-14 £'000
<b>Unrealised Reduction in Fair Value - Available for Sale Financial Assets held at 31st March</b>	<b>0</b>	<b>15</b>
Financial Liabilities At Amortised Cost	19,922	19,946
Financial Liabilities at Fair Value Through Profit and Loss	0	0
<b>Total Interest Expense</b>	<b>19,922</b>	<b>19,946</b>
Total Fee Expense	5	15
<b>Total Expense in Surplus or Deficit on the Provision of Services</b>	<b>19,927</b>	<b>19,961</b>
<b>Unrealised Increase in Fair Value -Available for Sale Financial Assets held at 31st March</b>	<b>0</b>	<b>(98)</b>
Loans and Receivables at Amortised Cost	(1,950)	(1,120)
Available for Sale Financial Assets	(360)	(295)
Unquoted Equity Investments At Cost	0	0
Financial Assets at Fair Value Through Profit and Loss	0	0
<b>Total Interest Income</b>	<b>(2,310)</b>	<b>(1,415)</b>
<b>Total Fee Income</b>	<b>0</b>	<b>0</b>
<b>Interest Received</b>	<b>(2,310)</b>	<b>(1,415)</b>

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

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

- For loans from the PWLB, equivalent borrowing rates available from the PWLB at 31 March 2014 have been applied to provide the fair value under the PWLB debt redemption procedures.
- For non PWLB loans and loans receivable prevailing benchmark market rates have been used to provide the fair value.
- No early repayment or impairment is recognised.
- Where an instrument has a maturity of less than 12 months (other than PWLB debt), or is a trade or other payable or receivable, the fair value is taken to be the principal outstanding or the billed amount.
- The fair value of trade and other payables and receivables, taken to be the invoiced or billed amount, are not shown in the table below.

The fair values calculated are as follows:

	31 March 2013		31 March 2014	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
PWLB Debt (Long Term > 12 Months)	444,765	486,634	433,222	448,602
Non PWLB Debt (Long Term > 12 Months)	10,022	9,410	10,000	8,892
PWLB Debt (Short Term < 12 Months)	3,537	3,797	11,543	11,958
Non PWLB Debt (Short Term < 12 Months)	456	455	322	321
Long-Term Creditors & Other Long Term Liabilities	5,477	5,477	11,156	11,156
<b>Total Financial Liabilities at Amortised Cost</b>	<b>464,257</b>	<b>505,773</b>	<b>466,243</b>	<b>480,929</b>

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

Where the fair value is more than the carrying amount, the opposite is true, i.e. a number of fixed rate loans held in the Council's portfolio have interest rates payable above current market rates for similar loans. The change in fair value from 31 March 2013 to 31 March 2014, highlights the reduction or increase in market rates over this period.

Loans and Receivables	31 March 2013	Fair	31 March 2014	Fair
	Carrying Amount £'000	Value £'000	Carrying Amount £'000	Value £'000
Loans and Receivables (Long Term > 12 Months)	200	200	2,200	2,191
Loans and Receivables (Short Term < 12 Months)	156,145	156,145	149,475	149,475
Long-Term Debtors	6,316	6,574	8,772	8,892
<b>Financial Assets at Amortised Cost</b>	<b>162,661</b>	<b>162,919</b>	<b>160,447</b>	<b>160,558</b>

The fair value is greater than the carrying amount, because the Council's portfolio of long term investments includes a number of fixed rate loans where the interest rate receivable is higher than the estimated rates available for similar loans at the Balance Sheet date. This guarantee to receive interest above the current market rate increases the amount that the Council would receive if it agreed to early repayment of the loans and hence shows a notional future gain.

Available for Sale Investments, not included in the table above are carried on the Balance Sheet at their Fair Value already, which is calculated using the market price of the investments at 31 March 2014. The detail of these investments are shown in the table below.

Available for Sale Investments	31 March 2013	Fair	31 March 2014	Fair
	Carrying Amount £000	Value £000	Carrying Amount £000	Value £000
Certificates of Deposit	0	0	35,000	35,083
Money Market Funds	36,025	36,025	0	0
<b>Available For Sale Financial Assets</b>	<b>36,025</b>	<b>36,025</b>	<b>35,000</b>	<b>35,083</b>

As with Loans and Receivables, the Fair Value of the Certificate of Deposits is higher than the original purchase amount due to the majority of Certificates of Deposit held having a higher coupon than those available for similar Certificate of Deposits in the market at the balance sheet date. The Fair Value of Money Market Funds equate to the Carrying Value as 1 unit held in these funds equals £1 fair value.

#### d. Nature and Extent of Risks Arising From Financial Instruments and How the Authority Manages Those Risks

##### (i) Key Risks

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

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council;
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments;
- Re-financing risk – the possibility that the Council might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms;
- Market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rate movements.

##### (ii) Overall Procedures for Managing Risk

The Council's overall risk management procedures focus on the unpredictability of financial markets and implementing restrictions to minimise these risks. The procedures for risk management are laid down in a legal framework set out in the Local Government Act 2003 and associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Act. Overall these procedures require the Council to manage risk in the following ways:



- by formally adopting the requirements of the Code of Practice;
- by approving annually in advance prudential indicators for the following three years limiting:
  - o maximum and minimum exposures to fixed and variable rates;
  - o maximum and minimum exposures to the maturity structure of its debt;
  - o maximum annual exposures to investments maturing beyond one year.
- by approving an investment strategy for the forthcoming year, setting out its criteria for both investing and selecting investment counterparties in compliance with Government Guidance.

These items are required to be reported and approved at or before the Council's Annual Council Tax setting budget; and are also reported as part of the Council's annual treasury management strategy and investment strategy, which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported quarterly to Councillors.

These treasury management policies are implemented by a central treasury management team. The Council maintains written principles for overall risk management; as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash through its Treasury Management Practices (TMPs). These TMPs are a requirement of the Code of Practice and are reviewed regularly.

### (iii) Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. To minimise this risk, deposits are not made with banks and financial institutions unless they meet the minimum requirements of the Council's investment criteria (based on independent credit rating assessments of institutions and countries, their credit watches and outlooks from credit rating agencies and their credit default spreads), as outlined in its investment strategy. A summary of the minimum requirements are outlined below:

Minimum Acceptable Long-Term Credit Rating:	Bank or Building Society: AA- Money Market Fund: AAA UK Government: Not Applicable
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Minimum Acceptable Sovereign (Country) Credit Rating: (UK excepted).	AAA
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The following analysis summarises the Council's investments at the reporting date by the long-term credit rating, (using Fitch IBCA's scoring criteria), of the counterparties with whom its investments are made and hence shows its potential exposure to credit risk at the reporting date.

Deposits With Banks and Financial Institutions	Amount at 31 March 2013		Amount at 31 March 2014	
	£'000	%	£'000	%
AAA Rated Counterparties	36,025	18.73%	0	0.00%
AA Rated Counterparties	66,145	34.38%	106,625	57.11%
A Rated Counterparties	80,000	41.58%	77,850	41.70%
Other Counterparties (*3)	10,214	5.31%	2,214	1.19%
<b>Total Investments</b>	<b>192,384</b>	<b>100.00%</b>	<b>186,689</b>	<b>100.00%</b>

(\*3) Other Counterparties are predominantly investments with other Local Authorities (UK Government), who are not credit rated in their own right, however represent low credit risk to the Council.

At the time of making the investment, the financial institutions fully met the Council's minimum investment criteria. A sum of £9.6m investments with AA- Rated Dutch bank Rabobank remained outstanding at the reporting date which no longer met the Council's minimum AAA Sovereign Rating, due to Netherlands losing its AAA status during the year.

No breaches of the Council's counterparty criteria occurred during the reporting period and the Council has not received nor expects any losses/defaults from the non-performance by any of its counterparties in relation to its investments.

Collateral – During the reporting period the Council held no collateral as security for its investments.

The Council does not generally allow credit for its customers. However, there is one exception to this where there is an agreed policy in relation to care home fees to allow credit with an attachment over property.

The overdue, but not impaired, amounts of the Council's customers at 31 March 2014 can be analysed by age as follows:

Analysis of Debts by Age	Amount at 31 March 2013		Amount at 31 March 2014	
	£'000	%	£'000	%
Less than 3 months	1,800	28.26%	1,627	25.95%
3 to 6 months	966	15.17%	747	11.91%
6 months to 1 year	1,567	24.60%	1,396	22.26%
More than 1 year	2,036	31.97%	2,500	39.87%
<b>Total Outstanding Debt</b>	<b>6,369</b>	<b>100.00%</b>	<b>6,270</b>	<b>100.00%</b>

#### (iv) Liquidity Risk

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

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

#### (v) Refinancing and Maturity Risk

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

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

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

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

Debt Outstanding- Financial Liabilities	31 March 2013 £'000	31 March 2014 £'000
Less than one year	7,900	15,749
Between one and two years	11,565	21,550
Between two and five years	52,624	66,749
Between five and ten years	84,264	59,011
Between ten and fifteen years	42,941	40,884
Between fifteen and twenty-five years	45,845	37,479
Between twenty-five and thirty-five years	29,439	36,823
Between thirty-five and forty-five years	146,109	175,725
Maturing in more than forty-five years	42,000	5,000
<b>Total</b>	<b>462,687</b>	<b>458,970</b>

	31 March 2013 £'000	31 March 2014 £'000
<b>Investments Outstanding - Financial Assets</b>		
Less than one year	193,081	185,013
Between one and two years	0	2,000
Between two and three years	0	0
Maturing in more than three years	214	214
<b>Total</b>	<b>193,295</b>	<b>187,227</b>

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

(vi) Market Risk

**Interest Rate Risk**

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

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

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

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

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

Based on the financial liabilities and assets as at the balance sheet date a one percent point movement in average interest rates would be equivalent to a £1.424m change in the Council's net interest charge in the Comprehensive Income and Expenditure Account. This calculation is based on a full year interest effect at a constant level of borrowing and investments as at the reporting date, a further breakdown is shown in the table below:

	Amount at 31 March 2014 £'000
<b>Financial Impact of the Interest Rate Risk</b>	
Increase in interest payable on variable rate borrowings	(3)
Increase in interest receivable on variable rate investments	1,427
<b>Impact on Income and Expenditure Account</b>	<b>1,424</b>

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

	Fair Value 31 March 2014 £'000	Fair Value at 1% Higher £'000	Fair Value at 1% Lower £'000
County Council	467,353	414,741	534,560
Schools	2,099	1,992	2,216
<b>Long Term Fixed Borrowing:</b>	<b>469,452</b>	<b>416,733</b>	<b>536,776</b>
<b>Long Term Fixed Investments:</b>	<b>1,991</b>	<b>1,952</b>	<b>2,030</b>

There is no impact on the Surplus or Deficit on Provision of Services or the Other Comprehensive Income and Expenditure account from the movement in fair value on borrowing and loans & receivables shown above. Fair values have been calculated using the same methodology/assumptions as outlined on page 63. Fair Value of Assets and Liabilities Carried at Amortised Cost.

The impact on fair value of the Councils Available for Sale Investments, already carried on the Balance Sheet at fair value on 31 March 2014, from a 1% movement in average rates is shown in the table below. This impact would be reflected on the Surplus/Deficit on Revenue of Available for Sale Financial Assets as shown in the Comprehensive Income & Expenditure Statement.

	Fair Value 31 March 2014 £'000	Fair Value at 1% Higher £'000	Fair Value at 1% Lower £'000
<b>Available For Sale Investments</b>	<b>35,083</b>	<b>34,980</b>	<b>35,187</b>

### Price Risk

The Council, excluding the pension fund, does not generally invest in equity shares and is therefore not exposed to losses arising from movements in the price of shares.

The Council has a small equity holding of 14,000 shares (£1 par value) in a company called Investors in Lincoln Ltd, received in connection with the Council's economic regeneration policies.

These shares are classed as 'Unquoted Equity Investments' valued at cost and do not represent a price risk for the Council.

### Foreign Exchange Risk

The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

## **Note 19. Inventories.**

The Council held the following inventory items at 31 March 2014:

	Balance outstanding at 1 April 2013 £'000	Purchases £'000	Recognised as an expense in the year £'000	Written off balances £'000	Reversals of write-off in previous years £'000	Balance outstanding at 31 March 2014 £'000
Salt Stores	799	1,305	(892)			1,212
<b>Total Inventories</b>	<b>799</b>	<b>1,305</b>	<b>(892)</b>	<b>0</b>	<b>0</b>	<b>1,212</b>

The County Council's accounting policies on inventories includes a de-minimus of £100k.

## **Note 20. Construction Contracts.**

The Council does not undertake construction contracts.

## **Note 21. Debtors.**

The Council held the following debtors at 31 March 2014:

31 March 2013 Amounts falling due in one year: £'000	31 March 2014 £'000
13,964 Central government bodies	15,885
4,373 Other local authorities	1,683
3,303 NHS bodies	5,057
0 Public corporations and trading funds	43
11,602 Bodies external to general government	8,462
10,002 Council tax agency and business rates agency arrangements	10,416
4,889 Payments in advance	3,647
<b>48,133</b>	<b>45,193</b>
<b>Total Short Term Debtors</b>	

31 March 2013 Amounts falling due after one year: £'000	31 March 2014 £'000
2,248 Central government bodies	1,868
460 Other local authorities	833
10 NHS bodies	0
3,598 Bodies external to general government	6,071
<b>6,316</b>	<b>8,772</b>
<b>Total Long Term Debtors</b>	

All figures included in the table above are shown net of impairment for doubtful debt.

The Council Tax and Business Rates Agency Arrangements figure represents the Council's share of council tax arrears (net of impairment for doubtful debts) and any surpluses on the Collection Funds held by the District Councils in Lincolnshire.

The arrangement for business rates only applies from 1 April 2013. Following the introduction of the new funding regime for local government, 10% of the business rates collected locally are used to fund County Council services.

From 2013-14 the Council's accounting policies on manual debtors and creditors includes a diminimus of £10k for revenue and £25k for capital items.

## **Note 22. Cash and Cash Equivalents.**

The Council balance of cash and cash equivalents is made up of the following elements:

<b>31 March 2013</b>	<b>31 March 2014</b>
<b>£'000</b>	<b>£'000</b>
(8,356) Cash & Cash Equivalents held by the County Council	(5,375)
<b>(8,356)</b>	<b>(5,375)</b>

## **Note 23. Assets Held for Sale.**

The Council held the following assets for sale at 31 March 2014:

	<b>Current</b>		<b>Non-Current</b>	
	<b>2012-13</b>	<b>2013-14</b>	<b>2012-13</b>	<b>2013-14</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Balance outstanding at 1 April	2,239	3,660	0	0
Assets newly classified as held for sale:				
- Property, Plant and Equipment	2,985	735	0	0
- Intangible Assets	0	0	0	0
- Other assets/liabilities in disposal groups	0	0	0	0
Revaluation Increase to RR				
Revaluation Decrease to RR	(328)	(262)	0	0
Revaluation Increase/(Decrease) to SDPS	(402)	(112)	0	0
Assets declassified as held for sale:				
- Property, Plant and Equipment	0	0	0	0
- Intangible Assets	0	0	0	0
- Other assets/liabilities in disposal groups	0	0	0	0
Assets Sold	(834)	(2,477)	0	0
Transfers from non-current to current				
<b>Balance Outstanding at 31 March</b>	<b>3,660</b>	<b>1,544</b>	<b>0</b>	<b>0</b>

## **Note 24. Creditors.**

The Council had the following creditors at 31 March 2014:

<b>31 March 2013 £'000</b>	<b>31 March 2014 £'000</b>
<b>2013 Amounts falling due in one year:</b>	
(17,008) Central government bodies	(8,693)
(3,191) Other local authorities	(2,905)
(409) NHS bodies	(3,341)
(2) Public corporations and trading funds	(10)
(53,874) Other entities and individuals	(41,737)
(5,328) Council tax agency and business rates agency arrangements	(8,841)
(2,577) Receipts in advance	(4,229)
(9,025) Employee benefits accrual	(7,665)
<b>(91,414) Total Short Term Creditors</b>	<b>(77,421)</b>

<b>31 March 2013 £'000</b>	<b>31 March 2014 £'000</b>
<b>2013 Amounts falling due after one year:</b>	
(1,815) Central government bodies	(1,618)
(725) Other local authorities	(671)
(2,937) Other entities and individuals	(8,867)
<b>(5,477) Total Long Term Creditors</b>	<b>(11,156)</b>

The Council Tax & Business Rates Agency Arrangements figure represents the Council's share of council tax prepayments, overpayments and our share of any deficit owed to the Collection Funds held by the District Council's in Lincolnshire.

The arrangement for business rates only applies from 1 April 2013. Following the introduction of the new funding regime for local government, 10% of the business rates collected locally are used to fund County Council services.

From 2013-14 the Council's accounting policies on manual debtors and creditors includes a diminimus of £10k for revenue and £25k for capital items.

## **Note 25. Other Long Term Liabilities**

The Council had the following long term liabilities at 31 March 2014:

<b>31 March 2013 £'000</b>	<b>31 March 2014 £'000</b>
(14,905) Outstanding Liabilities on PFI and Finance Leases	(13,799)
(641,730) Pension Liability	(715,325)
<b>(656,635)</b>	<b>(729,124)</b>

## **Note 26. Provisions.**

The Council made the following provisions during 2013-14:

<b><u>Summary of Provisions</u></b>	<b>Balance at 1 April 2013 £'000</b>	<b>Additional Provisions made in 2013-14 £'000</b>	<b>Amounts Used in 2013-14 £'000</b>	<b>Unused amounts reversed in 2013-14 £'000</b>	<b>Unwinding of discounting in 2013-14 £'000</b>	<b>Balance at 31 March 2014 £'000</b>
Social Services - Section 117	(307)	0	0	0	0	(307)
Waste Disposal Claims	(804)	0	19	785	0	0
Insurance Claims	(6,801)	174	0	68	(224)	(6,783)
Carbon Reduction Scheme	(598)	(41)	0	0	0	(639)
Business Rates Appeals	0	(667)	0	0	0	(667)
Waking Nights Provision	0	(876)	0	0	0	(876)
Onerous Contracts Property Leases	(218)	0	156	26	0	(36)
<b>TOTAL</b>	<b>(8,728)</b>	<b>(1,410)</b>	<b>175</b>	<b>879</b>	<b>(224)</b>	<b>(9,308)</b>

<b><u>Short Term Provisions</u></b>	<b>Balance at 1 April 2013 £'000</b>	<b>Additional Provisions made in 2013-14 £'000</b>	<b>Amounts Used in 2013-14 £'000</b>	<b>Unused amounts reversed in 2013-14 £'000</b>	<b>Unwinding of discounting in 2013-14 £'000</b>	<b>Balance at 31 March 2014 £'000</b>
Waste Disposal Claims	(26)	0	19	7	0	0
Insurance Claims	(2,942)	0	0	68	0	(2,874)
Carbon Reduction Scheme	(598)	(41)	0	0	0	(639)
Business Rates Appeals	0	(667)	0	0	0	(667)
Waking Nights Provision	0	(876)	0	0	0	(876)
Onerous Contracts Property Leases	(218)	0	156	26	0	(36)
<b>TOTAL</b>	<b>(3,784)</b>	<b>(1,584)</b>	<b>175</b>	<b>101</b>	<b>0</b>	<b>(5,092)</b>

<b><u>Long Term Provisions</u></b>	<b>Balance at 1 April 2013 £'000</b>	<b>Additional Provisions made in 2013-14 £'000</b>	<b>Amounts Used in 2013-14 £'000</b>	<b>Unused amounts reversed in 2013-14 £'000</b>	<b>Unwinding of discounting in 2013-14 £'000</b>	<b>Balance at 31 March 2014 £'000</b>
Social Services - Section 117 Deposits	(307)	0	0	0	0	(307)
Waste Disposal Claims	(778)	0	0	778	0	0
Insurance Claims	(3,859)	174	0	0	(224)	(3,909)
<b>TOTAL</b>	<b>(4,944)</b>	<b>174</b>	<b>0</b>	<b>778</b>	<b>(224)</b>	<b>(4,216)</b>

The Council's accounting policy on provisions includes a de-minimis of £100k.



**Social Services - Section 117** of the Mental Health Act 1983, prescribes that Service Users who have been placed in care under Section 3 of the same Act do not have to pay for aftercare services. Where they have been charged for such services, they are entitled to reimbursement of the charges, plus interest. This provision was made to pay Service Users who are assessed as falling into this category.

The **Waste Disposal** provision has been established for claims against Lincolnshire County Council for necessary remedial work on waste disposal sites sold by the Council. As at 31 March 2014 the waste disposal provision is no longer required.

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

Type of Insurance	Met by the County Council	
	Each Claim £'000	Maximum for all such claims £'000
Public & employer's liability	150	3,000
School property	150	500
Other property	10	100

The provision for **Carbon Reduction Scheme** has been set up because, although the energy data relating to carbon emissions during 2013-14 has been collated, the details of the amount will not be available until 2014-15.

The **Waking Nights** provision has been created following an investigation that found that Children's Services has not paid an extra overnight allowance to night carers as part of a past Job evaluation. This is back pay from 2007.

The Council have and will continue to vacate properties as part of the reductions to funding and services. The lease costs and costs associated with leaving these properties will be provided for as an **onerous contract**.

## **Note 27. Usable Reserves.**

The Council's usable reserves include: the General Fund, Earmarked Reserves (including revenue grants and contributions unapplied), Capital Receipts Reserve and Capital Grants Unapplied.

Reserve	Balance at 31 March 2013 £'000	Balance at 31 March 2014 £'000
Capital Grants Unapplied	(56,242)	(53,827)
Usable Capital Receipts (*1)	0	0
Earmarked Reserves	(141,695)	(165,276)
General Fund	(15,900)	(16,400)
<b>Total</b>	<b>(213,837)</b>	<b>(235,503)</b>

Please refer to the Movement in General Reserves Statement, Note 9 Adjustments Between Accounting Basis and Funding Basis Under Regulations and Note 10 Transfer To/From Earmarked Reserves for further details.

(\*1)The County Council's policy is to fully utilise Usable Capital Receipts in the year they are received.

## **Note 28. Unusable Reserves.**

<b>Restated (*1)</b>		
<b>Balance at</b>	<b>Note</b>	<b>Balance at</b>
<b>31 March 2013</b>		<b>31 March</b>
<b>£'000</b>		<b>2014</b>
		<b>£'000</b>
(272,346) Revaluation Reserve	(28a)	(319,865)
(568,151) Capital Adjustment Account	(28b)	(579,290)
(31) Financial Instruments Adjustment Account	(28c)	140
641,730 Pension Liability	(28d)	715,325
(4,674) Collection Fund Adjustment Account	(28e)	(908)
6,744 Accumulated Absences Account	(28f)	5,426
0 Available for Sale Financial Instrument Reserve	(28g)	(83)
<b>(196,728) Total</b>		<b>(179,255)</b>

(\*1) The presentation of this note has changed from 2012-13 Statement of Accounts due to a prior period adjustment arising from the revision to IAS 19 retirement benefits.

### **a. Revaluation Reserve.**

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

- revalued downwards or impaired and the gains are lost;
- used in the provision of services and the gains are consumed through depreciation; or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

<b>2012-13</b>		<b>2013-14</b>
<b>£'000</b>		<b>£'000      £'000</b>
<b>(240,194) Balance at 1 April</b>		<b>(272,346)</b>
(78,087) Upward revaluation of assets	(97,884)	
21,727 Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	35,502	
(56,360) Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(62,382)	
6,335 Difference between fair value depreciation and historical cost depreciation	7,115	
17,873 Accumulated gains on assets sold or scrapped	7,748	
24,208 Amount written off to the Capital Adjustment Account	14,863	
<b>(272,346) Balance at 31 March</b>		<b>(319,865)</b>

### **b. Capital Adjustment Account**

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

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

2012-13 £'000		2013-14 £'000
(621,730)	Balance at 1 April	(568,151)
<b><u>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</u></b>		
75,802	- Charges for depreciation and impairment of non-current assets	67,055
15,248	- Revaluation losses on Property, Plant and Equipment	13,567
2,491	- Amortisation of intangible assets	2,082
6,074	- Revenue expenditure funded from capital under statute (net of Grants and Contributions)	22,552
90,299	- Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	20,327
(24,208)	Adjusting amounts written out of the Revaluation Reserve	(14,863)
<b>165,706</b>	Net written out amount of the cost of non-current assets consumed in the year	<b>110,720</b>
<b><u>Capital financing applied in the year:</u></b>		
(6,049)	- Use of the Capital Receipts Reserve to finance new capital expenditure	(3,238)
(29,296)	- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(41,533)
(15,825)	- Application of grants to capital financing from the Capital Grants Unapplied Account	(30,673)
(29,682)	- Statutory provision for the financing of capital investment charged against the General Fund	(25,925)
(17,255)	- Capital expenditure charged against the General Fund	(9,677)
<b>(98,107)</b>		<b>(111,046)</b>
(12,957)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(10,813)
(1,063)	Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement	0
<b>(14,020)</b>		<b>(10,813)</b>
<b>(568,151)</b>	Balance at 31 March	<b>(579,290)</b>

#### c. Financial Instruments & Financial Assets Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Council uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax.

2012-13 £'000	2013-14 £'000
<b>(16) Balance at 1 April</b>	<b>(31)</b>
0 Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	0
15 Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	15
(30) Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	156
<b>(31) Balance at 31 March</b>	<b>140</b>

#### d. Pensions Liability

The Pensions Liability 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.

Restated (*1) 2012-13 £'000	2013-14 £'000
<b>545,371 Balance at 1 April</b>	<b>641,729</b>
91,193 Actuarial gains or losses on pensions assets and liabilities	45,191
41,200 Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CI&ES	64,207
(36,034) Employer's pensions contributions and direct payments to pensioners payable in the year	(35,802)
<b>641,730 Balance at 31 March</b>	<b>715,325</b>

(\*1) The presentation of this note has changed from 2012-13 Statement of Accounts due to a prior period adjustment arising from the revision to IAS 19 retirement benefits.

#### e. Collection Fund Adjustment Account

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

2012-13 £'000	2013-14 £'000
<b>(4,383) Balance at 1 April</b>	<b>(4,674)</b>
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax & business rates income calculated for the year in accordance with statutory requirements	3,766
<b>(4,674) Balance at 31 March</b>	<b>(908)</b>

#### f. Accumulated Absences Account

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

2012-13 £'000	2013-14 £'000	2013-14 £'000
<b>8,705 Balance at 1 April</b>		<b>6,744</b>
(8,705) Settlement or cancellation of accrual made at the end of the preceding year	(6,744)	
6,744 Amounts accrued at the end of the current year	5,427	
(1,961) Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		(1,318)
<b>6,744 Balance at 31 March</b>		<b>5,426</b>

#### g. Available for Sale Financial Instrument Reserve

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

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

2012-13 £'000	2013-14 £'000
<b>Balance at 1 April</b>	
0 Upward revaluation of investments	(83)
0 Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	0
	(83)
0 Accumulated gains on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income	0
<b>0 Balance at 31 March</b>	<b>(83)</b>

## **Note 29. Operating Activities.**

The cashflow operating activities include the following items:

<b>2012-13</b>	<b>2013-14</b>
<b>£'000</b>	<b>£'000</b>
(1,717) Interest received	(1,785)
19,739 Interest paid	19,900
0 Dividends received	0

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

<b>2012-13</b>	<b>2013-14</b>
<b>£'000</b>	<b>£'000</b>
(75,802) Depreciation	(67,055)
(15,248) Impairment and downward valuations	(13,567)
(2,491) Amortisation	(2,082)
(457) Increase/(decrease) in impairment for bad debts	(173)
6,020 (Increase)/decrease in creditors	(808)
3,832 Increase/(decrease) in debtors	(3,394)
(20) Increase/(decrease) in inventories	412
(5,166) Movement in pension liability	(28,404)
(90,300) Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(20,335)
18,237 Other non-cash items charged to the net surplus or deficit on the provision of services	9,843
<b>(161,394) Net surplus/(deficit) on provision of services for non cash movements</b>	<b>(125,563)</b>

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

<b>2012-13</b>	<b>2013-14</b>
<b>£'000</b>	<b>£'000</b>
Proceeds from short-term ( not considered to be cash equivalents) and long-term 0 investments (includes investment in associates, joint ventures and subsidiaries)	0
58,566 Capital Grants credited to Surplus or deficit on the provision of services	64,423
Proceeds from sale of property, plant and equipment, investment property and intangible 6,049 assets	3,238
1,182 Any other items for which the cash effects are investing or financing cash flows	1,239
<b>65,797 Net surplus/(deficit) on provision of services for Investing &amp; Financing activities</b>	<b>68,900</b>

### **Note 30. Investing Activities.**

The cashflow investing activities include the following items:

<b>2012-13</b>	<b>2013-14</b>
<b>£'000</b>	<b>£'000</b>
146,921 Purchase of property, plant and equipment, investment property and intangible assets	111,175
972,068 Purchase of short-term and long- term investments	906,021
823 Other payments for investing activities	914
(6,049) Proceeds from sale of property, plant equipment, investment property and intangible assets	(3,238)
(1,016,868) Proceeds from short-term and long-term investments	(911,930)
(51,278) Capital Grants Received (Government)	(65,346)
(2,005) Other receipts from investing activities	(2,153)
<b>43,612 Net cash flow from investing activities</b>	<b>35,443</b>

### **Note 31. Financing Activities.**

The cashflow financing activities include the following items:

<b>2012-13</b>	<b>2013-14</b>
<b>£'000</b>	<b>£'000</b>
(12,100) Cash receipts of short and long-term borrowing	0
0 Other receipts from financing activities	0
1,318 Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-Balance-Sheet PFI Contracts	1,304
6,750 Repayments of short and long-term borrowing	3,740
0 Other payments for financing activities	0
<b>(4,032) Net cash flow from Financing activities activites</b>	<b>5,044</b>

## **Note 32. Amounts reported for Resource Allocation Decisions (Segmental Reporting)**

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice set out by CIPFA. However, decisions about resource allocation are taken by the Council's Executive on the basis of budget reports analysed across Directorates, and service areas.

