Lincolnshire County Council Statement of Accounts

2018-19

Lincolnshire
COUNTY COUNCIL
Working for a better future

Contents

Introduction to the Accounts

The Statement of Accounts for the year 2018-19 is set out on pages 18 to 21.

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

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

Content

Narrative Report

This provides a general introduction to the Accounts, initially focusing on explaining the more significant features of the Council's financial activities during the period 1 April 2018 to 31 March 2019, including a review of non-financial performance and an assessment of future financial and economic developments that could affect the Council. Together these statements provide evidence of the economy, efficiency and effectiveness of the Council's use of resources over the financial year.

The Statement of Responsibilities for the Statement of Accounts

This details the financial responsibilities of the Council and the Executive Director of Resources.

Comprehensive Income and Expenditure Statement for the period 1 April 2018 to 31 March 2019

The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Movement in Reserves Statement and the Expenditure and Funding Analysis.

Movement in Reserves Statement for the period 1 April 2018 to 31 March 2019

The Movement in Reserves Statement shows the movement from the start of the year to the end on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Statement shows how the movements in year of the authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the four statutory adjustments required to return to the amounts chargeable to council tax for the year. The Net Increase/Decrease line shows the statutory General Fund Balance and movement in the year following those adjustments.

Balance Sheet as at 31 March 2019

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

Cash Flow Statement for the period 1 April 2018 to 31 March 2019

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

Notes to the Accounts

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

The Lincolnshire Fire and Rescue Pension Fund Account

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

The Lincolnshire Pension Fund Account

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

Audit Opinions

This contains the External Auditor's report and opinion and covers the County Council Financial Statements, Lincolnshire County Council Pension Fund and the Lincolnshire Fire and Rescue Pension Fund. There are two aspects to the opinion, one on the Statement of Accounts and one on the Council's arrangements for securing value for money.

Annual Governance Statement

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

Narrative Report

1. Introduction

Welcome to Lincolnshire County Council's Statement of Accounts for the financial year 1st April 2018 to 31st March 2019. This Narrative Report to the accounts provides background information about Lincolnshire County Council, highlights key financial information in the accounts, reviews performance in the year and explains any significant areas of risk and opportunity for the Council. It then looks forward to the future to give a flavour of what to expect in 2019/20 and beyond.

The accounts themselves, which follow this Narrative Report, provide information about the Council's financial performance during 2018/19 and about the Council's financial position as at 31st March 2019. The Statement of Accounts is prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and the main elements of the accounts are shown in the table of contents on pages 2 and 3. This means that almost all of the information reported in these accounts follows generally accepted accounting principles and provides a consistent basis upon which to compare 2018/19 with 2017/18. In addition to this, the Council reports internally to its leadership team on financial performance against the annual budget. Information about performance against the annual budget is included in this Narrative Report within section three and is also shown in the Expenditure and Funding Analysis within the Statement of Accounts on page 57.

2. About Lincolnshire County Council

Lincolnshire is an English County Council in the East Midlands region. It is one of the largest counties in the UK in terms of its area but has a relatively low population of around 751,000. There is one city in Lincolnshire, which is Lincoln; seven districts and a number of towns. Lincolnshire has a North Sea coast and is a mainly flat county with rich arable land. In terms of its economy, Lincolnshire is the nation's largest arable and horticulture producer (it is a predominantly rural county). Due to its historic sites, extensive countryside and seaside resorts, Lincolnshire also has a thriving visitor economy, although the latest Index of Multiple Deprivation data shows that Lincolnshire was the fourth most deprived County Council in England.

Lincolnshire County Council is a local government body with seventy elected members and operates a "Leader and Executive" model of decision making. The Executive makes the decisions that deliver the budget and policy framework of the Council and there are a number of committees which scrutinise decisions made by the Executive and hold members of the Executive to account.

The Council's vision is to work for a better future by building on our strengths, protecting lifestyles and being ambitious for the future. The Council operates a Commissioning model to deliver services, which means that related services across the Council work together to achieve the Council's objectives. During 2018/19 services were divided between four Executive Directors with responsibility for delivering strategies and plans within their areas. The four areas are Children's Services; Adult Care and Community Wellbeing; Place and Finance and Public Protection.

Services are delivered to Lincolnshire's residents, businesses and visitors by the Council's staff, its partners and by the Council's suppliers through commissioning strategies. The Council has policies in place to support the delivery of high quality services, for example by ensuring that staff are appropriately qualified and skilled; by ensuring that governance arrangements are in place to quality assure our partner organisations; and by ensuring that our purchasing practices result in the selection of high quality suppliers.

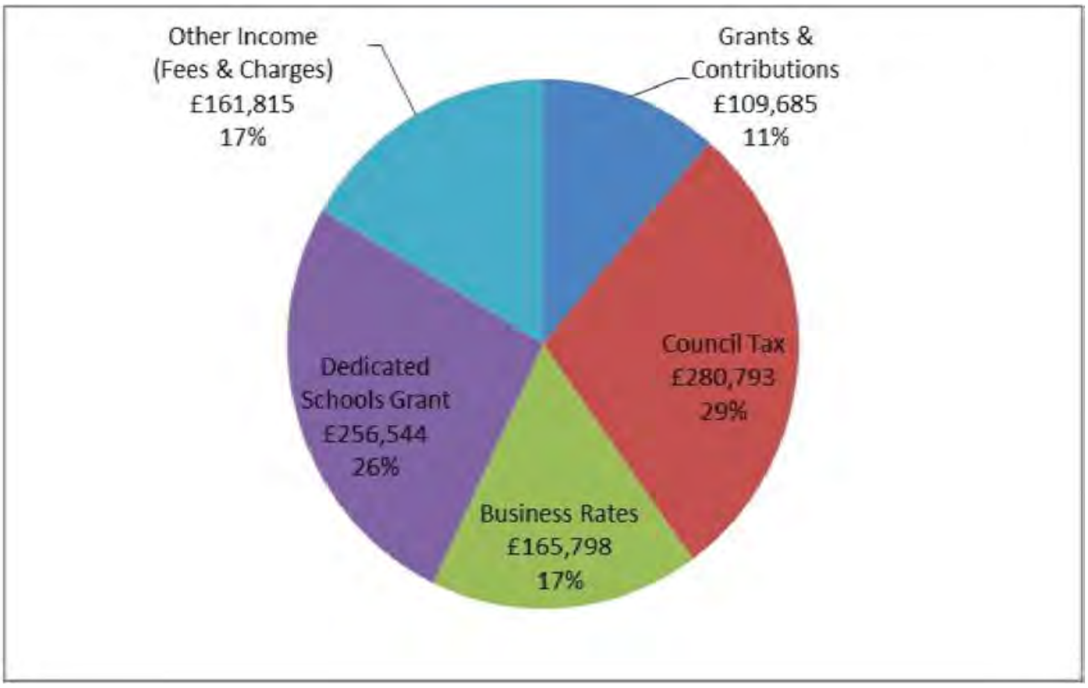
3. Financial Highlights

There are four core financial statements within this Statement of Accounts, which provide a summary of the Council's financial performance and financial position at the end of the year. These statements can be found on pages 18 to 21 and are supported by comprehensive disclosure notes which give more detail on the Council's material transactions during the year.

The Council's Income

The Council's services are funded by various sources of income. The most significant of these are: Council Tax; Business Rates; Fees and Charges for Services and specific Government Grants. Further detail on Government Grants can be found in Note 38 to the accounts. The Council, along with its District Council partners and North Lincolnshire Council, was in a Business Rates Pilot in 2018/19. This pilot status allowed for 100% of any Business Rates growth in the year to be retained within Lincolnshire as opposed to the usual 50% retention of gains from growth. The gain to the Council from being in this one year pilot was £10.010m which will be incorporated into the Business Rates Collection Fund and paid over to the Council in 2019/20. Pilot status also meant that Revenue Support Grant, which is the general grant funding from government which the Council receives annually, was amalgamated with Business Rates Top-up grant this year. In 2018/19 the Council increased Council Tax by 4.95% and also saw growth of 1.27% on the number of band D equivalent properties in Lincolnshire. This in total generated additional income for the Council of £16.440m. The Council Tax collection funds in Lincolnshire also generated a surplus in 2018/19, of a further £2.641m to the County Council. In total, funding in 2018/19 amounted to £974.636m (£936.491m in 2017/18). The following pie chart shows the amounts and proportion received from each main source of funding:

Sources of Income Analysis 2018/19 £'000 (£974,636)



The Council's Expenditure

The Council planned to use its resources for the year as set out in the table below (Revised Net Revenue Budget column). The rows in the table show each of the Council's Commissioning Strategies in line with the Commissioning model described in section two. The table below also shows actual net expenditure and the variance, or difference, between planned and actual use of resources in the year. A detailed explanation of the differences between planned and actual spending can be found in the "Review of Financial Performance 2018/19" report to the Executive on 9 July 2019 but the most significant differences are explained below the table.

Revenue Budget Outturn Position 2018/19 £000's

	Revised Net Revenue Budget £'000	Expenditure £'000	Under or Over Spending £'000	Percentage Under or Over Spent %
COMMISSIONING STRATEGIES				
Readiness for School	5,186	**4,601**	(585)	(11.3)%
Learn & Achieve	34,926	**36,226**	1,299	3.7%
Readiness for Adult Life	6,719	**5,786**	(932)	(13.9)%
Children are Safe and Healthy	64,640	**64,088**	(552)	(0.9)%
Adult Safeguarding	4,502	**4,972**	470	10.4%
Adult Frailty & Long Term Conditions	113,764	**110,623**	(3,141)	(2.8)%
Carers	2,519	**2,483**	(37)	(1.5)%
Adult Specialities	66,728	**67,417**	689	1.0%
Wellbeing	26,922	**26,920**	(1)	(0.0)%
Community Resilience & Assets	10,171	**10,023**	(148)	(1.5)%
Sustaining & Developing Prosperity Through Infrastructure	40,334	**40,745**	410	1.0%
Protecting & Sustaining the Environment	23,086	**21,960**	(1,126)	(4.9)%
Sustaining & Growing Business & the Economy	1,248	**1,290**	42	3.4%
Protecting The Public	24,768	**24,679**	(89)	(0.4)%
How We Do Our Business	7,755	**7,159**	(597)	(7.7)%
Enablers & Support To Council's Outcomes	42,655	**38,340**	(4,316)	(10.1)%
Public Health Grant Income	(32,662)	**(32,662)**	0	0.0%
Better Care Funding Income	(40,044)	**(40,060)**	(16)	0.0%
Enablers & Support To Key Relationships (Devolution)	15	**(15)**	(30)	(200.0)%
TOTAL COMMISSIONING STRATEGIES	**403,233**	**394,574**	**(8,659)**	**(2.15)%**
Other Budgets	59,602	**53,789**	(5,813)	(10.04)%
Schools Budgets (Other Funding)	15,721	**(5,279)**	(21,000)	(133.58)%
TOTAL EXPENDITURE	**478,555**	**443,084**	**(35,472)**	**(7.41)%**
TOTAL INCOME	**(454,426)**	**(456,639)**	**(2,212)**	**0.49%**
TOTAL USE OF RESERVES	**(24,129)**	**(23,279)**	**850**	**(3.52)%**
TOTAL	**(0)**	**(36,834)**	**(36,834)**	

Other Budgets underspent by £5.813m. There were two significant variances within this figure, firstly an underspend on capital financing charges due to a corresponding underspend on the capital programme (£9.588m), and secondly a shortfall in the value of transformational revenue projects to be funded by capital receipts which equated to an overspend of £4.211m.

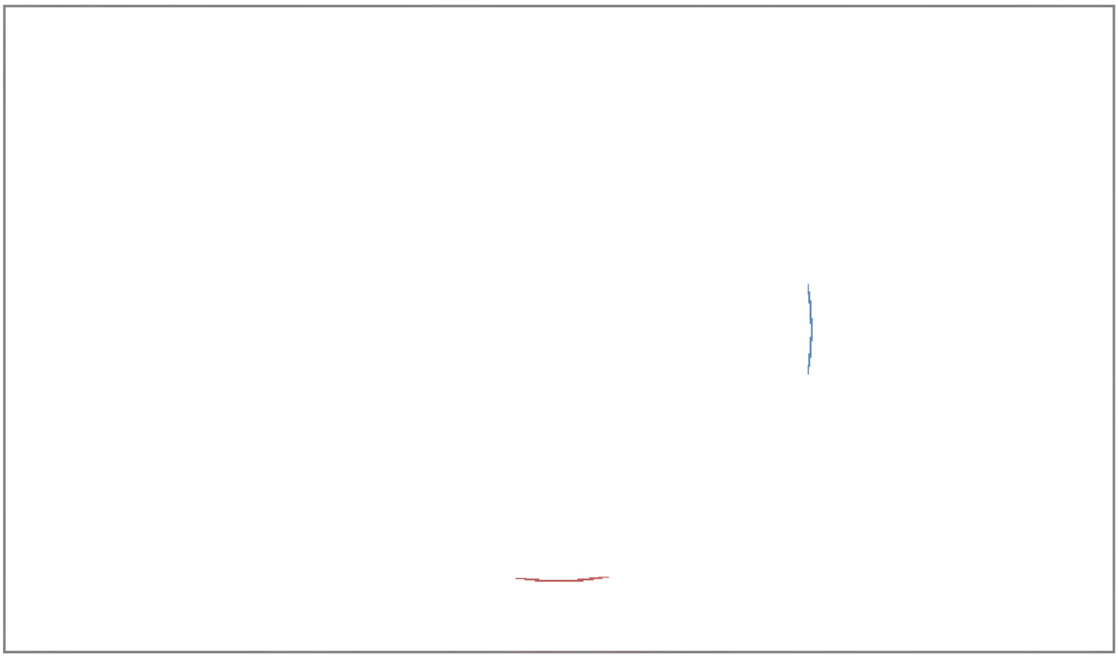
Enablers and Support to Council Outcomes underspent by £4.316m, with the most significant variance within this figure being due to a delay in implementing information technology transformational projects.

Adult Frailty and Long Term Conditions underspent by £3.141m. This was due to a combination of factors, but mainly because of an increase in income from service users.

Schools' outturn was £21.000m below budget. The budget was set prudently in order to manage the demand-led and volatile service demands, and this underspend will be carried forward in full to the next financial year.

In total, the Council spent a gross amount of £974.636m in 2018/19 (£936.491m 2017/18). After taking into account fees, charges and other contributions towards services, this was a net amount of £443.084m (£422.414m 2017/18). Another way of looking at how the Council uses its financial resources is to show what type of expenditure is being funded. The pie chart below analyses expenditure by type and shows that the Council relies on both its own employees and contractors to deliver services to the community.

<u>Gross Expenditure Subjective Analysis 2018/19 £'000 (£974,636)</u>



<u>Investment in Assets</u>

The Council's revenue budget, as detailed above, is used to fund all day to day running costs of the Council. Alongside this the Council also spends money on longer term assets such as roads, buildings, vehicles, equipment and IT systems, and financial plans for this are set out in the Capital Programme. Investment in longer term assets helps the Council maintain its service delivery, but it also supports innovation and growth in the wider community for example by improving the County's road infrastructure or by investing in economic development initiatives.

The table below shows, in summary format by commissioning strategy, the Council's net spending plans for capital in the year, as well as its actual net performance against those plans. The main reason for the differences between planned and actual capital spending are explained in the "Review of Financial Performance 2018/19" report to the Executive on 9 July 2019 but the most significant differences are explained below the table.

Capital Programme Outturn Position 2018/19 (Summarised) £000's

	Net Expenditure		
	Actuals	Revised budget	Outturn Variance
	£'000	£'000	£'000
Adult Care & Community Wellbeing	**68**	**68**	**0**
Finance & Public Protection	**16,827**	**26,428**	**-9,601**
Children's Services	**-7,861**	**-6,295**	**-1,567**
Place	**34,540**	**66,842**	**-32,302**
Other Programmes	**0**	**6,638**	**-6,638**
Total Capital Programme 2018/2019	**43,574**	**93,681**	**-50,108**

Within "Place" the Lincoln Eastern Bypass scheme had a net budget underspend of £22.870m, which was mainly due to actively using external grant funding before using the Council's budget as well as a delay of earthworks across the scheme and piling work on the River Witham Bridge. These works are now progressing well and the scheme is currently forecast to be delivered within budget as a whole.

Within "Place" there is a budget for Highways Asset Protection used for maintaining roads and infrastructure. Although there was an underspend in the year of £4.135m, this will be carried forward to 2019/20 and is fully committed.

Within "Other Programmes" the Council holds a contingency budget for new capital developments and this underspent by £6.638m as it was not required in full in 2018/19.

During 2018/19 the Council planned to spend £200.056m gross on capital and £93.681m net after grants and contributions. The major assets which have been progressed during the year are:

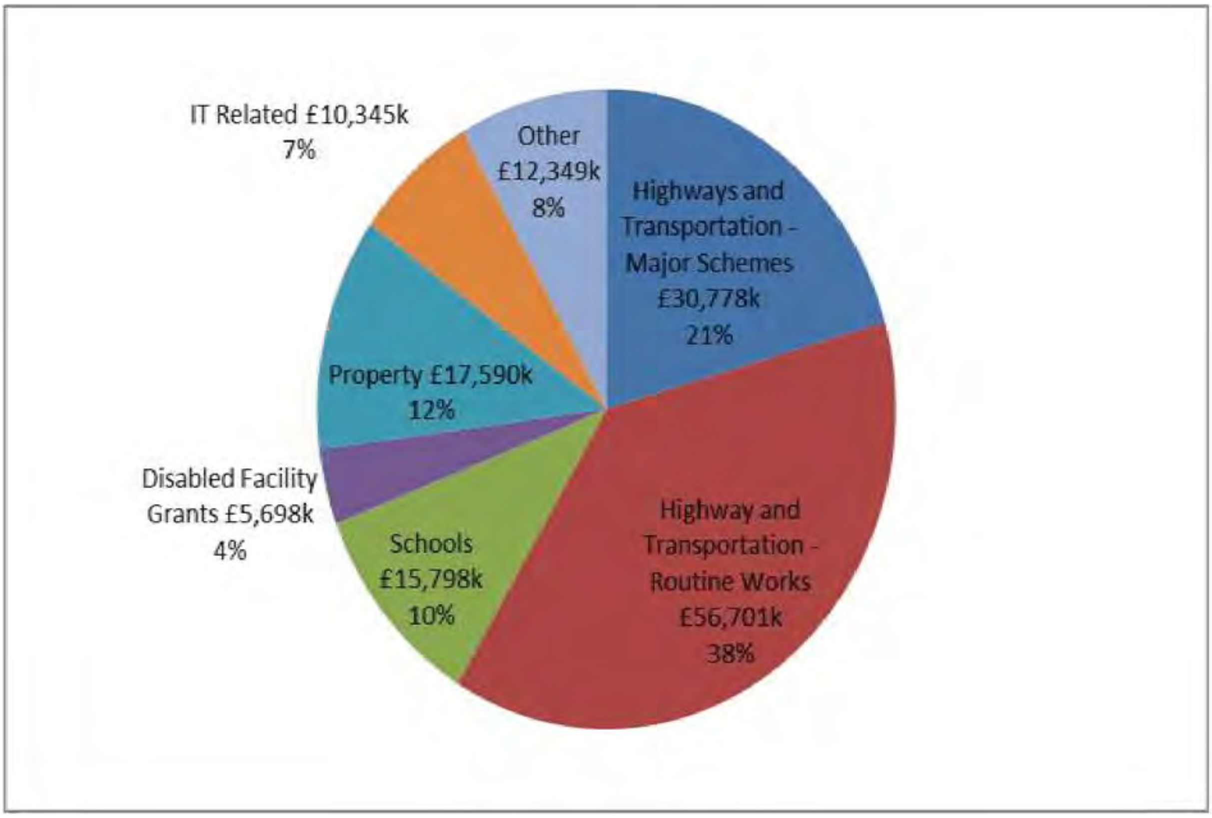
Good progress was made on building the new tri-service station which will accommodate Police, Fire and Ambulance services in Lincoln.

A number of schools have been expanded in the year in order to provide additional school places.

The Council's most significant road project – the Lincoln Eastern Bypass continued to progress and is due to be completed next year.

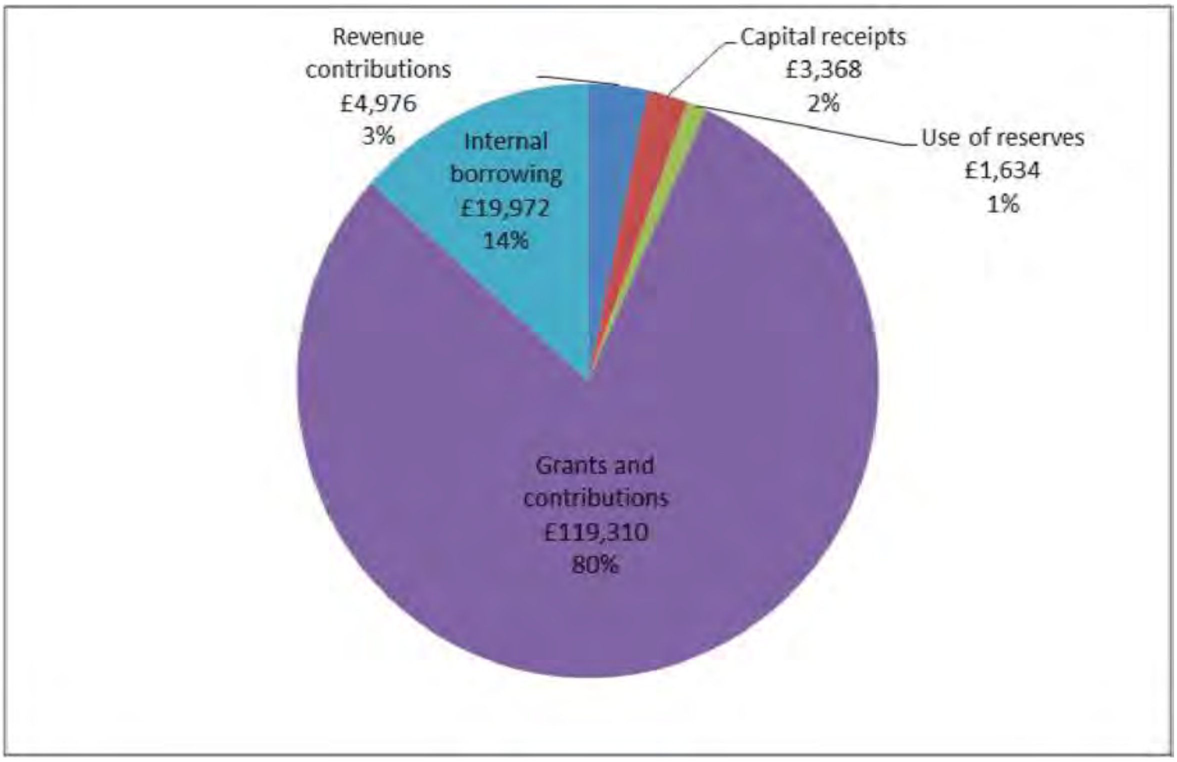
The pie chart below shows the major areas of capital investment during 2018/19.

Gross Expenditure on Major Investment Projects £'000



The capital programme was funded by various sources of income totalling £149.260m (£129.920m 2017/18). The following pie chart shows the proportion received from each main source of funding:

Sources of Capital Financing 2018/19 £000's



The Council's Assets and Liabilities

The Council's assets are what it owns, and its liabilities are what it owes. These are shown on the Balance Sheet on page 20. The table below shows an extract from the Balance Sheet with key figures in it, and an explanation of these key figures is set out below the table.

Balance Sheet Extract 2018/19 £000's

31 March 2018		31 March 2019
£000's		£000's
1,412,418	Long Term Assets	1,443,793
323,393	Current Assets	338,002
(156,255)	Current Liabilities	(143,852)
-1,331,756	Long Term Liabilities	(1,507,301)
247,800	**Net Assets**	**130,642**
289,602	Usable Reserves	288,855
	Unusable Reserves	
843,443	Re Long Term Assets	872,331
124	Re Financial Instruments	(1,366)
(882,708)	Re Pensions	(1,032,507)
(2,661)	Re Other	3,329
(41,802)	Total Unusable Reserves	(158,213)
247,800	**Total Reserves**	**130,642**

Overall, the Council's net assets position has reduced by £117.158m from £247.800m to £130.642m. There are two key movements which have contributed to this overall change:

The Council's long term assets (property, infrastructure, equipment etc.) have increased in value by £31.375m following the annual revaluation of part of the portfolio. This has increased the net asset value.

The Council's long term pension liability has increased by £149.799m to £1,032.507m. This is the estimated value of the commitment to pay future retirement benefits to the Council's employees, although it does not represent an immediate call on reserves as it is a long term commitment. The main reason for this increase is a change in bond yields which has reduced the discount rate used by the Council's actuary to value these long term liabilities. This also includes an increase of £16.718m due to the GMP and McCloud ruling of the Supreme Court. This position changes from year to year, and the increase in the liability has no impact on the Council's annual budget.

4. Performance and Outcomes

Business Plan

The Council sets its business plan annually, and this is supported by the annual revenue budget and capital programme. The overall objective of the 2018/19 business plan was to support a society where people contribute to their communities and are willing and able to look after themselves and others; a county where:

- Communities are safe and protected;
- Businesses are supported to grow;
- Health and wellbeing is improved; and
- We effectively target our resources.

The overall performance of each commissioning strategy for 2018/19 is shown within the Annual Governance Statement on page 182. The majority of targets set in the Business Plan for 2018/19 were achieved with the exception of the 'Readiness for School' measures which did not achieve their targets. A link to the Council's performance dashboard is included at the end of this Narrative Report.

Performance is monitored throughout the year and is reported to the Council's Executive quarterly, after being scrutinised by the Overview and Scrutiny Management Board.

Review of 2018/19

During the year the Council had to deal with a number of cost pressures, amounting to £26.900m in budgetary terms. These included: the impact on the Council’s adult care budgets of increasing numbers of older people as well as the increase in the National Living wage; growing demand for children's social care in addition to increasingly complex cases; increased funding for essential roads maintenance and investment in information technology to improve Council services. To help counteract these cost pressures a number of one-off costs from the previous year's budget were removed from the 2018/19 budget and a range of savings were implemented across the Council including: savings from property rationalisation; restructures of some services and some growth in contributions from Adult Care service users. These reductions in the budget totalled £23.200m.

To give a flavour of what Lincolnshire County Council has been doing over the 2018/19 financial year, a number of key outcomes and activities are summarised below.

There were changes to the Corporate leadership team in the year. Between the end of the previous year and up to part way through 2019/20, two Executive Directors / Chief Officers will have retired. The Council currently has an interim Head of Paid Service appointed from within the Corporate Leadership Team to cover the role after the departure of the Chief Executive. This means that although the Corporate Leadership Team has significantly changed over the year, there is a strong element of continuity as only two of the seven members are external appointments.

The Council has continued to work effectively with partner organisations to deliver adult social care services in the face of increasing demands.

All of the Council's children's homes have been judged as "good" with most praised as "outstanding". The public health nursing service became fully integrated in the year to benefit children and young people.

More than one hundred thousand potholes were repaired in the year and eighty-five miles of roads were resurfaced. The major road scheme to build the Lincoln Eastern Bypass progressed during the year and is expected to be completed in May 2020.

Further improvements to Broadband have been made to support remote communities and businesses. The North Sea Observatory has opened on the Lincolnshire Coast, which will boost local tourism.

Lincolnshire Fire and Rescue Service received a positive inspection report and the project to build a new station for all three emergency services made good progress.

The Council consulted with the public on changes to heritage services during the year and the responses are being considered as part of planning for a heritage service for the future.

A number of the Council's support services are provided by Serco and the contract with Serco was extended this year to 2022. At the same time some services were brought back within the Council's direct control.

