



# Statement of Accounts

## 2015/16



**districtnk**  
100 flourishing communities  
**North Kesteven District Council**

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## 1. INTRODUCTION

This Statement of Accounts summarises the financial performance of the Council for the year ended 31 March 2016.

This narrative report aims to provide a concise and understandable explanation to the most significant aspects of the Council's financial performance, year-end financial position and cash flows. It aims to assist in the interpretation of the accounting statements. It will also provide a commentary of the major influences affecting the Council's income and expenditure and cashflows, and information on the financial needs and resources of the Council.

## 2. REVIEW OF THE YEAR

### Financial Environment

The financial year began with the setting of the budget on 26th February 2015, when a challenging balanced budget was set. The following sections describe the actual performance against this budget.

2015/16 has been another challenging year financially and the Council continues to face reductions in its budgets over the next three years due to the severity of the Local Government Finance Settlement. Therefore difficult decisions have been taken by the Council in order to establish a balanced financial plan for the next three financial years given the finite resources that will be available.

### General Fund

The Comprehensive Income and Expenditure Statement on page 14 sets out the cost of services that the Council provides as specified by the Service Reporting Code of Practice (SeRCOP). This does not completely align to the way in which financial information is managed and reported in year. Therefore, below is the 2015/16 financial position for the Council's General Fund in accordance with the structure under which the Council operates and reports to officers and Members.

The General Fund covers all net spending by the Council on services other than those accounted for in the Housing Revenue Account. General Fund services are paid for from Government Grants, contributions from Business Rates and Council Tax and income received.

The table below provides a summary of the final outturn position for the General Fund against the original budget for the year and an explanation of the major variations:-

	Budget £'000	Actual £'000	Variance £'000
<b>Corporate Priority - Service Expenditure</b>			
Our Council	3,909	3,802	(107)
Our Communities (1)	5,830	9,467	3637
Our Economy	681	471	(210)
Our Homes	(1,696)	(1,748)	(52)
Drainage Rates	365	369	4
<b>Sub Total</b>	<b>9,089</b>	<b>12,361</b>	<b>3,272</b>
Capital Charges, Interest & Debt Management (2)	90	(4,118)	(4,208)
Transfer to / (from) reserves & balances (3)	2,441	3,792	1,351
<b>Total Council Expenditure</b>	<b>11,620</b>	<b>12,035</b>	<b>415</b>
Payments to parish councils	2,503	2,503	0
Footway Lighting	153	153	0
<b>Total Spending Requirement</b>	<b>14,276</b>	<b>14,691</b>	<b>415</b>
<b>Funding:</b>			
Council Tax	(7,531)	(7,531)	0

## NARRATIVE REPORT

Non Domestic Rates	(4,533)	(4,975)	(442)
Revenue Support Grant and other grants	(2,176)	(2,185)	(9)
Surplus/deficit on Collection Fund	(36)	0	36
<b>Total District Council Financing</b>	<b>14,276</b>	<b>14,691</b>	<b>(415)</b>
<b>(Surplus)/ Deficit for year</b>	<b>0</b>	<b>0</b>	<b>0</b>

- (1) *Our Communities* – The increased expenditure is mainly due to the accounting treatment of the capital expenditure on North Kesteven Sports Centre. This has been reversed under “Capital Charges” so there is no impact on the General Fund and, therefore, Council Taxpayers.
- (2) *Capital Charges, Interest & Debt Management* – mainly relates to the reversal of additional capital charges written off to the Council's services, (such as the impairment of specific council dwellings undergoing improvement), that are required under proper accounting treatment but which are not expected to be a cost to the Council Taxpayer.
- (3) The Council achieved a surplus of £1,115,676 during the year which was transferred to the following reserves;
  - Income Volatility Reserve £198,176
  - Our Economy Reserve £147,500
  - Our Council Reserve £195,000
  - Uninsured Claims Reserve £145,000
  - ICT Reserve £57,000
  - Capital Reserve £255,000
  - Vehicle Replacement Reserve £19,000
  - Elections Reserve £9,000
  - Business Transformation £90,000

### Housing Revenue Account

The Housing Revenue Account (HRA) has to be kept as a separate account and contains all the expenditure and income relating to the Council's function of managing and maintaining Council owned dwellings as a landlord.

For 2015/16, the approved net expenditure budget for the year showed a deficit of £499,600. The actual net expenditure for the year reflected a deficit of £542,420. The table below provides a summary of the final outturn position for the HRA against the net budget.

Housing Revenue Account	Approved Budget £'000	Actual Outturn £'000	Variance £'000
Repairs and Maintenance	3,150	2,722	(428)
Supervision and Management	1,803	2,361	558
Rents, Rates, Taxes and other charges	307	340	33
Bad Debts provision	55	75	20
Principal Repayments	3,998	3,936	(62)
Interest repayments	2,488	2,315	(173)
Debt management expenses	25	31	6
Other expenditure	1,056	801	(255)

## NARRATIVE REPORT

Revenue contribution to Major Repairs	3,616	3,616	0
<b>Total Expenditure</b>	<b>16,498</b>	<b>16,197</b>	<b>301</b>
<b>Income</b>			
Rental Income	(15,886)	(15,666)	220
Other Income	(43)	(290)	(247)
<b>Total Income</b>	<b>(15,929)</b>	<b>(15,956)</b>	<b>(27)</b>
<b>Appropriations &amp; Contribution to/ (from) Reserves</b>	<b>(69)</b>	<b>302</b>	<b>371</b>
<b>Net Operating (Surplus)/ Deficit</b>	<b>500</b>	<b>543</b>	<b>43</b>

As at 31 March 2016, the Council held £556,794 as a working balance for the HRA to cover any unforeseen expenditure in the operating of the Councils housing stock and any unforeseen financial risks.

### Capital Expenditure

The Council's capital expenditure on the provision of new or enhanced assets is largely met from revenue contributions, borrowing, government grants and contributions from third parties.

Capital expenditure in the year amounted to £11.831 million compared to the approved capital programme budget of £14.235 million, representing a net underspend of £2.404 million. The main reasons for this variance are due to delays on the Council's new build programme and savings on the replacement of stock components. The Council's capital expenditure and funding position for 2015/16 is summarised as follows:

<b>Capital Programme</b>	<b>Approved Budget £'000</b>	<b>Actual Outturn £'000</b>	<b>Variance £'000</b>
Housing Capital programme	6,299	5,090	(1,209)
Non-housing Capital programme	7,936	6,741	(1,195)
<b>Total Capital Expenditure</b>	<b>14,235</b>	<b>11,831</b>	<b>(2,404)</b>
<b>Financed by:</b>			
Capital Grants and Contributions	(899)	(641)	(258)
Council Reserves	(7,188)	(6,182)	(1,006)
Contribution from Major Repairs Reserve	(4,985)	(4,549)	(436)
Capital Receipts	(940)	(418)	(522)
Prudential Borrowing	(223)	(41)	(182)
<b>Total Financing</b>	<b>(14,235)</b>	<b>(11,831)</b>	<b>(2,404)</b>

The Council's capital programme has resulted in the construction of new industrial units at Blackwood Court, North Hykeham, continued investment in the Councils refuse vehicle fleet, the completion of the comprehensive refurbishment of the North Kesteven Sports Centre and commencement of the Refuse Depot relocation scheme.

The Council delivered 22 additional new council dwellings and a number of other new build developments are currently under construction. The Council has continued investment in the current housing stock to maintain them at the Council's "NK Fabric First Plus" standard.

## Earmarked Reserves

The Council began the year with £14.3million in Earmarked Reserves for specific purposes across the Council's General Fund, HRA and Capital programme. The largest of these relates to the New Homes Bonus (£4.0m), Major repairs Reserve (£4.6m), Greater Lincolnshire Transport Strategy (£0.6m), Capital (£0.9m), Income Volatility (0.6m) and Regeneration (£0.6m) all of which the Council is planning to invest into infrastructure, growth and its asset base.

During 2015/16, the Council received a further New Homes Bonus amount of £2.3million which has initially been allocated to the reserve. It also contributed £7.8million to the HRA Major Repairs Reserve from the HRA to fund the capital expenditure on its housing stock and new build programme. Other contributions to reserves totalled £1.1million.

Use of reserves, mainly on the housing capital programme, totalled £15.3million which gave a position at 31 March 2016 of £11.7million in Earmarked Reserves. More details on these reserves are contained in note 8 on page 39.

## Assets and Borrowing

The value of the Council's level of total long term debt outstanding as at 31 March 2016 decreased by £2 million to £65million. This was due to the Council's annual repayment of the Equal Instalment of Principal (EIP) loan in 2015/16 (£2m).

The Council's total long term assets amounted to £149.3 million, an increase of £1.50million on 2014/15. This is mainly due to an increase in the Council Dwellings valuation at 31 March 2016

## Pension Costs

The Council accounts for retirement benefits when it is committed to give them, even if the actual giving will be many years into the future. This means that;

- The financial statements reflect the liabilities arising from the Council's retirement obligations,
- The costs of providing retirement benefits to employees are recognised in the accounting period in which the benefits are earned by employees, and the related finance costs and any other changes in value of assets and liabilities are recognised in the accounting periods in which they arise,
- The financial statements disclose the cost of providing retirement benefits and related gains, losses, assets and liabilities.

The Balance Sheet presents a significant decrease in the estimated Pension Fund Reserve net liability over the 2015/16 year of £8.8 million, to £25.2 million as at 31 March 2016. The estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discounts used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.

The statutory arrangements for funding the remaining liability of £25.2 million means that this deficit will be made good by increased level of annual employer contributions payable to the Pension Fund over the remaining estimated average working life of our employees in the Pension Scheme.

## Performance indicators

We monitor a range of performance indicators which support the priorities of the Council. Some of the indicators are former National Indicators and others have been formulated locally to provide information to residents and allow us to manage our services effectively. The former National Indicators enable performance comparisons to be made with all other Councils.

## NARRATIVE REPORT

A selection of our indicators have been included below but further details on all our performance indicators can be found within the NKDC annual report that will be available on the NKDC web page shortly

Reference	Indicator	2015/16 target	2015/16 actual*	Further detail
<b>Our Economy</b>				
<b>KP002</b>	Number of jobs created within the district as a result of Council intervention	75	104	Due to working with a number of businesses within the area
<b>KP007</b>	Number of jobs safeguarded as a result of Council intervention	225	244	Due to working with a number of businesses within the area
<b>Our Homes</b>				
<b>KP023</b>	Number of new homes constructed	320	417	
<b>KP025</b>	Number of affordable homes delivered	50	76	
<b>Our Communities</b>				
<b>KP010</b>	NKDC ranking as one of the safest places to live in the county	5	1	
<b>KP013</b>	Visitor numbers attending NKDC's outdoor and countryside Facilities/events	26,000	26,073	

\*based on the most recent data available for 2015/16

### 3. FUTURE PLANS

#### Corporate Plan and Vision

The Council's Corporate Plan for 2016-19, known as the NK Plan sets the framework for Members, officers, communities, organisations and Individuals, to work together to deliver our vision of "100 Flourishing Communities".

Each year the Council reviews its Corporate Plan. The Plan sets out the Council's high level vision, provides clarity on the Council's priorities and set out a series of ambitions under each priority to establish the work programme for the authority.

The NK Plan responds to the main challenges facing the district, ensuring that the Council, either directly or in partnership with others, uses its resources and influence to deliver priorities and services needed by communities across North Kesteven. The NK Plan 2016-19 remains focused on the main challenges related to the local economy, housing and communities. In particular, it provides an integrated approach to housing need, infrastructure delivery, job creation and economic development within the theme of sustainable growth, and financial planning and service delivery to the theme of transformation.

#### COMMUNITY FOCUSED PRIORITIES: KEY FOCUS AREAS

##### Our Economy

- Relationship management with key businesses in NK

- Delivery of regeneration plans, the Masterplan for Sleaford, and proposals for the transport network
- Delivery of the Grow LN6 programme and plans for Council and partner investment at Blackwood Court

### **Our Homes**

- Preparation of the Local Plan, including supporting infrastructure, for adoption by the end of 2016
- Bringing forward development sites, including sustainable urban extensions and related infrastructure including new road layouts where appropriate
- Delivery of the investment programme for council housing, including key sites such as Newfield Road in Sleaford
- Delivery of the empty homes programme
- Integrated working with partners in relation to health and wellbeing with a focus on supporting people who need help
- The potential for NK to utilise its resources to boost housing supply, deliver affordable homes and generate revenue for the Council

### **Our Community**

- Localism – delivery of the Localism Plan, and emerging neighbourhood plans
- Work, as one of four nationally selected local authorities, on a three year whole system obesity pilot
- Community safety – maintaining the strong position achieved in previous years whilst retaining a focus with partners on further reducing both levels and perceptions of crime and anti-social behaviour
- Launch “ONE NK” the newly refurbished NK Sports Centre following a £3.6 million investment programme
- Deliver the Sports Strategy and plans for a potential joint leisure partnership with West Lindsey DC from 2018
- Further invest in the development of the Natural World Centre at Whisby
- Improving resident engagement and involvement within our vision for 100 Flourishing Communities

The Council has recognised that the conflicting pressures of significant growth within the district over the next 20 years alongside the significant revenue grant reductions from Central Government will have a considerable impact on the way the Council will need to operate in the future.

### **Impact of Further Government Funding Reductions**

The Council, along with all other public bodies, will continue to face an unprecedented and extremely challenging short to medium term financial environment as it responds to the Government's spending review and reductions in Revenue Support Grant that it pays to the Council. Indications experienced during recent years of greater economic activity gives the confidence that its income levels are returning to pre-recession levels on a sustainable basis and with changes in the way Business Rates now retained by the Council, growth in businesses being experienced help to fund the Council's General Fund. This still leaves the Council with some work to do in order to achieve a balanced budget over the medium term. An increasingly active economy within the district means that under the Government's current funding regime for local government, the Council stands in a better position to achieve this.

This challenge is not new for the Council which has been required to demonstrate efficiency savings for a number of years and because of the responsible action the Council has taken in managing its budgets previously, it stands in a good position to ensure any new savings are achieved in a considered way in order to help protect the delivery of the frontline services it provides to the public.

### **Housing Revenue Account Spending Plans**

#### *Housing Revenue Account*

The HRA Self Financing system came into effect on the 1 April 2012 and marked a significant change in the way the Council budgets and plans for the future management, maintenance and development of its housing stock. HRA Self Financing has released the Council to a large extent from central government control through



a one-off payment of £56.8 million to buy out of the previous Housing Subsidy finance regime. Under Housing Subsidy, the amount of money the Council had to contribute was calculated by a Government formula on an annual basis leading to short-termism in decision making and planning service expenditure. Now the Council has a well-established and robust 30 year business plan and financial plan charting its long term aspirations in the provision of local government housing.

The Chancellor of the Exchequer announced in the July 2015 Budget Statement that social rent levels with effect from 1<sup>st</sup> April 2016 be subject to an imposed 1% per annum reduction for four years, covering the Financial Years 2016/17 to 2019/20. The compound effect of this imposed income reduction meant that NKDC had to change the way it planned for component replacements and its new build unit delivery target. NKDC ensured through the budget setting process that it could still deliver a viable 30 year business plan, maintaining high quality stock and still deliver new build schemes from the increased limited resources.

### **Capital Spending plans**

#### *Housing Capital Programme*

With the introduction of HRA Self Financing, the Council is able to invest the money that previously would have been paid into the Housing Subsidy system (a net £4 million) once it has paid the loan and interest associated with the buyout of Housing Subsidy. This has meant that the Council is projecting to see significant surpluses in the HRA to put towards capital improvement works and the provision of new housing.

The Council's extremely successful New Build programme has continued during 2015/16 with a further £42.395 million approved planned investment from 2016/17 to 2025/26 to increase the Council's housing stock. The Council's existing stock continued to be enhanced to 'Fabric First' homes standard during 2015/16 with a further £31.673 million approved planned investment from 2016/17 to 2025/26 in the Council's existing housing stock.

#### *Non-housing Capital Programme*

Resources available for investment in non-housing capital assets and schemes have been increasingly scarce in recent years and the Council continues to work hard with stakeholders and partners in order to provide investment in non-housing assets.

The Council will deliver Market Housing for sale within the General Fund. It is anticipated that this scheme will have a positive impact on the Districts housing requirement shortfall.

NKDC will also create a new Housing Company named 'Lafford Homes Ltd', this will deliver Market Housing for rental within the District. This limited company will be 100% owned by NKDC. It is anticipated that this will have a positive impact on the District housing requirement shortfall. All profits being paid to the Council as sole shareholder to partially negate the impact of reduced central Government grants receivable in the future.

The Council will continue to support Disabled Facilities Grants totalling £0.456 million in 2016/17. The non-housing capital programme 2016/17 - 2018/19 includes an investment of £0.750 million in a Regeneration Fund, a £0.6 million contribution to help facilitate improved Broadband within the County, Refuse Depot Relocation and workshops budget of £4.08 million, £0.513 million for refuse vehicle fleet replacement. £0.339 million for various improvement works at Whisby Natural World and £0.2 million for The Cranwell Aviation Heritage Centre.

