

STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017



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NARRATIVE REPORT

An introduction to the City of Lincoln's 2016/17 Statement of Accounts by R Baxter, Acting Chief Finance Officer, Section 151 Officer.

The Statement of Accounts

The purpose of the Accounts, which follow, is to give electors, those subject to locally levied taxes and charges, Members of the Council, employees and other interested parties clear information about the Council's finances. The Accounts show the financial performance for 2016/17 and the financial position at 31 March 2017. The Accounts present expenditure and income incurred by the Council in the financial year 2016/17 and highlight changes in the financial position of the Council over the course of the year.

The accounts of the Council are, by their nature, both technical and complex. The information contained within the Accounts for 2016/17 is presented as simply and clearly as possible and the Narrative Report explains some of the statements and provides a summary of the Council's financial performance as at 31st March 2017 and its financial prospects.

The financial statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the UK (the Code) published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The Statement of Accounts consists of various sections and statements, which are briefly explained below:

A Narrative Report – this provides information on the format of this Statement of Accounts as well as a review of the financial position of the Council for the financial year.

The Statement of Responsibilities – this details the responsibilities of the Council and the Section 151 Officer concerning the Council's financial affairs and the actual Statement of Accounts.

The Audit Opinion and Certificate – this is provided by KPMG LLP following the completion of the annual audit.

The Accounting Policies – this statement explains the basis for the recognition, measurement and disclosure of transactions and other events in the accounts.

The Core Financial Statements, comprising:

- **The Movements in Reserves Statement** – this statement shows the movement in year on the different reserves held by the Council, analysed into 'usable' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other unusable reserves.
- **The Expenditure & Funding Analysis** – this statement shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by the Authority in comparison with those resources consumed or earned by the Authority in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's

directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

- **The Comprehensive Income and Expenditure Statement (CIES)** – this statement shows the accounting cost in the year of providing services in accordance with accounting standards, rather than the amount funded from taxation. The Council raises taxation to cover the cost of expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.
- **The Balance Sheet** – this statement shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets (assets less liabilities) of the Council are matched by the reserves held by the Council.
- **The Cash Flow Statement** – this statement shows the changes in cash and cash equivalents of the Council during the year. It shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

The Notes to the Financial Statements – these provide supporting and explanatory information on the Financial Statements.

The Supplementary Statements, comprising:

- **The Housing Revenue Income and Expenditure Statement** - this 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. The Council charges 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.
- **The 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.

- **The Collection Fund Statement-**
this statement is an agent's statement that reflects the statutory obligation for billing authorities (such as the City of Lincoln Council) to maintain a separate Collection Fund. The statement shows the transactions of the Council in relation to the collection from Council Tax and Business Rate payers and distribution to Lincolnshire County Council, Police and Crime Commissioner for Lincolnshire (PCCL) and Government of Council Tax and National Non-Domestic Rates (NNDR).

Financial Summary 2016/17

It has been another financially challenging year for the Council in 2016/17 as it, like all other local authorities, continues to face unprecedented and uncertain times.

The Council continues to be impacted by;

- the severe central government funding reductions, the distribution of which has not been uniform across the different types of authority with some being significantly more affected than others, this Council being one of those suffering a greater proportionate loss, alongside a redistribution of resources within local government, to the detriment of District Councils.
- the localisation of Business Rates and the levels of financial risk and uncertainty that this creates.
- the national and local impacts of the economic crisis that still persist, affecting jobs, housing and business growth and low returns on investments, which has in turn created pressure on the generation of local income streams.
- The local impacts of the economic crisis creating a rising demand, and increased cost pressures, for council services from customers who rely on the safety net provided by local government.

It has continued to be another financially challenging year for the Council in 2016/17 as it, like all other local authorities, continues to face unprecedented and very uncertain times.

However in response to this environment the Council continues to deliver a track record of strong financial discipline. This means planning ahead, securing savings in advance, re-investing in more efficient ways of working, adopting a more commercial approach, prioritising resources for economic development measures, whilst making careful use of reserves to meet funding gaps and mitigate risks.

The Council's successful financial management to date has enabled the protection of core services, whilst at the same time allowing the redirection of resources to priority areas to support the Council's new Vision 2020, which was launched during 2016/17.

As well as redirecting resources to priority areas the Council has delivered spending within budget in both the General Fund and the Housing Revenue Account, whilst achieving £0.430m revenue savings in addition to those achieved in previous years; and has delivered £27.949m of capital investment, up from £20.946m in 2015/16. In addition, the Council's net worth has increased from £148.794m in 2015/16 to £189.731m in 2016/17, an increase of 27.5%.

Performance

Whilst maintaining sound financial management and delivering spending within budget the Council has continued to deliver high quality services to its residents and customers. A summary of the key financial and performance indicators for 2016/17 is provided below:

2015/16		2016/17
99.8%	Business Rates collected	99.4%
97.1%	Council Tax collected	97.1%
99.7%	Housing rent collected	99.3%
95.4%	Invoices paid within 30 days	97%
4.2%	Interest rate payable on debt	4.15%
0.5%	Interest rate received on investments	0.64%
36.3%	Waste recycled	34.2%
223,034	Users of Health & Recreation services	226,582
90.5%	Housing repairs completed to target	97.4%
82.0%	Occupancy of allotments	82.3%
96.2%	Premises compliant with food health and safety inspection	95.8%
689	Number of planning applications received	971

Revenue Income and Expenditure

General Fund

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 partly paid for by government grants and contributions from Retained Business Rates, with the balance being funded from Council Tax and income from fees and charges.

For 2016/17, the approved net expenditure budget for General Fund services was £10.746m. After allowing

for planned contributions of £0.302m to non-earmarked general reserves the total Net General Fund Budget for 2016/17 was £11.048m.

The Net General Fund Budget of £11.048m assumed the achievement of £0.334m savings which were to be delivered in 2016/17 as part of the Council's Towards Financial Sustainability Programme. The Programme was successful in delivering savings of £3.096m. Work is underway to accelerate existing projects in the programme and to develop further new projects to secure

the additional savings required in 2017/18 and future years.

The table that follows provides a summary of the final outturn position for the General Fund, against the net budget.

This has been prepared after applying International Financial Reporting Standards (IFRS). The impact of IFRS is that there are a number of adjustments of a technical nature (e.g. depreciation and asset valuations) which have resulted in significant variances in individual service lines. These adjustments are however, in line with statute, reversed out so that there is a nil impact on the Council Tax payer.



	ACTUAL 2016/17 £'000	BUDGET 2016/17 £'000	VARIANCE 2016/17 £'000
Chief Executive and Town Clerk	3,981	4,553	(572)
Directorate of Housing & Regeneration	1,144	840	303
Directorate of Communities & Environment	7,790	7,245	545
Directorate of Major Developments	1,966	(307)	2,273
Corporate	756	1,416	(660)
Net Operational Expenditure	15,636	13,747	1,889
IAS 19 Pension & Compensated Absences	(1)	0	(1)
Specific Grants	(15,204)	(12,736)	(2,468)
Savings Target	0	96	(96)
Earmarked Reserves	(929)	(1,506)	577
Capital Accounting Adjustment	11,806	10,934	873
Contribution to HRS (IAS19/ Insurance)	0	0	0
Contingencies	0	212	(212)
Total Expenditure	11,308	10,746	561
Contribution from General Balances	(171)	302	(473)
Total Net Budget	11,137	11,048	88
Business Rates -			
Retained Business Rates Income	(17,284)	(17,284)	0
Tariff	12,936	12,936	0
Section 31 grant	(490)	(579)	89
Levy Payment	69	247	(178)
Revenue Support Grant	(1,698)	(1,698)	0
Council Tax	(5,916)	(5,916)	0

	ACTUAL 2016/17 £'000	BUDGET 2016/17 £'000	VARIANCE 2016/17 £'000
Council Tax Surplus	(141)	(141)	0
NNDR Deficit	1,387	1,387	0
Total Resources	(11,137)	(11,048)	(88)

While total expenditure was £10.835m (£0.88m more than budget) this is fully offset by £0.88m additional net business rate income (primarily from a reduce levy payable on business rate growth). As a result the actual contribution to general balances was

£0.302m compared to the approved budget of £0.302m, resulting in a nil variance overall.

The overall nil variance for the year includes the following major variances:

	£'000
Increased Income	
Settlement of Legal Dispute	(205)
Overachievement of Savings Programme	(96)
Lincoln Properties	(37)
Industrial Estates	(33)
Crematorium	(40)
Reduced Income	
Building Regulations	75
Yarborough Leisure Centre	93
Car Parking	100
Increased Expenditure	
Building Regulations	42
CCTV	104
Reduced Expenditure	
Insurance Premiums	(23)
Interest Payable	(76)
Car Parks	(114)
Asset Sales Contingency	(32)
Neighbourhood Working	(57)
Earmarked Reserves	
Budget Carry Forwards	73

As at 31 March 2017, the Council held £7.775m General Fund revenue reserves, comprising £5.463m earmarked reserves (to cover specific or potential financial risks and liabilities) and £2.312m non-earmarked general reserves. This latter balance represents 20.8% of the 2016/17 annual net service budget and provides an

adequate level of reserves to cover unforeseen financial risks. General Balances are in line with the prudently assessed minimum requirements in the Council's Medium Term Financial Strategy.



Housing Revenue Account

The Housing Revenue Account has to be kept as a separate account for all the expenditure and income relating to the landlord functions associated with the provision, management and maintenance of Council owned dwellings.

For 2016/17, the approved net operating budget for the Housing Revenue Account was a surplus of £0.083m. Actual net expenditure for 2016/17 was £(0.083)m, resulting in a nil variance against the budget.

The table that follows provides a summary of the final outturn position for the Housing Revenue Account, against the net budget.



	ACTUAL 2016/17 £'000	BUDGET 2016/17 £'000	VARIANCE 2016/17 £'000
<u>Operational Expenditure</u>			
Repairs & Maintenance	8,072	8,227	(155)
Supervision & Management	6,008	6,491	(483)
Provisions (including Bad Debt)	292	292	0
Capital Financing	2,066	10,818	(8,752)
Sub Total	16,438	25,828	(9,390)
<u>Add:</u>			
HRS – repatriation of surplus	(294)	0	(294)
Contribution to/(from) CMS (IAS19 & Insurance Fund)	179	0	179
Interest Payable & Similar Charges	2,352	2,352	0
Increase in Social Housing Discount Factor*	(42,385)	0	(42,385)
Total Expenditure	(23,710)	28,180	(51,890)
 <u>Income</u>			
Rents & Service Charges	(29,073)	(29,224)	151
Interest	(76)	(57)	(19)
Net Expenditure	(52,859)	(1,101)	(51,758)
<u>Less:</u>			
Capital Accounting Adjustment	51,382	0	51,382
Appropriation to/(from) Major Repairs Reserves	1,097	1,097	0
Appropriation to/(from) Pension Fund Liability	171	0	171
Appropriations to/(from) Earmarked Reserves	38	(79)	117
Appropriations to/(from) HRS Reserve	89	0	89
Net HRA (Surplus)/Deficit	(83)	(83)	0

* The Social Housing Discount Factor is applied to the market value of the Council's total housing stock to reflect the fact that the property is socially rented. In 2016/17 this was increased from 34% to 42%, representing an increase in valuation. This is subsequently reversed out to the capital adjustment account in line with statutory accounting arrangements.

The overall variance for the year includes the following major variances:

	£'000
Increased Income	
HRS Trading Surplus	(206)
HRS Fleet Contract Re-imburement	(89)
Reduced Income	
Charges for Services and Facilities	129
Reduced Expenditure	
Supervision & Management	(179)
Repairs and maintenance	(144)
Increased Expenditure	
Control Centre Contribution	50
Depreciation	252

As at 31 March 2017, the Council held £2.642m HRA revenue reserves, comprising £1.555m earmarked reserves (to cover identified specific,

potential financial risks and liabilities) and £1.087m non-earmarked general reserves.

Following the tragic incident at Grenfell Tower in London on 14 June, City of Lincoln Council can confirm that all our fire safety checks are up-to-date and we meet with the fire service regularly to review safety in all our communal housing.

We have one block in the city with external insulation cladding and the system used features British Standard fire-resistant properties.

Capital Expenditure

(Note 39)

Capital expenditure on the provision of new or enhanced assets is largely met from capital receipts, government

grants, contributions from third parties and revenue contributions.

The Council's capital spending in the year was £27.949m compared to the

revised programme budget of £32.286m, representing a net variance of £(4.337)m against the profiled budget. The variance in 2016/17 is mainly due to the timescales for delivery of the Lincoln Transport Hub (which is the significant regeneration project that will transform the city centre) pre-construction activities. The 2016/17 capital spending and funding position is summarised as follows:

	ACTUAL 2016/17 £'000	BUDGET 2016/17 £'000	VARIANCE 2016/17 £'000
Capital Expenditure			
General Fund	17,234	20,852	(3,618)
Housing Revenue	10,715	11,434	(719)
Total Expenditure	27,949	32,286	(4,337)
Financed by:			
Long Term Borrowing	3,079	8,082	(5,003)
Capital Receipts	2,708	3,405	(697)
Capital Grants and Contributions	13,681	10,457	3,224
Major Repairs Reserve	8,023	9,830	(1,807)
Revenue Contributions	458	512	(54)
Total Financing	27,949	32,286	(4,337)

Major Capital works carried out during 2016/17 are set out in the following table:

	£'000
Housing	
Decent Homes improvements to Council dwellings	5,808
Health & Safety	628
Council house new build schemes	1,663
Land Acquisition Fund	1,210
Other major works to housing stock	1,406
General Fund	
Lincoln Transport HUB	11,916
Purchase of Broadgate Car Park	2,640
City Hall Improvement Works	1,137

	£'000
Disabled Facilities Grants	410
Non-Disabled Facilities Grants	140
Boultham Park Masterplan	263
Bereavement Services Improvements	217
Birchwood Social Club Asbestos	107
Other Schemes	404
Total	27,949

Capital Financing

The Council's capital programme is funded by a number of sources including the application of capital receipts, capital grants, contributions from the revenue account and long term borrowing. A summary of significant transactions in capital funding in 2016/17 is provided below:

Capital Receipts (Note 9)

The Council received £2.362m of General Fund capital receipts in 2016/17 which will be used to support delivery of the General Fund Investment Programme.

The Council also received £2.290m of HRA receipts. These will be used to support the new build programme within the Housing Investment Programme and investment in the housing stock.

Major Repairs Reserve (Note 9)

The Council is required to maintain a Major Repairs Reserve, which controls an element of the capital resources limited to being used on capital expenditure on HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the capital resources that have yet to be applied at the year-end.



Long Term Borrowing (Note 18)

The Council undertakes long term borrowing, for periods in excess of one year, in order to finance capital expenditure. An assessment of the use of borrowing to fund capital expenditure is made through the application of the CIPFA Prudential Code in the Council's annual Treasury Management Strategy. This approach provides a framework for decision making highlighting the level of capital expenditure, the impact on borrowing and investment levels and the overall controls in place to ensure activity remains affordable, prudent and sustainable.

The Council satisfies its long term borrowing requirement by securing external loans.

Although the Council requires long term borrowing in order to finance capital expenditure, it can temporarily defer the need to borrow externally by using cash set aside for longer term purposes (in line with its Treasury

Management Strategy); this practice means that there is no immediate link between the need to borrow to pay for capital spend and the level of external borrowing. The effect of using the cash set aside is to reduce the level of cash that the Council has available for investment.

The Council's level of total debt outstanding, (excluding loans of £0.030m which the Council holds for local charities and Bonds worth £0.003m), as at 31 March 2017 was £75.354m.

Total Outstanding		
31/03/16		31/03/17
£'000	Source of loan	£'000
58,793	Public Works Loan Board	58,793
16,000	Money Market	16,000
561	Other	561
75,354	Total	75,354

No other long-term borrowing was undertaken during 2016/17 and the Council remains under borrowed by £12.565m (i.e. the Council's actual borrowing is £12.565m less than its borrowing requirement at 31 March 2017). Representing an increase of £2.243m on the actual position as at 31 March 2016 of £10.322m. This means that the borrowing need (CFR) has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is considered prudent whilst investment returns are currently low and internal balances allow for this. Additional long-term borrowing will be taken in 2017/18 or future years to bring levels up to the Council's borrowing requirement, subject to liquidity requirements, if preferential interest rates are available.

Pension Costs (Note 44)

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 an increase in the estimated Pension Fund Reserve net liability over the 2016/17 year of £20.089m, up from £65.432m at 1 April 2016 to £85.521m at 31 March 2017. This increase in the Pension Fund deficit resulted mainly from changes in financial assumptions. This is recognised as re-measurements on defined benefit obligation, which is shown in Other Comprehensive

Income and Expenditure within the Comprehensive Income and Expenditure Statement.

The statutory arrangements for funding the remaining liability of £85.521m means that this deficit will be made good by the 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. The latest triennial revaluation of the Council's Pension Fund took place at 31 March 2016, the results at that time identified that there has been a slight improvement in the funding position since the last actuarial review from a 67% funding level to 70%.

Although the overall funding position has improved slightly, the employer contribution rates are still required to increase in order to improve the funding position further. Because of the guaranteed nature of Local Government Pension Scheme a stabilisation overlay mechanism is applied, whereby the employer's current contribution rate is capped at an affordable level. Without this in place the Council would be facing significantly higher contribution rates in order to increase the funding position.

This stabilisation approach has allowed the annual increase in the contribution rate to be capped at 1% p.a. over the period 2017/18 to 2019/20.



Future Plans

During 2016/17 an extensive exercise to develop a new Strategic Plan was undertaken, now branded as Vision 2020. The Vision 2020 sets out the Council's vision for the future of the city, new strategic priorities and core values. Although the Vision looks ahead for up to 30 years it specifically includes a three year programme which seeks to not only deal with the most pressing issues in the city, but also details how the Council will work, with others, to further grow Lincoln's economy.

The Council's new vision for 2020 is;

"Together, let's deliver Lincoln's ambitious future"

Underpinning this vision are four strategic priorities, each with a number of supporting aspirations. The aspirations are in turn supported by groups of projects that will be delivered throughout the three year programme.

The four strategic priorities are:

- Let's drive economic growth
- Let's reduce inequality
- Let's deliver quality housing
- Let's enhance our remarkable place

Delivery of the Council's Vision 2020 provides the focus for the Council of the next three years in terms of the projects it seeks to deliver and the high performing services that it provides.



General Fund

The Council's General Fund continues to face a significant financial challenge in the years ahead if it is to deliver its Vision 2020 priorities and continue to deliver services to the public within a reduced, and more variable funding envelope.

Whilst the three year programme of activity set out in the Vision 2020 is fully resourced with the Council's Medium Term Financial Strategy, the Strategy also includes a savings target still to be achieved.

In the years since the onset of austerity measures and profound funding reductions, the Council has delivered savings in excess of £7.3m, a significant reduction in comparison to the overall net expenditure budget. However further savings of £0.7m are still to be delivered in order to achieve the current target by 2018/19.

Although the Council has been successful in delivering savings to date there becomes a limit on; the number of services that can be reviewed and redesigned; the value that can be continually driven out from procurement exercises and the number of non-priority discretionary

services that can be withdrawn. Moving forward the focus of the savings programme will need to concentrate more heavily on income streams and asset use. The delivery of the current strategy and programme will leave the Council in a strong position to achieve the current savings targets for 2017/18.

Alongside this programme the Council will continue to seek ways to maximise its tax bases through economic development measures, through its Vision 2020, which enhance the economic prosperity of the City, such as the significant investment in the Lincoln Transport Hub.

Housing Revenue Account (HRA)

HRA Self-financing was implemented from 1 April 2012 following a one-off settlement to the Treasury, in order to 'buy out' of the old subsidy system. The new system incentivised landlords to manage their assets well and yield efficiency savings. With this however also came the transfer of significant risks from Central Government to local authorities. The Council now bears the responsibility for the long term security and viability of council housing in Lincoln and has to fund all activity related to council housing from the income generated from rents, through long term business planning.

It was anticipated that there would be greater certainty about future income as councils were no longer subject to annual funding decisions by Central Government, enabling them to develop long-term plans, and to retain income for reinvestment.

A key element of the self-financing regime is for the Council to construct a 30 year Business Plan for the HRA. The Council's latest Housing Revenue Account Business Plan 2016-2046, was approved in February 2016 following a fundamental review of resources,

investment requirements and priorities. The Business Plan reflects the impact of government policy changes, the results of stock condition surveys and financial assumptions at the time. The Business plan sets out:

- the long term plans for the Council's housing stock
- the finances to deliver plans
- how the Council will manage the income from its stock, demand for housing and stock condition, and:
- the Council's ambitious plans, alongside the resources to deliver, a significant number of new Council dwellings.

Capital Expenditure

The Council's capital programmes will deliver projects to the value of £88.156m over the next five years, with £39.812m estimated to be spent in 2017/18. This includes significant investment in the Council's key strategic projects which include the Lincoln Transport Hub, Boultham Park Masterplan and the Western Growth Corridor in addition to further investment on Council dwellings and Council buildings, including the construction of new council housing.



Capital resources for the next five years include capital receipts, government grants, contributions from third parties and revenue contributions.