These reports are prepared on a different basis from the accounting policies used in the Financial Statements. In particular:

- no charges are made in relation to capital expenditure (where as depreciation and amortisation; and revaluation/impairment losses in excess of the balance on the Revaluation Reserve are charged to services in the Comprehensive Income and Expenditure Statement);
- the cost of retirement benefits is based on cash flows (payment of employer's pension contributions) rather than current service cost of benefits accrued in the year; and
- expenditure on support services forms part of the Resources and Chief Executive Offices' budgets and expenditure. However, within the Comprehensive Income and Expenditure Statement these are allocated to front line services based on their usage. Methods of allocation for these services are set out in the Council's accounting policies (Note 1).



a. Income and Expenditure analysed over the Council's directorates and reported in the Council's Outturn Report.

This analysis may include items that do not form part of the Comprehensive Income and Expenditure Statement, hence the need for the Reconciliation from the Segmental Reporting Analysis to the Net Cost of Services in the Comprehensive Income and Expenditure Statement.

Service Analysis 2013-14	Employee Expenses £'000	Agency and Contract Payments £'000	Other Running Expenses £'000	Gross Expenditure £'000	Specific Grants and Contributions £'000	Other Income (inc. Fees and Charges) £'000	Total Income £'000	Cost of Services £'000
Children's Social Care	29,771	16,697	11,010	57,478	(10,807)	(476)	(11,283)	46,195
Education Services	23,205	8,928	32,830	64,963	(3,731)	(3,473)	(7,204)	57,759
Adult Care	25,332	148,395	32,271	205,998	(37,040)	(35,762)	(72,802)	133,196
Public Health	5,053	34,165	7,724	46,942	(4,643)	(100)	(4,743)	42,199
Public Health Grant Income	0	0	0	0	(26,272)	300	(25,972)	(25,972)
Highways & Transportation	8,472	35,970	11,766	56,208	(9,596)	(2,962)	(12,558)	43,650
Environment Planning & Customer Services	5,848	17,501	2,616	25,965	(645)	(808)	(1,453)	24,512
Economy & Culture	9,463	78	10,686	20,227	(5,011)	(2,370)	(7,381)	12,846
Fire & Rescue	18,076	45	4,653	22,774	(2,539)	(637)	(3,176)	19,598
Community Safety	15,683	94	5,914	21,691	(2,333)	(1,345)	(3,678)	18,013
Finance & Resources	2,442	6,785	12,190	21,417	(2,641)	(3,440)	(6,081)	15,336
Performance & Governance	8,560	7,709	6,581	22,850	(381)	(191)	(572)	22,278
<b>TOTAL SERVICE BUDGETS</b>	<b>151,905</b>	<b>276,367</b>	<b>138,241</b>	<b>566,513</b>	<b>(105,639)</b>	<b>(51,264)</b>	<b>(156,903)</b>	<b>409,610</b>
<b>OTHER BUDGETS</b>								
Capital Financing Charges	0	0	50,157	50,157	0	(1,412)	(1,412)	48,745
Contingency	0	0	0	0	0	0	0	0
Other Budgets	1,494	0	510	2,004	0	0	0	2,004
<b>TOTAL OTHER BUDGETS</b>	<b>1,494</b>	<b>0</b>	<b>50,667</b>	<b>52,161</b>	<b>0</b>	<b>(1,412)</b>	<b>(1,412)</b>	<b>50,749</b>
<b>SCHOOLS BUDGETS</b>								
Delegated School Budgets	178,631	6,195	54,723	239,549	(20,775)	(4,152)	(24,927)	214,622
Central Services within the DSB	7,233	23,866	16,930	48,029	(3,004)	(986)	(3,990)	44,039
Dedicated Schools Grant	0	0	0	0	(261,338)	0	(261,338)	(261,338)
<b>TOTAL SCHOOLS BUDGETS</b>	<b>185,864</b>	<b>30,061</b>	<b>71,653</b>	<b>287,578</b>	<b>(285,117)</b>	<b>(5,138)</b>	<b>(290,255)</b>	<b>(2,677)</b>
<b>TOTAL EXPENDITURE</b>	<b>339,263</b>	<b>306,428</b>	<b>260,561</b>	<b>906,252</b>	<b>(390,756)</b>	<b>(57,814)</b>	<b>(448,570)</b>	<b>457,682</b>
<b>INCOME</b>								
Revenue Support Grant	0	0	0	0	(146,366)	0	(146,366)	(146,366)
Business Rates	0	0	0	0	(79,603)	(19,157)	(98,760)	(98,760)
Council Tax	0	0	0	0	0	(224,247)	(224,247)	(224,247)
Other Non Specific Grants	0	0	0	0	(17,650)	0	(17,650)	(17,650)
<b>TOTAL INCOME</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(243,619)</b>	<b>(243,404)</b>	<b>(487,023)</b>	<b>(487,023)</b>
<b>Use/(Contribution) to Reserves</b>				906,252			(935,593)	(29,341)

<b>Service Analysis 2012-13</b>	<b>Employee Expenses £'000</b>	<b>Agency and Contract Payments £'000</b>	<b>Other Running Expenses £'000</b>	<b>Gross Expenditure £'000</b>	<b>Specific Grants and Contributions £'000</b>	<b>Other Income (inc. Fees and Charges) £'000</b>	<b>Total Income £'000</b>	<b>Cost of Services £'000</b>
Children's Social Care	27,372	7,835	12,848	48,055	(5,958)	(331)	(6,289)	41,766
Education Services	24,665	3,924	41,360	69,949	(30,108)	(2,805)	(32,913)	37,036
Adult Care	27,707	144,083	27,759	199,549	(31,255)	(35,491)	(66,746)	132,803
Public Health	2,184	14,619	5,350	22,153	(4,941)	(66)	(5,007)	17,146
Highways & Transportation	10,196	34,947	12,468	57,611	(4,874)	(2,770)	(7,644)	49,967
Environment Planning & Customer Services	5,496	21,849	2,431	29,776	(618)	(908)	(1,526)	28,250
Economy & Culture	9,629	1,564	9,475	20,668	(4,683)	(2,469)	(7,152)	13,516
Fire & Rescue	17,674	26	5,146	22,846	(2,210)	(511)	(2,721)	20,125
Community Safety	14,674	35	5,995	20,704	(2,387)	(1,380)	(3,767)	16,937
Finance & Resources	2,609	10,590	8,999	22,198	(2,970)	(4,379)	(7,349)	14,849
Performance & Governance	7,460	8,008	6,829	22,297	(295)	(169)	(464)	21,833
<b>TOTAL SERVICE BUDGETS</b>	<b>149,666</b>	<b>247,480</b>	<b>138,660</b>	<b>535,806</b>	<b>(90,299)</b>	<b>(51,279)</b>	<b>(141,578)</b>	<b>394,228</b>
<b>OTHER BUDGETS</b>								
Capital Financing Charges	0	0	55,985	55,985	0	(2,302)	(2,302)	53,683
Contingency	0	0	0	0	0	0	0	0
Council Tax Freeze Grant	0	0	0	0	(6,332)	0	(6,332)	(6,332)
Other Budgets	3,040	0	579	3,619	(3,387)	0	(3,387)	232
<b>TOTAL OTHER BUDGETS</b>	<b>3,040</b>	<b>0</b>	<b>56,564</b>	<b>59,604</b>	<b>(9,719)</b>	<b>(2,302)</b>	<b>(12,021)</b>	<b>47,583</b>
<b>SCHOOLS BUDGETS</b>								
Delegated School Budgets	217,175	1,175	74,440	292,790	(28,913)	(4,860)	(33,773)	259,017
Central Services within the DSB	8,206	21,078	12,443	41,727	(4,293)	(87)	(4,380)	37,347
Dedicated Schools Grant	0	0	0	0	(293,367)	0	(293,367)	(293,367)
<b>TOTAL SCHOOLS BUDGETS</b>	<b>225,381</b>	<b>22,253</b>	<b>86,883</b>	<b>334,517</b>	<b>(326,573)</b>	<b>(4,947)</b>	<b>(331,520)</b>	<b>2,997</b>
<b>TOTAL EXPENDITURE</b>	<b>378,087</b>	<b>269,733</b>	<b>282,107</b>	<b>929,927</b>	<b>(426,591)</b>	<b>(58,528)</b>	<b>(485,119)</b>	<b>444,808</b>
<b>INCOME</b>								
Formula Grant	0	0	0	0	(201,512)	0	(201,512)	(201,512)
Council Tax	0	0	0	0	0	(253,389)	(253,389)	(253,389)
<b>TOTAL INCOME</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(201,512)</b>	<b>(253,389)</b>	<b>(454,901)</b>	<b>(454,901)</b>
<b>Use/(Contribution) to Reserves</b>				929,927			(940,020)	(10,093)

A description of the services provided and the sources of funding for these areas is set out below:

**Children's Social Care** provides services such as child protection and looked after services (including: frontline social workers and adoption/fostering services). Funding comes from LCC contributions and specific grants. This also includes **Home to School Transport**.

**Education Services** includes school improvement, youth services, targeted early intervention services and career guidance. Funding comes from LCC contributions and specific grants.

**Adult Care** includes:

*Older People & Physical Disabilities* These two services are managed through one management structure focussing on 18-64 year olds with Physical Disabilities and over 65s with a variety of social care needs. Team members offer support, advice, information and guidance to enable these groups of people in Lincolnshire to live more independently. This is increasingly through Personal Budgets either by Direct Payment or by LCC commissioning services on behalf of the people assessed as needing support. Funding comes from LCC contributions, specific grants from government departments, funding from LCCG's for specific work or projects and fees and charges for services.

*Learning Disabilities* This is a joint funded service in conjunction with LCCG's under a Section 75 agreement. Additional funding comes from LCC contributions and joint partnership funding with the Department of Health, plus specific grants from government departments, fees and charges for services (including: Fairer Charging Policy and Charges for Residential Accommodation Guidance). It offers support, advice, information and guidance to enable people in Lincolnshire, over the age of 18 with learning disabilities to live more independently providing services such as Residential and Day Care, Home Support, Supported Living, equipment and telecare services. This is provided through personalisation of direct payments and direct provision.

*Mental Health* The service is provided by Lincolnshire Partnership Foundation Trust (LPFT) under a Section 75 agreement on behalf of the Council. It offers support, advice, information and guidance to enable people over the age of 18 in Lincolnshire with Mental Health difficulties to live more independently. This is provided mostly through the provision of direct payments via a personal budget but also via a direct provision of home care and residential services.

*Adult Social Care Operations* offers support, advice, information and guidance to enable people in Lincolnshire, over the age of 18, to live more independently providing services such as Residential and Day Care, Home Support, Extra Care Housing, equipment and telecare services. Funding comes from LCC contributions and joint partnership funding with the Department of Health, plus specific grants from government departments, and fees and charges for services (including: Fairer Charging Policy and Charges for Residential Accommodation Guidance).

**Public Health** provide information and services to enable people to live independently in their own homes providing services such as Supporting People Housing Related Support, Supported Employment Services and Local Involvement Networks (LINKs). Funding comes from LCC contributions, specific grants (including Supporting People) and joint partnership funding with the Department of Health.

**Highways and transportation** are responsible for maintaining Lincolnshire's road network (including winter maintenance), bus subsidies and transport planning. Funding comes from LCC contributions, plus smaller amounts from government grants and developer contributions.

**Environment, Planning and Customer services** includes waste disposal, spatial and environmental planning and the Council's Customer Service Centre. Funding comes primarily from LCC contributions.

**Economy** is responsible for investing to create regeneration opportunities in Lincolnshire. Funding comes from regional, national and European funding, in addition to LCC contributions. **Culture** maintains a network of static and mobile libraries services across the County. It, also provides care and access to Lincolnshire's archives, museum objects, historic buildings and other sites. Funding comes from LCC contributions, government grants and fees and charges.

**Fire & Rescue** including: fire prevention, protection and emergency response, as well as leading on the County's emergency planning. Funding comes from LCC contributions plus some specific grants (including: urban search and rescue grant) and from other Local Authority contributions.

**Community Safety** provides the following services to the public; Trading Standards, Registration & Coroners, Youth Offending and Rehabilitation Programmes. In addition, it provides the central Business Support function to the Council. Funding comes primarily from LCC contributions.

**Finance & Resources** provide the following functions for the Authority: Legal, Audit, Procurement, Corporate Property and Treasury & Financial Strategy. Whilst there are small number of corporate contracts that are recharged out across other directorates, as this area relates to the support services/overheads for LCC then the majority of funding is directly through LCC Contributions.

**Performance & Governance** provides support services including: HR, ICT, communications and scrutiny functions and support for Councillors and the democratic process. Funding comes from LCC contributions.

**Other budgets** include: expenditure of capital financing charges which include the annual revenue costs of funding the Council's capital programme e.g. payment of principal and interest on amounts borrowed; insurance and county wide joint projects including council tax second homes and the sustainable community strategy expenditure. Income here is non-ring fenced government grants, Non Domestic Rates and the Council Tax. Other budgets also contains a contingency budget which is set aside to pay for unforeseen events that occur during the year.

**b. Reconciliation of Directorate Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement.**

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

	<b>2012-13 £'000</b>	<b>2013-14 £'000</b>
Net Expenditure in the Directorate analysis (Use of Reserves)	(10,093)	(29,341)
Add: Net expenditure on services and support services not included in main analysis	0	0
Add: Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the analysis (Note 32c)	112,976	139,065
Less: amounts reported to management in the analysis not included in the Comprehensive Income and Expenditure Account (Note 32c)	364,361	397,598
<b>Net Cost of Services in the Comprehensive Income and Expenditure Statement</b>	<b>467,244</b>	<b>507,322</b>

### c. Reconciliation to Subjective Analysis

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

<b>Reconciliation to Subjective Analysis 2013-14</b>	<b>Service Analysis Cost of Service £'000</b>	<b>Amounts not reported to Management £'000</b>	<b>Amounts not included in CI&amp;ES £'000</b>	<b>Net Cost of Services £'000</b>	<b>Corporate Amounts £'000</b>	<b>(Surplus)/Deficit on Provision of Services £'000</b>
Other income (including fees and charges)	(57,814)	(12,802)	1,412	(69,204)		(69,204)
Income from Council Tax	(243,404)		224,246	(19,158)	(221,137)	(240,295)
Specific Grants and Contributions	(634,375)		262,776	(371,599)	(262,120)	(633,719)
Interest and Investment Income Receivable			2,153	2,153	(14,378)	(12,225)
<b>TOTAL Income</b>	<b>(935,593)</b>	<b>(12,802)</b>	<b>490,587</b>	<b>(457,808)</b>	<b>(497,635)</b>	<b>(955,443)</b>
Employee Expenses	339,263	33,766	(35,503)	337,526		337,526
Agency and Contract Expenditure	306,428		0	306,428	0	306,428
Other Running Expenses	260,561	155	(55,591)	205,125	52	205,177
Support Service Recharges				0	0	0
Depreciation, Amortisation and Impairment		117,946		117,946	(64,423)	53,523
Interest Payable and Similar Charges			(1,895)	(1,895)	20,768	18,873
Precepts and Levies				0	1,079	1,079
Gain or Loss on Disposal of Non-Current Assets				0	17,208	17,208
Pension Interest Cost				0	28,824	28,824
<b>TOTAL Expenditure</b>	<b>906,252</b>	<b>151,867</b>	<b>(92,989)</b>	<b>965,130</b>	<b>3,508</b>	<b>968,638</b>
<b>Surplus/ Deficit on the Provision of Services</b>	<b>(29,341)</b>	<b>139,065</b>	<b>397,598</b>	<b>507,322</b>	<b>(494,127)</b>	<b>13,195</b>

<b>Restated (*1) Reconciliation to Subjective Analysis 2012-13</b>	<b>Service Analysis Cost of Service £'000</b>	<b>Amounts not reported to Management £'000</b>	<b>Amounts not included in CI&amp;ES £'000</b>	<b>Net Cost of Services £'000</b>	<b>Corporate Amounts £'000</b>	<b>(Surplus)/Deficit on Provision of Services £'000</b>
Other income (including fees and charges)	(58,528)	(22,113)	2,302	(78,339)	0	(78,339)
Income from Council Tax	(253,389)	0	253,389	0	(253,681)	(253,681)
Government Grants and Contributions	(628,103)	0	211,218	(416,885)	(211,218)	(628,103)
Interest and Investment Income Receivable	0	0	2,005	2,005	(17,232)	(15,227)
<b>TOTAL Income</b>	<b>(940,020)</b>	<b>(22,113)</b>	<b>468,914</b>	<b>(493,219)</b>	<b>(482,131)</b>	<b>(975,350)</b>
Employee Expenses	378,087	13,794	(36,033)	355,848	0	355,848
Agency and Contract Expenditure	269,733	0	0	269,733	0	269,733
Other Running Expenses	282,107	(31)	(66,670)	215,406	(64)	215,342
Support Service Recharges	0	0	0	0	0	0
Depreciation, Amortisation and Impairment	0	121,326	0	121,326	(58,565)	62,761
Interest Payable and Similar Charges	0	0	(1,850)	(1,850)	20,569	18,719
Precepts and Levies	0	0	0	0	1,062	1,062
Gain or Loss on Disposal of Non-Current Assets	0	0	0	0	84,652	84,652
Pension Interest Cost	0	0	0	0	25,445	25,445
<b>TOTAL Expenditure</b>	<b>929,927</b>	<b>135,089</b>	<b>(104,553)</b>	<b>960,463</b>	<b>73,099</b>	<b>1,033,562</b>
<b>Surplus/ Deficit on the Provision of Services</b>	<b>(10,093)</b>	<b>112,976</b>	<b>364,361</b>	<b>467,244</b>	<b>(409,032)</b>	<b>58,212</b>

(\*1) The presentation of this note has changed from 2012-13 Statement of Accounts due to a prior period adjustment arising from the revision to IAS 19 retirement benefits.

### **Note 33. Acquired and Discontinued Operations.**

The following table shows the amount of income and expenditure within the Council's accounts which relates to its acquired and discontinued operations:

	Year ended 31 March 2014		
	Gross	Income	Net
	Expenditure		Expenditure
	£'000	£'000	£'000
Local Welfare Assistance	1,581	(1,802)	(221)
Public Health Responsibilities	27,895	(26,778)	1,117
<b>Surplus or Deficit on Acquired and Discontinued Operations</b>	<b>29,476</b>	<b>(28,580)</b>	<b>896</b>

#### **Local Welfare Assistance**

From April 2013 Community Care Grants and Crisis Loans previously provided by the Department for Work and Pensions were abolished. From that date responsibility passed to the County Council to provide a locally based and designed provision to deliver a more responsive service that's better targeted and relevant to the needs of vulnerable people in society. The cost of this service is £1.581m and funded by a specific government grant.

#### **Public Health**

The Health and Social Care Act 2012 reformed the existing NHS structures and responsibilities with a number of these responsibilities transferring from the NHS to the control of Local Authorities from April 2013.

Public Health is about helping people to stay healthy and avoid illness, so this includes work on a range of policy areas such as immunisation, nutrition, tobacco and alcohol, drugs recovery, sexual health, pregnancy and children's health.

The Council became responsible for commissioning services for many of these policy areas which was funded by a specific government grant for 2013-14.

Following disaggregation of the closing balance sheet of Lincolnshire NHS PCT a number of balances were transferred to the County Council. These are included in the 2013-14 accounts but opening balances were not restated because the amounts were not material.

### **Note 34. Trading Activities.**

The Council has no trading activities to report for 2013-14.

### **Note 35. Agency Services.**

#### **a. Nursing Care**

The Council makes payments to independent sector nursing homes for both the nursing care element and the personal care element of the accommodation charges. The nursing care element is the financial responsibility of the Clinical Commissioning Groups.

The Council paid £5.812m (£5.534m in 2012-13) acting as an agent of the Clinical Commissioning Groups in order to simplify the payment arrangements to the homes. The total amount paid is recovered from the Clinical Commissioning Groups.

#### **b. Street Lighting**

The Council makes payments on behalf of the District Councils to electricity companies for street lighting. These amounts are then recovered as these charges are the responsibility of the District Councils.

During 2013-14 Lincolnshire County Council paid £0.034m acting as an agent for West Lindsey District Council. £0.039m was recovered. (In 2011-12 £0.015m was spent, with £0.010m being recovered)

### **Note 36. Road Charging Schemes Under the Transport Act 2000.**

The Council has no road charging schemes under the Transport Act 2000.

## **Note 37. Pooled Budgets**

Under Section 31 of the Health Act 1999 (superseded by Section 75 of the Health Act 2006), Lincolnshire County Council has entered into pooled budget arrangements.

The Council is the host Authority for the pooled budgets relating to Learning Disabilities, Integrated Community Equipment Service and Child & Adolescent Mental Health Services, and is responsible for their financial administration.

The NHS Trust is the host Authority for the pooled budgets relating to Mental Health services and Substance Misuse and is responsible for their financial administration.

### **a. Learning Disability**

In 2001-02 Lincolnshire County Council and Lincolnshire Clinical Commissioning Group's established a pooled budget Partnership Arrangement for the provision of Learning Disability services.

<b>2012-13</b>	<b>2013-14</b>
<b>£'000</b>	<b>£'000</b>
55,176 Gross Partnership Expenditure	57,846
(48,580) Gross Partnership Income	(59,129)
<b>6,596 Surplus(-)/Deficit(+)</b>	<b>(1,283)</b>
<b>29,335 Contribution from Lincolnshire County Council</b>	<b>45,206</b>

The underspend for 2013-14 is £1.282m which includes an underspend of £1.173m in relation to daytime opportunities. (However Day Time opportunities are for people of all client groups and not just those with Learning Disabilities). The underspend that can be purely attributable to Learning Disability services is therefore £98k.

This underspend occurred due to a number of reasons.

In the main LD Service, significant savings were achieved in the service through both efficiencies and savings projects. There was through the Practice Enablement Group, far greater control of financial decisions and the timing of when this impacts upon the budget. A new brokerage process for Residential placements has also helped to hold costs down.

As already identified In-House day opportunities has produced a larger than expected underspend.

### **b. Integrated Community Equipment Service (ICES)**

In 2004-05 Lincolnshire County Council and Lincolnshire Clinical Commissioning Group's established a pooled budget Partnership Arrangement for the provision of the Integrated Community Equipment Service.

From 1 November 2012 a new section 75 agreement was put in place between Lincolnshire County Council and Lincolnshire Community Health Services NHS trust, United Lincolnshire Hospitals NHS Trust and Lincolnshire Partnership Foundation NHS Trust

<b>2012-13</b>	<b>2013-14</b>
<b>£'000</b>	<b>£'000</b>
3,791 Gross Partnership Expenditure	5,938
(3,791) Gross Partnership Income	(5,938)
<b>0 Surplus(-)/Deficit(+)</b>	<b>0</b>
<b>1,940 Contribution from Lincolnshire County Council</b>	<b>2,948</b>

This is a 50:50 shared responsibility budget between the Council and the Clinical Commissioning Group's and any overspend is shared.



#### c. Substance Misuse

With effect from 1st April 2013 Lincolnshire County Council hosts the budget for substance misuse on behalf of the Lincolnshire Drug and Alcohol Action Team (DAAT) which is now under a Memorandum of Understanding across the DAAT Partnership. Previously the budget was hosted by Lincolnshire Primary Care Trusts (LPCT). The budget for substance misuse is termed a virtual pooled fund arrangement but is not operated under S.75 of the National Health Service Act 2006.

Responsibility for providing drug and alcohol services passed to Lincolnshire County Council from 1st April 2013. Because of this the majority of the partnership funding now comes from Lincolnshire County Council via the Public Health ring-fenced grant.

The 2013-14 Gross Partnership Expenditure and Income shows an increase of £768,000 when compared to the 2012-13 totals. This is mainly because the 2013-14 totals include expenditure relating to certain alcohol services for the first time. In 2012-13 these services were funded by LPCT development budgets and as such were excluded from the virtual pooled budget arrangement.

<b>2012-13 £'000</b>	<b>2013-14 £'000</b>
6,934 Gross Partnership Expenditure (6,934) Gross Partnership Income	7,702 (7,702)
<b>0 Surplus(-)/Deficit(+)</b>	<b>0</b>
<b>(147) Contribution from Lincolnshire County Council</b>	<b>7,527</b>

There is a risk sharing agreement in place between the parties interested in the DAAT budget. The agreement states that under or overspends on the DAAT budget will be shared between these parties at year end.

For 2013-14 Lincolnshire's share of the risk is 94.5% (51% in 2012-13).

Lincolnshire's received a refund of £380,700 in 2012-13. The budget was fully spent in 2013-14 so no refund was due.

The Council is the host authority for the pooled budget relating to Child & Adolescent Mental Health Services.

#### d. Child & Adolescent Mental Health Services

In 2012-13 Lincolnshire County Council and Lincolnshire Clinical Commissioning Group's established a pooled budget Partnership Arrangement for the provision of Child & Adolescent Mental Health Service. The size of this pooled budget increased significantly in 2013-14 following variations made which incorporated additional functions in to the Section 75 Agreement.

<b>2012-13 £'000</b>	<b>2013-14 £'000</b>
1,001 Gross Partnership Expenditure (1,001) Gross Partnership Income	5,198 (5,198)
<b>0 Surplus(-)/Deficit(+)</b>	<b>0</b>
<b>495 Contribution from Lincolnshire County Council</b>	<b>725</b>

### **Note 38. Members Allowances**

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

<b>2012-13</b>	<b>2013-14</b>
<b>£'000</b>	<b>£'000</b>
<u>Members Allowances:</u>	
629 Basic Allowances	630
356 Special Responsibility Allowances	349
985	979
102 Expenses	117
<b>1,087 TOTAL</b>	<b>1,096</b>

The figures above will always be different to the figures that are disclosed on the Lincolnshire County Council Website as the figures above have been produced on an accruals basis, where as the figures disclosed on the website are produced on a cash basis.

## Note 39. Officers' Remuneration

### a. Officers' remuneration bandings

The table below shows the total number of staff employed by the Council whose actual remuneration exceeded £50,000 per annum, shown in £5,000 bands. Remuneration includes gross salary, expenses, the money value of benefits in kind and termination payments for staff leaving during the year. In addition, the table also identifies the number of staff that left the Council receiving termination payments in the respective year:

2012-13 Number of Staff			2013-14 Number of Staff		
Remuneration received (excl those receiving termination payments)	Staff who received termination payments	Pay Band	Remuneration received (excl those receiving termination payments)	Staff who received termination payments	
1	0	£125,000- £129,999	0	0	
0	0	£120,000- £124,999	1	0	
0	0	£115,000- £119,999	0	0	
0	1	£110,000- £114,999	0	1	
0	0	£105,000- £109,999	2	1	
0	0	£100,000- £104,999	1	1	
0	0	£95,000- £ 99,999	2	0	
3	1	£90,000- £94,999	1	0	
7	3	£85,000- £89,999	6	1	
5	1	£80,000- £84,999	6	1	
6	0	£75,000- £79,999	6	0	
8	2	£70,000- £74,999	10	2	
24	1	£65,000- £69,999	35	3	
47	0	£60,000- £64,999	46	0	
95	1	£55,000- £59,999	79	3	
106	6	£50,000- £54,999	100	1	
<b>302</b>	<b>16</b>	<b>Total</b>	<b>295</b>	<b>14</b>	

A breakdown of the numbers between schools and other services can be found at Appendix A at the back of this document.