The following table summarises the Council's proposed capital expenditure plans for housing and non-housing schemes and how it plans to fund these:

## NARRATIVE REPORT

Capital Programme	Approved Budget 2016/17 £'000	Forecast Budget 2017/18 £'000	Forecast Budget 2018/19 £'000
Housing Capital programme	12,350	9,161	10,810
Non-housing Capital programme	13,959	433	997
<b>Total Capital Expenditure</b>	<b>26,309</b>	<b>9,594</b>	<b>11,807</b>
Financed by:			
Capital Grants and Contributions	677	333	333
Council Reserves	4,370	74	644
Major Repairs Reserve (HRA)	4,012	6,416	4,459
Capital Receipts	1,271	671	671
Prudential Borrowing	15,979	2,100	5,700
<b>Total Financing</b>	<b>26,309</b>	<b>9,594</b>	<b>11,807</b>

#### 4. PRIOR PERIOD ADJUSTMENTS, CHANGES IN ACCOUNTING POLICY AND ESTIMATES AND ERRORS

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error.

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

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

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

#### 5. MATERIAL EVENTS AFTER THE REPORTING DATE

There have been no material events affecting the Council that have occurred since the 31 March 2016.

#### 6. THE ACCOUNTS

The following **Statement of Accounts** consist of:-

- **Statement of Responsibilities** – This details the responsibilities of the Council and the Chief Financial Officer in respect of the Statement of Accounts.
- **Movement in Reserves Statement** - This is a summary of the changes that have taken place in the bottom half of the Council's Balance Sheet over the financial year.
- **Comprehensive Income and Expenditure Statement** – This statement consolidates all the gains and losses experienced by the Council during the financial year. As the Council does not have any equity in its Balance Sheet, these gains and losses should reconcile to the overall movement in net worth.
- **Balance Sheet** – This statement summarises the financial position at 31 March each year. In its top half it contains the assets and liabilities that it holds or has accrued with other parties. As the Council does not have any equity, the bottom half is comprised of reserves that show the disposition of the Council's net worth, falling into either Usable or Unusable Reserves.
- **Cashflow Statement** – This statement summarises the flows of cash that have taken place into and out of the Council's bank accounts over the financial year.
- **Notes to the Financial Statements**- The notes are fundamentally important in presenting a true and fair view of the financial statements. They:-

- Present information about the basis of preparation of the financial statements and specific accounting policies used;
- Disclose information required by the Code that is not presented elsewhere in the financial statements; and
- Provide information that is not provided elsewhere in the financial statements, but is relevant to an understanding of any item.

The **supplementary statements** for the Council comprise of:-

- **Housing Revenue Account** – This statement provides a record of revenue expenditure and income relating to the Council's housing stock. Its primary purpose is to ensure that expenditure on managing tenancies and maintaining dwellings is balanced by rents charged to tenants. Consequently, the HRA is a statutory account, ring fenced from the rest of the General Fund, so rents cannot be subsidised from Council Tax (or vice versa).
- **Movement on the HRA Statement** - this statement takes the outturn on the HRA Income and Expenditure Statement and reconciles it to the surplus or deficit for the year on the HRA Balance, calculated in accordance with the requirements of the Local Government and Housing Act 1989.
- **Collection Fund** – The account reflects the statutory requirement for billing authorities to establish and maintain a separate fund for the collection and distribution of amounts due in respect of council tax and national non-domestic rates (NNDR).

**Annual Governance Statement (AGS)** available as a separate document– This is the formal statement that recognises, records and publishes the Council's governance arrangements. It identifies the systems that the authority has in place to ensure that business is conducted in accordance with the law and proper standards, and that public money is safeguarded. This statement is not part of the Statement of Accounts, but is required to be included alongside it, and as such is not directly covered by the Section 151 Officer's certification or the independent auditor's report.

### 7. FURTHER INFORMATION

Further information about the accounts is available from the Head of Finance and Resources, District Council Offices, Kesteven Street, Sleaford, Lincolnshire, NG34 7EF. In addition, members of the public have a statutory right to inspect the accounts before the audit is completed. The availability of the accounts for inspection is advertised on NKDC web site.

# 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 Council, that officer is the Head of Finance and Resources.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

## Council Approval

The Statement of Accounts for the year 1 April 2015 to 31 March 2016 has been prepared and I confirm that these accounts were approved by North Kesteven District Council at the meeting held on September xx 2016.

**Cllr Mrs G Ogden**

Chairman of the Council

xx September 2016

## Chief Finance officers Responsibilities

The Head of Finance and Resources is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Council Accounting in the United Kingdom (the Code)

In preparing this Statement of Accounts, the Head of Finance and Resources has:

- Selected suitable accounting policies and then applied them consistently.
- Made judgements and estimates that were reasonable and prudent.
- Complied with the local Council Code.

The Head of Finance and Resources has also:

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

## Head of Finance and Resources Certification

I certify that the Statement of Accounts presents a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for the year ended 31 March 2016.



Russell Stone

Head of Finance and Resources

28 June 2016

## **Movement in Reserves Statement**

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (ie those that can be applied to fund expenditure/reduce local taxation) and other reserves. The Surplus/(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. This is different from the statutory amounts to be charged to the General Fund Balance and the Housing Revenue Account for Council Tax and dwellings rent setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

## ❖ Core Financial Statements

<b>Movement in Reserves (MIRS)</b> <b>2015/16</b>	General Fund Balance £'000	Earmarked GF Reserves £'000	Housing Revenue Account £'000	Major Repairs (MRR) £'000	Grants & cont'n's unapplied £'000	Capital Receipts Reserve £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
<b>Balance at 31 March 2015</b>	<b>(1,203)</b>	<b>(9,706)</b>	<b>(1,099)</b>	<b>(4,638)</b>	<b>(872)</b>	<b>(1,098)</b>	<b>(18,616)</b>	<b>(25,349)</b>	<b>(43,965)</b>
(Surplus) or deficit on Comprehensive Income & Expenditure Statement (CIES)	1,816	-	(3,773)	-	-	-	(1,957)	-	(1,957)
Other Comprehensive Income & Expenditure	-	-	-	-	-	-	-	(14,441)	(14,441)
<b>Total CIES</b>	<b>1,816</b>	<b>-</b>	<b>(3,773)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,957)</b>	<b>(14,441)</b>	<b>(16,398)</b>
<b>Adjustments between accounting basis and funding basis under regulations</b>									
Amortisation on Intangible Non current assets	(25)	-	-	-	-	-	(25)	25	-
Derecognition of AUC	-	-	(57)	-	-	-	(57)	57	-
Charges for depreciation and impairment of non-current assets	(892)	-	(2,345)	(1,556)	-	-	(4,793)	4,793	-
Revaluation gains/losses on PPE	167	-	-	-	-	-	167	(167)	-
Major Repairs Reserve (MRR) used to finance capital expenditure	-	-	-	4,549	-	-	4,549	(4,549)	-
Voluntary HRA Contrib To MRR	-	-	206	(206)	-	-	-	-	-
MRR Repayment of principal to Capital Adjustment Account	-	-	-	3,936	-	-	3,936	(3,936)	-
MRR Repayment of principal from HRA	-	-	3,936	(3,936)	-	-	-	-	-
Capital grant receipts in year	29	-	176	-	(205)	-	-	-	-
Capital grants used from balances	-	-	-	-	213	-	213	(213)	-
Capital grants receipts used in year	343	-	85	-	-	-	428	(428)	-
Amounts of non-current assets written off on disposal as part of the gain/loss to the CIES	-	-	(872)	-	-	-	(872)	872	-
Major Repairs Allowance (MRA) Proxy Depreciation Adjustment	-	-	1,872	(1,872)	-	-	-	-	-
Revenue expenditure funded from capital under statute	(3,522)	-	-	-	-	-	(3,522)	3,522	-
Payments to the Government receipts pool	(411)	-	-	-	-	411	-	-	-
Transfer of cash proceeds as part of the gain/loss on disposal to the CIES	-	-	1,222	-	-	(1,228)	(6)	6	-
Use of the Capital receipts reserves to finance capital expenditure	-	-	-	-	-	418	418	(418)	-
Reversal of items relating to retirement benefits debited or credited to the CIES	(2,545)	-	(699)	-	-	-	(3,244)	3,244	-
Employer's pensions contributions and direct payments to pensioners payable	1,357	-	357	-	-	-	1,714	(1,714)	-
Minimum revenue provision (MRP)	583	-	-	-	-	-	583	(583)	-
Capital expenditure charged to balances	-	6,183	-	-	-	-	6,183	(6,183)	-
Collection fund adjustment	(1,641)	-	-	-	-	-	(1,641)	1,641	-
Other adjustments	3	-	1	2	-	-	6	(6)	-
<b>Sub total</b>	<b>(6,554)</b>	<b>6,183</b>	<b>3,882</b>	<b>917</b>	<b>8</b>	<b>(399)</b>	<b>4,037</b>	<b>(4,037)</b>	<b>-</b>
<b>Net Increase / Decrease before Transfers to Earmarked Reserves</b>	<b>(4,738)</b>	<b>6,183</b>	<b>109</b>	<b>917</b>	<b>8</b>	<b>(399)</b>	<b>2,080</b>	<b>(18,478)</b>	<b>(16,398)</b>
Transfers to / from Reserves	4,738	(4,476)	433	-	250	-	945	(945)	-
<b>(Increase) / Decrease in Year</b>	<b>-</b>	<b>1,707</b>	<b>542</b>	<b>917</b>	<b>258</b>	<b>(399)</b>	<b>3,025</b>	<b>(19,423)</b>	<b>(16,398)</b>
<b>Balance at 31 March 2016</b>	<b>(1,203)</b>	<b>(7,999)</b>	<b>(557)</b>	<b>(3,721)</b>	<b>(614)</b>	<b>(1,497)</b>	<b>(15,591)</b>	<b>(44,772)</b>	<b>(60,363)</b>

## ❖ Core Financial Statements

<b>Movement in Reserves (MIRS)</b> <b>2015/16</b>	General Fund Balance £'000	Earmarked GF Reserves £'000	Housing Revenue Account £'000	Major Repairs (MRR) £'000	Grants & cont'ns unapplied £'000	Capital Receipts Reserve £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
<b>Balance at 31 March 2015</b>	<b>(1,203)</b>	<b>(9,706)</b>	<b>(1,099)</b>	<b>(4,638)</b>	<b>(872)</b>	<b>(1,098)</b>	<b>(18,616)</b>	<b>(25,349)</b>	<b>(43,965)</b>
(Surplus) or deficit on Comprehensive Income & Expenditure Statement (CIES)	1,816	-	(3,773)	-	-	-	(1,957)	-	(1,957)
Other Comprehensive Income & Expenditure	-	-	-	-	-	-	-	(14,441)	(14,441)
<b>Total CIES</b>	<b>1,816</b>	<b>-</b>	<b>(3,773)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,957)</b>	<b>(14,441)</b>	<b>(16,398)</b>
<b>Adjustments between accounting basis and funding basis under regulations</b>									
Amortisation on Intangible Non current assets	(25)	-	-	-	-	-	(25)	25	-
Derecognition of AUC	-	-	(57)	-	-	-	(57)	57	-
Charges for depreciation and impairment of non-current assets	(891)	-	(2,345)	(1,556)	-	-	(4,792)	4,792	-
Revaluation gains/losses on PPE	167	-	-	-	-	-	167	(167)	-
Major Repairs Reserve (MRR) used to finance capital expenditure	-	-	-	4,549	-	-	4,549	(4,549)	-
Voluntary HRA Contrib To MRR	-	-	206	(206)	-	-	-	-	-
MRR Repayment of principal to Capital Adjustment Account	-	-	-	3,936	-	-	3,936	(3,936)	-
MRR Repayment of principal from HRA	-	-	3,936	(3,936)	-	-	-	-	-
Capital grant receipts in year	29	-	176	-	(205)	-	-	-	-
Capital grants used from balances	-	-	-	-	213	-	213	(213)	-
Capital grants receipts used in year	343	-	85	-	-	-	428	(428)	-
Amounts of non-current assets written off on disposal as part of the gain/loss to the CIES	-	-	(872)	-	-	-	(872)	872	-
Major Repairs Allowance (MRA) Proxy Depreciation Adjustment	-	-	1,872	(1,872)	-	-	-	-	-
Revenue expenditure funded from capital under statute	(3,522)	-	-	-	-	-	(3,522)	3,522	-
Payments to the Government receipts pool	(411)	-	-	-	-	411	-	-	-
Transfer of cash proceeds as part of the gain/loss on disposal to the CIES	-	-	1,222	-	-	(1,228)	(6)	6	-
Use of the Capital receipts reserves to finance capital expenditure	-	-	-	-	-	418	418	(418)	-
Reversal of items relating to retirement benefits debited or credited to the CIES	(2,545)	-	(699)	-	-	-	(3,244)	3,244	-
Employer's pensions contributions and direct payments to pensioners payable	1,357	-	357	-	-	-	1,714	(1,714)	-
Minimum revenue provision (MRP)	583	-	-	-	-	-	583	(583)	-
Capital expenditure charged to balances	-	6,183	-	-	-	-	6,183	(6,183)	-
Collection fund adjustment	(1,641)	-	-	-	-	-	(1,641)	1,641	-
Other adjustments	2	-	1	2	-	-	5	(5)	-
<b>Sub total</b>	<b>(6,554)</b>	<b>6,183</b>	<b>3,882</b>	<b>917</b>	<b>8</b>	<b>(399)</b>	<b>4,037</b>	<b>(4,037)</b>	<b>-</b>
<b>Net Increase / Decrease before Transfers to Earmarked Reserves</b>	<b>(4,738)</b>	<b>6,183</b>	<b>109</b>	<b>917</b>	<b>8</b>	<b>(399)</b>	<b>2,080</b>	<b>(18,478)</b>	<b>(16,398)</b>
Transfers to / from Reserves	4,738	(4,476)	433	-	250	-	945	(945)	-
<b>(Increase) / Decrease in Year</b>	<b>-</b>	<b>1,707</b>	<b>542</b>	<b>917</b>	<b>258</b>	<b>(399)</b>	<b>3,025</b>	<b>(19,423)</b>	<b>(16,398)</b>
<b>Balance at 31 March 2016</b>	<b>(1,203)</b>	<b>(7,999)</b>	<b>(557)</b>	<b>(3,721)</b>	<b>(614)</b>	<b>(1,497)</b>	<b>(15,591)</b>	<b>(44,772)</b>	<b>(60,363)</b>

## ❖ Core Financial Statements

### COMPREHENSIVE INCOME AND EXPENDITURE ACCOUNT

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

2014/15			Description	2015/16		
Gross expenditure	Gross income	Net expenditure		Gross expenditure	Gross income	Net expenditure
£'000	£'000	£'000		£'000	£'000	£'000
2,629	(649)	1,980	Corporate and Democratic Core	2,798	(717)	2,081
1,869	(587)	1,282	Central Services to the Public	1,942	(702)	1,240
4,970	(1,591)	3,379	Cultural and Related Services	5,532	(788)	4,744
3,150	(4,504)	(1,354)	Planning Services	4,351	(5,496)	(1,145)
5,248	(1,967)	3,281	Environmental & Regulatory Services	5,391	(1,676)	3,715
10,964	(16,107)	(5,143)	Local authority housing - HRA	11,074	(16,748)	(5,674)
21,275	(20,223)	1,052	Other housing Services - General Fund	21,075	(20,101)	974
433	(499)	(66)	Highways and Transport Services	399	(477)	(78)
354	-	354	Non Distributed Costs	461	-	461
50,892	(46,127)	4,765	<b>Cost of services</b>	53,023	(46,705)	6,318
			<b>Notes</b>			
		(466)	(Gains) / loss on non current asset disposal			(350)
		2,443	Parish council precepts	<b>28</b>		2,503
		143	Street lighting special expense			153
		355	Internal drainage board precepts	<b>28</b>		370
		402	Contribution of housing capital receipts to government pool			411
		2,877	<b>Other operating expenditure</b>			3,087
		2,712	Interest payable and similar charges	<b>13.3</b>		2,542
		(469)	Interest and investment income	<b>13.3</b>		(344)
		1,060	Net interest on the defined benefit liability(asset)	<b>13.3</b>		1,071
		3,303	<b>Financing &amp; investment income &amp; expenditure</b>			3,269
		(7,317)	Demand on the collection fund			(7,633)
		(3,565)	Redistributed business rates			(4,180)
		(3,150)	General Government Grants			(2,185)
		(891)	Capital Grants & Other contributions			(633)
		(14,923)	<b>Taxation &amp; non specific grant income</b>			(14,631)
		(3,978)	<b>(Surplus) / deficit on the provision of services</b>			(1,957)
		(9,817)	Surplus or deficit on revaluation of non current			(5,024)
		337	Surplus or deficit on impairment of non current			943
		6,727	Actuarial gains / losses on pension assets / liabilities	<b>33.2</b>		(10,360)
		(2,753)	<b>Other comprehensive income and expenditure</b>			(14,441)
		(6,731)	<b>Total Comprehensive Income and Expenditure</b>			(16,398)



**BALANCE SHEET**

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 is those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

## ❖ Core Financial Statements

2014/15	Description	Notes	2015/16
£'000			£'000
	<b>Non current assets</b>		
	<b>Property, Plant &amp; Equipment</b>	Notes	
118,452	Council dwellings	9	120,267
17,168	Other land and buildings	9	20,068
1,431	Vehicles, plant and equipment	9	2,019
1,052	Infrastructure	9	1,000
467	Community assets	9	467
67	Heritage Assets	10	67
1,874	Assets under construction	9	2,982
75	Surplus assets not held for sale	9	305
119	Intangible assets	11	94
<b>140,705</b>	<b>Total non current assets</b>		<b>147,269</b>
7,000	Non property investments	13	2,000
41	Long term debtors	13	28
<b>147,746</b>	<b>Total long term assets</b>		<b>149,297</b>
	<b>Current assets</b>		
156	Assets held for sale	9	404
7,084	Short Term Investments	13	15,606
48	Inventories		55
6,316	Short Term Debtors	14	5,105
3,217	Cash & Cash Equivalents	15	189
<b>16,821</b>	<b>Total Current Assets</b>		<b>21,359</b>
<b>164,567</b>	<b>Total assets</b>		<b>170,656</b>
	<b>Current liabilities</b>		
(1,676)	Cash & Cash Equivalents	15	(884)
(4,886)	Short term borrowing	13	(7,814)
(10,152)	Short Term Creditors	16	(8,161)
(803)	Provisions	17	(1,615)
<b>(17,517)</b>	<b>Total Current Liabilities</b>		<b>(18,474)</b>
(67,120)	Long term borrowing	13	(65,034)
(1,371)	Developers' contributions (s106)	27	(1,198)
(535)	Deferred liabilities		(359)
(34,057)	Net Pension Liability	33.3	(25,228)
<b>(103,083)</b>	<b>Total Long Term Liabilities</b>		<b>(91,819)</b>
<b>(120,600)</b>	<b>Total Liabilities</b>		<b>(110,293)</b>
<b>43,967</b>	<b>Net Assets</b>		<b>60,363</b>
	<b>Financed by:</b>		
1,203	General Fund balance	MIRS* & 8	1,203
14,343	Earmarked reserves	8	11,720
1,099	Housing Revenue Account balance	MIRS & 8	557
1,098	Usable capital receipts	8	1,496
872	Capital grants, developer contributions & others unapplied	8	615
<b>18,615</b>	<b>Usable reserves</b>	8	<b>15,591</b>
16,737	Revaluation reserve	19	20,818
(34,057)	Pensions reserve	19	(25,228)
43,016	Capital adjustment account	19	50,225
33	Deferred capital receipts		28
(377)	Collection fund adjustment account		(1,071)
<b>25,352</b>	<b>Unusable reserves</b>		<b>44,772</b>
<b>43,967</b>	<b>Total Reserves</b>		<b>60,363</b>

❖ **Core Financial Statements**

**CASH FLOW STATEMENT**

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.