The Housing element of the capital programme represents the largest element of capital expenditure over the next 5 years and is predominantly reliant upon revenue contributions from the Housing Revenue Account (HRA) through both depreciation charges and direct revenue contributions. The HRA Business Plan includes the release of capital resource to fund significant capital investment in new housing stock over the medium term. Given that revenue support is now the primary source of capital funding, it is recognised that it is critical that there is robust budget management of the HRA and that opportunities to achieve efficiencies and maintain/maximise income streams are actively pursued.

Cash flows

The future cash flows will be dependent on the outcome of a number of key assumptions in the Medium Term Financial Strategy and HRA Business Plan, of which the Council's has varying degrees of influence over the outcomes. Some of the key determinants will be:

- Actual Business Rates base in year compared to the assumed levels in the budget, and the ongoing risk of funding the backdated costs of any successful valuation office appeals by businesses within the city.
- Collection rates for Council Tax, Business Rates and Rents
- Income received compared to income targets (e.g. car parking, planning and building control)
- Interest rates achieved on investments and secured on new borrowing
- Timescale for payment of invoices and collection of debts.

- Profile of capital spending and funding over the MTFS.

Summary

Whilst addressing the financial challenges it faces in the forthcoming years the Council will also continue to maintain the correct balance between these challenges and ensuring that its limited resources are directed towards its strategic priorities.

This new Vision 2020 is supported by a three year programme of activity, resourced through the Medium Term Financial Strategy, that seeks to not only deal with the most pressing issues in the city, but also how the Council will work, with others, to embrace and maximise Lincoln's economy through schemes such as, the Transport Hub and New Council House Building Programme.

This investment in growth and the local economy alongside the Council's savings programme, with a key focus on income generation, forms the foundations of the Council's approach to financial planning over the medium term, seeking to enhance its financial resilience and to continue to focus its resources towards achieving its aspirations in its Vision 2020.



Group Accounts

The increasing scope and scale of local authorities moving away from traditional ways of providing services makes it increasingly difficult for the Council's own financial statements to present fairly all the aspects of control

over service provision and accountability for all resources and exposure to risks that the Council has taken on. A consolidated set of group accounts can make a vital contribution towards giving users a full picture of the Council's sphere of control and influence.



The Council has a collaborative arrangement with North Kesteven and West Lindsey District Councils to provide the Central Lincolnshire Joint Planning Unit. This arrangement is hosted by North Kesteven District Council. The Council contributed £147k to the service which is contained within the Communities and Environment line of the CIES. The Council also has a collaborative arrangement with North Kesteven to provide a shared Revenues and Benefits Service. This shared service is hosted by the City of Lincoln Council. The Council contributed £1.292K to the service which is contained within the Chief Executives Directorate line in the CIES. Both of these arrangements are governed through a Joint Committee representing each of the partner authorities. Under these arrangements the ventures use their own resources to undertake an activity subject to joint control, and as such do not require consolidation into the Council's accounts. The Council's proportion of activity is accounted for separately within the Core Financial Statements.

Further Information

Further information about the accounts is available on request from the Chief Finance Officer, City Hall, Beaumont Fee Lincoln LN1 1DB. In addition, local electors have a

statutory right to inspect the accounts before the audit is completed. The availability of the accounts for inspection is advertised on the Council's website.

R Baxter

R Baxter CPFA
Acting Chief Finance Officer
(Section 151 Officer)

COUNCIL APPROVAL

The Statement of Accounts for the year 1 April 2016 to 31 March 2017 has been prepared and I confirm that these Accounts were approved by the City of Lincoln Council, at the meeting held on 26th September 2017

To be signed at the September Council meeting

Councillor Chris Burke
Chair of Council

Date: 26 September 2017

THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The Authority is required:

- to make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Chief Finance Officer;
- to manage its affairs to ensure economic, efficient and effective use of resources and safeguard its assets;
- to approve the Statement of Accounts.

The Chief Finance Officer Responsibilities

The Chief Finance Officer is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the Code of Practice on Local Authority Accounting in the UK ('the Code').

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

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

The Chief Finance Officer has also:

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

The Accounts present a true and fair view of the financial position of the Authority at 31 March 2017 and its income and expenditure for the year ended on that date.

R Baxter

R BAXTER CPFA
Acting Chief Finance Officer
Date: 29 September 2017

EXPENDITURE AND FUNDING ANALYSIS

31 March 2016				31 March 2017		
Net Expenditure Chargeable to General Fund and HRA Balances	Adjustments Between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to General Fund and HRA Balances	Adjustments Between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£'000	£'000	£'000		£'000	£'000	£'000
4,189	1,599	5,788	Chief Executive's Directorate	3,095	2,607	5,701
1,163	(184)	979	Housing and Regeneration	562	581	1,143
(2,705)	1,272	(1,433)	Housing Revenue Account (HRA)	(1,037)	(53,345)	(54,382)
5,563	1,557	7,120	Communities and Environment	733	7,063	7,796
456	9	465	Major Developments	(509)	2,475	1,966
295	66	361	Corporate Services	697	(736)	(39)
8,961	4,319	13,280	Net Cost Of Services	3,540	(41,355)	(37,815)
(10,236)	557	(9,679)	Other Income and Expenditure	(3,122)	(15,357)	(18,479)
(1,275)	4,876	3,601	(Surplus) or Deficit on Provision of Services	419	(56,712)	(56,294)
(13,203)			Opening General Fund and HRA Balance	(14,478)		
(1,275)			Less/ Plus Surplus or (Deficit) on General Fund and HRA Balance in Year	419		
(14,478)			Closing General Fund and HRA Balance at 31 March	(14,059)		

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

MOVEMENT IN RESERVES STATEMENT

	General Fund Balance £'000	Earmarked Reserves £'000	Housing Revenue Account £'000	HRS £'000	Major Repair Reserve £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Council Reserves £'000
Balance at 31 March 2015	2,243	9,935	1,000	25	8,156	4,427	279	26,065	96,619	122,684
Movement in reserves during 2015/16										
Surplus or (deficit) on provision of services	(2,718)	0	(883)	0	0	0	0	(3,601)	0	(3,601)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	29,711	29,711
Total Comprehensive Expenditure and Income	(2,718)	0	(883)	0	0	0	0	(3,601)	29,711	26,110
Adjustments between accounting basis & funding basis under regulations (Note 9)	3,604	0	1,272	0	1,514	898	254	7,542	(7,542)	0
Other adjustments	0	0	0	0	(3,061)	0	0	(3,061)	3,061	0
Net Increase/Decrease before Transfers to Earmarked Reserves	886	0	389	0	(1,547)	898	254	880	25,230	26,110
Transfers (to)/from Earmarked Reserves	(1,119)	1,528	(384)	(25)	0	0	0	0	0	0
Increase/Decrease in 2015/16	(233)	1,528	5	(25)	(1,547)	898	254	880	25,230	26,110

MOVEMENT IN RESERVES STATEMENT

	General Fund Balance £'000	Earmarked Reserves £'000	Housing Revenue Account £'000	HRS £'000	Major Repair Reserve £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Council Reserves £'000
Balance at 31 March 2016 carried forward	2,010	11,463	1,005	0	6,609	5,325	533	26,945	121,849	148,794
Movement in reserves during 2016/17										
Surplus or (deficit) on provision of services	2,741	0	53,552	0	0	0	0	56,293	0	56,293
Other Comprehensive Expenditure and Income	0	0	0	0	0	0	0	0	(15,362)	(15,362)
Total Comprehensive Expenditure and Income	2,741	0	53,552	0	0	0	0	56,293	(15,362)	40,932
Adjustments between accounting basis & funding basis under regulations (note 9)	(3,368)	0	(53,345)	0	1,097	4,073	(133)	(51,676)	51,676	0
Other adjustments	0	0	0	0	2,974	0	0	2,974	(2,974)	0
Net Increase/Decrease before Transfers to Earmarked Reserves	(627)	0	207	0	4,071	4,073	(133)	7,591	33,341	40,932
Transfers (to)/from Earmarked Reserves	929	(890)	(127)	88	0	0	0	0	0	0
Increase/Decrease in Year	302	(890)	80	88	4,071	4,073	(133)	7,591	33,341	40,932
Balance at 31 March 2017 carried forward	2,312	10,575	1,087	88	10,680	9,398	400	34,539	155,190	189,726

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT 2016/17

31 March 2016			Note	31 March 2017		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
46,222	(40,434)	5,788	Chief Executive's Directorate	44,770	(39,069)	5,701
1,588	(609)	979	Housing and Regeneration	1,681	(538)	1,144
28,161	(29,594)	(1,433)	Housing Revenue Account (HRA)	17,134	(29,131)	(11,997)
0	0	0	Exceptional Item: Change in Social Housing Discount Factor	(42,385)	0	(42,385)
17,643	(10,524)	7,120	Communities and Environment	17,055	(9,260)	7,796
470	(5)	465	Major Developments	2,823	(857)	1,966
1,100	(740)	361	Corporate Services	1,200	(1,239)	(39)
95,185	(81,905)	13,280	Cost Of Services	42,278	(80,093)	(37,815)
		228	Other Operating Expenditure			5,404
		5,537	Financing and Investment Income and Expenditure			3,570
		(15,442)	Taxation and Non-Specific Grant Income			(27,454)
		3,603	(Surplus) or Deficit on Provision of Services			(56,294)
		(5,323)	(Surplus) or deficit on revaluation of non-current assets	14,16,22		(2,596)
		0	Impairment Losses on Non-Current Assets charged to the Revaluation Reserve			
		(10)	(Surplus) or deficit on revaluation of available for sale financial assets	26e		3
		(24,378)	Total re-measurements on defined benefit obligation	44		17,955
		(29,711)	Other Comprehensive Income and Expenditure			15,362
		(26,108)	Total Comprehensive Income and Expenditure			(40,932)

BALANCE SHEET AS AT 31 MARCH 2017

31 March 2016 £'000		Notes	31 March 2017 £'000
258,903	Property, Plant & Equipment	4,14,39,41	312,454
5,343	Heritage Assets	15	5,478
9,664	Investment Property	14,16	8,519
566	Intangible Assets	14,39	629
3,460	Long Term Investments	18,47	416
1,140	Long Term Debtors	20	141
279,076	Long Term Assets		327,637
550	Assets Held for Sale	22	2,525
18,997	Short Term Investments	18,47	20,823
333	Inventories	19	324
143	Cash at Bank	21	241
8,302	Short Term Debtors	18,20,47	17,974
28,325	Current Assets		41,887
0	Cash and Cash Equivalents	21	0
(1,379)	Short Term Borrowing	18	(1,376)
(12,423)	Short Term Creditors	18,23	(13,377)
(13,802)	Current Liabilities		(14,753)
(1,082)	Long Term Creditors	18	(576)
(2,937)	Provisions	24	(3,589)
(75,354)	Long Term Borrowing	18	(75,354)
(65,432)	Other Long Term Liabilities	4,44	(85,521)
(144,805)	Long Term Liabilities		(165,040)
148,794	Net Assets		189,731

BALANCE SHEET AS AT 31 MARCH 2017

31 March 2016 £'000		Notes	31 March 2017 £'000
26,945	Usable reserves		34,539
2,010	General Fund	MIRS	2,312
8,235	Earmarked Reserves	10	7,018
1,005	Housing Revenue Account	MIRS	1,087
0	HRS	MIRS	89
6,609	Major Repairs Reserve	MIRS/10	10,680
5,325	Capital Receipts Reserve	MIRS	9,398
533	Capital Grants Unapplied	MIRS	398
3,228	Insurance Fund	10	3,557
121,849	Unusable Reserves		155,192
23,092	Revaluation Reserve	26a	22,723
(65,432)	Pensions Reserve	26,44	(85,521)
165,968	Capital Adjustment Account	26b	219,275
57	Deferred Capital Receipts	26c	57
(62)	Financial Instruments Adjustment Account	26d	(60)
403	Available-for-Sale Financial Instruments Reserve	26e	400
(1,733)	Collection Fund Adjustment Account	26f	(1,257)
(444)	Accumulated Absences Account	26g	(425)
148,794	Total Reserves		189,731

CASH FLOW STATEMENT

31 March 2016 £'000		Notes	31 March 2017 £'000
(3,601)	Net surplus or (deficit) on the provision of services		56,294
20,311	Adjustments to net (surplus) or deficit on the provision of services for non-cash movements	28	(26,539)
(4,816)	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	29	(20,328)
11,894	Net cash flows from Operating Activities		9,427
(11,158)	Investing Activities	30	(11,021)
(379)	Financing Activities	31	1,692
357	Net (increase) or decrease in cash and cash equivalents		98
(214)	Cash and cash equivalents at the beginning of the reporting period		143
143	Cash and cash equivalents at the end of the reporting period	21	241

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NOTES TO THE ACCOUNTS

The values held within the proceeding Notes to the Accounts may vary slightly when compared to the main Statements or other Notes. This is due to amounts being rounded. It is not expected that a difference would be in excess of £2,000 in any single case.

Note 1 – Accounting Policies

1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2016/17 financial year and its position at the year-end of 31 March 2017. The Statement of Accounts has been prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code), supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 7 of the Accounts and Audit Regulations 2015.

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

The accounts are prepared on a going concern basis which assumes that the functions of the Council will continue in operational existence for the foreseeable future.

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 goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption they are carried as inventories on the Balance Sheet.

- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- 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.

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.

4. Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

5. 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 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.

6. 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 fixed 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 approved by Council in March each year as part of the Treasury Management Strategy. 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.

7. Council Tax and Non-Domestic Rates

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

Accounting for Council Tax and NDR

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

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

8. Employee Benefits

Benefits payable during employment

Short-term employee benefits are those due to be settled 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 employees 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 benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date, or an officer's decision to accept voluntary redundancy, and are charged on an accruals basis to the appropriate service 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 of 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 protected 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 forecasts of projected earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate determined by the pension scheme actuary (based on the yield of UK Government Bonds plus a 'credit spread' allowance to reflect the extra risk involved in using AA corporate bond yields).

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 pensions liability is analysed into the following components:

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

– charged to the Pensions Reserve as Other Comprehensive Income and Expenditure

- Contributions paid to the Local Government 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 decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

9. Events After the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the 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 a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

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

10. Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument. 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 the unexpired life of the original loan. 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 Income and Expenditure line in the Comprehensive

Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable, 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 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 is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in the Reserves Statement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Financing 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 and Expenditure line in the Comprehensive Income and Expenditure Statement.

Available-for-Sale Assets

Available-for-sale assets are recognised on the Balance Sheet when the 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 quoted market prices in active markets for identical assets – the market price
- Other instruments with fixed and determinable payments in active markets for identical assets – discounted cash flow analysis
- Equity shares with no quoted market prices – independent appraisal of company valuation or most recent price at which the shares changed hands.

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

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

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

Where assets are identified as impaired because of a likelihood arising from a past event that payments 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).

11. Foreign Currency Translation

Where the Council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where material amounts in foreign

currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses, if material, are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

12. 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 acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants 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.

Business Improvement Districts

A Business Improvement District (BID) scheme applies across the whole of the Council. The scheme is funded by BID levy paid by non-domestic ratepayers. The Council acts as a principal under the scheme, and accounts for income received and expenditure incurred (including contributions to the BID project) within the relevant services within the Comprehensive Income and Expenditure Statement.

13. Intangible Assets

Intangible assets are assets that do not have physical substance but are identifiable and controlled by the Council (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 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 re-valued where the fair value of the assets 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.

Intangible assets are amortised over their useful life and charged to the relevant service lines in the Comprehensive Income and Expenditure Statement and are subject to impairment reviews. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

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

14. Interests in Companies and other Entities

Councils are required to produce Group Accounts to include services offered to Council Tax payers by organisations other than the Council itself but in which the Council has an interest. There are a number of criteria set out by which the Council must determine whether the value of the company and the Council's interest is significant enough for Group Accounts to be produced. The Council has complied with the Code of Practice on Local Authority Accounting, and while it has identified a company over which it has joint control, it has concluded that the company does not meet the criteria that would require consolidation into the Council's accounts.

15. Inventories and Long Term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using either the FIFO or weighted average costing formula.

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

16. Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value, based on the highest and best use value of the asset. Investment properties are not depreciated but are re-valued annually according to market conditions to ensure that they are held at the highest and best use value on the Balance Sheet date. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income and Expenditure line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

17. 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.

18. 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 Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

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

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution (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.

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 fixed assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in 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. 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.

19. Overheads and Support Services

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

20. Non-Current Assets – Property, Plant and Equipment

Assets that have physical substance and are held for use in the supply of 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 initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

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

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

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

- Infrastructure, community assets and assets under construction – depreciated historical cost

- Dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH)
- Investment properties and surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective
- All other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

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

Assets included in the Balance Sheet at current value are re-valued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. 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, 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 – straight-line allocation over the replacement lives of the major components as identified within the Housing Investment Programme
- 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

Where an item of property, plant or equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. A major component is defined as comprising at least 20% of the value and having a useful life of 50% or less of that of the parent asset.

Council dwellings are separated into their principal components, which are depreciated separately. The components are defined by reference to the Building & Construction Industry Standard (BCIS) and the Housing Investment Programme elements. The replacement life cycles as recommended by BCIS and the Housing Investment Programme are used for the purposes of depreciation. Components are depreciated based on the existing Use Social Housing value.

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.

21. Heritage Assets

The Council holds a number of Heritage Assets, which can be grouped into the following categories:

- Civic Insignia
- Art and Sculptures
- Musical Instruments
- Vehicles
- Ancient Monuments and War Memorials
- Miscellaneous

These are not held in a single collection but in a number of appropriate locations, where they are considered to contribute to increasing the knowledge, understanding and appreciation of the Council's history and local area.

Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on Property, Plant and Equipment. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below.

- **Civic Insignia**

The collection of civic insignia includes the Mayor's and Sheriff's badges and chains of office, mace and ceremonial swords. These items are reported in the Balance Sheet at insurance valuation which is based on market values. These insurance valuations are updated on an annual basis with periodic reviews by a specialist valuer. The civic insignia are deemed to have indeterminate lives and a high residual value; hence the Council does not consider it appropriate to charge depreciation.

- **Art and Sculptures**

This category includes paintings and a number of public art works such as statues and sculptures. Where a valuation is available e.g. an insurance valuation, the asset is reported in the balance sheet at this valuation. However, for a number of public art sculptures and statues, no cost or valuation information is available and consequently, these assets are not recognised in the balance sheet. Where artworks are recognised, they are deemed to have indeterminate lives and the Council does not consider it appropriate to charge depreciation.

- **Musical Instruments**

The Council holds a Steinway grand piano at the Drill Hall and a Stradivarius violin, which is on loan to the Halle orchestra. These items are reported in the Balance Sheet at insurance valuation which is based on market values. These insurance valuations are updated on an annual basis with periodic reviews by a specialist valuer. The instruments are deemed to have indeterminate lives and a high residual value; hence the Council does not consider it appropriate to charge depreciation.

- **Vehicles**

The Council holds a number of vehicles as heritage assets; these are a vintage Leyland bus and two diesel locomotives. These items are reported in the Balance Sheet at insurance valuation which is based on market values. These insurance

valuations are updated on an annual basis with periodic reviews by a specialist valuer. The vehicles are deemed to have indeterminate lives as they are not in operation but are on display; hence the Council does not consider it appropriate to charge depreciation.

- **Ancient Monuments and War Memorials**

This category includes various roman ruins and ancient structures and four war memorials. The Council does not consider that reliable cost or valuation information can be obtained for the items in this category. This is because of the nature of the assets held and the lack of market values. Consequently, these assets are not recognised in the Balance Sheet.

- **Miscellaneous**

This category includes any other assets which are being held for their contribution to knowledge and culture but do not readily fall into the above categories. One example is the collection of Books of Remembrance held at the City crematorium. These items are reported in the Balance Sheet at either cost or insurance valuation where material. No depreciation is charged on these assets.

Heritage Assets – General

The carrying amounts of heritage assets are reviewed where there is evidence of impairment e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's accounting policies on impairment. The Council may occasionally dispose of heritage assets which are unsuitable for public display or to an appropriate body which will ensure the asset is maintained and displayed within a suitable collection e.g. to a museum or historical trust. The proceeds of such items are accounted for in accordance with the Council's accounting policy on disposal of Property, Plant and Equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts.

22. 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. These should be:

- Immediately available for sale
- Sale is highly probable
- Actively marketed
- Expected to be sold within 12 months

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 a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in

fair value are recognised only up to the amount of any previously recognised losses 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.

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 (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. 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 fixed 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.

23. 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, 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.

24. Reserves

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 and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

25. 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.

26. 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.

27. Fair Value

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

- In the principal market for the asset or liability or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The Council measures the fair value of an asset or liability on the same basis that market participants would use when pricing an asset or liability (assuming they were acting in their economic best interest).

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

The Council uses appropriate valuation techniques, which takes into account the three levels of inputs to valuations for fair value assets:

- Level 1 – quoted prices
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – unobservable inputs for the asset or liability.

Note 2 – Accounting Standards Issued, Not Adopted

The Code of Practice on Local Council Accounting in the United Kingdom 2016/17 (the Code) has introduced two additional disclosures that will be required for accounting changes which will be required from 1 April 2017, as detailed below.