Note the above table excludes all employees who are included within the Senior Officer remuneration table on the next page.

## b. Senior Officers' Remuneration

The Accounts and Audit (England) Regulations 2011 requires Local Authorities to disclose individual remuneration details for senior employees (determined as those who have responsibility for the management of the organisation and who direct or control the major activities of the Council).

Job Title	Year	Salary £	Employer's Pension Contribution £	(2*) Other Emoluments £	Total £
<u>Senior Officers with a salary over £150,000</u>					
<b>Tony McArdle</b> - Chief Executive	2013-14	173,643	32,740	0	206,383
	2012-13	173,226	32,740	696	206,662
<u>Senior Officers with a salary over £50,000 and less than £150,000</u>					
Director of Adult Services (*1)	2013-14	105,000	19,845	0	124,845
	2012-13	91,059	17,210	0	108,269
Executive Director - Children's Services	2013-14	126,400	23,811	0	150,211
	2012-13	120,981	22,734	0	143,715
Executive Director - Resources & Community Safety	2013-14	125,983	23,957	1,408	151,348
	2012-13	125,983	23,957	980	150,920
Executive Director - Communities	2013-14	126,400	23,811	0	150,211
	2012-13	126,678	23,811	0	150,489
Executive Director - Performance & Governance	2013-14	125,983	23,811	491	150,285
	2012-13	125,983	23,811	1,194	150,988
Chief Fire Officer	2013-14	111,100	23,664	123	134,887
	2012-13	111,100	23,664	123	134,887
Director of Public Health	2013-14	160,835	20,595	427	181,857
	2012-13	0	0	0	0

(\*1) Director of Adult Services was appointed from 1 February 2013 (Assistant Director prior to this date). Therefore salary less than other equivalent Senior Officers in 2012-13.

(\*2) Other Emoluments include the profit element of car hire and medical insurance.

## **Note 40. Exit Packages**

The numbers of exit packages with total cost (redundancy and pension strain) per band and total cost of the compulsory and other redundancies are set out in the table below:

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13 £	2013-14 £
<b>£0 - £20,000</b>	103	75	78	35	181	110	£1,443,821	£757,177
<b>£20,001 - £40,000</b>	28	15	32	14	60	29	£1,648,122	£794,917
<b>£40,001 - £60,000</b>	9	0	6	3	15	3	£739,301	£161,705
<b>£60,001 - £80,000</b>	7	0	1	0	8	0	£540,958	£0
<b>£80,001 - £200,000</b>	2	3	0	1	2	4	£180,659	£557,659
<b>Total</b>	<b>149</b>	<b>93</b>	<b>117</b>	<b>53</b>	<b>266</b>	<b>146</b>	<b>£4,552,861</b>	<b>£2,271,458</b>

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

Details of the actual costs included within the Council's Income and Expenditure for redundancy and pension strain are set out below in Note 41 Termination Benefits. The difference between the values reported in this note and Note 41 Termination Benefits arise due to provisions and any variances between year end accruals and the actual payments made in the next financial year.

## **Note 41. Termination Benefits.**

In 2013-14 the County Council incurred liabilities of £2.163m (£4.604m in 2012-13) from terminating employees contracts of employment. These costs were made up of:

- £1.831m for redundancy payments (£3.931m in 2012-13); and
- £0.332m for pension strain (£0.673m in 2012-13).

Further information on termination benefits can be found in Note 40 on Exit Packages which details the number of exit packages and total cost over bands and Note 54 on Retirement Benefits which details the effect termination benefits have had on pensions in 2013-14.

#### **Note 42. External Audit Costs.**

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

<b>2012-13</b>	<b>2013-14</b>
<b>£'000</b>	<b>£'000</b>
143 Fees payable to KPMG with regards to external audit services carried out by the appointed auditor for the year	149
0 Fees payable to KPMG in respect of statutory inspections	0
7 Fees payable to KPMG for the certification of grant claims and returns	6
28 Fees payable in respect of other services provided by KPMG during the year	6
<b>178 Total</b>	<b>161</b>

#### **Note 43. Expenditure on Publicity.**

The Council's expenditure on publicity includes: staff advertising, including advertising for teaching and other staff in schools; advertising of statutory notices in relation to highways work and publicity for services such as museums and libraries.

<b>2012-13</b>	<b>2013-14</b>
<b>£'000</b>	<b>£'000</b>
1,357 Other Advertising	1,623
601 Staff Advertising	629
185 County News	190
29 Lincolnshire Show	41
174 Other Publicity	22
13 Public Relations	4
<b>2,359</b>	<b>2,509</b>

Other Advertising includes promotional advertising and merchandise (£0.951m) and Highways statutory notices (£0.299m).

#### **Note 44. Landfill Allowances Trading Scheme (LATS).**

The scheme ended on 31 March 2013 therefore a £nil value per tonne was applied to all transactions in respect of allowances in 2012-13. There are no transactions to report for financial year 2013-14 as the scheme has ceased.

## **Note 45. Dedicated Schools Grant.**

The Council's expenditure on schools is funded primarily by grant monies provided by the Department of Education, the Dedicated schools Grant (DSG). The DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget as defined in the Schools Finance (England) Regulations 2011. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the individual Schools Budget, which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2013-14 are as follows:

<b>Schools Budget Funded by Dedicated Schools Grant</b>	<b>Central Expenditure £'000</b>	<b>Individual Schools Budget £'000</b>	<b>Total £'000</b>
Final DSG for 2013-14 before Academy recoupment			479,340
Academy Figure Recouped for 2013-14			(218,002)
Total DSG after Academy Recoupment for 2013-14			261,338
Brought Forward from 2012-13			16,688
Agreed Initial Budgeted Distribution in 2013-14	51,840	226,185	278,025
In Year Adjustments	(967)	2,213	1,246
<b>Final Budget Distribution for 2013-14</b>	<b>50,873</b>	<b>228,398</b>	<b>279,271</b>
less Actual central expenditure	(48,926)	0	(48,926)
less Actual ISB deployed to schools	0	(210,833)	(210,833)
<b>Total actual expenditure in 2013-14</b>	<b>(48,926)</b>	<b>(210,833)</b>	<b>(259,759)</b>
<b>Local Authority Contribution 2013-14</b>	<b>5</b>	<b>45</b>	<b>50</b>
<b>Carry forward to 2014-15</b>	<b>1,952</b>	<b>17,610</b>	<b>19,562</b>

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

## Note 46. Grant Income

The Council credited the following grants and contributions and donations to the Comprehensive Income and Expenditure Statement in 2013-14; for grants & contributions where the conditions have been met, or no conditions existed:

2012-13 £'000	a) Credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement	2013-14 £'000
197,680	Contribution from National Non-Domestic Rates	0
0	Business Rates - Districts	18,501
0	Business Rates - Top up fund	79,603
6,332	Council Tax Freeze Grant	2,547
3,832	Revenue Support Grant	146,366
2,000	Local Services Support Grant	1,378
1,374	New Homes Bonus Grant & Returned Topslice	2,864
0	Education Services Grant	7,492
0	Adoption Reform Grant	1,277
0	Other Non Specific Grant	2,092
	<u>Capital Grants and Contributions</u>	
24,038	DFT Asset Protection Grant	23,330
6,233	DfE Basic Need Grant	9,467
9,650	DfE Capital Maintenance Grant	7,165
0	DFT Additional Maintenance Grant 2013/2014	4,205
4,136	DFT Integrated Transport Grant	4,136
1,709	Heritage Lottery Fund	2,776
2,717	ERDF Grant	2,025
1,778	ASC Social Care Capital Grant	1,810
0	DfE Academies Grant	1,705
0	DFT Pinchpoint Funding 2013/2014	1,668
1,875	Devolved Formula Grant	1,455
108	S106 Agreements	992
1,138	CLG Fire Capital Grant	885
127	Local Sustainable Transport Fund	842
1,092	Other Capital Grants and Contributions	592
181	Environment Agency Flood Grant	334
0	Public Health Grant - Drugs & Alcohol Recovery	280
0	Loan to Third Party Payment	253
0	Commuted Sum drawdown (Structures)	250
302	Arts Council	234
378	DfE Secure Unit Grant	10
260	Sustrans Grant	9
887	2 Year Old Entitlement Grant	0
500	16-19 Demographic Growth Capital Grant	0
394	DfE Short Breaks for Disabled Children Grant	0
<b>268,721</b>	<b>Total</b>	<b>326,543</b>



Details of capital grants unapplied during the financial year and transferred to reserves can be found in the Movement on Reserves Statement and Note 27 Usable Reserves.

2012-13 £'000	b) Credited to Revenue Service Accounts in the Comprehensive Income and Expenditure Statement	2013-14 £'000
293,367	Dedicated Schools Grant	261,338
0	Public Health Grant	26,272
10,476	Other Revenue Grants	13,637
7,563	Pupil Premium	9,709
18,530	Final Business Case Approval Funding	8,952
10,199	YPLA (EFA) 16-19 Funding	5,781
0	DfT S31 road repair grant	3,312
603	Local Sustainable Transport Fund (LSTF) - DfT	1,834
15	Local Welfare Provision	1,801
1,522	Skills Funding Agency	1,591
0	Dept for Media, Culture & Sport - Contribution to Broadband project	1,351
1,238	Fire Revenue Grant	1,292
0	PE and Sport Grant (EFA)	1,217
659	Young People Learning Agency 16-18 Learner Responsive Funding (YPLA)	522
2,935	SEN & Teacher's Pay Grant (EFA)	328
26,506	Early Intervention Grant Income	0
5,931	LD Health Reform Grant	0
<b>379,544</b>	<b>Total</b>	<b>338,937</b>

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

In addition to these grants, contributions and donations, the Council has received grants, contributions and donations which have not been recognised as income as they have conditions attached to them that have not been met and monies or property may have to be returned to the giver. The balances at the year-end are as follows:

2012-13 £'000	c) Capital Grants and Contributions Receipts in Advance	2013-14 £'000
0	Secure Accommodation Capital Grant 2013-14	16
<b>0</b>	<b>Total</b>	<b>16</b>

2012-13 £'000	d) Revenue Grants and Contributions Receipts in Advance	2013-14 £'000
0	Public Health Grant	1,271
359	Adult Safeguarding Grant	548
83	Leaving Care Grant	98
46	Pupil Premium	87
0	UASC Home Office	71
0	Armed Forces Covenant	71
0	Residential Care Pilot	24
32	Other Revenue Receipts in Advance	22
20	Adult Social Care Efficiency Programme Grant	20
40	Grant for AHL Museums & Schools Programme	0
<b>580</b>	<b>Total</b>	<b>2,212</b>

2012-13 £'000	e) Donated Assets Receipts in Kind	2013-14 £'000
1,063	Fire - New Dimensions Assets Transfer	0
<b>1,063</b>	<b>Total</b>	<b>0</b>

## **Note 47. Related Parties.**

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

### **a. Central Government**

Central government has effective control over the general operations of the Council – it is responsible for providing the statutory framework; within which the Council operates; provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills).

The Council receives revenue support grant from Central Government, this is credited to taxation and non-specific grant income line in the Comprehensive Income and Expenditure Statement. Specific revenue grants are included in the income figures within the net cost of services in the Comprehensive Income and Expenditure Statement. Further details of the grants received by the Council in 2013-14 are set out in Note 13 Taxation and Non Specific Grant Income and Note 46 Grant Income.

Capital grants of £64.439m have also been received by the Council in 2013-14, these are recorded in Note 13 Taxation and Non Specific Grant Income and Note 46 Grant Income.

### **b. Councillors and Senior Officers**

Members of the Council have direct control over the Council's financial and operating policies. The total members' allowances paid in 2013-14 is shown in Note 38.

The Chief Executive and those reporting directly to him may also be able to influence Council policy. Therefore accounting standards require the Council to disclose certain 'related party transactions' between County Councillors, Chief Officers and the Council. This information comes from the statutory registers of interest (maintained for members) and declarations of pecuniary interests (for Officers). Details of all transactions are recorded in the Register of Members' Interest, which are available for public inspection at County Offices on Newland, Lincoln, during normal office hours, or also on-line from the Council's website. All Council members and Chief Officers have been written to, advising them of their obligations and asking for any declarations of related party transactions to be disclosed within the Statement of Accounts.

Two Councillors have not submitted the declaration of interest form this year. Relevant information relating to these Councillors have been used from other sources to compile the information below.

Each Councillor received a grant to the value of £0.002m to be spent within their constituency, these grants have not been included within the note.

During 2013-14 the following have been declared:

#### **Councillors**

- Thirty-three Councillors have disclosed that they or their immediate families have control or significant influence over a private organisation;
- Four Councillors or their immediate families have provided services to the Council to the value of £0.142m;
- Three Councillors are members of Parish or Town Councils which received grants to the value of £0.005m;
- Seven Councillors are members of voluntary organisations which received grants to the value of £0.390m;
- A number of Councillors are members of other organisations such as District/Parish Councils, school governors, other public bodies and charities who have provided services for, or received services from the Council;

- One Councillor is a Director of Investors in Lincoln Ltd;
- Two Councillors are on the Management Board of ESPO;
- One Councillor is the Chairman and on the Board of Urban Challenge;
- Two Councillors are on the Board of Lincolnshire Economic Action Partnership; and
- One Councillor is a Reserved Member of SPARSE, which is a grouping of the most rural local authorities in Lincolnshire.

#### Senior Officers

- Two Chief Officers have disclosed that they or their immediate families have control or significant influence over a private organisation;
- Two Chief Officers are on the Board of Lincolnshire Economic Action Partnership;
- One Chief Officer is a member of the Chief Officers Group of ESPO.

#### c. Other Public Bodies

The Council has entered into Pooled Budget arrangements with Lincolnshire Clinical Commissioning Groups for Learning Disabilities, Integrated Community Equipment, Substance Misuse, and Child & Adolescent Mental Health Service.

The Council is the administrator of the Lincolnshire Pension Fund and has control of the fund within the overall statutory framework. During the financial year £1.076m was recharged from the Council to the pension fund for scheme administration and management. The pension fund earned a total interest of £0.029m on deposits managed within the Council's own cash, which the Council paid over to the pension fund.

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

The Council does not aggregate any subsidiaries, associated companies or joint ventures and therefore is not required to prepare group accounts. However, the Council has disclosed under the group account note our interest in Eastern Shires Purchasing Organisation (ESPO) in Note 57 Group Relationships and Other Interests.

## **Note 48. Capital Expenditure and Capital Financing.**

The table below shows the financing of the £144.284m capital expenditure (including revenue expenditure financed from capital under statute and finance leases), together with the resources that have been used to finance it. The explanation of movement in year shows the change in the underlying need to borrow to finance capital expenditure.

Further information on the 2013-14 expenditure is provided in the Explanatory Foreword, with details of the asset acquired.

<b>2012-13</b>	<b>2013-14</b>
<b>£'000</b>	<b>£'000</b>
<b>492,754 Opening Capital Financing Requirement</b>	<b>547,386</b>
<u>Capital Investment:</u>	
147,198 Property, Plant and Equipment	105,416
130 Investment Property	421
1,075 Intangible Assets	454
0 Loans and Advances Treated as Capital Expenditure	3,216
27,513 Revenue Expenditure Funded from Capital Under Statute (REFCUS)	34,778
<u>Sources of Finance:</u>	
(6,049) Capital Receipts	(3,237)
(46,185) Government Grants and Contributions	(72,204)
(22,113) Government Grants and Contributions funding REFCUS	(12,802)
<u>Sums set aside from Revenue:</u>	
(17,255) Direct Revenue Contributions	(9,677)
(29,682) Minimum Revenue Provision/Loans fund principal	(25,925)
<b>547,386 Closing Capital Financing Requirement</b>	<b>567,826</b>
<b>54,632 Movement in Year:</b>	<b>20,440</b>
<b>Explanation of movement in year:</b>	
0 Increase in underlying need to borrow (supported by government financial assistance)	0
Increase in underlying need to borrow (unsupported by government financial assistance)	20,241
462 Assets acquired under finance leases	199
0 Assets acquired under PFI/PPP contracts	0
<b>54,632 Increase/(Decrease) in Capital Financing Requirement</b>	<b>20,440</b>

## **Note 49 Leases.**

### **a. Lincolnshire County Council as Lessee**

#### **i) Finance Leases**

The Council has acquired the following assets under finance leases:

##### Land and Buildings:

County Farms - the Council hold a small number of holdings under lease which are then sub-let as part of the County Farms estate.

Other Land and Buildings – the Council has a small number of leases which it has classified as finance leases.

Vehicles, Plant, Furniture and Equipment - finance lease payments of £0.704m (£0.973m in 2012-13) were made during the year. £0.122m was charged to the Comprehensive Income and Expenditure Statement as interest payable and £0.583m written down to deferred liabilities.

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

	<b>Land and Buildings £'000</b>	<b>Vehicles, Plant &amp; Equipment £'000</b>
Valuation at 01 April 2013	15,404	887
Additions	63	58
Revaluations	767	0
Depreciation	(374)	(533)
Disposals	(14)	0
Derecognition	0	0
Reclassifications	155	0
<b>Net Book Value at 31 March 2014</b>	<b>16,001</b>	<b>412</b>

Valuation at 01 April 2012	16,369	5,339
Additions	96	463
Revaluations	(127)	0
Depreciation	(372)	(4,915)
Disposals	(15)	0
Derecognition	(2)	0
Reclassifications	(545)	0
<b>Net Book value as at 31 March 2013</b>	<b>15,404</b>	<b>887</b>

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Council and finance costs that will be payable by the Council in future years

Land and Buildings:	2012-13		2013-14	
	Minimum Lease Payments £'000	Finance Lease Liabilities £'000	Minimum Lease Payments £'000	Finance Lease Liabilities £'000
Not later than one year	6	13	6	13
Between one year and not later than five years	26	51	26	51
Later than five years	213	353	212	341
<b>Total Committed Liabilities as at 31 March</b>	<b>245</b>	<b>417</b>	<b>244</b>	<b>405</b>

Vehicles, Plant & Equipment:	2012-13		2013-14	
	Minimum Lease Payments £'000	Finance Lease Liabilities £'000	Minimum Lease Payments £'000	Finance Lease Liabilities £'000
Not later than one year	367	98	167	45
Between one year and not later than five years	334	99	149	62
Later than five years	0	0	0	0
<b>Total Committed Liabilities as at 31 March</b>	<b>701</b>	<b>197</b>	<b>316</b>	<b>107</b>

The Council sub-lets County Farm holdings held under finance leases. At 31 March 2014 the minimum payments expected to be received under non-cancellable sub-leases was £0.318m.

## **ii) Operating Leases**

The Council has acquired the following assets under operating leases:

Land and Buildings - the Council leases various properties for use in delivering services. The rentals paid during 2013-14 amounted to £1.638m (£1.928m in 2012-13). This includes £1.122m for central office accommodation which is managed by Mouchel and charged to the Council as part of a monthly service charge.

Vehicles, Plant, Furniture and Equipment - the Council makes operating lease payments for equipment, contract car hire vehicles and fleet hire. The amount paid under these arrangements was £3.016m in 2013-14 (£1.993m in 2012-13).

As at 31 March 2014, the Council is committed to making payments of £18.98m under operating leases, comprising the following elements:

	2012-13 £'000	2013-14 £'000
Not later than one year	3,415	3,911
Between one year and not later than five years	7,412	7,422
Later than five years	7,406	7,647
<b>Total Committed Liabilities as at 31 March</b>	<b>18,233</b>	<b>18,980</b>

## **b. Lincolnshire County Council as Lessor**

### **i) Finance Leases**

The Council has granted a small number of long-term leases for Adult Care properties, which are accounted for as finance leases. Buildings leased at academy sites are also treated as finance leases. There are no significant lease payments and no debtors

The Council does not acquire assets specifically for the purpose of letting under finance leases.

### **ii) Operating Leases**

The Council acts as lessor (landlord), mainly for the County Farms estate and received income from tenants of £2.097m in 2013-14 (£1.941m in 2012-13). The Council also received rental income from other properties; where the value of the lease is material, the income amounted to £1.164m in 2013-14 (£1.049m in 2012-13).

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

	<b>2012-13</b>	<b>2013-14</b>
	<b>£'000</b>	<b>£'000</b>
Not later than one year	566	701
Between one year and not later than five years	1,297	1,385
Later than five years	1,670	2,176
<b>Total future minimum lease payments receivable as at 31 March</b>	<b>3,533</b>	<b>4,262</b>

## **Note 50. Private Finance Initiatives (PFI) and Similar Contracts**

### **Lincolnshire - Schools PFI Arrangement**

#### **a. Background**

On 27 September 2001 the Council entered into a 31 year PFI contract with Focus Education (Lincolnshire), for the construction and provision of seven fully serviced school premises across the County. The school sites were completed and became operational, on a phased basis, as shown in the following table:

<b>Buildings: Description</b>	<b>Occupied from</b>
Sleaford St Botolph's County Primary	Sep 2002
Sleaford Church Lane Primary	Jan 2003
Claypole CE County Primary	Mar 2003
The Fortuna Primary, Lincoln	Sep 2003
The Sincil School, Lincoln	Mar 2006
The Phoenix School, Grantham	Sep 2003
The Lady Jane Franklin School, Spilsby	Sep 2003

The contractor is required to provide the school facilities to the specified standard (including school buildings and educational equipment). The school must operate within the policies of the Local Education Authority. The school facilities must be available and ready for use as a school during term time and the school day is specified as 8am to 7pm.

The contract specifies minimum standards for the services to be provided by the contractor, with deductions from the fee payable being made if facilities are unavailable or performance is below the minimum standards.

The Council is required to pay compensation to the contractor if the contract is terminated early to cover: the senior debt, any redundancy costs incurred by the provider, and any future profit elements set out in the contractor's financial model.

The contract ends in 2032, at which time the school premises will transfer to the ownership of the Council at no further cost. The contract specifies the physical condition in which the premises must be transferred.

#### **b. Property, Plant and Equipment Held Under the PFI Contract**

The table below shows the fixed assets held by the Council, and the movement in their values during 2013-14. These assets are included in the fixed assets shown in Note 14 Property, Plant and Equipment.

	<b>Land &amp; Buildings £'000</b>	<b>Furniture &amp; Equipment £'000</b>
Valuation at 01 April 2013	24,387	91
Additions	48	37
Revaluations	4	0
Depreciation	(418)	(57)
Disposals	0	0
Reclassifications	0	0
De-recognition	0	0
<b>Net Book Value at 31 March 2014</b>	<b>24,021</b>	<b>71</b>

	<b>Land &amp; Buildings £'000</b>	<b>Furniture &amp; Equipment £'000</b>
Valuation at 1 April 2012	30,578	157
Additions	16	48
Revaluations	(1,651)	0
Depreciation	(462)	(73)
Disposals	(4,094)	(41)
Reclassifications	0	0
De-recognition	0	0
<b>Net Book Value at 31 March 2013</b>	<b>24,387</b>	<b>91</b>



c. Liabilities Outstanding under the PFI Contract – Finance Lease Element

The following table shows the outstanding liability on the PFI Finance Lease, and the movement during 2013-14:

	<b>PFI Lease Liability 2012-13 £'000</b>	<b>PFI Lease Liability 2013-14 £'000</b>
Liability as at 1 April	14,505	13,939
Principal Repayments	(567)	(694)
<b>Liability as at 31 March</b>	<b>13,938</b>	<b>13,245</b>

d. PFI Contract Liabilities

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

	<b>Principal Lease Repayments £'000</b>	<b>Financing Costs (Interest) £'000</b>	<b>Service Charges £'000</b>	<b>Total Estimated Payments £'000</b>
Payable in 2014-15	759	929	1,662	<b>3,350</b>
Payable between 2015-16 and 2018-19	2,460	3,268	7,626	<b>13,354</b>
Payable between 2019-20 and 2023-24	4,027	2,906	10,690	<b>17,623</b>
Payable between 2024-25 and 2028-29	4,363	1,476	11,473	<b>17,312</b>
Payable between 2029-30 and 2033-34	1,636	161	6,191	<b>7,988</b>
<b>Total Committed Liabilities as at 31 March 2014</b>	<b>13,245</b>	<b>8,740</b>	<b>37,642</b>	<b>59,627</b>

e. Conversion to Academy Status

On 1st March 2013, the Phoenix School in Grantham converted to Academy status. A lease has been agreed between the Council and the Academy to reflect the effects of conversion. This lease is accounted for in accordance with the Authority's Accounting Policies on Leases and Accounting for Schools.

The figures shown for 2013-14 in Sections c and d above, include £2.1m of principal lease liability and £1.5m of interest liability that relate to the Phoenix School.

**Note 51. Impairment Losses.**

The Council has not recognised any material impairments in the 2013-14 accounts.

**Note 52. Capitalisation of Borrowing Costs.**

The Council does not capitalise any borrowing costs.

## **Note 53. Pension Schemes Accounted for as Defined Contribution Schemes.**

### **Teachers' Pension Scheme**

Teachers employed by the Council are members of the Teachers' Pension Scheme (TPS), administered by the Department for Education. The Scheme provides teachers with specified benefits upon their retirement and the Council makes contributions towards the costs based on a percentage of members' pensionable salaries.

The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by Local Authorities. The Council is not able to identify its share of underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purpose of these Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2013-14 the Council paid £12.968m to the administrators of the TPS in respect of employer's pension contributions. The Council contribution rate to the teacher's pension fund is 14.1% in 2013-14. The Council is responsible for all pension payments relating to compensatory added years under the Council's early retirement policy.

This includes payments for associated pension increases and mandatory compensation payments to fund the early release of benefits from the scheme. These unfunded benefits amounted to £3.788m in 2013-14 and have an ongoing liability to the Council.

### **National Health Service Pension Scheme (NHSPS)**

Staff who transferred to the County Council from the Health Authority as part of Public Health have remained in the National Health Service Pension Scheme (NHSPS).

The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Department for Health uses a notional fund as the basis for calculating the employers' contribution rate paid by Local Authorities. The Council is not able to identify its share of underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2013-14 the Council paid £0.274m to the administrators of the NHSPS in respect of employer's pension contributions. The Council contribution rate to the NHSPS pension fund is 14% in 2013-14.

## **Note 54. Defined Benefit Pensions Schemes.**

### **Participation in Pension Schemes**

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The Council participates in two post employment schemes:

#### **i. Local Government Pension Scheme (LGPS)**

The Local Government Pension Scheme is a funded defined benefits final salary scheme. This means that the Council and employees pay contributions into the fund, calculated at a level intended to balance the pensions liabilities with investment assets.

The Council paid employer's contributions of £25.799m into the Lincolnshire Pension Fund in 2013-14, based on 18.9% of scheme employees' pensionable pay.

Under the Council's early retirement policy, additional contributions of £5.704m were made to the Pension Fund for the pre-funding of early retirements and unfunded benefits in respect of compensatory added years and associated pension increases amounted to £1.922m. Further information can be found on pages 122 to 152 and in the Council's Pension Fund Annual Report which is available on request.

The Lincolnshire County Council's pension scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of it's pension Committee. Policy is determined in accordance with the Pension Fund Regulations. The investment managers of the fund are appointed by the committee-See list in the Pension Fund statements on page 127.

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 the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge the General Fund the amounts required by statute as described in the accounting policies note.

#### **ii. Fire-fighters' (Uniformed) Pension Scheme (FPS)**

In 2013-14 the Council paid employer's contributions of £4.34m to the Lincolnshire Fire and Rescue Pension Fund. There are currently two schemes: the 1992 scheme, where the contribution rate is 21.3% and a new scheme established in 2006, where the contribution rate is 11%. A further £0.926m was paid in respect of ill health retirements and £0.294m in respect of injury benefits. Further information on the Lincolnshire Fire and Rescue Pension fund can be found on pages 153 to 155.