2014/15	Description	Notes	2015/16
£'000			£'000
3,978	Net surplus or (deficit) on the provision of services		1,957
10,656	Adjustment to surplus or deficit on the provision of services for non cash movements	20 (Note A)	8,720
(1,584)	Adjust for items included in the net surplus or deficit on the provision of services that are investing activities	20 (Note A)	(1,855)
<b>13,050</b>	<b>Net cash flow from operating activities</b>		<b>8,822</b>
<b>(6,151)</b>	<b>Net cash flow from investing activities</b>	21 (Note C)	<b>(10,766)</b>
<b>(5,091)</b>	<b>Net cash flow from financing activities</b>	22 (Note D)	<b>(292)</b>
<b>1,808</b>	<b>Net increase or decrease in cash and cash equivalents</b>		<b>(2,236)</b>
(268)	Cash and cash equivalents at the beginning of the reporting period		1,541
1,541	Cash and cash equivalents at the end of the reporting period	22 (Note E)	(695)

❖ **Notes to the core financial statements**

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## **1.1 General Principles**

The Statement of Accounts summarises the Council's transactions for the 2015/16 financial year and its position at the year-end of 31 March 2016. The Statement of Accounts have been prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the Code) and the Service Reporting Code of Practice 2015/16 (SeRCOP), supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

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

## **1.2 Accruals of Income and Expenditure**

The revenue accounts of the Council are maintained on an accruals basis meaning that activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of assets is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

## **1.3 Cash and Cash Equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature within three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

## **1.4 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors**

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

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

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

## **1.5 Charges to Revenue for Non-Current Assets**

Service revenue accounts, central support services and trading accounts are charged with the following amounts to reflect the cost of holding non-current assets during the year:

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

The Council is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. This is referred to as the Minimum Revenue Provision (MRP) and Voluntary Revenue Provision (VRP). The Council's policy on MRP is:

- For capital expenditure incurred before 1 April 2009, or which from 1 April 2009 is supported borrowing, the MRP is based on 4% of the opening capital financing requirement (with adjustments allowed for in DCLG Regulations).
- For all unsupported borrowing from 1 April 2009, the MRP is based on the estimated life of the asset which the borrowing has been used to fund.
- VRP will be charged if considered prudent for individual asset financing.

Depreciation, revaluation and impairment losses and amortisation are replaced by the MRP and VRP, by way of an adjusting transaction between the Capital Adjustment Account and the General Fund Balance in the Movement in Reserves Statement, for the differences between the two.

## **1.6 Employee Benefits**

### **Benefits payable during employment**

Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday

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

The Council has set a de-minimis level of £100,000 for accruing for such benefits.

### **Termination benefits**

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service or, where applicable, to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring

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

### **Post Employment Benefits**

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

### **The Local Government Pension Scheme**

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

- The liabilities of the Lincolnshire County Council pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate(based on the indicative rate of return on high quality corporate bond iBoxx over 15 year Index and the corresponding over 15 year Government Bond Index).
- The assets of the Lincolnshire County Council pension fund attributable to the Council are included in the Balance Sheet at their fair value:
  - Quoted securities – current bid price
  - Unquoted securities – professional estimate
  - Unitised securities – current bid price
  - Property – market value.

The change in the net pension 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 as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- Net interest on the net defined benefit liability (asset), i.e. net interest expense for the Council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (assets) 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 Pension 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 and the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure

Contributions paid to the Lincolnshire County Council pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are 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 Pension Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

### **Discretionary Benefits**

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

## **1.7 Events after the Reporting Period**

Events after the Reporting Period are those events, both favourable and unfavourable, that occur between the end of reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:



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

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

## **1.8 Financial Instruments (Note 13)**

### **Financial Liabilities**

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument. They are initially measured at fair value and carried at their amortised cost. Annual charges for interest payable are shown in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, and 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.

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable, with accrued interest due within one year shown under short term borrowings; and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, any premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

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 or loss over 10 years or the term that was remaining on the (original) loan if less than 10 years. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

### **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
- Available for sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

## Loans and receivables

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

However, occasionally the Council may make loans to other parties (e.g. voluntary organisations) at less than market rates (soft loans). 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 foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and 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 as managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in the Reserves Statement. The Council has set a de-minimis level to soft loans or the discounting of interest rates of £100,000. Below this amount soft loans are shown 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 relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income Expenditure line in the Comprehensive Income and Expenditure Statement.

## Available for Sale Assets

Available for sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and 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 the quoted market prices – the market price
- Other instruments with fixed and determinable payments – discounted cash flow analysis
- Equity shares with no quoted market prices – independent appraisal of company valuations.

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

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

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

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

## **1.9 Government Grants and Contributions**

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

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

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

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

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

### **New Homes Bonus Grant**

New Homes Bonus Grant is a general grant allocated by central government directly to local authorities as additional revenue funding. New Homes Bonus is non-ring fenced and is credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

## **1.10 Heritage Assets (Note 10)**

Heritage assets are held or maintained principally for their contribution to knowledge and culture. They are initially recognised at cost if this is available. If cost is not available, values are only included in the Balance Sheet where the cost of obtaining valuation is not disproportionate to the benefit derived, or insurance valuations. For most of the Council's heritage assets historic cost is used. Where no market exists or the asset is deemed to be unique, and it is not practicable to obtain a valuation, the asset is not recognised in the Balance Sheet but disclosed in the notes to the accounts.

Heritage assets are depreciated over their useful life if this can be established. If an asset is considered to have an indefinite life, no depreciation is charged. Disposals, revaluation gains and losses and impairments of heritage assets are dealt with in accordance with the Council's policies relating to property, plant and equipment.

The cost of maintenance and repair of heritage assets is written off in the year incurred.

## **1.11 Intangible Assets**

Intangible assets are non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences). Expenditure on intangible assets is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council for a period of more than one year.

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

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

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

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

## **1.12 Inventories and Long Term Contracts**

Stocks and stores held by the Council at the year-end are included in the accounts on the basis of cost price. No allowance is made for obsolescence and slow moving items. This approach does not materially affect the accounts for the year as the values held are extremely low.

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

### **1.13 Jointly Controlled Operations and Jointly Controlled Assets**

Jointly controlled operations are activities undertaken by the Council in conjunction with other ventures that involve the use of the assets and resources of the ventures rather than the establishment of a separate entity. If and when these exist the Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

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

### **1.14 Leases**

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

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

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

#### **The Council as Lessee**

##### **Finance Leases**

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

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- A financing charge (debited to the Comprehensive Income and Expenditure Statement).

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

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

## **Operating Leases**

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

## **The Council as Lessor**

### **Finance Leases**

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain and loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a long-term lease debtor in the Balance Sheet.

Lease rentals receivable are apportioned between:

- A charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- Finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

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

The written-off value of disposals is not a charge against council tax, as the cost of 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 in the Movement in Reserve Statement.

## **Operating Leases**

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease even if this does not match the pattern of payments (e.g. there is a premium paid at the

commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

### **1.15 Overheads and Support Services**

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

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

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

### **1.16 Property, Plant and Equipment (Note 9)**

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

#### **Recognition**

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

#### **Measurement**

Assets are initially measured at cost, comprising:

- The purchase price
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

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

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

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

- Infrastructure – depreciated historic cost
- Community assets and assets under construction –historical cost
- Dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH)
- All other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

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

The Council has set a de-minimis level of £10,000 for recognising assets. This means that any item/scheme costing more than £10,000 would be treated as capital if the above criteria are met.

Assets included in the Balance Sheet at fair value are re-valued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. In the intervening years, the Council instructs the valuer to perform a “desktop” valuation. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. However, in exceptional circumstances, gains may be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to services.

When decreases in value are identified, they are accounted for as follows:

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

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

## **Impairment**

Assets are reviewed at each year-end for evidence of reductions in value i.e. impairment. Where impairment is identified, and is deemed 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.

When impairment losses are identified, they are accounted for as follows:

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



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

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

## **Depreciation**

Depreciation is provided for on all property, plant and equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain community assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- Dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- Vehicles, plant, furniture and equipment – straight-line allocation over the useful life of each class of asset, as advised by a suitably qualified officer
- Infrastructure – straight line allocation over 40 years

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

## **Componentisation**

Componentisation is a method, used for accounting and financial reporting purposes, to ensure assets are accurately included on the Balance Sheet and that the consumption of economic benefit of these assets is accurately reflected over their individual useful lives through depreciation charges.

The International Financial Reporting Standards (IFRS) code requires separate accounting for depreciation of significant components of assets that are:

- acquired on or after 1 April 2010
- enhanced on or after 1 April 2010
- revalued on or after 1 April 2010

Only assets with a carrying amount more than or equal to £500,000 at the beginning of the financial year are considered for componentisation. To be recognised as a component the value of the part of the asset being considered must be more than or equal to 10% of the value of the asset, and have a life less than or equal to half that of the main asset. When a component is replaced, the carrying amount of the old component is derecognised and the new component is recognised. If the carrying amount of the old component is not known, this is estimated by indexing back from the cost of the new component and adjusting for depreciation and impairment over the old component's useful life. The Building Costs Index will be used.

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

## **1.17 Disposals and Non-current Assets Held for Sale**

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an asset held for sale. The asset is re-valued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is subsequent decrease to fair value less costs to sell, the loss is posted to the other operating expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the surplus and deficit on provision of services. Depreciation is not charged on assets held for sale.

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

Assets that are to be abandoned or scrapped are not reclassified as assets held for sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or assets held for sale) is written off to the other operating expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from the disposal (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (historically 75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are transferred to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

## **1.18 Provisions, Contingent Liabilities and Contingent Assets**

### **Provisions**

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

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

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

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

### **Contingent Liabilities**

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

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

### **Contingent Assets**

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

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

### **1.19 Reserves (Note 8)**

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

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, and retirement benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies and classed on the balance sheet as “Unusable Reserves”.

### **1.20 Revenue Expenditure Funded from Capital under Statute**

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

### **1.21 VAT**

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

<b>Note 2</b>	<b>Accounting Standards that have been issued but not yet adopted</b>
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The Code of Practice on Local Council Accounting in the United Kingdom (the Code) requires the Council to identify any accounting standards that have been issued but have yet to be adopted and could have a material impact on the accounts. The following standards apply:

- **IAS 1 Presentation of Financial Statements.** This standard provides guidance on the form of the financial statements and will result in changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and will introduce a new Expenditure and Funding analysis. These changes are as a result of the “Telling the Story” review of the presentation of the local authority financial statements as well as the December 2014 changes to IAS 1 under the International Accounting Standards Board (IASB) Disclosure Initiative.
- **Annual Improvements to IFRSs (2010-2015 Cycle and 2011 – 2014 Cycle).** These improvements are minor, principally providing clarification and will not have a material impact on the Statement of Accounts.
- **Other minor changes due as follows;**
  - IFRS 11 Joint Arrangements (Accounting for Acquisitions of Interests in Joint Operations)
  - IAS 16 Property, Plant and Equipment
  - IAS 38 Intangible Assets (Clarification of Acceptable Methods of Depreciation and Amortisation)
  - IAS 19 Employee Benefits (Defined Benefit Plans: Employee Contributions)

None of these changes are expected to have a material effect on the Council's Statement of Accounts.

The Code requires implementation from 1 April 2016 and there is therefore no impact on the 2015/16 Statement of Accounts.

<b>Note 3</b>	<b>Critical Judgments used in applying Accounting Policies</b>
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In applying the accounting policies set out in Note 1 the Council has had to make certain judgments about complex transactions or those involving uncertainty about future events. The main critical judgment made in the Statement of Accounts is:

- 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 the level of service provision.

This is being kept under regular review as the Medium Term Financial Strategy is being developed for 2016-17 onwards.

<b>Note 4</b>	<b>Assumptions made about the future and other major sources of Estimation Uncertainty</b>
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The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31<sup>st</sup> March 2016 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	<p>Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful life assigned to assets.</p> <p>The Council has used estimation techniques under the code to derecognise replaced components within the Council House stock using the replacement cost as a proxy for the cost of the original component.</p>	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of assets falls.</p> <p>It is estimated that for every year that useful lives are reduced, the annual depreciation charge for General Fund Assets would increase by £86k and for HRA Assets would increase by £34k.</p>
Business Rates	<p>Since the introduction of the Business Rates Retention Scheme effective from 1st April 2013, Local Authorities are liable for successful appeals against business rates charged to businesses in 2015-16 and earlier financial years in their proportionate share. Therefore, a provision has been recognised for the best estimate of the amount that businesses have been overcharged up to 31st March 2016</p>	<p>The estimate has been calculated using the latest Valuation Office (VOA) ratings list of appeals and the analysis of successful appeals to date when providing the estimate of total provision up to and including 31st March 2016. The Council's share of the balance of business rate appeals provisions held at this date amounted to £1.6m this has increased by £0.8m from the previous year.</p>
Pensions Liability	<p>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,</p>	<p>The effects on the net pension liability of changes in individual assumptions can be measured. For instance a 0.5% decrease in the discount rate assumption would result in</p>

	changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	an increase in the pension liability of £7.9m  A 1 year increase in member life expectancy would result in an increased liability of £2.3m.
Arrears	When arriving at the closing balances for debtors these are shown at net of an estimated provision for bad debts.  At 31 <sup>st</sup> March 2016, the Council had a balance of debtors for £6.6m. A review of significant balances suggested that an impairment of doubtful debts of 23% (£1.5m) was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £1.5m to be set aside as an allowance.

#### **Note 5 | Material Items of Income and Expense**

There are no material items of Income and Expenditure that have not been disclosed on the face of the Comprehensive Income and Expenditure Statement.

#### **Note 6 | Events After the Balance Sheet Date**

The Statement of Accounts was authorised for issue by the Head of Finance and Resources on 30<sup>th</sup> June 2016. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2016, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information. The following information has not been reflected in the in the financial statements:

There have been no events after the date of the balance sheet that require reporting.

#### **Note 7 | Adjustments between Accounting Basis and Funding Basis under Regulations**

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure. Full details of the Adjustments between Accounting Basis and Funding Basis under Regulations are included on the Movement on Reserves statement at page 12.

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 the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year.

### **Earmarked Reserves**

The Council has established a number of reserves (see note 8) for to provide financing for future expenditure plans. This is due to it being unclear as to when the funding would be required.

### **Housing Revenue Account Balance**

The Housing Revenue Account Balance reflects the statutory obligation to maintain a revenue account for local authority council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the Council's landlord function or (where in deficit) that is required to be recovered from tenants in future years.

### **Major Repairs Reserve**

The Major Repairs Reserve is an earmarked fund which is used to support capital spending on new and existing council dwellings. The balance reflects the funds that have yet to be applied at the year end.

### **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 contribution received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

See Movement in Reserves Statement (MIRS) in core financial statements. All adjustments required between the accounting basis and the funding basis are shown in the MIRS.

<b>Note 8</b>	<b>Usable Reserves</b>
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This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2015/16.