The Council approved a Capital Strategy which will support the Council in ensuring that capital investment plans are affordable into the foreseeable future, and that governance arrangements around capital spending plans are strengthened.

The Council's information technology infrastructure and systems require some improvements to allow services to be delivered in more efficient ways and in line with the public's expectations around digital public services. Progress in this area was slow in the year however the Council is in the process of agreeing an information technology (IT) strategy which outlines what needs to happen to improve the effectiveness of operational IT, as well as supporting service transformation. This issue is reflected in the revenue budget underspend within the Enablers and Support to Council Outcomes commissioning strategy referred to in section 3 above.

In terms of financial performance, in addition to the revenue budget and capital programme outturn position for 2018/19 set out in section 3 above, Lincolnshire County Council has a number of financial performance indicators. These are set out in the "Review of Financial Performance 2018/19" report to the Executive on 9 July 2019 and almost all of the indicators achieved the target set. The one exception was that that the target for capital receipts in the year was £8.000m however only £7.157m was achieved i.e. a little short of the target. This was because the sale of some assets took longer to achieve than anticipated.

The Council owns three subsidiary companies: Transport Connect Limited, Lincolnshire Future Limited and Lincolnshire County Property Limited. Information about the financial performance of Transport Connect Limited is shown in Note 39 Related Parties. Lincolnshire County Property Limited is itself a subsidiary of Lincolnshire Future Limited – neither of these two companies had started trading by 31st March 2019. The Code of Practice requires Councils to consider the need to prepare accounts on a group basis. This assessment has been carried out and the result is that these accounts have been prepared on the single entity basis as the subsidiary companies' financial performance and position is not material in the context of the Council's accounts.

During the year eleven schools transferred out of the Council's control to academy status.

5. Governance and Risk (General)

The Council's Annual Governance Statement is included within this Statement of Accounts and starts on page 182. The conclusion reported is that the Council has the appropriate systems and processes in place to ensure good governance is maintained.

The Strategic Risk Register is also set out in the Annual Governance Statement and can be seen on page 199. The Strategic Risk Register is regularly reviewed and risks are being effectively managed. There are ten risks included, with one new risk this year relating to the Council's ability to implement IT transformation as well as deliver business as usual operations.

The Council's Audit Committee's role is to oversee and promote good governance, ensure accountability and review the ways things are done. It provides an assurance role to the Council by examining areas such as audit, risk management, internal control, counter fraud and financial accountability.

6. Look to the Future

Economic Climate

Lincolnshire County Council set a one-year budget for 2019/20 in recognition that this year is the final one in the government's four year funding settlement. There are no significant savings targets included within this one year budget. The government is planning to introduce major reforms to the way councils are funded from April 2020, and will undertake a Comprehensive Spending Review in 2019 to determine how much money will be made available to government spending departments. The past three years have been difficult for most local authorities, with significant funding reductions experienced. Forecasts for United Kingdom (UK) growth are currently low, and the uncertainty around the UK's withdrawal from the European Union (EU) means that the financial landscape is likely to continue to be challenging.

The financial resilience of local authorities has been a recurring topic in the media over the past year. Lincolnshire County Council's Medium Term Financial Plan is regularly updated and is currently showing a budget deficit in the order of £27m over the next three years, which is just below 6% of its net revenue budget. This is shown in the table below:

Medium Term Financial Plan Extract	2019/20 £000's	2020/21 £000's	2021/22 £000's	2022/23 £000's
Forecast Budget Shortfall	-3,120	-31,694	-28,827	-27,645

The expected funding reforms referred to above bring a significant element of uncertainty to our budget planning. This does result in a potential risk to the Council's ability to continue to deliver services into the future which would impact on vulnerable members of our communities and this risk is included in the Council's strategic risk register set out in the Annual Governance Statement on page 199. The risk is deemed to be very low because the Council is in a relatively strong financial position. This is evidenced by an adequate level of general reserves, as shown in the Balance Sheet extract in section 3, which meet the minimum risk-assessed level, as well as a Financial Volatility earmarked reserve which will assist the Council in transitioning towards a lower base budget over the medium term. The Council has a healthy cash position which is shown in the Balance Sheet on page 20. A council-wide review of budgets is already in progress aimed at achieving a balanced budget by the year 2022/23 and the Council has a good track record of achieving savings when required.

Significant External Factors

Along with other County Councils, this Council is impacted by the growing demand for adults and children's social care. We are continually seeking ways to maintain and improve the quality of services delivered in the face of the increased demand in terms of numbers of people as well as the increased complexity of some cases. It is hoped that the government's long-awaited bill on the future funding of adult social care will help to resolve this issue.

At the time of writing this Narrative Report, the government is expecting Britain to leave the EU by 31st October 2019 (the process of leaving is known as "Brexit"). The Council has been assessing the potential impacts of Brexit and, where risks have been identified, is monitoring the situation and seeking ways of mitigating these risks. The main risks, which could potentially impact on the Council's financial position, are:

- A strain on services provided where workloads may increase e.g. Trading Standards, Public Protection; social care agency workers;
- Additional costs arising from price increase due to shortages e.g. food supplies for residential care homes, other Council supplies sourced from outside the UK, increased employee costs in the care sector which may be passed onto the Council;
- An economic downturn which could affect employee pension investment returns, leading to higher employer costs in the longer term.

As shown elsewhere in this Narrative Report, the Council has sufficient reserves to deal with short term cost increases. Any longer term adverse or positive financial impacts will need to be built into our future budget modelling.

Contingent Liabilities

Following the Supreme Court ruling on 27 June 2019, the government will not be able to appeal against the ruling relating to the two employment tribunal cases brought against them, which is referred to as the McCloud case. This has removed the uncertainty on the new contingent liability previously reported. Therefore this liability has been removed and now accounted for within the accounts. This has resulted in an increase of pension liability of £16.718m as previously mentioned in section 3. As explained in this section, the pension liability is a long term commitment and does not present a short term call on the Council's reserves.

The Council's Plans for 2019/20

The changes in the Corporate Leadership Team outlined in section 4 have also been reflected in a new management structure for the Council, designed to increase accountability and provide a focus for the future transformation of services. The political leadership of the Council will be stable, with the next local election not until the year 2021.

The Council's business plan for 2019/20 continues to set challenging targets aimed at improving services provided to the communities of Lincolnshire, and the revenue budget and capital programme approved for 2019/20 both support this plan.

Link to Further Information

Hyperlink to the Review of Financial Performance 2018/19 report.

http://lincolnshire.moderngov.co.uk/ieListDocuments.aspx?CId=121&MId=5284&Ver=4

Hyperlink to the Performance Dashboard.

http://www.research-lincs.org.uk/CBP-Landing-page.aspx

Statement of Responsibilities for the Statement of Accounts

The Council's Responsibilities are to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its Officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Executive Director of Resources.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

The Statement of Accounts were approved at a meeting of Lincolnshire County Council Audit Committee on 22nd July 2019 and signed below by the Chair of Audit Committee:

Signed .... Dated: 22nd July 2019

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

In preparing this Statement of Accounts, the Executive Director of Resources has:

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

The Executive Director of Resources has also:

- kept proper accounting records which were up to date;
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.
- I certify that the Statement of Accounts gives a true and fair view of the financial position of the Authority as at 31st March 2019 and of its expenditure and income for the year ended on that date.

Signed: .... Dated: 22/7/19

Comprehensive Income & Expenditure Statement 1 April 2018 to 31 March 2019

2017/18					2018/19		
Gross Expenditure	Gross Income	Net Expenditure			Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000		Note	£'000	£'000	£'000
			Cost of Services				
6,985	(156)	6,829	Readiness for School		5,702	(265)	5,437
37,446	(3,662)	33,784	Learn and Achieve		40,985	(3,823)	37,163
12,395	(5,537)	6,858	Readiness for Adult Life		12,805	(5,627)	7,178
79,955	(12,986)	66,969	Children are Safe and Healthy		83,953	(14,196)	69,757
4,554	(168)	4,386	Adult Safeguarding		5,394	(172)	5,223
160,574	(46,543)	114,031	Adult Frailty and Long Term Conditions		167,100	(54,195)	112,904
2,074	(63)	2,011	Carers		2,545	(63)	2,482
86,629	(23,230)	63,399	Adult Specialties		97,763	(29,178)	68,585
33,796	(6,528)	27,268	Wellbeing		33,881	(6,719)	27,162
12,573	(741)	11,832	Community Resilience and Assets		12,025	(348)	11,677
98,221	(13,597)	84,624	Sustaining and Developing Prosperity through Infrastructure		99,463	(11,776)	87,687
32,630	(1,490)	31,140	Protecting and Sustaining the Environment		32,523	(2,177)	30,346
6,889	(4,499)	2,390	Sustaining and Growing Business and the Economy		6,909	(5,728)	1,181
39,636	(6,885)	32,751	Protecting the Public		38,776	(6,400)	32,376
9,992	(899)	9,093	How we do our Business		8,524	(588)	7,935
59,070	(4,066)	55,004	Enablers and Support to Council's Outcomes		61,299	(9,521)	51,778
59	(59)	0	Enablers and Support to Key Relationships		(10)	(5)	(15)
0	(33,524)	(33,524)	Public Health Grant		0	(32,662)	(32,662)
0	(34,501)	(34,501)	Better Care Funding		0	(40,060)	(40,060)
4,199	(4,508)	(309)	Other Budgets		24,557	(6,686)	17,871
331,883	(294,674)	37,209	Schools Budgets		324,854	(297,120)	27,734
1,019,560	**(498,316)**	**521,244**	**Cost of Services**		**1,059,047**	**(527,307)**	**531,740**
42,126	0	42,126	Other Operating Expenditure	(11)	16,521		16,521
37,541	(4,308)	33,233	Financing and Investment Income and Expenditure	(12)	43,583	(5,104)	38,479
0	(551,129)	(551,129)	Taxation and Non-Specific Grant Income	(13, 38)		(554,152)	(554,152)
1,099,227	**(1,053,753)**	**45,474**	**Deficit on Provision of Services**		**1,119,151**	**(1,086,563)**	**32,588**
		(836)	(Surplus)/Deficit on Revaluation of Property, Plant and Equipment Assets	(25)			(8,231)
		(72)	(Surplus)/Deficit on Revaluation of Available for Sale Financial Assets				0
		0	Surplus or Deficit from Investments in Equity Instruments Designated at Fair Value Through Other Comprehensive Income				(23)
							92,176
		(32,873)	Remeasurement of the Net Defined Benefit Liability/(Asset)	(25)			
		(207)	Other Recognisable (Gains)/ Losses				195
		(33,988)	**Other Comprehensive Income and Expenditure**				**84,117**
		11,485	**Total Comprehensive Income and Expenditure**				**116,705**

Movement in Reserves Statement 1 April 2018 to 31 March 2019

2018/19		Total Usable Reserves					
		General Fund Balance	Earmarked GF Reserves (Note 10)	Capital Grants Unapplied	Total Usable Reserves (Note 24)	Unusable Reserves (Note 25)	Total Council Reserves
	Note	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 1 April 2018		**15,200**	**177,005**	**97,397**	289,602	**(41,802)**	247,800
Adjustments for the Restatement of General Fund Balance and Financial Instruments		600	(1,084)		(484)	30	(454)
Restated Balance as at 1 April 2018		**15,800**	**175,921**	**97,397**	**289,118**	**(41,771)**	247,347
Movement in Reserves during 2018/19							
Total Comprehensive Income and Expenditure		(32,588)	(195)	0	(32,783)	(83,922)	(116,705)
Adjustments between accounting basis & funding basis under regulations	(9)	46,142	0	(13,623)	32,520	(32,520)	(0)
Transfers between Reserves		(13,504)	13,504	0	0	0	0
Increase/(Decrease) in Year 2018/19		**50**	**13,309**	**(13,623)**	**(263)**	**(116,442)**	**(116,705)**
Balance as at 31 March 2019 Carried Forward		**15,850**	**189,230**	**83,774**	**288,855**	**(158,213)**	**130,642**

2017/18		Total Usable Reserves					
		General Fund Balance	Earmarked GF Reserves (Note 10)	Capital Grants Unapplied	Total Usable Reserves (Note 24)	Unusable Reserves (Note 25)	Total Council Reserves
	Note	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 1 April 2017		**15,300**	**158,829**	**92,396**	266,525	**(7,240)**	259,285
Movement in Reserves during 2017-18							
Total Comprehensive Income and Expenditure		(45,474)	207	0	(45,267)	33,781	(11,486)
Adjustments between accounting basis & funding basis under regulations	(9)	63,343	0	5,001	68,344	(68,344)	0
Transfers between Reserves		(17,969)	17,969	0	0	0	0
Increase/(Decrease) in Year 2017/18		**(100)**	**18,176**	**5,001**	**23,077**	**(34,562)**	**(11,485)**
Balance as at 31 March 2018 Carried Forward		**15,200**	**177,005**	**97,397**	**289,602**	**(41,802)**	**247,800**

N.B. The Council does not have a Capital Receipts Reserve balance at the end of the year as it is the Council's policy to fully utilise all capital receipts in the year they are generated.

Balance Sheet as at 31 March 2019

31 March 2018 £'000		Note	31 March 2019 £'000
1,205,980	Property, Plant and Equipment	(14)	1,241,324
63,185	Heritage Assets	(15)	67,831
107,661	Investment Property	(16)	108,705
11,260	Intangible Assets	(17)	10,408
15,014	Long Term Investments	(18)	12,229
9,318	Long Term Debtors	(19)	3,296
1,412,418	**Long Term Assets**		**1,443,793**
243,804	Short Term Investments	(18)	261,887
9,461	Assets Held for Sale	(20)	16
636	Inventories		926
69,492	Short Term Debtors	(19)	75,173
323,393	**Current Assets**		**338,002**
(32,768)	Cash and Cash Equivalents	(29)	(15,893)
(39,525)	Short Term Borrowing	(18)	(18,372)
(77,572)	Short Term Creditors	(21)	(101,297)
(6,389)	Short Term Provisions	(22)	(8,290)
(156,254)	**Current Liabilities**		**(143,852)**
(7,219)	Long Term Creditors	(21)	(6,593)
(3,874)	Long Term Provisions	(22)	(5,480)
(426,923)	Long Term Borrowing	(18)	(452,451)
(893,741)	Other Long Term Liabilities	(23)	(1,042,777)
(1,331,757)	**Long Term Liabilities**		**(1,507,301)**
247,800	**Net Assets**		**130,642**
289,602	Usable Reserves	(24)	288,855
(41,802)	Unusable Reserves	(25)	(158,213)
247,800	**Total Reserves**		**130,642**

Cashflow Statement as at 31 March 2019

31 March 2018 £'000		Note	31 March 2019 £'000
45,474	Net (surplus) or deficit on the provision of services		32,588
(150,802)	Adjustments to net surplus or deficit on the provision of services for non - cash movements		(184,018)
112,225	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		96,230
6,897	**Net cash flow from Operating Activities**	26	**(55,200)**
(8,748)	Investing Activities	27	42,193
16,152	Financing Activities	28	(3,868)
14,301	**Net (increase) or decrease in cash and cash equivalents**		**(16,875)**
(18,467)	Cash and cash equivalents as at 1 April	29	(32,768)
(32,768)	**Cash and cash equivalents as at 31 March**		**(15,893)**

Notes to the Financial Statements

Due to rounding figures to the nearest £000, some figures shown within the following notes may slightly differ when compared to the main Financial Statements or other Notes to the Accounts. The difference in rounding would not be in excess of £5,000 in any single case.

Note 1. Statement of Accounting Policies

1. General Principles and Concepts

The Statement of Accounts summarises the Council's transactions for the financial year 2018-19 and the position at the year-end 31 March 2019. The Statement of Accounts has been prepared in accordance with the Accounts and Audit Regulations 2015.

These regulations require the accounts to be prepared in accordance with proper accounting practice. These practices are set out in the Code of Practice on Local Authority Accounting in the United Kingdom 2018-19 and Service Reporting Code of Practice 2018-19, supported by International Financial Reporting Standards and statutory guidance.

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

2. Changes in Accounting Policies

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

3. Prior period adjustments – estimates and errors

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

The following disclosures will be made:

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

- the amount of the correction at the beginning of the earliest prior period presented.

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

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

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

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

Classification

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

Operational Assets:

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

Non-Operational Assets:

- Surplus Assets; and
- Assets under Construction.

Initial Recognition

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

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

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

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

De minimis level

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

De-recognition associated with asset enhancements

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

Measurement after Recognition – Valuation Approach

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

The code requires the following valuation approaches to be adopted:

Operational Assets

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

Non-Operational Assets

- Surplus assets (i.e. assets which the Council no longer operates/are no longer used for service delivery, but are not Investment Properties or meet the definition for held for sale) have their current value measured at fair value which is estimated at the highest and best use from a market participant's perspective. This is the price that would be received to sell an asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date. The Council uses the assumptions that the market participants, i.e. buyers and sellers in the principal or most advantageous market, would use when pricing an asset or liability under current market conditions, including assumption about risk. Therefore, the Council's reasons for holding a surplus asset are not relevant when measuring its fair value;
- Surplus assets are depreciated in line with the operational asset class; and

- Assets under Construction are held at cost. When these assets are operationally complete, they are reclassified into the appropriate asset class and valued under the adopted approach.

Valuation Programme

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

Revaluation Gains and Losses

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

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

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

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

Depreciation

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

- Operational buildings are depreciated over their useful life. For buildings which are held at existing use value a useful life of 40 years has been assumed. Asset lives for buildings held on a depreciated replacement cost basis are reviewed as part of the rolling programme of revaluations and the Valuer estimates the useful life. Depreciation is charged on a straight line basis;
- Infrastructure assets, primarily roads, are depreciated on a straight line basis over their estimated useful lives, currently varying from:

    - 1-3 years for capital pothole filling;
    - 6-12 years for carriageways surfacing and slurry sealing;
    - 20 years for street furniture;
    - 40 years for street lighting, kerbs and drains;
    - 60 years for major road structures;
    - Up to 120 years for bridge structures.

- Furniture and non-specialist equipment is depreciated over a period of 5 years, on a straight line basis;
- Vehicles, plant and specialist equipment (including computing equipment) are depreciated over their estimated useful lives, currently these vary depending on the nature of the asset from 3 years up to 25 years for solar panels. For vehicles purchased after 1 April 2004, the reducing balance method of depreciation is used;
- Land, Property and Equipment associated with the Energy from Waste Plant are depreciated over their estimated useful life. These range from 70 years for Civils (including Building Structures) to 10 years for Instrumentation, Control and Automation assets (ICA); and
- Surplus assets are depreciated in line with the operational asset class.

No depreciation is charged on: Heritage Assets, Investment Properties, Land, Assets Under Construction, and Assets Held for Sale.

Depreciation of an asset begins the year the asset becomes available for use. The charge is for 6 months in the first year, for twelve months thereafter and ceases when the asset has been derecognised. There is a full year's depreciation in the year of disposal.

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

Component Accounting for Property, Plant and Equipment

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

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

Disposal of Property, Plant and Equipment

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

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

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

Under a Direction issued pursuant to sections 16 and 20 of the Local Government Act 2003 these receipts can also be used to fund revenue expenditure that is designed to generate ongoing revenue savings or transform services to reduce costs and is properly incurred for the financial years commencing on 1 April 2016, 2017 and 2018. The Local Government Finance Settlement for 2018-19 announced a continuation of these rules for a further 3 financial years that begin on 1 April 2019, 2020 and 2021. The Council may use this temporary flexibility to fund relevant revenue expenditure.

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

<u>Impairment of Non-Current Assets</u>

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

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

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

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

5. <u>Intangible Assets</u>

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

a) **Recognition and Measurement.** Intangible assets are recognised when it is more likely that future benefits will flow to the Council and the cost of the asset can be reliably measured. Assets that qualify as intangible assets shall be measured and carried at cost, in the absence of an active market to determine fair value.

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

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

c) **Amortisation**. The carrying value of intangible assets with a finite life is amortised on a straight line basis over its useful life. Amortisation begins when the asset is available for use. The charge is for 6 months in the first year, for twelve months thereafter and ceases at the date that the asset is derecognised. There is a full year's amortisation in the year of disposal. Amortisation is charged to the relevant service area in the Comprehensive Income and Expenditure Statement. The useful lives for intangible assets are between 3 and 10 years. Useful asset lives are determined by the ICT budget holder and reviewed and updated annually.

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

6. Investment Properties

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

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

b) **Measurement after Recognition**. Investment Properties will be measured at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, Investment Properties are measured at highest and best use using the current market conditions and recent sales prices and other relevant information for similar assets in the local area.

The fair value of Investment Property held under a lease, is the lease interest in the asset. Investment Properties are subject to annual revaluations.

The fair value measurement of the Council's Investment Properties is categorised as Level 2 on the fair value hierarchy. It uses the market value approach for the County Farms and the term and reversion method for the other properties.

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

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

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

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

7. Heritage Assets

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

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

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

a) Initial Recognition

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

b) Measurement after recognition:

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

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

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

8. Non-Current Assets Held for Sale

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

- the asset must be available for immediate sale in its present condition subject to terms that are usual and customary for sales of such assets;
- the sale must be highly probable (with management commitment to sell and active marketing of the asset initiated);
- it must be actively marketed for a sale at a price that is reasonable in relation to its current fair value; and

- the sale should be expected to qualify for recognition as a completed sale within one year.

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

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

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

Amounts in excess of £10k are categorised as capital receipts and can then only be used for new capital investment or to repay the principal of any amounts borrowed. It is Council policy to fully utilise these receipts to fund the capital programme in the year they are received, however the Council may use the flexibility to apply capital receipts to fund certain types of revenue expenditure as described in policy 4e.

9. Donated Assets

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

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

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

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

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

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

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

The Council is not required to raise Council Tax to cover depreciation, impairment losses or amortisation. However, it is required to make a prudent annual provision from revenue to contribute towards the reduction in its overall borrowing requirement. Depreciation, impairment losses and amortisation are therefore replaced by a minimum revenue provision in the Movement in Reserves

Statement, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

11. Minimum Revenue Provision

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

For pre 2008 debt this is based on a standard asset life of 50 years equating to a 2% flat charge. For 2009-10 debt onwards, asset life of differing categories of assets is estimated and a charge based on an annuity method is used for Infrastructure Assets, where the benefit of these assets are expected to increase in later years. A charge based on Equal Instalments of Principal is used for all other categories of assets. The Council does not charge MRP until assets become operational.

12. Revenue Expenditure Financed through Capital under Statute

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

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

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

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

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

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

- fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement;
- finance cost – an interest charge of 7.20% on the outstanding Balance Sheet liability, debited to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement;

- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement;
- payment towards liability – applied to write down the Balance Sheet liability towards the contractor; and
- lifecycle replacement costs – recognised as additions to Property, Plant and Equipment on the Balance Sheet.

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

14. Borrowing Costs

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

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

15. Classification of Leases

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

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

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

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

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

a) Finance Leases

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

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

The asset recognised is matched by a liability representing the obligation to pay the lessor. This is reduced as lease payments are made. Minimum lease payments are to be apportioned between the finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement) and the reduction of the deferred liability in the Balance Sheet.
Statutory provision reverses the finance charge, depreciation and any impairment or revaluation from the Comprehensive Income and Expenditure Statement to the Capital Adjustment Account through the Movement in Reserves statement. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements.

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

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

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

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

b) Operating Leases

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

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

c) Investment Property Leases (Lessee).

In line with IAS 40 ‘Investment Properties’, any lease which is assessed to be an Investment Property will be treated as if it was a finance lease. The fair value of the lease interest is used for the asset recognised. Separate measurement of land and buildings elements is not required when the leases are classified as an Investment Property.

16. Government Grants and Contributions

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

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

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

Capital Grants and Contributions (non-current assets)

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

- **Capital grants where no conditions are attached** to the grant and the expenditure has been incurred. The income will be recognised immediately in Comprehensive Income and Expenditure Statement, in the taxation and non-specific grant income line.
  Capital grant income is not a proper charge to the General Fund. It is accounted for through the Capital Financing Requirement (set out in statute) and therefore it does not have an effect on council tax. To reflect this, the income is credited to the Capital Adjustment Account through the Movement in Reserves Statement.
- **Capital grants where the conditions have not been met** at the Balance Sheet date. The grant will be recognised as a Capital Grant Receipt in Advance in the liabilities section of the Balance Sheet. When the conditions have been met, the grant will be recognised as income in the Comprehensive Income and Expenditure Statement and the appropriate statutory accounting requirements for capital grants applied.
- **Capital grants where no conditions remain outstanding** at the Balance Sheet date, but expenditure has not been incurred. The income will be recognised immediately in the Taxation and Non Specific Grant Income line of the Comprehensive Income and Expenditure Statement. As the expenditure being financed from the grant has not been incurred at the Balance Sheet date, the grant will be transferred to the Capital Grants Unapplied Account (within usable reserves section of the Balance Sheet), through the Movement in Reserves Statement. When the expenditure is incurred, the grant shall be transferred from the Capital Grants Unapplied Account to the Capital Adjustment Account to reflect the application of capital resources to finance expenditure.

Revenue Government Grants and Contributions

Government grants and other contributions are accounted for on an accruals basis and recognised in the Comprehensive Income and Expenditure Statement when the conditions for their receipt

have been complied with and there is reasonable assurance that the grant or contribution will be received. Where the conditions have not been met these grants will be held as creditors on the Balance Sheet.
Specific revenue grants are included in the specific service expenditure accounts together with the service expenditure to which they relate. Grants which cover general expenditure (e.g. Revenue Support Grant) are credited to the Taxation and Non-specific Grant Income in the Comprehensive Income and Expenditure Statement after Net Cost of Services.

17. Debtors

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

Revenue from contracts with service recipients, whether for services or the provision of goods is recognised when the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.

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

For estimated manual debtors, a de-minimis level of £25k for individual revenue items and £50k for capital items is set.

18. Creditors

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

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

For estimated manual creditors, a de-minimis level of £25k for individual revenue items and £50k for capital items is set.

19. Provision for Bad and Doubtful Debt

Where there is an expectation that the future cash flows might not take place because the debtor could default on their obligation, a lifetime loss allowance is recognised for material debt. The Council's policy is:

- Adult Social Care debtors are grouped by type and assessed on this basis;
- Other aged debtors over 12 months old are assessed individually; and
- All debts over £25k which have been outstanding for more than 30 days but below 12 months old are assessed on a case by case basis.

20. Inventories

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

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

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

21. Cash and Cash Equivalents

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

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

Bank Overdrafts are to be shown separately from Cash and Cash Equivalents where they are not an integral part of an Authority’s cash management. Where a bank overdraft is assessed as part of the Council's cash management it will be included within Cash and Cash Equivalents.

22. Provisions

The Council sets aside provisions for future expenses where:

- a past event has created a current obligation (legal or constructive) to transfer economic benefit;
- it is probable that an outflow of economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

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

The Council has set a de-minimis level for recognising provisions £250k.

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

Provisions are recognised and measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. When considering the valuation of long term provisions, the Council has set a £50k de minimis limit. Below this amount long term provisions are measured using carrying value.

23. Contingent Liabilities

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

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

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

The Council has set a de-minimis level for disclosing Contingent Liabilities of £500k.

24. Contingent Assets

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

The Council has set a de-minimis level for disclosing Contingent Assets of £500k.

25. Events after the Reporting Date

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

- Events which provide evidence of conditions that existed at the end of the reporting period will be adjusted and included within the figures in the accounts; and
- Events that are indicative of conditions that arose after the reporting period will be reported in the narrative notes to the accounts.

Events which take place after the authorised for issue date are not reflected in the Statement of Accounts.

26. Recognition of Revenue (Income)

Revenue is accounted for in the year it takes place, not simply when cash payments are received.

The Council recognises revenue from contracts with service recipients, whether for services or the provision of goods, when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligation in the contract.