### **Transactions Relating to Post Employment Benefits (IAS 19 Retirement Benefits accounting entries).**

We recognise the cost of retirement benefits in the reported cost of services, when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement.

The unfunded FPS employer's contributions have been defined by the actuary as benefits expenditure reduced by employee contributions. These are gross contributions and have been adjusted by the DCLG government grant. The following transactions have been made in the Comprehensive Income and Expenditure Statement and as movements to the General Fund.

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

**b. Pension Assets and Liabilities Recognised in the Balance Sheet, Service Costs & Other Comprehensive Income for the Local Government Pension Fund as at 31 March 2014**

	<b>Assets £'000</b>	<b>Obligations £'000</b>	<b>Net liability/asset £'000</b>
Fair value of employer assets	843,495		843,495
Present value of funded liabilities		(1,216,901)	(1,216,901)
Present value of unfunded liabilities		(100,124)	(100,124)
<b>Opening position as at 31 March 2013</b>	<b>843,495</b>	<b>(1,317,025)</b>	<b>(473,530)</b>
Service cost			
Current service cost		(32,688)	(32,688)
Past service costs (including curtailments)		(236)	(236)
Effect of settlements	(1,898)	4,439	2,541
<b>Total Service Costs</b>	<b>(1,898)</b>	<b>(28,485)</b>	<b>(30,383)</b>
Net Interest			
Interest income on planned assets	37,742		37,742
interest cost on defined benefit obligation		(58,966)	(58,966)
Impact on asset ceiling			0
<b>Total net Interest</b>	<b>37,742</b>	<b>(58,966)</b>	<b>(21,224)</b>
<b>Total defined benefit cost recognised in Profit or( Loss)</b>	<b>35,844</b>	<b>(87,451)</b>	<b>(51,607)</b>
Cash flows			
Plan participants' contributions	8,521	(8,521)	0
Employer contributions	25,799		25,799
Contributions re unfunded benefits	5,704		5,704
Benefits paid	(39,454)	39,454	0
Unfunded benefits paid	(5,704)	5,704	0
<b>Expected closing position</b>	<b>874,205</b>	<b>(1,367,839)</b>	<b>(493,634)</b>
Remeasurements			
Changes in demographic assumptions		(25,050)	(25,050)
Changes in financial assumptions		411	411
Other experience		25,973	25,973
Return on assets excluding amounts included in net interest	(35,025)		(35,025)
Changes in asset ceiling			0
<b>Total remeasurements recognised in Other Comprehensive Income(OCI)</b>	<b>(35,025)</b>	<b>1,334</b>	<b>(33,691)</b>
Exchange differences			0
Effect of business combinations or disposals			0
<b>Total Exchange and business combinations &amp; disposals</b>	<b>0</b>	<b>0</b>	<b>0</b>
Fair value of employer assets	839,180		839,180
Present value of funded liabilities		(1,265,591)	(1,265,591)
Present value of unfunded liabilities		(100,915)	(100,915)
<b>Closing position as at 31 March 2014</b>	<b>839,180</b>	<b>(1,366,506)</b>	<b>(527,326)</b>

This liability comprises of approximately £28.288m in respect of LPGS unfunded pensions and £72.627m in respect of Teachers unfunded pensions

Analysis of the present value of the defined obligation - Local Government Pension Scheme

	Liability Split	Duration
	%	
Members	37	25.4
Deferred Members	21	23.5
Pensioners	42	11.6
	<b>100</b>	<b>18.5</b>

c. Pension Assets and Liabilities Recognised in the Balance Sheet, Service Costs & Other Comprehensive Income for the Local Government Pension Fund as at 31 March 2013

	Assets £'000	Obligations £'000	Net liability/asset £'000
Fair value of employer assets	755,718		755,718
Present value of funded liabilities		(1,157,489)	(1,157,489)
<b>Opening position as at 31 March 2012</b>	<b>755,718</b>	<b>(1,157,489)</b>	<b>(401,771)</b>
Service cost			
Current service cost		(26,688)	(26,688)
Past service costs (including curtailments)		(1,055)	(1,055)
Effect of settlements	(11,334)	27,322	15,988
<b>Total Service Costs</b>	<b>(11,334)</b>	<b>(421)</b>	<b>(11,755)</b>
Net Interest			
Interest income on planned assets	36,067		36,067
interest cost on defined benefit obligation		(54,712)	(54,712)
Impact on asset ceiling			0
<b>Total net Interest</b>	<b>36,067</b>	<b>(54,712)</b>	<b>(18,645)</b>
<b>Total defined benefit cost recognised in Profit or( Loss)</b>	<b>24,733</b>	<b>(55,133)</b>	<b>(30,400)</b>
Cash flows			
Plan participants' contributions	8,737	(8,737)	0
Employer contributions	25,966		25,966
Contributions re unfunded benefits	5,668		5,668
Benefits paid	(36,042)	36,042	0
Unfunded benefits paid	(5,668)	5,668	0
<b>Expected closing position</b>	<b>779,112</b>	<b>(1,179,649)</b>	<b>(400,537)</b>
Remeasurements			
Changes in demographic assumptions			0
Changes in financial assumptions		(137,397)	(137,397)
Other experience		21	21
Return on assets excluding amounts included in net interest	64,383		64,383
Changes in asset ceiling			0
<b>Total remeasurements recognised in Other Comprehensive Income(OCI)</b>	<b>64,383</b>	<b>(137,376)</b>	<b>(72,993)</b>
Exchange differences			0
Effect of business combinations or disposals			0
<b>Total Exchange and business combinations &amp; disposals</b>	<b>0</b>	<b>0</b>	<b>0</b>
Fair value of employer assets	843,495		843,495
Present value of funded liabilities		(1,216,901)	(1,216,901)
Present value of unfunded liabilities		(100,124)	(100,124)
<b>Closing position as at 31 March 2014</b>	<b>843,495</b>	<b>(1,317,025)</b>	<b>(473,530)</b>

d. Pension Assets and Liabilities Recognised in the Balance Sheet, P & L & OCI for the Fire Fighters Pension Fund as at 31 March 2014

	Assets £'000	Obligations £'000	Net liability/asset £'000
Fair value of employer assets	0		0
Present value of funded liabilities		(155,600)	(155,600)
Present value of unfunded liabilities		(12,600)	(12,600)
Opening position as at 31 March 2013	0	(168,200)	(168,200)
Service cost			
Current service cost		(5,000)	(5,000)
Past service costs (including curtailments)		0	0
Effect of settlements	0	0	0
<b>Total Service Costs</b>	<b>0</b>	<b>(5,000)</b>	<b>(5,000)</b>
Net Interest			
Interest income on planned assets	0		0
interest cost on defined benefit obligation		(7,600)	(7,600)
Impact on asset ceiling			0
<b>Total net Interest</b>	<b>0</b>	<b>(7,600)</b>	<b>(7,600)</b>
<b>Total defined benefit cost recognised in Profit or( Loss)</b>	<b>0</b>	<b>(12,600)</b>	<b>(12,600)</b>
Cash flows			
Plan participants' contributions	1,100	(1,100)	0
Employer contributions	4,000		4,000
Transfers to/from other authorities	100	(100)	0
Contributions in respect of injury benefits	300		300
Benefits paid	(5,200)	5,200	0
Injury award expenditure	(300)	300	0
<b>Expected closing position</b>	<b>0</b>	<b>(176,500)</b>	<b>(176,500)</b>
Remeasurements			
Changes in demographic assumptions		(4,100)	(4,100)
Changes in financial assumptions		(7,500)	(7,500)
Other experience		100	100
Return on assets excluding amounts included in net interest			0
Changes in asset ceiling			0
<b>Total remeasurements recognised in Other Comprehensive Income(OCI)</b>	<b>0</b>	<b>(11,500)</b>	<b>(11,500)</b>
Exchange differences			0
Effect of business combinations or disposals			0
<b>Total Exchange and business combinations &amp; disposals</b>	<b>0</b>	<b>0</b>	<b>0</b>
Fair value of employer assets	0		0
Present value of funded liabilities		(173,700)	(173,700)
Present value of unfunded liabilities		(14,300)	(14,300)
<b>Closing position as at 31 March 2014</b>	<b>0</b>	<b>(188,000)</b>	<b>(188,000)</b>

The current service cost shown in the table above includes the cost for both the non-injury benefits and injury benefits. This is split £4.495m for the non-injury benefits and £0.559 for the injury benefits.

The interest cost shown in the table above includes the cost for both the non-injury benefits and injury benefits. This is split £7.009m for the non-injury benefits and £0.559m for the injury benefits.

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

	<b>Liability Split</b>		<b>Duration</b>
	<b>£000</b>	<b>%</b>	<b>Years</b>
Members	91,200	52.5	26.2
Deferred Members	3,000	1.7	27
Pensioners	79,500	45.8	12.2
	<b>173,700</b>	<b>100</b>	<b>19.8</b>

	<b>Liability Split</b>		<b>Duration</b>
	<b>£000</b>	<b>%</b>	<b>Years</b>
Contingent injuries	9,100	63.6	26.2
Injury pension liabilities	5,200	36.4	12.7
	<b>14,300</b>	<b>100</b>	<b>21.3</b>

e. Pension Assets and Liabilities Recognised in the Balance Sheet, P & L & OCI for the Fire Fighters Pension Fund as at 31 March 2013

	<b>Assets £'000</b>	<b>Obligations £'000</b>	<b>Net liability/asset £'000</b>
Fair value of employer assets	0		0
Present value of funded liabilities		133,300	(133,300)
Present value of unfunded liabilities		10,300	(10,300)
Opening position as at 31 March 2013	0	143,600	(143,600)
Service cost			
Current service cost		4,000	(4,000)
Past service costs (including curtailments)		0	0
Effect of settlements	0	0	0
Total Service Costs	0	4,000	(4,000)
Net Interest			
Interest income on planned assets	0		0
interest cost on defined benefit obligation		6,800	(6,800)
Impact on asset ceiling			0
Total net Interest	0	6,800	(6,800)
Total defined benefit cost recognised in Profit or( Loss)	0	10,800	(10,800)
Cash flows			
Plan participants' contributions	1,000	1,000	0
Employer contributions	4,200		4,200
Transfers to/from other authorities	0	0	0
Contributions in respect of injury benefits	200		200
Benefits paid	(5,200)	(5,200)	0
Injury award expenditure	(200)	(200)	0
Expected closing position	0	150,000	(150,000)
Remeasurements			
Changes in demographic assumptions		0	0
Changes in financial assumptions		18,100	(18,100)
Other experience		100	(100)
Return on assets excluding amounts included in net interest			0
Changes in asset ceiling			0
Total remeasurements recognised in Other Comprehensive Income(OCI)	0	18,200	(18,200)
Exchange differences			0
Effect of business combinations or disposals			0
Total Exchange and business combinations & disposals	0	0	0
Fair value of employer assets	0		0
Present value of funded liabilities		155,600	(155,600)
Present value of unfunded liabilities		12,600	(12,600)
Closing position as at 31 March 2014	0	168,200	(168,200)



	<b>Liability Split</b>		<b>Duration</b>
	<b>£000</b>	<b>%</b>	<b>Years</b>
Members	76,100	48.9	26
Deferred Members	2,600	1.7	26.9
Pensioners	76,900	49.4	12.2
	155,600	100	19.2

	<b>Liability Split</b>		<b>Duration</b>
	<b>£000</b>	<b>%</b>	<b>Years</b>
Contingent injuries	7,600	60.3	26
Injury pension liabilities	5,000	39.7	12.7
	12,600	100	20.7

#### f. Pension Fund Assets Comprise

The Local Government Pension schemes comprise the following assets:

Asset Class	2012-13 £'000	2012-13 %	2013-14 £'000	2013-14 %
	Fair value of scheme assets		Fair value of scheme assets	
Equities (b)				
-Consumer	157,200	18.6%	154,396	18.4%
-Manufacturing	34,838	4.1%	28,352	3.4%
-Energy & Utilities	68,579	8.0%	61,626	7.2%
-Financial	90,464	10.7%	99,153	11.8%
-Health & Care	0	0.0%	0	0.0%
-Information Technology	30,234	3.6%	22,926	2.7%
-Other	95,767	11.4%	106,569	12.7%
<b>Total Equities</b>	<b>477,082</b>	<b>56.5%</b>	<b>473,022</b>	<b>56.2%</b>
Bonds				
-Corporate (Investment)	27,258	3.2%	26,160	3.1%
-Corporate (Non-Investment Grade)	0	0.0%	0	0.0%
-Government (Fixed)	16,714	2.0%	15,425	1.8%
-Other	10,998	1.3%	10,015	1.2%
<b>Total Bonds</b>	<b>54,970</b>	<b>6.5%</b>	<b>51,600</b>	<b>6.1%</b>
<b>Total Private Equity</b>	<b>55,943</b>	<b>6.6%</b>	<b>45,980</b>	<b>5.5%</b>
<b>Property</b>				
-UK	72,178	8.7%	78,889	9.4%
-Global	15,635	1.9%	12,704	1.5%
<b>Total Property</b>	<b>87,813</b>	<b>10.5%</b>	<b>91,593</b>	<b>10.9%</b>
Investment Funds & Unit Trusts				
- Equities	41,912	5.0%	39,194	4.8%
- Bonds	49,796	5.9%	52,916	6.3%
-Other	66,434	7.9%	71,926	8.6%
<b>Total Investment Funds</b>	<b>158,142</b>	<b>18.8%</b>	<b>164,036</b>	<b>19.7%</b>
<b>Cash and Cash Equivalents</b>	<b>9,544</b>	<b>1.1%</b>	<b>12,950</b>	<b>1.6%</b>
<b>Total Derivatives</b>	<b>0</b>	<b>0.0%</b>	<b>0</b>	<b>0.0%</b>
<b>Total Assets</b>	<b>843,494</b>	<b>100.0%</b>	<b>839,182</b>	<b>100.0%</b>

All scheme assets have quoted prices in active markets.

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

The estimated return on scheme assets in the year was 6.4% (2013-14).

#### g. Basis for estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Hyman Robertson, an independent firm of actuaries, estimates for the Council Fund being based on the latest full valuation of the scheme as at 1 April 2014.

The principal assumptions used by the actuary have been:

	<b>2012-13 Local Government Pension Scheme %</b>	<b>2012-13 Fire-fighters' Pension Scheme %</b>	<b>2013-14 Local Government Pension Scheme %</b>	<b>2013-14 Fire-fighters' Pension Scheme %</b>
Price Increases	3.6	3.6	3.6	3.6
Salary Increases (*1)	5.1	3.8	4.1	3.8
Pension Increases (CPI)	2.8	2.8	2.8	2.8
Discount Rate	4.5	4.5	4.3	4.3
Equity investments	4.5	N/A	4.3	N/A
Bonds	4.5	N/A	4.3	N/A
Other	4.5	N/A	4.3	N/A
Take up of option to convert annual pension to lump sum prior to 1 April 2008	25	N/A	25	N/A
Take up of option to convert annual pension to lump sum post 1 April 2008	63	N/A	63	N/A

(\*1) Salary increases are 1% p. a. nominal for the year to 31 March 2015 reverting to the long term assumption thereafter.

The table below shows the life expectancy of future and current pensioners and is based on the PFA92 and PMA92 tables; this is projected to the calendar year 2033 for non pensioners and 2017 for pensioners. Life expectancy is based on pensioners of 65 in the LGPS and 60 in the Fire-fighters' scheme.

	<b>Local Government Pension Scheme Male</b>	<b>Local Government Pension Scheme Female</b>	<b>Fire-fighters' Pension Scheme Male</b>	<b>Fire-fighters' Pension Scheme Female</b>
Current Pensioners	22.2	24.4	29.3	31.5
Future Pensioners	24.5	26.8	30.9	33
The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the above tables.	<b>46.7</b>	<b>51.2</b>	<b>60.2</b>	<b>64.5</b>

## h. Sensitivity Analysis

The sensitivity analyses below have been determined based on reasonable possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimation in the sensitivity analysis have followed the accounting policies of the scheme, i.e. on a actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in a previous period.

Change in assumptions in year ended 31 March 2013	Local Government Pension Scheme		Fire Fighters' Pension Scheme	
	Approximate % Change to Employer Liability	Approximate monetary Amount £000	Approximate % Change to Employer Liability	Approximate monetary Amount £000
0.5% decrease in Real Discount rate	9.0%	126,784	10.0%	19,000
1 year increase in member life expectancy	3.0%	40,995	3.0%	5,600
0.5% increase in the Salary Increase Rate	3.0%	34,837	2.0%	3,900
0.5% increase in the Pension Increase Rate	7.0%	90,660	8.0%	15,500

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

### Asset and Liability Matching (ALM) Strategy

The County Council's pension committee has agreed to an asset and liability matching strategy (ALM) that matches, to the extent possible, the types of assets invested to the liabilities in the defined benefit obligation. The fund has matched assets to the pensions' obligations by investing long-term fixed interest securities and indexed linked gilt edged investment with maturities that match the benefits payments as they fall due. This is balanced with a need to maintain the liquidity of the fund to ensure that it is able to make current payments. As is required by the pensions and investment regulations the suitability of various types of investment have been considered, as has the need to diversify investments to reduce risk of being invested in too narrow a range. A large proportion of the assets relate to equities (60% of scheme assets) and bonds (13%). These percentages are materially the same as last year. The scheme also invests in properties as a part of the diversification of the scheme's investments.

The ALM strategy is monitored annually or more frequently if necessary.

### Impact on the Authority's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant rate as possible. The 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 implemented on 31 March 2017. The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014. The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings scheme to pay pensions and other benefits.

i. Projected defined benefit cost for the period to 31 March 2015

**Local Government Pension Scheme**

	<b>Assets £000</b>	<b>Obligations £000</b>	<b>Net (liability)/asset £000</b>	<b>% of pay</b>
Projected Current Service Cost		(32,707)	(32,707)	-24.0%
Past service cost including curtailments			0	
Effect of settlements			0	
<b>Total Service Cost</b>	<b>0</b>	<b>(32,707)</b>	<b>(32,707)</b>	<b>-24.0%</b>
Interest income on plan assets	35,971		35,971	26.4%
Interest cost on defined benefit obligation		(58,643)	(58,643)	-43.1%
<b>Total Net Interest Cost</b>	<b>35,971</b>	<b>(58,643)</b>	<b>(22,672)</b>	<b>-16.7%</b>
<b>Total included in Income and Expenditure</b>	<b>35,971</b>	<b>(91,350)</b>	<b>(55,379)</b>	<b>-40.7%</b>

**Fire Fighters Pension Scheme**

	<b>Assets £000</b>	<b>Obligations £000</b>	<b>Net (liability)/asset £000</b>	<b>% of pay</b>
Projected Current Service Cost		(5,800)	(5,800)	-57.3%
Past service cost including curtailments			0	
Effect of settlements			0	
<b>Total Service Cost</b>	<b>0</b>	<b>(5,800)</b>	<b>(5,800)</b>	<b>-57.3%</b>
Interest income on plan assets			0	
Interest cost on defined benefit obligation		(8,100)	(8,100)	-80.0%
<b>Total Net Interest Cost</b>	<b>0</b>	<b>(8,100)</b>	<b>(8,100)</b>	<b>-80.0%</b>
<b>Total included in Income and Expenditure</b>	<b>0</b>	<b>(13,900)</b>	<b>(13,900)</b>	<b>-137.3%</b>

The Council expects to pay £27,003m in contributions to the LGPS and £4,960m to the Fire Fighters' scheme in 2014-15.

The weighted average duration of the defined benefit obligation for scheme members is 18.5 years in 2013-14.

j. Prior period adjustment - changes to IAS 19 retirement benefits

IAS 19 the financial reporting standard for retirement benefits has changed for accounting periods starting on or after 1 January 2013. The key change affecting Local Government relates to the expected return on assets for the Local Government Pension Scheme. Advance credit for anticipated outperformance of return seeking assets (such as equities) will no longer be permitted. The expected return on assets is currently credited to the Comprehensive Income and Expenditure Statement, however, from 2013 this is effectively replaced with an equivalent figure calculated using the discount rate (as opposed to that calculated using the expected return on assets assumption).

In accordance with IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors) the adoption of the revisions to IAS 19 constitutes a changes in Accounting Policy which requires the Council to adopt these changes retrospectively for the year 2012-13.

The effect of this change has been calculated by the actuary and has increased the interest on plan asset by £6.627m in the Comprehensive Income and Expenditure Statement. A corresponding adjustment has resulted in an reduction in the unrealised loss on Pension Liabilities in Other Comprehensive Income and Expenditure. There has been no overall impact on the Council's Pension Liability in the balance sheet.

This change has been reflected in the 2012-13 comparative figures in the Comprehensive Income and Expenditure Statement and supporting notes through the Financial Statements.

This prior period adjustment relates solely to the Local Government Pension Scheme, there is no impact on the Fire-fighters' Pension as this scheme is unfunded.

## **Note 55. Contingent Liabilities.**

At 31 March 2014 the Council has the following material contingent liabilities:

### **a. Insurance**

The Council obtained public and employer's liability insurance cover from the Independent Insurance Company between 1995 and 1998. The company went into liquidation to the extent that it will not be able to meet any current or future liabilities, meaning the Council is effectively not insured for this period. It is expected that only the liabilities for employers liability remain, as we would have expected all public liability claims for this period to have been submitted. The position is independently reviewed bi-annually by the insurance reserve actuary to ensure that reserves are sufficient to cover the total liability.

Municipal Mutual Insurance Limited (MMI), the Council's former insurer, ceased writing insurance business in September 1992 and entered a Scheme of Arrangement for an expectation of a solvent run off. This has not occurred and a Scheme of Arrangement has been invoked. The Council paid MMI 15% of the total amount of claims paid on behalf of the County Council, however, a contingency liability still exists due to potential future claims depending upon the future solvency requirements of MMI.

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

### **b. Expansion of Eastern Shires Purchasing Organisation (ESPO)**

Lincolnshire County Council is one of seven Authorities that comprise the purchasing consortium known as ESPO. The consortium has no separate legal identity and Leicestershire County Council, as the servicing Authority for ESPO, takes on this role in terms of all ESPO's contractual obligations.

ESPO relocated to a new custom built store in Leicester on February 2006. The new store has been financed by a £12.6m PWLB loan taken out by Leicestershire County Council on behalf of the ESPO consortium. Leicestershire has obtained an indemnity from all six other consortium member Authorities to meet the conditions of the loan should ESPO ever fail to make payments. The potential maximum liability is £2.000m.

A financial provision has not been raised in the accounts to cover any future payments under these indemnities as the risk is considered minimal.

### **c. Lincoln Southern Bypass Blight Payments**

The preferred route for the Lincoln Southern bypass was adopted during 2007-08. It is at this time of adoption that legal blight will apply on any land or property sited on this route. In addition, other nearby properties may not trigger blight but may be accepted for purchase under the Council's discretionary powers held under Section 246(2) of the Highways Act 1980.

However, it is unlikely that the road will be constructed within the near future. Potentially, other owners of land and property affected by the road can claim blight at any stage between now and construction. If these claims are upheld then the Council will have to purchase the properties or land in advance of construction. This could, excluding any discretionary purchases, amount to approximately £1.000m.

### **d. Extra Contractual Referrals**

In Lincolnshire, there are a small number of people with Learning Disabilities who were placed in Health accommodation by other Health Authorities. Due to these establishments closing in recent years, Service Users have been moved into places within the community or in some cases their prior accommodation has become their community provision. A part of the pooled arrangements with Lincolnshire Health, we have hitherto paid for the care of these individuals and invoiced the other Local Authorities with the cost.

There are now a number of Authorities who are challenging this process on the basis that those Service Users are now deemed as an ordinary resident of the County and as such, funding responsibility lies with the Council. With on-going involvement with the Department of Health and Legal Services

Any liability is likely to be in the range of nil to £0.750m.

#### e. Ordinary Residency

In recent years there has been an increase in incidents of Local Authorities exercising "Ordinary Residents Rights" in relation to people who have received services in Lincolnshire and as a result, have resided within the County over a number of years but whose normal residency is outside of the County.

These Local Authorities have become active in claiming that the liability for ongoing support costs lies with the Council and in some cases retrospective charges have been levied.

Where cases have been quantified and verified, these have been included within the Accounts. However where discussions are on-going it is difficult to establish an accurate cost until an agreement is reached.

There are a range of financial outcomes depending on the eventual conclusion of discussions between Lincolnshire and the Authorities in question. Any liability is likely to be in the range of nil to £0.250m.

#### f. Service User Contributions

The Council are currently investigating the possibility that a small number of Service Users have been assessed for charges towards the cost of their care on an incorrect basis. This may have resulted in Service Users historically paying more towards their service than would otherwise be required. Work is on-going to confirm whether the charges that have been made are appropriate and if not, what the potential liability is to the Council.

Early analysis of the impact of a move to Fairer Charging from the CRAG residential charging model on a sample of 12 Service Users indicates a worse case of an average weekly overcharge of £120 per person; a worse case annual figure of approximately £275,000 for the 44 service users, amounting to a possible overcharge by the Council of £1.925m over seven years.

#### g. Land and Compensation Claims

Claims for land compensation can be submitted a year after the road opening with part one claims up to seven years. Those received to date are for a significantly higher value than anticipated. The Highways and Transportation service has also received a challenge over the valuation used for land taken by the scheme which is being dealt with through the Lands Tribunal.

There has been some settlement agreed during the 2013-14 financial year and this has reduced any potential contingent liability to £1.300m

#### h. Environmental Information Regulations 2004 - Property Search Claims

A group of Property Search Companies are seeking to claim refunds of fees paid to the Council to access land charge data. Proceedings have not yet been issued. The Council has been informed that the value of those claims at present is £1.450m plus interest and costs. The claimants have also intimated that they may bring a claim against all English and Welsh local authorities for alleged anti-competitive behaviour. It is not clear what the value of any such claim would be as against the Council. It is possible that additional claimants may come forward to submit claims for refunds, but none have been initiated at present.

### **Note 56. Contingent Assets.**

At 31 March 2014 the Council has the following material contingent assets:

#### a. Compound Interest Claim (VAT)

Between June 2008 and August 2010 Lincolnshire County Council received statutory interest from HMRC in respect of claims for VAT over declared on library charges, cultural services admission charges and take-away food. In all cases, in line with HMRC policy, the amounts were calculated on a simple interest basis.

The Council, in common with a number of local authorities and other tax payers, has a claim lodged in the High Court for compound interest which is currently stood behind the lead case. The High Court has ruled in favour of the taxpayer in the lead case, however the Council has been advised that, as a first instance decision, it is not yet precedent and is not, therefore, binding on cases stood behind.

The value of the contingent asset is £0.277m and has been calculated based on HMRC Statutory Interest rates and adjusted for interest already received.

HMRC have confirmed that they have lodged an appeal to the Court of Appeal which is likely to be heard early to mid 2015.



## **Note 57. Group Relationships and Other Interests.**

Local Authorities may decide for a variety of legal, regulatory and other reasons to conduct their activities with other organisations. For this reason, the Financial Statements of Lincolnshire County Council alone may not give a full picture of the economic activity and financial position.

On an annual basis, the Council is required to consider all activities which it has undertaken with other bodies to assess whether these should be included within the Council's Financial Statements. This exercise has been completed for the Council for 2013-14 and no group relationships have been identified to be consolidated into the County Council's Statement of Accounts. However, in the interests of transparency and accountability, the Council has chosen to disclose its interest in the purchasing consortia Eastern Shires Purchasing Organisation (ESPO).

### **Interests in Joint Ventures - Eastern Shires Purchasing Organisation - (ESPO)**

ESPO is a purchasing consortium established in 1988 for the purchase of goods and supplies and the provision of agreed services to their mutual benefit in accordance with Section 1 of the Local Authorities (Goods and Services) Act 1970. ESPO is constituted as a Joint Committee and Lincolnshire County Council is one of seven constituted members.

ESPO's accounting year end is 31 March and the latest (unaudited) accounts are for the year ended 31 March 2014, these showed net assets of £10.839m in 2013-14 (£9.546m in 2012-13) and a surplus of £1.208m in 2013-14 (a surplus of £1.046m in 2012-13).

Under the terms of the ESPO agreement, if the operations of ESPO were discontinued then the distribution of surplus or deficits will be divided amongst the Member Authorities in direct proportion to the use made of ESPO facilities. Under these arrangements the County Council would be entitled to approximately 15.30% of ESPO's assets and liabilities.