- Amendment to the reporting of pension fund scheme transaction costs.
- Amendment to the reporting of investment concentration

These are not expected to have a material impact on the Council's statement of accounts.

In addition to these two additional disclosures there has been a revocation of the decision to recognise Infrastructure Assets as a separate class of Property, Plant and Equipment which were to be measured at depreciated replacement cost. This recognition was to take effect from 1 April 2016, but has now been postponed for the foreseeable future.

Note 3 – Critical Judgements in Applying Accounting Policies

In applying the accounting policies in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events.

The critical judgements made in the Statement of Accounts are:

- **Local Government funding** - There is a high degree of uncertainty about the 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 or reduce levels of service provision.
- **Group Boundaries** - The Council has a collaborative arrangement with the Lincolnshire County Council, North Kesteven and West Lindsey District Councils to provide the Central Lincolnshire Joint Planning Unit. This arrangement is hosted by North Kesteven District Council. The Council also has a collaborative arrangement with North Kesteven to provide a shared Revenues and Benefits Service. This shared service is hosted by the City of Lincoln Council. Both of these arrangements are governed through a Joint Committee representing each of the partner authorities. These arrangements are considered as a Jointly Controlled Operation, where ventures use their own resources to undertake an activity subject to joint control, and as such do not require consolidation into the Council's accounts. The Council's proportion of activity is accounted for separately within the Core Financial Statements.
- **Investment properties** - Investment properties have been estimated using the identifiable criteria under IFRS of being held for rental income or for capital appreciation. These properties have been assessed using these criteria, which are subject to interpretation.

- **Leases** - The Council has examined its leases, and classified them as either operational or finance leases. In some cases the lease transaction is not always conclusive and the Council uses judgement in determining whether the lease is a finance lease arrangement that transfers substantially all the risks and rewards incidental to ownership. In reassessing the lease the Council has estimated the implied interest rate within the lease to calculate interest and principal payments.
- **Investments** - Investment in banks and other financial institutions are secure and will not suffer impairments.

Note 4 – Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty

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

The items in the Council's Balance Sheet as at 31 March 2017 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
Business Rates Balance Sheet 31 March 2017 – Provision for Business Rate Appeals (£3.314m)	Since the introduction of the Business Rates Retention Scheme effective from April 2013, local authorities are liable for successful appeals against business rates charges to businesses in 2016/17 and earlier financial years in their proportionate share. Therefore a provision has been recognised for the best estimate of the amount that businesses have been overcharged up to the 31 st March 2017. A third-party independent specialist has been used to estimate the required provision using the latest Valuation Office ratings list of appeals and an analysis of successful appeals to date.	The Council's share of the balance of business rates appeals at 31 March 2017 amounted to £3.314m, an increase of £0.554m/17% from the previous year. An increase or reduction of 10% of the estimated provision would increase/decrease the Council's share of NNDR appeals provision by £0.331m.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment (PPE) (Balance Sheet 31 March 2017 – PPE £312.5m)	Assets are depreciated over useful lives that are dependent on assumptions about the levels 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 lives assigned to the assets.	If the useful lives of the assets reduce, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £0.587m for every year that the useful lives had to be reduced.
Assets held for sale and investment properties (Balance Sheet 31 March 2017 - assets held for sale £2.525m - Investment properties £8.5m)	Assets classified as Held for Sale or as Investment Property are carried at fair value based on a recently observed market price. Market prices can fluctuate considerably due to global events. The value of these assets was current at the Balance Sheet date, but it cannot be determined for how long this value will be correct.	A 1% reduction in the value of investment properties would result in a charge to the Comprehensive Income & Expenditure Statement of £0.09m; a 1% increase in value would result in the recognition of a gain of £0.09m in the Comprehensive Income & Expenditure Statement.
Arrears Balance Sheet 31 March 2017 - Debtors total of £18.0m includes £5.0m debtors subject to arrears)	As at 31 March 2017, the Council had a balance on current debtors of £4.992m. A review of significant balances suggested that an impairment of doubtful debts of £1.835m was required.	If collection rates were to deteriorate by 5% the amount of the impairment of doubtful debts would require an additional £0.250m to be set aside as an allowance.
Pension Liability Balance Sheet 31 March 2017 - pensions liability £85.5m)	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and the expected return on pension fund assets. A firm of consulting actuaries (Hymans Robertson LLP) is engaged to provide the Council with expert advice about the assumptions to be applied. For more information on the Defined Benefit Pension Scheme please refer to note 44.	The effects on the net pensions' liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of £19.892m.
Investments Balance Sheet 31 March 2017 - Short term investments	At 31 March 2017, the Council held £20.823m of short term investments. These comprise £5.760m invested in AAA-rated instant access Money Market Funds; £4.000m invested in part-Government owned banks;	As most of the investments are either in AAA-rated MMF's or short term deposits in part-Government owned institutions, the risk of impairment is considered to

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
£20.8m - Long term investments (£0.4m)	£4.000m invested in UK banks and building societies and £7.000m invested in local authorities, all for periods of up to 1 year.	be minimal. Also there are both short term and longer term deposits with local authorities, which are again very low risk.

Note 5 – Prior Period Adjustment

There were no prior period adjustments in 2016/17.

Note 6 – Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Chief Finance Officer on 30th June 2017. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31st March 2017, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Note 7A – Note to the Expenditure and Funding Analysis

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

ADJUSTMENTS BETWEEN FUNDING AND ACCOUNTING BASIS								
2015/16					2016/17			
Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Total Adjustments	Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Total Adjustments
£'000s	£'000s	£'000s	£'000s		£'000s	£'000s	£'000s	£'000s
1,070	542	(13)	1,599	Chief Executive's Directorate	2,229	362	16	2,607
(377)	152	41	(184)	Housing and Regeneration	550	83	(51)	582
166	1,097	9	1,272	Housing Revenue Account (HRA)	(54,096)	752	(1)	(53,345)
1,076	451	30	1,557	Communities and Environment	6,759	301	3	7,063
0	9	0	9	Major Developments	2,450	10	15	2,475
809	(743)	0	66	Corporate	0	(736)	0	(736)
2,744	1,508	67	4,319	Net Cost of Services	(42,108)	771	(18)	(41,355)
(1,812)	1,761	608	557	Other Income & Expenditure from the Funding Analysis	(16,244)	1,363	(476)	(15,357)
932	3,269	675	4,876	Difference between General Fund Surplus/ Deficit and CIES Income & Expenditure Statement Surplus/ Deficit	(58,352)	2,134	(494)	(56,712)

Note 7B – Segmental Income Analysis

Income received on a segmental basis is analysed below:

	Income from Services	Income from Services
Services	2015/16	2016/17
	£'000s	£'000s
Chief Executive's Directorate	(4,281)	(4,424)
Housing & Regeneration	(568)	(498)
Housing Revenue Account (HRA)	(29,594)	(29,232)
Communities & Environment	(9,515)	(8,925)
Major Developments	(7)	(591)
Corporate	-	(208)
Total Income analysed on a Segmental Basis	(43,965)	(43,878)

Note 8 – Expenditure and Income Analysed by Nature

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

	2015/16	2016/17
	£'000s	£'000s
Expenditure/ Income		
Expenditure		
Employee Benefit Expenses	21,109	21,746
Other Services Expenses	67,542	66,912
Support Service Recharges	3,040	2,750
Depreciation, Amortisation, and Impairment	15,815	(35,994)
Interest Payments	9,630	7,823
Precepts and Levies	784	795
Payments to Housing Capital Receipts Pool	539	534
Gain on Disposal of Assets	(1,095)	4,076
Total Expenditure	117,362	68,642
Income		
Fees, Charges and other Service Income	(58,027)	(60,496)
Interest and Investment Income	(3,853)	(2,555)
Income from Council Tax and Non-Domestic Rates	(9,381)	(9,916)
Government Grants and Contributions	(42,499)	(51,969)
Total Income	(113,760)	(124,936)
Surplus or Deficit on the Provision of Services	3,602	(56,294)

Note 9 – Adjustment 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 year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

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

General Fund Balance

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

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 Authority is required to maintain the Major Repairs Reserve, which controls an element of the capital resources limited to being used on capital expenditure on HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the capital resources 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 contributions received towards capital projects for which the Council has met the conditions that

would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

2016/17	Usable Reserves					
	General	Housing	Capital	Major	Capital	Movement
	Fund	Revenue	Receipts	Repairs	Grants	In Unusable
	Balance	Account	Reserve	Reserve	Unapplied	Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments to Revenue Resources						
Amounts by which income and expenditure included in the Comprehensive Income Statement are different from revenue for the year calculated in accordance with statutory requirements:						
Pensions costs (transferred to (or from) the Pensions Reserve)	1,382	752	0	0	0	(2,134)
Financial Instruments (transferred to the Financial Instruments Adjustments Account)	(2)	0	0	0	0	2
Council Tax and NNDR transfers to (or from) the Collection Fund Adjustment Account	(476)	0	0	0	0	476
Holiday Pay (transferred to the Accumulated Absences Reserve)	(18)	(1)	0	0	0	19
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(924)	(48,045)	0	0	13,548	35,421
Total Adjustments to Revenue Resources	(38)	(47,294)	0	0	13,548	33,784
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(2,362)	(4,954)	7,316	0	0	0
Payments to the Government Housing Receipts Pool (funded by a transfer from the Capital Receipts Reserve)	534	0	(534)	0	0	0
Posting of HRA resources to the Major Repairs Reserve	0	(1,097)	0	1,097	0	0
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(1,044)	0	0	0	0	1,044
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(458)	0	0	0	0	458
Total Adjustments between Revenue and Capital Resources	(3,330)	(6,051)	6,782	1,097	0	1,502

2016/17	Usable Reserves					
	General	Housing	Capital	Major	Capital	Movement
	Fund	Revenue	Receipts	Repairs	Grants	In Unusable
	Balance	Account	Reserve	Reserve	Unapplied	Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	(2,708)	0	0	2,708
Use of the Major Repairs Reserve to finance capital expenditure	0	0	0	0	0	0
Application of Capital grants to finance capital expenditure	0	0	0	0	(13,681)	13,682
Total Adjustments to Capital Resources	0	0	(2,708)	0	(13,681)	16,390
Total Adjustments	(3,368)	(53,345)	4,073	1,097	(133)	51,675

2015/16	Usable Reserves					
	General	Housing	Capital	Major	Capital	Movement
	Fund	Revenue	Receipts	Repair	Grants	In Unusable
	Balance	Account	Reserve	Reserve	Unapplied	Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments to Revenue Resources						
Amounts by which income and expenditure included in the Comprehensive Income Statement are different from revenue for the year calculated in accordance with statutory requirements:						
Pensions costs (transferred to (or from) the Pensions Reserve)	2,172	1,097	0	0	0	(3,269)
Financial Instruments (transferred to the Financial Instruments Adjustments Account)	(5)	0	0	0	0	5
Council Tax and NNDR (transfers to (or from) the Collection Fund Adjustment Account)	608	0	0	0	0	(608)
Holiday Pay (transferred to the Accumulated Absences Reserve)	58	9	0	0	0	(67)
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	2,284	3,907	0	0	1,972	(8,163)
Total Adjustments to Revenue Resources	5,117	5,013	0	0	1,972	(12,102)
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(617)	(2,227)	2,844	0	0	0
Payments to the Government Housing Receipts Pool (funded by a transfer from the Capital Receipts Reserve)	539	0	(539)	0	0	0
Posting of HRA resources to the Major Repairs Reserve	0	(1,514)	0	1,514	0	0
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(962)	0	0	0	0	962
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(473)	0	0	0	0	473

2015/16	Usable Reserves					
	General	Housing	Capital	Major	Capital	Movement
	Fund	Revenue	Receipts	Repair	Grants	In Unusable
	Balance	Account	Reserve	Reserve	Unapplied	Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
Total Adjustments between Revenue and Capital Resources	(1,513)	(3,741)	2,305	1,514	0	1,435
<i>Adjustments to Capital Resources</i>						
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	(1,407)	0	0	1,407
Application of Capital grants to finance capital expenditure	0	0	0	0	(1,718)	1,718
Total Adjustments to Capital Resources	0	0	(1,407)	0	(1,718)	3,125
Total Adjustments	3,604	1,272	898	1,514	254	(7,542)

Note 10 – Movements in Earmarked Reserves

These amounts are held to meet expenditure in future financial years. The movements on these Reserve Accounts during the year have been as follows:

	Balance @ 31.03.15 £'000	Appropriations Transfers In £'000	Transfers Out £'000	Balance @ 31.03.16 £'000	Appropriations Transfers In £'000	Transfers Out £'000	Balance @31.03.17 £'000
General Fund							
Business Rates Volatility	963	721	0	1,684	92	(1,067)	709
Strategic Projects	0	867	0	867	504	0	1,371
Budget Carry Forwards	566	261	(382)	445	88	(193)	340
Grants & Contributions	417	0	(9)	408	161	(206)	363
Invest to Save (GF)	639	0	(242)	397	401	(602)	196
Mercury Abatement	297	22	0	319	88	(61)	346
Strategic Growth (GF)	193	97	0	290	224	(90)	424
Unused DRF	22	217	0	239	333	(295)	277
Backdated Rent Review	180	40	0	220	0	0	220
Funding for Strategic Priorities	303	0	(97)	206	0	(85)	121
IT Reserve	279	0	(118)	161	112	(53)	220
LAMS Interest	116	42	0	158	41	(199)	0
Revenues & Benefits Shared Service	177	0	(21)	156	0	(22)	134
Asset Improvement	330	0	(190)	140	373	(423)	90
Transport Hub Mitigation	124	0	0	124	0	0	124
Benefits - Subsidy Adjustment	100	0	0	100	0	(100)	0
Tree Risk Assessment	121	0	(22)	99	20	(22)	97
The Terrace R&M	62	0	0	62	0	(62)	0
MA Reserve	26	35	0	61	0	(9)	52
Organisational Development	0	60	0	60	81	(94)	47
Mayoral Car	49	1	0	50	3	(6)	47
Yarborough Leisure Centre	128	0	(83)	45	0	(43)	2
Private Sector Stock Condition Survey	27	12	0	39	12	0	51
Property Searches	3	33	0	36	0	0	36
Managed Workspace	35	0	0	35	0	0	35
County Wide Broadband Initiative	34	0	0	34	0	0	34

	Balance @ 31.03.15 £'000	Appropriations		Balance @ 31.03.16 £'000	Appropriations		Balance @31.03.17 £'000
		Transfers In £'000	Transfers Out £'000		Transfers In £'000	Transfers Out £'000	
Boston Audit Contract	14	0	0	14	0	0	14
Section 106 Interest	13	1	0	14	0	0	14
Christmas Decorations	14	0	0	14	3	0	17
Electric Van Replacement	9	4	0	13	4	0	17
Christmas Market	0	0	0	0	25	0	25
Air Quality Initiatives	6	5	0	11	6	0	17
Commons Parking	10	0	0	10	4	0	14
Tank Memorial	0	10	0	10	0	0	10
City Hall Lease Implications	30	0	(30)	0	0	0	0
Corporate Repairs & Maintenance	18	0	(18)	0	0	0	0
Greetwell Place R&M	196	0	(196)	0	0	0	0
Total General Fund Earmarked Reserves	5,501	2,428	(1,408)	6,521	2,575	(3,632)	5,464
HRA							
HRA Strategic Growth	359	40	0	399	0	(250)	149
HRA Invest to Save	164	0	0	164	0	0	164
Capital Fees Equalisation	0	278	0	278	0	(37)	241
HRA Strategic Priority	0	240	0	240	0	0	240
De Wint Court	0	0	0	0	73	0	73
HRA Repairs Account	750	0	(250)	500	8,193	(8,083)	611
HRA Survey Works	130	0	(79)	51	3	0	54
Stock Retention	22	0	0	22	0	0	22
Municipal House Building	42	18	0	60	0	(60)	0
Total HRA Earmarked Reserves	1,467	576	(329)	1,714	8,266	(8,430)	1,554
Total Earmarked Reserves	6,968	3,004	(1,737)	8,235	2,762	(3,983)	7,018
Insurance Fund	2,967	486	(225)	3,228	567	(238)	3,558
Total Earmarked Reserves	9,935	3,490	(1,962)	11,463	3,329	(4,221)	10,576

Insurance Reserve

The insurance fund has been set up to ensure adequate funding for the insurance risk covered by the City of Lincoln Council. In 2016/17 the risk in respect of Public Liability Insurance had an excess of £100,000 (per claim) with no cap ceiling. The movements on the fund are as follows:

2015/16 £'000		2016/17 £'000
2,967	Opening Balance	3,228
(225)	Funding of claims/losses	(124)
486	Contributions from revenue	452
3,228	Closing Balance	3,557

Note 11 – Other Operating Expenditure

2015/16 £'000		2016/17 £'000
783	Levies	795
539	Payments to the Government Housing Capital Receipts Pool	534
(1,094)	(Gains)/losses on the disposal of non-current assets	4,075
228	Total	5,404

Note 12 - Financing and Investment Income and Expenditure

2015/16 £'000		2016/17 £'000
3,254	Interest payable and similar charges	3,203
2,777	Net interest on the net defined liability	2,285
(263)	(Surplus)/Deficit on Trading Operations	(1,719)
(231)	Interest Receivable and similar income	(199)
5,537	Total	3,570

Note 13 – Taxation and Non-Specific Grant Income

2015/16 £'000		2016/17 £'000
(5,759)	Council Tax income	(5,969)
(3,622)	Retained Business Rates income and expenditure	(3,947)
(4,665)	Non ring-fenced government grants	(3,990)
(1,396)	Capital grants and contributions	(13,548)
(15,442)	Total	(27,454)

Note 14 – Non-Current Assets including Property, Plant & Equipment and Intangible Assets

The movement in the Council's Fixed Assets during the year was as follows:

Movements in 2016/17											
	Council Dwellings	Land & Buildings	Vehicles Plant & Equip	Infra-Structure Assets	Community Assets	Surplus Assets	Assets Under Con-struction	Property Plant & Equip Subtotal	Intangible Assets	Investment Properties	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation											
At 1 April 2016	177,586	71,171	8,974	0	2,994	4,580	2,438	267,743	2,179	9,664	279,586
Additions	7,628	5,515	16	0	339	270	10,015	23,783	65	0	23,848
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	0	699	0	0	0	341	0	1,040	0	0	1,040
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	40,197	(108)	0	0	0	0	0	40,089	0	776	40,865
De-recognition – disposals	(2,178)	(6,138)	0	0	0	(1,046)	0	(9,362)	0	(1,226)	(10,588)
Other movements in cost or valuation		(2,113)	613	0	0	144	(172)	(1,528)	172	(695)	(2,051)
At 31 March 2017	223,233	69,026	9,603	0	3,333	4,289	12,281	321,765	2,416	8,519	332,700
Depreciation											
At 1 April 2016	(17)	(1,427)	(7,270)	0	(119)	(7)	0	(8,840)	(1,613)	0	(10,453)
Depreciation for year	(10,824)	(1,221)	(439)	0	0	(2)	0	(12,486)	(174)	0	(12,660)
Depreciation written out to the Revaluation Reserve		929	0	0	0	0	0	929	0	0	969
Depreciation written out to the Surplus/Deficit on the	10,710	0	0	0	0	0	0	10,710	0	0	10,710

Movements in 2016/17											
	Council Dwellings	Land & Buildings	Vehicles Plant & Equip	Infra-Structure Assets	Community Assets	Surplus Assets	Assets Under Construction	Property Plant & Equip Subtotal	Intangible Assets	Investment Properties	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Provision of Services											
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0	0	0	0	0	0
De-recognition – disposals	108	265	0	0	0	0	0	373	0	0	373
De-recognition – other	0	0	0	0	0	0	0	0	0	0	0
Other movements in cost or valuation		0	0	0	0	0	0	0	0	0	10,710
At 31 March 2017	(23)	(1,454)	(7,709)	0	(119)	(9)	0	(9,314)	(1,787)	0	(11,101)
Net book value of assets at 31.03.17	223,210	67,572	1,894	0	3,214	4,280	12,281	312,451	629	8,519	321,599
Net book value of assets at 31.03.16	177,569	69,744	1,704	0	2,875	4,573	2,438	258,903	566	9,664	269,133
<u>Nature of asset holding</u>											
Owned	223,210	67,572	1,128	0	3,214	4,280	12,281	311,685	629	8,519	320,833
Finance lease	0	0	766	0	0	0	0	766	0	0	766

	Council Dwellings	Land & Buildings	Vehicles Plant & Equip	Infra- Structure Assets	Community Assets	Surplus Assets	Assets Under Con- struction	Property Plant & Equip Subtotal	Intangible Assets	Investment Properties	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation											
At 1 April 2015	176,902	70,787	8,968	161	1,412	190	1,042	259,462	2,007	11,620	273,089
Additions	13,035	3,199	6	0	202	0	3,514	19,956	172	0	20,128
Revaluation increases/ decreases) recognised in the Revaluation Reserve	0	(2,076)	0	0	0	4,267	0	2,191	0	10	2,201
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(13,193)	(1,189)	0	0	0	0	0	(14,382)	0	47	(14,335)
De-recognition - disposals	(1,276)	0	0	0	0	0	0	(1,276)	0	(222)	(1,498)
De-recognition - other	0	0	0	0	0	0	0	0	0	0	0
Other movements in cost or valuation	2,118	450	0	(161)	1,380	123	(2,118)	1,792	0	(1,791)	1
At 31 March 2016	177,586	71,171	8,974	0	2,994	4,580	2,438	267,743	2,179	9,664	279,586
Depreciation & Impairments											
At 1 April 2015	(11)	(3,549)	(6,854)	0	(119)	(5)	0	(10,538)	(1,332)	0	(11,870)
Depreciation for year	(10,242)	(1,397)	(416)	(3)	0	(2)	0	(12,060)	(281)	0	(12,341)
Depreciation written out to the Revaluation Reserve	0	2,357	0	0	0	0	0	2,357	0	0	2,357
Depreciation written out to the Surplus/Deficit on the Provision of Services	10,161	410	0	0	0	0	0	10,571	0	0	10,571
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	725	0	0	0	0	0	725	0	0	725

	Council Dwellings	Land & Buildings	Vehicles Plant & Equip	Infra- Structure Assets	Community Assets	Surplus Assets	Assets Under Con- struction	Property Plant & Equip Subtotal	Intangible Assets	Investment Properties	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
De-recognition - disposals	75	0	0	0	0	0	0	75	0	0	75
De-recognition - other	0	2	0	3	0	0	0	5	0	0	5
Other movements in cost or valuation	0	25	0	0	0	0	0	25	0	0	25
At 31 March 2016	(17)	(1,427)	(7,270)	0	(119)	(7)	0	(8,840)	(1,613)	0	(10,453)
Net book value of assets at 31.03.16	177,569	69,744	1,704	0	2,875	4,573	2,438	258,903	566	9,664	269,133
Net book value of assets at 31.03.15	176,891	67,239	2,114	161	1,293	185	1,041	248,924	676	11,620	261,220
<u>Nature of asset holding</u>											
Owned	177,569	63,770	746	0	2,875	4,573	2,438	251,971	566	9,664	262,201
Finance lease	0	5,974	958	0	0	0	0	6,932	0	0	6,932

Fixed Asset Valuation

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment and Investment Properties required to be measured at fair value are revalued at least every five years. The statement below shows the progress of the Council's rolling programme of fixed asset revaluations.