	Balance at 31.03.14 £'000	Transfers Out 2014/15 £'000	Transfers In 2014/15 £'000	Balance at 31.03.15 £'000	Transfers Out 2015/16 £'000	Transfers In 2015/16 £'000	Balance at 31.03.16 £'000
<b>Earmarked Revenue (GF unless noted HRA)</b>							
Access to Services	2	-	-	2	-	-	2
Apprentice Reserve	31	7	-	24	1	-	23
Business Transformation	82	-	-	82	52	90	120
Community Right to Challenge	30	-	16	46	-	-	46
Corporate Training and Development	39	7	-	32	4	-	28
Development Framework	122	50	-	72	-	-	72
Early Retirement, Redundancy and Equal Pay	108	29	-	79	-	-	79
Earmarked Expenditure	115	115	139	139	139	149	149
Eastgate Car Park Equipment	25	-	18	43	-	2	45
Environmental	25	16	-	9	-	17	26
Exceptional Witness	2	-	-	2	-	-	2
Greater Lincoln Transport Strategy	565	-	-	565	9	-	556
Homelessness	60	15	-	45	2	-	43
Housing and Planning Delivery Grant	334	-	-	334	-	-	334
Housing Services (HRA)	198	-	23	221	-	239	460
HRA Earmarked Expenditure	113	113	139	139	139	296	296
Income Volatility	-	-	592	592	-	200	792
Information Communication Technology (ICT)	388	124	125	389	62	120	447
Invest to save	-	-	12	12	-	-	12
Local Election	43	-	43	86	129	52	9
Major Repairs Reserve (HRA)	2,901	7,427	9,162	4,636	8,485	7,571	3,722
Monitoring Officer Investigations Reserve	21	-	-	21	-	-	21
New Homes Bonus	3,052	1,045	2,041	4,048	4,812	2,364	1,600
NK Fund	9	3	-	6	-	-	6
Refuse Vehicle Repair	47	-	-	47	-	-	47
Our Council	-	-	-	-	-	195	195
Our Economy	703	74	-	629	158	147	618
Renewals	191	77	100	214	71	100	243
Uninsured Claims	103	99	50	54	7	145	192
Village Halls and Playing Fields	23	2	-	21	11	-	10
Wheeled Bin Replacement	40	-	-	40	-	-	40
Whisby Car Parking	42	-	57	99	30	54	123
	9,414	9,203	12,517	12,728	14,111	11,741	10,358



	Balance at 1.04.14 £'000	Transfers out 2014/15 £'000	Transfers In 2014/15 £'000	Balance at 31.03.15 £'000	Transfers Out 2015/16 £'000	Transfers In 2015/16 £'000	Balance at 31.03.16 £'000
B/fw d from previous page	9,414	9,203	12,517	12,728	14,111	11,741	10,358
<b><u>Earmarked Capital</u></b>							
Capital	826	97	200	929	261	455	1,123
Capital Refuse replacement	558	348	476	686	967	520	239
<b>Total Earmarked Reserves</b>	<b>10,798</b>	<b>9,648</b>	<b>13,193</b>	<b>14,343</b>	<b>15,339</b>	<b>12,716</b>	<b>11,720</b>
Capital grants and s106 monies unapplied	682	706	896	872	1,026	769	615
<b>Sub Total</b>	<b>11,480</b>	<b>10,354</b>	<b>14,089</b>	<b>15,215</b>	<b>16,365</b>	<b>13,485</b>	<b>12,335</b>
<b>General Fund Balance</b>	<b>1,203</b>	-	-	<b>1,203</b>	-	-	<b>1,203</b>
<b>HRA Balance</b>	<b>2,391</b>	<b>1,292</b>	-	<b>1,099</b>	<b>542</b>	-	<b>557</b>
<b>Capital Receipts Balance</b>	<b>656</b>	<b>27</b>	<b>469</b>	<b>1,098</b>	<b>862</b>	<b>1,260</b>	<b>1,496</b>
<b>Total Usable Reserves</b>	<b>15,730</b>	<b>11,673</b>	<b>14,558</b>	<b>18,615</b>	<b>17,769</b>	<b>14,745</b>	<b>15,591</b>

**Note 9****Property, Plant & Equipment****9.1 Movements on Balances**

2014/15	Council dwellings	Other land and buildings	Vehicles Plant and Equipment	Infrastructure assets	Community assets	Heritage Assets	Total	Assets held for sale	Surplus assets	Assets under construction	Total	Grand total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>												
<b>GBV as at 1 April 2014</b>	<b>105,862</b>	<b>15,043</b>	<b>4,368</b>	<b>1,189</b>	<b>467</b>	<b>67</b>	<b>126,996</b>	<b>224</b>	<b>75</b>	<b>2,576</b>	<b>2,875</b>	<b>129,871</b>
Additions	8,643	202	379				9,224			2,121	2,121	11,345
Derecognition - Other	(4,990)	-	(284)	-	-	-	(5,274)	-	-		-	(5,274)
Derecognition - Disposals	(558)	-	-	-	-	-	(558)	-	-	-	-	(558)
Reclassifications	2,795	-	-	-	-	-	2,795	(68)	-	(2,821)	(2,889)	(94)
Revaluation increases/(decreases) recognised in the surplus/deficit of services	1,312	(580)	-	-	-	-	732	-	-	(2)	(2)	730
Revaluation increases/(decreases) recognised in the revaluation reserve	5,388	2,503	-	-	-	-	7,891	-	-	-	-	7,891
Assets reclassified(to)/from Held For Sale	-						-	-			-	-
<b>GBV At 31 March 2015</b>	<b>118,452</b>	<b>17,168</b>	<b>4,463</b>	<b>1,189</b>	<b>467</b>	<b>67</b>	<b>141,806</b>	<b>156</b>	<b>75</b>	<b>1,874</b>	<b>2,105</b>	<b>143,911</b>
<b>Depreciation</b>												
Accumulated depreciation	-	-	(2,878)	(99)	-	-	(2,977)	-	-	-	-	(2,977)
Charge for year	(1,328)	(262)	(438)	(38)	-	-	(2,066)	-	-	-	-	(2,066)
Disposals	-	-	-	-	-	-	-	-	-	-	-	-
Derecognition - Other	-	-	284	-	-	-	284	-	-	-	-	284
Depreciation written out to the Revaluation Reserve	1,328	262	-	-	-	-	1,590	-	-	-	-	1,590
<b>At 31 March 2014</b>	<b>-</b>	<b>-</b>	<b>(3,032)</b>	<b>(137)</b>	<b>-</b>	<b>-</b>	<b>(3,169)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(6,338)</b>
<b>Balance sheet at 31 March 2015</b>	<b>118,452</b>	<b>17,168</b>	<b>1,431</b>	<b>1,052</b>	<b>467</b>	<b>67</b>	<b>138,637</b>	<b>156</b>	<b>75</b>	<b>1,874</b>	<b>2,105</b>	<b>140,742</b>
<b>Balance sheet at 31 March 2014</b>	<b>105,862</b>	<b>15,043</b>	<b>1,490</b>	<b>1,090</b>	<b>467</b>	<b>67</b>	<b>124,019</b>	<b>224</b>	<b>75</b>	<b>2,576</b>	<b>2,875</b>	<b>126,894</b>
<b>Nature of asset holding</b>												
<b>Owned</b>	118,452	16,690	560	1,052	467	67	137,288	156	75	1,874	2,105	139,393
<b>Finance lease</b>	-	478	871	-	-	-	1,349	-	-	-	-	1,349
<b>Balance sheet at 31 March 2015</b>	<b>118,452</b>	<b>17,168</b>	<b>1,431</b>	<b>1,052</b>	<b>467</b>	<b>67</b>	<b>138,637</b>	<b>156</b>	<b>75</b>	<b>1,874</b>	<b>2,105</b>	<b>140,742</b>

	Operational assets							Non-operational assets				Assets
2015/16	Council dwellings	Other land and buildings	Vehicles Plant and Equipment	Infrastructure assets	Community assets	Heritage Assets	Total	Assets held for sale	Surplus assets	Assets under construction	Total	Grand total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>												
<b>Gross book value as at 1 April 2015</b>	118,452	17,168	4,463	1,189	467	67	141,806	156	75	1,874	2,105	143,911
Additions	2,345	76	979	-	-	-	3,400	-	-	4,910	4,910	8,310
Derecognition - Other	(2,345)	-	(968)	-	-	-	(3,313)	-	-	(57)	(57)	(3,370)
Derecognition - Disposals	(872)	-	-	-	-	-	(872)	-	-	-	-	(872)
Reclassifications	1,225	2,011	219	-	-	-	3,455	-	290	(3,745)	(3,455)	-
Revaluation increases / (decreases) recognised in the surplus/deficit of services	-	171	-	-	-	-	171	-	(60)	-	(60)	111
Revaluation increases / (decreases) recognised in the revaluation reserve	2,529	643	-	-	-	-	3,172	124	-	-	124	3,296
Assets reclassified (to) / from Held for Sale	(124)	-	-	-	-	-	(124)	124	-	-	124	-
Other movements in cost or valuation	-	(1)	-	-	-	-	(1)	-	-	-	-	(1)
<b>GBV At 31 March 2016</b>	<b>121,210</b>	<b>20,068</b>	<b>4,693</b>	<b>1,189</b>	<b>467</b>	<b>67</b>	<b>147,694</b>	<b>404</b>	<b>305</b>	<b>2,982</b>	<b>3,691</b>	<b>151,385</b>
<b>Depreciation and Impairment</b>												
Accumulated depreciation	-	-	(3,032)	(137)	-	-	(3,169)	-	-	-	-	(3,169)
Charge for year	(1,538)	(247)	(610)	(52)	-	-	(2,447)	-	-	-	-	(2,447)
Derecognition - Other	-	-	968	-	-	-	968	-	-	-	-	968
Impairments (losses)/reversals charged to the Revaluation Reserve	(943)	-	-	-	-	-	(943)	-	-	-	-	(943)
Depreciation write out to the Surplus/Deficit on provision of services	-	55	-	-	-	-	55	-	-	-	-	55
Depreciation write out to the Revaluation Reserve	1,538	192	-	-	-	-	1,730	-	-	-	-	1,730
<b>At 31 March 2016</b>	<b>(943)</b>	<b>-</b>	<b>(2,674)</b>	<b>(189)</b>	<b>-</b>	<b>-</b>	<b>(3,806)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,806)</b>
<b>Balance sheet at 31 March 2016</b>	<b>120,267</b>	<b>20,068</b>	<b>2,019</b>	<b>1,000</b>	<b>467</b>	<b>67</b>	<b>143,888</b>	<b>404</b>	<b>305</b>	<b>2,982</b>	<b>3,691</b>	<b>147,579</b>
<b>Balance sheet at 31 March 2015</b>	<b>118,452</b>	<b>17,168</b>	<b>1,431</b>	<b>1,052</b>	<b>467</b>	<b>67</b>	<b>138,637</b>	<b>156</b>	<b>75</b>	<b>1,874</b>	<b>2,105</b>	<b>140,742</b>
<b>Nature of asset holding</b>												
<b>Owned</b>	120,267	19,913	1,600	1,000	467	67	143,314	404	305	2,982	3,691	147,005
<b>Finance lease</b>	-	155	419	-	-	-	574	-	-	-	-	574
<b>Balance sheet at 31 March 2016</b>	<b>120,267</b>	<b>20,068</b>	<b>2,019</b>	<b>1,000</b>	<b>467</b>	<b>67</b>	<b>143,888</b>	<b>404</b>	<b>305</b>	<b>2,982</b>	<b>3,691</b>	<b>147,579</b>
<b>Note - the Balance Sheet shows Assets Held for Sale as Current Assets</b>												
<b>- intangible assets see note 11</b>												

## Depreciation

### Method

All non-current assets (except land and assets under construction) are depreciated on a straight line basis over the period of their useful economic lives. Depreciation is not charged in the year of acquisition but is charged in the year of disposal.

### Useful Lives

The useful economic life of a non-current asset is the period over which it is expected to deliver economic benefit to the organisation. The economic lives used for depreciating the various Council assets are:-

Asset Category	Life
Council House - traditional build	60 years
Council House -non traditional build	30 years
Other Land and Buildings	15-60 years
Infrastructure	25-40 years
Vehicles, plant, equipment and machinery	5-10 years
Council Garages	50 years
Leased Assets	lease term

## Capital Commitments

At 31 March 2016, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment and future years are budgeted to cost £1,275,100. Similar commitments at 31 March 2015 were £4,506,500. The major commitments are:

- Housing Capital Programme £507,600
- General Fund Capital Programme £767,500

## Valuation Information

### Name and Qualifications of Valuers

The full valuation of both housing and general fund assets has been undertaken by Darren Fabris MRICS of Keir Ltd as at 31 March 2016.

### Basis or Bases of Valuation

The Council carries out a full valuation of its assets every five years with a desk top revaluation for each of the intervening four years. 2016 is a desk top revaluation year.

Non-current assets are valued on the basis recommended by CIPFA and in accordance with the *Statement of Asset Valuation Principles and Guidance Notes* issued by The Royal Institution of Chartered Surveyors (RICS).

Assets have been valued on the following bases:

- Council houses have been valued on an existing use value for social housing basis. For 2015/16 this equates to 34% of market value which was applicable from 1 April 2010 onwards.
- Land and other operational properties and assets are included in the balance sheet at the lower of net current replacement cost and net realisable value.
- Non-operational assets, including assets that are surplus to requirements, are included in the balance sheet at the lower of net current replacement cost and net realisable value.
- Infrastructure Assets and Community Assets are included in the balance sheet at historical cost, net of depreciation.
- Assets under construction are valued at cost until such time as they are brought into use. The asset will then be re-valued at that time according to the valuation method applicable to that category of asset. Assets under construction are not depreciated until they come into use.

#### Valuations of Non-current Assets Carried at Current Value

The following statement shows the progress of the Council's programme for the revaluation of non-current assets. The basis for valuation is set out in the statement of accounting policies.

Description	Council dwellings £'000	Other land and buildings £'000	Assets held for sale £'000	Investment properties £'000	Surplus assets £'000	Others £'000	Total £'000
Valued at historic cost	-	-	-	-	-	6,535	6,535
Valued at current value	120,267	20,068	404	-	305	-	141,044
Total	120,267	20,068	404	-	305	6,535	147,579

#### Component Accounting

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.

Components have also been depreciated over different lives than the host (main) asset and recognised where they have a significant value when compared to the value of the host assets.

An exercise, in respect of the Housing Revenue Account, has been undertaken to establish the variance in amounts of depreciation, based on components i.e. bathrooms, kitchens, windows, heating boilers etc and that based on two components only i.e. land and buildings. The variance in the depreciation charge is less than 3% (less than £47,000). This amount is considered not to have a material effect on the Statement of Accounts and therefore Component Accounting has not been introduced in respect of the HRA. The requirements for Component Accounting in the HRA will be reviewed each year.

#### Note 10 Heritage Assets

Heritage asset values are recorded in note 9 property, plant and equipment. The Council categorises its heritage assets as detailed below:-

#### Public Art

The Council's collection of public art is reported in the balance sheet at insurance valuation. The public art collection is made up of The Cube and The Sail.

### Civic Regalia

The Council's collection of civic regalia is reported in the balance sheet at insurance valuation. The civic regalia is made up of various pendants and chains of office.

Heritage Assets summary; the table below sets out the Heritage assets held over the last 2 years

Cost of Acquisition of heritage assets	2014/15 £'000	2015/16 £'000
Public Art	42	42
Civic Regalia	25	25
Total cost of Purchases	67	67

### Note 11 Intangible Assets

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of property, plant and equipment. The intangible assets consist of purchased licenses and software.

Intangible Assets	2014/15 Total £'000	2015/16 Total £'000
Balance at start of year:		
Gross carrying amounts	30	125
Accumulated amortisation	0	-6
Net carrying amount at start of year	30	119
Additions		
Purchases	0	0
Reclassifications	95	0
Impairment losses recognised in the Surplus/Deficit on the Provision of Services	0	0
Amortisation for the period	-6	-25
Net carrying amount at end of year	119	94
Comprising:	0	0
Gross carrying amounts	125	125
Accumulated amortisation	-6	-31

### Note 12 Assets Held for Sale

Assets Held for Sale are shown on the face of Note 9 Property Plant and Equipment statement. These relate to eight Council dwellings nearing completion of sale under the "Right to Buy" scheme.

<b>Note 13</b>	<b>Financial Instruments</b>
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The following categories of Financial Instruments are carried in the Balance Sheet:

	Long Term		Current	
	31/03/2015	31/03/2016	31/03/2015	31/03/2016
	£'000	£'000	£'000	£'000
<b>Investments</b>				
Loans and receivables	7,000	2,000	-	-
- short term investments	-	-	7,084	15,606
- cash and cash equivalents	-	-	3,217	189
<b>Total Investments</b>	7,000	2,000	10,301	15,795
<b>Debtors</b>				
Loans and Receivables	41	28	3,833	2,584
Financial assets carried at contract amounts	-	-	-	-
<b>Total Debtors</b>	41	28	3,833	2,584
<b>Borrowings</b>				
Financial liabilities at amortised cost	67,120	65,034	4,886	7,814
Financial liabilities at fair value through profit and loss	-	-	-	-
Cash and cash equivalents - overdraft	-	-	1,676	884
<b>Total borrowings</b>	67,120	65,034	6,562	8,698
<b>Creditors</b>				
Financial liabilities at amortised cost	-	-	8,423	5,599
Financial liabilities carried at contract amount	-	-	-	-

<b>13.1</b>	<b>Financial Instrument Balances</b>
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Under accounting requirements the carrying value of the financial instrument value shown in the Balance Sheet includes for the principal amount borrowed or lent. Accrued interest is shown separately in current assets / liabilities where the payments/receipts are due within one year. The effective rate of interest is effectively accrued interest receivable under the instrument, adjusted for the amortisation of any premiums or discounts reflected in the purchase price.