In 2005-06 a PWLB loan was taken out by Leicestershire County Council acting on behalf of ESPO, the six other consortium member Authorities, including the County Council, have provided an indemnity to meet the conditions of this loan should ESPO ever fail to make payments. A contingent liability has been declared within the Financial Statement for this.

A copy of ESPO's Statement of Accounts and Annual Report is available from: ESPO, Barnsdale Way, Grove Park, Enderby, Leicester. LE19 1ES. Telephone 0116 265 7878.

## **Note 58. Trust Funds**

The Council acts as sole administrator for 49 trust funds related to specific services, principally Education and Social Care. Funds are invested either in external marketable securities or held on deposit. They are not included in the Balance Sheet.

The principal trusts are as follows:

	Balance at 31 March 2013	Income	Expenditure	Balance at 31 March 2014
	£'000	£'000	£'000	£'000
Education Trusts	(244)	(14)	15	(243)
Children's Social Care Trusts	(21)	0	0	(21)
Adult Social Care Trusts	(424)	(3)	2	(425)
Other Trusts	(104)	0	10	(94)
<b>Total</b>	<b>(793)</b>	<b>(17)</b>	<b>27</b>	<b>(783)</b>

The Education funds relate principally to legacies left by individuals over a period of years in order to provide annual prizes at specified schools or colleges.

The Social Care funds represent monies held in trust either for children in care until such time as they are required or funds for the benefit of the elderly in Council homes.

**LINCOLNSHIRE COUNTY COUNCIL PENSION FUND ACCOUNT & NET ASSETS  
STATEMENT FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2014**

	<b>See Note</b>	<b>2012/13 £000</b>	<b>2013/14 £000</b>
<b>Contributions and Benefits</b>			
Contributions Receivable	8	74,559	76,984
Transfers in	9	5,674	6,732
		<b>80,233</b>	<b>83,716</b>
Benefits Payable	10	73,235	74,244
Leavers	11	6,900	3,922
Administrative expenses	12	1,167	1,188
		<b>81,302</b>	<b>79,354</b>
<b>Net additions from dealings with fund members</b>		<b>(1,069)</b>	<b>4,362</b>
<b>Returns on Investments</b>			
Investment Income	13	25,002	27,815
Profit (Loss) on Forward Deals & Currency Deals	17	(1,426)	3,085
Change in Market Value of Investments	15	141,590	64,495
Investment management expenses	12	(5,092)	(3,380)
<b>Net returns on investments</b>		<b>160,074</b>	<b>92,015</b>
Net increase in the Fund during the year		159,005	96,377
Opening net assets of the Fund		1,336,040	1,495,045
<b>Closing net assets of the Fund</b>		<b>1,495,045</b>	<b>1,591,422</b>
<b>Net Assets statement as at 31<sup>st</sup> March 2014</b>			
<b>Investments</b>	15		
Equities		842,804	880,027
Pooled Investments:			
Property		155,117	174,701
Private Equity		95,595	83,313
Fixed Interest		155,540	168,971
Index Linked Bonds		29,525	29,623
Equities		74,037	74,715
Alternatives		113,613	125,936
Cash Deposits		14,696	38,836
Other Investment Balances	18	5,242	4,365
		<b>1,486,169</b>	<b>1,580,487</b>
<b>Current Assets and Liabilities</b>			
Cash Balances		3,954	4,630
Debtors	19	7,035	6,974
Long Term Debtors	19	2,558	2,131
Creditors	19	(4,671)	(2,800)
		<b>8,876</b>	<b>10,935</b>
		<b>1,495,045</b>	<b>1,591,422</b>

## **Notes to the Pension Fund Account**

### **1 Pension Fund Account**

The Lincolnshire County Council Pension Fund (the Fund) is part of the Local Government Pension Scheme and is administered by Lincolnshire County Council.

The following information is a summary only, and further detail can be found in the Lincolnshire County Council Pension Fund Annual Report 2013/14 (available on the Fund's website at [www.lincolnshire.gov.uk/pensions](http://www.lincolnshire.gov.uk/pensions)), and in the underlying statutory powers underpinning the scheme, namely the Superannuation Act 1972 and the Local Government Pension Scheme Regulations.

#### **General**

The Fund is governed by the Superannuation Act 1972. The Fund is administered in accordance with the following secondary legislation:

- the LGPS (Benefits, Membership and Contributions) Regulations 2007 (as amended)
- the LGPS (Administration) Regulations 2008 (as amended)
- the LGPS (Management and Investment of Funds) Regulations 2009.

It is a contributory defined pension scheme to provide pensions and other benefits for pensionable employees of Lincolnshire County Council, the district councils in Lincolnshire and a range of other scheduled and admitted bodies within the county. Teachers, police officers and fire-fighters are not included as they come within other national pension schemes.

The Fund is overseen by the Lincolnshire County Council Pensions Committee.

#### **Membership**

Membership of the LGPS is automatic for eligible employees, but they are able to opt out of the scheme.

Organisations participating in the Fund include:

- Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members.

- Admitted bodies, which are other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admitted bodies include charitable organisations and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

There are 185 employer organisations in the Fund including the County Council (a list of scheduled employers is shown at note 28) and the membership numbers are shown below:

	31 Mar 2013	31 Mar 2014
Number of employers with active members	171	185
<b>Number of employees in the scheme</b>		
Lincolnshire County Council	9,949	10,734
Other employers	9,153	9,963
<b>Total</b>	19,102	20,697
<b>Number of pensioners</b>		
Lincolnshire County Council	9,684	10,121
Other employers	6,018	6,456
<b>Total</b>	15,702	16,577
<b>Number of deferred pensioners</b>		
Lincolnshire County Council	18,146	18,794
Other employers	7,653	8,452
<b>Total</b>	25,799	27,246

### Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with LGPS (Benefits, Membership and Contributions) Regulations 2007 and range from 5.5% to 7.5% of pensionable pay. Employer contributions are set based on triennial actuarial funding valuations. The last valuation was 31 March 2013, and employer contribution rates were set ranging from 15.1% to 28.7% of pensionable pay. In addition, a number of employers are paying deficit contributions as cash payments.

### Benefits

Pensions benefits under the LGPS are based on final pensionable pay and length of pensionable service, summarised below:

	Service pre 1 <sup>st</sup> April 2008	Service post 31 <sup>st</sup> March 2008
Pension	Each year is worth 1/80 x final pensionable salary.	Each year is worth 1/60 x final pensionable salary.
Lump Sum	Automatic lump sum of 3/80 x salary. In addition, part of the annual pension can be exchanged for a one-off tax free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

There are a range of other benefits provided under the scheme including early retirement, disability pensions and death benefits.

Benefits are index-linked in order to keep pace with inflation. In June 2010, the Government announced the method of indexation would change from the retail prices index to the consumer prices index. This change took effect from 1<sup>st</sup> April 2011.

## **LGPS 2014**

The new LGPS 2014 comes into effect from 1<sup>st</sup> April 2014. The table below shows the key benefit changes between the current scheme and the new scheme. Further details are shown on page 20.

<b>Service pre 1<sup>st</sup> April 2014</b>		<b>Service post 31<sup>st</sup> March 2014</b>
Scheme	Final salary scheme, with pension based upon the salary at retirement.	CARE scheme (career average revalued earnings) where each year builds up a pension pot that is revalued in line with inflation.
Pension	Each year is worth 1/60 x final pensionable salary.	Each year is worth 1/49 x salary earned in that year, revalued in line with inflation.
50/50 Option	Not available	Option for employees to pay half the contributions to accrue half of the pension.

## **2 Basis of Preparation**

Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2012-13, based on International Financial Reporting Standards (the Code), and relevant statute, and the 2007 Statement of Recommended Practice (Financial Reports of Pension Schemes). The Code includes guidance on how to apply International Financial Reporting Standards (IFRS's) and International Accounting Standards (IAS's) to local authority accounts.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits due. The accounts do not take into account liabilities to pay pensions and other benefits after the period end. These liabilities are dealt with through the periodic actuarial valuations of the Fund and are reflected in the levels of employers' contributions determined by these valuations.

The accounting policies set out below have been applied consistently to all periods presented within these financial statements.

## **3 Significant Accounting Policies**

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

#### **Contributions income**

Contributions receivable are included in the accounts in the year to which they relate. Employers' augmentation contributions and pension strain contributions are accounted for in the period in which the liability arises. Any amount due in the year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long term financial assets.

**Transfers to and from other schemes**

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the relevant regulations. Transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged.

**Investment Income**

Dividends, interest, stock lending and other investment income have been accrued for in the accounts where amounts were known to be due at the end of the accounting period.

**Fund account - expense items****Benefits payable**

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

**Taxation**

The Fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a Fund expense as it arises.

**Administrative expenses**

These are accrued appropriately to ensure charges are incurred within the relevant accounting period. The costs of the Pensions Administration team are charged to the Fund.

**Investment expenses**

These are accrued appropriately to ensure charges are incurred within the relevant accounting period.

Fees for the external investment managers and custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase and decrease as the value of the investments change.

In addition, the Fund has negotiated with the following managers that an element of their fee be performance related:

- Invesco Asset Management - Global Equities (ex UK)
- Schroder Investment Management - Global Equities
- Neptune Investment Management – Global Equities
- Threadneedle Asset Management – Global Equities
- Morgan Stanley Investment Management Ltd - Alternative Investments

Where an investment manager's fee invoice has not been received by the financial year end, an estimate based upon the market value of their mandate is used for inclusion in the Fund accounts.

The cost of obtaining investment advice from external consultants is included in the investment management charges.

The costs of the Council's in-house fund management team are charged to the Pension Fund and a proportion of the Council's costs representing management time spent by officers on investment management are also charged to the Fund.

## **Net assets statement**

### **Financial assets**

Financial assets are included in the net assets statement on a fair value basis as at the reporting date. A financial asset is recognised in the net asset statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date, any gains or losses arising from changes in the fair value of the asset are recognised by the Fund.

The values of investments have been determined as follows:

UK listed securities are stated at bid price.

Overseas listed securities are stated at bid price.

Unit Trusts are stated at bid price from the most recent official valuation.

Other investments are stated at fair value, as estimated by the manager of the particular investment. These valuations adhere to industry guidelines or to standards set by the constituent documents of the pool or management agreement.

Transaction costs are included in the purchase and sale costs of investments and are identified in the notes to the accounts.

### **Derivatives**

The Fund uses derivative financial instruments to manage its exposure to certain risks arising from its investment activities. The Fund does not hold derivatives for speculative purposes.

Derivative contracts are priced at fair value and open contracts are included within the other investment balances.

### **Cash and cash equivalents**

Cash comprises cash in hand and deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to minimum risk of changes in value.

### **Foreign currency transactions**

Dividend, interest, purchases and sales of investments in foreign currencies have been accounted for at the spot rates at the date of the transaction. End of year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period. The exchange rates used at 31<sup>st</sup> March 2014 are shown in note 29.

### **Financial liabilities**

Financial liabilities are included in the net assets statement on a fair value basis as at the reporting date. A financial liability is recognised in the net asset statement on the date the Fund becomes party to the liability. From this date, any gains or losses arising from changes in the fair value of the liability are recognised by the Fund.

## **Prior Period Adjustments**

The Code requires prior period adjustments to be made when material omissions or misstatements are identified (by amending opening balances and comparative amounts for the prior period). Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

The following disclosures will be made:

- the nature of the prior period error;
- for each prior period presented, to the extent practicable, the amount of the correction for each financial statement line item affected, and
- the amount of the correction at the beginning of the earliest prior period presented.

Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change. They do not give rise to a prior period adjustment.

## **Changes in Accounting Policies**

Changes in accounting policy may arise through changes to the Code or changes instigated by the Council. For changes brought in through the Code, the Pension Fund will disclose the information required by the Code. For other changes we will disclose: the nature of the change; the reasons why; report the changes to the current period and each prior period presented and the amount of the adjustment relating to periods before those presented. If retrospective application is impracticable for a particular prior period, we will disclose the circumstances that led to the existence of that condition and a description of how and from when the change in accounting policy has been applied.

## **4 Actuarial Valuation**

An actuarial valuation of the Fund undertaken as at 31 March 2013 indicated that the Fund's assets were £1,495m and covered 71.5% of the Funds liabilities. This compared with assets of £1,204m at the valuation as at 31 March 2010, which covered 76% of the Fund's liabilities. The main actuarial assumptions for the 2013 valuation were as follows:

	<b>Nominal per annum %</b>	<b>Real per annum %</b>
Investment Return		
- Equities	4.6	2.1
- Bonds	3.0	
Rate of Pensionable pay inflation	3.8	1.3
Rate of Price inflation	2.5	

The Fund is valued using the projected unit method, which is consistent with the aim of achieving a 100% funding level. The changes in contribution rates resulting from the actuarial valuation as at 31 March 2013 will be effective from April 2014. The contribution rates have been set by the Actuary to target a funding level, for most employers, on an ongoing basis of 100% over a period of up to 20 years. The next actuarial valuation will be undertaken as at 31 March 2016. A copy of the Fund Valuation report can be obtained from the Council's website.



## **5 Actuarial Present Value of Promised Retirement Benefits**

Below is the note provided by the Fund's Actuary, Hymans Robertson, to provide the Actuarial present value of the promised retirement benefits, as required under the Code. The report titled 'Actuarial Valuation as at 31 March 2014 for IAS19 purposes' referred to in the note can be obtained from the Pensions and Treasury Management section at the County Council.

### **Pension Fund Accounts Reporting Requirement**

#### **Introduction**

CIPFA's Code of Practice on Local Authority Accounting 2013/14 requires administering authorities of LGPS funds that prepare pension fund accounts to disclose what IAS26 refers to as the actuarial present value of promised retirement benefits.

The actuarial present value of promised retirement benefits is to be calculated similarly to the defined benefit obligation under IAS19. There are three options for its disclosure in pension fund accounts:

- showing the figure in the Net Assets Statement, in which case it requires the statement to disclose the resulting surplus or deficit;
- as a note to the accounts; or
- by reference to this information in an accompanying actuarial report.

If an actuarial valuation has not been prepared at the date of the financial statements, IAS26 requires the most recent valuation to be used as a base and the date of the valuation disclosed. The valuation should be carried out using assumptions in line with IAS19 and not the Pension Fund's funding assumptions.

I have been instructed by the Administering Authority to provide the necessary information for Lincolnshire Pension Fund, which is in the remainder of this note.

#### **Balance sheet**

<b>Year ended</b>	<b>31 Mar 2013</b>	<b>31 Mar 2014</b>
	<b>£m</b>	<b>£m</b>
Present value of Promised retirement benefits	2,266	2,456

Liabilities have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2014. I estimate this liability at 31 March 2014 comprises £1,032m in respect of employee members, £459m in respect of deferred pensioners and £965m in respect of pensioners. The approximation involved in the roll forward model means that the split of scheme liabilities between the three classes of member may not be reliable. However, I am satisfied the aggregate liability is a reasonable estimate of the actuarial present value of benefit promises. I have not made any allowance for unfunded benefits.

The above figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value.

It should be noted the above figures are appropriate for the Administering Authority only for preparation of the accounts of the Pension Fund. They should not be used for any other purpose (i.e. comparing against liability measures on a funding basis or a cessation basis).

#### **Assumptions**

The assumptions used are those adopted for the Administering Authority's IAS19 report as required by the Code of Practice. These are given below. I estimate the impact of the change of assumptions to 31 March 2013 is to increase the actuarial present value by £190m.

#### Financial Assumptions

My recommended financial assumptions are summarised below:

<b>Year ended</b>	<b>1 Mar 2013</b>	<b>31 Mar 2014</b>
	<b>% p.a.</b>	<b>% p.a.</b>
Inflation/Pension Increase rate	2.8	2.8
Salary Increase Rate*	5.1	4.1
Discount Rate	4.5	4.3

\* Salary increases are 1% p.a. nominal for the three years to 31 March 2015 reverting to the long term rate thereafter.

#### Longevity assumption

As discussed in the accompanying report, the life expectancy assumption is based on the Fund's VitaCurves with improvements in line with the Medium Cohort and a 1% p.a. underpin from 2007. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	<b>Males</b>	<b>Females</b>
Current Pensioners	22.2 years	24.4 years
Future Pensioners*	24.5 years	26.8 years

\*Future pensioners are assumed to be aged 45 at the last formal valuation date.

Please note that the assumptions have changed since the previous IAS26 disclosure for the Fund.

#### Commutation assumption

An allowance is included for future retirements to elect to take 25% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 63% of the maximum tax-free cash for post-2008 service.

## Professional notes

This paper accompanies my covering report titled 'Actuarial Valuation as at 31 March 2014 for IAS19 purposes' dated 15 April 2014. The covering report identifies the appropriate reliances and limitations for the use of the figures in this paper, together with further details regarding the professional requirements and assumptions.

A handwritten signature in black ink, reading "Anne Cranston". The signature is written in a cursive style, with the first name "Anne" and the last name "Cranston" clearly legible.

Anne Cranston AFA

14 May 2014

For and on behalf of Hymans Robertson LLP

## **6 Assumptions Made and Major Sources of Uncertainty**

The accounts contain estimated figures that are based on assumptions made by the council, and other Professionals, 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.

The items in the accounts for the year ended 31<sup>st</sup> March 2014 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

<b>Uncertainties</b>		<b>Effect if actual results differ from assumptions</b>
Actual present value of promised retirement benefits	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on investments. A firm of consulting actuaries are engaged to provide expert advice about the assumptions to be applied.	<p>The effects of changes in the individual assumptions can be measured. For example:</p> <p>1) a 0.5% increase in the discount rate assumption would result in a decrease of the pension liability of £224m.</p> <p>2) a 0.25% increase in assumed earnings inflation would increase the value of liabilities by approximately £37m.</p> <p>3) a 0.5% increase in the pension increase rate would increase the value of liabilities by approximately £171m.</p> <p>4) a one-year increase in assumed life expectancy would increase the liability by approximately £74m.</p>
Private Equity	Private Equity investments are valued at fair value in accordance with British Venture Capital Association guidelines. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total private equity investments in the Fund are £85.8m. There is a risk that these may be over or understated in the accounts.

## **7 Pension Fund Investments 2013/14**

The strategic asset allocation for the investment of the Fund, as agreed by the Pensions Committee, is detailed below.

<b>Asset allocation</b>	
UK Equities	20.0%
Global Equities	40.0%
Property	11.5%
Fixed Interest	13.5%
Alternative Investments (incl. Private Equity)	15.0%
	<b>100.0%</b>

Surplus funds are invested in a wide variety of UK and overseas companies, Government Securities, property and other investments, in line with a Statement of Investment Principles. The assets are managed in a number of active and passive investment portfolios. Investment performance is monitored by the Pensions Committee of the County Council.

<b>Fund manager</b>	<b>31-Mar 2013 £m</b>	<b>%</b>	<b>31-Mar 2014 £m</b>	<b>%</b>
<b>EXTERNALLY MANAGED</b>				
Invesco	318	21	332	21
Neptune	72	5	79	5
Schroders	79	5	84	5
Threadneedle	81	5	87	6
Morgan Stanley (Global Brands)	74	5	75	5
Morgan Stanley (Alternatives)	117	8	139	9
Morgan Stanley (Private Equity)	99	7	87	6
Blackrock	97	7	98	6
Goodhart	88	6	101	6
<b>INTERNALLY MANAGED</b>				
Pooled Investments:				
Property	157	11	179	11
UK Equity	299	20	317	20

The Pension Fund Statement of Recommended Practice was amended with effect from 2008/09 to require that managers report valuations at closing prices (either bid or last traded), rather than mid prices that had previously been used. The managers within the Pension Fund have reported their year end valuations at either bid or fair value, as detailed in the table below.

<b>Fund Manager</b>	<b>Valuation Pricing</b>
<b>EXTERNALLY MANAGED</b>	
Invesco	Bid
Neptune	Bid
Schroders	Bid
Threadneedle	Bid
Morgan Stanley	Bid/Fair Value
Blackrock	Bid
Goodhart	Bid
<b>INTERNALLY MANAGED</b>	
Pooled Investments:	
Property	Bid/Fair Value
UK Equity	Bid

The Fund lends stock to third parties under a stock lending agreement with the Fund's custodian, JP Morgan. The total amount of stock on loan at the year-end was £28,676,625, and this value is included in the net assets statement to reflect the Funds continuing economic interest in the securities on loan. As security for the stocks on loan, the Fund was in receipt of collateral at the year-end valued at £31,114,222, which represented 108.5% of the value of securities on loan.

Income received from stock lending activities, before costs, was £272,264 for the year ending 31 March 2014 and is included within the 'Investment Income' figure detailed on the Pension Fund Account.

## **8 Contributions Receivable**

Contributions receivable are analysed below:

	<b>2012/13 £000</b>	<b>2013/14 £000</b>
<b>Employers</b>		
Normal	46,645	48,015
Deficit Funding	8,758	9,603
Additional - Augmentation	1,588	1,446
<b>Members</b>		
Normal	17,387	17,786
Additional years	181	134
	<b>74,559</b>	<b>76,984</b>

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

	<b>2012/13 £000</b>	<b>2013/14 £000</b>
Lincolnshire County Council	35,464	34,356
Scheduled Bodies	33,404	37,816
Admitted Bodies	5,691	4,812
	<b>74,559</b>	<b>76,984</b>

## **9 Transfers In**

During the year individual transfers in from other schemes amounted to £6.7m (£5.7m in 2012/13).

There were no material outstanding transfers due to or from the Pension Fund as at 31<sup>st</sup> March 2014.

## **10 Benefits Payable**

	<b>2012/13 £000</b>	<b>2013/14 £000</b>
Pensions	57,730	60,641
Commutations & Lump Sum Retirement Benefits	13,455	12,337
Lump Sum Death Benefits	2,050	1,266
	<b>73,235</b>	<b>74,244</b>

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

	<b>2012/13 £000</b>	<b>2013/14 £000</b>
Lincolnshire County Council	40,589	37,857
Scheduled Bodies	30,519	31,820
Admitted Bodies	2,127	4,567
	<b>73,235</b>	<b>74,244</b>

## **11 Payments to and on account leavers**

	<b>2012/13 £000</b>	<b>2013/14 £000</b>
Individual transfers to other schemes	6,894	3,917
Refunds to members leaving service	6	5
	<b>6,900</b>	<b>3,922</b>

## **12 Administrative and Investment Management Expenses**

The Local Government Pension Scheme Regulations permit costs incurred in connection with the management of the investments and benefit administration to be charged against the Fund. Breakdowns of these costs are set out below. The external Audit fee for the year was £24,350 and is included within the administrative expenses below.

	<b>2012/13 £000</b>	<b>2013/14 £000</b>
Benefit Administration Expenses	1,123	1,052
Actuarial & other Professional Charges	44	136
<b>Administrative expenses</b>	<b>1,167</b>	<b>1,188</b>
Investment, Management & Custody	4,921	3,245
Performance Measurement and other advisory charges	171	135
<b>Investment Management expenses</b>	<b>5,092</b>	<b>3,380</b>

## **13 Investment Income**

	<b>2012/13 £000</b>	<b>2013/14 £000</b>
Equities	23,673	26,520
Pooled Investments		
Property	955	985
Private Equity	54	0
Alternatives	0	6
Cash deposits	47	30
Stock Lending	273	272
Class Actions	0	2
	<b>25,002</b>	<b>27,815</b>

## **14 Taxes on Income**

	<b>2012/13 £000</b>	<b>2013/14 £000</b>
Withholding tax - Equities	1,188	1,060
	<b>1,188</b>	<b>1,060</b>



## 15 Investments

	Value at 31/03/2013 £000	Purchases at Cost £000	Sales Proceeds £000	Change in Market Value £000	Value at 31/03/2014 £000
Equities	842,804	288,543	299,287	47,967	880,027
Pooled Investments					
Property	155,117	13,292	5,459	11,751	174,701
Private Equity	95,595	3,193	15,266	(209)	83,313
Fixed Interest	155,540	11,624	0	1,807	168,971
Index Linked Bonds	29,525	1,377	0	(1,279)	29,623
Equities	74,037	0	0	678	74,715
Alternatives	113,613	41,812	33,269	3,780	125,936
	<b>1,466,231</b>	<b>359,841</b>	<b>353,281</b>	<b>64,495</b>	<b>1,537,286</b>
Cash Deposits	14,696				38,836
Other Investment Balances	5,242				4,365
Current Assets & Liabilities	8,876				10,935
	<b>1,495,045</b>	<b>359,841</b>	<b>353,281</b>	<b>64,495</b>	<b>1,591,422</b>

	Value at 31/03/2012 £000	Purchases at Cost £000	Sales Proceeds £000	Change in Market Value £000	Value at 31/03/2013 £000
Equities	779,938	247,249	285,247	100,864	842,804
Pooled Investments					
Property	152,538	10,274	6,623	(1,072)	155,117
Private Equity	90,949	6,566	12,972	11,052	95,595
Fixed Interest	143,166	4,922	2,923	10,375	155,540
Index Linked Bonds	26,895	0	0	2,630	29,525
Equities	0	67,500	0	6,537	74,037
Alternatives	96,798	28,091	22,480	11,204	113,613
	<b>1,290,284</b>	<b>364,602</b>	<b>330,245</b>	<b>141,590</b>	<b>1,466,231</b>
Cash Deposits	28,409				14,696
Other Investment Balances	3,279				5,242
Current Assets & Liabilities	14,068				8,876
	<b>1,336,040</b>	<b>364,601</b>	<b>330,245</b>	<b>141,590</b>	<b>1,495,045</b>

Transaction costs are included in the cost of purchases and sales proceeds. Transaction costs include costs charged directly to the scheme such as fees, commissions, stamp duty and other fees. Transaction costs incurred during the year amounted to £502,409 (£504,194 in 2012/13). In addition to the transaction costs disclosed above, indirect costs are incurred through the bid-offer spread on investments. The amount of indirect costs is not separately provided to the scheme.

A further analysis of the market value of investments is given below:

	<b>31-Mar 2013 £000</b>	<b>%</b>	<b>31-Mar 2014 £000</b>	<b>%</b>
<b>Equities</b>				
UK Quoted	319,114	22	323,815	21
Overseas Quoted	523,690	35	523,690	35
<b>Total Equities</b>	<b>842,804</b>	<b>57</b>	<b>880,027</b>	<b>56</b>
<b>Pooled Investments</b>				
Property	127,499	9	150,923	10
Private Equity	2,032	0	1,222	0
Fixed Interest	67,577	5	68,353	4
Index Linked Bonds	29,525	2	29,623	2
Equities	74,037	5	74,715	5
Alternatives	113,613	8	125,936	8
<b>Total UK Pooled</b>	<b>414,283</b>	<b>28</b>	<b>450,772</b>	<b>29</b>
Property	27,618	2	23,779	2
Private Equity	93,564	6	82,091	5
Fixed Interest	87,962	6	100,617	6
<b>Total Overseas Pooled</b>	<b>209,144</b>	<b>14</b>	<b>209,144</b>	<b>13</b>
<b>Total Pooled Investments</b>	<b>623,427</b>	<b>42</b>	<b>657,259</b>	<b>42</b>
<b>Cash</b>				
Short Term Loans/External Deposits	14,696	1	38,836	2
<b>Total</b>	<b>1,480,927</b>	<b>100</b>	<b>1,576,122</b>	<b>100</b>

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

	<b>2012/13 £000</b>	<b>2013/14 £000</b>
Property		
Unit Trusts	97,359	116,296
Other managed funds (LLP's)	57,758	58,405
Private Equity		
Other managed funds (LLP's)	95,595	83,313
Fixed Interest		
Other managed funds	155,540	168,971
Index linked gilts		
Other managed funds	29,525	29,623
Equities		
Other managed funds	74,037	74,715
Alternatives		
Other managed funds	113,613	125,936
<b>Total Pooled Vehicles</b>	<b>623,427</b>	<b>657,259</b>

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

Investment	2012/13 Value (£000)	% of net assets	2013/14 Value (£000)	% of net assets
Goodhart Absolute Return Bond Fund	87,962	5.9	100,617	6.3
Morgan Stanley Alternative Investments	113,613	7.9	125,936	7.9

## **16 Analysis of Derivatives**

The holding in derivatives is used to hedge exposures to reduce risk in the fund. The use of any derivatives is managed in line with the investment management agreements of the various investment managers.