	Council Dwellings	Operational Land & Buildings	Vehicles Plant & Equip.	Investment Properties
	£'000	£'000	£'000	£'000
Valuation at historical cost		5,400	3,376	
Valued at current value as at:				
01/04/16	222,519	71,210		9,665
01/04/15	176,438	67,587		11,621
01/04/14	174,971	66,679		11,219
01/04/13	170,075	64,752		10,065
01/04/12	169,467	68,355		11,960

The valuations of the Council's freehold and leasehold properties have been carried out in accordance with the Statements of Asset Valuation Practice and Guidance Notes of the Royal Institute of Chartered Surveyors. All valuations are either undertaken by the following Council Officers, or by the District Valuer.

Principal Property Surveyor	Mr P Clifton	MRICS
Senior Property Surveyor	Mr A Wiswould	MRICS

Fixed Assets Depreciation

Tangible Fixed Assets

Depreciation, as stated in the Accounting Policies, is calculated on a straight-line basis. Non-operational assets are treated as investment properties and as such are not depreciated. The standard useful lives of assets, used for depreciation purposes (unless overwritten by asset valuations), are as follows:

<u>Category Of Asset</u>	<u>Useful Economic Life</u>
Council Dwellings	Various – average based on major components
Other Land & Buildings	
- Council Buildings	50 years
- Car Parks	60 years
- Cemeteries	50 years
- Crematorium	21 years
- Community Centres	50 years
- Offices	50 years
- Depots & Workshops	50 years

<u>Category Of Asset</u>	<u>Useful Economic Life</u>
- Public Conveniences	50 years
- Recreation Grounds	50 years
- Sports Centres	50 years
Vehicles, Plant & Equipment	
- Computers	5 years
- Equipment	10 years
- Fixtures and Fittings	5 years
- Plant	7/10 years
- Vehicles	5/7 years
Infrastructure Assets	50 years

Intangible Assets

Intangible fixed assets are amortised in the Income and Expenditure Account on a straight-line basis, as stated in the Accounting Policies. The standard useful life, used for amortisation purposes is:

<u>Category Of Asset</u>	<u>Useful Economic Life</u>
Intangible Asset	
- Software	5 years

Note 15 – Heritage Assets

Reconciliation of the Carrying Value of Heritage Assets Held by the Council

	Heritage Vehicles £'000	Musical Instruments £'000	Civic Insignia £'000	Other £'000	Total Assets £'000
Cost or Valuation					
At 1 April 2015	140	2,570	2,357	276	5,343
Additions	0	0	0	0	0
Revaluations	0	0	0	0	0
At 31 March 2016	140	2,570	2,357	276	5,343
Cost or Valuation					
At 1 April 2016	140	2,570	2,357	276	5,343
Additions	0	0	0	133	133
Revaluations	0	0	2	0	2
At 31 March 2017	140	2,570	2,359	409	5,478

Heritage Vehicles

The Council's collection of heritage vehicles is reported in the Balance Sheet at insurance valuation which is based on market values. These insurance valuations are reviewed annually and revalued every five years by an appropriately qualified external valuer.

The collection includes a Vintage Leyland Bus, which is on display at the Museum of Lincolnshire Life.

Musical Instruments

This category contains a donated asset, a violin by Antonio Stradivari of Cremona dated 1695, which is on loan to the Halle Orchestra. The violin was last valued at the beginning of 2014/15 by external valuers, Ingles and Hayday, at £2.500 million.

Civic Insignia

The collection of civic insignia includes the Mayor's and Sheriff's badges and chains of office and mace. All items are on display at the Guildhall, Lincoln. It also includes four ceremonial and fighting swords of considerable historical significance, which together are valued at £1.400 million. The Council's collection of civic insignia is reported in the Balance Sheet at insurance valuation which is based on market values. These insurance valuations are reviewed annually and revalued every five years by an appropriately qualified external valuer. These were revalued at 31st March 2017 and no revaluations were identified.

Other Heritage Assets

This category includes artwork and paintings and miscellaneous assets recognised in the Balance Sheet, such as the Books of Remembrance kept on display at the City Crematorium. These are reported at insurance valuation which is based on market values and are subject to periodic revaluation by an appropriately external qualified valuer. These were revalued at 31st March 2017 and revaluations totalling £138,000 were identified.

Heritage Assets not recognised in the Balance Sheet

In addition to the assets recognised in the Balance Sheet and disclosed in the above table, the Council holds a number of assets which are by their nature heritage assets but are not recognised in the Balance Sheet. The Council does not consider that reliable cost or valuation information can be obtained for these assets due to the nature of the assets and the lack of market values. Examples of this type of asset are ancient structures and ruins, War memorials and public art. These are listed below.

Scheduled Ancient Monuments

St Paul in the Bail	Walls & Well
Saltergate Roman Wall and Posterngate	Wall & Gate
Mint Wall, West Bight	Wall
Pottergate	Arch
Lower West Gate & Wall, City Hall	Gate & Wall
St Marys Conduit	Conduit
Temple Gardens, Close Wall	Wall
Roman Wall, Mary Sookias House, Cecil street	Wall

Memorials

High Street	War memorial
Dixon Street	War memorial
Birchwood Avenue	War memorial

Scheduled Ancient Monuments

Newark Road/Maple Street

War memorial

Public Art

The Chimes, Brayford Wharf North	Artwork
Empowerment, Waterside	Artwork
Exotic Cone I and II	Artwork
Lilies, Altham Terrace	Artwork
Lion, Arboretum	Artwork
Love Seat, The Lawn	Artwork
Dr Charlesworth Statue, The Lawn	Artwork
Mother and Child, The Lawn	Artwork
St Marks Obelisk	Artwork
Light Sculpture, Wigford Bridge	Artwork

Note 16 – Investment Properties and Surplus Assets

Movements in the value of Investment Properties are shown in note 14.

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

2015/16		2016/17
£'000		£'000
919	Rental income from investment property	916
(260)	Direct operating expenses arising from investment property	661
659	Net gain/(loss)	1,577

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

The movements in the value of investment properties are analysed below:

2015/16		2016/17
£'000		£'000
11,620	Balance at 1 April	9,664
	Additions; Subsequent Expenditure	
(222)	Disposals	(1,226)
57	Net gain/loss from Fair Value Adjustment	776
(1,791)	Transfers (to)/from Other Land and Buildings	(695)
9,664	Balance at 31 March	8,519

Fair Value Hierarchy

The Council's Investment Properties have been assessed as being Level 2 on the Fair Value Hierarchy (See Note 1 Accounting Policies, point 20 for an explanation of fair value levels).

Valuation Techniques Used to Determine Level 2 Fair Values for Investment Properties

An income-investment approach has been used to determine the fair value of Investment Properties. This technique involves an assessment of potential future net

incomes flowing from the property. In the case of the majority of properties that are currently let, this reflects terms of the existing lease including passing rents and any scheduled rent reviews and, if later, ultimate reversion to full market rental value. In the case of properties that are currently vacant, it is assumed that a letting is immediately sought at full market rental value and otherwise on optimum letting terms from the perspective of a market participant. Potential future net income flows are then capitalised using market all-risks term and reversionary yields to derive a present value, thus representing Market Value.

There has been no change in the valuation techniques used during the year for Investment Properties.

Highest and Best Use of Investment Properties

In estimating the fair value of the Council's investment properties, the highest and best use of the properties is deemed to be their current use.

Valuers

The Investment Properties that were valued at 31 March 2017 were valued in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors.

Surplus Assets

Movements in the value of Surplus Assets are shown in note 14.

The current value measurement base for surplus assets is fair value, estimated at highest and best use from a market participant's perspective

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

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

The Council's surplus assets are all valued using level three inputs due to their latent value or specialist nature.

Note 17 – Intangible Assets

Movements in the value of Intangible Assets are shown in note 14. No internally generated intangible assets are recognised in the Balance Sheet. The carrying amount of intangible assets is amortised on a straight-line basis. Amortisation of £174k was charged to overhead accounts and then absorbed across service headings in the Cost of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

Note 18 – Financial Instruments

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments:

	Long-Term		Current	
	31-Mar-16	31-Mar-17	31-Mar-16	31-Mar-17
	£000	£000	£000	£000
Borrowings				
Financial Liabilities at Amortised Cost *	(75,354)	(75,354)	(1,379)	(1,376)
Total Borrowings	(75,354)	(75,354)	(1,379)	(1,376)
Creditors				
Financial liabilities at amortised cost	(1,082)	(576)	(10,279)	(8,593)
Total Creditors	(1,082)	(576)	(10,279)	(8,593)
Investments				
Loans and Receivables	3,041	0	19,139	20,823
Available-for-Sale Financial Assets	419	416	0	0
Total Investments	3,460	416	19,139	20,823
Debtors				
Loans and receivables **	1,140	141	5,444	13,581
Total included in Debtors	1,140	141	5,444	13,581
Cash and Cash equivalents				
Financial liabilities at amortised cost	0	0	0	0
Loans and receivables	0	0	142	240
Total Cash and cash equivalents	0	0	142	240

* The Financial Liabilities include the loans that the Council holds for some small local charities (£0.030m) and Bonds (£0.003m)

** The amount shown for Short-term Debtors is net of the Bad Debt Provision for Debtors.

Under accounting requirements the carrying value of the financial instrument value is shown in the balance sheet which includes the principal amount borrowed or lent and further adjustments for breakage costs or stepped interest loans (measured by an effective interest rate calculation) including accrued interest. Accrued interest is shown separately in current assets/liabilities where the payments/receipts are due within one year. The effective interest rate is effectively accrued interest receivable under the instrument, adjusted for the amortisation of any premiums or discounts reflected in the purchase price.

Financial Instrument Gains/Losses

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

2016/17	Financial Liabilities	Financial Assets			Total
	Liabilities measured at amortised cost	Loans and Receivables	Available-for-Sale Assets	Fair Value through the CIES	
	£'000	£'000	£'000	£'000	£'000
Comprehensive Income & Expenditure Statement					
Interest Expense	3,203	0	0	0	3,203
Interest payable and similar charges	3,203	0	0	0	3,203
Interest Income	0	(178)	(21)	0	(199)
Interest and investment income	0	(178)	(21)	0	(199)
Surplus or deficit arising on revaluation of financial assets in other Comprehensive Income & Expenditure	0	0	3	0	3
Net (gain)/loss for the year	3,203	(178)	(18)	0	3,007

2015/16	Financial Liabilities		Financial Assets		Total
	Amortised Cost	Loans and Receivables	Available-for-Sale Assets	Fair Value through the CIES	
	£'000	£'000	£'000	£'000	£'000
Comprehensive Income & Expenditure Statement					
Interest Expense	3,253	0	0	0	3,253
Interest payable and similar charges	3,253	0	0	0	3,253
Interest Income	0	(203)	(23)	0	(226)
Interest and investment income	0	(203)	(23)	0	(226)
Surplus or deficit arising on revaluation of financial assets in other Comprehensive Income & Expenditure	0	0	(10)	0	(10)
Net (gain)/loss for the year	3,253	(203)	(33)	0	3,017

Fair Value of Assets and Liabilities carried at Amortised Cost

Financial liabilities and financial assets represented by loans and receivables are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by

calculating the present value of the cash flows that take place over the remaining life of the instruments (Level 2), using the following assumptions:

- For loans from the Public Works Loan Board (PWLB) and other loans payable, premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures;
- For loans receivable prevailing benchmark market rates have been used to provide the fair value;
- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months, or is a trade or other receivable, the fair value is taken to be the carrying amount outstanding or the billed amount;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

Financial Liabilities

31/03/16			31/03/17	
Carrying Amount	Fair Value		Carrying Amount	Fair Value
£'000	£'000		£'000	£'000
59,956	68,676	PWLB Debt	59,956	72,727
16,176	22,438	Money Market Debt	16,176	26,821
565	565	Stock	565	561
37	37	Other	34	34
<u>76,734</u>	<u>91,716</u>	Total Debt	<u>76,731</u>	<u>100,143</u>

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. This is to be expected given that the current rates of interest are at a historically low level.

Financial Assets

31/03/16			31/03/17	
Carrying Amount	Fair Value		Carrying Amount	Fair Value
£'000	£'000		£'000	£'000
18,997	18,997	Money Market Investments <1 year	20,823	20,823
3,041	3,045	Money Market Investments >1 year	0	0
<u>22,038</u>	<u>22,042</u>	Total Investments	<u>20,823</u>	<u>20,823</u>

The differences are attributable to fixed interest instruments payable being held by the Council, whose interest rate is higher than the prevailing rate estimated to be available at 31 March. This increases the fair value of financial assets and raises the value of loans and receivables.

The fair value of Public Works Loan Board (PWLB) loans of £72.727m 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 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 Council has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets, termed the PWLB Certainty Interest rates. A supplementary measure of the fair value 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 £59.959m would be valued at £72.727m. But, if the Council 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 £85.5m.

Trade debtors and creditors are carried at cost as this is a fair approximation of their value.

Note 19 – Inventories

In undertaking its work the Council holds reserves of inventories together with amounts of uncompleted work (work in progress). The figure shown in the Balance Sheet may be subdivided as follows:

	Consumable Stores		City Maintenance Services Materials		City Maintenance Services Work in Progress		Total	
	2015/16 £'000	2016/17 £'000	2015/16 £'000	2016/17 £'000	2015/16 £'000	2016/17 £'000	2015/16 £'000	2016/17 £'000
Balance outstanding at the start of the year	80	69	79	70	101	194	260	333
Purchases	14	31	26	0	93	0	133	31
Recognised as an expense in the year	(23)	(9)	(37)	(11)	0	(20)	(60)	(40)
Balance outstanding at the year-end	71	91	68	59	194	174	333	324

Note 20 – Debtors

Debtors listed under current assets are monies due which the Council expects to collect within one year of the Balance Sheet date and are analysed as follows:

31/03/16		31/03/17
£'000		£'000
1,774	Central Government Bodies	9,803
1,525	Other Local Authorities	1,716
1	NHS Bodies	2
8,186	Other Entities and Individuals	10,146
11,486	Total	21,667

Debtors balances are shown gross of impairment of doubtful debts (£3.693m in 2016/17, £3.184m in 2015/16).

Note 21 – Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

31/03/16		31/03/17
£'000		£'000
1	Cash held by the Council	1
142	Bank Current accounts	240
143		241

Note 22 – Assets Held for Sale

The Authority had 1 asset held for sale at the beginning of the year, that being the Lawn main complex. This was sold during the year. The Authority also purchased and sold the Moorland School site during the year. At the end of the year, the authority held 2 pieces of development land at Riseholme Road and Tentercroft Street. The sales have been approved but were not completed as at 31st March 2017. These assets are included as Current Assets as at 31st March 2017.

Current	Non-current		Current	Non-current
2015/16	2015/16		2016/17	2016/17
£000	£000		£000	£000
835	0	Balance at start of the year	550	0
		Newly classified:		
0	0	- Property Plant & Equipment	3,141	0
40	0	Revaluation gain/(loss)	334	0
0	0	Transfers from non-current to current	0	0
(325)	0	Disposals	(1,500)	0
550	0	Closing Balance	2,525	0

Note 23 – Creditors

Creditors shown as current liabilities are amounts payable by the Council within one year of the Balance Sheet date and are analysed as follows:

31/03/16		31/03/17
£'000		£'000
(1,987)	Central Government Bodies	(4,691)
(284)	Other Local Authorities	(361)
(10,152)	Other Entities and Individuals	(8,324)
(12,423)	Total	(13,376)

Note 24 – Provisions

These amounts are set aside to provide for potential liabilities relating to specific occurrences and comprise the following balances:

	Licensing Legal Case	Business Rates RV Reduction the Think Tank	Compulsory Purchase Order	Land Searches	Redundancy Provision	Business Rates Appeals
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2016	(21)	(37)	(88)	0	(31)	(2,760)
Additional Provisions made in 2016/17			(2)	(31)	(143)	(1,457)
Amounts used in 2016/17	11		6	16	31	219
Unused Amounts Reversed in 2016/17				15		684
Unwinding of Discounting in 2016/17						
Balance at 31 March 2017	(10)	(37)	(84)	0	(143)	(3,314)

The provision for business rate appeals represents the Council's share (40% of £8.285m) of the total provision for appeals against the rateable valuation set by the Valuation Office Agency (VOA) not settled as at 31 March 2017. The total provision is accounted for in the Collection Fund. The amount and timing of outflows against the Business Rates Appeals provision is dependent on the processing and determination of business rates appeals by the Valuation Office.

Note 25 – Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and Note 10.

Note 26 – Unusable Reserves

The Council keeps a number of unusable reserves in the Balance Sheet. Some are required to be held for statutory reasons; some are needed to comply with proper accounting practice.

Reserve	Balance 31/03/16	Net Movement in Year	Balance 31/03/17	Purpose of Reserve	Further Details of Movements
	£'000	£'000	£'000		
Revaluation Reserve	23,092	(370)	22,722	Store of gains on revaluation of fixed assets	a) below
Pensions Reserve	(65,432)	(20,089)	(85,521)	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet	Note 44 to the financial statements
Capital Adjustment Account	165,968	53,305	219,273	Store of capital resources set aside to meet past expenditure	b) below
Deferred Capital Receipts	57	0	57	Expected future repayments from sales of assets received in instalments	c) below
Financial Instruments Adjustment Account	(62)	2	(60)	Balancing mechanism between the rates at which gains and losses are recognised under the Code of Practice	d) below
Available-for-Sale Financial Instruments Account	403	(3)	400	Store of gains on revaluation of investments not yet realised through sales	e) below
Collection Fund Adjustment Account – Council Tax	139	(87)	52	Store of Council's share of accumulated surpluses and deficits in relation to Council Tax on the Collection Fund	f) below
Collection Fund Adjustment Account - NNDR	(1,872)	563	(1,309)	Store of Council's share of accumulated surpluses and deficits in relation to NNDR on the Collection Fund	f) below

Reserve	Balance 31/03/16	Net Movement in Year	Balance 31/03/17	Purpose of Reserve	Further Details of Movements
	£'000	£'000	£'000		
Accumulated Absences Account	(444)	19	(425)	Absorbs the differences that would otherwise arise on the General Fund balance from accruing for compensated absences earned but not taken in the year (i.e. annual leave entitlement carried forward at 31 March	g) below
	121,849	33,340	155,189		

a) Revaluation Reserve

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

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

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created.