Fair value has been measured by direct reference to published price quotations in an active market and/or estimating using a valuation technique.

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 Comprehensive Income and Expenditure Statement. Any gains and losses that arise on the de-recognition of the asset are credited / debited to the Comprehensive Income and Expenditure Statement.

Additional disclosure information will be required should any of the following events occur:

- Any unusual movements
- Re-classification of instruments
- De-recognition of instruments
- Collateral
- Allowances for credit loss
- Defaults and breaches.

### 13.2 Material Soft Loans Made by the Council

#### Employee Car Loans

The Council had made loans for car purchase to 2 employees in the Council who are in a post requiring them to drive regularly on the Council's business. These loans have now been repaid in year.

Interest was charged on the loans at a rate of 4% and 4.5% respectively, while the Council assesses that an unsubsidised rate for such loans would have been 4% and 4.75% respectively.

#### Valuation Assumptions

The interest rate at which the fair value of this soft loan has been recognised is arrived at by taking the Council's prevailing cost of borrowing for a comparable loan at the date of the advance and adding an allowance for the risk that the loan might not be repaid by the employee.

### 13.3 Income, Expense, Gains and Losses

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

Description	Financial liabilities	Financial assets		Total
	Liabilities measured at amortised cost	Loans and receivables	Available-for-sale assets	
2015/16	£'000	£'000	£'000	£'000
Interest expense	(2,542)			(2,542)
<b>Interest payable and similar charges</b>	(2,542)	-	-	(2,542)
Interest income		344		344
<b>Interest and investment income</b>	-	344	-	344
<b>Net gain /(loss) for the year</b>	(2,542)	344	-	(2,198)
2014/15				
Interest expense	(2,712)			(2,712)
<b>Interest payable and similar charges</b>	(2,712)		-	(2,712)
Interest income		469		469
<b>Interest and investment income</b>	-	469	-	469
<b>Net gain /(loss) for the year</b>	(2,712)	469	-	(2,243)



### 13.4 Fair Value of Assets and Liabilities that are not measured at Fair Value (but for which fair value disclosures are required)

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 cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- Estimated ranges of interest rates at 31 March 2016 of 3.03% to 7.125% for loans from the PWLB
- No early repayment or impairment is recognised.
- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

Description	31/03/2015		31/03/2016	
	Carrying amount	Fair value	Carrying amount	Fair value
	£'000	£'000	£'000	£'000
PWLB debt	72,006	88,250	67,120	74,052
Other debt	1,676	1,676	6,612	6,386
Creditors	8,423	8,423	5,599	5,599
<b>Financial liabilities</b>	<b>82,105</b>	<b>98,349</b>	<b>79,331</b>	<b>86,037</b>
The fair value is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date.				
Money market loans	13,000	14,332	17,606	17,769
Cash	3,217	3,217	189	189
Debtors	3,833	3,833	2,584	2,584
<b>Loans and receivables</b>	<b>20,050</b>	<b>21,382</b>	<b>20,379</b>	<b>20,542</b>
The fair value is greater than the carrying amount because the Council's portfolio of investments includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date.				

The fair value of financial liabilities has been determined by reference to the Public Works Loans Board redemption rules and prevailing redemption rates as at each balance sheet date and include accrued interest.

The fair value of Public Works Loan Board (PWLB) loans of £67,119,733 measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value measures the [additional/reduced] interest that the authority will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

However, the authority has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets. A supplementary measure of the additional interest that the authority will pay as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB. If a value is calculated on this basis, the carrying amount of £67,119,733 would be valued at £74,052,105. But, if the authority were to seek to avoid the projected loss by repaying the loans to the PWLB, the PWLB would raise a penalty charge for early redemption in addition to charging a premium for the additional interest that will not now be paid. The exit price for the PWLB loans including the penalty charge would be £83,184,312.

The fair value for loans and receivables uses the Net Present Value (NPV) approach, which provides an estimate of the value of payments in the future in today's terms. The discount rate used in the NPV calculation should be equal to the current in relation to the same instrument from a comparable lender. This will be the rate applicable in the market on the date of valuation, for an instrument with the same duration (i.e. the outstanding period from valuation date to maturity).

#### Note 14 Debtors

An analysis of debtors is shown below:-

2014/15 £'000	Description	2015/16 £'000
526	Central Government Bodies	1,928
370	Other local authorities	961
-	NHS Bodies	-
6,796	All Other	3,721
7,692		6,610
(1,376)	Less provision for bad debts	(1,505)
6,316	<b>Total</b>	5,105

**Note 15 Cash and Cash Equivalents**

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

31/03/2015 £'000		31/03/2016 £'000
1	Cash held by the Council	-
(1,829)	Bank current accounts	(1,384)
153	Call accounts	500
3,216	Money Market funds	189
1,541		(695)

**Note 16 Creditors**

An analysis of creditors is shown below:-

2014/15 £'000	Description	2015/16 £'000
3,057	Central Government Bodies	923
2,659	Other Local Authorities	3,031
-	NHS Bodies	-
4,436	Other entities and individuals	4,207
10,152	<b>Total</b>	8,161

**Note 17 Provisions**

The Council is responsible for any refunds relating to back-dated Non Domestic Rates appeals. The total provision which the Council believes it is necessary to make with regard to outstanding business rate appeals is £1.6m. This represents the share of the appeals provision which relates to North Kesteven District Council only.

**Note 18 Usable Reserves**

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement (MIRS) and note 8 Transfer to / from Earmarked Reserves.

**Note 19 Unusable Reserves**Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. 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 realised

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

2014/15 £'000	REVALUATION RESERVE	2015/16 £'000
<b>7,257</b>	<b>Balance at 1st April</b>	<b>16,737</b>
12,268	Upward revaluation of assets	5,281
(2,788)	Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the provision of services	(1,200)
9,480		4,081
-	Amount written off to the Capital Adjustment Account	-
-		-
<b>16,737</b>	<b>Balance at 31st March</b>	<b>20,818</b>

#### Pensions Reserve

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

2014/15 £'000	PENSION RESERVE	2015/16 £'000
<b>(26,180)</b>	<b>Balance at 1st April</b>	<b>(34,057)</b>
(6,727)	Remeasurement of the net defined benefit liability/(assets)	10,359
(2,777)	Reversal of items relating to retirement benefits debited or credited to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement	(3,244)
1,627	Employers pension contributions and direct payments to pensioners payable in the year	1,714
<b>(34,057)</b>	<b>Balance at 31st March</b>	<b>(25,228)</b>

### Collection Fund adjustment account

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

2014/15 £'000	COLLECTION FUND ADJUSTMENT ACCOUNT	2015/16 £'000
(210)	Balance at 1st April	(377)
(548)	Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	(1,641)
381	Renewables	947
(377)	Balance at 31st March	(1,071)

### 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 amounts set aside by the Council as finance for the costs of acquisition, construction and subsequent costs.

The account contains accumulated gains and losses on investment properties and gains recognised on donated assets, where applicable, 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.

2014/15 £'000	CAPITAL ADJUSTMENT ACCOUNT	2015/16 £'000
40,598	Balance at 1st April	43,016
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement re:	
(2,068)	Charges for depreciation and impairment of non-current assets	(4,848)
(4,256)	Revaluation losses on property, plant and equipment	167
(6)	Amortisation of intangible assets	(25)
(961)	Revenue expenditure funded from capital under statute	(3,522)
(558)	Amounts of non-current assets written off on disposal or sale as part of the gain or loss on disposal to the Comprehensive Income and Expenditure Statement	(872)
32,749		33,916
-	Adjusting amounts written out of the Revaluation Reserve	-
32,749		33,916
	Net written out amount of the cost of non-current assets consumed in the year	
	Capital Financing applied in the year re:	
185	Use of the Capital Receipts Reserve to finance new capital expenditure	418
5,341	Use of the Major Repairs Reserve to finance new capital expenditure	4,549
2,085	HRA Voluntary Contribution	3,936
	Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	
487	Application of grants to capital financing from the Capital Grants Unapplied Account including developers contributions	428
1	Statutory provisions for the financing of capital investment charged against the General Fund	213
677		583
1,491	Capital Expenditure charged against the General Fund and HRA balances	6,183
10,267		16,310
43,016	<b>Balance at 31st March</b>	<b>50,226</b>

<b>Note 20</b>	<b>Cash Flow Statement – Operating Activities and Interest</b>
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The cash flows for operating activities include the following items:

2014/15	Operating Activities	2015/16
£'000	Note A	£'000
<b>3,978</b>	<b>Net surplus or deficit on the provision of services</b>	<b>1,957</b>
	<b>Capital activities</b>	
2,066	Depreciation	2,447
4,259	Impairment or downward valuations	2,234
6	Amortisation	25
(4)	Increase /decrease in interest creditors	228
3,091	Increase/decrease in creditors	(1,785)
(21)	Increase/decrease in interest debtors	479
(1,329)	Increase/decrease in debtors	1,885
403	Movement in impairment provision for bad debt	-
25	Increase/decrease in inventories	(7)
1,150	Pension liability	1,530
452	Contributions to/(from) provisions	812
558	Carrying amount of non current assets sold	872
-	- Issuing of council mortgages relating to deferred capital receipts	-
-	- Carrying amount of short and long term investments sold	-
<b>10,656</b>		<b>8,720</b>
	Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities	
(592)	Capital grants that are credited to surplus or deficit on the provision of services	(633)
-	- Proceeds from the sale of short and long term investments	-
(992)	Proceeds from the sale of property plant and equipment , investment property and intangible assets	(1,222)
<b>(1,584)</b>		<b>(1,855)</b>
<b>13,050</b>	<b>Net cash flows from operating activities</b>	<b>8,822</b>
2014/15	Operating Activities	2015/16
£'000	Interest - Note B	£'000
469	Ordinary interest received	344
1,063	Opening debtor	1,084
(1,084)	Closing debtor	(605)
<b>448</b>	<b>Interest Received</b>	<b>823</b>
(2,712)	Interest charged for the year	(2,542)
(340)	Opening creditor	(336)
336	Closing creditor	228
<b>(2,716)</b>	<b>Interest Paid</b>	<b>(2,650)</b>

**Note 21 | Cash Flow Statement – Investing Activities**

2014/15 £'000	Investing Activities Note C	2015/16 £'000
(11,345)	Property plant and equipment purchased	(8,310)
-	Other capital payments	-
(768)	Add back new finance leases (non cash item)	(991)
991	Opening capital creditors	1,291
	Closing capital creditors	
(11,122)	Purchase of property plant and equipment, investment property, and intangible assets	(8,010)
-	Purchase of short term investments	(10,000)
(3,000)	Purchase of long term investments	-
(3,000)	Purchase of short and long term investments	(10,000)
(123)	Long term loans granted - capital grants repaid	(765)
997	Proceeds from the sale of property plant and equipment, investment property, and intangible assets	1,227
6,500	Proceeds from short term investments	6,000
	Proceeds from long term investments	
6,500	Proceeds from short term and long term investments	6,000
	Other capital grant receipts - capital grants received	
597	Capital grants received	782
<b>(6,151)</b>	<b>Net cash from investing activities</b>	<b>(10,766)</b>
	<b>Treasury management transactions during the year:-</b>	
96,238	Out to investments	113,082
95,101	Back from investments	111,762



<b>Note 22</b>	<b>Cash Flow Statement – Financing Activities &amp; Cash Balances</b>
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2014/15 £'000	Financing Activities Note D	2015/16 £'000
3,000	Cash receipts of short-term and long-term borrowing	5,500
(221)	Billing authorities-Council tax and NNDR adjustments	(709)
	Other receipts from financing activities	
	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	
(7,585)	Repayment of short-term and long-term borrowing	(4,886)
(285)	Payments for the reduction of a finance lease liability	(197)
(5,091)	<b>Net cash flows from financing activities</b>	<b>(292)</b>

  

2014/15 £'000	Make up of Cash and Cash Equivalents Note E	2015/16 £'000
3,217	Cash and bank balances	189
153	Cash investments-regarded as cash equivalents	500
(1,829)	Bank overdraft	(1,384)
1,541		<b>(695)</b>

<b>Note 23</b>	<b>Amounts Reported for Resource Allocation decisions</b>
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The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the *Service Reporting Code of Practice*. However, decisions about resource allocation are taken by the Council on the basis of budget reports analysed across services. These reports are prepared on a different basis from the accounting policies used in the financial statements, in particular:

- No charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- The cost of retirement benefits is based on cash flows (payment of employer's pension contributions) rather than current service cost of benefits accrued in the year

	Our Council	Our Communities	Our Economy	Our Homes	Housing Revenue Account	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Service Income and Expenditure 2015/16</b>						
Fees, charges and other service income	(6,330)	(22,230)	(1,078)	(1,893)	(17,289)	(48,820)
Grants & Contributions	(1,268)	(678)	(13)	(2,506)	(721)	(5,186)
<b>Total Income</b>	<b>(7,598)</b>	<b>(22,908)</b>	<b>(1,091)</b>	<b>(4,399)</b>	<b>(18,010)</b>	<b>(54,006)</b>
Employee Related	4,023	3,254	460	1,131	2,332	11,200
Premises Related	421	346	365	96	2,909	4,137
Transport Related	85	862	20	53	141	1,161
Supplies and Services	1,103	595	63	109	272	2,142
Third Party Payments	2,005	2,930	167	325	493	5,920
Transfer Payments		19,170				19,170
Support Service Recharges	3,447	1,359	389	935	2,202	8,332
Capital Charges	316	3,858	98	2	3,988	8,262
<b>Total Expenditure</b>	<b>11,400</b>	<b>32,374</b>	<b>1,562</b>	<b>2,651</b>	<b>12,337</b>	<b>60,324</b>
<b>sub total</b>	<b>3,802</b>	<b>9,466</b>	<b>471</b>	<b>(1,748)</b>	<b>(5,673)</b>	<b>6,318</b>
<b>Service Income and Expenditure 2014/15</b>						
Fees, charges and other service income	(5,906)	(22,778)	(1,044)	(2,178)	(16,687)	(48,593)
Grants & Contributions	(263)	(1,250)	(10)	(2,111)	(647)	(4,281)
<b>Total Income</b>	<b>(6,169)</b>	<b>(24,028)</b>	<b>(1,054)</b>	<b>(4,289)</b>	<b>(17,334)</b>	<b>(52,874)</b>
Employee Related	3,657	3,132	425	1,121	2,199	10,534
Premises Related	432	488	319	82	2,699	4,020
Transport Related	81	923	20	57	143	1,224
Supplies and Services	1,191	663	68	202	332	2,456
Third Party Payments	1,055	4,081	204	311	225	5,876
Transfer Payments	-	19,201	-	-	-	19,201
Support Service Recharges	3,042	1,192	514	725	1,541	7,014
Capital Charges	43	2,032	184	2	5,053	7,314
<b>Total Expenditure</b>	<b>9,501</b>	<b>31,712</b>	<b>1,734</b>	<b>2,500</b>	<b>12,192</b>	<b>57,639</b>
<b>Net Expenditure</b>	<b>3,332</b>	<b>7,684</b>	<b>680</b>	<b>(1,789)</b>	<b>(5,142)</b>	<b>4,765</b>

23.2	Reconciliation of Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement
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Reconciliation of Service Income and Expenditure to Cost of Service in the Comprehensive Income and Expenditure Statement	2014/15	2015/16
	£'000	£'000
Net Expenditure in the Service Analysis	4,765	6,318
Net Expenditure of Services and Support Services not included in the Analysis	-	-
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	-	-
	<b>4,765</b>	<b>6,318</b>
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	-	-
<b>Cost of Service in Comprehensive Income and Expenditure Statement</b>	<b>4,765</b>	<b>6,318</b>

Note 23.3	Reconciliation to Subjective Analysis
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This reconciliation shows how the figures in the analysis of service 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 2015/16</b>	<b>Service Analysis</b>	<b>Services and Support Services not in Analysis</b>	<b>Amounts not reported to Management for decision making</b>	<b>Amounts not included in I &amp; E</b>	<b>Allocation of Recharges</b>	<b>Cost of Services</b>	<b>Corporate Amounts</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Fees Charges and other Service Income	(48,822)	(172)	-	-	7,360	(41,634)	-	(41,634)
Surplus or Deficit on Associates and Joint Ventures	-	-	-	-	-	-	-	-
Interest and Investment Income	-	-	-	-	-	-	(344)	(344)
Income from Council Tax	-	-	-	-	-	-	(7,633)	(7,633)
Government Grants and Contributions	(5,186)	-	-	-	115	(5,071)	(6,998)	(12,069)
<b>Total Income</b>	<b>(54,008)</b>	<b>(172)</b>	<b>-</b>	<b>-</b>	<b>7,475</b>	<b>(46,705)</b>	<b>(14,975)</b>	<b>(61,680)</b>
Employee Expenses	11,200	-	-	-	(4,554)	6,646	-	6,646
Other Service Expenses	32,532	-	-	139	(1,383)	31,288	-	31,288
Support Service Recharges	8,332	-	-	33	(1,227)	7,138	-	7,138
Capital Charges	8,262	-	-	-	(311)	7,951	-	7,951
Interest Payments	-	-	-	-	-	-	3,613	3,613
Precepts and Levies	-	-	-	-	-	-	3,026	3,026
Payments to the Housing Capital Reserves Pool	-	-	-	-	-	-	411	411
Gains or Losses on Disposal of Fixed Assets	-	-	-	-	-	-	(350)	(350)
Other	-	-	-	-	-	-	-	-
<b>Total Expenditure</b>	<b>60,326</b>	<b>-</b>	<b>-</b>	<b>172</b>	<b>(7,475)</b>	<b>53,023</b>	<b>6,700</b>	<b>59,723</b>
<b>Surplus or Deficit on the provision of Services</b>	<b>6,318</b>	<b>(172)</b>	<b>-</b>	<b>172</b>	<b>-</b>	<b>6,318</b>	<b>(8,275)</b>	<b>(1,957)</b>