Interest receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

27. Exceptional Items

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

28. Costs of Support Services

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

29. Acquired and Discontinued Operations

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

30. Value Added Tax (VAT)

The Council's Comprehensive Income and Expenditure Statement excludes VAT unless this is not recoverable from HM Revenue and Customs. All VAT must be passed on (where output tax exceeds input tax) or repaid (where input tax exceeds output tax) to HM Revenue and Customs.

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

31. Council Tax and Business Rates Income

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

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

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

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

32. Reserves

Useable Reserves

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

Unusable Reserves

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

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

33. Employee Benefits – Benefits Payable during Employment

Benefits Payable During Employment – Short Term Benefits. These are amounts expected to be paid within 12 months of the Balance Sheet date. These include:

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

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

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

34. Employee Benefits – Termination Benefits

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

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

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

35. Employee Benefits – Post Employment Benefits (Pensions)

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

- Teachers' Pension Scheme: This is a notionally funded scheme administered nationally by Capita Teachers' Pensions on behalf of the Department for Education (DfE). The pension contributions to be paid by the Council are determined by the Government Actuary and reviewed periodically. The scheme is accounted for as if it were a defined contribution scheme. There is no liability for future payments of benefits recognised in the Balance Sheet. All employers' contributions payable to teachers' pensions in the year are treated as expenditure on the Schools' service line in the Comprehensive Income and Expenditure Statement.
- National Health Service Pension Scheme (NHSPS): This is a notional funded scheme administered national by NHS Pensions on behalf of the Department of Health and Social Care (DHSC). The pension contributions to be paid by the Council are determined by the Government Actuary and reviewed periodically. The scheme is accounted for as if it were a defined contribution scheme. There is no liability for future payments of benefits recognised in the Balance Sheet. The employer's contributions payable to the National Health Service

Pension Scheme in the year are treated as expenditure in the Wellbeing and Children are Safe and Healthy service lines in the Comprehensive Income and Expenditure Statement.

- Uniformed Firefighters Pension Scheme (FPS): From 1 April 2015, a new pension fund for Firefighters was set up. This scheme replaced the 2006 & 1992 Firefighters schemes for new Firefighters. The 2015, 2006 and 1992 schemes remain unfunded but there are differences in the contributions payable into each scheme and the benefits paid to members. Both employee and employer contributions are paid into the three funds, against which pension payments are made. Each fund is topped up by additional government funding if contributions are insufficient to meet the cost of the pension payments. Any surplus in the funds at the end of each year will be repaid back to the Ministry of Housing Communities and Local Government (MHCLG). Contributions in respect of ill health retirements are still the responsibility of the Council.
- Local Government Pension Scheme (LGPS): Other employees are eligible to join the LGPS. The Council pays contributions to a funded pension scheme from which employee pension benefits are paid out.

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

<u>The Local Government Pension Scheme (LGPS)</u>

The LGPS is accounted for as a defined benefits scheme:

- The liabilities of the Lincolnshire Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of earnings for current employees;
- Liabilities are discounted to their value at current prices, using a discount rate of 2.4% (based on long term UK Government bonds greater than 15 years);
- The assets of Lincolnshire Pension Fund attributable to the Authority are included in the Balance Sheet at their fair value:
    - quoted securities – current bid or last traded price;
    - unquoted securities – professional estimates;
    - unitised securities – current bid price.

The change in net pension's liability is analysed into the following components:

- Service cost comprising:
    - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
    - past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus of Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs in Other Budgets;

  - net interest on the net defined benefit liability (asset), i.e. net interest expense for the Council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
- Remeasurements comprising:
  - the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure; and
  - 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 Lincolnshire Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.
The Council also pays any costs arising in relation to unfunded elements of pensions, paid to certain employees that have retired early and have been awarded discretionary compensation under the provisions of the Council's early retirement policy. These costs are charged to Other Budgets in the Comprehensive Income and Expenditure Statement.

36. Accounting for Schools Income, Expenditure, Assets, Liabilities and Reserves

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

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

Non-Current Assets - Schools non-current assets will be accounted for under IAS 16 Property, Plant and Equipment. The standard defines non-current assets as "a resource controlled by the Council as a result of a past event and from which future economic benefits or service potential is expected to flow".

If assets are owned by the Council or the governing body of the school or the future economic benefits are identified to sit with the Council, then the non-current assets will be recorded in the

Balance Sheet. Where a school transfers to Academy status and has signed a long term (125 year) lease, the school is removed from the Council's Balance Sheet.

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

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

37. Group Relationships

The Council assesses on an annual basis relationships with other bodies to identify the existence of any group relationships. A de-minimis level of £20.000m has been set for considering bodies to be included within group accounts.

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

38. Financial Instruments

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

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

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. Regulations state that the period to spread discounts is limited to a minimum period equal to the outstanding term on the replaced loan or 10 years if this is shorter. Premiums may be spread over the longer of the outstanding term on replaced loan or the term of the replacement loans or a shorter period if preferred. The Council will spread premiums over the term that was remaining on the loan replaced and spread discounts in line with regulation. When matching premium and discounts together from a re-scheduling exercise, the Council's policy is to spread the gain/loss over a ten year period or the term that was remaining on the loan replaced if greater than ten years. The reconciliation of premiums/discounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund is managed by a transfer to or from the Financial Instruments Adjustment Account through the Movement in Reserves Statement.

The Council receives interest free funding from Salix Finance as part of a revolving fund to finance energy saving projects (Soft Loans Receivables). The benefit of a loan to the Council at a below-market rate of interest is treated as a grant or contribution receivable within the Comprehensive Income and Expenditure Statement. The benefit is measured as a difference between the cash actually advanced to the Council and the fair value of the loan on recognition, discounted at a comparable market rate of interest for a loan. The amortised cost of the loan in the Balance Sheet is reduced as the benefit has been stripped away. 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 Reserves Statement.

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

Financial Assets. Financial Assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes that financial assets are measured at:

- Amortised Cost
- Fair Value Through Profit or Loss (FVPL); and
- Fair Value Through Other Comprehensive Income (FVOCI).

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument). These types of asset will be measured at fair value.

Financial Assets Measured at Amortised Cost

Financial Assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured 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 financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

The following financial assets held by the Council are measured at amortised cost using an effective interest rate that takes account of other considerations attributable to the asset over its lifetime such as premiums paid or interest forgone. Interest payable in the Surplus or Deficit on the

Provision of Services in the Comprehensive Income and Expenditure Statement will then be recognised on a smoothing effective interest rate basis over the life of the loan.

- Secondary Certificates of Deposit and Bonds - are purchased at an amount different to par and hence a price premium is usually incurred on purchase. The price of the instrument is the amortised cost at initial measurement (its fair value), debited to Investments on the Balance Sheet. This price premium is factored into the cashflows of the instrument over its life that will result in a smoothing effective interest rate that when discounted will bring back cashflows to the price paid (initial measurement at fair value).

  Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure line at a marginally lower effective rate of interest than the rate receivable from the Instrument, with the difference serving to decrease the amortised cost of the loan in the Balance Sheet over its life.

  Transaction costs paid to a custodian for purchasing these instruments are deemed as immaterial and hence charged directly to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement when incurred, not included within the amortised cost calculation of the instrument.

- Soft Loans – The Council can make loans to third parties at less than market rates (soft loans) for service objectives. When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement, (debited to the appropriate service), for the present value of the interest that will be 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 from the third party recipients of the loans, 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 Financial Instruments Adjustment Account in the Movement in Reserves Statement.

  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.

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

Expected Credit Loss Model – for Assets Measured at Amortised Cost

The Council recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-month or lifetime basis. Only lifetime losses are recognised for trade receivables (debtors) that are more than 30 days past the due date, held by the Council.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

Where the counterparty for a financial asset is central government or a local authority for which relevant statutory provisions prevent default, then no loss allowance is required or recognised.

Impairment losses will be charged to the Financing and Investment Income and Expenditure line in the Surplus or Deficit on the Provision of Services and credited to the Financial Assets at Amortised Cost Loss Allowance.

The Council has set a de minimis level of £25k to the resultant impairment loss for financial assets at amortised cost, below which the impairment is deemed immaterial and not recognised.

The Council has a portfolio of a different types of loans measured at amortised cost. Where possible losses have been assessed on these loans on a collective basis as the Council does not have reasonable and supportable information that is available without undue cost or effort to support the measurement of expected losses on an individual instrument basis.

The Council has grouped the loans into the following groups for assessing loss allowances:

- Group 1 – treasury investments governed by the Council's Annual Investment Strategy for Treasury Investments. These are loans made to highly credit rated counterparties under the credit analysis followed within the Investment Strategy. As such they are deemed low risk, so the 12 month Expected Credit Loss model is used. The Historical Default Table issued by Credit Rating Agencies and provided by the Council's Treasury Advisors is used to calculate the expected 12 month impairment losses.
- Group 2 – loans or soft loans to third parties for Service Reasons. These types of loans tend to be higher risk as credit worthiness is often not the prime consideration in making the loan. They will be assessed on an individual basis taking into consideration external credit ratings, economic conditions impacting the third party, the current financial position and financial forecasts of the third party and any history of defaults or extended credit terms. Due to the high risk nature, the lifetime Expected Credit Loss model would normally be followed for these loans (See *Note below).
- Group 3 – loans to Council owned Companies for Service Reasons. These types of loans tend to be higher risk as credit worthiness is often not the prime consideration in making the loan. They will be assessed on an individual basis taking into consideration external credit ratings, economic conditions impacting the company, the current financial position and financial forecasts of company and any history of defaults or extended credit terms. Due to the high risk nature, the lifetime Expected Credit Loss model would normally be followed for these loans.

*Note

Where the Council makes loans to companies in financial difficulties to ensure continuation of vital service fifty percent of the loan is thus deemed credit impaired on origination. This will mean that:

- as lifetime expected credit losses are taken into account in the cash flows used for calculating the effective interest rate, no loss allowance is needed on initial recognition;
- a loss allowance will then be built up on the basis of the cumulative change in lifetime expected credit losses since initial recognition;
- the annual impairment gain or loss will be the change in lifetime expected credit losses over the year.

Financial Assets Measured at Fair Value through Profit or Loss (FVPL)

Financial assets held by the Council that fall into this category include Constant Net Asset Value (CNAV) and Low Volatility Net Asset Value (LVNAV) Money Market Funds.

Financial assets are measured at FVPL where they fail to meet the business model and principal or interest tests of the other two classifications. For the Council, financial assets under this category meet the business model of collecting contractual cash flows, but the cash flows are not solely payments of principal or interest, for example they include dividend payments.

These funds are pooled investment funds that invest in short-term assets that aim to offer returns in line with money market rates and preserve the value of investments. They are instant access, whereby units of the fund are bought and sold and dividends paid in accordance with daily yields returned, set at the end of each day. The Net Asset Value of these funds only vary by an insignificant amount due to changing values of the assets in the fund, therefore generally the price of the fund (fair value) will equal the carrying amount of units held.

Financial assets measured at FVPL 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. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The Council has set a de minimis level to the adjustment to fair value of £50k for financial assets measured at fair value, below which the change in fair value will not be recognised and the asset will be held on the Balance Sheet at its carrying value.

Statutory provision as defined in SI 2018/1207 means that until 31 March 2023, English Local Authorities are prohibited from charging to a revenue account fair value gains or losses, unless the gain or loss relates to impairment or the sale of the asset. Instead that amount is charged to an account established solely for the purpose of recognising fair value gains and losses. This statutory override will not be applicable for CNAV/LVNAV Money Market funds as gains and losses to fair value will be zero and will not impact on the revenue account.

Any gains and losses that arise on the 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.

Fair value measurement for Fair Value through Profit or Loss (FVPL)

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. This fair value measurement assumes that the following takes place either in the principal market for the asset or liability or in the absence of a principal market, the most advantageous market for the asset or liability. When measuring the fair value, the Council would use the assumptions of market participants when pricing the asset or liability whilst acting in their economic best interest. On fair value measurement, the Council takes into account the market participant's ability to generate economic benefit 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 the most appropriate valuation techniques for the asset, maximising the use of relevant observable inputs and minimising unobservable inputs. The fair value measurement of the financial assets is therefore based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis.

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

Expected Credit Loss Model –For Assets Measured at Fair Value through Profit and Loss

The impairment requirements do not apply to financial assets classified as 'fair value through profit or loss', as current market prices are considered to be an appropriate reflection of credit risk, with all movements in fair value (including those relation to credit risk) impacting on the carrying amount being posted to the Surplus or Deficit on the Provision of Services as they arise.

Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)

Financial assets are measured at FVOCI when the business model for holding the asset includes collecting contractual cash flows and selling assets. The Council does not hold any financial assets that meet this definition.

In line with the Code however, the Council has decided to designate some small equity holdings in companies held for service reasons to the category of FVOCI instead of FVPL. This designation is irrevocable and deemed to be a reliable accounting policy for these financial assets, based on the following reasons:

- The holdings are equity instruments as defined by the Code to exclude puttable shares (e.g., those where the issuer has a contractual obligation to exchange the shares for cash if the holder exercises an option for the return of their investment).

- They naturally fall into the FVPL classification of investments.
- The shares are held for a clear service benefit and not held for trading.
- Future gains or losses are expected to be insubstantial.

Assets designated at FVOCI will be carried in the Balance Sheet at Fair Value, with dividends credited to the Surplus or Deficit on the Provision of Services when the right for the Council to receive the payment is established. Movements in fair value will be credited to the Other Income and Expenditure Account and released to the General Fund. The impact on the General Fund will be removed through Movement in Reserves Statement to the Financial Instruments Revaluation Reserve. Gains or losses will be charged directly to the General Fund via the Financing and Investment Income and Expenditure in the Surplus or Deficit on the Provision of Services.

The Council has set a de minimis level to the adjustment to fair value of £50k for financial assets measured at fair value, below which the change in fair value will not be recognised and the asset will be held on the Balance sheet at its carrying value.

Fair value measurement for Fair Value through Other Comprehensive Income (FVOCI)

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. This fair value measurement assumes that the following takes place either in the principal market for the asset or liability or in the absence of a principal market, the most advantageous market for the asset or liability. When measuring the fair value, the Council would use the assumptions of market participants when pricing the asset or liability whilst acting in their economic best interest. On fair value measurement, the Council takes into account the market participant's ability to generate economic benefit 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 the most appropriate valuation techniques for the asset, maximising the use of relevant observable inputs and minimising unobservable inputs. The fair value measurement of the financial assets is therefore based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis.

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

Expected Credit Loss Model – For Assets Measured at Fair Value through Other Comprehensive Income

The Council recognises expected credit losses on financial assets measured at FVOCI either on a 12-month or lifetime basis depending on an individual assessment of the credit risk of each financial asset as follows:

Has credit risk increased significantly since initial recognition?

- No: 12 month credit loss model.
- Yes: lifetime credit loss model.
- No information available to assess: lifetime credit loss model.

Consideration will be made to external credit ratings, economic conditions impacting the company, the current financial position and financial forecasts of company and any history of defaults or extended credit terms when assessing the credit risk of these assets.

Impairment losses will be charged to Other Comprehensive Income and Expenditure and credited to the Financial Instruments Revaluation Reserve.

Where financial assets have been designated into the FVOCI category they are outside the scope of impairment for the same reasons that FVPL assets are.

The Council has set a de minimis level of £25k to the resultant impairment loss for financial assets at FVOCI, below which the impairment is deemed immaterial and not recognised.

39. Fair Value Measurement

Some of the Council's non-financial assets, such as surplus assets and investment properties and some of its financial instruments, are measured at fair value. 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 following 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.

When measuring the fair value, the Council would use the assumptions of market participants when pricing the asset or liability whilst acting in their economic best interest. On fair value measurement, the Council takes into account the 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 the appropriate valuation techniques appropriate for the asset, maximising the use of relevant observable inputs and minimising unobservable inputs.

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

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

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

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

In the 2018-19 accounts, the Council is required to disclose the following changes to Accounting Standards which may have an impact on the Council's accounts in 2019-20. The following standards are effective for Local Authorities for the 2019-20 financial year:

- **IAS 40 Investment Property: Transfers of Investment Property**.
  This amended standard deals with property assets and clarifies when they transfer into or out of the 'Investment Property' classification and their accounting treatment. The amended standard is unlikely to impact on the Council's accounts due to the nature of the Investment Properties held by the Council, which are mainly Farms.

The Annual Improvements to IFRS Standards 2014-2016 Cycle has resulted in minor amendments to six accounting standards:

- **IFRS 1: First Time Adoption of International Financial Reporting Standards**.
  The amendments to the standard will not impact on the Council's accounts as IFRS's have already been adopted.

- **IFRS 12: Disclosure of Interests in Other Entities.**
  This standard's amended disclosure requirements will only impact on the Council's accounts if the Council's subsidiary companies are held for sale or discontinued, which is not likely.

- **IAS 28: Investments in Associates and Joint Ventures.**
  The amendment in the standard relates to the valuation of an associated entity that is a venture capital organisation. This will not impact upon the Council's accounts.

- **IFRIC 22: Foreign Currency Transactions and Advance Consideration.**
  The amendment to this standard clarifies the date of a foreign currency transaction for the purpose of determining an exchange rate to use when measuring the value of the transaction. This will not have any significant impact on the council's accounts.

- **IFRIC 23: Uncertainty over Income Tax Treatments.**
  The amendments to this standard specify how to reflect the effects of any uncertainties in the treatment of income taxes. As the Council is not subject to incomes taxes, the amendments to this standard will not impact on the Council's accounts.

- **IFRS 9: Financial Instruments (prepayment features with negative compensation).**
  The amendments to this standard relate to financial assets which may be pre-paid before their maturity date for less than the unpaid amounts of principal plus interest. This situation is unlikely to apply to the Council and is therefore unlikely to impact on the Council's accounts.

Note 3. Critical judgements in applying accounting policies

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

Government Funding

There is a high degree of uncertainty about future levels of funding for local government, particularly beyond March 2020. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.

PFI Contract- Focus Education Lincolnshire

The Council entered into a PFI contract with Focus Education (Lincolnshire), for the construction and provision of seven fully serviced school premises. The Council is deemed to control the service provided in these schools and also control the residual value in the school buildings at the end of the agreement. The accounting policy for Service Concessions and Similar Arrangements (including PFI agreements) has been applied to account for this contract and the property, plant and equipment assets associated with these schools, plus the outstanding liability for the PFI finance lease have been included within the Council's balance sheet. Details of the Council's PFI contract accounting are set out in Note 42 Private Finance Initiatives (PFI) and Similar Contracts.

On 11 November 2011, the school buildings belonging to St Botolph's County Primary School in Sleaford (a Voluntary Controlled School) were transferred to the Diocese Trust. This school has been accounted for in accordance with the Council's Accounting Policy of School Assets.

On the 1st March 2013, one of the seven PFI schools - the Phoenix School at Grantham, converted to Academy status. A 125 year lease has been agreed between the Council and the Academy to reflect the effects of the conversion. The lease is accounted for in accordance with the Council's Accounting Policies on Leases.

During 2016-17, another PFI school, Lady Jane Franklin School, transferred to Woodlands Academy on 1st August 2016. Another 125 year lease has been agreed between the County Council and the Academy to reflect their conversion. The buildings have been assessed to be a finance lease due to the length of the contract in place. The land has been assessed as an operating lease as after 125 years, it will revert back to the Council. It is the Council's policy that land only becomes a finance lease at 999 years. However due to the length of the lease and peppercorn rental payments, the land value provided by the valuer is below the de minimis for including within lease values.

Energy from Waste Plant

The Council has reviewed the arrangements in place for the construction and operation of the Energy from Waste Plant. There are elements of the Energy from Waste contract that meet the definition of a service concession arrangement in that the contract is design, build and operate.

However, the land, building and equipment assets associated with the plant have been purchased outright by the Council (and financed through Prudential Borrowing), as such these have been recognised as assets of the Council's in the balance sheet.

School Assets

Clarification has been issued on how assets used by schools should be accounted for, and when they should be recognised on the Council's balance sheet. The accounting standard for property, plant and equipment (IAS 16) defines a non-current asset as "a resource controlled by the Council as a result of a past event from which future economic benefits or service potential are expected to flow". The clarification on how this should be interpreted requires the assets of a school to be controlled by the Council or the Schools governing body for this criteria to be met, and therefore these assets are included within the Council's balance sheet.

All school assets have been reviewed to identify if they are controlled by the Council and should be included on the Council's balance sheet. In general terms all Community Schools and Foundation Schools (which are not controlled by a separate trust) should be included on the Council's balance sheet. Voluntary Controlled and Voluntary Aided Schools where the assets are generally controlled by a Trust (often the Diocese) should not be on the Council's balance sheet.

Investment Properties

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

Classification of Leases

The Council has entered into numerous leases for property and equipment, both as lessee and lessor. All new arrangements are assessed on an annual basis to determine whether they meet the indicators set out in IAS 17 Leases. The Council has set certain criteria for these indicators which have to be met for the lease to be considered as a finance lease. Details of all leases held by the Council are set out in Note 41 Leases.

Group Accounts

The Council owns three subsidiary companies: Transport Connect Limited; Lincolnshire Future Limited and Lincolnshire County Property Limited. Lincolnshire County Property Limited is a subsidiary of Lincolnshire Future Limited and neither company has traded during 2018/19. Transport Connect Limited is a teckal company and as such at least 80% of its turnover has to come from the Council. Additional information has been disclosed in Note 39 Related Parties.

It has been assessed for 2018/19 that there is no requirement to undertake group consolidation as the Council's interest is considered not material. Additionally, as 99% of the turnover during the year is from the Council, this has already been recorded in the Council's accounts as expenditure.

Employees in Transport Connect Limited are in a defined contribution pension scheme. The liability of the Council will be limited to the employer contribution as required by the scheme.

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

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

The Council's Balance Sheet as at 31 March 2019 contains the following entries, for which there is a significant risk of material adjustments in the forthcoming financial year:

Item	Uncertainties	Effect if actual results differ from assumptions
Fair Value Measurements	- When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. discounted cashflow model or independent appraisal of company valuations). Where Level 1 input is not available, the Council employs relevant experts to identify the most appropriate valuation techniques to determine the fair value (for example the Investment Properties, the Council's Valuer). Details of the fair value of the Council's assets and liabilities are set out in Notes 16 Investment Properties and 18 Financial Instruments. The Council has shareholdings in companies and these are measured using Level 3 inputs due to lack of information in active markets. The fair value has been measured using the discounted cashflow - enterprise approach. The assumptions used are based on most recent available financial statements of these companies and other information known at the time.	The Council uses market value and term and reversion approach to measure the fair value of some of its Investment Properties. The significant unobservable inputs used in the fair value measurement include assumptions regarding rent that any tenant/s is/are capable of meeting its/their obligations, and that there are no rent arrears or undisclosed breaches of covenant. Significant changes in the unobservable inputs would result in a significantly lower fair value measurement for the Investment Properties. Significant changes in the unobservable inputs would result in a difference in the fair value of these shareholdings. However this is not considered to be materially significant due to the current financial position of these companies and the level of the Council's interest in these companies.
Provisions	The Council's accounts contain an estimate of future expenses where a past event has created a legal or constructive current obligation and it is probable that it will be required to settle the obligation based on reliable estimate. Details of the Council's provisions are set out in Note 22 Provisions.	The provisions have been estimated to current claims or court cases and results of these legal challenges can materially change the obligation of the Council. This can result to a significantly lower or higher settlement of the obligation depending on the outcome of these challenges.

Item	Uncertainties	Effect if actual results differ from assumptions
Property, Plant and Equipment - PP&E (Valuations, Asset Lives and Derecognition)	- Land and building assets carrying value and remaining useful life are assessed by the Council's Valuers. These valuations include an assessment of the condition and use of assets. Changes in local government funding and future restructuring of services by the Council may affect the use of existing assets and levels of spending to maintain these assets. This may lead to changes in asset values and asset lives in the future. During derecognition the value of the replacement is used as a proxy to index back to original cost. This will lead to changes in asset values, thereby affecting the depreciation charges in the future.	Changes to asset value and lives, will have an effect on the annual depreciation charge for use of assets charged to services in the CI&ES. The annual depreciation charge for PP&E in 2018-19 is £81.349m (2017-18 was £81.733m) and the gross book value of these assets is £1,847m (2017-18 £1,789m). The asset life has an inverse effect with depreciation charge. The lower the asset life, the higher the depreciation charge; the higher the asset life, the lower the depreciation charge. The derecognition charge for PP&E in 2018-19 is £2.859m (2017-18 was £3.057m). Note 1 on accounting policies and Note 14 Property, Plant and Equipment, details the current policy on valuation methods, asset lives, depreciation and derecognition applied by the Council.
Pensions	- The Council's accounts contain an estimate of the future liability to pay pensions on the retirement of employees. This liability is estimated by the Council's actuary who applies a number of assumptions relating to: salary projections, retirement ages, changes in mortality rates and expected rates of return on pension assets and the discount rates used. A ruling has been made regarding age discrimination arising from public sector scheme transition arrangements. The Government requested leave to appeal to the Supreme Court but this was denied at the end of June 2019. The Local Government Pension Scheme (LGPS) and the Fire Pension Schemes benefits accrued from 2014 may therefore need to be enhanced so that all members, regardless of age, will benefit from the underpin. Alternatively, restitution may be achieved in a different way, for example by paying compensation. In either case, the clear expectation is that many more members would see an enhanced benefit rather than just those currently subject to these projections. This will therefore restrospectively increase member's benefits, which in turn will give rise to a past service cost to the Council.	Changes to the actuaries assumptions may materially affect the value of the pension fund liability, however, these changes are difficult to predict as the assumptions interact in complex ways. During 2018-19 the Council's actuaries advised that the net pension liability had increased to £1,032m (2017-18 £882.708m). Details of the pension fund liabilities are set out in Note 44 Defined Benefit Pension Schemes. Due to the ruling, the pension liability has increased by a further £17m than previously estimated.

Item	Uncertainties	Effect if actual results differ from assumptions
Accruals	- Debtor and creditor accruals are measured at the best estimate of the income / expenditure expected at the balance sheet date. Details of debtor and creditor balances are set out in Note 19 Debtors and Note 21 Creditors respectively.	The most significant accrual as at 31 March 2019 relates to the employee leave earned but not taken £5.497m (£5.128m in 2017-18). A survey of staff was used to calculate the accrual to get a full sample of all the areas within the Council. This amount included in the accounts was dependent on the response received and if more staff had completed the survey, this would have resulted in a higher accrual. However, the data is comparable to the previous year's level.

Note 5. Material items of income and expenditure

The Council is required to disclose any material amounts of income or expenditure which are not disclosed on the face of the Comprehensive Income and Expenditure Statement or in other supporting notes to the accounts. Material items over £10m have been reviewed and no items have been identified which are not reported on the face of the Comprehensive Income and Expenditure Statement or in the supporting notes.

Note 6. Events after the balance sheet date

a) Authorisation of Accounts for Issue

The Statement of Accounts were authorised for issue by Andrew Crookham, CPFA (Executive Director of Resources) in accordance with the Accounts and Audit Regulations 2015 (England) on 29th July 2019.

Signed... Dated.......29/7/19..................

b) Events after the Balance Sheet date

In accordance with IAS 10 Events after the Reporting Period, the following have been considered:

- Events taking place after the date the Accounts were authorised for issue (29th July 2019) are not reflected in the Financial Statements or the notes.
- Events that provide evidence of conditions that existed at the end of the reporting period 2018-19 are reflected in the figures in the Financial Statements and the notes, where the information has a material impact.
- There were no material "non-adjusting" events arising after the reporting period and up to 29th July 2019.