2015/16 £'000		2016/17 £'000
(18,235)	Balance 1 April	(23,092)
(7,776)	Upward Revaluation of assets	(4,329)
2,453	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on Provision of Services	1,733
<hr/> (5,323)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	<hr/> (2,596)
340	Difference between fair value depreciation and historical cost depreciation	230
126	Accumulated gains on assets sold or scrapped	2661
0	Amounts written out to the Capital Adjustment Account	75
<hr/> (23,092)	Balance 31 March	<hr/> (22,722)

b) Capital Adjustment Account

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

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

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

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

2015/16 £'000		2016/17 £'000
(166,042)	Balance 1 April	(165,968)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
12,342	Charges for depreciation and amortisation of non-current assets	12,588
0	Other movements on depreciation	0
3,734	Revaluation (gains)/losses and impairments on Property, Plant and Equipment	(51,414)
835	Revenue expenditure funded from capital under statute	3,011
0	Assets under construction written off to revenue	0
1,748	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	11,391
(19)	Other adjustments	0
18,640		(24,424)
(466)	Adjusting amounts written out of the Revaluation Reserve	(2,966)
18,174	Net written out amount of the cost of non-current assets consumed in the year	(27,391)
	Capital Financing applied in year:	
(1,407)	Use of Capital Receipts to finance new capital expenditure	(16,066)
0	Use of Capital Receipts to reduce capital financing requirement	0

2015/16 £'000		2016/17 £'000
(13,540)	Use of the Major Repairs Reserve to finance new capital expenditure	(8,024)
(473)	Capital expenditure charged against the General Fund and HRA balances	(458)
(1,718)	Application of Capital Grants to finance new capital expenditure	(323)
(962)	Statutory Provision for the financing of capital investment charged against the General Fund and HRA balances (MRP/VRP)	(1,044)
(18,100)		(25,915)
(165,968)	Balance 31 March	(219,273)

c) Deferred Capital Receipts

This account contains the expected future repayments of capital from sales of assets which will be received in instalments over an agreed period of time. They arise principally from mortgages on sold council houses. When made, these payments are regarded as being of a capital nature and transactions during the year were as follows:

2015/16 £'000		2016/17 £'000
(57)	Balance 1 April	(57)
0	Council's share of (surplus)/deficit for the year	0
(57)	Balance 31 March	(57)

d) Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account provides a balancing mechanism between the rates at which gains and losses (such as premiums on the early repayment of debt) are recognised under the Code of Practice and are required by statute to be met from the General Fund and HRA balances.

2015/16 £'000		2016/17 £'000
65	Balance 1 April	62
0	Proportion of discounts incurred in previous financial years to be credited to the General Fund Balance in accordance with statutory requirements	0
(3)	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(2)
62	Balance 31 March	60

e) Available-for-Sale Financial Instruments Account

The Available-for-Sale Financial Instruments Account contains the gains and losses arising from movements in fair value of Available-for-Sale investments, which are recognised in the Comprehensive Income and Expenditure Statement.

2015/16 £'000		2016/17 £'000
(393)	Balance 1 April	(403)
(10)	(Gain)/Loss on revaluations in year	3
<u>(403)</u>	Balance 31 March	<u>(400)</u>

f) Collection Fund Adjustment Account – Council Tax

The Council Tax Adjustment Account was introduced on 1 April 2009 to comply with the new accounting requirements for the Collection Fund contained within the Statement of Recommended Practice 2009/10 (SORP 2009). The difference between accrued income for the year as shown in the Income and Expenditure Account and the amount required to be credited to the General Fund is taken to the Collection Fund Adjustment Account. The balance on the account represents the Council's share of the accumulated surpluses and deficits on the Collection Fund at the Balance Sheet date.

2015/16 £'000		2016/17 £'000
(181)	Balance 1 April	(139)
42	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	87
<u>(139)</u>	Balance 31 March	<u>(52)</u>

f) Collection Fund Adjustment Account – NNDR

The NNDR Adjustment Account was introduced on 1 April 2013 to comply with the new regime for the collection of Business Rates and the resulting accounting requirements. The difference between accrued income for the year as shown in the Comprehensive Income and Expenditure Statement and the amount required to be credited to the General Fund is taken to the Collection Fund Adjustment Account. The balance on the account represents the Council's share of the accumulated surpluses and deficits on the Collection Fund at the Balance Sheet date.

2015/16 £'000		2016/17 £'000
1,306	Balance 1 April	1,872
566	Amount by which council non-domestic rates credited to the Comprehensive Income and Expenditure Statement is different from non-domestic rates income calculated for the year in accordance with statutory requirements	(563)
<u>1,872</u>	Balance 31 March	<u>1,309</u>

g) Accumulated Absences Account

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

2015/16 £'000		2016/17 £'000
377	Balance 1 April	444
(377)	Settlement or cancellation of accrual made at the end of the preceding year	(444)
444	Amounts accrued at the end of the current year	425
	Amount by which officer remuneration charged in the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(19)
444	Balance 31 March	425

Note 27 – Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

2015/16 £'000		2016/17 £'000
214	Interest received	219
(3,255)	Interest paid	(1,861)

Note 28 – Cash Flow Statement – Adjustment to surplus or deficit on provision of services for non-cash movements

2015/16 £'000		2016/17 £'000
12,062	Depreciation	12,486
3,781	Impairment and downward valuations	(51,414)
281	Amortisation	102
0	Increase/(decrease) in impairment for bad debts	0
(837)	Increase/(decrease) in creditors	(1,159)
(1,050)	(Increase)/decrease in debtors	(2,082)
(73)	(Increase)/decrease in inventories	9
3,268	Movement in pension liability	2,134
1,748	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	11,391
1,131	Other non-cash items charged to the net surplus or deficit on the provision of services	1,994
20,311		(26,539)

Note 29 – Cash Flow Statement – Adjustment to surplus or deficit on the provision of services for items that are investing & financing activities

2015/16 £'000		2016/17 £'000
(2,844)	Proceeds from sale of PPE, investment property and intangible assets	(6,781)
(1,972)	Any other items for which the cash effects are investing or financing cash flows	(13,547)
<u>(4,816)</u>		<u>(20,328)</u>

Note 30 – Cash Flow Statement - Investing Activities

2015/16 £'000		2016/17 £'000
(19,974)	Purchase of property, plant and equipment, investment property and intangible assets	(25,348)
(18,955)	Purchase of short-term and long-term investments	(17,760)
(1)	Other payments for investing activities	(1)
2,881	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	6,781
22,930	Proceeds from short-term and long-term investments	18,955
1,961	Other receipts from investing activities	6,352
<u>(11,158)</u>	Net cash flows from investing activities	<u>(11,021)</u>

Note 31 – Cash Flow Statement - Financing Activities

2015/16 £'000		2016/17 £'000
(204)	Cash payments for the reduction of outstanding liabilities relating to finance leases	(204)
(17)	Repayments of short- and long-term borrowing	(3)
(158)	Other payments for financing activities	1,899
<u>(379)</u>	Net cash flows from financing activities	<u>1,692</u>

Note 32 – Trading Operations

The Council operates a Housing Repairs Service (HRS), which carries out day to day maintenance on council housing and other public buildings as well as environmental works, street furniture etc. The Council also owns and manages a fruit, vegetable and retail market situated within the City Centre and also operates and manages a bus station and several car parks located throughout the city. It also manages a number of industrial estates and commercial properties.

2015/16				2016/17		
Exp. £'000	Inc. £'000	Net £'000		Exp. £'000	Inc. £'000	Net £'000
223	(242)	(19)	Markets	187	(254)	(67)
2,235	(4,554)	(2,319)	Car Parks	1,636	(3,812)	(2,176)
2,458	(4,796)	(2,338)	(Surplus)/Deficit applicable to a service	1,823	(4,066)	(2,243)
7,081	(6,712)	369	HRS	6,700	(6,815)	(115)
172	(99)	73	City Bus Station	98	(104)	(6)
119	(409)	(290)	Industrial Estates	(242)	(407)	(649)
143	(557)	(414)	Lincoln Properties	(419)	(530)	(949)
7,515	(7,777)	(262)	(Surplus)/Deficit not applicable to a service	6,137	(7,856)	(1,719)
9,973	(12,573)	(2,600)	Total (Surplus)/Deficit	7,960	(11,922)	(3,962)

Note 33 – Agency Services

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

Note 34 – Members' Allowances

The Local Authorities (Members' Allowances)(Amendment) Regulations 1995 requires local authorities to publish the amounts paid to members under the members' allowance scheme.

The payments made to the City of Lincoln Council members during 2016/17 totalled £220,099 (£224,465 in 2015/16).

Payments are defined as:

- i. Basic Allowance
- ii. Special Responsibility Allowance.

Note 35 – Officers' Remuneration

The Accounts and Audit Regulations 2012 require the Council to disclose remuneration paid to senior employees.

For the purposes of the regulation senior employees are persons whose salary is in excess of £150,000 per year or whose salary is £50,000 or more and are deemed to have responsibility for the management of the Council to the extent that they have the power to direct or control the major activities. The remuneration paid to the Council's senior employees is as follows:

Officers' Emoluments – Senior Employees

2016/17						
Post Title	Salary	Bonuses	Expense Allowances	Compensation for loss of office	Pension Contributions	Total
	£	£	£	£	£	£
Chief Executive ¹	125,176	0	248	0	18,903	144,327
Strategic Director of Housing & Regeneration	90,401	0	869	0	15,278	106,548
Strategic Director of Communities & Environment ²	37,266	0	0	0	5,917	43,183
Strategic Director of Communities & Environment ³	47,379	0	141	0	7,865	55,385
Strategic Director for Major Developments ⁴	32,240	0	0	0	5,449	37,689
Total	332,462	0	1,258	0	53,412	387,132

- 1) The salary costs for the Chief Executive include £17.4k relating to election expenses in 2016/17.
- 2) The outgoing Director of Communities & Environment resigned with effect from 21 August 2016.
- 3) The incoming Director of Communities & Environment was appointed with effect from 22 August 2016.
- 4) The post of Director for Major Developments is a new post that was created during 2016/17 and the post holder was appointed on 1 November 2016.

2015/16						
Post Title	Salary	Bonuses	Expense Allowances	Compensation for loss of office	Pension Contributions	Total
	£	£	£	£	£	£
Chief Executive ¹	109,294	0	284	0	18,471	128,049
Strategic Director of Housing & Regeneration ²	84,174	0	580	0	14,225	98,979
Strategic Director of Communities & Environment ³	88,793	0	185	0	15,006	103,984
Total	282,261	0	1,049	0	47,702	331,012

- 1) The salary costs for the Chief Executive include £6k relating to election expenses in 2015/16. Following a senior management reorganisation in 2015/16 the areas of direct

responsibility of the Chief Executive include those previously within the remit of the Director or Resources.

- 2) Previously known as Director of Housing & Community Services prior to a senior management re-organisation which included the realignment of areas of responsibility for Strategic Directors.
- 3) Previously known as Director of Development & Environmental Services prior to a senior management re-organisation which included the realignment of areas of responsibility for Strategic Directors.

The numbers of other Council employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid as follows:

Remuneration Band £	Number of Employees	
	2016/17	2015/16
50,000 - 54,999	2	2
55,000 - 59,999	2	2
60,000 - 64,999	3	5
65,000 - 69,999	0	1
70,000 - 74,999	1	1
75,000 - 79,999	1	0
80,000 - 84,999	0	0
85,000 - 89,999	0	0
90,000 - 94,999	0	0
95,000 - 99,999	0	0
100,000 - 104,999	0	0
105,000 - 109,999	0	0
110,000 - 114,999	0	0
115,000 - 119,999	2	0

The figure above for 2016/17 includes 2 employees for whom an exit package was agreed, compared to 5 in 2015/16.

The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the following table:

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band [b + c]		Total cost of exit packages in each band	
	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17
							£	£
£0 - £20,000	3	2	0	0	3	2	19,688	10,830
£20,001 - £40,000	1	1	2	0	3	1	75,222	27,394
£40,001 - £60,000	1	0	0	0	1	0	45,613	0
£60,001 - £80,000	0	0	0	0	0	0	0	0
£80,001 - £100,000	0	0	0	0	0	0	0	0

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band [b + c]		Total cost of exit packages in each band	
	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17
							£	£
£100,000 - £150,000	0	0	0	0	0	0	0	0
Total cost included in bandings							140,523	38,224
Add: Amounts provided for in CIES not included in bandings							0	143,238
Total cost included in CIES							140,523	181,462

None of the exit packages shown in the table above related to senior employees.

Note 36 – External Audit Costs

In 2016/17 the following fees relating to External Audit and Inspection were incurred and paid to KPMG LLP, the Council's external auditors:

2015/16 £'000		2016/17 £'000
	<u>Fees payable for statutory audit services</u>	
47	Fees Payable with regard to external audit services carried out by the appointed auditor	47
11	Fees payable for the certification of grant claims and returns	9
58		56
	<u>Fees payable for other audit services</u>	
3	Fees payable with regard to other audit work	3
61	Total fee payable to external auditors	59

The fees relating to grant claims can vary from year to year depending on the number of claims to be audited. The figure for 2016/17 is an estimate, as the work will be carried out in the period August to December 2017.

Note 37 – Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2016/17:

Credited to Taxation and Non Specific Grant Income		
2015/16		2016/17
£'000		£'000
(2,585)	Revenue Support Grant	(1,698)
(2)	Community Right to Challenge	0
0	Community Right to Bid	0
(2,069)	New Homes Bonus	(2,285)
(77)	Disabled Facilities Grants	(328)
0	Heritage Lottery Fund	(263)
(228)	Decent Homes Contract – Profit Share	(550)
(321)	Lincolnshire County Council	(11,577)
(8)	Transparency Code Setup Grant	(8)
(60)	Leaseholder Contributions	(86)
(679)	Department of Work and Pensions – City Hall works	(697)
(31)	Other Capital Grants and Contributions	(46)
(6,060)		(17,538)

Credited to Services		
2015/16		2016/17
£'000		£'000
(17,426)	Rent Allowances	(16,592)
(17,071)	Rent Rebates	(16,334)
(140)	Discretionary Housing Payments	(174)
(521)	Housing Benefit Administration	(477)
(162)	New Burdens Grant Determination	(153)
(96)	DCLG – Rogue Landlords	0
(45)	Sport England	0
(301)	Section 106 agreements	0
(1)	English Heritage	0
(251)	Disabled Facilities Grants	0
(140)	Local Council Tax Support Admin Subsidy	(158)
(57)	Home Office	(134)
(39)	Arts Council	(29)
0	HCA	(224)
(43)	Other Grants	(18)
(36,293)	Total	(34,293)

There were no grants received in advance in 2016/17.

Note 38 – Related Parties

It is a requirement for the Council to disclose any transactions with a related party, including non-financial transactions. A 'related party' is defined as being an organisation with which the Council has dealings and where Officers or Members of the Council have a controlling interest or influence in the activities of that organisation. The code requires local authorities to disclose material transactions with 'related parties'. The disclosure is required in order that the true and fairness of the accounts can be understood by the reader of the accounts having knowledge of any 'related parties' of the Council.

Members/Officers - For 2016/17 the Council sent a letter, dated 1 April 2017, to all Members, Chief Officers and Assistant Directors, requesting disclosure of any 'related party transactions'. All letters were returned, no Members or Officers declared pecuniary interests in accordance with section 117 of the Local Government Act 1972.

In addition, the table below details both Member and Officer representation on the boards of levying bodies, assisted organisations with which the Council makes material financial assistance and Joint Ventures.

Name of Organisation	Member Representative	Officer Representative
Upper Witham – Drainage Board	Cllr Speakman Cllr Hewson Cllr Jackson Cllr Vaughan Cllr Charlesworth Cllr Massey Cllr Boyall Cllr Gowan Cllr Smith	Chief Executive
Witham First – Drainage Board	Cllr Hewson Cllr Jackson Cllr Vaughan Cllr Charlesworth	Chief Executive
Witham Third – Drainage Board	Cllr Hewson Cllr Boyall Cllr Charlesworth Cllr Jackson Cllr Vaughan	Chief Executive
Lincoln Arts Trust	Cllr Bushell	Director of Communities & Environment
Lincoln Dial-a-Ride/ Shopmobility	Cllr Clayton-Hewson	Chief Executive
Lincoln Citizens Advice Bureau	Cllr Lee	Chief Executive
Investors in Lincoln	Cllr Metcalfe Cllr Murray	Director of Communities & Environment
Lincoln Business Improvement Group	Cllr Metcalfe Cllr Nannestad	N/A
Central Lincolnshire Joint Strategic Planning Partnership	Cllr Metcalfe Cllr Burke Cllr Hanrahan	Director of Communities & Environment
The Shared Revenues & Benefits Joint Committee	Cllr Metcalfe Cllr Nannestad	Chief Executive

None of the above Members or Officers took part in the decision making of any financial assistance awarded to any of the organisations.

UK Central Government - has significant influence over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. housing benefits).

Details of transactions with government departments are set out in note 37.

Other Bodies - transactions with other bodies levying demands on the Council Tax - Levying bodies in 2016/17 were as follows:

2015/16 £'000		2016/17 £'000
411	Upper Witham Drainage Board	417
127	Witham 1 st Drainage Board	129
245	Witham 3 rd Drainage Board	249
783	Total	795

Assisted Organisations - the Council made material financial assistance to the following organisations during the year:-

2015/16 £'000		2016/17 £'000
258	Lincoln Arts Trust	246
51	Lincoln Dial-a-Ride	52
54	Citizens Advice Bureau	54
32	Lincoln Shopmobility	32

Collaborative Agreements – The Council holds 6.3% (£14,000) of the ordinary share capital of £224,000 of Investors in Lincoln Ltd (IIL).

The principal activity of the company is the promotion of economic regeneration and the development and expansion of industry, commerce and enterprise of all forms for the benefit of the community in and around the City of Lincoln. Investors in Lincoln Ltd grants the Council the sole and exclusive right to licence and manage its managed workspace development at Greetwell Place.

The company's accounting year-end is 31st March and the latest (audited) accounts are for the year ended 31st March 2016, showing net assets of £3.781m and a profit of £133,845 before taxation, £108,277 profit after tax (£22,738 before tax and £18,487 profit after tax in 2014/15).

The Council is fully responsible for meeting the first £100,000 of any cumulative deficit on operating the managed workspace units. In the event that the cumulative deficiency exceeds £100,000 the Council shall meet 75% of the deficiency. In

2016/17 a surplus on the managed workspace units of £12,717 was attributable to the Council.

Details of amounts received from ILL during 2016/17 are shown below:

2015/16		2016/17
£'000		£'000
133	Property Management costs	124
90	Facility Fee	90
7	Management Fee	7

An amount of £16,202 was owed to ILL at 31st March 2017 in respect of property management costs, facility fees and management fees. This is included in the creditors balance in the Council's Balance Sheet.

The accounts of the company may be obtained from The Company Secretary, 5 Beck Hall, Welton, LN2 3LJ.

Collaborative Agreements - The Council has a collaborative arrangement with North Kesteven and West Lindsey District Councils to provide the Central Lincolnshire Joint Planning Unit. This arrangement is hosted by North Kesteven District Council. The Council also has a collaborative arrangement with North Kesteven to provide a shared Revenues and Benefits Service. This shared service is hosted by the City of Lincoln Council. Both of these arrangements are governed through a Joint Committee representing each of the partner authorities. These arrangements are considered as Jointly Controlled Operations, where ventures use their own resources to undertake an activity subject to joint control, and as such do not require consolidation into the Council's accounts. The Council's proportion of activity is accounted for separately within the Core Financial Statements.

Note 39 – Capital Expenditure and Capital Financing

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

Total Capital expenditure and financing during the year:

2015/16		2016/17
£'000		£'000
	Capital investment	
19,956	Property, Plant and Equipment	24,873
172	Intangible Assets	65
817	Revenue Expenditure Funded from Capital under Statute	3,011
20,945		27,949

2015/16 £'000		2016/17 £'000
	Sources of finance	
(1,407)	Capital Receipts	(2,708)
(1,718)	Government grants and other contributions	(13,681)
(473)	Revenue Contributions	(458)
(13,540)	Major Repairs Reserve	(8,023)
3,807	Capital Financing Requirement	3,079
	Capital Financing Requirement - Funded by:	
3,807	Unsupported Borrowing	3,079
3,807		3,079
	Analysis of movements in the Capital Financing Requirement in Year:	
84,122	Opening CFR	86,967
3,807	Unsupported borrowing	3,079
0	Adjustments in respect of leases disposed under finance lease	(326)
(962)	Minimum Revenue Provision/Voluntary Revenue Provision	(1,044)
86,967	Closing CFR	88,676

Note 40 – Leases

Council as Lessee

Finance Leases

The Council holds fleet vehicles under finance leases. The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following amounts:

31/03/16 £'000		31/03/17 £'000
5,974*	Other Land and Buildings	0
958	Vehicles, Plant and Equipment	766
6,932		766

* In 2016/17 the Council disposed of 2 car parks and a bus station held under finance leases

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 and finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

31/03/16		31/03/17
£'000		£'000
	Finance lease liabilities (net present value of minimum lease payments)	
204	Current	198
1,082	Non-current	559
398	Finance costs payable in future years	126
1,684	Minimum lease payments	883

	<u>Minimum Lease Payments</u>		<u>Finance Lease Liabilities</u>	
	31/03/16	31/03/17	31/03/16	31/03/17
	£'000	£'000	£'000	£'000
Not later than one year	313	258	204	198
Later than one year and not later than five years	1,154	625	906	559
Later than five years	217	0	176	0
	1,684	883	1,286	757

Operating leases

The Council has acquired the use of a number of assets, such as vehicles and buildings, under operating leases.

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

31/03/16		31/03/17
£'000		£'000
110	Not later than one year	74
92	Later than one year and not later than five years	224
0	Later than five years	0
202		298

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

2015/16		2016/17
£'000		£'000
1	Vehicles Plant & Equipment	0
121	Land and Buildings	109
122	Minimum lease payments	109

Council as Lessor

Finance Leases

The Council has granted a long-term lease to Lincolnshire County Council for the use of The Collection (City and County Museum) accounted for as a finance lease. Rental is at a peppercorn, meaning no rentals are receivable. There was no net investment in this asset in 2016/17.