<b>Reconciliation to Subjective Analysis 2014/15</b>	<b>Service Analysis</b>	<b>Services and Support Services not in Analysis</b>	<b>Amounts not reported to Management for decision making</b>	<b>Amounts not included in I &amp; E</b>	<b>Allocation of Recharges</b>	<b>Cost of Services</b>	<b>Corporate Amounts</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Fees Charges and other Service Income	(48,593)	(200)	-	-	6,947	(41,846)	-	(41,846)
Surplus or Deficit on Associates and Joint Ventures	-	-	-	-	-	-	-	-
Interest and Investment Income	-	-	-	-	-	-	(469)	(469)
Income from Council Tax	-	-	-	-	-	-	(7,317)	(7,317)
Government Grants and Contributions	(4,281)	-	-	-	-	(4,281)	(7,606)	(11,887)
<b>Total Income</b>	<b>(52,874)</b>	<b>(200)</b>	<b>-</b>	<b>-</b>	<b>6,947</b>	<b>(46,127)</b>	<b>(15,392)</b>	<b>(61,519)</b>
Employee Expenses	10,534	-	-	-	(4,344)	6,190	-	6,190
Other Service Expenses	32,777	-	-	176	(1,558)	31,395	-	31,395
Support Service Recharges	7,014	-	-	24	(1,086)	5,952	-	5,952
Capital charges	7,314	-	-	-	41	7,355	-	7,355
Interest Payments	-	-	-	-	-	-	3,772	3,772
Precepts and Levies	-	-	-	-	-	-	2,941	2,941
Payments to the Housing Capital Reserves Pool	-	-	-	-	-	-	402	402
Gains or Losses on Disposal of Fixed Assets	-	-	-	-	-	-	(466)	(466)
Other	-	-	-	-	-	-	-	-
<b>Total Expenditure</b>	<b>57,639</b>	<b>-</b>	<b>-</b>	<b>200</b>	<b>(6,947)</b>	<b>50,892</b>	<b>6,649</b>	<b>57,541</b>
<b>Surplus or Deficit on the provision of Services</b>	<b>4,765</b>	<b>(200)</b>	<b>-</b>	<b>200</b>	<b>-</b>	<b>4,765</b>	<b>(8,743)</b>	<b>(3,978)</b>

#### Note 24 Members' Allowances

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

<b>2014/15 £'000</b>	<b>Description</b>	<b>2015/16 £'000</b>
269	Allowances	292
17	National Insurance and Pension Costs	8
16	Car and Travel Allowances	17
<b>302</b>		<b>317</b>

## Note 25 Officers' Remuneration

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

Post Title		Note	Salary, fees & allowances	Benefits in kind (eg lease car, private medical insurance)	Compensation for loss of office	Pension contribution	Total
			£	£	£	£	£
Chief Executive	2015/16		110,352	216		20,070	130,638
	2014/15		111,531	235		18,010	129,776
Deputy Chief Executive	2015/16		89,671	-	-	14,486	104,157
	2014/15	1	110,900	284		17,889	129,073
Corporate Director	2015/16	1	98,551	252	-	15,832	114,635
	2014/15		87,062	235		13,958	101,255
Head of Finances and Resources	2015/16		68,514	216	-	11,053	79,783
	2014/15	2	75,433	251		12,387	88,071
Head of Corporate and Customer Services	2015/16	4	43,375	146	-	6,969	50,490
	2014/15		64,689	235		10,382	75,306
Head of Housing, Partnerships and Communities	2015/16		56,786	-	-	9,130	65,916
	2014/15	3	49,742	185		7,926	57,853
Head of Development, Economic and Cultural Services	2015/16		67,068	216	-	10,779	78,063
	2014/15		65,224	235		10,382	75,841
Head of Environment and Public Protection	2015/16		64,404	4,584	-	10,537	79,525
	2014/15		63,665	4,021		10,382	78,068

### Notes

1. A new Corporate Director was appointed on 01/01/15 in readiness to take over from the outgoing Deputy Chief Executive who left on 31/05/15. Hence the 2 posts ran concurrently for 3 months in 14/15. The outgoing Deputy Chief Executive was the former Section 151 Officer before the appointment of the Head of Finance and Resources (see note 2)

2. Before the Head of Business Management left on 15/3/15 it was decided that the job title would change to Head of Finance and Resources to reflect the fact the new post includes Section 151 Officer duties and now reports directly to the Chief Executive (the previous post holder had reported to the Deputy Chief Executive). The 2 posts ran concurrently for 2.5 months in 14/15 as the new Head of Service started on 01/01/15

3. The Head of Housing Partnerships and Communities left post on 31/12/14 (became Corporate Director - See note 1) and the post was not filled until May 2015

4. The Head of Corporate and Customer Services left the Council in August 2015 and the post was not filled until January 2016.

Remuneration band	2014/15 Number of employees	2015/16 Number of employees
£50,000 to £54,999	1	1
£55,000 to £59,999	1	1
£60,000 to £64,999	2	1
£65,000 to £69,999	2	2
£70,000 to £74,999	1	-
£75,000 to £79,999	-	-
£80,000 to £84,999	-	1
£85,000 to £89,999	1	1
£90,000 to £94,999	1	-
£95,000 to £99,999	-	-
£100,000 to £104,999	-	-
£105,000 to £109,999	-	-
£110,000 to £114,999	1	1
<b>Total</b>	10	8

The remuneration values in bandings are attributable to individual employees rather than posts therefore any employee moving from one post to another within the Council would have their earnings from each post added together to arrive at total remuneration. The above tables are complimentary to each other and individual employees may feature in both. There were no officers who received remuneration in excess of £150,000.

The numbers of exit packages with total cost 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	
	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16
£0 - £20,000	-	-	5	6	5	6	39,550	27,003
£20,001 - £40,000	-	-	1	3	1	3	30,000	79,395
£40,001 - £60,000	-	-	-	-	-	-	-	-
£60,001 - £80,000	-	-	-	-	-	-	-	-
£80,001 - £100,000	-	-	-	-	-	-	-	-
£100,001 - £150,000	-	-	-	-	-	-	-	-
<b>Total</b>	-	-	6	9	6	9	69,550	106,398

**Note 26 | External Audit Costs**

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

Description	2014/15 £'000	2015/16 £'000
Fees payable to KPMG with regard to external audit services carried out by the appointed auditor for the year	52	39
Fees payable to Audit Commission in respect of statutory inspections	-	-
Fees payable to KPMG in respect of statutory inspections	-	-
Fees payable to KPMG for the certification of grant claims and returns for the year	7	7
Fees payable in respect of other services provided by KPMG during the year	-	-
<b>Total</b>	<b>59</b>	<b>46</b>



<b>Note 27</b>	<b>Grant Income</b>
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The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2015/16:

Description	2014/15	2015/16
Credited to Net Cost of Services	£'000	£'000
Capacity Funding from Homes& Communities Agency	-	1
CCTV Contributions	13	3
Communications & Media	7	3
NK Community Champs	-	3
Community Rights to Challenge Grant	16	-
Council Tax admin and Small Businesses grant	123	123
Council Tax New Burdens grant	71	57
Council Tax support	-	91
County ASB Post	36	39
Cranwell Aviation Project Grant	4	-
DCLG LATR Grant	-	1
Design Factory	42	45
Discretionary Housing Grant	106	73
Empty Homes Grant	-	18
Empty Homes Project	17	13
Health Activity control grant	2	3
Health Trainers	29	26
High Value Social Housing Grant	-	5
Homelessness Floating Support Post	-	66
Housing Benefits Rent Administration	453	343
Housing General	9	-
LA Data sharing \programme	-	10
Leisure Grants	162	284
Museum Development Funding	-	4
MOD Armed Forces Day	3	-
New Burdens Land Charges	-	95
New Homes Bonus	2,041	2,364
Rent Allowance Subsidy	10,488	10,453
Rent Rebates Subsidy	8,315	8,393
Register of electors -IER	67	42
Right to move	-	3
Smoke alarms	-	1
Supporting People wellbeing Grant - HRA	894	717
Witham Valley County Park	27	5
<b>Total</b>	<b>22,925</b>	<b>23,283</b>

The Council has received a number of Section 106 grants that have yet to be recognised as income as they have conditions attached to them that will require the monies to be returned if not met. The balances at the yearend are as follows:

Description	2014/15		2015/16	
	Current Liabilities	Long Term Liabilities	Current Liabilities	Long Term Liabilities
Held in Balance sheet as conditions not yet met	£'000	£'000	£'000	£'000
Play Equipment / Open Spaces	-	52	-	179
Affordable Housing	-	347	-	354
Education	-	332	-	363
Other	-	640	-	302
<b>Total Grants with Conditions not yet met</b>	-	<b>1,371</b>	-	<b>1,198</b>

## Note 28 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.

### Central Government

Central Government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from Government departments are set out in the subjective analysis in Note 27 on reporting for resources allocation decisions.

### Members and Officers

Members of the Council have direct control over the Council's financial and operating policies. The total of Members' allowances paid in 2015/16 is shown in Note 24. During 2015/16 the Council issued to all Members, Corporate Management Team and Senior Management Team a request to disclose any related party transactions which have been completed.

Members and officers have not disclosed any material transactions with related parties.

### Entities Controlled or Significantly Influenced by the Council

There are no entities that are controlled by or significantly influenced by the Council. However, the Council does support in the way of revenue grants a number of bodies including town and parish councils, pays levies to drainage boards and acts as the responsible body (provision of administration and accountancy support) for a number of bodies/ projects. Transactions with other such bodies are set out below:

2014/15 £'000	Description	2015/16 £'000
170	Upper Witham Drainage Board	180
102	Witham First Drainage Board	104
58	Black Sluice Drainage Board	60
25	Trent Valley Drainage Board	26
<b>355</b>	<b>Drainage Board Levies Paid</b>	<b>370</b>
2,443	Parish/Town Councils	2,503
76	Citizens Advice Bureau	76
231	Shared Legal Services	214
<b>3,105</b>	<b>Included within the Council's expenditure</b>	<b>3,163</b>
422	Joint Planning Committee	628
83	Lincolnshire Improvement & Efficiency Programme	8
<b>505</b>	<b>Bodies where the Council acts as the responsible body</b>	<b>636</b>
<b>3,610</b>	<b>Total</b>	<b>3,799</b>

<b>Note 29</b>	<b>Capital Expenditure and Capital Financing</b>
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The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed.

2014/15 £'000	Description	2015/16 £'000
<b>79,070</b>	<b>Opening capital financing requirement</b>	<b>81,107</b>
-	<b>Principal Repayments 12/13</b>	-
<b>79,070</b>	<b>Revised opening capital financing requirement</b>	<b>81,107</b>
	<b>Capital expenditure:</b>	
11,345	Property, Plant and Equipment	8,310
-	- Intangible Assets	-
961	Revenue Expenditure Funded from Capital under Statute	3,522
-	- Heritage Assets	-
-	- Finance Leases	-
<b>12,306</b>	<b>Asset Movement in Year</b>	<b>11,832</b>
	<b>Capital financing:</b>	
(185)	Capital Receipts	(418)
(489)	Government Grants and other contributions	(641)
(1,491)	Sums set aside from revenue	(6,183)
(5,341)	Contribution From MRR	(4,549)
(677)	Minimum Revenue Provision (MRP)	(583)
(2,086)	Principal Repayments	(3,936)
(10,269)	<i>Financing in Year</i>	(16,310)
<b>81,107</b>	<b>Closing capital financing requirement</b>	<b>76,629</b>
<b>2,037</b>	<b>Movements in year</b>	<b>(4,478)</b>
	Increase/(decrease) in underlying need for unsupported borrowing	
4,123		(542)
(2,086)	Repayment of Principal in year	(3,936)
<b>2,037</b>	<b>Increase/(decrease) in capital financing requirement</b>	<b>(4,478)</b>

**COUNCIL AS LESSEE**
**30.1 Finance Leases**

The following assets are held under finance leases by the Council, accounted for as part of non-current assets: The value is carried in the balance sheet at the following net amounts.

Description	2014/15	2015/16
	£'000	£'000
Other Land and Buildings	141	155
Vehicles, Plant and Equipment	609	419
<b>Value at 31 March</b>	<b>750</b>	<b>574</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 the finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments (MLP) are made up of the following amounts:

Description	Other Land and Bldg		Vehicles, Plant & Equip		Total	Total
	31/03/15	31/03/16	31/03/15	31/03/16	31/03/15	31/03/16
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Finance lease liabilities (net present value of minimum lease payments):</b>						
Current (net present value of MLP)	36	36	312	162	348	198
Non-Current (npv of MLP)	184	148	191	188	375	336
Finance Costs payable in future years	221	159	365	232	586	391
<b>Minimum Lease Payments (MLP)</b>	<b>441</b>	<b>343</b>	<b>868</b>	<b>582</b>	<b>1,309</b>	<b>925</b>

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

Description	Minimum Lease Payments		Finance Lease Liabilities	
	31/03/15 £'000	31/03/16 £'000	31/03/15 £'000	31/03/16 £'000
Not later than one year	400	359	173	176
Later than one year but not later than five years	803	467	350	267
Later than five years	106	99	10	91
<b>Total</b>	<b>1,309</b>	<b>925</b>	<b>533</b>	<b>534</b>

### 30.2 Operating Leases

The Council has acquired a number of buildings under operating leases and is committed at 31 March 2016 to making payments of £169,778 (£172,062 2014/15) comprising the following elements:

	31/03/2015	31/03/2016
Description	£'000	£'000
Not later than one year	172	170
Later than one year but not later than five years	607	612
Later than five years	559	453
<b>Total Commitments at 31st March</b>	<b>1,338</b>	<b>1,235</b>

### Note 31 Capitalisation of Borrowing Costs

The Borrowing Costs of the Council have not been capitalised and appear within the Comprehensive Income and Expenditure Account.

### Note 32 Termination Benefits

The Council terminated the contracts of a number of employees in 2015/16, incurring liabilities of £106,398 (£69,550 in 2014/15) – see note 25 for the number of exit packages and total cost per band.

### Note 33 Defined Benefit Pension Schemes

#### 33.1 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. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The Council participates in the Local Government Pension Scheme for employees, administered by Lincolnshire County Council. This is a funded defined benefit final salary scheme, meaning that both the Council and the employee pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

#### 33.2 Transactions Relating to Post-Employment Benefits

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 [and Housing Revenue Account]

via the Movement in Reserves Statement. 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;

**Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:**

	Local Government Pension Scheme £000	
	2014/15	2015/16
<i>Cost of services:</i>		
<i>Service cost comprising:</i>		
current service costs	1,772	2,232
past service costs	53	0
<i>Financing and investment income and expenditure</i>		
Net interest expense	1,127	1,100
<i>Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services</i>	2,952	3,332
<i>Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement</i>		
Remeasurement of the net defined benefit liability comprising:		
„Return on plan assets (excluding the amount included in the net interest expense)	-3,743	1,028
Actuarial gains and losses arising on changes in demographic assumptions	0	0
Actuarial gains and losses arising on changes in financial assumptions	11,041	-10,349
Other (if applicable)	-570	-1,039
Total remeasurement recognised in other comprehensive income and expenditure	6,728	-10,360
<i>Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement</i>	9,680	-7,028
<b>Movement in Reserves Statement</b>		
reversal of net charges made to the Surplus or Deficit on the Provision of Services for post employment benefits in accordance with the Code	-6,727	1,530
<i>Actual amount charged against the General Fund Balance for pensions in the year:</i>		
Employers' contributions payable to scheme	1,716	1,714

### 33.3 Pension Assets and Liabilities Recognised in the Balance Sheet

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

	Local Government Pension Scheme £000	
	2014/15	2015/16
Present value of the defined benefit obligation	(83,823)	(75,524)
Fair value of plan assets	49,680	50,167
Element relating to accountable bodies	86	129
<b>Net liability arising from defined benefit obligation</b>	<b>(34,057)</b>	<b>(25,228)</b>

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

	Local Government Pension Scheme £000	
	2014/15	2015/16
Opening fair value of scheme assets	44,334	49,680
Interest income	1,899	1,589
Remeasurement gain/(loss):		
The return on plan assets, excluding the amount included in the net interest expense	3,743	(1,028)
Contributions from employer	1,657	1,700
Contributions from employees into the scheme	496	501
Benefits paid	(2,449)	(2,275)
Contribution re unfunded benefits	59	58
Unfunded benefits paid	(59)	(58)
<b>Closing fair value of scheme assets</b>	<b>49,680</b>	<b>50,167</b>



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

	Funded Liabilities: Local Government Pension Scheme £000	
	2014/15	2015/16
Opening balance at 1 April	70,513	83,823
Current service cost	1,772	2,232
Interest cost	3,026	2,689
Contributions from scheme participants	496	501
Remeasurement (gains) and losses:		
Actuarial gains/losses arising from changes in demographic assumptions	-	-
Actuarial gains/losses arising from changes in financial assumptions	11,041	(10,349)
Other (if applicable)	(570)	(1,039)
Past service cost	53	-
Benefits paid	(2,449)	(2,275)
Unfunded benefits paid	(59)	(58)
Closing balance at 31 March	83,823	75,524

**Local Government Pension Scheme assets comprised:**

	Fair value of scheme assets £000's	
	2014/15	2015/16
Cash and cash equivalents	711	542
Equity instruments:		
By industry type		
Consumer	9,488	10,393
Manufacturing	1,388	1,114
Energy and utilities	3,066	2,718
Financial institutions	5,887	5,412
Information technology	1,881	1,861
Other	5,871	5,566
Sub-total equity	27,581	27,064
Bonds:		
By sector		
Corporate	4,892	4,893
Government	943	1,038
other	648	702
Sub-total bonds	6,483	6,632
Property:		
By type		
UK property	4,876	5,339
Overseas property	569	545
Sub-total property	5,445	5,883
Private equity:		
Sub-total private equity	2,122	1,833
Other investment funds and unit Trusts:		
Equities	2,570	2,830
Bonds	0	0
other	4,768	5,383
Sub-total other investment funds	7,338	8,213
Total assets	49,680	50,167

### 33.4 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 estimated by Hymans Robertson, an independent firm of actuaries, estimates for Lincolnshire County Council Fund being based on the latest full valuation of the scheme as at 31 March 2016.