The only direct derivative exposure that the Fund has is in forward foreign currency contracts. In order to maintain appropriate diversification and to take advantage of overseas investment returns, a significant proportion of the Fund's quoted equity portfolio is in overseas stock markets. To reduce the volatility associated with fluctuating currency rates, the Fund has appointed two active currency overlay managers. Record Currency Management and HSBC Trinkaus & Burkhardt each overlay half of the value of the Global Equity ex UK portfolio managed by Invesco.

Settlement	Currency Bought	Local Value 000	Currency Sold	Local Value 000	Asset Value £000	Liability Value £000
Up to one month	GBP	54	AUD	(98)		-
	JPY	26,000	EUR	(184)		(1)
	MXN	2,061	GBP	(95)		-
	USD	607	GBP	(365)		(1)
	USD	8	CAD	9		-
Over one month	GBP	19,737	CHF	(28,800)	132	
	GBP	32,187	EUR	(38,813)	42	
	GBP	121,645	JPY	(20,346,000)	2,962	
	GBP	386,724	USD	(636,849)	4,327	
	CHF	25,600	GBP	(17,617)		(188)
	EUR	333,000	GBP	(27,799)		(219)
	JPY	14,878,000	GBP	(89,484)		(2,683)
	USD	580,100	GBP	(352,715)		(4,411)
<b>Total</b>					<b>7,463</b>	<b>(7,503)</b>
<b>Net forward currency contracts at 31 March 2014</b>						<b>(40)</b>
<b>Prior year comparative</b>						
<b>Open forward currency contracts at 31 March 2013</b>					<b>9,978</b>	<b>(10,745)</b>
<b>Net forward currency contracts at 31 March 2013</b>						<b>(767)</b>

## **17 Profit (Loss) on Forward Deals and Currency Exchange**

The profit or loss from any forward deals and from currency exchange is a result of the normal trading of the Fund's managers who manage multi-currency portfolios. It also includes the unrealised loss of £0.6m (unrealised loss of £0.8m in 2012/13) from the Fund's two Currency Overlay Managers.

## **18 Other Investment Balances**

	2012/13 £000	2013/14 £000
Dividends Receivable	2,868	2,991
Recoverable Tax	691	888
Outstanding Foreign Exchange	(767)	(40)
Outstanding Stock Lending	0	19
Unsettled Trades	0	(1,024)
Purchases		
Sales	2,450	1,531
	<b>5,242</b>	<b>4,365</b>

## **19 Current Assets and Liabilities**

Debtors are recorded in the accounts when income due to the Pension Fund, for example from sales of investments or dividend payments, has not actually been received. Debtors include a figure of £4,099,190 for contributions due from employers (2012/13 £3,488,135). Long term debtors are amounts due to the Pension Fund that will not be received within 12 months. The Pension fund only has one long term debtor, the Magistrates Court, who are funding the cost of their pensioner and deferred member liabilities over a 10 year period. Similarly, creditors are recorded where services supplied to the Pension Fund, or purchases of investments have been made by 31 March, but payment is not made until the following financial year. As required by the Code, creditors and debtors are split by type below:

	2012/13 £000	2013/14 £000
<b>Debtors</b>		
Central Government Bodies	1,341	745
Other Local Authorities	4,504	4,868
NHS Bodies	0	0
Public Corporations and Trading Funds	46	12
Other Entities and individuals	1,144	1,349
	<b>7,035</b>	<b>6,974</b>
<b>Long Term Debtors</b>		
Central Government Bodies	2,558	2,131
Other Local Authorities	0	0
NHS Bodies	0	0
Public Corporations and Trading Funds	0	0
Other Entities and individuals	0	0
		<b>2,131</b>
<b>Creditors</b>		
Central Government Bodies	(1,153)	(569)
Other Local Authorities	(256)	(891)
NHS Bodies	0	0
Public Corporations and Trading Funds	(3,118)	(781)
Other Entities and individuals	(144)	(559)
	<b>(4,671)</b>	<b>(2,800)</b>

## **20 Contingent Liabilities and Contractual Commitments**

Investment commitments have been made to a number of pooled vehicles that make private equity or property investments. At the year end, the value of outstanding commitments to the 25 investment vehicles amounted to £29,109,878.

## **21 Contingent Assets**

Five admitted body employers in the Fund hold insurance bonds or equivalent cover to guard against the possibility of being unable to meet their pension obligations. These arrangements are drawn in favour of the Pension Fund and payment will only be triggered in the event of employer default.

## **22 Impairment Losses**

The Fund has no recognised impairment losses.

## **23 Additional Voluntary Contributions**

Scheme members may make additional contributions to enhance their pension benefits. All Additional Voluntary Contributions (AVC) are invested in a range of investment funds managed by the Prudential plc. At the year end, the value of AVC investments amounted to £8,675,676.27 (£8,285,448 in 2012/13) and member contributions of £1,087,950.16 (£1,020,583 in 2012/13) were received by the Prudential in the year to 31st March. The value of AVC funds and contributions received in the year are not included in the Fund Account and Net Assets Statement.

## **24 Dividend Tax Claims**

During the financial year 2006/07, the County Council lodged a number of claims with HM Revenue and Customs for the recovery of dividend tax credits relating to earlier years. The total value of the claims is £793,498 and relates to both Foreign Income Dividends paid by UK companies and certain dividends paid by overseas companies. The claims are based on interpretations of European Union law and a number of recent relevant judgements. The County Council is participating with other pension funds in progressing a legal test case to support the claims.

During the financial year 2009/10, the County Council lodged a claim with HM Revenue and Customs for the recovery of withholding tax suffered on manufactured overseas dividends. This is a tax imposed on overseas dividends due to the Pension Fund when the stock is on loan to another party, through the stock lending service provided by the Fund's custodian, JP Morgan. The value of the claim is approximately £714,000 and relates to the periods from 2004/05 to 2008/09. In 2010/11 a top-up claim was submitted for the year 2009/10, for approximately £278,000. No additional claims were made in this area in 2012/13, however top-up claims for the period from 1st April 2011 to 31st March 2013 were made in May 2013, for £377,253. As with the tax claim detailed in the paragraph above, the County Council is participating with other pension funds in progressing a legal test case to support the claims.

During the financial year 2011/12, the County Council lodged a claim with the relevant tax authorities for the recovery of withholding tax suffered on overseas dividends from Spain (approx. £101,000) and Germany (approx. £165,000), covering the periods from 2007-2010. During the financial year 2012/13 the Spanish tax authorities rejected elements of the claim, reducing the value to approximately £70,000, followed by a further rejection of approximately £65,000. The Pension Fund has appealed these rejections and there has been some positive news in the last year, with the Spanish Authorities accepting a small proportion of claims against them. As with the tax claim

detailed in the paragraphs above, the County Council is participating with other pension funds in progressing a legal test case to support the claims.

It is expected that resolution of these claims will take a number of years and, if unsuccessful, the Fund could incur a share of the costs of the Commissioners of the Inland Revenue.

During the financial year 2012/13 the County Council successfully lodged a claim with the Austrian tax authorities for the recovery of withholding tax suffered on overseas dividends and received €26,129.62 (approx. £22k) in March 2013.

## **25 Related Party Transactions**

In accordance with Financial Reporting Standard 8 'Related Party Disclosures' material transactions with related parties not disclosed elsewhere are detailed below:-

Under legislation introduced in 2003/04, Councillors are entitled to join the Scheme. Committee member M Leaning of the Pensions Committee currently receives pension benefits from the Fund. Committee members M Allan and A Antcliff are contributing members of the Pension Fund.

No senior officers responsible for the administration of the Fund have entered into any contract, other than their contract of employment with the Council, for the supply of goods or services to the Fund.

The Treasury Management section of the County Council acts on behalf of the Pension Fund to manage the cash position held in the Pension Fund bank account. This is amalgamated with the County Council's cash and lent out in accordance with the Council's Treasury Management policies. During the year, the average balance in the Pension Fund bank account was £3,838m and interest of £29.1k was earned over the year.

Lincolnshire County Council paid contributions of £25.8m into the Pension Fund during the year and all payments were received within agreed timescales.

Paragraph 3.9.4.2 of the Code exempts local authorities from the key management personnel disclosure requirements of IAS24, on the basis that the disclosure requirements for officer remuneration and members' allowances detailed in section 3.4 of the Code (which are derived from the requirements of Regulations 7(2)-(4) of the Accounts and Audit (England) Regulations 2011 and Regulation 7A of the Accounts and Audit Regulations 2005) satisfy the key management and personnel disclosure requirements of paragraph 16 of IAS24. This applies in equal measure to the accounts of Lincolnshire Pension Fund.

The disclosures required by Regulation 7(2)-(4) of the Accounts and Audit (England) Regulations can be found in the main accounts of Lincolnshire County Council at note 47. This can be found on the Council's website at [www.lincolnshire.gov.uk](http://www.lincolnshire.gov.uk).

## 26 Financial Instruments

### Classification of financial instruments

Accounting policies describe how different asset classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of financial assets and liabilities (excluding cash) by category and net asset statement heading. No financial assets were reclassified during the accounting period.

	Designated as fair value through profit & loss £000	2012/13 Loans & receivables £000	Financial liabilities at amortised cost £000	Designated as fair value through profit & loss £000	2013/14 Loans & receivables £000	Financial liabilities at amortised cost £000
<b>Financial Assets</b>						
Equities	842,804			880,027		
Pooled Investments:						
Property	155,117			174,701		
Private Equity	95,595			83,313		
Fixed Interest	155,540			168,971		
IL Bonds	29,525			29,623		
Equities	74,037			74,715		
Alternatives	113,613			125,936		
Cash		18,650			43,466	
Other Inv. Balances	15,987			12,892		
Debtors		9,593			9,105	
	<b>1,482,218</b>	<b>28,243</b>	<b>-</b>	<b>1,550,178</b>	<b>52,571</b>	<b>-</b>
<b>Financial Liabilities</b>						
Other Inv. Balances	(10,745)			(8,527)		
Creditors			(4,671)			(2,800)
	<b>(10,745)</b>	<b>-</b>	<b>(4,671)</b>	<b>(8,527)</b>	<b>-</b>	<b>(2,800)</b>
	<b>1,471,473</b>	<b>28,243</b>	<b>(4,671)</b>	<b>1,541,651</b>	<b>52,571</b>	<b>(2,800)</b>

### Net gains and losses on financial instruments

	2012/13 £000	2013/14 £000
<b>Financial Assets</b>		
Fair value through profit & loss	141,590	64,495
Loans and receivables		
Financial liabilities measured at amortised cost		
<b>Financial Liabilities</b>		
Fair value through profit & loss	(767)	(40)
Loans and receivables		
Financial liabilities measured at amortised cost		
	<b>140,823</b>	<b>64,455</b>

## Valuation of financial instruments carried at fair value

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values.

### Level 1

Financial instruments at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed interest, quoted index linked securities and unit trusts.

Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

### Level 2

Financial instruments at Level 2 are those where quoted prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

### Level 3

Financial instruments at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

Such instruments would include unquoted equity investments, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The values of the investment in private equity are based on valuations provided by the managers to the private equity funds in which the Lincolnshire Fund has invested.

These valuations are prepared in accordance with the Private Equity and Venture Capital Valuation Guidelines (US investments), and the International Private Equity and Venture Capital Valuation Guidelines (non US investments) which follow the valuation principles of IFRS and US GAAP. Valuations are shown to the latest valuation date available and adjusted for cash flow where required to 31st March 2014.

The value for the alternatives investments with Morgan Stanley are provided by the underlying managers within the pool of investments and assurance is provided by Morgan Stanley on the quality of the valuations.

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

Values at 31 <sup>st</sup> March 2014	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
<b>Financial Assets</b>				
Fair value through profit & loss	1,166,228	174,701	209,249	1,552,699
Loans and receivables	52,571			52,571
Financial liabilities measured at amortised cost				
<b>Total Financial Assets</b>	<b>1,218,799</b>	<b>174,701</b>	<b>209,249</b>	<b>1,605,270</b>
<b>Financial Liabilities</b>				
Fair value through profit & loss		(8,527)		(8,527)
Loans and receivables				-
Financial liabilities measured at amortised cost	(2,800)			(2,800)
<b>Total Financial Liabilities</b>	<b>(2,800)</b>	<b>(8,527)</b>	<b>-</b>	<b>(11,327)</b>
<b>Net Financial Assets</b>	<b>1,215,999</b>	<b>166,174</b>	<b>209,249</b>	<b>1,593,943</b>



Values at 31 <sup>st</sup> March 2013	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
<b>Financial Assets</b>				
Fair value through profit & loss	1,117,893	155,117	209,208	1,482,218
Loans and receivables	28,243			28,243
Financial liabilities measured at amortised cost				
<b>Total Financial Assets</b>	<b>1,146,136</b>	<b>155,117</b>	<b>209,208</b>	<b>1,510,461</b>
<b>Financial Liabilities</b>				
Fair value through profit & loss		(10,745)		(10,745)
Loans and receivables				
Financial liabilities measured at amortised cost	(4,671)			(4,671)
<b>Total Financial Liabilities</b>	<b>(4,671)</b>	<b>(10,745)</b>		<b>(15,416)</b>
<b>Net Financial Assets</b>	<b>1,141,465</b>	<b>144,372</b>	<b>209,208</b>	<b>1,495,045</b>

## **27 Nature and Extent of Risks Arising from Financial Instruments**

The Fund's primary long-term risk is that its assets will fall short of its liabilities (i.e. the promised benefits payable to members). Therefore, the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the Fund. This is achieved through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cashflows.

### **Market Risk**

Market risk is the loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future prices and yield movements and the asset mix.

To mitigate market risk, the Pension Fund invests in a diversified pool of assets to ensure a reasonable balance between different categories, having taken advice from the Fund's Investment Consultant. The management of the assets is split between a number of managers with different performance targets and investment strategies. Risks associated with the strategy and investment returns are included as part of the quarterly reporting to the Pensions Committee where they are monitored and reviewed.

### **Price risk**

Price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The Fund is exposed to share price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital. The maximum risk resulting from financial instruments is determined by the fair value of the financial instrument. To mitigate this price risk, each manager is expected to maintain a diversified portfolio within their allocation.

### **Price risk - sensitivity analysis**

Following analysis of historical data and expected investment return during the financial year, in consultation with a fund manager, the Fund has determined that the following movements in market price are reasonably possible for the 2013/14 reporting period.

<b>Asset Type</b>	<b>Potential market movements (+/-)</b>
UK Equities	12.2%
Overseas Equities	8.9%
UK Bonds	5.7%
UK Index Linked	7.7%
Overseas Bonds	6.8%
Private Equity	14.6%
Alternative Investments	10.0%
Property	5.8%

The potential price changes disclosed above are broadly consistent with a one standard deviation movement in the value of assets. The analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same.

Had the market price of the Fund's investments increased/decreased in line with the above, the change in net assets available to pay benefits would have been as follows (the prior year comparative is shown below):

<b>Asset Type</b>	<b>Value at 31/03/2014 £000</b>	<b>Percentage Change %</b>	<b>Value on Increase £000</b>	<b>Value on Decrease £000</b>
Cash deposits	38,836	0.0	38,836	38,836
UK Equities	389,530	12.2	437,053	342,007
Overseas Equities	556,212	8.9	605,715	506,709
UK Bonds	68,353	5.7	72,249	64,457
UK Index Linked	29,623	7.7	31,904	27,342
Overseas Bonds	100,617	6.8	107,459	93,775
Private Equity	83,313	14.6	95,477	71,149
Alternative Investments	125,936	10.0	138,530	113,342
Property	174,702	5.8	184,835	164,569
Dividends Accrued	2,991	0.0	2,991	2,991
Recoverable Tax	888	0.0	888	888
Outstanding FX	(40)	0.0	(40)	(40)
Outstanding Stock Lending	19	0.0	19	19
Unsettled Purchases	(1,024)	0.0	(1,024)	(1,024)
Unsettled Sales	1,531	0.0	1,531	1,531
<b>Total assets available to pay benefits</b>	<b>1,571,487</b>		<b>1,716,423</b>	<b>1,426,551</b>

Asset Type	Value at 31/03/2013 £000	Percentage Change %	Value on Increase £000	Value on Decrease £000
Cash deposits	14,696	0.0	14,696	14,696
UK Equities	393,151	15.2	452,910	333,392
Overseas Equities	523,690	12.7	590,199	457,181
UK Bonds	67,577	5.8	71,496	63,658
UK Index Linked	29,525	7.0	31,592	27,458
Overseas Bonds	87,963	7.2	94,296	81,630
Private Equity	95,595	14.6	109,552	81,638
Alternative Investments	113,613	10.0	124,974	102,252
Property	155,117	5.8	164,114	146,120
Dividends Accrued	2,868	0.0	2,868	2,868
Recoverable Tax	691	0.0	691	691
Outstanding FX	(767)	0.0	(767)	(767)
Unsettled Purchases		0.0	-	-
Unsettled Sales	2,450	0.0	2,450	2,450
<b>Total assets available to pay benefits</b>	<b>1,486,169</b>		<b>1,659,071</b>	<b>1,313,267</b>

### Interest rate risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cashflows of a financial instrument will fluctuate because of changes to market interest rates. The Fund's direct exposure to interest rate movements as at 31 March 2014 and 31 March 2013 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair values.

Asset Type	31/03/2013 £000	31/03/2014 £000
Cash deposits	14,696	38,836
Cash balances	3,954	4,630
Pooled Fixed Interest Securities	185,065	198,594
<b>Total</b>	<b>203,715</b>	<b>242,060</b>

### Interest rate risk - sensitivity analysis

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 1% change in interest rates.

Asset Type	Value at	Change in Year	
	31/03/2014	+1%	-1%
	£000	£000	£000
Cash deposits	38,836	388	(388)
Cash balances	4,630	46	(46)
Pooled Fixed Interest Securities	198,594	1,986	(1,986)
<b>Total</b>	<b>242,060</b>	<b>2,420</b>	<b>(2,420)</b>

Asset Type	Value at	Change in Year	
	31/03/2013	+1%	-1%
	£000	£000	£000
Cash deposits	14,696	147	(147)
Cash balances	3,954	40	(40)
Pooled Fixed Interest Securities	185,065	1,851	(1,851)
<b>Total</b>	<b>203,715</b>	<b>2,037</b>	<b>(2,037)</b>

### Currency risk

Currency risk represents the risk that the fair value of future cashflows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than sterling.

To assist in managing this risk and to reduce the volatility associated with fluctuating currency rates, the Fund has appointed two active currency overlay managers. Record Currency Management and HSBC Trinkaus & Burkhardt each overlay half of the value of the Global Equity ex UK portfolio managed by Invesco.

The following table summarises the Fund's currency exposure at 31 March 2014 and 31 March 2013.

Currency Exposure - Asset Type	31/03/2013	31/03/2014
	£000	£000
Overseas Equities (quoted)	523,690	556,212
<b>Pooled Investments:</b>		
Overseas Property	27,618	23,779
Overseas Private Equity	93,564	82,091
Overseas Fixed Interest	87,962	100,617
<b>Total</b>	<b>732,834</b>	<b>762,699</b>

### Currency risk - sensitivity analysis

Following analysis of historical data, the Fund considers the likely volatility associated with foreign exchange rate movements to be 10% (as measured by one standard deviation).

A 10% fluctuation in the currency is considered reasonable based on an analysis of long term historical movements in month-end exchange rates. This analysis assumes that all other variables, in particular interest rates, remain constant.

A 10% strengthening/weakening of the pound against various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Currency Exposure - Asset Type	Value at	Change in Year	
	31/03/2014 £000	+10% £000	-10% £000
Overseas Equities (quoted)	556,212	611,833	500,591
<b>Pooled Investments:</b>			
Overseas Property	23,779	26,157	21,401
Overseas Private Equity	82,091	90,300	73,882
Overseas Fixed Interest	100,617	110,679	90,555
<b>Total</b>	<b>762,699</b>	<b>838,969</b>	<b>686,429</b>

Currency Exposure - Asset Type	Value at	Change in Year	
	31/03/2013 £000	+10% £000	-10% £000
Overseas Equities (quoted)	523,690	576,059	471,321
<b>Pooled Investments:</b>			
Overseas Property	27,618	30,380	24,856
Overseas Private Equity	93,564	102,920	84,208
Overseas Fixed Interest	87,962	96,758	79,166
<b>Total</b>	<b>732,834</b>	<b>806,117</b>	<b>659,551</b>

### Credit Risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss.

The Fund is exposed to credit risk through securities lending, forward currency contracts and its daily treasury activities.

The securities lending programme is run by the Fund's custodian, JPMorgan, who manage and monitor the counterparty risk, collateral risk and the overall lending programme. The minimum level of collateral for securities on loan is 102%, however more collateral may be required depending upon the type of transaction. This level is assessed daily to ensure it takes account of market movements. To further mitigate risk, JPMorgan provide an indemnity to cover borrower default, overnight market risks, falls on return of loaned securities and entitlements to securities on loan. Securities lending is capped by investment regulations and statutory limits are in place to ensure that no more than 25% of eligible assets can be on loan at any one time.

Forward currency contracts are undertaken by the Fund's two currency overlay managers - Record and HSBC Trinkaus & Burkhardt. The responsibility for these deals therefore rests with the appointed managers. Full due diligence was undertaken prior to the appointment of these managers and they are regularly monitored and reviewed. Both managers are FSA regulated and meet the requirements set out in the LGPS (Management and Investment of Funds) Regulations 2009.

The Pension Fund's bank account is held at Barclays, which holds an A long term credit rating (or equivalent) across three ratings agencies and it maintains its status as a well capitalised and strong financial organisation. The management of the cash held in this account is carried out by the Council's Treasury Manager, in accordance with an agreement signed by the Pensions Committee and the Council. The agreement stipulates that the cash is pooled with the Council's cash and managed in line with the policies and practices followed by the Council, as outlined in the CIPFA Code of Practice for Treasury Management in the Public Services and detailed in its Treasury

Management Practices.

### **Liquidity risk**

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Council takes steps to ensure that the Fund has adequate cash resources to meet its commitments.

The Fund holds a working cash balance in its own bank account to cover the payment of benefits and other lump sum payments. At an investment level, the Fund holds a large proportion of assets in listed equities - instruments that can be liquidated at short notice, normally three working days. As at 31 March 2014, these assets totalled £1,153m, with a further £38.8m held in cash. Currently, the Fund is cash flow positive each month (i.e. the contributions received exceed the pensions paid). This position is monitored regularly and reviewed at least every three years alongside the Triennial Valuation.

An additional area of risk is in the outsourcing of services to third party service organisations.

The main service areas that the Pension Fund outsources, and the controls in place to monitor them, are:

### **Pensions Administration**

This service is performed by Mouchel, alongside a Council wide contract. In addition to the contract management that the Council undertakes, regular meetings are held between Fund Officers and the Pensions Manager at Mouchel. The Pension Fund is also a member of the CIPFA benchmarking club for Pensions Administration, to allow service comparisons to be made with other Funds.

### **Custody, Accounting and Performance Measurement**

JPMorgan are the Pension Fund's appointed Custodian, with responsibility for safeguarding the assets of the Fund. JPMorgan are a global industry leader, with more than \$19 trillion in assets under custody. They have been the Fund's Custodian since 2004, and were reappointed at the end of their seven year contract in March 2011. Monthly reconciliations of holdings are performed to ensure that the Custodians records match those of the Managers. Regular meetings and conference calls are held to discuss performance, and quarterly key performance indicators are produced.

### **Fund Management**

The Fund appoints a number of segregated and pooled fund managers to manage portions of the Pension Fund. All appointments meet the requirements set out in the LGPS (Management and Investment of Funds) Regulations 2009. Managers report performance on a monthly basis to officers and performance is reported to the Pensions Committee on a quarterly basis. All segregated managers present in person to the Committee at least once a year. Regular meetings and discussions are held between officers and managers.

## **28 Scheduled & Admitted Bodies Contributing to the Fund**

### **County and District Councils**

Lincolnshire County Council  
(incl. LCC schools)  
Boston Borough Council  
East Lindsey District Council  
City of Lincoln Council  
North Kesteven District Council  
South Holland District Council  
South Kesteven District Council  
West Lindsey District Council

### **Internal Drainage Boards**

Black Sluice  
Lindsey Marsh  
North East Lindsey  
South Holland  
Upper Witham  
Welland and Deeping  
Witham First  
Witham Fourth  
Witham Third

### **Parish and Town Councils**

Billinghay PC  
Bourne TC  
Bracebridge Heath PC  
Crowland PC  
Deeping St James PC  
Gainsborough TC  
Greetwell PC  
Heighington PC  
Horncastle TC  
Ingoldmells PC  
Langworth PC  
Louth TC  
Mablethorpe and Sutton TC  
Market Deeping TC

### **Parish and Town Councils**

Metheringham PC  
Nettleham PC  
North Hykeham TC  
Skegness TC  
Skellingthorpe PC  
Sleaford TC  
Stamford TC

### **Academies**

Alford Queen Elizabeth  
Boston Grammar  
Boston High School  
Boston West Academy  
Boston Witham Federation  
Bourne Abbey C of E  
Bourne Academy  
Bourne Grammar  
Bourne Westfield Primary  
Bracebridge Infant and Nursery  
Branston Community  
Branston Junior Academy  
Caistor Grammar  
Caistor Yarborough  
Carlton Academy  
Charles Read Academy  
Cordeaux Academy  
Ellison Boulters Academy  
Ermine Primary  
Fosse Way  
Gainsborough Benjamin Adlard  
Gainsborough Parish Church  
Giles Academy  
Gipsey Bridge Academy  
Grantham Kings School  
Grantham Walton Girls  
Harrowby C of E Infants  
Hartsholme Academy  
Heighington Millfield Academy  
Hillcrest EY Academy  
Hogsthorpe Primary Academy  
Horncastle QE Grammar  
Huntingtower Community Primary  
Huttoft Primary Academy  
Ingoldmells Academy  
John Spendluffe Tech. College

### **Academies**

Kesteven & Sleaford High  
Kesteven and Grantham Academy  
Kidgate Primary Academy  
Kirkby La Thorpe  
Lincoln Castle Academy  
Lincoln Christs Hospital School  
Lincoln Our Lady of Lincoln

Phoenix Family Academy  
Priory Federation of Academies  
Rauceby C of E  
Ruskington Academy  
Sir John Gleed  
Sir Robert Pattinson Academy  
Sir William Robertson  
Skegness Academy  
Skegness Grammar  
Skegness Infant Academy  
Skegness Junior Academy  
Sleaford Carres Grammar  
Sleaford Our Lady of Good Counsel  
Sleaford St Georges Academy  
Sleaford William Alvey  
Spalding Grammar  
Splisby Eresby  
Spilsby King Edward Academy  
St John's Primary Academy  
Stamford Malcolm Sargent  
Stamford Queen Eleanor  
Stamford St Augustine's  
Stamford St Gilberts  
The Deepings Academy  
The Phoenix School  
Thomas Cowley Academy  
Tower Road Academy  
Trent Valley Academy  
University Academy Holbeach  
Utterby Primary  
Washingborough Academy  
Welton St Mary's C of E  
Welton William Farr CE  
West Grantham Federation  
White's Wood Academy  
William Lovell Academy

### **Academies**

Witham St Hughs Academy  
Woodhall Spa Academy

### **Admitted Bodies**

Acis Group  
Active Nation  
Adults Supporting Adult

Sudbrooke PC  
Washingborough PC  
Woodhall Spa PC

**FE Establishments**

Bishop Grosseteste College  
Boston College  
Grantham College  
Lincoln College  
Stamford College

**Other Scheduled Bodies**

Acorn Free School  
Compass Point  
BG (Lincoln) Ltd  
Lincolnshire Police Authority  
Lincolnshire Probation Service

Lincoln St Hugh's  
Lincoln St Peter & St Paul's  
Lincoln Westgate Academy  
Ling Moor Academy  
Little Gonerby C of E  
Long Bennington C of E  
Mablethorpe Primary Academy  
Manor Leas Infant Academy  
Manor Leas Junior Academy  
Market Rasen De Aston School  
Mercer's Wood Academy  
Mount Street Academy  
National C of E Juniors  
Nettleham Infants Academy  
North Kesteven School  
North Thoresby Primary

Boston Mayflower  
CfBT  
Edwards & Blake  
G4S  
Heritage Trust for Lincs  
Lincoln Arts Trust  
Lincoln BIG  
Lincs HIA  
Lincs Sports Partnership  
Kier Group (May Gurney)  
Mouchel Connexions  
New Linx Housing  
Rentokil Initial



## **29 Exchange Rates Applied**

The exchange rates used at 31 March 2014 per £1 sterling were:

Australian Dollar	1.7987
Brazilian Real	3.7619
Canadian Dollar	1.8401
Swiss Franc	1.4727
Danish Krone	9.0310
Euro	1.2096
Hong Kong Dollar	12.9322
Indonesian Rupiah	18,938.8237
Israeli Shekel	5.8186
Japanese Yen	171.6914
Korean Won	1,774.5978
Mexican Peso	21.7542
Norwegian Krone	9.9813
New Zealand Dollar	1.9212
Polish Zloty	5.0371
Swedish Krona	10.8091
Singapore Dollar	2.0965
Thai Baht	54.0823
Turkish Lira	3.5664
Taiwan Dollar	50.7689
US Dollar	1.6671
South African Rand	17.5349

## Lincolnshire Fire & Rescue Pensions Fund for the year ended 31 March 2014

2012-13 £'000	Fund Account	Note	2013-14 £'000
	<b>Contributions Receivable</b>		
	From employer:		
(1,591)	Contributions in relation to pensionable pay	4	(1,625)
(229)	Early Retirements - Ill Health	4	(59)
	From members		
(969)	Fire-fighters' contributions	4	(1,112)
0	From CLG ( commutations special income)		0
	<b>Transfers in:</b>		
(5)	Individual transfers from other schemes from Local Authorities	7	0
(23)	Individual transfers from other schemes other than Local Authorities	7	(74)
	<b>Benefits payable:</b>		
4,128	Pensions	5	4,340
835	Commutations and lump sum retirement benefits	5	951
0	Lump sum death benefits	5	106
	<b>Payments to and on account of leavers:</b>		
0	Individual transfer out to other schemes	7	0
1	Refunds of contributions	7	2
	<b>Sub Total Net amount payable for the year before top up grant</b>		
<b>2,147</b>	<b>receivable</b>		<b>2,529</b>
(2,147)	Top up grant receivable from sponsoring department	6	(2,529)
<b>0</b>	<b>net amount payable/receivable</b>		<b>0</b>
31 March 2013 £'000	Net Asset Statement as at:		31 March 2014 £'000
	<b>Current Assets</b>		
346	Pensions paid in Advance		363
0	Amounts due from LCC		0
740	Pensions top up grant due		1,045
<b>1,086</b>	<b>Total Current Assets</b>		<b>1,408</b>
	<b>Current Liabilities</b>		
(1,086)	Amounts payable to LCC		(1,295)
0	Unpaid pension benefits		(113)
0	Pension payable to central government		0
<b>(1,086)</b>	<b>Total Current Liabilities</b>		<b>(1,408)</b>
<b>0</b>	<b>Total</b>		<b>0</b>

## **Notes to the Fire & Rescue Pension Fund Account**

### **1 Basis of Preparation**

The Financial Statements have been prepared in accordance with the main recommendations of the code of practice on Local Authority Accounting issued by the Chartered Institute of Finance & Accountancy.