Operating Leases

The Council leases out property under operating leases for the following purposes:

- for the provision of community services, such as sports facilities and community centres
- for economic development purposes to provide suitable affordable accommodation for local businesses
- for income generation purposes (investment properties)

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

2015/16		2016/17
£'000		£'000
972	Not later than one year	918
1,215	Later than one year and not later than five years	968
2,826	Later than five years	2,698
5,013		4,584

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as rent reviews. In 2016/17, £0.489m contingent rents were received by the Council (2015/16 £0.512m).

Note 41 – Impairment Losses

There were no impairment losses during 2016/17.

Note 42 – Capitalisation of Borrowing Costs

As permitted by the code, the Council has adopted a policy of accounting for borrowing costs in the Comprehensive Income and Expenditure Statement as they arise. No borrowing costs are capitalised.

Note 43 – Termination Benefits

The Council terminated the contracts of a number of employees in 2016/17, incurring liabilities of £0.181m (£0.141m in 2015/16) – see note 35 for the number of exit packages and total cost per band. These costs exclude any ill health retirements

or departures as they are not termination benefits in accordance with the requirements of the code.

Note 44 – Defined Benefit Pension Scheme

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

The Council participates in the Local Government Pension Scheme, administered by Lincolnshire County Council. This is a funded scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liability with investment assets.

The pension scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the pensions committee of Lincolnshire County Council. Policy is determined in accordance with the Pensions Fund Regulations.

The principal risks to the Council of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme, changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and Housing Revenue Account the amounts required by statute as described in the accounting policies note.

Transactions Relating to Retirement Benefits

The Council recognises the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that is required to go against Council Tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income & Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

2015/16 £'000		2016/17 £'000
	<u>Comprehensive Income & Expenditure Statement</u>	
	Net Cost of Services:	
3,992	Current Service Cost	3,493
0	Past Service Costs (including curtailments)	5
	Financing and Investment Income and Expenditure:	
2,777	Net Interest Expense	2,285
6,769	Total Post-Employment Benefits charged to the Surplus or Deficit on the Provision of Services	5,783

2015/16 £'000		2016/17 £'000
	Re-measurement of the net defined benefit liability comprising:	
2,327	Return on plan assets (excluding the amount included in the net interest expense)	(14,756)
0	Actuarial gains and losses arising on changes in demographic assumptions	(3,200)
(23,507)	Actuarial gains and losses arising on changes in financial assumptions	34,920
(3,198)	Other	991
(24,378)	Total re-measurements recognised in Other Comprehensive Income and Expenditure	17,955
(17,609)	Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	23,738

2015/16 £'000		2016/17 £'000
	<u>Movement in Reserves Statement</u>	
6,769	Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	5,783
(3,500)	Actual amount charged against the General Fund Balance for pensions in the year:	(3,649)

Pension Assets and Liabilities Recognised in the Balance Sheet

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

2015/16 £'000		2016/17 £'000
(178,229)	Present value of the defined obligations	(215,167)
112,797	Fair value of plan assets	129,646
(65,432)	Net liability arising from defined benefit obligation	(85,521)

Reconciliation of Movements in the fair value of the scheme assets:

2015/16		2016/17
£'000		£'000
113,470	Opening fair value of scheme assets	112,797
3,600	Interest Income	3,914
(2,327)	The return on plan assets, excluding the amount included in the net interest expense	14,756
3,500	Contributions from employer	3,649
863	Contributions from employees into the scheme	889
(6,309)	Benefits Paid	(6,359)
112,797	Closing Fair value of scheme assets	129,646

Reconciliation of Present Value of the scheme liabilities:

2015/16		2016/17
£'000		£'000
200,011	Opening balance at 1 April	178,229
3,992	Current Service Cost	3,493
6,377	Interest Cost	6,199
863	Contributions from scheme participants	889
	Re-measurement (gains) and losses:	
0	Actuarial gains/losses arising from changes in demographic assumptions	(3,200)
(23,507)	Actuarial gains/losses arising from changes in financial assumptions	34,920
(3,198)	Other	991
0	Past Service Cost	5
(6,309)	Benefits Paid	(6,359)
178,229	Closing Balance at 31 March	215,167

Local Government Pension Scheme assets comprised:

2015/16 £'000		2016/17 £'000
1,218	Cash and Cash Equivalents	918
	Equity Securities:	
	By industry type	
23,368	Consumer	14,576
2,505	Manufacturing	1,905
6,112	Energy and utilities	3,361
12,168	Financial Institutions	8,954
4,184	Information Technology	4,991
12,515	Other	10,643
60,852	Sub-total equity	44,430
	Debt Securities	
	By Sector	
11,001	Corporate	12,051
2,333	Government	4,185
1,578	Other	0
14,912	Sub-total bonds	16,236
	Property:	
	By type	
12,004	UK Property	11,797
1,224	Overseas Property	394
13,228	Sub-Total property	12,191
	Private Equity:	
4,121	All	2,994
4,121	Sub-Total private equity	2,994
	Investment Funds and Unit Trusts	
6,364	Equities	35,619
0	Bonds	1,949
12,102	Other	15,309
18,466	Sub-Total Investment Funds and Unit Trusts	52,877
112,797	Total assets	129,646

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.

The Local Government Pension Scheme has been assessed by Hymans Robertson, an independent firm of actuaries; estimates for the Lincolnshire Pension Fund are based on the latest full valuation of the scheme as at 31 March 2016.

The significant assumptions used by the actuary have been:

2015/16		2016/17
	Mortality assumptions:	
	<u>Longevity (in years) at 65 for current pensioners:</u>	
22.2	Men	22.1
24.4	Women	24.4
	<u>Longevity (in years) at 65 for future pensioners:</u>	
24.5	Men	24.1
26.8	Women	26.6
3.1%	Rate of increase in salaries	2.8%
2.2%	Rate of increase in pensions	2.4%
3.5%	Rate for discounting scheme liabilities	2.6%

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 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.

	<u>Approximate % Increase to Employer Liability</u>	<u>Value £'000</u>
0.5% Decrease in Real Discount Rate	9%	19,892
0.5% Increase in the salary increase rate	1%	3,059
0.5% Increase in the pension increase rate	8%	16,540

Impact on the Council's Cash Flow

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2019.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main public service schemes may not provide benefits in relation to service after 31 March 2014. The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

Employer contributions payable to the scheme in 2017/18 are estimated to be £3.6m. The weighted average duration of the defined benefit obligation for scheme members is 17.9 years, 2016/17 (18 years 2015/16).

Note 45 – Contingent Liabilities

A contingent liability is a possible liability arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control. Where a material loss can be estimated with reasonable accuracy a provision is accrued within the financial statements. If, however, a loss cannot be accurately estimated or the event is not considered sufficiently certain, a contingent liability will be disclosed in a note to the Balance Sheet. There is one contingent liability as at 31 March 2017.

The Council has made a provision for NNDR appeals based upon its best estimate of the actual liability of known appeals as at 31 March 2017. It is not possible to quantify appeals that have yet to be lodged with the Valuation Office Agency, but there is a risk that national and local appeals could have a significant impact on the financial statements.

Note 46 – Contingent Assets

The Council has no Contingent Assets as at 31st March 2017

Note 47 – Nature and Extent of Risks Arising from Financial Instruments

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

- ✓ Credit risk – the possibility that other parties might fail to pay amounts due to the Council.
- ✓ Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments.
- ✓ Market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates movements.

Overall Procedures for Managing Risk

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

- ✓ by formally adopting the requirements of the Code of Practice;
- ✓ by the adoption of a Treasury Management Policy Statement and treasury management clauses within its standing orders;
- ✓ by approving, annually in advance, prudential indicators for the following three years limiting:

- The Council's overall borrowing;
 - Its maximum and minimum exposures to fixed and variable rates;
 - Its maximum and minimum limits on the maturity structure of its debt;
 - Its maximum annual exposures to investments maturing beyond a year.
- ✓ by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance;

These are required to be reported and approved at or before the Council's annual Council Tax setting budget. These items are reported with the annual Treasury Management Strategy, which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported semi-annually to Members.

The annual Treasury Management Strategy, which incorporates the prudential indicators was approved by Council on 1st March 2016 and then a revision was approved as part of the 2017/18 Treasury Management Strategy on 28th February 2017). It is available on the Council's website (www.lincoln.gov.uk). The key issues within the strategy were:

- The original Authorised Limit for 2016/17 was set at £100.700m. This is the maximum limit of external borrowings or other long term liabilities during the year. This was revised in the 2017/18 Treasury Management Strategy to £98.900m.
- The original Operational Boundary was expected to be £95.300m. This is the expected level of debt and other long term liabilities during the year. This was revised in the 2017/18 Treasury Management Strategy to £95.700m.
- The maximum amounts of fixed and variable interest rate exposure were set at £76.600m and £33.000m based on the Council's net debt.
- The maximum and minimum exposures to the maturity structure of debt are shown within this note.

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

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 Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poors Ratings Services. The Annual Investment Strategy also imposes maximum amounts and time limits in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above. Details of the Investment Strategy are contained within the Treasury Management Strategy and can be found on the Council's website (www.lincoln.gov.uk).

The Investment Strategy is based on the creditworthiness service provided by Capita Asset Services (treasury management advisors to the Council). This uses a wide range of market information to produce a list of investment counterparties with recommended maximum investment durations. Capita use credit ratings, support ratings and credit default swap prices to arrive at the recommended counterparty list.

The criteria used as a minimum within the Capita methodology are as follows:

- Short Term credit ratings of F1, Long Term A, Support 3 and viability rating BBB (Fitch or equivalent rating), using the lowest common denominator principle.
- Inclusion of part Government owned UK banks, based on support assumptions.

The full Investment Strategy for 2016/17 was approved by full Council on 1st March 2016.

The following analysis summarises the Council's potential maximum exposure to credit risk, based on experience of default assessed by the Fitch credit rating agency and the Council's experience of its customer collection levels over the last five financial years, adjusted to reflect current market conditions:

	Carrying Values at 31/03/17	Historical experience of default**	Adjustment for market conditions at 31/03/17	Estimated maximum exposure to default
	£'000	%	%	£'000
	a	b	c	(a * c)
<u>Deposits with banks and financial institutions</u>				
AAA* rated counterparties (investments up to 1 year)	5,760	0.000%	0.000%	2
AA* rated counterparties (investments up to 1 year)	7,000	0.007%	0.007%	1
A* rated counterparties (investments up to 1 year)	8,000	0.067%	0.067%	5
Other Investments	62	0.150%	0.150%	0
Debtors	17,974	7.17%	7.17%	1,289
	39,164			1,297

*See Glossary for a definition of AAA, AA and A ratings

No breaches of the Council's counterparty criteria occurred during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

Whilst the current credit crisis in international markets has raised the overall possibility of default, the Council maintains strict credit criteria for investment counterparties. As a result of these high credit criteria, historical default rates have been used as a good indicator under these current conditions.

Analysis of Investments by country of origin

		Short term		Long term	
	Principal invested	Fixed rate	Variable rate	Fixed rate	Variable rate
	£'000	£'000	£'000	£'000	£'000
<u>UK Banks & Building Societies</u>					
Lloyds TSB Bank plc	4,000	4,000	0	0	0
Santander	4,000	4,000	0	0	0
<u>UK Money Market Funds</u>					
SLI Ignis MMF	760	0	760	0	0
BNP Paribas MMF	5,000	0	5,000	0	0
<u>UK Local Authorities</u>					
Lancashire County Council	1,000	1,000	0	0	0
Newport City Council	1,000	1,000	0	0	0
Surrey Heath Borough Council	2,000	2,000	0	0	0
Reading Borough Council	2,000	2,000	0	0	0
West Dunbartonshire Council	1,000	1,000	0	0	0
Total Investments	20,760	15,000	5,760	0	0

The Council allows credit for its trade debtors, such that £1,316,843 of the £1,874,457 balance is past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

31/03/16 £'000		31/03/17 £'000	
980	Less than three months	243	
64	Three to six months	245	
75	Six months to one year	187	
592	More than one year	641	
1,711	Total	1,317	

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

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 Management and Investment Strategy reports), as well as through a comprehensive cash flow management system, as required by the 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 follow: -

31/03/16		31/03/17
£'000		£'000
11,234	Less than one year	9,969
223	Between one and two years	217
3,148	Between two and five years	5,342
72,504	More than five years	68,995
87,109	Total	84,523

Market risk

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

- ✓ borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise;
- ✓ borrowings at fixed rates – the fair value of the borrowing liability will fall;
- ✓ investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and
- ✓ investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value in 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 will be reflected in Other Comprehensive Income and Expenditure, unless the investments have been designated as Fair Value through the Comprehensive Income and Expenditure Statement, in which case gains and losses will be posted to the Surplus/Deficit on Provision of Services.

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

If all interest rates had been 1% higher with all other variables held constant the financial effect would be:

2015/16		2016/17	
£'000		£'000	
(288)	Increase in interest receivable on variable rate investments	(250)	
(288)	Impact on Income and Expenditure Account	(250)	
(89)	Share of overall impact credited to the HRA	(94)	
(199)	Share of overall impact credited to the General Fund	(156)	
(288)	Total	(250)	

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

Price risk - The Council does not generally invest in equity shares but does have shareholdings to the value of £0.416m in a number of joint ventures and in local industry. Whilst these holdings are generally illiquid, the Council is exposed to losses arising from movements in the prices of the shares.

As the shareholdings have arisen in the acquisition of specific interests, the Council is not in a position to limit its exposure to price movements by diversifying its portfolio. The majority of the shareholdings are in the Dunham Bridge Company (£0.401m) and Investors in Lincoln (£0.014m). A representative of the Council sits on the Investors in Lincoln Board, enabling the Council to monitor factors that might cause a fall in the value of specific shareholdings.

The shares are all classified as Available-for-Sale, meaning that all movements in price will impact on gains and losses recognised in Other Comprehensive Income and Expenditure.

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

HRA INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDING 31 MARCH 2017

2015/16	Notes	2016/17	2016/17
£'000		£'000	£'000
	Expenditure		
(7,971)	Repairs and Maintenance	(8,072)	
(6,252)	Supervision and Management	(5,946)	
(91)	Rents, rates, taxes and other charges	(109)	
(13,503)	Depreciation, impairment and other adjustments for non-current assets	(2,705)	
(50)	Debt management costs	(9)	
0	Change in Social Housing Discount Factor	42,385	
(293)	Movement in the allowance for bad debts	(292)	
(28,160)	Total Expenditure		25,252
	Income		
28,558	Dwelling rents	28,084	
496	Non-dwelling rents	539	
540	Charges for services and facilities	508	
29,594	Total Income		29,131
1,434	Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement		54,383
(355)	Transfer from HRS		115
1,079	Net Cost for HRA Services		54,498
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement		
1,025	Gain or (loss) on the sale of HRA assets		1,617
(2,352)	Interest payable and similar charges		(2,352)
64	Interest and investment income		76
(1,016)	Pensions interest income on plan assets and interest cost on defined benefit obligation	9	(922)
317	Capital grants and contributions receivable		636
(883)	Surplus or (deficit) for the year on HRA services		53,553

MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT

2015/16 £'000		2016/17 £'000
1,000	Balance on the HRA at the end of the previous year	1,005
(883)	Surplus or (deficit) for year on the HRA Income and Expenditure Statement	53,553
1,272	Adjustments between accounting basis and funding basis under statute	(53,345)
389	Net increase or (decrease) before transfers to or from reserves	208
(384)	Transfers (to) or from reserves	(127)
5	Increase or (decrease) in year on the HRA	81
1,005	Balance on the HRA at the end of the current year	1,087

NOTES TO THE HOUSING REVENUE ACCOUNT

Note 1 – Fixed Assets

The number of dwellings in the Council's housing stock, as at 31 March 2017, totalled 7,747 properties. The type of properties and the period in which they were built, were as follows:

Property Type	<1945 No.	1945-64 No.	1965-74 No.	>1974 No.	TOTAL No.
Low Rise Flats (Blocks up to 2 Storeys)					
1 Bed	43	656	378	359	1,436
2 Bed	5	97	35	42	179
3 Bed	0	0	12	2	14
Sub-Total	48	753	425	403	1,629
Medium Rise Flats (Blocks of 3 up to 5 Storeys)					
1 Bed	1	297	455	382	1,135
2 Bed	0	247	161	188	596
3 Bed	0	15	3	2	20
Sub-Total	1	559	619	572	1,751
High Rise Flats (Blocks of 6 Storeys or more)					
1 Bed	0	57	138	0	195
2 Bed	0	29	72	0	101
Sub-Total	0	86	210	0	296
Houses / Bungalows					
1 Bed	158	145	32	9	344
2 Bed	748	795	101	257	1,901
3 Bed	837	564	72	225	1,698
4 or more Beds	99	22	0	7	128
Sub-Total	1,842	1,526	205	498	4,071
Total Dwellings 31 March 2017	1,891	2,924	1,459	1,473	7,747

Note 2 – Housing Revenue Account Assets Valuation

The Council's in-house Valuation Officers, and the District Valuer, have valued the HRA dwellings, land, and other property in accordance with Royal Institute of Chartered Surveyor guidelines.

The Balance Sheet value of council dwellings is calculated by applying a Social Housing discount factor. This represents the market value for the Council's total housing stock adjusted to reflect the fact that the property is socially rented. This adjustment was increased from 34% to 42% in 2016/17. The discount factor is then applied to the open market or vacant possession value as determined by the District Valuer, as shown below:

	£ 000
Vacant possession value of council dwellings at 31 March 2017	530,326
Balance sheet valuation applying the Social Housing discount factor	222,737

The Balance Sheet value of HRA Assets is as follows:

2015/16		2016/17
£'000		£'000
177,098	Council Dwellings	222,737
11,503	Other Operational Assets	12,798
1,682	Non-Operational Assets	2,567
190,283	Total at 31 March	238,102

Note 3 – Depreciation and Impairment

The Depreciation and Impairment of HRA Assets is as follows:

Depreciation:

2015/16	Operational Assets:	2016/17
£'000		£'000
10,236	Council Dwellings	10,818
243	Other Operational Assets	252
10,479	Total at 31 March	11,070

Impairment:

2015/16	Operational Assets:	2016/17
£'000		£'000
3,301	Revaluation Gains/(Losses)	(50,762)
3,301	Total at 31 March	(50,762)

Note 4 – Major Repairs Reserve

The Major Repairs Reserve is an earmarked reserve to which the Council transfers an amount annually to finance capital expenditure on council dwellings. This amount includes annual depreciation, which is charged to the Housing Revenue Account and then transferred to the Major Repairs Reserve. This may be supplemented by additional revenue contributions from the HRA to support the HRA capital programme. The balance on the Major Repairs Reserve shows the amounts that have yet to be applied to financing.

2015/16		2016/17
£'000		£'000
(8,156)	Balance on 1 April	(6,609)
	Amount transferred from the HRA	
	- Depreciation	
(10,479)	Dwellings	(10,997)
0	Other Assets	0
(1,514)	- Other revenue contributions	(1,097)
(20,149)		(18,703)
13,540	- HRA Capital Expenditure	8,023
(6,609)		(10,680)

Note 5 – Housing Repairs Account

The Housing Repairs Account was set up on 1 April 2001 in order to assist with the longer term planning of repairs and maintenance expenditure. The following analysis details the movement on the Housing Repairs Account during the year.

2015/16 £'000		2016/17 £'000
(750)	Balance on 1 April	(500)
	Expenditure in year	
3,381	Tenant Notified Repairs	3,306
2,197	Void Repairs	2,477
1,450	Servicing Contracts	1,486
559	Painting Programme	479
19	Asbestos Removal/Surveys	13
307	Aids & adaptations	245
33	Decoration Grants	23
25	Other Expenditure	43
7,971		8,072
	Income in year	
(7,956)	Contribution from HRA	(8,072)
250	Contribution to HRA	
0	Stores Contract Refund	(91)
(4)	Contribution from Leaseholders	(11)
(11)	Interest Received in year	(8)
(7,721)		(8,182)
(500)	Surplus Balance on 31 March	(610)

Note 6 – Capital Expenditure in the year

The Housing Revenue Account capital expenditure and sources of funding during the financial year are detailed in the following table:

2015/16 £'000		2016/17 £'000
	Capital investment	
15,300	Property, Plant and Equipment – HRA	10,673
23	Property, Plant and equipment – GF used as council housing	8
54	Intangible Assets	23
50	Revenue Expenditure funded from Capital under Statute	11
15,427		10,715
	Sources of funding	
(1,416)	Capital Receipts	(2,369)
(13,541)	Major Repairs Reserve	(8,024)
(470)	Government grants and other contributions	(322)
(15,427)		(10,715)
0	Balance unfunded at 31 March	0

- * REFCUS is created when expenditure has been incurred on items that are not capitalised as fixed assets and have been financed from capital resources. It is written down to the Housing Revenue Account over an appropriate period, usually in the same year in which the expenditure has been incurred. The total amount of REFCUS is £0.011m for 2016/17 (£0.050m in 2015/16).