Note 7. Expenditure Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's directorates, services and departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

Expenditure and Funding Analysis for the period 1 April 2018 to 31 March 2019

2017/18				2018/19		
Net Expenditure chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£'000	£'000	£'000		£'000	£'000	£'000
			COMMISSIONING STRATEGIES			
4,734	2,095	6,829	Readiness for School	4,601	836	5,437
32,902	882	33,784	Learn and Achieve	36,226	937	37,163
5,591	1,267	6,858	Readiness for Adult Life	5,786	1,392	7,178
61,888	5,081	66,969	Children are Safe and Healthy	64,088	5,669	69,757
4,091	295	4,386	Adult Safeguarding	4,972	252	5,223
111,561	2,470	114,031	Adult Frailty and Long Term Conditions	110,623	2,282	112,904
2,003	8	2,011	Carers	2,483	(1)	2,482
62,443	956	63,399	Adult Specialties	67,417	1,168	68,585
26,862	406	27,268	Wellbeing	26,920	242	27,162
10,188	1,644	11,832	Community Resilience and Assets	10,023	1,654	11,677
38,994	45,630	84,624	Sustaining and Developing Prosperity through Infrastructure	40,745	46,942	87,687
22,357	8,783	31,140	Protecting and Sustaining the Environment	21,960	8,386	30,346
697	1,693	2,390	Sustaining and Growing Business and the Economy	1,290	(110)	1,181
23,768	8,983	32,751	Protecting the Public	24,679	7,697	32,376
8,162	931	9,093	How we do our Business	7,159	777	7,936
33,822	21,182	55,004	Enablers and Support to Council's Outcomes	38,340	13,439	51,779
0	0	0	Enablers and Support to Key Relationships	(15)	0	(15)
(33,524)	0	(33,524)	Public Health Grant	(32,662)	0	(32,662)
(34,501)	0	(34,501)	Better Care Funding Income	(40,060)	0	(40,060)
47,770	(48,079)	(309)	Other Budgets	53,789	(35,918)	17,871
(7,395)	44,604	37,209	Schools Budgets	(5,279)	33,013	27,734
422,413	**98,831**	**521,244**	**Net Cost of Services**	**443,084**	**88,656**	**531,740**
(440,282)	(35,488)	(475,769)	Other Income & Expenditure	(456,639)	(42,514)	(499,152)
(17,869)	**63,343**	**45,474**	**(Surplus)/Deficit**	**(13,555)**	**46,143**	**32,588**
17,969			Movement to/(from) Earmarked Reserves	**13,504**		
100			**(Surplus) or Deficit on General Fund Balance**	**(50)**		
15,300			* Restated Opening Balance at 1 April	15,800		
(100)			Less Deficit on General Fund in Year	50		
15,200			**Closing General Fund balance at 31 March 2019**	**15,850**		

*The General Fund balance was adjusted by £0.600m from the Financial Volatility Reserve within the Usable Earmarked Reserves to maintain the balance at 3.5% of the council's budget requirement as part of the 2018/19 budget setting.

a) The below table shows the adjustments between funding and accounting basis included within the Expenditure and Funding Analysis:

2017/18 Adjustments between Funding and Accounting Basis					2018/19 Adjustments between Funding and Accounting Basis			
Adjustments for Capital Purposes	Net change for the Pension Adjustments	Other Differences	Total Adjustments		Adjustments for Capital Purposes	Net change for the Pension Adjustments	Other Differences	Total Adjustments
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
				COMMISSIONING STRATEGIES				
1,890	205	0	2,095	Readiness for School	614	196	26	836
19	861	2	882	Learn & Achieve	53	918	(34)	937
633	633	1	1,267	Readiness for Adult Life	685	678	30	1,392
1,195	4,198	(312)	5,081	Children are Safe & Healthy	1,458	4,167	43	5,669
0	295	0	295	Adult Safeguarding	0	252	0	252
380	2,083	7	2,470	Adult Frailty & Long Term Conditions	176	2,028	78	2,282
0	8	0	8	Carers	0	0	(1)	(1)
320	635	1	956	Adult Specialties	472	670	26	1,168
183	224	(1)	406	Wellbeing	8	224	10	242
1,191	451	2	1,644	Community Resilience & Assets	1,275	372	7	1,654
43,107	2,274	249	45,630	Sustaining & Developing Prosperity Through Infrastructure	44,830	2,120	(8)	46,942
9,004	412	(633)	8,783	Protecting & Sustaining the Environment	8,378	654	(645)	8,386
1,468	233	(8)	1,693	Sustaining & Growing Business & the Economy	(339)	238	(8)	(110)
5,747	3,235	1	8,983	Protecting The Public	6,257	1,367	72	7,697
0	931	0	931	How We Do Our Business	0	818	(40)	777
15,676	3,840	1,666	21,182	Enablers & Support To Council's Outcomes	7,821	3,756	1,862	13,439
0	0	0	0	Enablers & Support To Key Relationships	0	0	0	0
0	0	0	0	Public Health Grant	0	0	0	0
0	0	0	0	Better Care Funding Income	0	0	0	0
1,897	(10,511)	(39,465)	(48,079)	Other Budgets	1,352	3,642	(40,912)	(35,918)
35,204	11,922	(2,522)	44,604	Schools Budgets	24,144	11,263	(2,393)	33,013
117,914	**21,929**	**(41,012)**	**98,831**	**Net Cost of Services**	**97,184**	**33,362**	**(41,889)**	**88,656**
(69,528)	22,929	11,111	(35,488)	Other Income and Expenditure from the Expenditure and Funding Analysis	(75,730)	24,261	8,956	(42,514)
48,386	**44,858**	**(29,901)**	**63,343**	**Difference between General Fund surplus and deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services**	**21,454**	**57,623**	**(32,934)**	**46,143**

Adjustments for Capital Purposes

The column for adjustments for capital purposes adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

- Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- Financing and investment income and expenditure – the statutory charges for Capital Financing i.e. Minimum Revenue Provision and other Revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Net Change for the Pensions Adjustments

The Net change for the removal of pension contributions also includes the addition of IAS 19 Employee Benefits pension related expenditure and income:

- For services this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
- For Financing and investment income and expenditure – the net interest on the defined benefit liability is charged to the CI&ES.

Other Differences

Other differences take into account differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and any amounts payable/receivable to be recognised under statute:

- For Financing and investment income and expenditure the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
- The charge under Taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

Segmental Income

Income received on a segmental basis is analysed in the below table:

	2017/18	2018/19
	Income from Services	
	£'000	£'000
COMMISSIONING STRATEGIES		
Readiness for School	(156)	(265)
Learn & Achieve	(3,662)	(3,823)
Readiness for Adult Life	(5,537)	(5,627)
Children are Safe & Healthy	(12,987)	(14,196)
Adult Safeguarding	(168)	(171)
Adult Frailty & Long Term Conditions	(41,256)	(48,498)
Carers	(63)	(63)
Adult Specialties	(23,230)	(29,178)
Wellbeing	(6,528)	(6,718)
Community Resilience & Assets	(742)	(348)
Sustaining & Developing Prosperity Through Infrastructure	(13,845)	(11,779)
Protecting & Sustaining the Environment	(1,491)	(2,177)
Sustaining & Growing Business & the Economy	(4,499)	(5,719)
Protecting The Public	(6,885)	(6,400)
How We Do Our Business	(899)	(588)
Enablers & Support To Council's Outcomes	(5,355)	(5,324)
Enablers & Support To Key Relationships	(60)	(5)
Public Health Grant	(33,524)	(32,662)
Better Care Funding	(34,501)	(40,060)
Other Budgets	(6,146)	(9,259)
Schools Budgets	(294,674)	(295,139)
Total Income Analysed on a Segmental Basis	**(496,208)**	**(517,997)**

The figures in the above table include Grants and Contributions.

Note 8. Expenditure and Income Analysed by Nature

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

	2017/18	2018/19
	£'000	£'000
Expenditure		
Employee benefits expenses	370,956	393,074
Other service expenses	572,649	599,977
Depreciation, amortisation and impairment	93,284	88,517
Interest payments	20,254	21,061
Precepts and Levies	1,087	1,097
Loss on the disposal of assets	40,998	15,424
Total expenditure	**1,099,228**	**1,119,149**
Income		
Fees, charges and other service income	(149,990)	(167,952)
Interest and investment income	(1,886)	(2,578)
Income from Council Tax, Non-domestic Rates	(370,796)	(441,941)
Government Grants and Contributions	(531,082)	(474,091)
Total income	**(1,053,754)**	**(1,086,562)**
Surplus or Deficit on the Provision of Services	**45,474**	**32,588**

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

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

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

General Fund Balance

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

Capital Receipts Reserve

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

Capital Grants Unapplied

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

	Note	2018/19 Usable Reserves General Fund Balance £'000	2018/19 Usable Reserves Capital Grants Unapplied £'000	2018/19 Movements in Unusable Reserves £'000
Adjustments to Revenue Resources				
Amount by which income and expenditure included in the CI&ES are different from revenue for the year calculated in accordance with statutory requirements.				
Pension Costs (transferred to (or from) the Pension Reserve):				
Reversal of items relating to retirement benefits debited or credited to the CI&ES	(44)	(101,648)		101,648
Employer's pensions contributions and direct payments to pensioners payable in the year		44,025		(44,025)
Financial Instruments (transferred to (or from) the Financial Instruments Adjustment Account):		(1,544)		1,544
Council Tax and Business Rates (transferred to (or from) the Collection Fund Adjustment Account):		6,360		(6,360)
Holiday Pay (transferred to (or from) the Accumulated Absences Account):		(369)		369
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)				
Charges for depreciation and impairment of non-current assets		(81,349)		81,349
Revaluation losses on Property Plant and Equipment		(4,877)		4,877
Revaluation losses on Heritage Assets		300		(300)
Revaluation losses on Held for Sale Assets		0		0
Movements in the market value of Investment Properties		2,556		(2,556)
Amortisation of intangible assets		(2,592)		2,592
Capital grants and contributions applied		65,699		(65,699)
Capital Receipts applied		3,368		(3,368)
Income in relation of Donated Assets		0		(0)
Revenue expenditure funded from capital under statute (net of Grants and Contributions)		(8,401)		8,401
Amounts of Non-Current Assets written off on disposal or sale as part of the gain/loss on disposal to the CI&ES		(18,792)		18,792
Total Adjustments to Revenue Resources		**(97,264)**	**0**	**97,264**
Adjustments between Revenue and Capital Resources				
Statutory provision for the repayment of debt (transferred to (or from) the Capital Adjustment Account):		18,125		(18,125)
Capital expenditure charged against the General Fund (transferred to (or from) the Capital Adjustment Account):		7,541		(7,541)
Total Adjustments between Revenue and Capital Resources		**25,666**	**0**	**(25,666)**
Adjustments to Capital Resources				
Capital grants and contributions unapplied credited to the CI&ES		25,455	(25,455)	0
Application of grants to capital financing transferred to the Capital Adjustment Account		0	39,079	(39,079)
Total Adjustments to Capital Resources		**25,455**	**13,624**	**(39,079)**
Total Adjustments		**(46,143)**	**13,624**	**32,519**

CI&ES = Comprehensive Income and Expenditure Statement

	Note	2017/18		
		Usable Reserves		Movements in Unusable Reserves £'000
		General Fund Balance £'000	Capital Grants Unapplied £'000	
Adjustments to Revenue Resources				
Amount by which income and expenditure included in the CI&ES are different from revenue for the year calculated in accordance with statutory requirements.				
Pension Costs (transferred to (or from) the Pension Reserve):				
Reversal of items relating to retirement benefits debited or credited to the CI&ES	(44)	(84,812)	0	84,812
Employer's pensions contributions and direct payments to pensioners payable in the year		39,956	0	(39,956)
Financial Instruments (transferred to (or from) the Financial Instruments Adjustment Account):		(8)	0	8
Council Tax and Business Rates (transferred to (or from) the Collection Fund Adjustment Account):		278	0	(278)
Holiday Pay (transferred to (or from) the Accumulated Absences Account):		(48)	0	48
Reversal of entires 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)				
Charges for depreciation and impairment of non-current assets		(81,773)	0	81,773
Revaluation losses on Property Plant and Equipment		(8,499)	0	8,499
Revaluation losses on Heritage Assets		(476)		476
Revaluation losses on Held for Sale Assets		(40)	0	40
Movements in the market value of Investment Properties		6,447	0	(6,447)
Amortisation of intangible assets		(2,496)	0	2,496
Capital grants and contributions applied		70,253	0	(70,253)
Revenue expenditure funded from capital under statute (net of Grants and Contributions)		(23,810)	0	23,810
Amounts of Non Current Assets written off on disposal or sale as part of the gain/loss on disposal to the CI&ES		(40,998)	0	40,998
Total Adjustments to Revenue Resources		**(126,026)**	**0**	**126,026**
Adjustments between Revenue and Capital Resources				
Statutory provision for the repayment of debt (transferred to (or from) the Capital Adjustment Account):		17,737	0	(17,737)
Capital expenditure charged against the General Fund (transferred to (or from) the Capital Adjustment Account):		4,632	0	(4,632)
Total Adjustments between Revenue and Capital Resources		**22,369**	**0**	**(22,369)**
Adjustments to Capital Resources				
Capital grants and contributions unapplied credited to the CI&ES		40,314	(40,314)	0
Application of grants to capital financing transferred to the Capital Adjustment Account		0	35,313	(35,313)
Total Adjustments to Capital Resources		**40,314**	**(5,001)**	**(35,313)**
Total Adjustments		**(63,344)**	**(5,001)**	**68,345**

Note 10. Transfer to/from earmarked reserves

Balance at 1 April 2017 £'000	Additions in Year £'000	Used in Year £'000	Balance at 31 March 2018 £'000		* Restated Balance at 1 April 2018 £'000	Additions in Year £'000	Used in Year £'000	Balance at 31 March 2019 £'000
24,395	3,848	(15,703)	12,540	**Balances from dedicated schools budget including those held by schools under a scheme of delegation**	12,540	18,899	(18,899)	12,540
				Other Earmarked Reserves:				
3,144	0	(3,144)	0	Other Services	0	3,576	(3,576)	0
0	44,727	0	44,727	Earmarked Reserves - Pre-Council Confirmation	44,727	36,834	(44,727)	36,834
500	0	(500)	0	Adverse Weather	0	500	(433)	67
4,487	0	0	4,487	Insurance	4,487	750	0	5,237
1,103	0	0	1,103	Schools Sickness Insurance	1,103	584	(1,168)	519
914	0	(232)	682	Health and Well Being	682	4	(213)	473
2,610	0	(730)	1,880	Shared Services Reserves (Legal & Procurement)	1,880	787	(760)	1,907
17,870	5,076	(17,870)	5,076	Financial Volatility - Budget Shortfall	5,076	0	(5,076)	0
32,338	0	(5,076)	27,262	Financial volatility	26,178	20,004	(588)	45,594
800	0	(435)	365	Support Services contract	365	2,500	(569)	2,296
0	0	0	0	Energy from Waste Lifecycles	4,400	1,286	(700)	4,986
1,000	0	0	1,000	Contract Development	1,000	0	0	1,000
2,000	0	(237)	1,763	Highways Advanced Design	1,763	0	(929)	834
5,000	0	(5,000)	0	Environmental Improvement & Sustainability Reserve	0	0	0	0
0	0	0	0	Environmental Improvement & Sustainability Reserve (Environment)	1,000	0	0	1,000
0	0	0	0	Environmental Improvement & Sustainability Reserve (Infrastructure)	4,000	0	0	4,000
0	0	0	0	Business Rates Volatility Reserve	0	1,683	0	1,683
11,975	6,852	(1,708)	17,119	Other Service Earmarked Reserves	7,719	2,144	(2,967)	6,896
				Revenue Grants & Contributions Unapplied Reserves:				
7,442	6,704	(7,018)	7,128	Schools	7,128	6,470	(7,524)	6,074
6,611	4,311	(345)	10,577	Children Services	10,577	2,182	(2,825)	9,934
29,955	10,713	(4,638)	36,030	Adult Care and Communtiy Wellbeing	36,030	8,870	(3,501)	41,399
5,267	1,298	(2,575)	3,990	Environment and Economy	3,990	1,178	(497)	4,671
1,341	616	(744)	1,213	Finance and Public Protection	1,213	88	(80)	1,221
77	0	(15)	62	Chief Executive	62	3	0	65
158,829	**84,146**	**(65,970)**	**177,005**	**Total**	**175,921**	**108,342**	**(95,032)**	**189,231**

*Following the review of the General Fund as stated in Note 7 Expenditure and Funding Analysis, the financial Volatility Reserve was used to increase the General Fund by £0.600m. The IFRS 9 Financial Instrument adaptation resulted in a creation of Financial Instrument Revaluation Reserve which has resulted in a transfer of £0.484m from the Financial Volatility Reserve.

The note above sets out the amounts set aside from the General Fund into Earmarked Reserves to provide financing for future expenditure plans and the amounts posted back from Earmarked Reserves to meet General Fund expenditure in 2018-19.

The **balance held by schools under the scheme of delegation** represents the net underspending of school budget shares in 2018-19. It is earmarked for use by those schools as required by the Lincolnshire County Council Scheme for financing Schools approved by the Secretary of State for Education.

The **Other Services Reserve** represents net under and overspendings in 2018-19 on services other than schools (i.e. Children's Services, Adult Care, Public Health, Communities, and Corporate Services) which will be carried forward for use in 2019-20.

The **Earmarked Reserves - Pre-Council Confirmation** balance is not included within the General Reserve as it contains funds earmarked for the specific purposes set out in the report to the July 2019 Executive. The Council is asked to confirm these proposals at its 9th July 2019 meeting, at which point these funds will be transferred to the relevant earmarked reserve.

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

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

The **Schools Sickness Insurance Reserve** provides reimbursement to schools, who are members of the scheme, when staff are absent from work.

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

The **Shared Services Reserve (Legal Services and Procurement)** represents what amounts these services carried forward from 2018-19. The Legal Services Management Board will agree on what proportion of the surplus should be distributed to the shared service partners in 2019-20. The Procurement Reserve represents Procurement Lincolnshire's underspend at the end of 2018-19. The underspend relates to both Council money and partners money. This amount will be carried into 2019-20 for schemes for mutual benefit to all the partners.

The **Financial Volatility** and the **Financial Volatility - Budget Shortfall** Reserves have been established to help the Council deal with the future uncertainties around Local Government funding.

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

Energy from Waste Lifecycle Reserve. As the energy from Waste contract is technically a Service Concession arrangement, it includes an element of cost for periodic lifecycle replacement of the assets used to provide the service.

The **Contract Development Reserve** provides the Council with flexibility to develop and manage contract processes going forwards.

The **Highways Advanced Design Reserve** invests in feasibility work which will keep the development of Lincolnshire's road network a priority and facilitate economic growth projects.

The **Environmental Improvements Sustainability Reserves** allows the Council to fund and contribute to a number of environmental and highways schemes across the County for the life of the current Council.

The **Other Service Earmarked Reserves** represents numerous reserves held by service areas of specific purposes. Some reserves originally included under this heading are now being shown within the table as a separate reserve for transparency.

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

The **Business Rates Volatility Reserve** will hold the 2019/20 surplus on the business rates collection fund and will be used to offset any collection fund deficit arising in future years.

Note 11. Other operating expenditure

2017/18		2018/19
£'000		**£'000**
1,087	Precepts paid to non-principal authorities and levies	1,097
40,998	Gain or Loss on the disposal of non-current assets	15,424
40	Revaluation losses on assets held for sale	0
42,125	**TOTAL**	**16,521**

Note 12. Financing and Investment Income and Expenditure

2017/18 £'000		2018/19 £'000
20,295	Interest payable and similar charges	21,061
22,929	Net Interest on the net defined benefit liability (asset)	24,261
(6,448)	Changes on Investment Property revaluations	(2,556)
765	Expenditure on Investment Properties	816
37,541	Total Gross Expenditure	**43,582**
(1,886)	Interest receivable and similar income	(2,578)
(2,422)	Income from Investment Properties	(2,526)
(4,308)	Total Gross Income	**(5,104)**
33,233	**TOTAL**	**38,478**

Note 13. Taxation and Non Specific Grant Income

2017/18 £'000		2018/19 £'000
(264,353)	Council tax income	(280,822)
(106,443)	Business Rates - Districts *(1)	(161,119)
	Non-ring-fenced government grants:	
(48,292)	Revenue Support Grant *(1)	0
(5,565)	Rural Service Delivery Grant *(1)	0
(1,215)	Education Services Grant	(30)
(3,550)	New Homes Bonus Grant & Returned Top slice	(2,342)
(3,383)	Adult Social Care Support Grant 2017/18	(2,105)
(2,773)	Section 31 Grant - Business Rates	(11,010)
(1,698)	Independent Living Fund Grant	(1,644)
(1,438)	Partners in Practice S31 Grant	(1,744)
(1,852)	Other Non Specific Grant	(2,182)
(110,567)	Capital grants and contributions (Note 38)	(91,154)
(551,129)	**TOTAL**	**(554,152)**

*(1) The Council took part in a Business Rates Pilot Scheme during 2018/19. This meant that Revenue support Grant and Rural Service Delivery Grant were both rolled into Business Rates for the year.

Note 14. Property, Plant and Equipment

a) Movement on Non-Current Assets

RR - Revaluation Reserve SDPS – Surplus or Deficit on the Provision of Services

Movement in Property, Plant & Equipment As at 31 March 2019	Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infra-structure	Community Assets	Surplus Assets	Assets Under Construction	Total	PFI Assets Included in Property, Plant & Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation								
At 1 April 2018	601,162	104,030	887,510		4,238	62,228	**1,659,168**	14,571
Additions	8,669	8,466	55,109	0	5	51,372	**123,621**	82
Donations	0	0	0	0	0	0	**0**	0
Revaluation Increase to RR	11,857	(796)	0	0	0	0	**11,061**	293
Revaluation Decrease to RR	(15,508)	0	0	0	0	0	**(15,508)**	(218)
Revaluation Increase/(Decrease) to SDPS	(6,943)	(1,706)	0	0	100	0	**(8,549)**	0
Derecognition - Disposals	(11,688)	(6,928)	(10,522)	0	(16)	0	**(29,154)**	0
Derecognition to RR	850	1	0	0	0	0	**851**	0
Derecognition to SDPS	(3,438)	(467)	0	0	0	0	**(3,905)**	0
Reclassified to/from Heritage Property	(1,850)	0	0	0	0	0	**(1,850)**	0
Reclassified to/from Held for Sale	(16)	0	0	0	6,460	0	**6,444**	0
Reclassified to/from Investment Property	0	0	0	0	0	0	**0**	0
Reclassifications - Other	7,680	223	11,685	0	37	(19,662)	**(37)**	0
At 31 March 2019	**590,775**	**102,823**	**943,782**	**0**	**10,824**	**93,938**	**1,742,142**	**14,728**
Depreciation and Impairment								
At 1 April 2018	**(20,069)**	**(26,606)**	**(406,464)**	**0**	**(49)**	**0**	**(453,188)**	**(643)**
Depreciation Charge for 2018/19	(25,046)	(9,614)	(46,663)	0	(26)	0	**(81,349)**	(358)
Depreciation written out on upward revaluation	7,384	3,091	0	0	0	0	**10,475**	0
Depreciation written out on downward revaluation	1,193	0	0	0	0	0	**1,193**	0
Depreciation written out to the SDPS	1,734	1,934	0	0	0	0	**3,668**	0
Impairment losses/(reversals) recognised in the RR	0	0	0	0	0	0	**0**	0
Impairment losses/(reversals) recognised in the SDPS	0	0	0	0	0	0	**0**	0
Derecognition - Disposals	895	6,770	10,522	0	0	0	**18,187**	0
Derecognition to RR	0	0	0	0	0	0	**0**	0
Derecognition - SDPS	173	22	0	0	0	0	**195**	0
Reclassified to/from Heritage Property	0	0	0	0	0	0	**0**	0
Reclassifications to Asset Held for Sale	0	0	0	0	0	0	**0**	0
Reclassifications - Other	5	0	0	0	(5)	0	**0**	0
At 31 March 2019	**(33,731)**	**(24,403)**	**(442,605)**	**0**	**(80)**	**0**	**(500,819)**	**(1,001)**
Net Book Value								
At 31 March 2019	**557,044**	**78,420**	**501,177**	**0**	**10,744**	**93,938**	**1,241,323**	**13,727**
At 1 April 2018	581,093	77,424	481,046	0	4,189	62,228	1,205,980	13,928

Movement in Property, Plant & Equipment As at 31 March 2018	**Land & Buildings**	**Vehicles, Plant, Furniture & Equipment**	**Infra-structure**	**Community Assets**	**Surplus Assets**	**Assets Under Construction**	**Total**	**PFI Assets Included in Property, Plant & Equipment**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Cost or Valuation								
At 1 April 2017 (*1)	654,327	106,481	855,474	0	4,902	37,597	**1,658,781**	15,357
Additions	16,246	3,706	27,866	0	0	50,428	**98,246**	2
Revaluation Increase to RR	11,558	0	0	0	651	0	**12,209**	276
Revaluation Decrease to RR	(35,870)	(603)	0	0	(157)	0	**(36,630)**	(951)
Revaluation Increase/(Decrease) to SDPS	(11,570)	(2,390)	0	0	(89)	0	**(14,049)**	0
Derecognition - Disposals	(35,111)	(3,184)	(15,757)	0	(816)	0	**(54,868)**	(113)
Derecognition to RR	402	0	0	0	0	0	**402**	0
Derecognition to SDPS	(3,536)	0	0	0	0	0	**(3,536)**	0
Reclassified to/from Held for Sale	0	0	0	0	(1,324)	0	**(1,324)**	0
Reclassified to/from Investment Property	(63)	0	0	0	0	0	**(63)**	0
Reclassifications - Other	4,779	20	19,927	0	1,071	(25,797)	**0**	0
As at 31 March 2018	**601,162**	**104,030**	**887,510**	**0**	**4,238**	**62,228**	**1,659,168**	**14,571**
Depreciation and Impairment								
At 1 April 2017	(20,526)	(25,224)	(377,832)	0	(71)	0	**(423,653)**	(625)
Depreciation Charge for 2017/18	(28,300)	(9,044)	(44,389)	0	(39)	0	**(81,772)**	(382)
Depreciation written out on upward revaluation	4,547	0	0	0	2	0	**4,549**	0
Depreciation written out on downward revaluation	20,124	2,563	0	0	0	0	**22,687**	364
Depreciation written out to the SDPS	3,403	2,123	0	0	23	0	**5,549**	0
Impairment losses/(reversals) recognised in the RR	0	0	0	0	0	0	**0**	0
Impairment losses/(reversals) recognised in the SDPS	0	0	0	0	0	0	**0**	0
Derecognition - Disposals	607	2,974	15,757	0	36	0	**19,374**	0
Derecognition to RR	0	0	0	0	0	0	**0**	0
Derecognition - SDPS	76	0	0	0	0	0	**76**	0
Reclassifications to Asset Held for Sale	0	0	0	0	0	0	**0**	0
Reclassifications - Other	0	0	0	0	0	0	**0**	0
As at 31 March 2018	**(20,069)**	**(26,606)**	**(406,464)**	**0**	**(49)**	**0**	**(453,188)**	**(643)**
Net Book Value								
As at 31 March 2018	**581,093**	**77,424**	**481,046**	**0**	**4,189**	**62,228**	**1,205,980**	**13,928**
As at 1 April 2017	633,801	81,257	477,642	0	4,831	37,597	1,235,127	14,732

RR - Revaluation Reserve SDPS – Surplus or Deficit on the Provision of Services

b) Capital Commitments

At 31 March 2019, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2019-20 and future years budgeted to cost £69.047m.

Detail	**Gross £'000**
Lincoln Eastern Bypass - a major scheme to improve the flow of traffic around Lincoln City Centre	49,900
South Park Development of New Police, Fire and Ambulance Station on South Park Avenue, Lincoln	7,500
Purchase of replacement Fire engines	6,489
Holbeach Food Enterprise Zone	2,665
Information Management - 383 Windows 10 Corporate Refresh	1,493
Lexicon House Refurbishment	1,000
	69,047

c) Valuations

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

The significant assumptions applied in estimating the current values are:

- Existing Use Value (EUV) has been used where there was sufficient evidence of market transactions for that use (e.g. office accommodation).
- Depreciated Replacement Cost (DRC) has been used where the asset is of a specialised nature, of where there is no evidence of market value or suitably comparable properties (e.g. schools).