There is no separate bank account for the Pension Fund, therefore the Council's General Fund is shown as a debtor/creditor in the Net Asset Statement.

The Net Asset Statement does not take account of liabilities to pay pensions and other benefits after the period end.

Note 54 to the Council's Financial Statements shows the Council's long term pension obligations in accordance with International Accounting Standards (IAS19).

### **2 Lincolnshire Fire and Rescue Pension Fund Account**

The Fund was established at 1 April 2006 and covers both the 1992 and 2006 Fire-fighters' Pension Schemes. It was established by the Fire-fighters' Pension Scheme (Amendment) (England) Order 2006 (SI2006 No1810) and is administered by Lincolnshire County Council. Employee and employer contributions are paid into the fund, from which payments to pensioners are made with any difference being met by top up grant from Central Government.

### **3 Accounting Policies**

The Principal Accounting Policies are as follows:

#### **Contributions**

For employees who are members of the pension schemes contributions are receivable from the employer (Council) and the members (employees) throughout the year based on a percentage of pensionable pay. The rates are set nationally by the DCLG/Government Actuary Department and subject to triennial revaluation by the Government Actuary's Department.

If ill health retirements are granted the Council is required to make a contribution to the pension fund in accordance with the regulations. This contribution is spread over a 3 year period to deal with financial volatility as the number of Fire-fighters' who retire on grounds of ill health varies from year to year.

No provision is made in the accounts for contributions on pay awards not yet settled .

#### **Benefits**

Benefits include recurring payments that are paid in advance of the month for which they relate. An accrual is made at year end so that the payments are accounted for in the year to which they relate and this is shown in the net asset statement. Lump Sum payments are paid as they become due.

The accounts do not take account of liabilities to pay pensions and other benefits after the year end.

#### **Transfer Values**

The value of accrued benefits transferred from or to another pension arrangement, including Fire-fighters' pension schemes outside England, are recorded in the accounts on a receipts and payments basis.

#### **Top up Grant**

Central Government pay an instalment of top up grant during the year based on estimated activity. The balance is included within the amount of grant receivable and identified in the Net asset statement under current assets or liabilities.

The accounts do not take account of liabilities to pay pensions and other benefits after the year end.

#### 4 Contribution Rates

Under the Fire-fighters pension regulations the contribution rates are set nationally and are subject to triennial revaluation by the Governments Actuary's Department. During 2013/14 the contribution rates for the 2006 scheme were a minimum of 19.5% of pensionable pay (11% employers and tiered contribution of 8.5% to 11.1% based on employees' pensionable pay banding) and the contribution rates for the 1992 scheme were a minimum of 32.3% of pensionable pay (21.3% employers and tiered contribution of 11% to 15% based on employees' pensionable pay banding). Contribution tiers for part time and retained firefighters to be based on whole time equivalent pay for their role. Contributions, by the employer for fire-fighters who retire due to ill health are also paid into the Pension Fund in accordance with the regulations.

#### 5 Benefits paid

Lump sum and ongoing pensions are paid to retired officers, their survivors and others who are eligible for benefits under pension schemes. The recurring payments are usually paid monthly in advance at the beginning of the period for which they relate.

#### 6 Central Government pension top up grant

This is an unfunded scheme and consequently there are no investment assets. The fund is balanced to zero each year by receipt of a top up grant from the Central Government Department for Communities and Local Government (DCLG) if contributions are insufficient to meet the cost of benefits payable, or by paying over any surplus to the DCLG. The difference between grant received during the year and grant required to balance to zero is set up as an accrual and shown in the Net Asset Statement.

#### 7 Transfers in and out

The value of accrued benefits of members that are transferred from or to another pension arrangement, if a member joins or leaves the scheme.

## **Audit Opinion**

### **Independent auditor's report to the members of Lincolnshire County Council**

We have audited the financial statements of Lincolnshire County Council for the year ended 31 March 2014 on pages 12 to 156. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013-14.

This report is made solely to the members of the Authority, as a body, in accordance with Part II of the Audit Commission Act 1998. Our audit work has been undertaken so that we might state to the members of the Authority, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the Executive Director (Finance and Public Protection) and auditor**

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

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Authority's and the Pension Fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Executive Director (Finance and Public Protection)); and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Explanatory Foreword to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2014 and of the Authority's expenditure and income for the year then ended;
- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2014 and the amount and disposition of the fund's assets and liabilities as at 31 March 2014 other than liabilities to pay pensions and other benefits after the end of the scheme year; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Code of Practice on Local Authority Accounting in the United Kingdom 2013-14.

### **Matters on which we are required to report by exception**

The Code of Audit Practice 2010 for Local Government Bodies requires us to report to you if:

- the annual governance statement set out on pages 160 to 174 does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- the information given in the explanatory foreword for the financial year for which the financial statements are prepared is not consistent with the financial statements; or

- any matters have been reported in the public interest under section 8 of Audit Commission Act 1998 in the course of, or at the conclusion of, the audit; or
- any recommendations have been made under section 11 of the Audit Commission Act 1998; or
- any other special powers of the auditor have been exercised under the Audit Commission Act 1998.

We have nothing to report in respect of these matters.

## **Conclusion on Lincolnshire County Council's arrangements for securing economy, efficiency and effectiveness in the use of resources**

### **Authority's responsibilities**

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

### **Auditor's responsibilities**

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

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

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

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2013, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

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

### **Conclusion**

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2013, we are satisfied that, in all significant respects, Lincolnshire County Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2014.

## **Certificate**

We certify that we have completed the audit of the financial statements of Lincolnshire County Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice 2010 for Local Government Bodies issued by the Audit Commission.

**Mr Tony Crawley**  
**for and on behalf of KPMG LLP, Appointed Auditor**  
Chartered Accountants  
1 Waterloo Way  
Leicester  
LE1 6LP

26 September 2014

# Annual Governance Statement

## Lincolnshire County Council in statistics

**724,500** residents comprising **306,971** households were in receipt of LCC services

**569** people became British Citizens through formal citizenship ceremonies in Lincolnshire.

**615** compliments and **835** complaints were received by LCC. **87** complaints and queries went to the Local Government Ombudsman and out of those where a detailed investigation was carried out, only **11** were upheld and **18** were not upheld.

LCC has **5,512** miles of roads and repaired **50,000** pot holes last year.

**265,000** passenger journeys were made via CallConnect, providing public transport in isolated areas.

**7,454** free home fire-safety checks were undertaken

**8,360** people attended adult learning courses.

**10,334** older people received home care to help them live independently in their homes.

**102,540** children attended Lincolnshire's **356** schools.

**61.8%** of pupils achieved 5 or more GCSEs at grades A\* to C which is **2.6%** above the national average.

**2015** sees the opening of the new Magna Carta and Charter of the Forest visitor centre in Lincoln Castle.

**413,700** visits were made to the county's heritage sites.

**£140 million** has been invested in a combined heat and power plant, designed to use **150,000** tonnes of rubbish.

Over **£304 million** was spent with local suppliers in the last year.



# Annual Governance Statement for Lincolnshire County Council 2014

## How has this Statement been prepared?

Each year we reflect on how well the Council's governance framework has operated during the year and identify any significant governance issues we need to draw to the attention of Lincolnshire residents.

To help us do this the Council's Audit Committee undertakes a review of the Council's governance framework<sup>1</sup> – considering and challenging evidence and information supplied by an Officer Group (comprising of the Chief Financial Officer, Monitoring Officer, Head of Internal Audit, Head of Legal Services and Democratic Services Manager).

On the 11<sup>th</sup> June 2014 the draft statement was agreed and signed off by the Corporate Management Team.

On the 21<sup>st</sup> July 2014 the Audit Committee considered the significant governance issues identified in the Statement – ensuring that the Statement properly reflects how the Council is run and identified any improvement actions.

The final statement was formally approved by the Audit Committee on the 22<sup>nd</sup> September 2014 - where it was recommended for signing by the Leader of the Council, Chief Executive and the Executive Director – Finance and Public Protection.

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<sup>1</sup> The Council has adopted a governance and assurance structure which is consistent with the principles of the CIPFA/SOLACE Framework – Delivering Good Governance in Local Government – 2012 Edition

## Introduction by Pete Moore Executive Director, Finance and Public Protection

*"If management is about running the business – governance is about seeing that it is run properly"*<sup>2</sup>

Good governance underpins everything we do as a Council and how we deliver services often comes under close scrutiny.

It's important our resources focus on agreed policy and priorities; that there is sound and inclusive decision making with clear accountability for the use of those resources and that key risks are managed effectively. This ensures that we achieve the desired outcomes for the people of Lincolnshire.

We continue to face significant financial challenges with less money for Local Authorities. We will have made savings of nearly £130m by March 2015 and will have also made some modest use of our balances to help support the budget and the change programme the Council will be undertaking. The Spending Review for 2015/16 and our future financial projections indicate that we will have to reduce budgets by a further £90m by March 2019. This will mean reassessing our priorities against available budgets and looking at different ways to deliver our services – working far closer with key partners such as health and police, business, the 'third sector' and community groups.

In this time of change it is vital that people and businesses have trust and confidence in how we run our business and that public money is well spent.

*Pete Moore*  
Executive Director – Finance and Public Protection

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<sup>2</sup> Robert Tricker. An expert in Corporate Governance.

## What is Corporate Governance?

Lincolnshire County Council spends around £1,000 million of public money every year. It is our duty to ***“ensure the greatest benefits for the people in Lincolnshire from the resources we use.”***

The public have a right to expect high standards and value for money in how we spend this money to improve the lives of the people of Lincolnshire.

Local Government has been and will continue to undergo significant change. The way we operate and deliver services – either directly, with or through other organisations will provide challenges for managing risk, ensuring transparency and demonstrating accountability. We need to aim for the standards of the best and our governance arrangements should not only be sound but also seen to be sound.

The Framework consists of the systems and processes, cultures and values by which the Council is directed and controlled. It sets out how we

account to and engage with the people of Lincolnshire - it's about **Community Leadership**.

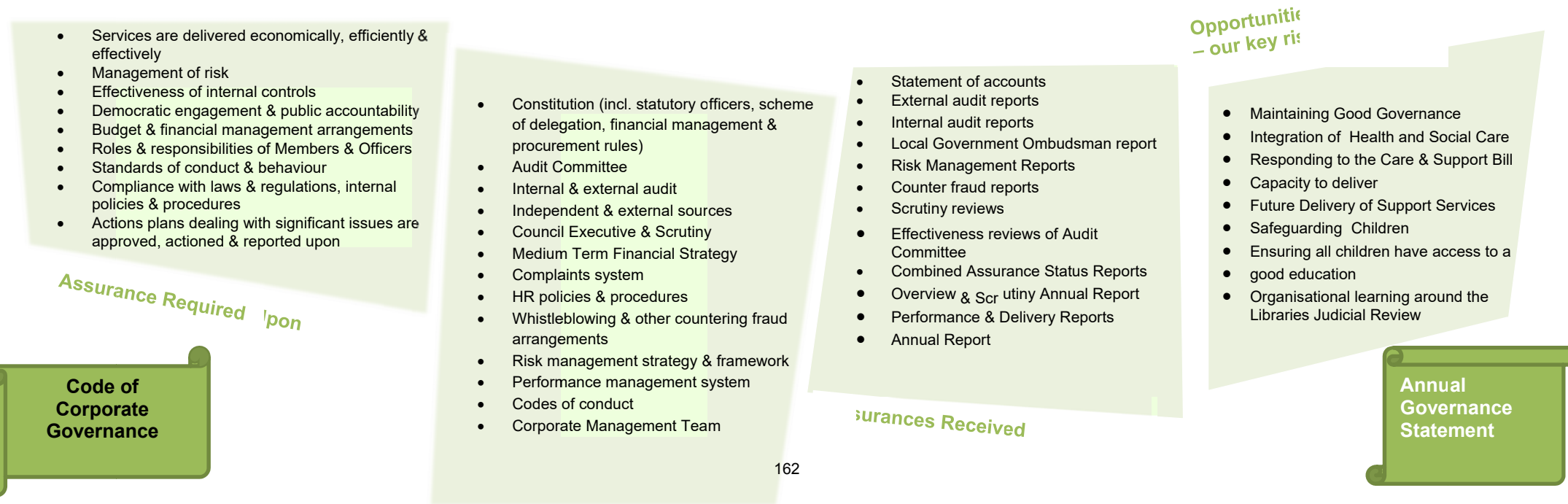
It helps us monitor our progress in achieving our goals and whether or not those goals are leading to effective and top quality services.

Our Governance Framework brings together an underlying set of legislative requirements, good practice principles and management processes.

## Whose responsibility is it?

Having good governance arrangements is important to everyone involved in the Council. However, it is a key leadership responsibility of the Leader of the Council and of the Chief Executive. They are accountable for ensuring good governance in the Council.

**Figure 1 - Our governance framework**



## The Council – How it works

The Council is made up of 77 Councillors and operates a Leader and Cabinet model of decision making.

All 77 Councillors meet at full Council to agree the budget and policy framework. Ten Councillors form the Executive. The Executive make the decisions that deliver the budget and policy framework.

The remaining 67 Councillors form scrutiny committees. These committees develop policy and scrutinise decisions made by the Executive and key decisions made by officers – holding them to account. A number of Committees deal with Regulatory issues.

The conduct of Council's business is defined by formal procedures and rules – known as the Constitution. This explains the roles and remits of all committees and the delegation arrangements that are in place. It also contains the Budget and Policy Framework, finance and other procedure rules and the Codes of Conduct for Members and Employees.

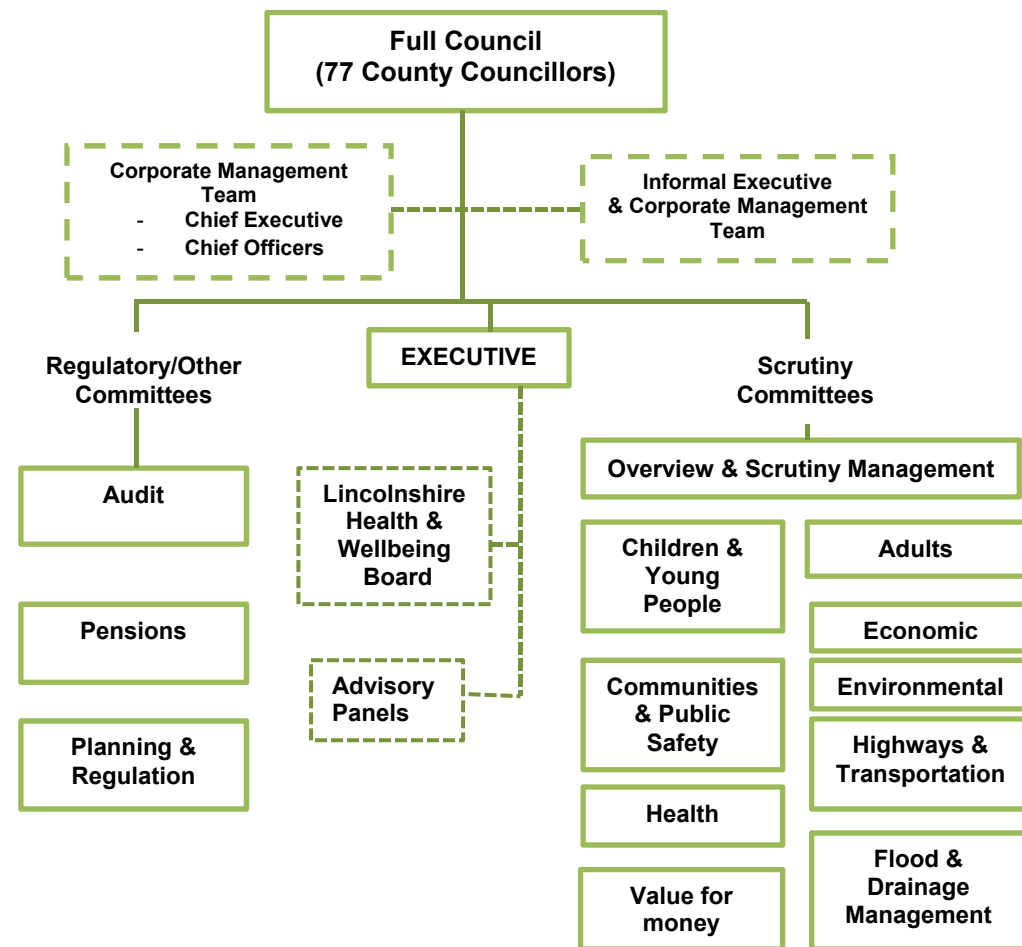
Council elections were held on the 2<sup>nd</sup> May 2013. This resulted in a change in the Lincolnshire Administration – which is now a coalition of Conservatives, Liberal Democrats and Independents.

In times motivated by change we are committed to sharing as much information about our plans and programmes as possible. Meetings are therefore normally open to the public and we undertake extensive consultation on major changes to the way we propose to deliver our services.

During 2013 we have continued to progress towards becoming a commissioning council. Fundamentally, we are reshaping ourselves as a council completely focused on outcomes, or results, rather than services as in the past. We have already started reviewing senior management structures – during 2014 further organisational change is planned to align our workforce to deliver the 17 commissioning strategies and deliver the spending reductions required of us. Having a strong governance framework during this period will be vital to our success.

Having far closer co-operation with health partners and community groups will play a part in how we run our business. Collaborative governance and accountability arrangements will need to be fully developed – balancing accountability for successful delivery of outcomes with proportionate and pragmatic approaches based on acceptable levels of risk.

**Figure 2 – Council Committee Structure**



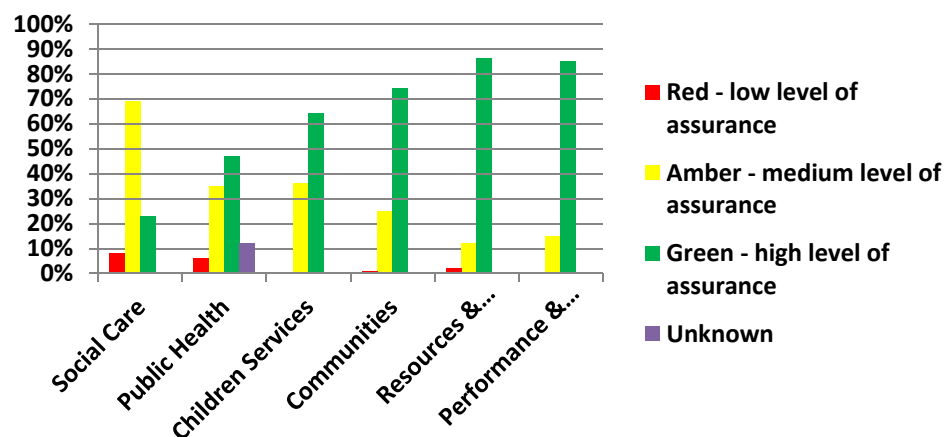
## How do we know our arrangements are working?

There are a number of ways we assess if our governance arrangements are working.

Our managers have the day to day responsibility for managing and controlling services - they are accountable for their successful delivery. They set 'the tone from the top' and develop and implement the policies, procedures, processes and controls – ensuring compliance.

A Combined Assurance Status report is produced by each Director on the level of confidence the council can have on its service delivery arrangements, management of risks, operation of controls and performance for their area of responsibility. These reports are reviewed by the Audit Committee.

**Figure 3 – Overall Assurance Levels 2014**



We communicate the vision and purpose of the authority to the public by setting out our objectives and priorities for the year within our [Business Plan](#).

We make sure the public receive high quality services by measuring our success and publically reporting our overall financial position in our [Statement of Accounts](#).

We publish an Annual Report that highlights some real achievements in services provided to Lincolnshire residents, summarises how we spent our budget and shows what efficiency savings we have made.

If for any reason someone feels that the Council has failed to do something that should have been done or has done something badly or feel that they have been treated unfairly we have a [Complaints Policy](#) to proactively deal with complaints and learn from our mistakes.

From time to time the council makes decisions that others want to challenge. Apart from our own complaints mechanisms, people who are dissatisfied after that process may take a complaint to the Local Government Ombudsman.

There is one other route for challenge, that of judicial review. This is a legal challenge on the processes that we have followed or allegedly with which we have not complied.

### Role of Monitoring Officer

The Executive Director – Environment and Economy is the designated Monitoring Officer with responsibility for ensuring the lawfulness of decisions taken by us as detailed in the [Constitution Part 3](#).

The Monitoring Officer is responsible for ensuring the Council complies with its duty to promote and maintain high standards of conduct by members and co-opted members of the authority. The Council has adopted a Code of conduct and arrangements by which the Monitoring Officer will deal with complaint that Members may have failed to comply with the requirements of that Code.

## Effective Scrutiny and Review

Our [Overview and Scrutiny](#) Management Committee exists to review and scrutinise any decision made by the Executive, Executive Councillor or key decision made by an officer. It examines the County Council's overall performance and advises our Overview and Scrutiny Committees of any areas of performance requiring detailed consideration.

Each year an Overview and Scrutiny Annual report is produced which shows the activities undertaken by the 10 Committees and how they have contributed to the delivery of agreed priorities and outcomes.

## Managing our Risks

Good risk management is part of the way we work. It is about taking measured risks when making decisions or where we need to encourage innovation in times of major change. This will put us in a stronger position to deliver our goals and provide excellent services. Our risk management process is well established in the way we work. The Audit Committee is responsible for reviewing how effective our risk management procedures are. Our Strategic Risk Register is regularly reviewed and more details can be found in our [Risk Management Strategy](#)

Our strategic risk management team supports management to help create an environment of 'no surprises'. A recent Internal Audit Review has identified some opportunities to improve risk information around key decisions, projects and the level of risk the Council is prepared to take across its different business units.

For more information go to: [Risk Management Strategy](#)

## Tackling Fraud Locally

We are dedicated to promoting a strong culture to prevent and detect fraud. This is supported by our [Counter Fraud Policy](#) and our [Whistleblowing Policy](#).

Our response to Central Government's expectations for tackling fraud and corruption is reflected in the Counter Fraud Policy and annual work plan.

Progress and delivery of our counter fraud work plan is monitored through our Audit Committee with an Annual Report produced to provide information on the overall effectiveness of the Council's Counter Fraud arrangements.

If for any reason someone feels that the Council has failed to do something that should have been done or has done something badly or feel that they have been treated unfairly we have a [Complaints Policy](#) to proactively deal with complaints and enables us to learn from our mistakes.

## Chief Financial Officer

The Council has designated the Executive Director – Finance and Public Protection as the Chief Finance Officer under Section 152 of the Local Government Act 1972. He leads and directs the Financial Strategy of the Council.

They are a member of the Council's Management Board and have a key responsibility to ensure that the Council controls and manages its money well. They are able to operate effectively and perform their core duties - complying with the CIPFA Statement on the role of the Chief Financial Officer.

## Our Audit Committee

The Audit Committee is a vital group that oversees and promotes good governance, ensures accountability and reviews the way things are done. The Audit Committee provides an assurance role to the Council by examining areas such as audit, risk management, internal control, counter fraud and financial accountability. The Committee exists to challenge the way things are being done, making sure the right processes are in place. It works closely with both Internal Audit and senior management to continually improve the Council's governance, risk and control environment.

Our External Auditors attend Audit Committee meetings. At least once a year a private meeting is held with them to help provide the Audit

Committee with independent insight on key issues facing the Council and how well its governance arrangements are working.

Our Internal Audit team is one of the Audit Committees key independent assurance providers.

We have a non-elected member on the Committee. The ability of an independent member to offer different perspectives and constructive suggestions will improve the way we work. For more information go to:

[Audit Committee Records](#)

### **Internal Audit**

Internal Audit provides independent assurance designed to add value and improve how the Council operates. It helps the Council achieve its priorities and objectives by bringing a systematic and disciplined approach to evaluate and improve the management of risk, control and governance processes. It provides constructive and independent challenge to management on the way things are done.

We undertake an annual review of the effectiveness of our Internal Audit service ensuring it conforms with the UK Public Sector Internal Audit Standards including CIPFA's advisory note on the standards and their statement on the role of the Head of Internal Audit in public service organisations.

Our Internal Audit Charter sets out Internal Audits role and remit.

### **External Audit**

The Council's financial statements and annual governance statement are an important way we account for our stewardship of Public funds.

KPMG, our External Auditors, audit our financial statements and provide an opinion on these.

They also assess how well we manage our resources and deliver value for money to the people of Lincolnshire.