Prior to the implementation of HRA Self-financing on 1 April 2012, supported borrowing levels had been issued annually by Central Government, authorising the Council to borrow monies, which were funded by Central Government to cover capital expenditure. Additionally, the Council was able to take out unsupported or prudential borrowing, which must be financed from its own resources. Post self - financing implementation and the end of the housing subsidy system, all borrowing will be prudential borrowing. In 2016/17, there was no prudential borrowing undertaken to fund the HRA capital investment.

Note 7 - Capital Receipts

The cash receipts from the disposal of land, houses and other property within the HRA in the year are summarised as follows:

2015/16 £'000		2016/17 £'000
	Council dwellings -	
(2,227)	- Right to Buy	(2,658)
0	- Discounts repaid	(36)
	Other Receipts -	
0	- Mortgage Property	0
(2,227)		(2,694)
539	Less Pooled (Paid to Central Government)	534
(1,688)	Total	(2,160)

Note 8 - Rent Arrears

During the year 2016/17 total rent arrears decreased by £0.25m or 1.54%, to £1.600m. A summary of rent arrears and prepayments is shown in the following table:

2015/16 £'000		2016/17 £'000
781	Current Tenant Arrears @ 31 March	738
844	Former Tenant Arrears @ 31 March	862
1,625	Total Rent Arrears	1,600
(488)	Prepayments @ 31 March	(582)
1,137	Net Rent Arrears	1,018

A bad debt provision of £0.292m has been made in this year's accounts in respect of potentially non-collectable rent arrears, as detailed above, and associated miscellaneous debts. The value of the bad debt provision held in the Balance Sheet at 31 March 2017 is £1.563m (£1.396m at 31 March 2016).

Note 9 - Pension Costs

In line with the full adoption of IAS 19 'Employee Benefits' the Net Cost of Services includes the cost of retirement benefits when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that is required when determining the movement on the HRA Balance for the year is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the HRA in the Movement on the Housing Revenue Account Statement. The following transactions have been made in the HRA during the year:

2015/16		2016/17	
£'000		£'000	
	HRA Income & Expenditure Statement		
1,361	Current Service Cost	1,303	
0	Past Service Costs	0	
1,016	Net interest expense	922	
2,377	Total	2,225	
(1,281)	Amount to be met from HRA	(1,473)	
1,096	Movement on Pension Reserve	752	

THE COLLECTION FUND STATEMENT FOR THE YEAR ENDED 31 MARCH 2017

2015/16 £'000 Total		2016/17 £'000 Council Tax	2016/17 £'000 NNDR	2016/17 £'000 Total	Note
INCOME					
(35,386)	Council Tax Payers	(37,291)	0	(37,291)	2
(91)	Income from Ministry of Defence	(94)	0	(94)	
(42,459)	Income from Business Ratepayers	0	(43,136)	(43,136)	3
(77,936)		(37,385)	(43,136)	(80,521)	
EXPENDITURE					
Precepts:					
5,637	- City of Lincoln Council	5,916	0	5,916	
24,509	- Lincolnshire County Council	26,239	0	26,239	
4,461	- Police & Crime Comm. Lincolnshire	4,684	0	4,684	
Business Rates:					
21,159	- Payments to Government	0	21,704	21,704	3
16,933	- Payments to City of Lincoln Council	0	17,285	17,285	3
4,233	- Payments to Lincs County Council	0	4,321	4,321	3
149	- Cost of Collection	0	148	148	
Bad and Doubtful Debts					
52	- Provisions	106	95	201	5
369	- Write Offs	109	255	364	
2,913	- Provision for appeals	0	1,384	1,384	5
(806)	Transfer of Collection Fund Surplus	879	(3,466)	(2,587)	4
79,609		37,933	41,726	79,659	
1,673	Deficit / (Surplus) for the year	548	(1,410)	(862)	
COLLECTION FUND BALANCE					
2,137	Balance brought forward at 1 st April	(873)	4,683	3,810	
1,673	Deficit/(Surplus) for the year (as above)	548	(1,410)	(862)	
3,810	Balance carried forward at 31st March	(325)	3,273	2,948	
Allocated to:					
1,733	- City of Lincoln Council	(52)	1,309	1,257	
(157)	- Lincolnshire County Council	(232)	327	95	
(108)	- Police & Crime Comm. Lincolnshire	(41)	0	(41)	
2,342	- Government	0	1,637	1,637	
3,810		(325)	3,273	2,948	

NOTES TO THE COLLECTION FUND

Note 1 - General

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

The Council has a statutory requirement to operate a Collection Fund as a separate account to the General Fund. The purpose of the Collection Fund therefore, is to isolate the income and expenditure relating to Council Tax and National Non-Domestic Business Rates. The administrative costs associated with the collection process are charged to the General Fund.

Collection Fund surpluses declared by the billing authority in relation to Council Tax are apportioned to the relevant precepting bodies in the subsequent financial year. Deficits likewise are proportionately charged to the relevant precepting bodies in the following year. For the City of Lincoln, the Council Tax precepting bodies are Lincolnshire County Council (LCC) and the Police and Crime Commissioner for Lincolnshire (PCCL).

In 2013/14, the local government finance regime was revised with the introduction of the retained business rates scheme. The main aim of the scheme is to give councils a greater incentive to grow businesses in the City. It does, however, also increase the financial risk due to non-collection and the volatility of the NNDR tax base.

The scheme allows the Council to retain a proportion of the total NNDR received. The City of Lincoln share is 40% with the remainder paid to precepting bodies. For the City of Lincoln the NNDR precepting bodies are Central Government (50% share) and LCC (10% share).

NNDR surpluses declared by the billing authority in relation to the Collection Fund are apportioned to the relevant precepting bodies in the subsequent financial year in their respective proportions. Deficits likewise are proportionately charged to the relevant precepting bodies in the following year.

The national code of practice followed by local authorities in England stipulates that a Collection Fund Income and Expenditure account is included in the Council's accounts. The Collection Fund Balance Sheet meanwhile is incorporated into the Council's Balance Sheet.

Note 2 - Council Tax

Council Tax derives from charges raised according to the value of residential properties, which have been classified into 9 valuation bands (A-H) for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by the Council for the forthcoming year and dividing this by the Council Tax base (i.e. the equivalent numbers of Band D dwellings).

The Council Tax base for 2016/17 was 23,244 (22,569 in 2015/16). The increase between financial years is as a result of a combination of new builds and a reduction in the level of Council Tax Discounts and Exemptions. The tax base for 2016/17 was approved at the Executive on 11th January 2016 and was calculated as follows:

Band	Ratio	Dwellings	Equivalent Dwellings after discounts, exemptions and reliefs	Equivalent Band D Dwellings
A Reduced	5/9	0	72	39
A	6/9	26,806	21,975	14,650
B	7/9	8,750	7,459	5,801
C	8/9	4,810	4,251	3,779
D	9/9	2,507	2,272	2,272
E	11/9	1,204	929	1,136
F	13/9	383	355	512
G	15/9	126	115	191
H	18/9	45	9	18
Total		44,631	37,436	28,398
Deduction for Non Collection				(497)
Crown Properties Adjustment				59
Adjusted to Band D Equivalent				27,961
Council Tax Relief Scheme				(4,717)
Tax Base for the Calculation of Council Tax				23,244

Dwellings for residents entitled to 'disabled relief reduction' are reduced to the next lowest band for the calculation of Council Tax. As band 'A' is the lowest band, 'A reduced' has been introduced to give effect to this reduction for those who reside in Band 'A' properties.

Income received from Council Tax payers in 2016/17 was £37.291m (£35.386m in 2015/16).

Note 3 - Income from Business Ratepayers

The Council collects National Non-Domestic Rates (NNDR) for its area based on local rateable values provided by the Valuation Office Agency (VOA) multiplied by a uniform business rate set nationally by Central Government. Historically the total amount due, less certain allowances, was paid to a central pool (the NNDR pool) administered by Central Government, which, in turn, paid to local authorities their

share of the pool, such shares being based on a standard amount per head of the local adult population.

In 2013/14, the administration of NNDR changed following the introduction of a business rates retention scheme which aims to give councils a greater incentive to grow businesses but also increases the financial risk due to volatility and non-collection of rates. Instead of paying NNDR to the central pool, local authorities retain a proportion of the total collectable rates due. In the case of the City of Lincoln the local share is 40%. The remainder is distributed to preceptors and in the case of the City of Lincoln these are 50% Central Government and 10% to Lincolnshire County Council (LCC).

The business rates shares payable for 2016/17 were estimated before the start of the financial year as £21.704m to Central Government, £4.321m to LCC and £17.285m to the City of Lincoln Council. These sums have been paid in 2016/17 and charged to the Collection Fund in year.

When the scheme was introduced, Central Government set a baseline level for each authority identifying the expected level of retained business rates and a top up or tariff amount to ensure that all authorities receive their baseline amount. Tariffs due from authorities payable to Central Government or to Top-up authorities within an NNDR Pooling arrangement are used to finance the top ups to those authorities who do not achieve their targeted baseline funding. City of Lincoln Council was part of the Lincolnshire NNDR Pool in 2016/17 alongside Lincolnshire County Council and five other Lincolnshire District Councils. In 2016/17 the City of Lincoln made a tariff payment from the General Fund to the County Council to value of £12.936m (£12.829m in 2015/16).

The total income from business rate payers collected in 2016/17 was £43.136m (£42.459m in 2015/16).

In addition to the top up/tariff, a 'safety net' figure is calculated at 92.5% of baseline amount which ensures that authorities are protected to this level of Business Rates income (either through support from Central Government if they are not in a NNDR Pool or as first call on gains from pooling if authorities are members of an NNDR Pool). For the City of Lincoln the value of the safety net figure (net of tariff) is £3.229m (£3.202m in 2015/16). The comparison of business rate income to the safety net uses the total income collected from business rate payers and adjusts for losses in collection, losses on appeal, transitional protection payments, the cost of collection and the revision to Small Business Rate Relief and other reliefs not allowed for when the safety net was set. The Council does not qualify for a safety net payment for 2016/17.

In addition to the local management of business rates, authorities are expected to finance appeals made in respect of rateable values as defined by VOA and hence business rates outstanding as at 31st March 2017. As such, authorities are required to make a provision for these amounts. Appeals are charged and provided for in proportion of the precepting shares. The total provision charged to the collection fund for 2016/17 has been calculated at £1.384m (£2.913m in 2015/16).

For 2016/17, the total non-domestic rateable value at the year-end is £105.3m (£105.9m in 2015/16). The national multipliers for 2016/17 were 48.4p for qualifying

Small Businesses, and the standard multiplier being 49.7p for all other businesses (48.0p and 49.3p respectively in 2015/16).

Note 4 - Contributions to Collection Fund Surpluses and Deficits

The Council has a statutory requirement to prepare an estimate each January of the surplus or deficit expected to arise at the end of the financial year. In January 2016 it was estimated that the Collection Fund would have a Council Tax surplus of £0.879m (£1.024m in January 2015) and a Business Rates deficit of £4.267m (£1.830m in January 2015), a combined Collection Fund deficit of £3.388m (£0.806m deficit in January 2015) and so the following amounts were due to or from the preceptors in 2016/17.

2015/16 £'000		2016/17 £'000
568	City of Lincoln Council	1,246
(549)	Lincolnshire County Council	(283)
(128)	Police & Crime Comm. Lincolnshire	(109)
915	Central Government	1,733
806	Total	2,587

Note 5 - Council Tax/NNDR Bad Debt Provision and NNDR provision for valuation appeals – Accounting Policy

The Collection Fund account provides for bad debts on arrears on the basis of prior years' experience and current year's collection rates.

2015/16 £'000		2016/17 £'000
543	Balance at 1 st April	584
(62)	Write-offs during year for previous years	(109)
103	Contributions to provisions during year	215
41	Net Increase / (Decrease) in Provision	106
584	Balance at 31st March	690

The Council's proportion of these write offs and increase in provision are shown below:

2015/16 £'000		2016/17 £'000
88	Balance at 1 st April	93
5	Net Increase / (Decrease) in Provision	16
93	Balance at 31st March	109

The Collection Fund account also provides for bad debts on NNDR arrears.

2015/16 £'000		2016/17 £'000
360	Balance at 1 st April	370
(307)	Write-offs during year for previous years	(255)
317	Contributions to provisions during year	350

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	10	Net Increase in Provision	95
	370	Balance at 31st March	465

The Council's proportion of these write offs and increase in provision are shown below:

2015/16 £'000		2016/17 £'000
145	Balance at 1 st April	148
(123)	Write-offs during year for previous years	(102)
126	Contributions to provisions during year	140
	3 Net Increase in Provision	38
148	Balance at 31st March	186

The Collection Fund account also provides for provision for appeals against the rateable valuation set by the Valuation Office Agency (VOA) not settled as at 31st March 2017.

2015/16 £'000		2016/17 £'000
3,987	Balance at 1 st April	6,900
4,392	Additional Provisions made in year	3,642
(92)	Amounts used in year	(547)
(1,387)	Unused Amounts reversed in year	(1,710)
2,913	Net Increase/(Decrease) in Provision	1,385
6,900	Balance at 31st March	8,285

The Council's proportion of this provision is shown below:

2015/16 £'000		2016/17 £'000
1,595	Balance at 1 st April	2,760
1,757	Additional Provisions made in year	1,457
(37)	Amounts used in year	(219)
(555)	Unused Amounts reversed in year	(684)
1,165	Net Increase/(Decrease) in Provision	554
2,760	Balance at 31st March	3,314

INDEPENDENT AUDITORS' REPORT TO MEMBERS OF CITY OF LINCOLN COUNCIL

Independent auditor's report to the members of City of Lincoln Council

We have audited the financial statements of City of Lincoln Council for the year ended 31 March 2017 on pages 20 to 122. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the members of the Authority, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Finance Officer and auditor

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

Scope of the audit of the financial statements

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

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2017 and of the Authority's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

Matters on which we are required to report by exception

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

- the Annual Governance Statement set out on pages *d* to *e* does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' (CIPFA/SOLACE 2016 Edition); or
- the information given in the Narrative Statement for the financial year for which the financial statements are prepared is not consistent with the financial statements; or
- any matters have been reported in the public interest under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of, the audit; or
- any recommendations have been made under Section 24 of the Local Audit and Accountability Act 2014; or
- any other special powers of the auditor have been exercised under the Local Audit and Accountability Act 2014.

We have nothing to report in respect of these matters.

Conclusion on City of Lincoln's arrangements for securing economy, efficiency and effectiveness in its use of resources

Authority's responsibilities

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

Auditor's responsibilities

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by C&AG in November 2016, as to whether City of Lincoln Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The C&AG determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether City of Lincoln Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

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

Conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2016, we are satisfied that, in all significant respects, City of Lincoln Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

Certificate

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

Andrew Bush

For and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

St Nicholas House

Park Row

Nottingham

NG1 6FQ

29 September 2017

The council's responsibility for sound governance

Scope of responsibility

City of Lincoln Council must ensure that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and used economically, efficiently and effectively. The council also has a duty under the Local Government Act 1999 to secure continuous improvement in the way in which its functions are exercised.

Governance is about how we ensure that we are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. In discharging this overall responsibility, we must put in place proper governance arrangements to manage our affairs. The council must ensure that there is a sound system of governance (incorporating the system of internal control).

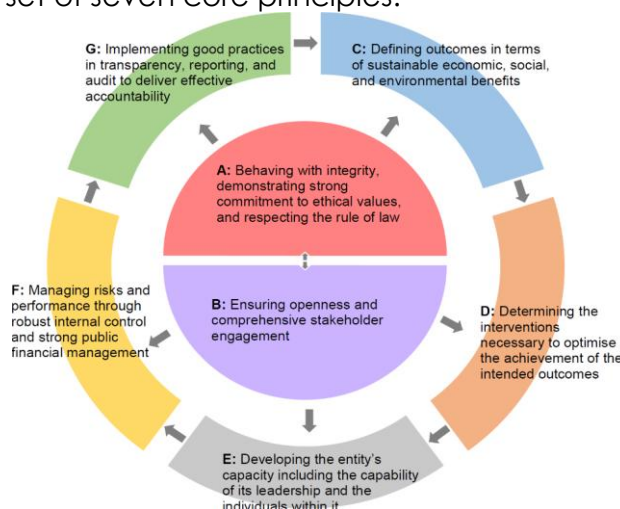
During the latter part of 2016 and early 2017, City of Lincoln Council fundamentally reviewed its governance framework to reflect the new CIPFA/SOLACE Framework *Delivering Good Governance in Local Government (2016)*. The council updated its Code of Corporate Governance in line with the new framework.

How we are meeting these defined responsibilities is detailed in this new Code of Corporate Governance, which is found on our website under your council/information policies & publications/corporate publications. www.lincoln.gov.uk

This Annual Governance Statement details how the city council has complied with its own Code of Corporate Governance over the last year and meets the statutory requirements for all relevant bodies to prepare such a statement.

The new Code of Corporate Governance sets out the documentation, systems and processes by which the authority transparently controls its activities and defines its cultures and values. It enables us to monitor achievement of our strategic objectives and to consider whether these have led to the delivery of appropriate value for money services.

The code is based on a set of seven core principles:



Responsibility rests within a range of areas – the key ones are detailed in the table below:

KEY ELEMENTS OF COUNCIL'S GOVERNANCE FRAMEWORK

Key elements of the governance framework at City of Lincoln Council are summarised below:

Council, Executive, Leader

- ❖ Provide leadership; set, develop and implement policy
- ❖ Ensure the Vision 2020 strategy is taken forward
- ❖ Develop, adopt and implement the budget framework
- ❖ Support the city's diverse communities and neighbourhoods to thrive

Leadership and decision making

- ❖ All decision meetings held in public (except those identified as 'part B')
- ❖ Decisions recorded on the council's public website
- ❖ Resources directed according to priorities as set out in Vision 2020

Risk management

- ❖ Risk registers identify both operational and strategic risks
- ❖ Strategic risks are considered by CMT and Executive every quarter
- ❖ Internal audit provides independent objective assurance

Scrutiny and review

- ❖ Scrutiny committees review council policy and can challenge decisions to hold Executive to account
- ❖ Audit and Performance committees review governance, costs vs budget, risk, internal control and delivery of agreed plans
- ❖ Ethics and Engagement Committee and/or Monitoring Officer deals with complaints about, or suspected breaches of member conduct

Corporate Management Team (CMT)

- ❖ The CX is the Head of Paid Service and is responsible for all council staff and for leading an effective Corporate Management Team (CMT)
- ❖ CMT ensures there is clear accountability for the use of resources in achieving desired outcomes for service users and the community
- ❖ The Chief Finance Officer (CFO) is the council's Section 151 Officer and is responsible for safeguarding the council's financial position and securing value for money. The council's financial management arrangements comply with the governance requirements of the CIPFA Statement on the role of Chief Financial Officer in Local Government (2015)
- ❖ The City Solicitor is the council's Monitoring Officer and is responsible for ensuring legality, good governance and promoting high standards of conduct

Outcomes, Vision, Value for Money

The council's governance arrangements underpin our strategic policies and plans to ensure that the council delivers effective, efficient services for its residents and other stakeholders. 2016/17 saw the last year of a three year delivery plan, the final delivery element of the five year strategic plan which came to a conclusion in March 2017.

Vision 2020 (our new strategic plan) outlines the key achievements in 2016/17 as part of a

full review of achievements over the last 15 years, as well as providing a clear vision for what is to happen in 2017/18 and onwards.

The council has a strong Medium Term Financial Strategy (MTFS) which delivers the best use of current assets, whilst also ensuring that the council maximises the use of available government grants - such as the £11m DFT/GLLEP funding for the Transport Hub, the recent award of £4.2m from the Homes and Communities Agency and the DCLG funding for new starter homes on brownfield sites.

In the following sections, the AGS considers whether the Code has been applied effectively providing commentary on how the framework itself has operated over the last 12 months.

CORE PRINCIPLE A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

Ethical values, standards and formal codes of conduct are defined in the council's constitution and form the basis for developing our policies, procedures and actions as well as for the behaviour of our members and staff. We have appropriate processes in place to ensure that members and staff are not influenced by prejudice, bias or conflicts of interest when engaging and making decisions with stakeholders, as well as effective systems to protect the staff rights.

All council decisions consider legal and equality implications with support from Legal Services.

Our Audit Committee (which includes an independent member) provides assurance on the adequacy of the internal control environment, by ensuring high standards of conduct are embedded within the council's culture, monitoring governance issues raised and overseeing internal and external audit arrangements.

Activity within Principle A in 2016/17:

- The new Code of Corporate Governance was adopted by Executive – 20th March 2017
- The council has new core values – to be approachable, trusted to deliver & innovative
- Counter Fraud Strategy/action plan and other counter fraud policies have been reviewed. The council is involved with the National Fraud Initiative and has a close working relationship with Department for Work & Pensions for Housing Benefit fraud.
- We have updated the Contract Procedure Rules – Executive 27th February 2017
- Note that the Select Committee should have sat as the "Crime & Disorder Committee" in 2015, but failed to do so. This was rectified late 2016 and is in place for 2017

Proposed activity for the coming year:

- Further counter fraud policies / strategies will be reviewed and updated
- Continued monitoring of outstanding information management actions to meet GDPR
- Complete the review of the Financial Procedure Rules
- Completion of the information asset database within the 'IMPS' monitoring system

CORE PRINCIPLE B: Ensuring openness and comprehensive stakeholder engagement

The council makes sure our partners, in the private, public and voluntary sector as well individual citizens and service users are engaged in and have full access to information relating to decisions made. We expect reports to decision makers to be open, provide all the necessary material to ensure informed decisions in the best interests of the city and communities, and to have engaged stakeholders and service users in arriving at proposals under consideration.