The following table shows a breakdown of carrying amount of Non-current asset values, and the year in which they were last valued within the rolling programme.

Non-Current Assets	**Land and Buildings**	**Surplus Assets**	**Energy from Waste Equipment**
	£'000	**£'000**	**£'000**
	Current Value	**Fair Value**	**Current value**
Valued at:			
01 April 2014	58,016	40	0
01 April 2015	105,618	503	0
01 April 2016	91,161	68	0
01 April 2017	109,112	1,842	0
01 April 2018	193,137	8,290	60,942
Total Cost of Valuation	**557,044**	**10,744**	**60,942**

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

Non-Current Assets carried at historic cost	2017/18	2018/19
	£'000	£'000
Vehicles, Plant, Furniture and Equipment	14,045	17,478
Infrastructure	481,046	501,177
Assets Under Construction	62,228	93,938
Total Cost of Valuation	**557,319**	**612,593**

Note 15. Heritage Assets

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

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

<u>1) Windmills</u>

The Council is responsible for four windmills: Alford Five Sail Windmill, Burgh le Marsh Windmill, Ellis Mill in Lincoln and Heckington Windmill.

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

<u>2) Historic Buildings</u>

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

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

3) Collections

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

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

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

The management and development of the collections is governed by the Council's Policy on Collection Management, which can be found on the Council's website in the Decision details area http://lincolnshire.moderngov.co.uk/ieDecisionDetails.aspx?ID=350.

a) Reconciliation of the carrying value of Heritage Assets held:

	Windmills	Other Historic Buildings	Collections	Total
	£'000	£'000	£'000	£'000
Cost or Valuation				
Balance at 1 April 2018	2,679	20,507	40,000	63,185
Additions - In House construction/Improvement	23	1,488	0	1,511
Revaluations recognised in the Revaluation Reserve	985	0	0	985
Revaluations recognised in the CI&ES	303	(1)	0	302
Impairment Losses/(reversals) recognised in the CI&ES	0	(2)	0	(2)
Reclassifications	0	1,850	0	1,850
At 31 March 2019	**3,990**	**23,842**	**40,000**	**67,831**
Cost or Valuation				
Balance at 1 April 2017	5,020	20,081	40,000	65,101
Additions - In House construction/Improvement	91	426	0	516
Revaluations recognised in the Revaluation Reserve	(1,956)	0	0	(1,956)
Revaluations recognised in the CI&ES	(476)	0	0	(476)
Impairment Losses/(reversals) recognised in the CI&ES	0	0	0	0
Reclassifications	0	0	0	0
At 31 March 2018	**2,679**	**20,507**	**40,000**	**63,185**

CI&ES = Comprehensive Income and Expenditure Statement

There have been additions of £1.49m to Lincoln Castle & £0.02m to Alford Windmill.

Note 16. Investment Properties

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

a) Investment Properties Income and Expenditure

	County Farm Estates		Other General Fund Properties	
	2017/18	2018/19	2017/18	2018/19
	£'000	£'000	£'000	£'000
Rental Income from Investment Property	(2,365)	(2,457)	(57)	(68)
Direct Operating Expenses arising from Investment Property	747	797	18	20
Net (Income)/Expenditure	**(1,619)**	**(1,660)**	**(39)**	**(48)**

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

b) Movement on Investment Properties

	County Farm Estates		Other General Fund Properties		Total	
	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April	99,650	105,971	1,525	1,690	101,175	107,661
Additions - Acquisitions (Purchase and Construction)	450	455	0	9	450	464
Additions - Subsequent expenditure	0	0	0	0	0	0
Disposals	(477)	(1,888)	0	(117)	(477)	(2,005)
Net Gains/(Losses) from fair value adjustments	6,348	2,433	102	152	6,450	2,585
Transfers to/from Property, Plant and Equipment	0	0	63	0	63	0
Balance at 31 March	**105,971**	**106,971**	**1,690**	**1,734**	**107,661**	**108,705**

Nature of asset holding	County Farm Estates		Other General Fund Properties	
	2017/18	2018/19	2017/18	2018/19
Owned	105,852	106,893	1,690	1,734
Leased	119	78	0	0
Balance at 31 March	**105,971**	**106,971**	**1,690**	**1,734**

c) Revaluations

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

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

The fair value measurement of the Council's Investment Properties is categorised as Level 2 on the fair value hierarchy. It uses the market value approach for the County Farms and the term and reversion for the other properties.

The market value approach takes into account the similar assets in the market, existing lease terms and rentals and market evidence, which comes from numerous sources. If there is more than one value available for the same property on different basis, the highest valuation figure is used.

The term and reversion approach takes into account the existence of an occupational lease, having regard to lease terms and conditions and assessing the Council's Valuer's opinion of the market rental value of the each individual properties, and then capitalising the market rent adopting a suitable yield, which again reflects the market evidence of property investment yields. This approach takes into account market circumstances and comparable market evidence.

Note 17. Intangible Assets

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

a) Movement on intangible assets:

	Software	Software Licenses	Total
	£'000	£'000	£'000
Balance at 1 April 2018			
- Gross carrying amount	24,546	2,692	27,238
- Accumulated amortisation	(14,758)	(1,220)	(15,978)
Net carrying amount at 1 April 2018	**9,788**	**1,472**	**11,260**
Additions:			
- Purchases	1,654	50	1,704
Asset classified as held for sale	0	0	0
Other disposals	0	0	0
Amortisation for the period	(2,316)	(276)	(2,592)
Other changes - reclassifications	37	0	37
Net carrying amount at 31 March 2019	**9,162**	**1,246**	**10,408**
Comprising:			
- Gross carrying amounts	20,366	2,476	22,842
- Accumulated amortisation	(11,204)	(1,230)	(12,434)
Balance Sheet amount at 31 March 2019	**9,162**	**1,246**	**10,408**

b) Significant Capitalised Software

At 31 March 2019, the County Council hasn't capitalised material items of software during 2018-19.

c) Capital Commitments

At 1 April 2019, the Council has not entered into any contractual commitments for the acquisition of intangible assets.

d) Revaluation

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

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

a) Financial Instruments Balances

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

Financial Liabilities	Long-Term		Current	
	31 March 2018	31 March 2019	31 March 2018	31 March 2019
	£'000	£'000	£'000	£'000
Borrowings				
Amortised Cost	426,923	452,451	39,525	18,372
Fair Value Through Profit and Loss	0	0	0	0
Total Borrowings	**426,923**	**452,451**	**39,525**	**18,372**
Creditors & Other Long Term Liabilities				
Amortised Cost	7,219	6,593	69,520	89,535
Total Creditors	**7,219**	**6,593**	**69,520**	**89,535**

Financial Assets	Long-Term		Current	
	31 March 2018	31 March 2019	31 March 2018	31 March 2019
	£'000	£'000	£'000	£'000
Investments				
Amortised Cost * (1)	15,000	11,935	226,056	241,873
Fair Value Though Other Comprehensive Income	0	0	0	0
Fair Value Though Other Comprehensive Income - Designated Equity Instruments	14	294	0	0
Fair Value Through Profit and Loss	0	0	17,748	20,013
Total Investments	**15,014**	**12,229**	**243,804**	**261,886**
Debtors				
Amortised Cost	9,163	3,296	45,669	39,731
Total Debtors	**9,163**	**3,296**	**45,669**	**39,731**

*(1) This balance includes a loan made to a third party at less than market rate for service reasons, deemed as a soft loan. When a soft loan is made, a loss is recorded in the Income & Expenditure Account, charged to the service, for the present value of the interest that will be forgone over the life of the instrument, resulting in a lower amortised cost (£169k) than the outstanding principal (£270k). Interest is credited at a marginally higher effective rate of interest than the rate receivable from the third party, with the difference increasing 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 in the year so this is managed by a transfer to or from the Financial Instruments Adjustment Account.

No collateral or financial guarantees are held by the Council at 31 March 2019 or included in the above figures.

b) Reclassification and Remeasurement of Financial Assets at 1 April 2018

This section shows the effect of the reclassification and remeasurement of financial assets and impairment losses, following the adoption of IFRS 9 Financial Instruments by the Code of Practice on Local Authority Accounting.

1) Reclassification and Remeasurement at 1 April 2018

Financial Assets	Carrying Amount BF at 1 April 2018	New Classifications at 1 April 2018: Amortised Cost	through Other Comprehensive Income - Designated Equity Instruments	Fair Value through Profit and Loss
	£'000	£'000	£'000	£'000
Previous Classifications				
Loans and Receivables	243,007	243,007	0	0
Available for Sale Financial Assets	70,629	52,881	0	17,748
Unquoted Equity Investments at Cost	14	0	14	0
Fair Value Through Profit and Loss	0	0	0	0
Reclassified Amounts at 1 April 2018	**313,650**	**295,888**	**14**	**17,748**
Remeasurements at 1 April 2018*	0	(248)	257	0
Remeasured Carrying Amounts at 1 April 2018	**313,650**	**295,640**	**271**	**17,748**
* Impact of Remeasurements on General Fund Balance £'000				484
Impact of Remeasurements on Financial Instruments Revaluation Reserve £'000				(257)

2) Effect of Reclassification and Remeasurement of Financial Assets on the Balance Sheet at 1 April 2018.

Financial Assets	New Classifications at 1 April 2018: Amortised Cost	Fair Value through Other Comprehensive Income - Designated Equity Instruments	Fair Value through Profit and Loss	Total Balance Sheet Carrying Amount
	£'000	£'000	£'000	£'000
Long Term Investments	15,000	271	0	**15,271**
Current Investments	225,808	0	17,748	**243,556**
Long Term Debtors	9,163	0	0	**9,163**
Current Debtors	45,669	0	0	**45,669**
Remeasured Carrying Amounts at 1 April 2018	**295,640**	**271**	**17,748**	**313,659**

3) Application of Classification Requirements of Financial Assets on the Balance Sheet at 1 April 2018

The Council has reclassified the following financial assets at 1 April 2018 for the reasons stated below:

- Bonds and Certificate of Deposits (CDs) with a fair value (including accrued interest) of £52,881k at 1 April 2018 were reclassified from available for sale to amortised cost, as the fact that they have a quoted market price is no longer relevant to the classification and they are being held as part of a business model to hold to maturity and collect contractual cash flows. The remeasured amortised cost of these Bonds and CDs was £52,633k at 1 April

2018, the reduction in value being credited to the General Fund on remeasurement. The Bonds and CDs all matured throughout 2018/19 hence had a nil value at 31 March 2019.

- Constant Net Asset Value Money Market Funds (Pooled Investment Funds) with a carrying value (including accrued interest) of £17,748k at 1 April 2018 were reclassified from available for sale to fair value through profit or loss, as units of the funds are bought and sold and dividends paid in accordance with daily yields returned, set at the end of each day, characteristics which fail to meet the solely payments of principal and interest test of the other classifications. The Net Asset Value of these funds only vary by an insignificant amount due to changing values of the assets in the fund, hence the price of the fund (its fair value) at 1 April 2018 equals the carrying amount of £17,748k. Gains or losses to fair value are therefore nil at remeasurement.
- Some small equity holdings held by the Council for service benefit with a carrying value of £14k have been designated as fair value through other comprehensive income, instead of fair value through profit & loss, reclassified from unquoted equity investments at cost. This designation is irrevocable, deemed to be a reliable accounting policy based on meeting tests necessary for this category. Assets designated as fair value through other comprehensive income are carried on the balance sheet at fair value. The fair value of the equity holding at 1 April 2018 of £271k, was calculated using the enterprise approach (a discounted cash flow technique) as defined in IFRS 13 Fair Value Measurement. The increase in fair value at 1 April 2018 was credited to the Financial Instruments Revaluation Reserve at remeasurement. No dividends are received on these equity holdings.
- All financial assets classified as Loans and Receivables have been reclassified as Amortised Cost, as they are all considered to be simple interest investments, with no impairment allowance or other cash flows associated with them. These instruments have the same carrying value on the Balance Sheet and any transaction costs arising are charged directly to the Income & Expenditure Account as they are incurred.

4) Reclassification and remeasurement of impairment losses at 1 April 2018

This note shows the adjustments made to impairment loss allowances as a result of the reclassification of financial assets and the change from an incurred losses model to an expected losses model as per the requirements of IFRS9. The concept of impairment applies to financial assets that are part of a business model that includes contractual cash flows as one of its objectives and so applies to financial assets classified as amortised cost and fair value though other comprehensive income. Expected impairment requirements do not apply to financial assets classified as fair value through profit or loss or to equity instruments designated as fair value through other comprehensive income, as current market prices are considered to be an appropriate reflection of credit risk that affect movements in fair value which are posted to the Income & Expenditure Account as they arise. Financial assets with other Local Government institutions are also out of scope. The Council has set a £25k materiality level on financial assets below which expected credit losses will not be recognised.

Financial Assets	Impairment allowance BF at 1 April 2018	Loss Allowances for New Classifications at 1 April 2018	
		Amortised Cost	Fair Value through Other Comprehensive Income
	£'000	£'000	£'000
Previous Classifications			
Loans and Receivables	0	0	0
Available for Sale Financial Assets	0	0	0
Reclassified Amounts at 1 April 2018		**0**	**0**
Remeasurement from incurred losses to expected losses basis at 1 April 2018		**484**	**0**
Impairment Loss allowance at 1 April 2018		**484**	**0**

This expected impairment loss allowance at 1 April 2018 was charged to the General Fund in 2018/19. Future movement in expected credit losses will be charged to the Income & Expenditure Account in the year and the balance of expected impairment loss at 31 March will be charged to the Impairment Loss Allowance on the Balance Sheet each year.

c) Financial Instruments Income, Expense, Gains or Losses

The Council's Financial Liabilities are all valued at amortised cost. There have been no gains or losses on derecognition or impairment losses during the year on the financial liabilities held by the Council. A premium (compensation to Lender for loss of future interest) was incurred during the year for the early repayment of a long term market loan from the Royal Bank Of Scotland plc of £1,590k. This premium has been charged to the Financial Instruments Adjustment Reserve and the charge spread over the remaining life of the loan repaid in capital financing charges.

The Council held a £200k Debenture with Investors in Lincoln, reclassified at Amortised Cost on 1st April 2018, due for repayment in January 2019. A decision was made during 2018/19 that this debenture be written off by the Council (Loss). In return an agreement was made to convert the £200k to a contribution by the Council, to be used by Investors in Lincoln on matters that are of shared importance to both the Council and the Company. There have been no other gains or losses on derecognition or impairment losses during the year on the financial assets held by the Council. Reclassification of financial assets have led to gains on revaluation of equity instruments designated at fair value through other comprehensive income of £23k and a reduction in expected credit loss allowance (gain) of £239k occurred in 2018/19.

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments, including interest and fees paid and received on financial assets measured at other than fair value through profit and loss, are made up as follows:

	2017/18	2018/19
	£'000	£'000
(Gains) or Losses on:		
Financial Liabilities At Amortised Cost	0	0
Financial Liabilities at Fair Value Through Profit and Loss	0	0
Financial Assets at Amortised Cost	(227)	(39)
Financial Assets at Fair Value Though Other Comprehensive Income	0	0
Financial Assets Fair Value Though Other Comprehensive Income - Designated Equity Instruments	0	(23)
Financial Assets Fair Value Through Profit and Loss	0	0
Total Net Gains (-) or Losses	**(227)**	**(62)**
Interest Revenue:		
Financial Assets at Amortised Cost	(1,280)	(2,163)
Financial Assets at Fair Value Though Other Comprehensive Income	0	0
	(1,280)	**(2,163)**
Interest Expense:		
Financial Liabilities At Amortised Cost	19,876	20,779
Total Interest Expense	**19,876**	**20,779**
Fee Income:		
Financial Assets or Financial Liabilities not at Fair Value through Profit & Loss	0	0
Total Fee Income	**0**	**0**
Fee Expense:		
Financial Assets or Financial Liabilities not at Fair Value through Profit & Loss	32	40
Total Fee Expense	**32**	**40**

d) Fair Value Measurement and Disclosure

Financial assets classified as fair value through profit and loss or fair value through other comprehensive income are measured at fair value on a recurring basis and carried on the Balance Sheet at this fair value. All other financial liabilities and financial assets are classified as amortised cost, including long term debtors and creditors and are carried on the Balance Sheet at amortised cost. The fair value of these instruments are calculated for disclosure purposes within this note.

The Council uses the most appropriate valuation techniques to measure the fair value of its financial liabilities and financial assets, maximising the use of relevant observable inputs and minimising unobservable inputs, using the following techniques:

- Instruments with quoted market prices – the market price;
- Other instruments with fixed and determinable payments – discounted cash flow analysis;
- Unobservable comparators – enterprise approach.

The inputs to the measurement techniques are categorised in accordance with the following level of hierarchy, (Level 1 being the most accurate measure of fair value derived directly by market participants):

- Level 1 - quoted prices (unadjusted) in active markets for identical assets at the Balance Sheet Date.
- Level 2 - comparators other than quoted prices included in Level1 that are observable for that asset, either directly or indirectly.
- Level 3 - unobservable comparators for the asset.

1) Fair Value of Financial Assets Measured at Fair Value Through Profit and Loss - Measured Using Level 1 Inputs - Quoted Price in Active Market

Financial assets held by the Council that fall into this category include Constant Net Asset Value and Low Volatility Net Asset Value Money Market Funds. These funds are pooled investment funds that invest in short-term assets that aim to offer returns in line with money market rates and preserve the value of investments. Units of the fund are bought and sold and dividends paid in accordance with daily yields returned, set at the end of each day. The net asset value of these funds only vary by an insignificant amount due to changing values of the assets in the fund. The price of the fund (fair value) is quoted in an active market and generally equals the carrying amount of the units held. The fair value, including accrued interest, is carried on the Balance Sheet.

Details of these instruments are shown in the table below:

	31 March 2018		31 March 2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Level 1 Fair Value Hierarchy Measurement:	£000	£000	£000	£000
Money Market Funds	17,740	17,748	20,000	20,013
Financial Assets Measured at Fair Value Through Profit and Loss	**17,740**	**17,748**	**20,000**	**20,013**

2) Fair Value of Financial Assets Measured at Fair Value Through Other Comprehensive Income - Designated Equity Instruments - Measured Using Level 3 Inputs - Enterprise Approach Valuation Technique.

Financial assets held by the Council that fall into this category include small equity shareholdings in a company called Investors in Lincoln (£14,000 shares) and a company called ESPO Trading Ltd (£100 shares), both held for service benefit reasons. Shares in these companies are not traded in an active market and have no observable inputs. The fair value of these instruments are to be carried on the Balance Sheet and hence have been calculated using the enterprise approach (a discounted cash flow technique) as defined in IFRS 13 Fair Value Measurement). The fair value calculation for ESPO Trading Ltd using this approach was found to be immaterial and hence not recognised. No dividends are received on these equity holdings.

Details of these instruments are shown in the table below:

	31 March 2018		31 March 2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Level 3 -Fair Value Hierarchy Measurement:	£000	£000	£000	£000
Investors in Lincoln	14	14	14	294
ESPO Trading Ltd	0	0	0	0
Financial Assets Measured at Fair Value Through Other Comprehensive Income-Designated Equity	**14**	**14**	**14**	**294**

3) Fair Value of Financial Assets and Financial Liabilities Carried at Amortised Cost - Measured Using Level 2 Inputs -Other Significant Observable Inputs.

Except for those financial assets classified as fair value and shown on the Balance Sheet as such, all other financial liabilities and financial assets are classified Amortised Cost, including long term debtors and creditors, and are carried on the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments using the following assumptions:

- For loans from the PWLB, equivalent borrowing rates available from the PWLB at 31 March 2019 have been applied to provide the fair value under the PWLB debt redemption procedures.
- For non PWLB loans and long term investments prevailing benchmark market rates have been used to provide the fair value.
- No early repayment or impairment is recognised.
- Where an instrument has a maturity of less than 12 months (other than PWLB debt), or is a trade or other payable or receivable, the fair value is taken to be the principal outstanding or the billed amount.
- The fair value of trade and other payables and receivables, taken to be the invoiced or billed amount, are not shown in the table below.

The fair values calculated are as follows:

Financial Liabilities	31 March 2018		31 March 2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Level 2 -Fair Value Hierarchy Measurement:	£'000	£'000	£'000	£'000
PWLB Debt (Long Term > 12 Months)	396,924	518,685	432,402	570,132
Non PWLB Debt (Long Term > 12 Months)	30,000	40,476	20,049	27,612
PWLB Debt (Short Term < 12 Months)	35,675	46,604	14,521	19,123
Non PWLB Debt (Short Term < 12 Months)	58	58	0	0
Long-Term Creditors & Other Long Term Liabilities	7,219	7,219	6,593	6,593
Total Financial Liabilities at Amortised Cost	**469,876**	**613,042**	**473,565**	**623,460**

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

Where the fair value is more than the carrying amount, the opposite is true, i.e. a number of fixed rate loans held in the Council's portfolio have interest rates payable above current market rates for similar loans. The change in fair value from 31 March 2018 to 31 March 2019 highlights the reduction or increase in market rates over this period.

The fair value of the PWLB Debt shown above is calculated using the PWLB New Borrowing Concessionary rates available at the 31 March 2019. However if the Council were to repay any of this PWLB Debt early at this time, then the PWLB would calculate the Fair Value of this debt using a set of Early Redemption rates. The fair value calculated on this basis would be £703,033k, some £113,778k higher than the market fair value stated above. This represents the penalty charge by the PWLB of redeeming the loans early to cover the additional interest that would no longer be paid if that were the case.

Financial Assets	31 March 2018		31 March 2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Level 2 -Fair Value Hierarchy Measurement:	£'000	£'000	£'000	£'000
Investments (Long Term > 12 Months)	15,000	14,948	11,935	12,133
Investments (Short Term < 12 Months)	225,158	225,158	241,013	241,013
Long-Term Debtors	9,318	9,318	3,296	3,296
Total Financial Assets at Amortised Cost	**249,476**	**249,424**	**256,244**	**256,442**

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

Where estimated rates available for similar loans at the Balance Sheet date are higher than the Council's long term investments, the opposite is true.

There has been no change to the valuation technique or the Hierarchy Level of these financial instruments during the year.

e) Nature and Extent of Risks Arising From Financial Instruments and How the Authority Manages Those Risks

1) Key Risks

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

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

2) Overall Procedures for Managing Risk

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

- by formally adopting the requirements of the Code of Practice;
- by approving annually in advance prudential indicators for the following three years limiting:
    - The Council's overall borrowing;

  - maximum and minimum exposures to the maturity structure of its debt;
  - its management of interest rate exposure;
  - maximum annual exposures to investments maturing beyond one year.
- by approving an investment strategy and a capital strategy for the forthcoming year, setting out its criteria for both investing and selecting investment counterparties in compliance with Government Guidance.

These items are required to be reported and approved at or before the Council's Annual Council Tax setting budget; and are also reported as part of the Council's annual treasury management strategy and investment strategy, which outlines the detailed approach to managing risk in relation to the Council's treasury financial instrument exposure and its capital strategy, which outlines the same for the non-treasury financial instruments the Council makes, such as loans to third parties for service reasons. Actual performance is also reported quarterly to Councillors.

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

Risk related to non-treasury related investments is managed by setting appropriate Prudential Indicators limiting the amount of investment made to the amount of General Reserve the Council is prepared to lose, given default of a particular loan after an assessment of expected credit loss is made.

3) Expected Credit Loss

Calculation of expected credit losses held on all financial assets held at amortised cost is a way of assessing the credit risk for investments held and is a new requirement under IFRS9. Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations.

The Council recognises expected credit losses on either a 12 month, for when risk of default remains low and is not expected to increase, or on a lifetime basis, where risk of default is high or expected to increase significantly. Expected credit loss can be transferred between the two categories over the life of the investment given changes to its risk profile.

Where the counterparty for a financial asset is central government or a local authority, for which relevant statutory provision prevent default, then no loss allowance is required or recognised.

The Council has a portfolio of different types of loans measured at amortised cost. Where possible losses have been assessed on these loans on a collective basis as the Council does not have reasonable and supportable information that is available without undue cost or effort to support the measurement of expected losses on an individual instrument basis. The Council has grouped the loans into the following groups for assessing loss allowances:

Type of Collective Investment Group	Risk Assessment	Expected Credit Loss Model	Assessment Criteria
Group 1 - Treasury Investments - Loans made to highly credit rated counterparties under the credit analysis followed within the Councils Investment Strategy.	Low Risk	12 Months	Historical Default Table issued by Credit Rating Agencies to determine probability of default per credit rating and length of investment.
Group 2 - Loans to Third Parties for Service Reasons - Credit worthiness not the prime consideration.	High Risk (No Collateral) / Medium Risk (Collateral)	Lifetime	Assessed on Individual basis using external credit ratings, economic conditions, financial position and forecasts and history of default/extended credit terms. *(1)
Group 3 - Loans to Council owned Companies for Service Reasons - Credit worthiness not the prime consideration.	High Risk (No Collateral) / Medium Risk (Collateral)	Lifetime	Assessed on Individual basis using external credit ratings, economic conditions, financial position and forecasts and history of default/extended credit terms.

*(1) Loans to companies in financial difficulties for service reasons will be deemed fifty percent credit impaired on origination, factored into the amortised cost of the loan, hence no expected credit loss will be needed. The impairment will be charged to the service upon recognition and amortised over the life of the loan to recognise the high risk of default on the loan.

Total expected credit loss on the Councils Financial Assets calculated using the above model and changes during the year are shown in the table below:

Expected Credit Losses By Collective Investment Group	Group 1 Treasury Investments 12 Month £'000	Group 2 Third Party Loans Lifetime £'000	Group 3 Council Owned Company Loans Lifetime £'000	Total £'000
Opening Balance at 1 April 2018	**40**	**444**	**0**	**484**
New Financial Assets Purchased	33	212	0	245
Financial Assets Derecognised	(40)	(244)	0	(284)
Financial Assets Written Off	0	(200)	0	(200)
parameters/impairment	0	0	0	0
Expected Credit Loss Balance at 31 March 2019	**33**	**212**	**0**	**245**

No change in risk assessment for any investment from 12 Month to Lifetime has been made during the year. No modification of contractual cash flows have been made during the year which impacts credit losses.

4) Credit Risk Exposure

The Council has the following exposure to credit risk from its Financial Assets:

(I)Treasury Related Financial Instruments:

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

Minimum Acceptable Long-Term Credit Rating	Bank or Building Society: A Money Market Fund: AAA UK Government: Not Applicable
Minimum Acceptable Sovereign (Country) Credit Rating: (UK excepted)	AA-

The following analysis summarises the Council's treasury investments at the reporting date by the long-term credit rating and resulting probability of default % (using Fitch IBCA's scoring criteria), of the counterparties with whom its investments are made, and hence shows its potential exposure to credit risk at the reporting date.

	Probability of Default	Amount at 31 March 2018		Amount at 31 March 2019	
	%	£'000	%	£'000	%
AAA Rated Counterparties	0.041%	17,740	6.88%	20,000	7.38%
AA Rated Counterparties	0.025%	144,775	56.13%	72,550	26.79%
A Rated Counterparties	0.054%	30,000	11.63%	113,477	41.90%
BBB+ Rated Counterparties (*1)	0.158%	32,433	12.58%	0	0.00%
Other Counterparties (*2)	0.000%	32,964	12.78%	64,800	23.93%
Total Treasury Investments		**257,912**	**100%**	**270,827**	**100.00%**

(*1) Counterparties in this category are Part Nationalised Banks and hence the Council adopts the credit risk of the UK Government rather than the individual Counterparties concerned when placing investments.

(*2) Other Counterparties are predominantly investments with other Local Authorities (UK Government), who are not credit rated in their own right, however represent low credit risk to the Council and are exempt from the Expected Credit Loss requirements.