## Governance Issues

Whilst we are generally satisfied with the effectiveness of our governance framework and assurance arrangements our review identified the following areas where further work is required to improve systems or monitor how the key risks facing the Council are being managed:

Governance Issue	Lead Officer(s)	Key Delivery Milestones – 2014/15	Implementation Date
<b>Maintaining Good Governance</b>			
<p>Maintaining good governance in complex environments and in times of significant change can sometimes become difficult. Our governance and assurance arrangements will need adapting to respond to the changing organisational environment:</p> <ul style="list-style-type: none"> <li>• Proportionate and pragmatic given collaborative delivery models.</li> <li>• Risk Managements information improved around decisions and clarity on the level of acceptable risk associated with different business units / delivery models.</li> <li>• Effectiveness of the Audit Committee and Overview and Scrutiny Committees.</li> <li>• Implementation of Local Government Transparency Code 2014.</li> <li>• Review of effectiveness of local standard arrangements re members code of conduct (via Audit Committee).</li> <li>• Effectiveness of programme and project management.</li> </ul>	<p>Executive Director Finance and Public Protection Safety</p> <p>Monitoring Officer (Executive Director Environment and Economy)</p>	<p>Delivery models will be reviewed as part of the fundamental budget review and the review of Council priorities but will also be an ongoing feature from the new commissioning approach.</p> <p>The Transparency Code has been reviewed and action will be taken to ensure additional information is in place between now and December 2014.</p> <p>Chairman and Vice-Chairman of Committees will be briefed on the Openness of Local Government Bodies Regulations 2014. Standing orders will be amended appropriately.</p> <p>The Council is reviewing its Constitution which will be presented to the September Council Meeting.</p> <p>The Corporate Risk Register was updated recently but will be reviewed</p>	<p>FBR / review of priorities will result in a sustainable medium term budget and an updated Council business plan budget by February 2015.</p> <p>Between 1<sup>st</sup> October and 31<sup>st</sup> December 2014.</p> <p>By 30<sup>th</sup> September 2014</p> <p>September 2014 (possible further review on Standards before May 2015)</p> <p>Further update of the Corporate Risk Register</p>

Governance Issue	Lead Officer(s)	Key Delivery Milestones – 2014/15	Implementation Date
		<p>following the FBR and as part of the preparation of an updated business plan for 2015/16.</p> <p>The self-review, facilitated by the External Auditors of the effectiveness of the Audit Committee was undertaken in June 2014 and an implementation plan will be developed out of this. Because Executive Director responsibilities have changed in recent months the officer 'governance group' has been re-constituted and will meet on a regular basis to ensure all key governance issues are picked up and addressed in a timely and effective manner.</p>	<p>By 31<sup>st</sup> March 2015.</p> <p>Implementation plan to be agreed and implemented during 2014/15.</p> <p>Already actioned.</p>
<b>Integration of Health and Social Care</b>			
<p>The transformation of Adult Care continues at scale and pace along with health organisations within Lincolnshire as elsewhere.</p> <p>Achieving better care and keeping the most vulnerable adults safe can only be done in partnership - whether that be with colleagues within the Council such as Public Health and Children's Services, statutory partners such as health colleagues, 3<sup>rd</sup> sector and independent organisations.</p> <p>For the people working in the service, they will require a change in skills and attitudes. For the organisational shape and processes used today, they also require</p>	<p>Director of Adult Services / Director of Public Health</p>	<p>The first four neighbourhood teams will commence August 2014 with the next wave of four commencing October 2014.</p> <p>A new specification for an intermediate care service funded through a pooled budget will represent a significant step forward regarding service and budget integration and performance improvement in respect to reablement.</p>	<p>31<sup>st</sup> October 2014</p>



Governance Issue	Lead Officer(s)	Key Delivery Milestones – 2014/15	Implementation Date
<p>fundamental change.</p> <p>The Better Care Fund highlights the initial "Early Implementers" for integration, a level of pooled budget and performance improvement. Lincolnshire Health and Care (LHAC) represents the broader strategic changes currently in design across the social care and health system in Lincolnshire.</p>		<p>The Better Care Fund for Lincolnshire states that by the end of 2015/16 we will have pooled £197m of health and social care funding.</p>	<p>By the end of 2015/16</p>
<b>Responding to the Care and Support Bill</b>			
<p>Future years' budgets for Adult Care will be heavily impacted by the additional cost implications of 'Dilnot' and the Care Act. This results from a mix of the 'cap' on service user contributions, changes to means testing arrangements, impact of self-funders and the impact of demography and in particular increasing life expectancy.</p> <p>The Care Act will reform social care – modernising the law to put people's wellbeing at the heart of the care and support system. It aims to support those people who need it most.</p> <p>To help make difficult choices, and yet optimal ones, a set of decision making criteria has been established and Commissioning strategies established. Appropriate governance structures are in place to ensure that we implement these changes well.</p> <p>The three largest group of people affected will be carers, self-funders and prisoners.</p>	<p>Director of Adult Services</p>	<p>The Care Act must be implemented in Lincolnshire by April 1<sup>st</sup> 2015.</p> <p>The Dilnot Funding Reforms will need to be implemented by April 2016.</p> <p>The new partnership with Serco (notably with respect to the Customer Service Centre) and the implementation of CMPP (Mosaic) are key inter-dependencies in delivering successful implementation.</p>	<p>31<sup>st</sup> March 2015</p>

Governance Issue	Lead Officer(s)	Key Delivery Milestones – 2014/15	Implementation Date
<b>Capacity to Deliver</b>			
<p>Local Government continues to face spending reductions. In Lincolnshire, by the end of the decade, our Council budget will be at least 40% less than it was in 2010. We have made significant changes already – more needs to be done – we need new ambitions and to reorganise ourselves so as to deliver these in the most efficient and effective manner possible.</p> <p>Historically, we have been used to delivering services, many of which have been identified for us in legislation or have built up over decades of expectation, practice and procedure. From now on, however, the Council will identify the outcomes it wishes to see in priority areas and then work out how best to bring about those outcomes.</p> <p>All areas of the Council will be subject to fundamental budget reviews.</p>	Pete Moore – Executive Director Finance and Public Protection	<p>As part of the budget process for 2014/15 the Council agreed that a Fundamental Budget Review (FBR) would be undertaken during 2014 to address the financial challenges it faces over the next few years. This will include re-assessing priorities within the new commissioning strategies framework, a reduced budget envelope and with an appropriate assessment of risks. This will result in a sustainable, medium term financial plan and an updated financial strategy to support it.</p>	<p>Initial FBR workshops with the Executive from late June to 31<sup>st</sup> August 2014.</p> <p>30<sup>th</sup> September 2014 – capital workshop and Executive consider overall options and proposals for consultation.</p> <p>1<sup>st</sup> October 2014 to 31<sup>st</sup> January 2015 – consultation on priorities and budgets with the scrutiny committees public, service users, partners and outside bodies.</p> <p>28<sup>th</sup> February 2015 – finalisation and approval of budget and medium term financial plan.</p>
<b>Future Delivery of Support Services</b>			
<p>Our contract to deliver back office support functions comes to an end in March 2015.</p> <p>The Future Delivery of Support Services Programme</p>	Chief Information and Commissioning Officer	A new financial and HR system will be implemented from 1 <sup>st</sup> April 2015 – this will mean new support processes and different ways of working. The	1 <sup>st</sup> April 2015

Governance Issue	Lead Officer(s)	Key Delivery Milestones – 2014/15	Implementation Date
<p>(FDSSP) was set up in review how the support services would be delivered with new contract arrangements being put in place in preparation for 1<sup>st</sup> April 2015.</p>		<p>successful delivery of this programme is vital as it impacts on all areas of Council business.</p> <p>Project governance and assurance arrangements have been put in place to achieve this. Key milestones are approximately each quarter with system design to be complete at the end of July, system build at the end of October, system testing by end of December and migration, user testing and training by the end of March 2015.</p>	
<b>Safeguarding Children</b>			
<p>The action we take to promote the welfare of children and protect them from harm - is everyone's responsibility. Everyone who comes into contact with children and families has a role to play. Safeguarding and promoting the welfare of children includes: protecting children from maltreatment; preventing impairment of children's health or development; ensuring that children grow up in circumstances consistent with the provision of safe and effective care; and taking action to enable all children to have the best outcomes.</p> <p>In order to strengthen our safeguarding arrangements the Service is working in partnership with other agencies to implement a consistent risk assessment framework called Signs of Safety.</p>	<p>Director of Children Services</p>	<p>The Signs of Safety approach has been agreed for implementation across the whole of Children's Services.</p> <p>We plan to work with our Consultant Trainer for 5 years to ensure we embed this approach in all aspects of Children's Services practice. Children's Services offer multi agency briefings which have been well attended and have received excellent feedback, and the Project Manager delivers briefings and overviews to partners to raise awareness of the changes taking place.</p> <p>The Police are currently running a pilot in two of the area frontline officer</p>	<p>On-going – monitored through performance management / quality assurance framework</p> <p>31<sup>st</sup> October 2014</p>

Governance Issue	Lead Officer(s)	Key Delivery Milestones – 2014/15	Implementation Date
<p>Signs of Safety is an innovative strengths-based, safety-organised approach to child protection casework. The partnership is also exploring opportunities to better share information to further assist in safeguarding children.</p>		<p>teams, this will be reviewed in October 2014.</p> <p>Children's Services have a plan for 2-day training sessions to staff, which began in July 2013; monthly Practice Leader (PL) sessions for our front-line managers and Independent Chairs; and targeted training sessions on specific aspects of the Signs of Safety approach. This learning should all be cascaded and shared within teams, and Signs of Safety is a standing agenda item on all team meetings .</p> <p>There is a monthly Steering Group made up of Senior Managers and chaired by our lead Assistant Director, that provides the strategic direction for the project and ensures its knowledge of the approach is kept up to date through bi-monthly practice based Steering Group meetings.</p> <p>LCC plan to work with our Consultant Trainer for 5 years to ensure we embed this approach in all aspects of Children's Services practice. The Project Manager is working with the Practice Leads and consultant to embed in key priority areas including Strategy Discussions, Assessments,</p>	<p>On-going – monitored through performance management / quality assurance framework</p>

Governance Issue	Lead Officer(s)	Key Delivery Milestones – 2014/15	Implementation Date
		Plans and Child Protection meetings. In addition, there are regular communications circulated to staff.	
<b>Ensuring all children have access to a good education</b>			
The Council continues to have a duty to promote educational excellence for all children and young people and be ambitious in tackling underperformance. This includes: taking decisive action in relation to poorly performing schools, developing robust school improvement strategies, promoting high standards in education by supporting effective school to school collaboration and undertaking specified responsibilities in relation to staffing and governance of maintained schools. The Council is currently reviewing how it can best deliver these duties in a changing education landscape.	Director of Children Services	<p>Design and Task Group to be established with Head Teacher representation</p> <p>Design and Task Group to establish memorandum of understanding and develop governance arrangements</p> <p>Mechanism for engaging with Governing Bodies and Academy Sponsors confirmed and delivered</p> <p>Early Implementers to be established</p> <p>Review of early implementers and roll out programme for all schools to be engaged in improvement partnership</p>	<p>30<sup>th</sup> September 2014</p> <p>31<sup>st</sup> December 2014</p> <p>1st April 2015</p> <p>30<sup>th</sup> Sept 2015</p> <p>1<sup>st</sup> April 2016 –30<sup>th</sup> Sept 2016</p>
<b>Organisational Learning around the Libraries Judicial Review.</b>			
A judicial review was lodged against the Council around the lawfulness of the Council's decision making process to redesign Library Services in Lincolnshire. The High Court quashed the decision - the Council will identify any learning which would help strengthen its governance arrangements.	Chief Executive & Chairman of the Audit Committee	An Internal Audit has been commissioned to provide some independent insight / review on the facts surrounding the decision making process and any lessons that can be learnt for the future.	30 <sup>th</sup> November 2014

## **Conclusion**

**We are satisfied that plans are in place that will address the areas identified above and will monitor their implementation and operation as part of performance management. The Audit Committee will help provide us with independent assurance during the year.**

**The original documents were signed on 22 September 2014 by Pete Moore, CPFA (Executive Director - Finance and Public Protection), Tony McArdle (Chief Executive) and Councillor M Hill OBE ( Leader, Lincolnshire County Council).**

**Appendix A - Officer Remuneration split between staff employed in Schools and All Other Parts of the County Council.**

SCHOOLS	2012-13		2013-14	
	Number of Staff		Number of Staff	
Pay Band	Remuneration received (excl those receiving termination payments)	Staff who received termination payments	Remuneration received (excl those receiving termination payments)	Staff who received termination payments
£150,000- £154,999	0	0	0	0
£145,000- £149,999	0	0	0	0
£140,000- £144,999	0	0	0	0
£135,000- £139,999	0	0	0	0
£130,000- £134,999	0	0	0	0
£125,000- £129,999	0	0	0	0
£120,000- £124,999	0	0	0	0
£115,000- £119,999	0	0	0	0
£110,000- £114,999	0	0	0	0
£105,000- £109,999	0	0	0	0
£100,000- £104,999	0	0	0	0
£95,000- £99,999	0	0	1	0
£90,000- £94,999	2	0	0	0
£85,000- £89,999	3	2	3	0
£80,000- £84,999	1	0	1	0
£75,000- £79,999	3	0	4	0
£70,000- £74,999	5	1	7	1
£65,000- £69,999	7	1	6	0
£60,000- £64,999	20	0	27	0
£55,000- £59,999	55	1	48	0
£50,000- £54,999	62	1	59	0
<b>Total</b>	<b>158</b>	<b>6</b>	<b>156</b>	<b>1</b>

OTHER SERVICES	2012-13		2013-14	
	Number of Staff		Number of Staff	
Pay Band	Remuneration received (excl those receiving termination payments)	Staff who received termination payments	Remuneration received (excl those receiving termination payments)	Staff who received termination payments
£150,000- £154,999	0	0	0	0
£145,000- £149,999	0	0	0	0
£140,000- £144,999	0	0	0	0
£135,000- £139,999	0	0	0	0
£130,000- £134,999	0	0	0	0
£125,000- £129,999	1	0	0	0
£120,000- £124,999	0	0	1	0
£115,000- £119,999	0	0	0	0
£110,000- £114,999	0	1	0	1
£105,000- £109,999	0	0	2	1
£100,000- £104,999	0	0	1	1
£95,000- £ 99,999	0	0	1	0
£90,000- £94,999	1	1	1	1
£85,000- £89,999	4	1	3	1
£80,000- £84,999	4	1	5	0
£75,000- £79,999	3	0	2	1
£70,000- £74,999	3	1	3	0
£65,000- £69,999	17	0	29	3
£60,000- £64,999	27	0	19	0
£55,000- £59,999	40	0	31	3
£50,000- £54,999	44	5	41	1
<b>Total</b>	<b>144</b>	<b>10</b>	<b>139</b>	<b>13</b>

## **STATEMENT OF ACCOUNTS GLOSSARY OF TERMS**

### **Academy Schools**

Academy schools are directly funded by central government (the Department for Education) and are independent of local Council control.

### **Accounting Period**

The period of time covered by the accounts, normally a period of twelve months commencing on 1 April. The end of the accounting period is the Balance Sheet date.

### **Accounting Policies**

The principles, bases, conventions, rules and practices applied by an organisation that specify how the effects of transactions and other events are to be reflected in its Financial Statements.

### **Accruals**

Sums included in the final accounts to recognise revenue and capital income and expenditure attributable to the accounting period, but for which payment has not been received or made by 31 March.

### **Acquired Operations**

Operations comprise services and division of service as defined in SERCOP. Acquired operations are those operations of the local Council that are acquired in the period.

### **Amortisation**

The term used to describe the charge made for the cost of using intangible fixed assets. The charge for the year will represent the amount of economic benefits consumed (e.g. wear and tear).

### **Appropriation**

The transfer of sums to and from reserves, provisions and balances.

### **Assets**

An item having value to the Council in monetary terms, categorised as:

- Current assets are assets that are intended to be sold within the normal operating cycle; the assets are held primarily for the purpose of trading or the Council expects to realise the assets within 12 months after the reporting date.
- Non-current assets are assets that do not meet the definition of a current asset and can be tangible (e.g. school buildings) or intangible (e.g. computer software licences).

### **Audit of Accounts**

An independent examination of the Council's financial affairs.

### **Balances**

The total revenue reserves required to provide a working balance during the financial year, for example in periods when expenditure exceeds income.

### **Balance Sheet**

Shows all balances including reserves, long-term debt, fixed and net current assets, together with summarised information on the fixed assets held.

### **Borrowing costs**

Are interest and other costs that an entity incurs in connection with the borrowing of funds.

### **Budget**

The forecast of net revenue and capital expenditure over the accounting period.

### **Capital Adjustment Account**

Capital reserve largely consisting of resources applied to capital financing and not available to the Council to support new investment.

### **Capital Charges**

This is a general term used for the notional charges made to service expenditure accounts for the use of fixed assets. The term covers depreciation and impairment charges (included in gross expenditure).



**Capital Grants Unapplied Account**

Grants that have been recognised as income in the Comprehensive Income and Expenditure Statement but where the expenditure has not yet been incurred.

**Capital Expenditure**

Expenditure on assets which have a long term value. Includes the purchase of land, purchase or cost of construction of buildings and the acquisition of plant, equipment and vehicles.

**Capital Financing Costs**

These are the revenue costs of financing the capital programme and include the repayment of loan principal, loan interest charges, loan fees and revenue funding for capital.

**Capital Financing Requirement**

Statutory requirement to ensure that over the medium term the net borrowing by the Council will only be for capital purposes.

**Capital Receipts**

Proceeds received from the sale of property and other fixed assets.

**Carrying Amount**

The amount of an asset that is recognised on the Balance Sheet after all costs have been charged for the accounting period (e.g. accumulated depreciation and impairment losses).

**Cash equivalents**

Are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value (e.g. bank balances).

**Cash Flow Statement**

This consolidated statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes

**CIPFA**

The Chartered Institute of Public Finance and Accountancy.

**Comprehensive Income and Expenditure Statement (CI&ES)**

This statement reports the net cost of all the services which the Council is responsible for, and demonstrates how that cost has been financed.

**Contingent Liability**

Potential costs that the Council may incur in the future because of something that happened in the past, but there is no certainty that a cost will occur.

**Contingent Asset**

Is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Council.

**Corporate Democratic Core**

The corporate and democratic management costs are the costs of activities which Local Authorities undertake specifically because they are elected multi-purpose Authorities. They cover corporate policy making, representing local interests, services to elected members as local representatives and duties arising from public accountability.

**Creditors**

Amounts owed by the Council for work done, goods received or services rendered but for which payment has not been made at 31 March.

**Debtors**

Sums of money owed to the Council but unpaid at 31 March.

**Defined Benefit Scheme**

Also known as a final salary scheme. Pension scheme arrangement where the benefits payable to the members are determined by the scheme rules. In most cases there is a compulsory member's contribution but over and above this all costs of meeting the quoted benefits are the responsibility of the employer.

**Depreciation**

The allocation of the cost of the useful economic life of the Council's non-current assets for the accounting period through general wear and tear, consumption or obsolescence.

**Depreciated replacement cost (DRC)**

Is a method of valuation which provides the current cost of replacing an asset with its modern equivalent asset less deductions for all physical deterioration and all relevant forms of obsolescence and optimisation.

**Discontinued Operations**

Operations comprise services and division of service as defined in SERCOP. Discontinued operations are those operations of the Council that are discontinued in the period. Responsibilities that are transferred from one part of the public sector to another are not discontinued operations.

**Donated assets**

These are assets which are transferred to the Council at nil value or acquired at less than fair value.

**Earmarked Reserves**

Those elements of total Lincolnshire County Council reserves which are retained for specific purposes.

**Employee benefits**

Are all forms of consideration (both monetary and in-kind) given by the Council in exchange for service rendered by employees.

**Exceptional Items**

Events which are material in terms of the County's overall expenditure and are not expected to recur frequently or regularly.

**Fair Value**

The amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's-length deal.

**Finance Costs**

Reflects the element of annual payment for PFI or Leased assets which is in relation to interest payable on the loan liability.

**Financial Assets**

A right to future economic benefits controlled by the Council.

**Financial Instrument**

A contract that gives rise to a financial asset of one entity and a financial liability of another entity; for example, at its simplest, a contractual right to receive money (debtor) and a contractual obligation to pay money (creditor).

**Financial Liability**

An obligation to transfer economic benefits controlled by the Council.

**Foundation Schools**

Schools run by their own governing body, which employs the staff and sets the administrations criteria. Land and buildings are usually owned by the governing body or a charitable foundation.

**General Fund**

The main revenue fund of the Council. Income from the council tax precept and government grants is paid into the fund, from which the costs of providing services are met.

**Going Concern**

The going concern accounting concept assumes that the organisation will not significantly curtail the scale of its operation in the foreseeable future.

**Government Grants**

Payments by central government towards Council expenditure. They are receivable in respect of both revenue and capital expenditure.

**Grants and Contributions**

Assistance in the form of transfers of resources to the Council in return for past or future compliance with certain conditions relating to the operation of activities.

**Heritage Assets**

Assets that are held by the Council which are of historic nature including buildings and collections.

**Impairment**

A reduction in the value of a fixed asset to below its carrying amount on the Balance Sheet, due to damage, obsolescence or a general decrease in market value.

**Intangible Asset**

Is an asset without physical substance examples include: computer software and licences.

**International Accounting Standard (IAS)**

Regulations outlining the method of accounting for activities, IASs are currently being replaced with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board.

**International Financial Reporting Standards (IFRS)**

Regulations outlining the method of accounting for activities, issued by the International Accounting Standards Board.

**Inventories**

Items of raw materials, work in progress or finished goods held at the financial year end, valued at the lower of cost or net realisable value.

**Landfill Allowance Trading Scheme (LATS)**

Cap and trade scheme aimed at reducing the level of waste taken to landfill and encouraging alternative refuse processes.

**Leases**

A lease is an agreement whereby the lessor conveys to the lessee, in return for a payment, the right to use an asset for an agreed period of time.

- Finance Lease – a lease whereby all the risks and rewards of ownership of an asset are with the lessee. In substance the asset belongs to the lessee.
- Operating Lease – a lease where the risks and rewards, and therefore ownership, of the asset remains with the lessor.

**Lessee**

The person or organisation that is using or occupying an asset under lease (tenant).

**Lessor**

The person or organisation that owns an asset under lease (landlord).

**Liabilities**

A present obligation to transfer economic benefits. Current liabilities are payable within one year.

**Liquid Resources**

Cash and current asset investments that can be easily converted to known amounts of cash without penalty, or can be traded in an active market.

**Long-Term Contract**

A contract entered into for the design, manufacture or construction of a single substantial asset, or the provision of a service (or a combination of assets and services which together constitute a single project), where the project life falls into more than one accounting period.

**Long Term Debtors**

Sums of money due to the Council originally repayable within a period in excess of twelve months but where payment is not due until future years.

**Materiality**

Materiality is an expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the item, or a combination of both, could be the determining factor.

**Minimum Revenue Provision (MRP)**

A minimum amount, set by law, which the Council must charge to the income & expenditure account, for debt redemption or for the discharge of other credit liabilities (e.g. finance lease).

**Net Book Value**

The value of fixed assets included on the Balance Sheet, being the historical cost or a current revaluation less the cumulative amounts provided for depreciation.

**Net Debt**

The Council's borrowings less liquid resources.

**Non Distributed Costs**

These are overhead costs from which no user now benefits. They include the costs associated with unused assets and certain pension costs.

**Off Balance Sheet**

Accounting category not shown or recorded on a Balance Sheet, such as an operating lease or a deferred or contingent asset or liability which is shown only when it becomes 'actual.'

**Pension fund accounts**

This covers accounting and reporting by pension funds to all fund participants as a group rather than being concerned with determination of the cost of retirement benefits in the Financial Statements of employers.

**Precept**

The amount levied by one Authority which is collected by another e.g. Lincolnshire County Council is the precepting Authority and the District Councils are the collecting Authorities. Water Authorities also precept on the Council for land drainage purposes.

**Previous Year Adjustments**

These are material adjustments relating to prior year accounts that are reported in subsequent years and arise from changes in accounting policies or from the correction of fundamental errors.

**Principal**

The amount of repayment to a lender which relates to the reduction in the loan, rather than the interest paid on the loan.

**Private Finance Initiative (PFI)**

A government initiative that enables Authorities to carry out capital projects, in partnership with the private sector, through the provision of financial support.

**Projected Unit Method**

An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:

- the benefits for pensioners and deferred pensioners and their dependants, allowing where appropriate for future increases, and
- the accrued benefits for members in service on the valuation date.

**Property, Plant & Equipment**

Are tangible assets (i.e. assets with physical substance) that are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes, and expected to be used during more than one period.

- Land and buildings.
- Vehicles, plant, furniture and equipment.
- Infrastructure assets that form part of the economic or social framework of the area and whose function is not transferable (e.g. highways, bridges and footpaths).
- Community assets are assets that the Council intends to hold in perpetuity, that have no determinable useful life and may have restrictions on their disposal (e.g. nature reserves, country & coastal parks and picnic sites).
- Surplus assets are non-current assets held by the Council but not directly occupied, used or consumed in the delivery of services.
- Investment properties are properties (land or buildings) held to earn rentals or for capital appreciation or both.
- Assets under construction are non-current assets which include expenditure capitalised for work in progress in respect of activities to develop, expand or enhance items of property, plant and equipment, intangible assets and exploration assets.
- Non-current assets held for sale and discontinued operations. These are non-current assets that are either going to be sold or disposed of within the next twelve months.

**Provision**

This is an amount which is put aside to cover future liabilities or losses which are considered to be certain or very likely to occur, but the amounts and timing are uncertain.

**Prudential Indicators**

Prudential indicators are a set of financial indicators and limits that are calculated in order to demonstrate that Councils' capital investment plans are affordable, prudent and sustainable. They are outlined in the CIPFA Prudential Code of Practice. The code was introduced in 2004, to underpin the system of capital finance in local government. All Councils must adhere to this.

There are 11 prudential indicators that must be used to cover the categories of affordability, prudence, capital spending, external debt/borrowing and treasury management. They take the form of limits, ratios or targets which are approved by Council before 1 April each year and are monitored throughout the year on an on-going basis. A Council may also choose to use additional voluntary indicators.

**Public Works Loan Board (PWLb)**

A central government agency, which provides loans for one year and above to Authorities at favourable rates which are only slightly higher than the Government can borrow itself.

**Recognition**

The process upon which assets are deemed to belong to the Council either by purchase, construction or other forms of acquisition.

**Related party**

These are parties which are considered to be related if one party has the ability to control the other party, or exercise significant influence over the other party in making financial and operating decisions, or if the related party entity and another entity are subject to common control. Related party transactions are transfers of resources or obligations between related parties, regardless of whether a price is charged. Related party transactions exclude transactions with any other entity that is a related party solely because of its economic dependence on the Council or the Government of which it forms part.

**Reserves**

The accumulation of surpluses, deficits and appropriations over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Council. Some capital reserves such as the Revaluation Reserve and Capital Adjustment Account cannot be used to meet current expenditure.

**Retirement Benefits**

- Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.
- Actuarial basis is the estimation technique applied when estimating the liabilities to be recognised for defined benefit pension schemes in the Financial Statements of an organisation.
- Actuarial gains and losses for a defined benefit pension scheme are the changes in actuarial deficits or surpluses that arise because:
  - Events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or
  - The actuarial assumptions have changed.
- Current service cost is the increase in the present value of a defined benefit obligation resulting from employee service in the current period.
- Defined benefit plans are post-employment benefit plans other than defined contribution plans.
- Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.
- Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.
- Past service cost is the increase in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (where benefits are introduced or improved) or negative (where existing benefits are reduced).

**Retrospective application**

This is applying a new accounting policy to transactions, other events and conditions as if that policy had always been applied.

**Revaluation Gain**

The increase to the fair value of an asset following a valuation.

**Revaluation Reserve**

This reserve contains revaluation gains on assets recognised since 1 April 2007 only, the date of its formal implementation.

**Revenue Contributions**

This refers to the financing of capital expenditure directly from revenue rather than from loans or other sources.

**Revenue Expenditure**

The day to day expenditure of the Council on such items as employees and equipment.

**Revenue Expenditure Funded from Capital under Statute (REFCUS)**

Expenditure which may be funded from capital, but which does not result in fixed assets owned by the Council. These costs are included in the net cost of services shown in the Income and Expenditure Account.

**Revenue Support Grant (RSG)**

Grant paid by central government to Local Authorities in aid of service provision.

**Service Reporting Code of Practice (SERCOP)**

Details standard definitions of service and total cost which enables spending comparisons to be made with other Local Authorities.

**Short-term employee benefits**

These are employee benefits (other than termination benefits) that fall due wholly within 12 months after the end of the period in which the employees render the related service.

**Specific Grant**

A grant awarded to a Council for a specific purpose or service that can not be spent on anything else.

**Straight Line basis**

The method of calculating depreciation via charging the same amount each year over the life of the assets.

**Termination Benefits**

Employee benefits paid upon termination of employment such as redundancy.

**Treasury Management**

The utilisation of cash flows through investments and loans.

**Trust Funds**

Funds administered by the Council for such purposes as prizes, charities and specific projects or on behalf of minors.

**Useful Life**

The period with which an asset is expected to be useful to the Council in its current state.

**Value Added Tax (VAT)**

VAT is an indirect tax levied on most business supplies of goods and services.