The significant assumptions used by the actuary have been:

Description	2014/15	2015/16
Mortality assumptions		
● Longevity at 65 for current pensioners:		
○ Men	22.2	22.2
○ Women	24.4	24.4
● Longevity at 65 for future pensioners:		
○ Men	24.5	24.5
○ Women	26.8	26.8
Rate of Inflation/Pension Increase Rate	2.4%	2.2%
Rate of increase in salaries	3.8%	3.1%
Rate of increase in pensions	2.4%	2.2%
Rate for discounting scheme liabilities	3.2%	3.5%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably 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 estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Changes in assumptions at 31 March 2016	Impact on the Defined Benefit Obligation in the Scheme	
	Approximate % Increase to employee Liability	Approximate Monetary Amount £000
0.5% decrease in Real Discount Rate	10%	7,904
1 year increase in member life expectancy	3%	2,266
0.5% increase in the salary increase rate	3%	2,220
0.5% increase in the Pension Increase Rate	7%	5,591

### **Impact on the Authority's Cash Flows**

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over a 3 year period. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2017.

The Council anticipates paying £1.767m contributions to the scheme in 2016/17.

The weighted average duration of the defined benefit obligation for scheme members is 18.7 years.

<b>Note 34</b>	<b>Contingent Liabilities</b>
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#### **Virgin Media appeal**

The Council has been made aware of a national business rates appeal that potentially could affect business rates in relation to Virgin Media hereditaments within the district. The appeal relates to all Virgin Media hereditaments being moved from all local listings to the national listing. This would mean that commercial premises with a rateable value of £302,500 would be removed from our accounts. This has not been included in the Council's provision for appeals.

#### **Business Rate un-lodged appeals**

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

<b>Note 35</b>	<b>Contingent Assets</b>
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The Council is involved in a scheme to provide affordable housing to certain nominated purchasers. This was achieved by deferring payment for the land element of the property. The land value was calculated as a percentage of the original sale price. Upon subsequent sale to a non-nominated purchaser, the land percentage of the sale price will be repaid to the Council. This amount will be dealt with as a capital receipt. The timing of such receipts is uncertain therefore the Council has decided to deal with the outstanding equity as a contingent asset. The value of this equity as at 31<sup>st</sup> March 2016 is £399,134 (£390,000 as at 31<sup>st</sup> March 2015)

<b>Note 36</b>	<b>Nature and Extent of Risks Arising from Financial instruments</b>
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<b>36.1 Nature and Extent of Risks Arising from Financial Instruments and how the Council Manages those Risks</b>
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The Council's activities expose it to a variety of financial risks:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council.
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments.
- Re-financing risk – the possibility that the Council might be required to renew a financial instrument on maturity at disadvantageous rates or terms.

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

### 36.1.1 Overall Procedures for Managing Risk

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by the Council in the annual treasury management strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

### 36.1.2 Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

This risk is minimised through the Annual Treasury Management Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch & Moody's and Standard & Poor's Credit Ratings Services. The Annual Treasury Management Strategy also imposes a maximum amount and time limits in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above. Additional selection criteria are also applied after this initial criterion is applied.

The full Investment Strategy for 2015/16 was approved by Full Council on 26 February 2015 and is available on the Council's website.

The following analysis summarises the Council's maximum exposure to credit risk. The table (composite defaults from Fitch & Moody's and Standard & Poor's) gives details of global corporate finance average cumulative default rates (including financial organisations) for the period since at least 1990 to 2016. Defaults shown are by long term rating category on investments out to one year, which were the most commonly held investments during the year.

	Amount at 31/03/2016 £'000	Historical experience of %	Historical experience %	Estimated maximum £'000	Estimated maximum £'000
Deposits with banks and financial institutions	(a)	(b)	(c)	(a*c)	
AAA rated counterparties	189	0.04%	0.00%	-	
A rated counterparties	3,000	0.07%	0.10%	3	
BBB rated counterparties	500	0.15%	0.25%	1	
BB rated counterparties	1,000	0.70%	0.25%	3	
B rated counterparties	9,000	3.04%	0.25%	23	
Other institutions	4,000	3.04%	0.25%	10	8
Other debtors	723	27.78%	27.78%	201	
	18,412			241	8

The Council maintains strict credit criteria for investment counterparties. As a result of these high credit criteria, we have maintained historical default rates as a good indicator under these current conditions. No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

The Council does not generally allow credit for customers. Within the overall gross debtors balance – see note 14 - of £5,028,000, trade debtors amount to £723,000, analysis of which is shown below:

2014/15 £'000	Description	2015/16 £'000
401	Less than three months	603
152	Three to six months	9
77	Six months to one year	12
102	More than one year	99
732		723

Collateral – During the reporting period the council held no collateral as security.

### 36.1.3 Liquidity Risk

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

The Council has ready access to borrowings from the Money Markets to cover any day to day cash flow need, and whilst the PWLB 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 maturity analysis of financial liabilities is as follows:

31/03/2015 £'000	Description	31/03/2016 £'000
(15,038)	Less than one year	(15,975)
(2,086)	Between one and two years	(2,086)
(6,257)	Between two and five years	(6,257)
(58,776)	More than five years	(56,691)
(82,157)		(81,009)

All trade and other payables (£8,161,000) are due to be paid in less than one year.

#### Note 36.1.4 Refinancing and Maturity Risk

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

The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of 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 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 financial liabilities is as follows, with the maximum and minimum limits for fixed interest rates maturing in each period (approved by Council in the Treasury Management Strategy).

#### 36.1.5 Interest Rate Risk

	Approved minimum limits	Approved maximum limits	Actual 31/03/2015 £'000	Actual 31/03/2016 £'000
Less than 1 year	0%	100%	15,038	15,975
Between 1 and 2 years	0%	100%	2,086	2,086
Between 2 and 5 years	0%	100%	6,257	6,257
Between 5 and 10 years	0%	100%	10,428	10,428
Between 10 and 20 years	0%	100%	24,856	24,856
Between 20 and 30 years	0%	100%	16,168	14,273
More than 30 years	0%	100%	7,324	7,134
Total			82,157	81,009

The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- ✓ borrowings at variable rates – the interest expense charged to the Income and Expenditure Account will rise;
- ✓ borrowings at fixed rates – the fair value of the borrowing will fall (no impact on revenue balances);
- ✓ investments at variable rates – the interest income credited to the Income and Expenditure Account will rise; and
- ✓ Investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Comprehensive Income and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Comprehensive Income and Expenditure Statement and affect the General Fund Balance, subject to influences from Government grants. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the Comprehensive Income and Expenditure Statement.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The central treasury team will monitor market 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 favorable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rates borrowing would be postponed.

According to this assessment strategy, at 31 March 2016, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

31/03/2015 £'000	Description	31/03/2016 £'000
-	Increase in interest payable on variable rate borrowings	-
53	Increase in interest receivable on variable rate investments	53
-	Increase in government grant receivable for financing costs	-
53	Impact on Income and Expenditure Account	53
5	Share of overall impact debited to the HRA	5

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed.



**HRA INCOME AND EXPENDITURE ACCOUNT**

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and Government grants. Authorities charge rents to cover expenditure in accordance with regulations: this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.

2014/15 £'000	Description	2015/16 £'000
	<b>Expenditure</b>	
(2,643)	Repairs and maintenance	(2,733)
(2,884)	Supervision and management	(3,738)
(135)	Rents, rates, taxes and other charges	(340)
-	Negative housing revenue account subsidy payable	-
(1,355)	Depreciation of non current assets	(1,556)
(3,678)	Revaluation of non-current assets	(2,402)
(21)	Debt management costs	(30)
(58)	Movement in the allowance for bad debts	(75)
(10,774)	<b>Total expenditure</b>	(10,874)
	<b>Income</b>	
14,974	Dwelling rents	15,262
200	Non-dwelling rents	200
896	Charges for services and facilities	1,024
32	Contributions towards expenditure	273
16,102	<b>Total income</b>	16,759
5,328	<b>Net cost of HRA services included in the Comprehensive Income and Expenditure Statement</b>	5,885
(185)	HRA services share of corporate and democratic core	(212)
5,143	<b>Net cost of HRA services</b>	5,673
	<b>HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:</b>	
434	Gain or (loss) on sale of HRA non-current assets	350
(2,451)	Interest payable and similar charges	(2,315)
159	Interest and investment income	34
(220)	Pensions interest cost and expected return on pension assets	(231)
118	Capital Grants and Contributions receivable	262
3,183	<b>Surplus / (deficit) for the year on HRA services</b>	3,773

**Movement on the HRA Statement**

<b>2014/15 £'000</b>	<b>Description</b>	<b>2015/16 £'000</b>
2,391	Balance on the HRA at the end of the previous year	1,099
3,183	Surplus or (deficit) for the year on the HRA Income & Expenditure Statement	3,773
4,733	Adjustments between accounting base and funding base under regulations	3,688
7,916	Net increase or (decrease) before transfer to reserves	7,461
(9,208)	Transfer (to) or from reserves	(8,003)
(1,292)	Increase or (decrease) in year on the HRA	(542)
1,099	Balance on the HRA at the end of the current year	557
	<b>Adjustments between accounting basis and funding basis under regulations</b>	
-	Amortisation of premiums and discounts and the charge for the year	-
	Transfers to/from the Capital Adjustment Account:-	
3,678	-revaluation of non current assets	2,402
1,355	-reversal of Actual HRA Depreciation	1,556
(118)	-capital grants	(262)
(434)	Gain or loss on sale of HRA fixed assets	(350)
252	HRA share of contributions to/from the Pension Reserve	342
4,733		3,688
	<b>Items not included in the HRA Income and Expenditure Account but included in the movement on HRA balance for the year</b>	
(9,163)	Transfer to / (from) Major Repairs Reserve	(7,570)
(1)	Transfer to / (from) Housing Services Reserve	(239)
(19)	Transfer to / (from) Affordable /Target Rents Difference Reserve	(37)
(25)	Transfer to / (from) HRA Earmarked Expenditure Reserve	(157)
(9,208)		(8,003)

# NOTES TO THE SUPPLEMENTARY FINANCIAL STATEMENTS

## NOTES TO THE HOUSING REVENUE ACCOUNT

### Note H1 Housing Stock Numbers and Values

#### H1.1 Number and Types of Dwelling in the Housing Stock

2014/15 number	Type	2015/16 number
3,409	Houses and Bungalows	3,388
455	Flats	466
3,864	<b>Total</b>	3,854

#### H1.2 Asset Values

2014/15 £000	Type	2015/16 £000
	Operational assets	
118,452	♦ dwellings	120,267
1,255	♦ other land and buildings	1,150
156	♦ assets held for sale	404
21	♦ Vehicle, Plant & Machinery	16
1,265	♦ assets under construction	2,728
121,149	<b>Total</b>	124,565

### Note H2 Vacant Possession

The vacant possession value is the Council's estimate of the total sum that it would receive if all the dwellings were sold on the open market. The balance sheet value is calculated on the basis of rents receivable on existing tenancies. These are less than would be obtainable on the open market, and the balance sheet value is therefore lower than the vacant possession valuation. The difference between the two values therefore shows the economic cost of providing housing at less than market value. The vacant possession value of dwellings within the HRA at 1<sup>st</sup> of April in the financial year is as follows:

2014/15 £'000	Description	2015/16 £'000
350,103	Vacant possession value	358,474
350,103	<b>Total</b>	358,474

## SUPPLEMENTARY FINANCIAL STATEMENTS

### Note H3 Analysis of Movement on the Major Repairs Reserve

2014/15 £'000	Description	2015/16 £'000
2,900	Balance as at 1 April	4,636
9,163	Amount transferred to the Major Repairs Reserve during the financial year	7,570
(5,341)	The debits to the Major Repairs Reserve in respect of capital expenditure on land, houses and other property within the HRA	(4,549)
(2,086)	Debits in respect of any repayment made in the year, of the principal of any amount borrowed where the repayment was met out of the Major Repairs Reserve	(3,936)
-	Debits in respect of meeting of any liability in respect of credit arrangements, other than any liability, which in accordance with proper practices must be charged to a revenue account, where the meeting of that liability was met by payments out of the Major Repairs Reserve	-
4,636	Balance as at 31 March	3,721

### Note H4 Summaries of Total Capital Expenditure and Receipts

#### H4.1 Summary of Total Capital Expenditure

2014/15 £'000	Description	2015/16 £'000
10,446	Expenditure of HRA land, houses and other property	5,090
10,446	Total	5,090
	Financed By:	
(4,800)	● borrowing	-
(158)	● general capital receipts reserve	(85)
-	● Government Grants	(195)
-	● 1-4-1 capital receipts reserve	(218)
(2)	● external contribution	(6)
(5,341)	● major repairs reserve	(4,549)
(126)	● Sec106 Reserve	-
(19)	● Affordable / Target Rents Reserve	(37)
(10,446)	Total	(5,090)

## SUPPLEMENTARY FINANCIAL STATEMENTS

### H4.2 Summary of Total Capital Receipts

2014/15 £'000	Description	2015/16 £'000
1,014	Council house sales	1,260
5	Deferred purchase of council houses	5
1,019	<b>Total</b>	1,265

### H4.3 De-recognition of Replacement Components

Under the Code, where capital expenditure has been incurred on the replacement of asset components, this has to be written out as a loss on the replacement. The Council incurred expenditure of £2,344,852 on the replacement of items such as kitchens, bathrooms, windows and doors on its housing stock and this has been shown under "Gain or (loss) on sale of HRA fixed assets" on the HRA Income and Expenditure Account.

### Note H5 Depreciation

2014/15 £'000	Description	2015/16 £'000
	Operational assets:	
1,328	Dwellings	1,538
25	Other land and buildings	13
3	Vehicles	5
1,356	<b>Total</b>	1,556

### Note H6 Share of Contributions to and from Pensions Reserve

Note 33 of the core financial statements gives a detailed insight of the accounting requirements for pension costs in accordance with IAS19.

The following transactions have been made in the HRA to reflect its share of the pension fund transactions in the year:

## SUPPLEMENTARY FINANCIAL STATEMENTS

2014/15 £'000	Description	2015/16 £'000
	<b>HRA Income and Expenditure Account</b>	
	<i>Net cost of services</i>	
346	● Current service cost	468
10	● Past service costs	-
-	● Settlements and curtailments	-
	<i>Net operating cost</i>	
590	● Interest cost	564
(370)	● Expected return on assets in the scheme	(333)
576	<b>Net charge to the HRA Income and Expenditure Account</b>	699
	<b>Statement of movement on the HRA balance</b>	
(576)	Net charges made for retirement benefits in accordance with IAS19	(699)
-	- Actual amount charged against general fund balance for pensions in the year	-
328	Employer's contributions payable to scheme	357

### Note H7 Rent Arrears

2014/15 £'000	Description	2015/16 £'000
484	Arrears at 31 March	544

The rent arrears represent 7.29% of the rent collectable for the year (i.e. net of rebates, write offs and voids). The comparative figure for 2014/15 was 6.48%.

A bad debt provision of £403,565 has been made in the accounts for potentially uncollectable rent arrears. (£323,470 for 2014/15).

### Note H8 Any Sums Directed by the Secretary of State to be Debited or Credited

There have been no sums directed by the Secretary of State.

### Note H9 Any Exceptional or Prior Period Items

There have been no exceptional or prior period items occurring during the year.

### Note H10 Impairment Charges

In 2014/15 an impairment had been identified relating to 2 blocks of flats. In 2015/16 the impairment has been adjusted to reflect the partial completion of works. Additionally another impairment has been made in relation to a large housing development project. These impairment charges have been charged to the Revaluation reserve and are identified within note 9. Charges for the impact of replacing components within the Housing Stock are identified in note H4.3.