At the time of making the investment, the financial institutions fully met the Council's minimum investment criteria.

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

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

(ii) Non-Treasury Related Financial Instruments:
Loans made to benefit service related reasons are higher risk because credit worthiness and liquidity is not normally the prime consideration in making the loans.

Risk related to non-treasury related investments is managed by setting an appropriate Prudential Indicator limiting the amount of investment made to the amount of General Reserve the Council is prepared to lose, given the default of a particular loan, after an assessment of the worst case expected credit loss is made. The limit set is 10%.

The Council also has a policy for approval of loans to third parties that requires different level of approval depending on the size of loan required.

The Council's exposure to non treasury related investments made are shown in the table below:

	Risk Level	Amount at 31 March 2018 £'000	%	Amount at 31 March 2019 £'000	%
Transport Connect Ltd - LCC Company	High	779	22.39%	682	30.69%
Investors in Lincoln Ltd - Debenture to 3rd Party	High	200	5.75%	0	0.00%
Lincs Community Foundation- 3rd Party	Medium	283	8.13%	270	12.15%
Loans to Academies - Government 3rd Party	Exempt	2,114	60.75%	1,218	54.82%
Lincs Police Authority - Government 3rd Party	Exempt	104	2.99%	52	2.34%
Total Non-Treasury Related Investments		**3,480**	**100.00%**	**2,222**	**100.00%**

(iii) Trade Debt:

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

The overdue, but not impaired, amounts of the Council's customers at 31 March 2019 can be analysed by age as follows:

Analysis of Debts by Age	Amount at 31 March 2018 £'000	%	Amount at 31 March 2019 £'000	%
Less than 3 months	1,970	27.48%	3,111	37.84%
3 to 6 months	966	13.48%	2,239	27.24%
6 months to 1 year	1,020	14.23%	2,280	27.73%
More than 1 year	3,212	44.81%	591	7.19%
Total Outstanding Debt	**7,168**	**100.00%**	**8,221**	**100.00%**

5) Liquidity Risk

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

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

6) Refinancing and Maturity Risk

Refinancing and Maturity Risk arises when the Council might be required to renew financial instrument on maturity at a disadvantageous interest rates or terms.

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

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

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

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

Debt Outstanding- Financial Liabilities	Approved Maximum Limit %	Approved Maximum Limit £'000	31 March 2018 £'000	31 March 2019 £'000
Less than one year	25%	117,706	39,525	18,372
Between one and two years	25%	117,706	14,521	14,465
Between two and five years	50%	235,412	44,067	30,069
Between five and ten years	75%	353,117	62,941	60,889
Between ten and fifteen years	100%	470,823	16,845	8,479
Between fifteen and twenty-five years	100%	470,823	29,000	37,000
Between twenty-five and thirty-five years	100%	470,823	56,823	80,971
Between thirty-five and forty-five years	100%	470,823	184,726	175,578
Maturing in more than forty-five years	100%	470,823	18,000	45,000
Total			**466,448**	**470,823**

Investments Outstanding - Financial Assets	Approved Maximum Limit %	Approved Maximum Limit £'000	31 March 2018 £'000	31 March 2019 £'000
Less than one year	100%	274,116	243,804	261,887
Between one and two years	15%	40,000	15,000	10,000
Between two and three years	15%	40,000	0	603
Maturing in more than three years	15%	40,000	14	1,626
Total			**258,818**	**274,116**

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

7) Market Risk

(I) Interest Rate Risk –

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

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

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

Movements in the fair value of fixed rate investments that have a quoted market price and measured at fair value will be reflected in the Other Comprehensive Income and Expenditure Statement.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together 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 limits for fixed and variable interest rate exposure. The central treasury team monitor markets and forecast interest rates within the year to adjust exposures appropriately. For instance, during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns.

Based on the financial liabilities and assets as at the balance sheet date a one percent point movement in average interest rates would be equivalent to a £1.722m change in the Council's net interest charge in the Comprehensive Income and Expenditure Account. This calculation is based on a full year interest effect at a constant level of borrowing and investments as at the reporting date; a further breakdown is shown in the table below:

Financial Impact of the Interest Rate Risk	**Amount at 31 March 2019 £'000**
Increase in interest payable on variable rate borrowings	0
Increase in interest receivable on variable rate investments	1,722
Impact on Income and Expenditure Account	**1,722**

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

	Fair Value 31 March 2019 £'000	Fair Value at 1% Higher £'000	Fair Value at 1% Lower £'000
County Council	615,683	517,638	747,496
Schools	1,184	1,133	1,239
Long Term Fixed Borrowing:	**616,867**	**518,771**	**748,735**
Treasury Investments	10,026	9,877	10,176
Non Treasury Investments	2,107	2,025	2,196
Long Term Fixed Investments:	**12,133**	**11,902**	**12,372**

There is no impact on the Surplus or Deficit on Provision of Services or the Other Comprehensive Income and Expenditure account from the movement in fair value on borrowing and loans & receivables shown above. Fair values have been calculated using the same methodology/ assumptions as outlined on page 83 under "Fair Value of Financial Assets and Financial Liabilities Carried at Amortised Cost".

(ii) Price Risk

The Council, excluding the pension fund, as part of its treasury operations, does not generally invest in equity shares or in property/multi asset funds classified as Fair Value through Profit and Loss, and is therefore not exposed to losses arising from movements in the price of shares.

The Council does however have a small equity holding of 14,000 shares (£1 par value) in a company called Investors in Lincoln and 100 shares (£1 par value) in a company called ESPO trading Ltd. Both these holds are non treasury investments held for Service benefit reasons. Whilst these holdings are generally illiquid, the Council is exposed to gains or losses arising from movements in the price of the shares.

As the shareholding 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 shares are not actively traded in an open market and the value of holding at year end are calculated using discounted cash flow techniques (enterprise method).

The shares have been designated as Fair Value through Other Comprehensive Income, meaning that all movements in price will impact on gains and losses recognised in the Financial Instrument Revaluation Reserve.

(iii) Foreign Exchange Risk

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

Note 19. Debtors

31 March 2018 £'000	Amounts falling due within one year:	31 March 2019 £'000
12,007	Trade Receivables	12,540
8,359	Prepayments	9,929
49,126	Other Receivable Amounts	52,704
69,492	**Total Short Term Debtors**	**75,173**

31 March 2018 £'000	Amounts falling due after one year:	31 March 2019 £'000
3,609	Trade Receivables	212
3,513	Prepayments	2,798
2,196	Other Receivable Amounts	287
9,318	**Total Long Term Debtors**	**3,297**

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

Note 20. Assets Held for Sale

	Current	
	2017/18 £'000	2018/19 £'000
Balance outstanding at 1 April	10,156	9,461
Assets newly classified as held for sale:		
- Property, Plant and Equipment	1,340	(41)
- Intangible Assets	0	0
- Other assets/liabilities in disposal groups	0	0
Revaluation Increase to RR *	0	
Revaluation Decrease to RR *	(25)	0
Revaluation Increase/(Decrease) to SDPS **	(40)	0
Assets declassified as held for sale:		
- Property, Plant and Equipment	0	(6,444)
- Intangible Assets	0	0
- Other assets/liabilities in disposal groups	0	0
Assets Sold	(1,970)	(2,960)
Transfers from non-current to current	0	0
Balance Outstanding at 31 March	**9,461**	**16**

(*) RR - Revaluation Reserve **(**) SDPS - Surplus or Deficit on the Provision of Services**

Note 21. Creditors

31 March 2018 £'000	Amounts falling due within one year:	31 March 2019 £'000
(34,226)	Trade Payables	(37,817)
(43,346)	Other Payables	(63,481)
(77,572)	**Total Short Term Creditors**	**(101,298)**

31 March 2018 £'000	Amounts falling due after one year:	31 March 2019 £'000
(6,289)	Trade Payables	(5,663)
(930)	Other Payables	(930)
(7,219)	**Total Long Term Creditors**	**(6,593)**

Note 22. Provisions

Analysis of short and long term provisions

	Balance at 1 April 2018 £'000	Additional Provisions made in 2018/19 £'000	Amounts Used in 2018/19 £'000	Unused amounts reversed in 2018/19 £'000	Unwinding of discounting in 2018/19 £'000	Balance at 31 March 2019 £'000
Short Term Provisions:						
- Insurance Claims	(1,704)	(476)	0	0	0	(2,180)
- Business Rates Appeals	(2,575)	(2,803)	0	0	0	(5,378)
- Waking Nights Provision	(207)	0	0	136	0	(71)
- CSC Volume Fees	(1,238)	(66)	644	0	0	(660)
- Wellbeing Monitoring Service	(275)	0	275	0	0	0
- Teal Park Funding	(390)	0	388	2	0	0
	(6,389)	**(3,345)**	**1,307**	**138**	**0**	**(8,289)**
Long Term Provisions:						
- Social Services - Section 117	(307)	0	0	0	0	(307)
- Insurance Claims	(3,567)	(1,934)	0	0	327	(5,174)
	(3,874)	**(1,934)**	**0**	**0**	**327**	**(5,481)**
TOTAL	**(10,263)**	**(5,279)**	**1,307**	**138**	**327**	**(13,770)**

The County Council's accounting policy on provisions includes a de-minimis of £250k.

S117 of the Mental Health Act 1983 prescribes that Service Users who have been placed in care under Section 3 of the same act do not have to pay for aftercare services. Where they have been charged for such services they are entitled to reimbursement of the charges, plus interest. This provision was made to pay Service Users who are assessed as falling into this category. In March 2019, a review of the provision was carried out and a decision was to maintain the provision at its current level.

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

	Met by the County Council	
	Each Claim	Maximum for all such claims
Type of Insurance	£'000	£'000
Public & employer's liability	500	4,500
School property	150	500
Other property	10	100

The **Business Rates Appeal** provision has been created because the Council, under the new funding regime receives 10% of the business rates collected in Lincolnshire. Under this arrangement the Council is liable for 10% of any provision for business rates appeals.

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

The **Contract Volume Fees** Provision represents an estimate of outstanding payments due on a number of contractual arrangements where the Council is uncertain or in dispute as to the volume or value of the final payment due.

The final price of the **Wellbeing Monitoring Service** contract is dependent on the costs incurred by the provider. These will not be known until the provider's accounts are settled. A provision has been set up to cover these costs.

The **Teal Park Funding** Provision relates to the potential recovery of Ministry of Housing, Communities and Local Government (MHCLG) grant awarded to the Teal Park project.

Note 23. Other Long Term Liabilities

31 March 2018 £'000		31 March 2019 £'000
(11,033)	Outstanding Liabilities on PFI and Finance Leases	(10,270)
(882,708)	Net Pension Liability	(1,032,507)
(893,741)		**(1,042,777)**

Note 24. Usable Reserves

Balance at 31 March 2018 £'000		Balance at 31 March 2019 £'000
97,397	Capital Grants Unapplied	83,774
177,005	Earmarked Reserves	189,231
15,200	General Fund	15,850
289,602	**Total**	**288,855**

Note 25. Unusable Reserves

Balance at 31 March 2018 £'000		Note	Balance at 31 March 2019 £'000
284,394	Revaluation Reserve	(25a)	272,835
559,049	Capital Adjustment Account	(25b)	599,496
(102)	Financial Instruments Adjustment Account	(25c)	(1,646)
0	Financial Instrument Revaluation Reserve	(25d)	280
(882,708)	Pension Reserve	(25e)	(1,032,507)
2,467	Collection Fund Adjustment Account	(25f)	8,826
(5,128)	Accumulated Absences Account	(25g)	(5,497)
226	Available for Sale Financial Instrument Reserve		0
(41,802)	**Total**		**(158,213)**

a) Revaluation Reserve.

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

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

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

2017/18 £'000		2018/19 £'000
311,249	**Balance at 1 April**	**284,393**
16,762	Upward revaluation of assets	22,545
(15,926)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(14,314)
836	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	8,231
(13,775)	Difference between fair value depreciation and historical cost depreciation	(12,271)
(13,917)	Accumulated gains on assets sold or scrapped	(7,519)
(27,692)	Amount written off to the Capital Adjustment Account	(19,789)
284,393	**Balance at 31 March**	**272,835**

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 Adjustments between accounting basis and funding under regulations provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2017/18 £'000		2018/19 £'000
555,068	**Balance at 1 April**	**559,049**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(81,773)	Charges for depreciation and impairment of non-current assets	(81,349)
(8,499)	Revaluation losses on Property, Plant and Equipment	(4,877)
(476)	Revaluation losses on Heritage assets	300
(40)	Revaluation Losses on Held for Sale Assets	0
(2,496)	Amortisation of intangible assets	(2,592)
(23,810)	Revenue expenditure funded from capital under statute (net of Grants and Contributions)	(8,401)
(40,998)	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	(18,792)
27,692	Adjusting amounts written out of the Revaluation Reserve	19,789
(130,401)	Net written out amount of the cost of non-current assets consumed in the year	**(95,921)**
	Capital financing applied in the year:	
0	Use of Capital Receipts to finance new capital expenditure	3,368
70,253	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	65,699
35,313	Application of grants to capital financing from the Capital Grants Unapplied Account	39,079
17,737	Statutory provision for the financing of capital investment charged against the General Fund	18,125
4,632	Capital expenditure charged against the General Fund	7,541
127,935		**133,811**
6,447	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	2,556
0	Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement	0
6,447		**2,556**
559,049	**Balance at 31 March**	**599,496**

c) Financial Instruments & Financial Assets Adjustment Account

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

Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax.

2017/18 £'000		2018/19 £'000
(95)	**Balance at 1 April**	**(102)**
0	Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	(1,591)
(16)	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	38
9	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	9
(102)	**Balance at 31 March**	**(1,646)**

d) Financial Instrument Revaluation Reserve

The Financial Instrument Revaluation Reserve contains the gains made by the Council arising from increases in the value of its investments that are measured at fair value through other comprehensive income. The balance is reduced when investments with accumulated gains are:

- Revalued downwards or impaired and the gains lost;
- Disposed of and the gains are realised.

2017/18 £'000		2018/19 £'000
	Balance at 1 April	**257**
	Upward revaluation of assets	**23**
	Downward revaluation of assets	
	Change in treatment of loss allowance	
0		280
0	Accumalative gains and losses on assets sold and maturing assets assets written out of the Comprehensive Income and Expenditure Statement as part of Other investment Income	0
0	Accumalative gains and losses on assets sold and maturing assets assets written out to the General Fund Balances for financial assets designated to fair value through other comprehensive income	0
0	**Balance at 31 March**	**280**

e) Pensions Reserve

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

2017/18 £'000		2018/19 £'000
(870,725)	**Balance at 1 April**	**(882,708)**
32,873	Actuarial gains or losses on pensions assets and liabilities	(92,176)
(84,812)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CI&ES	(101,648)
39,956	Employer's pensions contributions and direct payments to pensioners payable in the year	44,025
(882,708)	**Balance at 31 March**	**(1,032,507)**

f) Collection Fund Adjustment Account

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

2017/18 £'000		2018/19 £'000
2,189	**Balance at 1 April**	**2,467**
278	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax & business rates income calculated for the year in accordance with statutory requirements	6,359
2,467	**Balance at 31 March**	**8,826**

g) Accumulated Absences Account

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

2017/18 £'000		2018/19 £'000
(5,080)	**Balance at 1 April**	**(5,128)**
5,080	Settlement or cancellation of accrual made at the end of the preceding year	5,128
(5,128)	Amounts accrued at the end of the current year	(5,497)
(48)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(369)
(5,128)	**Balance at 31 March**	**(5,497)**

Note 26. Operating Activities

The cash flow operating activities include the following items:

2017/18 £'000		2018/19 £'000
(1,959)	Interest received	(1,687)
20,160	Interest paid	21,001
0	Dividends received	0

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

2017/18 £'000		2018/19 £'000
(81,772)	Depreciation	(81,349)
(14,565)	Impairment and downward valuations	(8,247)
(2,496)	Amortisation	(2,592)
129	Increase/(decrease) in impairment for bad debts	(67)
17,740	Increase/decrease in creditors	(19,685)
4,076	Increase/decrease in debtors	2,376
(1,320)	Increase/decrease in inventories	290
(44,856)	Movement in pension liability	(57,623)
(35,374)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(13,971)
7,636	Other non-cash items charged to the net surplus or deficit on the provision of services	(3,150)
(150,802)	**Net surplus/(deficit) on provision of services for non cash movements**	**(184,018)**

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

2017/18 £'000		2018/19 £'000
0	- Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investment in associates, joint ventures and subsidiaries)	0
110,567	- Capital Grants credited to Surplus or deficit on the provision of services	91,154
0	- Proceeds from sale of property, plant and equipment, investment property and intangible assets	3,368
1,658	- Any other items for which the cash effects are investing or financing cash flows	1,708
112,225	**Net surplus/(deficit) on provision of services for Investing & Financing activities**	**96,230**

Note 27. Investing Activities

The cash flow investing activities include the following items:

2017/18 £'000		2018/19 £'000
100,412	Purchase of property, plant and equipment, investment property and intangible assets	124,100
929,786	Purchase of short-term and long- term investments	1,100,392
765	Other payments for investing activities	817
0	Proceeds from sale of property, plant equipment, investment property and intangible assets	(3,368)
(927,779)	Proceeds from short-term and long-term investments	(1,082,740)
(109,510)	Capital Grants Received (Government)	(94,483)
(2,422)	Other receipts from investing activities	(2,526)
(8,748)	**Net cash flow from investing activities**	**42,192**

Note 28. Financing Activities

The cash flow financing activities include the following items:

2017/18 £'000		2018/19 £'000
(51,000)	Cash receipts of short and long-term borrowing	(115,000)
476	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-Balance-Sheet PFI Contracts	507
66,676	Repayments of short and long-term borrowing	110,625
16,152	**Net cash flow from Financing activities**	**(3,868)**

Note 29. Cash & Cash Equivalents

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

Balance at 31 March 2018 £'000		Balance at 31 March 2019 £'000
63	Cash held by the authority	700
(33,025)	Bank current accounts	(16,778)
194	Short-term deposits with Building Societies	185
(32,768)	**Total**	**(15,893)**

Note 30. Acquired and Discontinued Operations

The Council has no Acquired and Discontinued Operations for the financial year 2018-19.

Note 31. Pooled Budgets

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

The majority of pooled fund arrangements undertaken by Lincolnshire County Council are administered via the Better Care Fund (BCF) through a Section 75 Framework Agreement. This is requirement of the Integration and Better Care Fund Planning Requirements 2017-19 and a BCF funding condition, the total value of pooled funds in 2018/19 is £153m. The Council is the host Authority for the pooled budgets which include; Proactive Care, Specialties including Learning Disabilities, Integrated Community Equipment Service, and Child & Adolescent Mental Health Services, and is responsible for their financial administration. The Section 75 agreement for Sexual Health is the only agreement that sits outside of the Better Care Fund Section 75 Framework Agreement.

a) Proactive Care

The Proactive Section 75's primary purpose is to support delivery of prevention and early intervention strategies and to secure the necessary shift from acute to community provision. Performance against the key national targets around Non-Elective Admissions (NEA) and Delayed Transfers of Care (DTOC) are crucial areas that the Board is responsible for reviewing.

2017/18 £'000		2018/19 £'000
50,395	Gross Partnership Expenditure	53,283
(50,395)	Gross Partnership Income	(53,283)
0	**Surplus(-)/Deficit(+)**	**0**
34,636	**Contribution from Lincolnshire County Council**	**36,772**

This was split across both Health and Social care expenditure in 2018-19. The funding was supporting post 30 day discharge, intermediate Care, 7 day hospital working and other early prevention and intervention strategies, in order to assist the shift from acute to community provisions in 2018-19. The increase in funding from the Council came about because of additional IBCF funding in year that was utilised against a number of Proactive Care areas.

b) Learning Disability

In 2001-02 Lincolnshire County Council and Lincolnshire Clinical Commissioning Group's established a pooled budget Partnership Arrangement for the provision of Learning Disability services. This has now been extended to include LD Carers, Personal Health Budgets and Adult care section 256.

2017/18 £'000		2018/19 £'000
73,139	Gross Partnership Expenditure	74,176
(71,123)	Gross Partnership Income	(73,650)
2,016	**Surplus(-)/Deficit(+)**	**526**
54,931	**Contribution from Lincolnshire County Council**	**54,987**

c) Integrated Community Equipment Service (ICES)

From 1st April 2015 the Council entered into a Section 75 agreement with the four Lincolnshire Clinical Commissioning Groups for the provision of an Integrated Community Equipment Service (ICES).

2017/18 £'000		2018/19 £'000
5,813	Gross Partnership Expenditure	6,450
(5,800)	Gross Partnership Income	(5,900)
13	**Surplus(-)/Deficit(+)**	**550**
2,668	**Contribution from Lincolnshire County Council**	**2,668**

This is a 45:55 shared responsibility budget between the Council and the CCG's and there is a risk share agreement regarding any under or over spends in year.

d) Child & Adolescent Mental Health Services

In 2012-13 the Council and Lincolnshire CCG's established a pooled budget Partnership Arrangement for the provision of Child & Adolescent Mental Health Service. The size of this pooled budget increased from 2016-17 following variations made which incorporated additional functions into the Section 75 Agreement.

The Children and Adolescent Mental Health Services (CAMHS) is designed to meet a wide range of mental health needs in children and young people. These include mild to moderate emotional well-being and mental health problems, as well as moderate, acute and severe, complex and/or enduring mental health problems or disorders that are causing significant impairments in their lives including: anxiety, depression, trauma, eating disorders and self-harm.

The service also provides a 24 hour, 7 day a week Crisis & Home Treatment Service to provide crisis intervention for young people actively displaying suicidal ideation or following suicide attempts, severe symptoms of depression with suicidal ideation, life threatening harm to self, harm to others as a result of a mental health concern, acute psychotic symptoms or presentation of anorexia with severe physical symptoms.

A CAMHS Professional Advice Line is also available to help with uncertainty of whether to refer, or if help is needed on how to refer.

2017/18 £'000		2018/19 £'000
8,011	Gross Partnership Expenditure	8,011
(8,011)	Gross Partnership Income	(8,011)
0	**Surplus(-)/Deficit(+)**	**0**
725	**Contribution from Lincolnshire County Council**	**725**

The figures within the CAMHS mainly arose from the Child and Adolescent Mental Health services but now also include promoting Independence for Children and other services that work towards the delivery of Mental Health issues amongst children and the young. The funding was all fully utilised in 2018-19, which also includes the Council's contribution of £0.725m.

e) Sexual Health

During 2015-16 the Council jointly procured a new contract with NHS England to provide sexual health treatment and prevention services around the county. The new contract commenced on 1st April 2016 and includes provision for HIV services which are the responsibility of NHS England, as well as other treatment and preventative services which remain the responsibility of the Council. Whilst the Council is responsible for the contract, the funding is received from NHS England in respect of the HIV services. As such a Section 75 agreement has been agreed between the Council and NHS England.

2017/18		2018/19
£'000		£'000
1,244	Gross Partnership Expenditure	5,647
(1,244)	Gross Partnership Income	(5,647)
0	**Surplus(-)/Deficit(+)**	**0**
0	**Contribution from Lincolnshire County Council**	**4,080**

Note 32. Members Allowances

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

2017/18		2018/19
£'000		£'000
741	Basic Allowances	741
418	Special Responsibility Allowances	446
1,159		1,187
83	Expenses	75
1,242		**1,261**

Note 33. Officers' Remuneration

a) Officers' remuneration bandings

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

The table below excludes all employees who are included within the Senior Officer Remuneration table under section b.

2017/18			2018/19	
Number of Staff			Number of Staff	
Remuneration received (excl Staff receiving redundancy payments)	Staff who received redundancy payments	Pay Band	Remuneration received (excl Staff receiving redundancy payments)	Staff who received redundancy payments
-	-	£190,000- £194,999	1	-
-	-	£185,000- £189,999	-	-
-	-	£180,000- £184,999	-	-
-	-	£175,000- £179,999	-	-
-	-	£170,000- £174,999	-	-
-	-	£165,000- £169,999	-	-
-	-	£160,000- £164,999	-	-
-	-	£155,000- £159,999	-	-
-	-	£150,000- £154,999	-	-
-	-	£145,000- £149,999	-	-
-	1	£140,000- £144,999	-	-
-	-	£135,000- £139,999	-	-
-	1	£130,000- £134,999	-	-
-	-	£125,000- £129,999	-	-
-	-	£120,000- £124,999	-	-
-	-	£115,000- £119,999	1	-
1	-	£110,000- £114,999	1	-
-	-	£105,000- £109,999	3	-
2	-	£100,000- £104,999	1	-
1	-	£95,000- £99,999	5	-
4	-	£90,000- £94,999	5	-
6	-	£85,000- £89,999	4	-
7	1	£80,000- £84,999	10	-
11	-	£75,000- £79,999	16	-
23	-	£70,000- £74,999	30	-
42	2	£65,000- £69,999	34	1
48	2	£60,000- £64,999	61	2
64	1	£55,000- £59,999	77	1
149	3	£50,000- £54,999	135	0
358	**11**	**Total**	**384**	**4**

A breakdown of the numbers between schools and other services can be found in the following table:

2017/18					2018/19			
Number of Staff					Number of Staff			
Remuneration received (excl those receiving redundancy payments)		Staff who received redundancy payments			Remuneration received (excl those receiving redundancy payments)		Staff who received redundancy payments	
SCHOOLS	OTHER SERVICES	SCHOOLS	OTHER SERVICES	Pay Band	SCHOOLS	OTHER SERVICES	SCHOOLS	OTHER SERVICES
-	-	-	-	£190,000- £194,999	-	1	-	-
-	-	-	-	£185,000- £189,999	-	-	-	-
-	-	-	-	£180,000- £184,999	-	-	-	-
-	-	-	-	£175,000- £179,999	-	-	-	-
-	-	-	-	£170,000- £174,999	-	-	-	-
-	-	-	-	£165,000- £169,999	-	-	-	-
-	-	-	-	£160,000- £164,999	-	-	-	-
-	-	-	-	£155,000- £159,999	-	-	-	-
-	-	-	-	£150,000- £154,999	-	-	-	-
-	-	-	-	£145,000- £149,999	-	-	-	-
-	-	-	1	£140,000- £144,999	-	-	-	-
-	-	-	-	£135,000- £139,999	-	-	-	-
-	-	-	1	£130,000- £134,999	-	-	-	-
-	-	-	-	£125,000- £129,999	-	-	-	-
-	-	-	-	£120,000- £124,999	-	-	-	-
-	-	-	-	£115,000- £119,999	-	1	-	-
-	1	-	-	£110,000- £114,999	-	1	-	-
-	-	-	-	£105,000- £109,999	1	2	-	-
1	1	-	-	£100,000- £104,999	-	1	-	-
-	1	-	-	£95,000- £99,999	1	4	-	-
1	3	-	-	£90,000- £94,999	1	4	-	-
1	5	-	-	£85,000- £89,999	2	2	-	-
1	6	-	1	£80,000- £84,999	3	7	-	-
3	8	-	-	£75,000- £79,999	7	9	-	-
15	8	-	-	£70,000- £74,999	13	17	-	-
21	21	1	1	£65,000- £69,999	20	14	-	1
26	22	2	-	£60,000- £64,999	31	30	1	1
27	37	-	1	£55,000- £59,999	30	47	-	1
72	77	1	2	£50,000- £54,999	61	74	-	-
168	**190**	**4**	**7**	**Total**	**170**	**214**	**1**	**3**

b) Senior Officers' Remuneration

The Accounts and Audit Regulations (England) 2015 requires Local Authorities to disclose individual remuneration details for senior employees (determined as those who have responsibility for the management of the organisation and who direct or control the major activities of the Council).