Activity within Principle B in 2016/17:


- Vision 2020 was consulted on (Aug/Sept 2016) prior to agreement of strategic priorities. Feedback resulted in changes to strategic priorities and prioritisation of projects
- Businesses have been engaged in a Growth Forum – September 2016
- Consultation was conducted in January 2017 on the proposed MTFs for 2017-22
- Partners engaged with our anti-poverty work took part in a conference in March 2017 which resulted in the 2017/18 action plan for this area
- Residents, partners and voluntary sectors organisations were invited to provide views to the LGA peer challenge team on relationships and involvement with the city council
- The council has increased its use of social media to enhance its communications reach

Proposed activity for the coming year:

- Completion of guidance for staff on best practice principles for consultation
- Growth conference planned for early February 2018
- Development of a Social Policy Conference in March 2018 to bring in more partners to seek their views on a specific area of focus under the 'Let's reduce inequality' priority

CORE PRINCIPLE C: Defining outcome in terms of sustainable economic, social, and environmental benefits

Vision 2020 is a three year strategy and delivery plan, developed using an evidence base from the Lincoln City Profile and following wide consultation, with an inclusive vision to deliver Lincoln's ambitious future. It highlights four priorities for the city, acknowledging that the council cannot deliver everything needed by itself and must work in partnership and collaboration to achieve these ambitious plans. These are:

- | | |
|---|--|
|  Let's drive economic growth |  Let's reduce inequality |
|  Let's deliver quality housing |  Let's enhance our remarkable place |

These are underpinned by the need to deliver 'Professional high performing services'

Progress towards achieving the vision, aligned with the key priorities, will be reported to and monitored by senior management and elected members. Service areas within directorates, and under the guidance of assistant directors, are responsible for delivering individual projects to agreed timescales and budgets, with consideration for economic, social and environmental benefits which collectively will achieve our priorities.

Activity within Principle C in 2016/17:

- Approval of the Vision 2020 three year strategic plan in January 2017
- Approval of the MTFs which is a financial representation of the council's Vision 2020
- Significant progress on the Transport Hub which will become the 'Gateway to

Lincoln'

- Completion of a place strategy for Park Ward, highlighted as an area for regeneration.
- Commencement of the Boultham Park project utilising Heritage Lottery funding
- Alterations to City Hall to take it from a 'D' rated Energy Certificate to a 'C' rating

Proposed activity for the coming year:

- Completion and opening of the Transport Hub in February 2018
- Further develop plans for the Western Growth Corridor in partnership
- Plans for regeneration of the Park Ward area of the city
- Refresh the Low Carbon Lincoln Strategy and action plan

CORE PRINCIPLE D: Determining the interventions necessary to optimise the achievement of the intended outcomes

The council clearly defines its priorities and plans which are aimed at delivering the outcomes it intends. Service plans are in place for all directorates with key projects listed separately. All projects are subject to the Lincoln Project Management Model (LPMM), through which we continuously assess the risks of not fully delivering plans and ensure that there are mitigating actions in place to support the achievement of intended outcomes.

The council's financial management arrangements ensure that there is adequate resource available to deliver plans. The council reviews progress against delivering those outcomes through its performance management framework.

Activity within Principle D in 2016/17:

- Review of the CMT decision making process around strategic plan projects
- Implementation of new senior management led 'Vision Groups' specifically tasked with ensuring the planned programme is progressed to schedule and budget
- Transform the TFS Board into the High Performing Services Board from May 2017
- The LPMM has been updated to include the 'Risk Appetite' method of managing risk
- Services Managers Forum was established and has been active since November 2016
- 'Top 30' projects identified by CMT as key projects to be progressed through 2017

Proposed activity for the coming year:

- Service Managers to conduct a review of the activities operated within the Strategic Plan Implementation Team (SPIT) to ensure all relevant activities are maintained and consistent. This will include consideration of how compliance with the Lincoln Project Management Model will be maintained.
- Annual reports to Performance Scrutiny on each 'Vision Theme' including HPS

CORE PRINCIPLE E: Developing the entity's capacity, including the capability of its leadership and the individuals within it

The council ensures a management structure that provides leadership and creates the opportunity for staff to work effectively and efficiently to achieve the council objectives. A newly developed People Strategy will ensure the workforce has the necessary skills and behaviours to deliver the vision for the city, and is effectively engaged to champion the council's priorities. Partnership working extends the capacity for key projects beyond the council's own resource and is embedded within the Vision 2020 objectives.

Activity within Principle E in 2016/17:

- Roll out of People Strategy demonstrating plans to develop capability and capacity
- A review of senior management structure resulted in the creation of a new Directorate for Major Developments - to oversee key development projects
- A further raft of HR policies have been reviewed with the remainder planned for 2017
- Leadership development programme rolled out through 2016/17 (CMT/AD's/SM's)
- New appraisal format includes mandatory appraisals during the period April- June, collation of personal development plans and a review of Job responsibilities

Proposed activity for the coming year:

- Coaching programme commissioned for senior management and service managers
- Staff satisfaction survey planned for 2017

CORE PRINCIPLE F: Managing risks and performance through robust internal control and strong public financial management

The council recognises the need to implement an effective performance management system that will allow us to deliver services effectively and efficiently. We understand that risk management, internal control and strong financial management are essential for us to achieve our objectives and we have put appropriate arrangements in place.

Activity within Principle F in 2016/17:

- The roll out of the new risk process 'Risk Appetite' methodology and toolkit. Training of all service managers and project managers completed
- The Annual Audit Letter issued an unqualified conclusion on the authority's arrangements to secure value for money (VFM conclusion) for 2015/16 on 30/9/16
- Continuation of a position to review compliance to data protection and an audit on data management. All services have been reviewed and have agreed an action plan
- Reductions in the central government revenue support grant (RSG) have been mitigated by a successful savings programme
- A positive external peer review report concluded that the council's MTFS is stable with strong delivery of savings targets and a focus on prudent/sustainable financial management

Proposed activity for the coming year:

- Complete the business continuity work which is the last part of the revised disaster recovery plan
- The introduction of NETconsent to minimise the risk of non-compliance to policy
- Development of a three-year plan for income generating opportunities
- Partnership guidance to be updated and re-issued - AD's to develop a list of ALL partnerships/joint working in their areas as a minimum
- Increase the level of purchase order usage across the authority to ensure full control

CORE PRINCIPLE G: Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

The council recognises that effective accountability is concerned not only with reporting on actions completed but ensuring stakeholders are able to understand and respond as the council plans and carries out its activities in an open, transparent and proportionate manner.

Performance is managed under the principles of the Performance Management Framework

Activity within Principle G in 2016/17:

- Improvements made to the website, including more self-serve options – through 2016
- The Internal Audit team underwent an external assessment to ensure compliance with the public sector internal audit standards – there were no areas of non-compliance
- Targets added to a subset of 28 strategic performance measures, so they can be monitored against both continuous improvement and specified targets
- Performance management is linked more closely to Vision 2020 through appraisals

Proposed activity for the coming year:

- New targets on all Vision 2020 projects are in process of being developed

Review of effectiveness of the governance framework

We undertook an assessment of the council's governance framework during 2016/17 - summary details are outlined above.

We reviewed key governance areas and assurances to identify any significant governance issues, these are detailed below in section 5.

Level of assurance provided

We can provide a high level of assurance that the governance arrangements operating at City of Lincoln Council, in line with our Code of Corporate Governance are appropriate, fit for purpose and working well in practice.

Status of significant governance issues monitored from 2015-16

The council has regularly monitored its 2015-16 significant governance issues through senior management and the Audit Committee:

Issues that have been significantly progressed and now can be removed:

- Health & Safety – Framework for risk assessment: The central register is now live and all training needs have been undertaken. An internal audit on the H&S development plan gave a substantial assurance. This risk was confirmed green at Audit committee 4th April 2017
- Health & Safety – Responsible officers (RO): The RO manual and procedures have been updated and responsible officer duties are being undertaken. All RO's were identified and most have had this responsibility inserted into their job description.

The remaining issues continue to be addressed through the ongoing report – see section 5

Significant governance issues identified from 2016-17**Current significant issues that will remain a focus for 2017/18**

- **Information Management:** During 2016/17 significant progress has been made on

delivering the Information Management training programme – but it is still not yet quite complete, although this is now expected to be completed by July 2017. We need to ensure we comply with the General Data Protection Regulation (GDPR) by May 2018.

- **IT disaster recovery:** Arrangements to cover major events are well underway with a secondary ICT location established and tested and fully functional at Hamilton House. A draft ICT Disaster Recovery Plan has been written and is now being tested against Corporate Business Continuity plans. The final plan needs to be agreed by the Business Continuity Group to complete this exercise.

New significant issues identified

- No new significant issues have been identified

Other areas to retain a focus on – but are not considered significant issues yet

- The council has little experience of the process of setting up a new partnership company (solely owned or a joint venture) and care needs to be taken to select the right governance framework arrangements, ensuring appropriate formal legalities and financial aspects are in place.
- Project management monitoring arrangements are currently under review. Any changes will need to include a mechanism to ensure ongoing compliance with the Lincoln Project Management Model

Conclusion

The council's governance arrangements are under continual review and refinement. The council will monitor improvement plans for its significant governance issues quarterly and report progress in the next annual review.

Signed

Leader (Cllr Ric Metcalfe) **Date:**

Signed

Chief Executive (Mrs Angela Andrews) **Date:**

AAA FITCH RATING

Highest credit quality - 'AAA' ratings denote the lowest expectation of credit risk. They are assigned only in case of exceptionally strong capacity for timely payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events.

AA FITCH RATING

Very high credit quality - 'AA' ratings denote a very low expectation of credit risk. They indicate very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.

A FITCH RATING

High credit quality - 'A' ratings denote a low expectation of credit risk. The capacity for timely payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to changes in circumstances or in economic conditions than is the case for higher ratings.

ACCOUNTING PERIOD

The period of time covered by the accounts, normally a period of twelve months commencing on 1 April. The end of the accounting period is the Balance Sheet date.

ACCRUALS

Sums included in the final accounts to recognise revenue and capital income and expenditure earned or incurred in the financial year, but for which actual payment had not been received or made as at 31 March.

ACTUARIAL GAINS AND LOSSES

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

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

ASSET

An item having value to the Council in monetary terms. Assets are categorised as either current or fixed:

- A current asset will be consumed or cease to have material value within the next financial year (e.g. cash and stock);
- A fixed asset provides benefits to the Council and to the services it provides for a period of more than one year and may be tangible e.g. a community centre, or intangible, e.g. computer software licences.

AUDIT OF ACCOUNTS

An independent examination of the Council's financial affairs.

BALANCE SHEET

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

BORROWING

Government support for capital investment is described as either Supported Capital Expenditure (Revenue) known as SCE(R) or Supported Capital Expenditure (Capital Grant) known as SCE(C). SCE can be further classified as either Single Capital Pot (SCP) or ring-fenced.

BUDGET

The forecast of net revenue and capital expenditure over the accounting period.

CAPITAL EXPENDITURE

Expenditure on the acquisition of a fixed asset, which will be used in providing services beyond the current accounting period, or expenditure which adds to and not merely maintains the value of an existing fixed asset.

CAPITAL FINANCING

Funds raised to pay for capital expenditure. There are various methods of financing capital expenditure including borrowing, leasing, direct revenue financing, usable capital receipts, capital grants, capital contributions, revenue reserves and earmarked reserves.

CAPITAL PROGRAMME

The capital schemes the Council intends to carry out over a specific period of time.

CAPITAL RECEIPT

The proceeds from the disposal of land or other fixed assets. Proportions of capital receipts can be used to finance new capital expenditure, within rules set down by the Government but they cannot be used to finance revenue expenditure.

CLAW-BACK

Where average council house rents are set higher than the Government's prescribed average limit rent, used in the calculation of rent rebates, the percentage difference reduces the amount of rent rebate subsidy due to the Council, i.e. it is "clawed-back" by the Government.

CIPFA

The Chartered Institute of Public Finance and Accountancy.

COLLECTION FUND

A separate fund that records the income and expenditure relating to Council Tax and non-domestic rates.

COMMUNITY ASSETS

Assets that the Council intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and historical buildings.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

CONSISTENCY

The concept that the accounting treatment of like items within an accounting period and from one period to the next are the same.

CONTINGENT ASSET

A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control.

CONTINGENT LIABILITY

A contingent liability is either:

- A possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control; or
- A present obligation arising from past events where it is not probable that a transfer of economic benefits will be required, or the amount of the obligation cannot be measured with sufficient reliability.

CORPORATE AND DEMOCRATIC CORE

The corporate and democratic core comprises all activities that local authorities engage in specifically because they are elected, multi-purpose authorities. The costs of these activities are thus over and above those which would be incurred by a series of independent single purpose, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs to services.

CREDITOR

Amount owed by the Council for work done, goods received or services rendered within the accounting period, but for which payment has not been made by the end of that accounting period.

CURRENT SERVICE COST (PENSIONS)

The increase in the present value of a defined benefits pension scheme's liabilities, expected to arise from employee service in the current period.

DEBTOR

Amount owed to the Council for works done, goods received or services rendered within the accounting period, but for which payment has not been received by the end of that accounting period.

DEFERRED CHARGES

Expenditure which can be properly deferred (i.e. treated as capital in nature), but which does not result in, or remain matched with, a tangible asset. Examples of deferred charges are grants of a capital nature to voluntary organisations.

DEFINED BENEFIT PENSION SCHEME

Pension schemes in which the benefits received by the participants are independent of the contributions paid and are not directly related to the investments of the scheme.

DEPRECIATION

The measure of the cost of wearing out, consumption or other reduction in the useful economic life of the Council's fixed assets during the accounting period, whether from use, the passage of time or obsolescence through technical or other changes.

DISCRETIONARY BENEFITS (PENSIONS)

Retirement benefits, which the employer has no legal, contractual or constructive obligation to award and are awarded under the Council's discretionary powers such as the Local Government (Discretionary Payments) Regulations 1996.

EQUITY

The Council's value of total assets less total liabilities.

EVENTS AFTER THE BALANCE SHEET DATE

Events after the Balance Sheet date are those events, favourable or unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts is authorised for issue.

EXCEPTIONAL ITEMS

Material items which derive from events or transactions that fall within the ordinary activities of the Council and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

EXPECTED RETURN ON PENSION ASSETS

For a funded defined benefit scheme, this is the average rate of return, including both income and changes in fair value but net of scheme expenses, which is expected over the remaining life of the related obligation on the actual assets held by the scheme.

EXTRAORDINARY ITEMS

Material items, possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the Council and which are not expected to recur. They do not include exceptional items, nor do they include prior period items merely because they relate to a prior period.

FAIR VALUE

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.

FINANCE LEASE

A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.

GOING CONCERN

The concept that the Statement of Accounts is prepared on the assumption that the Council will continue in operational existence for the foreseeable future.

GOVERNMENT GRANTS

Grants made by the Government towards either revenue or capital expenditure in return for past or future compliance with certain conditions relating to the activities of the Council. These grants may be specific to a particular scheme or may support the revenue spend of the Council in general.

HOUSING BENEFITS

A system of financial assistance to individuals towards certain housing costs administered by authorities and subsidised by Central Government.

HOUSING REVENUE ACCOUNT (HRA)

A separate account to the General Fund, which includes the income and expenditure arising from the provision of housing accommodation by the Council.

IMPAIRMENT

A reduction in the value of a fixed asset to below its carrying amount in the Balance Sheet.

INCOME AND EXPENDITURE ACCOUNT

The revenue account of the Council that reports the net cost for the year of the functions for which it is responsible and demonstrates how that cost has been financed from precepts, grants and other income.

INFRASTRUCTURE ASSETS

Fixed assets belonging to the Council that cannot be transferred or sold, on which expenditure is only recoverable by the continued use of the asset created. Examples are highways, footpaths and bridges.

INTANGIBLE ASSETS

An intangible (non-physical) item may be defined as an asset when access to the future economic benefits it represents is controlled by the reporting entity. This Council's intangible assets comprise computer software licences.

INTEREST COST (PENSIONS)

For a defined benefit scheme, the expected increase during the period of the present value of the scheme liabilities because the benefits are one period closer to settlement.

INVESTMENTS (PENSION FUND)

The investments of the Pension Fund will be accounted for in the statements of that fund. However, authorities are also required to disclose, as part of the disclosure requirements relating to retirement benefits, the attributable share of the pension scheme assets associated with their underlying obligations.

LIABILITY

A liability is where the Council owes payment to an individual or another organisation.

- A current liability is an amount which will become payable or could be called in within the next accounting period, e.g. creditors or cash overdrawn.
- A deferred liability is an amount which by arrangement is payable beyond the next year at some point in the future or to be paid off by an annual sum over a period of time.

LIQUID RESOURCES

Current asset investments that are readily disposable by the Council without disrupting its business and are either:

- Readily convertible to known amounts of cash at or close to the carrying amount; or
- Traded in an active market

LONG-TERM CONTRACT

A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or a combination of assets or services which together constitute a single project), where the time taken to substantially complete the contract is such that the contract activity falls into more than one accounting period.

MATERIALITY

The concept that the Statement of Accounts should include all amounts which, if omitted or mis-stated, could be expected to lead to a distortion of the financial statements and ultimately mislead a user of the accounts.

MINIMUM REVENUE PROVISION (MRP)

The minimum amount which must be charged to the revenue account each year in order to provide for the repayment of loans and other amounts borrowed by the Council.

NET BOOK VALUE

The amount at which fixed assets are included in the Balance Sheet, i.e. their historical costs or current value less the cumulative amounts provided for depreciation.

NET DEBT

The Council's borrowings less cash and liquid resources.

NON-DISTRIBUTED COSTS

These are overheads for which no user now benefits and as such are not apportioned to services

NATIONAL NON-DOMESTIC RATES (NNDR)

The National Non-Domestic Rate is a levy on businesses, based on a national rate in the pound set by the Government and multiplied by the assessed rateable value of the premises they occupy. It is collected by the Council on behalf of Central Government and then redistributed back to support the cost of services.

NON-OPERATIONAL ASSETS

Fixed assets held by the Council but not directly occupied, used or consumed in the delivery of services. Examples are investment properties, assets under construction or assets surplus to requirements pending sale or redevelopment.

OPERATING LEASE

A lease where the ownership of the fixed asset remains with the lessor.

OPERATIONAL ASSETS

Fixed assets held and occupied, used or consumed by the Council in the pursuit of its strategy and in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

PAST SERVICE COST (PENSIONS)

For a defined benefit pension scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to retirement benefits.

PENSION SCHEME LIABILITIES

The liabilities of a defined benefit pension scheme for outgoings due after the valuation date. Scheme liabilities measured during the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

PRECEPT

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

PRIOR YEAR ADJUSTMENT

Material adjustments applicable to previous years arising from changes in accounting policies or from the correction of fundamental errors. This does not include normal recurring corrections or adjustments of accounting estimates made in prior years.

PROVISION

An amount put aside in the accounts for future liabilities or losses which are certain or very likely to occur but the amounts or dates of when they will arise are uncertain.

PUBLIC WORKS LOAN BOARD (PWLb)

A Central Government Agency, which provides loans for one year and above to authorities at interest rates only slightly higher than those at which the Government can borrow itself.

RATEABLE VALUE

The annual assumed rental of a hereditament, which is used for NNDR purposes.

RELATED PARTIES

There is a detailed definition of related parties in FRS 8. For the Council's purposes related parties are deemed to include the Council's members, the Chief Executive, its Directors and their close family and household members.

RELATED PARTY TRANSACTIONS

The Code requires the disclosure of any material transactions between the Council and related parties to ensure that stakeholders are aware when these transactions occur and the amount and implications of such.

REMUNERATION

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

RESERVES

The accumulation of surpluses, deficits and appropriations over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Council. Some capital reserves such as the fixed asset restatement account cannot be used to meet current expenditure.

RESIDUAL VALUE

The net realisable value of an asset at the end of its useful life.

RETIREMENT BENEFITS

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment.

REVENUE EXPENDITURE

The day-to-day expenses of providing services.

REVENUE SUPPORT GRANT

A grant paid by Central Government to authorities, contributing towards the general cost of their services.

STOCKS

Items of raw materials and stores a Council has procured and holds in expectation of future use. Examples are consumable stores, raw materials and products and services in intermediate stages of completion.

TEMPORARY BORROWING

Money borrowed for a period of less than one year.

TRUST FUNDS

Funds administered by the Council for such purposes as prizes, charities, specific projects and on behalf of minors.

USEFUL ECONOMIC LIFE (UEL)

The period over which the Council will derive benefits from the use of a fixed asset.

WORK IN PROGRESS (WIP)

The cost of work performed on an uncompleted project at the Balance Sheet date, which should be accounted for.