## SUPPLEMENTARY FINANCIAL STATEMENTS

### COLLECTION FUND

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

2014/15 £'000	Description	Note	2015/16 £'000
	<b>COUNCIL TAX; Income</b>		
(50,598)	Income from council tax		(52,796)
(50,598)	<b>Total income</b>		(52,796)
	<b>Expenditure</b>		
	<b>Council Tax;</b>		
50,072	Precepts and demands from county, police and district	C3	52,028
45	Change in provision for bad and doubtful debts		69
50,117	<b>Total expenditure</b>		52,097
(481)	<b>Movement on fund balance</b>		(699)
(294)	<b>Balance at beginning of year</b>		(775)
(775)	<b>Balance at end of year</b>		(1,474)

  

2014/15	Share of Council Tax balance allocated to;	2015/16
(112)	NKDC	(214)
(561)	Lincolnshire County Council	(1,067)
(102)	Lincolnshire Police	(193)
(775)		(1,474)

# SUPPLEMENTARY FINANCIAL STATEMENTS

2014/15	Description	Note	2015/16
£'000			£'000
	<b>BUSINES RATES;</b>		
	<b>Income</b>		
0	Transitional Protection Income		(4)
(22,917)	Income from business ratepayers		(24,223)
	<b>Contributions to previous years surplus/(deficit);</b>		
(250)	Central Government		0
(201)	NKDC		0
(50)	Lincolnshire County Council		0
(23,418)	<b>Total Income</b>		(24,227)
	<b>Expenditure</b>		
	<b>Business Rates:</b>		
11,346	Retained Central Share		12,539
2,269	Payments To LCC		2,508
9,076	Payment To NKDC		10,032
364	Transitional Protection Payment		19
797	Renewable energy schemes - NKDC		1,512
139	Renewable energy schemes - LCC		132
123	Costs of collection		123
11	Change in provision for bad and doubtful debts		56
1,127	Change in provision for appeals		1,660
25,252	<b>Total expenditure</b>		28,581
1,834	<b>Movement on fund balance</b>		4,354
343	<b>Balance at beginning of year</b>		2,177
2,177	<b>Balance at end of year</b>		6,531

2014/15		2015/16	
Share of in year (surplus)/ deficit	Share of Provision for appeals	Share of in year (surplus)/ deficit	Share of Provision for appeals
871	803	2,612	1,467
218	201	653	367
1,088	1,003	3,266	1,833
2,177	2,007	6,531	3,667



## NOTES TO THE COLLECTION FUND

### Note C1 Non-Domestic Rate

In 2013/14 the local government finance regime was revised with the introduction of the retained business rates scheme. The scheme allows the Council to retain a proportion of the total NNDR received – 50% is paid over to Central Government and the remaining 50% split 80% to the District Council and 20% to Lincolnshire County Council.

For 2015/16 the Council are part of a pooling arrangement for business rates income with Lincolnshire County Council, City of Lincoln Council, Boston Borough Council, East Lindsey District Council, South Kesteven District Council and West Lindsey District Council.

The total non-domestic rateable value for North Kesteven District Council at 31 March 2016 was £63,476,874 (2014/15 £62,181,318).

The national non-domestic multiplier for the year was 49.3p for small businesses and 48.0p for all other businesses.

### Note C2 Calculation of Council Tax

The Council's tax base, i.e. the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply) converted to an equivalent number of Band D dwellings, was calculated as follows:

Band	Estimated number of properties after discounts -	Ratio to band D	Band D equivalent dwellings
- A	47	5/9	26
A	11,089	6/9	7,393
B	10,739	7/9	8,353
C	10,847	8/9	9,642
D	5,845	9/9	5,845
E	2,901	11/9	3,546
F	1,382	13/9	1,996
G	383	15/9	638
H	34	18/9	68
	<b>43,267</b>		<b>37,507</b>
Plus: Crown properties			751
less: adjustment for collection rates			(188)
less Net effect of premiums and discounts			(3,570)
	<b>Council tax base</b>		<b>34,500</b>

<b>Note C3</b>	<b>Council Tax Precepts and Demands</b>
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Description	Actual Precept for 2015/16 £'000	Share of In Year Surplus/Deficit £'000	Total Precept 2015/16 £'000
Lincolnshire County Council	37,465	181	37,646
North Kesteven District Council	7,495	36	7,531
Lincolnshire Police Authority	6,818	33	6,851
<b>Total</b>	51,778	250	52,028

TO BE PROVIDED BY KPMG

Subject to Audit

Subject to Audit

Subject to Audit

## **GLOSSARY OF TERMS**

### **Accounting Period**

The length of time covered by the Council's accounts. This is twelve months commencing on 1 April. The end of the accounting period is the balance sheet date.

### **Accounting Policies**

Those principles, conventions, rules and practices applied by the Council that specify how the effects of transactions and other events are to be reflected in the financial statements through:

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

### **Accruals Concept**

Sums included in the final accounts of the Council to cover income or expenditure attributable to the accounting period for which payment has not been received or made in the financial year. The Council accrues for both revenue and capital expenditure.

### **Actuarial Gains and Losses**

For a defined pension scheme, the changes in actuarial deficits or surpluses that arise because:

- (a) Events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses), or
- (b) The actuarial assumptions have changed.

### **Amortisation**

The writing down in value of intangible non-current assets, which is charged to service revenue accounts to reflect the cost of such assets, used in the provision those services. This is the equivalent of depreciation for property plant and equipment.

### **Asset**

An asset is something that the Council owns that has monetary value. Assets are either "current" or "fixed".

- A **current asset** is one that will be used or cease to have material value by the end of the next financial year e.g. stock or debtors
- A **non-current asset** provides benefits for a period of more than one year e.g. Council Offices.
- An **intangible asset** is a non-monetary asset that cannot be seen, touched or physically measured and which is created through time and/or effort e.g. IT software.

### **Audit of Accounts**

An audit is an examination by an independent expert of an organisation's financial affairs to check that the relevant legal obligations and codes of practice have been followed.

### **Bad Debt**

Outstanding amounts owed to the Council that are highly unlikely to be collected.

### **Budget**

The Council's plans set out in financial terms. Both revenue and capital budgets are prepared, and are used to control and monitor expenditure and performance.

### **Capital Adjustment Account (CAA)**

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

### **Capital Charges**

A charge to service revenue accounts to reflect the cost of non-current assets used in the provision of services, i.e. depreciation.

### **Capital Expenditure**

Expenditure on the acquisition of a non-current asset or expenditure which adds to and not merely maintains the value of an existing non-current asset. Definitions are set out in section 40 of the Local Government Act 1989. Any expenditure that does not fall within the definition must be charged to a revenue account.

### **Capital Receipts**

Money received from the disposal of a non-current asset. Capital receipts cannot be used to fund revenue services.

### **Chartered Institute of Public Finance and Accountancy (CIPFA)**

The professional accounting body concerned with local government and the public sector.

### **Collection Fund**

The collection fund is a statutory fund set up under the provisions of the Local Government Act 1988. It includes the transactions of the charging Council in relation to National Non Domestic rates (NNDR) and Council Tax (CT) and illustrates the way in which the fund balance is distributed to preceptors and the general fund.

### **Community Assets**

Assets that the Council intends to hold in perpetuity that have no determinable useful life. Examples of such items are parks and historic buildings.

### **Current Service Cost**

The increase in the present value of the pension scheme liabilities expected to arise from employee service in the current period.

### **Curtailment**

Curtailments will show the cost of the early payment of pension benefits if any employee has been made redundant in the previous financial year.

### **Contingent Liabilities**

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

### **Council Tax**

This is a banded property tax set by local authorities in order to meet their budget requirements. There are eight bands (Band A - Band H), set by the District Valuer according to the value of the property. The amount of tax each household pays depends on the band of the property.

#### **Creditors**

Amounts owed by the Council for work done, goods received or services rendered before the end of the accounting period but for which payment was not made by the end of the accounting period.

#### **Current Liabilities**

Amounts payable that become due during the next financial year.

#### **DCLG**

Department for Communities and Local Government

#### **Debtors**

Amounts due to the Council for goods or services provided before the end of the accounting period, but for which actual payments had not been received by the end of the accounting period.

#### **Deferred Credits**

This is the term applied to deferred capital receipts. These transactions arise when non-current assets are sold and the amounts owed by the purchasers are repaid over a number of years, such as by way of mortgages. The balance is reduced by the principal amount repayable in any financial year.

#### **Depreciation**

The estimate of the amount of the loss in value of a non-current asset due to age wear and tear, consumption or obsolescence over a period of time.

#### **Earmarked Reserves**

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

#### **Exit packages**

This is pay and benefits an employee receives when he or she leaves employment at a company, either through voluntary or compulsory redundancy.

#### **Expected Rate of Return**

The average rate of return expected over the remaining life of the related obligation on the actual assets held by the pension scheme.

#### **Finance Charges - leases**

These are the finance and service charges which form part on minimum lease payments.

#### **Finance Leases**

Arrangements whereby the lessee is treated as the owner of the leased asset and is required to include such assets within non-current assets on the balance sheet.

#### **General Fund**

The total services of the council except for the housing revenue account and collection fund. The day to day spending on services is met from the fund.



## **Government Grants**

Grants made by central government towards either revenue or capital expenditure to help with the cost of providing services and capital projects. Some government grants have restrictions on how they may be used whilst others are general purpose.

## **Heritage Assets**

A heritage asset is an item that has value because of its contribution to a nation's society, knowledge and/or culture. The Councils Heritage Assets are physical assets.

## **Housing Benefits**

This is a national system for giving financial assistance to individuals towards certain housing costs. The cost of the service is subsidised by central government.

## **Housing Revenue Account**

A separate account to the general fund, recording all the transactions relating to the provision of Council Houses.

## **Housing Revenue Account Self Financing**

This is a system for financing council housing that has replaced the Housing Revenue Account subsidy system.

## **Income**

This is the money that the Council receives or expects to receive from any source, including fees, charges, sales, grants and interest.

## **Impairment**

A reduction in the value of a non-current asset to below its carrying amount on the balance sheet, as a result of damage or obsolescence.

## **Intangible Assets**

Capital expenditure that does not result in the creation of a tangible asset but which gives the Council a controllable access to future economic benefit, e.g. software licences.

## **Interest on Pension Scheme Liabilities**

The increase in the present value of the scheme liabilities expected to arise from employee service in the current period.

## **International Financial Reporting Standard (IFRS)**

A reference to the accounting treatments that companies in the UK would generally be expected to apply in the preparation of the financial statements.

## **Investments**

Cash deposits with approved institutions.

## **Key Prudential Indicator**

One of the indicators required under the Prudential Code for the measuring of the Council's Treasury Management activities.

## **Liability**

A liability arises when the Council owes money to others and it must be included in financial statements. There are two types of liability:

- A **current liability** is a sum of money that will or might be payable during the next accounting period e.g. creditors or cash overdrawn
- A **deferred liability** is a sum of money that will not become payable until some point after the next accounting period or is paid off over a number of accounting periods.

## **Long term Debtor**

Amounts due to the Council more than one year after the balance sheet date.

## **Materiality**

This is one of the main accounting concepts. It ensures that the statement of accounts includes all the transactions that, if omitted, would lead to a significant distortion of the financial position at the end of the accounting period.

## **Minimum Lease Payments**

These are rental payments over the lease term including the amount of any bargain purchase option, premium and any guaranteed residual value and excluding any rental relating to costs to be met by the lessor and any contingent rentals.

## **Minimum Revenue Provision**

The minimum amount which must be charged to the Council's revenue accounts each year and set aside for debt repayment, as required by the Local Government and Housing Act 1989.

## **Net Book Value**

The value of a non-current asset less the accumulative amount of depreciation/amortisation.

## **Non-Current Assets**

Tangible Assets that yield benefit to the Council and the services it provides for a period of more than one year.

## **Non Distributed Costs**

These are overheads for which no user benefits and should not be apportioned to services.

## **National Non Domestic Rates (NNDR)**

Tax charged on the rateable value of non-domestic properties (business properties). The rate of tax is set by the Government. The scheme allows the Council to retain a proportion of the total NNDR received – 50% is paid over to Central Government and the remaining 50% remaining locally between the District Council and Lincolnshire County Council.

## **Non-Operational Assets**

Noncurrent assets held by the Council that are not directly used in the delivery of services, such as surplus properties awaiting disposal.

## **Pooling of Capital Receipts**

From 1 April 2004, under the new capital financing requirements, authorities will have to pool 75% of all housing right to buy capital receipts and 50% of all other housing capital receipts.

### **Operational Assets**

Non-current assets held by the Council that are used in direct delivery of services (another term for working capital)

### **Operating Leases**

A lease where the lessor retains all the risks and rewards of ownership of a non-current asset.

### **Past Service Cost**

Past service costs can arise from the Employer awarding discretionary benefits e.g. added year augmentation allowing employees to retire on unreduced benefits before attaining their "Rule of 85" age (subject to a minimum age of 60 and a maximum age of 65) on grounds of redundancy or efficiency.

### **Pension Fund**

An employee's pension fund maintained by a council or group of councils in order to primarily make pension payments on the retirement of participating employees. It is financed by contributions from the employing council, the employees and investment income.

### **Precepts**

The amount of Council Tax income the County, Police authority, Parish Councils and Fire authorities need to provide their service. The amount for all local authorities providing services in an area appears on Council Tax bills.

### **Provisions**

This is a sum of money that has been put aside in the accounts for liabilities or losses that are due but where the amount due or the timing of the payment is not known with any certainty.

### **Related Party Transactions**

A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge has been made.

### **Reserves (usable)**

Amounts set aside to meet capital or revenue expenditure which do not fall under the definition of provisions.

Access to Services Reserve	Created from amassed funds relating to non-charging of utility bills by Leisure Connection. It will be used for access to services development initiatives
Apprentice Reserve	To fund the delayed implementation of the apprentice programme.
Business Transformation	Costs associated with development/implementation of this initiative
Capital – Refuse Vehicle Replacement	Created to purchase outright our refuse fleet instead of contract hiring.
Capital Reserve	Maintained to finance current and future capital expenditure
Community Right to Challenge	Created to assist with the costs around the new Community Rights to Challenge that may follow on the Council.
Corporate Training and Development	Maintained to enable corporate training requirements to be met , whilst ensuring specific training costs are met from individual budgets

Development Framework	Enables expenditure to be charged in the current financial year in accordance with approved spending schemes
Early Retirement Redundancy and Equal Pay	Accommodates the delayed costs of retirement/redundancy outstanding from the previous year, together with a contingency amount for any further costs arising throughout the year
Earmarked Expenditure - General Fund	Created to accommodate expenditure that has been carried forward for special schemes
Eastgate Car Park equipment reserve	Created to contain the annual contributions received from Sleaford Town Council to fund the future purchase of new ticket machines
Environmental Reserve	Maintained to cover the extraordinary costs of Drainage Schemes and contaminated land issues as well as other Environmental Schemes
Exceptional Witness	Costs associated with promoting Housing Benefits fraud initiatives
General Fund	Resources available to meet future running costs of non-housing services
Greater Lincoln Transport Strategy	Created in view of possible financial payments required from the Council towards the Eastern Growth Corridor
Homelessness Reserve	Contains funding for a variety of homelessness initiatives that are in the process of being implemented by the Council
Housing and Planning Grant Reserve	Contains Government Grants received to be used for the future delivery on the Council's local planning issues
Housing Services	Maintained to accommodate additional costs of implementing the new Housing Management Information System and also to fund the stock options appraisal
HRA - Earmarked Expenditure	Created to accommodate HRA expenditure that has been carried forward for special schemes
HRA - Housing Revenue Account	Resources available to meet future running costs of Council Houses
ICT reserve	Maintained in order to protect the Council's current investment in I T
Income volatility reserve	To minimise the impact of the diverse income streams.
Invest to Save	Additional resources to promote and implement initiatives
Local Elections Reserve	Created to fund the district election in 2015
Major Repairs Reserve	Maintained for the purpose of financing major repairs and improvements to the Council's housing stock
Monitoring Officer Investigations Reserve	Contains the under spend on the Monitoring Officer's investigations
New Homes Bonus	To accommodate increased infrastructure costs associated from additional new homes in district.
NK Fund Reserve	Helps with small projects in the district that help to maintain and improve existing facilities
Refuse Vehicle Repair	As the Council now purchases rather than leases its vehicles it is likely repairs costs will increase over time.
Our Council	To support the delivery of key activities relating to the 'Our People' element of the Corporate plan (for instance, ExCITe and Our People programmes) in the form of support or specialist advice.
Our Economy Reserve	Contains the funding awarded under the Local Authority Business Growth Incentive Scheme and will be utilised on Regeneration Schemes
Renewals Reserve	Held for the purpose of financing new vehicles, equipment and/or major repairs and maintenance works

Uninsured Claims	Maintained to accommodate any unforeseen costs of defending and payment of compensation claims brought against the council
Useable Capital Receipts	Proceeds of non-current asset sales available to meet future capital investment
Village Halls and Playing Fields	Maintained to help with practical schemes to improve the environment as well as providing for new equipment and start-up costs of new groups
Wheeled Bin Replacement Reserve	Contains the funding to meet potential replacement of wheeled bins that have now been used in the district for many years
Whisby Car Parking	Reserve set up to cover the cost of repairs to the car park.

#### **Revaluation Reserve**

The revaluation reserve records the accumulated gains from the increase in the revaluation of assets. It also records any reduction in the value of assets subject to the limit of the previous increases in value of the same assets.

#### **Revenue Expenditure**

Expenditure that is incurred on the day to day costs of running local Council services, for example, staff costs, utility charges, rent and business rates.

#### **Revenue Support Grant**

A general grant paid by central government to local authorities as a contribution towards the cost of their services. This amount is fixed at the beginning of each financial year.