Senior Officers with a salary over £150,000	Year	Salary	Employer's Pension Contribution	Any Other Emoluments	Total
		£	£	£	£
Job Title					
Keith Ireland - Chief Executive (*1)	2018/19	133,875	14,637	143,751	292,263
	2017/18	*0*	*0*	*0*	*0*

(*1) The Chief Executive role covers the period July 2018 to December 2018. Other Emoluments includes Compensation for loss of employment £133,875, contribution to cost of outplacement services £975, and holiday pay £8,901.

Senior Officers with a salary over £50,000 and less than £150,000	Year	Salary	Employer's Pension Contribution	Any Other Emoluments	Total
		£	£	£	£
Director of Adult Social Services	2018/19	131,085	21,498	0	152,583
	2017/18	*128,515*	*21,076*	*0*	*149,591*
Executive Director of Children's Services & Head of Paid Service (*2)	2018/19	135,954	22,296	0	158,251
	2017/18	*132,140*	*21,671*	*0*	*153,811*
Executive Director - Finance & Public Protection	2018/19	128,515	21,174	3,439	153,128
	2017/18	*128,515*	*21,174*	*4,362*	*154,051*
Executive Director - Environment and Economy (*3)	2018/19	68,755	11,276	0	80,031
	2017/18	*129,586*	*21,252*	*0*	*150,838*
Interim Executive Director - Place (*4)	2018/19	36,908	6,053	0	42,961
	2017/18	*0*	*0*	*0*	*0*
Chief Fire Officer (*5)	2018/19	98,173	11,690	1,244	*111,107*
	2017/18	*115,783*	*9,242*	*1,634*	*126,659*
Chief Fire Officer (*6)	2018/19	19,635	3,412	0	23,046
	2017/18	*0*	*0*	*0*	*0*
Director of Public Health (*7)	2018/19	116,000	16,681	0	132,681
	2017/18	*20,269*	*2,915*	*0*	*23,184*

(*2) The Executive Director of Children's Services and Head of Paid Service has held the position of Head of Paid Service from December 2018.

(*3) The Executive Director of Environment and Economy retired during September 2018. Following a restructure of the Service, this post has been replaced with a post for an Executive Director of Place. The Executive Director of Environment and Economy also held the positions of Head of Paid Service and Interim Chief Executive during the period April to June 2018.

(*4) An Interim Executive Director of Place was appointed in December 2018.

(*5) The Chief Fire Officer retired from post in January 2019.

(*6) A new Chief Fire Officer was appointed in February 2019.

(*7) The current Director of Public Health was appointed in January 2018.

Figures classified under Any Other Emoluments include the profit element of car hire, medical insurance, special fees and taxable lease mileage.

All Senior Officers are members of the Local Government Pension Scheme (LGPS) aside from the Director of Public Health, who is a member of the National Health Service Pension Scheme (NHSPS); and Chief Fire Officers who are members of the Fire Pension Scheme (FPS).

Note 34. Exit Packages

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

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18 £	2018/19 £
£0 - £20,000	7	34	65	39	72	73	£585,930	£512,684
£20,001 - £40,000	7	5	24	3	31	8	£857,224	£230,779
£40,001 - £60,000	2	2	8	1	10	3	£471,157	£159,903
£60,001 - £80,000	0	1	3	1	3	2	£199,002	£129,419
£80,001 - £100,000	0	0	0	0	0	0	£0	£0
£100,001 - £250,000	0	2	0	4	0	6	£0	£824,079
Total	**16**	**44**	**100**	**48**	**116**	**92**	**£2,113,313**	**£1,856,864**

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

Details of the actual costs included within the Council's Income and Expenditure for redundancy, pension strain and other payments are set out below in Note 35 Termination Benefits. The difference between the values reported in this note and those within Termination Benefits arise due to provisions and any variances between year end accruals and the actual payments made in the next financial year.

Note 35. Termination Benefits

As a result of further reductions to local government funding, the Council is undertaking a review and reshaping of services. In 2018-19 the Council has incurred liabilities of £1.803m (£2.135m in 2017-18) in relation to termination benefits.

- £1.221m for redundancy payments (£1.739m in 2017-18); and
- £0.582m for pension strain (£0.396m in 2017-18).

Further information on termination benefits can be found in Note 34 Exit Packages, which details the number of exit packages and total cost over bands, and Note 44 Defined Benefit Pension Schemes which details the effect termination benefits have had on pensions in 2018-19.

Note 36. External Audit Costs

The Council has incurred the following fees in relation to external audit and inspection work:

	2017/18 £'000	2018/19 £'000
Fees payable to the Appointed Auditor for external audit services	107	83
Fees payable to the Appointed Auditor for other services *(1)	15	16
Total	**122**	**99**

*(1) This amount includes £0.009m which the Council paid to KPMG, our former appointed auditor; for work on the Teachers' Pension Assurance Audit (£4,500) and fees for an independent report on policies and procedures in place for subcontracting learning provision funded by the Education and Skills Funding Ageny (£5,000).

Note 37. Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by Education and Skills Funding agency (ESFA), the Dedicated schools Grant (DSG). The DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget as defined in the School and Early Years Finance (England) Regulations 2018. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2018-19 are as follows:

Schools Budget Funded by Dedicated Schools Grant	Central Expenditure £'000	Individual Schools Budget £'000	Total £'000
Final DSG for 2018/19 before Academy recoupment			540,621
Academy Figure Recouped for 2018/19			(285,268)
Total DSG after Academy Recoupment for 2018/19			255,353
Plus: Brought Forward from 2017/18			16,832
Less: Carry Forward to 2018/19 agreed in advance			0
Agreed Initial Budgeted Distribution in 2018/19	37,630	234,554	272,184
In Year Adjustments	0	1,302	1,302
Final Budget Distribution for 2018/19	**37,630**	**235,856**	**273,486**
less Actual central expenditure	(33,881)	0	(33,881)
less Actual ISB deployed to schools	0	(220,608)	(220,608)
Total actual expenditure in 2018/19	**(33,881)**	**(220,608)**	**(254,489)**
Local Authority Contribution 2018/19	**0**	**476**	**476**
Carry forward to 2019/20	**3,749**	**15,724**	**19,473**

The above figure included within the 'In Year Adjustments' line is the Early Years Block adjustment which was received from the Education and Skills Funding Agency in July 2019.

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

Note 38. Grant Income

The Council credited the following grants and contributions and donations to the Comprehensive Income and Expenditure Statement in 2018-19; for grants and contributions where the conditions have been met, or no conditions existed:

2017/18 £'000	a) Credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement	2018/19 £'000
	Non-ring-fenced government grants:	
2,773	Section 31 Grant - Business Rates	11,010
3,550	New Homes Bonus Grant	2,342
3,383	Adult Social Care Support Grant 2018/19	2,105
1,438	Partners in Practice S31 Grant	1,744
1,698	Independent Living Fund Grant	1,644
1,215	Education Services Grant	30
48,292	Revenue Support Grant	0
5,565	Rural Services Delivery Grant	0
1,852	Other Non Specific Grant	2,182
69,766	**Total Non-ring-fenced Government Grants**	**21,057**
	Capital Grants and Contributions:	
37,012	DfT Asset Protection Grant	46,469
11,667	DfE Basic Need Grant	12,829
4,844	Blue Light PIF	6,947
27,312	DFT LTP Lincoln Eastern Bypass	6,461
4,942	DfE Schools Condition Capital Maintenance Grant	4,511
3,312	DfT Integrated Transport Grant	3,312
1,213	Devolved Formula Grant	2,817
0	DFT Safer Roads Fund Grant	1,890
0	Contributions from Private Sectors	1,253
98	Heritage Lottery Fund	891
5,366	National Productivity Investment Fund	800
1,307	East Midlands Ambulance Service Contribution	8
11,843	Growth Deal Grant (LEP)	0
1,651	Other Capital Grants and Contributions	2,967
110,567	**Total Capital Grants and Contributions**	**91,154**
180,333	**Total**	**112,211**

The amount used in capital grants unapplied during the financial year and transferred to reserves can be found in the Movement on Reserves Statement and Note 24 Usable Reserves.

2017/18 £'000	b) Credited to Revenue Service Accounts in the Comprehensive Income and Expenditure Statement	2018/19 £'000
255,530	Dedicated Schools Grant	255,646
33,524	Public Health Grant	32,662
1,906	Better Care Fund - Improved Element	14,249
12,983	Pupil Premium	12,635
15,266	Better Care Fund - Supplementary Improved Element	9,609
5,291	Disabled Facilities Grant	5,698
4,502	Universal Infant Free School Meals	4,156
2,819	EFA and Sport Grant	3,362
3,561	YPLA 16-19 Funding	3,149
0	Winter Pressures Grant	3,068
2,063	Troubled Families Grant	2,807
0	GG ERDF Income	2,352
1,078	Adult Safeguarding Learning	1,741
1,481	Asylum Seekers	1,267
1,401	Fire New Burdens	1,184
1,158	The Private Finance Initiative	1,158
7,060	Other Revenue Grants	7,137
349,623		**361,880**

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

Note 39. Related Parties

The Council is required to disclose transactions with other bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by it. Disclosure of these transactions allows readers to make an informed assessment on how much the Council might have been restricted to operate independently or how it might have limited the other bodies' or individuals' ability to bargain freely.

a) Central Government

Central government has effective control over the general operations of the Council – it is responsible for providing the statutory framework; within which the Council operates; provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills). Further details of the grants received by the Council are set out in Note 13 Taxation and Non Specific Grant Income and Note 38 Grant Income.

b) Councillors and Senior Officers

Members of the Council have direct control over the Council's financial and operating policies. The total members' allowances paid in 2018-19 are shown in Note 32 Members Allowances.

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

One Councillor has not submitted the declaration of interest form this year. Relevant information relating to this Councillor has been used from other sources for the purpose of this note.

During 2018-19 the following have been declared:

Councillors

- Twenty five Councillors' or their immediate families have provided goods/services to the Council to the value of £0.082m;
- Forty four Councillors' or their immediate families are associated with Public Bodies which have provided goods/services to the Council to the value of £20.593m;
- Sixteen Councillors are associated with voluntary organisations which have provided goods/services to the Council to the value of £0.521m.

No Councillors or Chief Officers have declared related party transactions for providing services to other entities through the Council.

c) Other Public Bodies

The Council has entered into Pooled Budget arrangements, which are shown in Note 31; with Lincolnshire Clinical Commissioning Groups for Specialties including Learning Disabilities, Integrated Community Equipment, Proactive Care, and Child & Adolescent Mental Health Service; which are all included within a framework schedule to summarise and share the risk. Outside of this schedule there is also a pooled budget for Sexual Health with NHS England.

The Council is the administrator of the Lincolnshire Pension Fund and has control of the fund within the overall statutory framework. During the financial year £0.237m was recharged from the Council to the pension fund for scheme administration and management. The pension fund earned a total interest of £0.088m on deposits managed within the Council's own cash, which the Council paid over to the pension fund.

The Council makes payments to independent sector nursing homes for both the nursing care element and the personal care element of the accommodation charges. The nursing care element is the financial responsibility of the Clinical Commissioning Groups (CCG's). The Council paid £6.149m (£7.255m in 2017-18) acting as an agent of the CCG's in order to simplify the payment arrangements to the homes. The total amount paid is recovered from the CCG's.

d) Entities Controlled or Significantly Influenced by the Council

The authority controls Transport Connect Ltd through its ownership of the Company which is limited by guarantee. The Council has provided a fixed loan of £603,488 with an interest rate of 4.75%, and a revolving credit facility of £79,000 with an interest rate of 4% over Bank of England base rate.

Transport Connect Ltd is a teckal company and as such at least 80% of its turnover has to come from the Council. The turnover for the year ending 31 March 2019 is £2.774m (£2.221 in 2017-18), of which £2.754m (£2.203m in 2017/18) or 99% came from the Council.

Note 40. Capital Expenditure and Capital Financing

The table below shows the financing of the £150.070m capital expenditure (including revenue expenditure financed from capital under statute and finance leases), together with the resources that have been used to finance it. The explanation of movement in year shows the change in the underlying need to borrow to finance capital expenditure.

Further information on the 2018-19 expenditure is provided in the Narrative Report, with details of the asset acquired.

2017/18 £'000		2018/19 £'000
557,863	**Opening Capital Financing Requirement**	**554,728**
	Capital Investment:	
98,778	Property, Plant and Equipment	125,089
450	Investment Property	464
1,761	Intangible Assets	1,703
0	Loans and Advances Treated as Capital Expenditure	0
30,228	Revenue Expenditure Funded from Capital Under Statute (REFCUS)	22,814
	Sources of Finance:	
0	Capital Receipts	(3,368)
(105,566)	Government Grants and Contributions	104,778
(6,418)	Government Grants and Contributions funding REFCUS	(14,413)
	Sums set aside from Revenue:	
(4,632)	Direct Revenue Contributions	7,541
(17,737)	Minimum Revenue Provision	18,125
554,728	**Closing Capital Financing Requirement**	**817,460**
(3,135)	**Movement in Year:**	**262,732**
	Explanation of movement in year:	
0	Increase in underlying need to borrow (supported by government financial assistance)	0
(3,137)	Increase in underlying need to borrow (unsupported by government financial assistance)	262,690
0	Assets acquired under finance leases	0
2	Assets acquired under PFI/PPP contracts	42
(3,135)	**Increase/(Decrease) in Capital Financing Requirement**	**262,732**

Capitalisation of Borrowing Costs.

The Council does not capitalise any borrowing costs.

Note 41. Leases

Lincolnshire County Council as Lessee

i) Finance Leases

The Council has acquired the following assets under finance leases:

Land and Buildings:

- County Farms - the Council holds a small number of holdings under lease which are then sub-let as part of the County Farms estate.
- Other Land and Buildings – the Council has a small number of leases which it has classified as finance leases.

Vehicles, Plant, Furniture and Equipment:

- Finance lease payments of £0.004m (£0.006m in 2017-18) were made during the year. £0.003m was charged to the Comprehensive Income and Expenditure Statement as interest payable and £0.014m written down to deferred liabilities.

The following amounts are included within tangible fixed assets Note 14 for the Property, Plant and Equipment held under finance leases:

	Land and Buildings		Vehicles, Plant & Equipment	
	2017/18	2018/19	2017/18	2018/19
	£'000	£'000	£'000	£'000
Balance at 1 April	13,953	13,467	85	16
Additions	108	148	0	0
Revaluations	(158)	2,506	0	0
Depreciation	(418)	(506)	(48)	(11)
Disposals	0	0	(21)	0
Derecognition	(30)	0	0	0
Reclassifications	12	0	0	0
Net Book Value at 31 March	**13,467**	**15,615**	**16**	**5**

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Council, and finance costs that will be payable by the Council in future years.

	2017/18		2018/19	
	Minimum Lease Payments	Finance Lease Liabilities	Minimum Lease Payments	Finance Lease Liabilities
Land and Buildings:	£'000	£'000	£'000	£'000
Not later than one year	6	13	7	13
Between one year and not later than five years	35	62	36	61
Later than five years	172	292	165	280
Total Committed Liabilities as at 31 March	**213**	**367**	**207**	**353**

Vehicles, Plant & Equipment:	2017/18 Minimum Lease Payments £'000	2017/18 Finance Lease Liabilities £'000	2018/19 Minimum Lease Payments £'000	2018/19 Finance Lease Liabilities £'000
Not later than one year	29	7	24	4
Between one year and not later than five years	20	3	14	2
Later than five years	0	0	0	
Total Committed Liabilities as at 31 March	**49**	**10**	**38**	**6**

ii) Operating Leases

The Council has acquired the following assets under operating leases:

Land and Buildings:

- The Council lease various properties for use in delivering services. The rentals paid during 2018-19 amounted to £1.614m (£1.113m in 2017-18).

Vehicles, Plant, Furniture and Equipment:

- The Council makes operating lease payments for equipment, contract car hire vehicles and fleet hire. The amount paid under these arrangements was £3.566m in 2018-19 (£4.272m in 2017-18).

As at 31 March 2019, the Council is committed to making payments of £14.631m under operating leases, comprising the following elements:

	2017/18 £'000	2018/19 £'000
Not later than one year	3,425	3,225
Between one year and not later than five years	6,910	6,234
Later than five years	6,674	5,172
Total Committed Liabilities as at 31 March	**17,009**	**14,631**

<u>Lincolnshire County Council as Lessor</u>

i) Finance Leases

The Council has granted a small number of long-term leases for Adult Care properties, a Children's Centre and a Heritage site, which are accounted for as finance leases. Buildings leased at academy sites are also treated as finance leases. There are no significant lease payments and no debtors.

The Council sub-lets County Farm holdings held under finance leases. At 31 March 2019 the minimum payments expected to be received under non-cancellable sub-leases was £0.355m.

The Council does not acquire assets specifically for the purpose of letting under finance leases.

ii) Operating Leases

The Council acts as lessor (landlord) mainly for the County Farms estate and received income from tenants of £2.459m in 2018-19 (£2.365m in 2017-18). The Council also received rental income from other properties; where the value of the lease is material, the income amounted to £1.764m in 2018-19 (£1.661m in 2017-18).

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

	2017/18 £'000	2018/19 £'000
Not later than one year	2,479	2,789
Between one year and not later than five years	6,118	6,410
Later than five years	16,305	12,861
Total future minimum lease payments receivable as at 31 March	**24,902**	**22,060**

Note 42. Private Finance Initiatives (PFI) and Similar Contracts

Lincolnshire - Schools PFI Arrangement

a) Background

On 27 September 2001 Lincolnshire County Council entered into a 31 year PFI contract with Focus Education (Lincolnshire), for the construction and provision of seven fully serviced school premises across the county. The school sites were completed, and became operational, on a phased basis, as shown in the following table:

Buildings: Description	Occupied from
Sleaford St Botolph's County Primary	Sept 2002
Sleaford Church Lane Primary	Jan 2003
Claypole CE County Primary	Mar 2003
The Fortuna Primary, Lincoln	Sept 2003
Athena School (The Sincil School, Lincoln)	Mar 2006
Greenfields Academy (was The Phoenix School, Grantham)	Sept 2003
Woodlands Academy (was The Lady Jane Franklin School, Spilsby)	Sept 2003

The contractor is required to provide the school facilities to the specified standard (including school buildings and educational equipment). The school must operate within the policies of the Local Education Authority. The school facilities must be available and ready for use as a school during term time and the school day is specified as 8am to 7pm.

The contract specifies minimum standards for the services to be provided by the contractor, with deductions from the fee payable being made if facilities are unavailable or performance is below the minimum standards.

The Council is required to pay compensation to the contractor if the contract is terminated early to cover: the senior debt, any redundancy costs incurred by the provider, and any future profit elements set out in the contractor's financial model.

The contract ends in 2032, at which time the school premises will transfer to the ownership of the Council at no further cost. The contract specifies the physical condition in which the premises must be transferred.

b) Property, Plant and Equipment Held Under the PFI Contract

The table below shows the fixed assets held by the Council, and the movement in their values during 2018-19. These assets are included in the fixed assets shown in Note 14 Property, Plant and Equipment.

	Land & Buildings		**Furniture & Equipment**	
	2017/18	**2018/19**	**2017/18**	**2018/19**
	£'000	**£'000**	**£'000**	**£'000**
Balance at 1 April	15,291	13,918	28	10
Additions	2	42	0	40
Revaluations	(311)	74	0	0
Depreciation	(363)	(351)	(18)	(7)
Disposals	(113)	0	0	0
Reclassifications	0	0	0	0
De-recognition	0	0	0	0
Net Book Value at 31 March	**14,506**	**13,683**	**10**	**43**

c) Liabilities Outstanding under the PFI Contract – Finance Lease Element

The following table shows the outstanding liability on the PFI Finance Lease, and the movement during 2018-19:

	2017/18	**2018/19**
PFI Lease Liability	**£'000**	**£'000**
Liability as at 01 April	11,380	10,771
Principal Repayments	(609)	(746)
Liability as at 31 March	**10,771**	**10,025**

d) PFI Contract Liabilities

The following table shows a breakdown of the estimated contract costs over the remaining life of the PFI contract, split into the different elements of the total cost.

	Principal Lease Repayments	Financing Costs (Interest)	Service Charges	Total Estimated Payments
	£'000	£'000	£'000	£'000
Payable in 2019/20	765	697	2,046	**3,508**
Payable between 2020-21 and 2022-23	2,507	1,747	6,745	**10,999**
Payable between 2023-24 and 2027-28	4,081	1,780	12,019	**17,880**
Payable between 2028-29 and 2032-33	2,672	320	9,142	**12,134**
Total Committed Liabilities as at 31 March 2019	**10,025**	**4,544**	**29,951**	**44,520**

e) School Assets

On 1 August 2016, the Lady Jane Franklin School in Spilsby converted to Academy status (now called Woodlands Academy). A lease has been agreed between the Council and the Academy to reflect the effects of conversion. This lease is accounted for in accordance with the Authority's Accounting Policies on Leases and Accounting for Schools.

The figures shown in Section d above, include £1.512m of principal lease liability and £0.685m of interest liability that relate to the Lady Jane Franklin School.

On 1 March 2013, the Phoenix School in Grantham converted to Academy status. A lease has been agreed between the Council and the Academy to reflect the effects of conversion. This lease is accounted for in accordance with the Authority's Accounting Policies on Leases and Accounting for Schools.

The figures shown in Section d above, include £1.521m of principal lease liability and £0.689m of interest liability that relate to the Phoenix School.

On 11 November 2011, the school buildings belonging to St Botolph's County Primary School in Sleaford (a Voluntary Controlled School) were transferred to the Diocese Trust. This school has been accounted for in accordance with the Authority's Accounting Policy of School Assets.

The figures shown in Section d above, include £1.657m of principal lease liability and £0.751m of interest liability that relate to St Botolph's County Primary School.

Note 43. Pension Schemes Accounted for as Defined Contribution Schemes

Teachers' Pension Scheme

Teachers employed by the Council are members of the Teachers' Pension Scheme (TPS), administered by the Department for Education. The Scheme provides teachers with specified benefits upon their retirement and the Council makes contributions towards the costs based on a percentage of members' pensionable salaries.

The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by Local Authorities. The Council is not able to identify its share of underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purpose of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2018-19 the Council paid £12.210m to the administrators of the TPS in respect of employer's pension contributions. The Council contribution rate to the teacher's pension fund in 2018-19 is 16.48%. The Council is responsible for all pension payments relating to compensatory added years under the Council's early retirement policy.

This includes payments for associated pension increases and mandatory compensation payments to fund the early release of benefits from the scheme. These unfunded benefits amounted to £4.097m in 2018-19 and have an ongoing liability to the Council.

Every four years, the Government Actuary's Department carries out the valuation of all unfunded public service pension schemes, including the Teachers' Pension Scheme. This is to assess the cost of the pensions being provided to members of the scheme and to determine the appropriate future employer contribution rates.

The last valuation was done as at 31st March 2016 and the increase in contribution will be reflected from 1st September 2019.

National Health Service Pension Scheme (NHSPS)

The majority of Staff that transferred to the Council from the Health Authority as part of Public Health and Children Services have remained in the National Health Service Pension Scheme (NHSPS).

The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Department for Health uses a notional fund as the basis for calculating the employers' contribution rate paid by Local Authorities. The Council is not able to identify its share of underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2018-19 the Council paid £0.830m to the administrators of the NHS Pension Scheme in respect of employer contributions. The employer's contribution rate to the scheme is 14.38% in 2018-19.

The Council's contribution rate is set through the scheme valuation process. This is carried out every four years and measures the full cost of paying pension benefits (to current pensioners). The last scheme valuation was in 2016 and the increase in contribution will be from 1st April 2019.

Note 44. Defined Benefit Pensions Schemes

Participation in Pension Schemes

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

The Council participates in two post-employment schemes:

i) Local Government Pension Scheme (LGPS)

The Local Government Pension Scheme is a funded defined benefits final salary scheme. This means that the Council and employees pay contributions into the fund, calculated at a level intended to balance the pension's liabilities with investment assets.

Employer contributions are set every three years as a result of the actuarial valuation of the Fund required by the Regulations and are set with a view to balancing the Fund over the longer term. The next actuarial valuation of the Fund will be carried out as at 31 March 2019 and will set contributions for the period from 1 April 2020 to 31 March 2023.

The Council paid employer's contributions of £26.405m in 2018-19 (£25.018m in 2017-18) into the Lincolnshire Pension Fund, based on 16.4% of scheme employees' pensionable pay and a lump sum payment of £5.503m (£4.451m in 2017-18).

Under the Council's early retirement policy, additional contributions of £0.582m (£0.396m in 2017-18) were made to the Pension Fund for the pre-funding of early retirements and unfunded benefits in respect of compensatory added years and associated pension increases amounted to £5.957m (£5.897m in 2017-18). Further information can be found in the Council's Pension Fund Accounts and in the Council's Pension Fund Annual Report which is available on request.

Lincolnshire County Council's pension scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of its Pension Committee. Policy is determined in accordance with the Pension Fund Regulations. The investment managers of the fund are appointed by the committee - See the list in the Pension Fund statements on page 139.

The principal risks to the authority of the scheme are the longevity assumptions, statutory changes to the scheme, and structural changes to the scheme (i.e. large scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge the General Fund the amounts required by statute as described in Note 1 Accounting Policies.

ii) Firefighters' (Uniformed) Pension Scheme (FPS)

In 2018-19 the Council paid employer's contributions of £5.500m (£5.500m in 2017-18) to the Lincolnshire Fire and Rescue Pension Fund.

There are currently three schemes: the 1992 and 2015 schemes, where the employer contribution rate is 21.7%; and the 2006 scheme, where the contribution rate is 12%. A further £2.0m (£1.0m in 2017-18) was paid in respect of ill health retirements and £0.443m (£0.477 in 2017-18) in respect of injury benefits. Further information on the Lincolnshire Fire and Rescue Pension fund can be found in the Fire & Rescue Pension Fund.

Employer contributions are set every four years as a result of the actuarial valuation of the Fund required by the Regulations. The last actuarial valuation of the Fund set the contributions for the period from 1 April 2020 to 31 March 2023.

Transactions Relating to Post-Employment Benefits (IAS 19 Retirement Benefits accounting entries).

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement.

The unfunded FPS employer's contributions have been defined by the actuary as benefits expenditure reduced by employee contributions. These are gross contributions and have been adjusted by the MHCLG government grant.

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

a) Pension Assets and Liabilities recognised in the Balance Sheet, Service Costs & OCI for the Local Government Pension Fund as at 31 March 2019:

2017/18				2018/19		
Assets	Obligations	Net liability/asset		Assets	Obligations	Net liability/asset
£'000	£'000	£'000		£'000	£'000	£'000
1,163,183	0	**1,163,183**	Fair value of employer assets	1,184,226	0	1,184,226
0	(1,698,181)	**(1,698,181)**	Present value of funded liabilities	0	(1,729,335)	(1,729,335)
0	(102,827)	**(102,827)**	Present value of unfunded liabilities	0	(97,499)	(97,499)
1,163,183	**(1,801,008)**	**(637,825)**	**Opening position as at 31 March**	**1,184,226**	**(1,826,834)**	**(642,608)**
			Service cost:			
0	(55,085)	**(55,085)**	Current service cost	0	(56,096)	(56,096)
0	(298)	**(298)**	Past service costs (including curtailments)	0	(6,091)	(6,091)
0	0	**0**	Effect of settlements	0	0	0
0	**(55,383)**	**(55,383)**	**Total Service Costs**	**0**	**(62,187)**	**(62,187)**
			Net Interest:			
30,150	0	**30,150**	Interest income on planned assets	31,898	0	31,898
0	(46,979)	**(46,979)**	interest cost on defined benefit obligation	0	(49,559)	(49,559)
0	0	**0**	Impact on asset ceiling	0	0	0
30,150	**(46,979)**	**(16,829)**	**Total net Interest**	**31,898**	**(49,559)**	**(17,661)**
30,150	**(102,362)**	**(72,212)**	**Total defined benefit cost recognised in Comprehensive Income & Expenditure Statement**	**31,898**	**(111,746)**	**(79,848)**
			Cash flows:			
8,604	(8,604)	**0**	Plan participants' contributions	8,979	(8,979)	0
29,559	0	**29,559**	Employer contributions	32,168	0	32,168
5,897	0	**5,897**	Contributions re unfunded benefits	5,957	0	5,957
(43,740)	43,740	**0**	Benefits paid	(45,188)	45,188	0
(5,897)	5,897	**0**	Unfunded benefits paid	(5,957)	5,957	0
(5,577)	41,033	**35,456**	Total Cash Flows	(4,041)	42,166	38,125
1,187,756	**(1,862,337)**	**(674,581)**	**Expected closing position**	**1,212,083**	**(1,896,414)**	**(684,331)**
			Remeasurements:			
0	0	**0**	Changes in demographic assumptions	0	0	0
0	33,880	**33,880**	Changes in financial assumptions	0	(149,200)	(149,200)
0	1,623	**1,623**	Other experience	0	(1,596)	(1,596)
(3,530)	0	**(3,530)**	Return on assets excluding amounts included in net interest	65,120	0	65,120
0	0	**0**	Changes in asset ceiling	0	0	0
(3,530)	**35,503**	**31,973**	**Total remeasurements recognised in Other Comprehensive Income (OCI)**	**65,120**	**(150,796)**	**(85,676)**

2017/18				2018/19		
Assets	Obligations	Net liability/asset		Assets	Obligations	Net liability/asset
£'000	£'000	£'000		£'000	£'000	£'000
0	0	**0**	Exchange differences	0	0	0
0	0	**0**	Effect of business combinations or disposals	0	0	0
0	0	0	**Total Exchange and business combinations & disposals**	0	0	0
1,184,226	0	**1,184,226**	Fair value of employer assets	1,277,203	0	1,277,203
0	(1,729,335)	**(1,729,335)**	Present value of funded liabilities	0	(1,949,900)	(1,949,900)
0	(97,499)	**(97,499)**	Present value of unfunded liabilities	0	(97,310)	(97,310)
1,184,226	**(1,826,834)**	**(642,608)**	**Closing position as at 31 March**	**1,277,203**	**(2,047,210)**	**(770,007)**

This liability comprises of approximately £1.818m in respect of LPGS unfunded pensions and £4.137m in respect of Teachers unfunded pensions.

From the table a) above, below is an analysis of the present value of funded liabilities for the Local Government Pension Scheme:

	Liability Split		Duration
	£000	%	
Members	825,088	42.3%	24.1
Deferred Members	477,716	24.5%	23.0
Pensioners	647,096	33.2%	11.5
	1,949,900	**100.0%**	**17.8**

b) Pension Assets and Liabilities recognised in the Balance Sheet, Service Costs & OCI for the Fire Fighters Pension Fund as at 31 March 2019

2017/18				2018/19		
Assets £'000	Obligations £'000	Net liability/asset £'000		Assets £'000	Obligations £'000	Net liability/asset £'000
0	0	**0**	Fair value of employer assets	0	0	0
0	(216,300)	**(216,300)**	Present value of funded liabilities	0	(224,100)	(224,100)
0	(16,600)	**(16,600)**	Present value of unfunded liabilities	0	(16,000)	(16,000)
0	**(232,900)**	**(232,900)**	**Opening position as at 31 March**	**0**	**(240,100)**	**(240,100)**
			Service cost:			
0	(6,500)	**(6,500)**	Current service cost	0	(5,900)	(5,900)
0	0	**0**	Past service costs (including curtailments)	0	(9,300)	(9,300)
0	0	**0**	Effect of settlements	0	0	0
0	**(6,500)**	**(6,500)**	**Total Service Costs**	**0**	**(15,200)**	**(15,200)**
			Net Interest:			
0	0	**0**	Interest income on planned assets	0	0	0
0	(6,100)	**(6,100)**	interest cost on defined benefit obligation	0	(6,600)	(6,600)
0	0	**0**	Impact on asset ceiling	0	0	0
0	**(6,100)**	**(6,100)**	**Total net Interest**	**0**	**(6,600)**	**(6,600)**
0	**(12,600)**	**(12,600)**	**Total defined benefit cost recognised in Comprehensive Income & Expenditure Statement**	**0**	**(21,800)**	**(21,800)**
			Cash flows:			
1,400	(1,400)	**0**	Plan participants' contributions	1,400	(1,400)	0
4,100	0	**4,100**	Employer contributions	5,500	0	5,500
0	0	**0**	Transfers to/from other authorities	100	(100)	0
400	0	**400**	Contributions in respect of injury benefits	(8,900)	0	(8,900)
(5,500)	5,500	**0**	Benefits paid	(7,000)	7,000	0
0	0	**0**	Backdated commutation payments	0	0	0
(400)	400	**0**	Injury award expenditure	(400)	400	0
0	4,500	**4,500**	Total Cash Flows	(9,300)	5,900	(3,400)
0	**(241,000)**	**(241,000)**	**Expected closing position**	**(9,400)**	**(255,900)**	**(265,300)**
			Remeasurements:			
0	2,500	**2,500**	Changes in demographic assumptions	0	17,800	17,800
0	4,200	**4,200**	Changes in financial assumptions	0	(17,100)	(17,100)
0	(5,800)	**(5,800)**	Other experience	0	(7,200)	(7,200)
0	0	**0**	Return on assets excluding amounts included in net interest	0	0	0
0	0	**0**	Changes in asset ceiling	0	0	0
0	**900**	**900**	**Total remeasurements recognised in Other Comprehensive Income**	**0**	**(6,500)**	**(6,500)**

2017/18				2018/19		
Assets	Obligations	Net liability/asset		Assets	Obligations	Net liability/asset
£'000	£'000	£'000		£'000	£'000	£'000
0	0	**0**	Exchange differences	0	0	0
0	0	**0**	Effect of business combinations or disposals	0	0	0
0	**0**	**0**	**Total Exchange and business combinations & disposals**	**0**	**0**	**0**
0	0	**0**	Fair value of employer assets	0	0	0
0	(224,100)	**(224,100)**	Present value of funded liabilities	0	(241,200)	(241,200)
0	(16,000)	**(16,000)**	Present value of unfunded liabilities	0	(21,300)	(21,300)
0	**(240,100)**	**(240,100)**	**Closing position as at 31 March**	**0**	**(262,500)**	**(262,500)**

The current service cost shown in table b) above includes the cost for both the non-injury benefits and injury benefits. This is split £5.200m for the non-injury benefits and £0.700m for the injury benefits.

The interest cost shown in the table above includes the cost for both the non-injury benefits and injury benefits. This is split £6.200m for the non-injury benefits and £0.400m for the injury benefits.

Analysis of the present value of the defined obligation - Fire Fighters Scheme

2017/18				2018/19		
Liability Split		Duration		Liability Split		Duration
£000	%			£000	%	
90,600	40.43%	25.1	Members	110,800	45.94%	24.1
8,600	3.84%	25.2	Deferred Members	9,700	4.02%	24.4
124,900	55.73%	11.2	Pensioners	120,700	50.04%	11.6
224,100	**100.00%**	**17.4**		**241,200**	**100.0%**	**17.6**
9,100	56.88%	25.1	Contingent injuries	11,100	52.11%	24.1
6,900	43.13%	11.2	Injury pension liabilities	10,200	47.89%	11.6
16,000	**100.00%**	**19.1**		**21,300**	**100.0%**	**17.8**

The durations are effective as at the previous valuations as at 31 March 2018.

c) Pension Fund Assets Comprise

The Local Government Pension schemes comprise the following assets:

	Fair value of scheme assets			
	2017/18		2018/19	
Asset Class	**£'000**	**%**	**£'000**	**%**
Equities (b)				
- Consumer	86,996	7.3%	144,033	11.3%
- Manufacturing	67,328	5.7%	51,994	4.1%
- Energy & Utilities	32,833	2.8%	29,117	2.3%
- Financial	81,436	6.9%	75,770	5.9%
- Health & Care	50,381	4.3%	56,593	4.4%
- Information Technology	92,118	7.8%	86,018	6.7%
- Other	0	0.0%	0	0.0%
Total Equities	**411,092**	**34.7%**	**443,525**	**34.7%**
Bonds:				
- Corporate (Investment)	0	0.0%	0	0.0%
- Corporate (Non-Investment Grade)	0	0.0%	0	0.0%
- Government (Fixed)	0	0.0%	0	0.0%
- Other	0	0.0%	0	0.0%
Total Bonds	**0**	**0.0%**	**0**	**0.0%**
Total Private Equity	**19,174**	**1.6%**	**13,396**	**1.0%**
Property				
- UK	100,358	8.5%	102,136	8.0%
- Global	8,841	0.7%	8,029	0.6%
Total Property	**109,199**	**9.2%**	**110,165**	**8.6%**
Investment Funds & Unit Trusts:				
- Equities	328,571	27.7%	352,545	27.6%
- Bonds	139,991	11.8%	153,699	12.0%
- Infrastructure	17,252	1.5%	24,121	1.9%
- Other	144,463	12.2%	165,675	13.0%
Total Investment Funds	**630,277**	**53.2%**	**696,040**	**54.5%**
Cash and Cash Equivalents	**14,484**	**1.2%**	**14,077**	**1.1%**
Total Derivatives	**0**	**0.0%**	**0**	**0.0%**
Total Assets	**1,184,226**	**100.0%**	**1,277,203**	**100.0%**

All scheme assets have quoted prices in active markets.

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date.

The estimated return on scheme assets in the year was 8.2% (2018-19).

d) Basis for estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Hymans Robertson, an independent firm of actuaries. Estimates for the Council Fund are based on the latest full valuation of the scheme as at 1 April 2016.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme		Fire-fighters' Pension Scheme	
	2017/18	2018/19	2017/18	2018/19
	%	%	%	%
Price Increases	3.4	3.5	3.4	3.5
Salary Increases	2.8	2.9	3.4	3.5
Pension Increases (CPI)	2.4	2.5	2.4	2.5
Discount Rate	2.7	2.4	2.7	2.4
Equity investments	2.3	8.2	N/A	N/A
Take up of option to convert annual pension to lump sum prior to 1 April 2008	50	50	N/A	N/A
Take up of option to convert annual pension to lump sum post 1 April 2008	75	75	N/A	N/A

The table below shows the life expectancy of future and current pensioners and is based on the CMI 2013 model assuming the current rate of improvement has peaked and will converge to a long term rate of 1.25% p.a. Life expectancy is based on pensioners of 65 in the LGPS and 60 in the Firefighters' scheme.

	Local Government Pension Scheme		Fire-fighters' Pension Scheme	
	Male	Female	Male	Female
Current Pensioners	22.1 years	24.4 years	27.3 years	29.4 years
Future Pensioners (*1)	24.1 years	26.6 years	28.4 years	30.6 years

(*1) Figures assume members aged 45 as at the last formal valuation.

e) Sensitivity Analysis

The sensitivity analysis below has been determined based on reasonable possible changes of the assumptions occurring at the end of the reporting period, and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice this is unlikely to occur and changes in some of the assumptions may be interrelated. The estimation in the sensitivity analysis has followed the accounting policies of 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 a previous period.

Change in assumptions in year ended 31 March 2019	Local Government Pension Scheme		Fire Fighters' Pension Scheme	
	Approximate Change to Employer Liability	Approximate monetary Amount	Approximate Change to Employer Liability	Approximate monetary Amount
	%	£000	%	£000
0.5% decrease in Real Discount rate	10.0%	206,322	9.0%	23,335
1 year increase in member life expectancy	4.0%	82,529	3.0%	7,556
0.5% increase in the Salary Increase Rate	1.0%	23,272	1.0%	1,625
0.5% increase in the Pension Increase Rate	9.0%	180,076	8.0%	19,138
1 year increase in member life expectancy on the Current Service	4.0%	2,585	3.0%	181

The Fire Fighters' pension arrangements have no assets to cover its liabilities.

The principle demographic assumption is the longevity assumption for the LGPS (i.e. member life expectancy). For sensitivity purposes, we estimate that a one year increase in life expectancy would approximately increase the Employer's Defined Benefit obligation by around 3-5%. In practice, the actual cost of a one year increase in life expectancy will depend on the structure of the revised assumption (i.e. if improvements to survival rates predominantly apply at younger or older ages). There would be a similar increase in the Current Service costs of 3-5%.

Asset and Liability Matching (ALM) Strategy

The Council's pension committee has agreed to an asset and liability matching strategy (ALM) that matches, to the extent possible, the types of assets invested to the liabilities in the defined benefit obligation. The fund has matched assets to the pensions' obligations by investing long-term fixed interest securities and indexed linked gilt edged investment with maturities that match the benefits payments as they fall due. This is balanced with a need to maintain the liquidity of the fund to ensure that it is able to make current payments. As is required by the pensions and investment regulations, the suitability of various types of investment have been considered, as has the need to diversify investments to reduce risk of being invested in too narrow a range. A large proportion of the assets relate to equities (34% of scheme assets) and Investment Funds (55%). These percentages are materially the same as last year. The scheme also invests in properties (9%) as a part of the diversification of the scheme's investments.

The ALM strategy is monitored annually or more frequently if necessary.

Impact on the Authority's Cash Flows

The objectives of the scheme are to keep employers' contributions at a constant rate as possible. The Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be implemented on 31 March 2020. The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014. The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings scheme to pay pensions and other benefits.

f) Projected defined benefit cost for the period to 31 March 2019

Local Government Pension Scheme:

	Assets	Obligations	Net (liability) /asset	% of pay
	£000	£000	£000	
Projected Current Service Cost	0	64,621	(64,621)	-45.7%
Past service cost including curtailments	0	0	0	0.0%
Effect of settlements	0	0	0	0.0%
Total Service Cost	0	64,621	(64,621)	-45.7%
Interest income on plan assets	30,622	0	30,622	21.7%
Interest cost on defined benefit obligation	0	49,397	(49,397)	-35.0%
Total Net Interest Cost	30,622	49,397	(18,775)	-13.3%
Total included in Income and Expenditure	**30,622**	**114,018**	**(83,396)**	**-59.0%**

The weighted average duration of the defined benefit obligation for scheme members is 17.8 years in 2018-19. The authority expects to pay £33.770m in contributions to the LGPS in 2018-19.

Fire Fighters Pension Scheme:

	Assets	Obligations	Net (liability) /asset	% of pay
	£000	£000	£000	
Projected Current Service Cost	0	6,000	(6,000)	57.4%
Past service cost including curtailments	0	0	0	0.0%
Effect of settlements	0	0	0	0.0%
Total Service Cost	0	6,000	(6,000)	57.4%
Interest income on plan assets	0	0	0	0.0%
Interest cost on defined benefit obligation	0	6,300	(6,300)	60.3%
Total Net Interest Cost	0	6,300	(6,300)	60.3%
Total included in Income and Expenditure	**0**	**12,300**	**(12,300)**	**117.7%**

The weighted average duration of the defined benefit obligation for scheme members is 17.4 years in 2018-19.

Note 45. Contingent Liabilities

At 31 March 2019 the Council has the following material contingent liabilities:

a) Insurance

The Council obtained public and employer's liability insurance cover from the Independent Insurance Company between 1995 and 1998. The company went into liquidation to the extent that it will not be able to meet any current or future liabilities, meaning the Council is effectively not insured for this period. It is expected that only the liabilities for employer's liability remain, due to a significant increase in disease related claims, particularly relating to hearing loss. It is expected that most types of public liability claims for this period are likely to have been submitted. There are currently no open claims for either policy across the years where cover was in place. It should be noted that as The Independent Inquiry into Child Sexual Abuse (IICSA) is still in progress, there is a possibility that claims under the Public Liability policy will still be submitted. The position is independently reviewed annually by the insurance reserve actuary to ensure that reserves are sufficient to cover total liability.

Municipal Mutual Insurance Limited (MMI), the Council's insurer for employers and public liability ceased writing insurance business in September 1992 and entered a Scheme of Arrangement for an expectation of a solvent run off. This did not occur and the Scheme was triggered on 1 January 2014, when the Scheme Administrator announced a Levy on Scheme Creditors of 15% on all claims payments made by MMI since September 1993, less the first £50,000. A further levy of 10% was then applied in April 2016. This results in a requirement of a total of 25% of future claim payments to be self-insured. There had been an expectation that the levy might be increased further but with the accounts in June 2017, there was a slight improving position and accordingly no further levy has yet been announced. Again as part of the annual review by the insurance actuary, consideration to the exposure is considered as a part of the reserves recommendation.

From 1st April 2013 there are no longer insurance provisions in place for conditions caused by the exposure to asbestos or the Legionella Bacterium, for employees or the public. However, the Council has stringent policies and procedures in place to minimise the exposure to either of these risks.

b) Extra Contractual Referrals

In Lincolnshire, there are a small number of people with Learning Disabilities who were placed in Health accommodation by other Health Authorities. Due to these establishments closing in recent years, Service Users have been moved into places within the community or in some cases their prior accommodation has become their community provision.

A part of the pooled arrangements with Lincolnshire Health, we have hitherto paid for the care of these individuals and invoiced the other Local Authorities with the cost.

There is one authority who is challenging this process on the basis that the Service User is now deemed as an ordinary resident of the County and as such, funding responsibility lies with the Council. There is on-going involvement with the Department of Health and Legal Services.

Any liability is likely to be in the range of nil to £0.750m.

c) Wrangle Sea Banks

The Council is underwriting Witham 4th District Drainage Board's risk of European Structural and Investment Funds (ESIF) funding clawback in respect of the Wrangle Sea Banks Flood Scheme. The scheme will raise the level of flood protection in the area.

The liability is in the range of nil to £0.500m as this is the level of funding expected from the ESIF.

d) Haven Sea Banks

The Council is underwriting Witham 4th District Drainage Board's risk of European Structural and Investment Funds (ESIF) funding clawback in respect of the Haven Sea Banks Flood Scheme. The scheme will raise the level of flood protection in the area.

The liability is in the range of nil to £1.000m as this is the level of funding expected from the ESIF.

Note 46. Contingent Assets

At 31 March 2019 the Council has no material contingent assets.

Lincolnshire Fire & Rescue Pension Fund 2018-19

2017/18 £'000	Fund Account	Note	2018/19 £'000
	Contributions Receivable:		
	From employer:		
(1,711)	Contributions in relation to pensionable pay	4	(1,690)
0	Early Retirements - Ill Health	4	0
	From members		
(1,394)	Fire-fighters' contributions	4	(1,403)
	Transfers in:		
(97)	Individual transfers from other schemes from Local Authorities	7	(75)
0	Individual transfers from other schemes other than Local Authorities	7	0
	Benefits payable:		
4,896	Pensions	5	5,348
999	Commutations and lump sum retirement benefits	5	2,016
0	Lump sum death benefits	5	90
	Payments to and on account of leavers:		
0	Individual transfer out to other schemes	7	0
0	Refunds of contributions	7	0
2,693	**Sub Total Net amount payable for the year before top up grant receivable**		**4,286**
(2,693)	Top up grant receivable from sponsoring department	6	(4,286)
0	**Net amount payable/receivable**		**0**

31 March 2018 £'000	Net Asset Statement as at:	31 March 2019 £'000
	Current Assets:	
64	Pensions top up grant due	1,198
64	**Total Current Assets**	**1,198**
	Current Liabilities:	
64	Amounts payable to LCC	(1,086)
0	Unpaid pension benefits	(112)
0	Pension payable to central government	0
64	**Total Current Liabilities**	**(1,198)**
0	**Total**	**0**

Notes to the Fire & Rescue Pension Fund Account

Note 1. Basis of Preparation

The financial statements have been prepared in accordance with the main recommendations of the code of practice on Local Authority Accounting issued by the Chartered Institute of Finance & Accountancy.

There is no separate bank account for the Pension Fund; therefore the Council's General Fund is shown as debtor/creditor in the net Asset Statement.

The Net Asset Statement does not take account of liabilities to pay pensions and other benefits after the period end.

Note 44 Defined Benefit Pensions Schemes in the Council's Financial Statements shows the Council's long term pension obligations in accordance with International Accounting Standards (IAS19).

Note 2. Lincolnshire Fire and Rescue Pension Fund Account

The Fund was established at 1 April 2006 and now covers the 1992, 2006 and 2015 Firefighters pension schemes. It was established by the Firefighters Pension Scheme (Amendment) (England) Order 2006 (SI2006 No1810), amended by the Firefighters Pension Scheme (England) Regulations 2014 and is administered by Lincolnshire County Council. Employee and employer contributions are paid into the fund, from which payments to pensioners are made with any difference being met by top up grant from Central Government.

Note 3. Accounting Policies

The Principal Accounting Policies are as follows:

Contributions

For employees who are members of the pension schemes, contributions are receivable from the employer (the Council) and the members (employees) throughout the year based on a percentage of pensionable pay. The rates are set nationally by the Home Office/ Government

Actuary Department and subject to triennial revaluation by the Government Actuary's Department.

If ill health retirements are granted, the Council is required to make a contribution to the pension fund in accordance with the regulations. This contribution is spread over a 3 year period to deal with financial volatility as the number of Firefighters who retire on grounds of ill health varies from year to year.

No provision is made in the accounts for contributions on pay awards not yet settled.

Benefits

Benefits include recurring payments that are paid in advance of the month for which they relate. Lump Sum payments are paid as they become due.

The accounts do not take account of liabilities to pay pensions and other benefits after the year end.

Transfer Values

The value of accrued benefits transferred from or to another pension arrangement, including Firefighters' pension schemes outside England, are recorded in the accounts on a receipts and payments basis.

Top up Grant

Central Government pay an instalment of top up grant during the year based on estimated activity. The balance is included within the amount of grant receivable and identified in the Net asset statement under current assets or liabilities.

Note 4. Contribution Rates

Under the Firefighters pension regulations, the contribution rates are set nationally and are subject to triennial revaluation by the Governments Actuary’s Department. During 2018-19 the contribution rates for the 2006 scheme were a minimum of 20.5% of pensionable pay (12% employers and tiered contribution of 8.5% to 12.5% based on employees' pensionable pay banding). The contribution rates for the 1992 scheme were a minimum of 32.7% of pensionable pay (21.7% employers and tiered contribution of 11% to 17% based on employees' pensionable pay banding). The contribution rates for the 2015 scheme were a minimum of 31.7% of pensionable pay (21.7% employers and tiered contribution of 10.0% to 14.5% based on employees' pensionable pay banding). Contribution tiers for part time and retained firefighters are based on whole time equivalent pay for their role.

Contributions by the employer for firefighters who retire due to ill health are also paid into the Pension Fund in accordance with the regulations. This also applies to protected rights whole time equivalent compensatory payments paid to retained firefighters who were employed from 6th April 2006 and who had been ill health retired due to a qualifying injury.

Note 5. Benefits paid

Lump sum and on-going pensions are paid to retired officers, their survivors and others who are eligible for benefits under pension schemes. The recurring payments are usually paid monthly in advance at the beginning of the period for which they relate.

Note 6. Central Government pension top up grant

This is an unfunded scheme and consequently there are no investment assets. The fund is balanced to zero each year by receipt of a top up grant from the Central Government Department (Home Office) if contributions are insufficient to meet the cost of benefits payable, or by paying over any surplus to the Home Office. The difference between grant received during the year and grant required to balance to zero is set up as an accrual and shown in the Net Asset Statement.

Note 7. Transfers in and out

The value of accrued benefits of members that are transferred from or to another pension arrangement, if a member joins or leaves the scheme.

Lincolnshire Pension Fund 2018/19

Pension Fund Account - For the year ended 31 March 2019

2017/18 £'000		Note	2018/19 £'000
	Contributions and Benefits		
(97,471)	Contributions Receivable	(6)	(98,278)
(6,861)	Transfers In From Other Pension Funds	(7)	(7,312)
(104,332)			**(105,590)**
86,584	Benefits Payable	(8)	92,904
4,605	Payments To and On Account of Leavers	(9)	7,803
91,189			**100,707**
(13,143)	**Net (additions)/withdrawals from dealings with Fund Members**		**(4,883)**
11,978	Management Expenses	(10)	11,018
(1,165)	**Net (additions)/withdrawals including Management Expenses**		**6,135**
	Returns on Investments		
(17,743)	Investment Income	(11)	(20,403)
(35,084)	Change in Value of Investments	(12a)	(178,619)
(19,943)	(Profit)/Loss on Forward Foreign Exchange	(13)	21,050
(72,770)	**Net Returns on Investments**		**(177,972)**
(73,935)	Net (Increase)/Decrease in the Net Assets Available for Benefits during the year		(171,837)
(2,115,422)	Opening Net Assets of the Fund		(2,189,357)
(2,189,357)	**Closing Net Assets of the Fund**		**(2,361,194)**

Net Asset Statement as at 31 March 2019

Note: The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The actuarial present value of promised retirement benefits is disclosed in Pension Note 18.

Notes to the Pension Fund Account

Note 1. Description of the Pension Fund

The Lincolnshire Pension Fund (the Fund) is part of the Local Government Pension Scheme and Lincolnshire County Council is the Administering Authority. Benefits are administered by West Yorkshire Pension Fund (WYPF) in a shared service arrangement.

The following information is a summary only, and further detail can be found in the Lincolnshire Pension Fund Annual Report 2018/19 (available on the Fund's shared website at www.wypf.org.uk).

General

The scheme is governed by the Public Service Pensions Act 2013. The Fund is administered in accordance with the following secondary legislation:

- the LGPS Regulations 2013 (as amended);
- the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended); and
- the LGPS (Management and Investment of Funds) Regulations 2016.

It is a contributory defined benefit pension scheme to provide pensions and other benefits for pensionable employees of Lincolnshire County Council, the district councils in Lincolnshire and a range of other scheduled and admitted bodies within the county. Teachers, police officers and firefighters are not included as they come within other national pension schemes.

The Fund is overseen by the Lincolnshire County Council Pensions Committee and Local Pension Board.

Membership

Membership of the LGPS is automatic for eligible employees, but they are free to choose whether to remain in the scheme or make their own personal arrangements outside of the scheme.

Organisations participating in the Fund include:

- Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the Fund; and
- Admitted bodies, which are other organisations that participate in the Fund under an admission agreement between the Fund and the relevant employer. Admitted bodies include charitable organisations and similar not-for-profit bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

There are 234 contributing employer organisations in the Fund including the County Council and nearly 73,000 members as detailed below (information reported based on March processed data):

	31 March 2018	31 March 2019
Number of employers with active members	219	234
Number of employees in the Fund		
- Lincolnshire County Council	12,193	9,879
- Other Employers	13,960	12,941
Total	**26,153**	**22,820**
Number of Pensioners:		
- Lincolnshire County Council	13,768	14,398
- Other Employers	6,775	7,317
Total	**20,543**	**21,715**
Number of Deferred Pensioners:		
- Lincolnshire County Council	19,540	19,753
- Other Employers	7,816	8,468
Total	**27,356**	**28,221**

Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay. Employer contributions are set based on triennial actuarial funding valuations. The last valuation was 31 March 2016, and employer contribution rates were set ranging from 15.9% to 29.1% of pensionable pay. In addition, the majority of employers are paying deficit contributions as cash payments.

Benefits

From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is up-rated annually in line with the Consumer Price Index.

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service, summarised below:

	Service pre April 2008	Service post April 2008
Pension	Each year is worth 1/80 x final pensionable salary.	Each year is worth 1/60 x final pensionable salary.
Lump Sum	Automatic lump sum of 3/80 x salary. In addition, part of the annual pension can be exchanged for a one-off tax free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

There are a range of other benefits provided under the scheme including early retirement, ill-health pensions and death benefits. For more details, please refer to the shared pension's website at www.wypf.org.uk.

Note 2. Basis of Preparation

The Statement of Accounts summarises the Fund's transactions for the 2018/19 financial year and its position at year end as at 31 March 2019.

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, which is based on International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits due. The accounts do not take into account liabilities to pay pensions and other benefits after the end of the financial year, nor do they taken into account the actuarial present value of promised retirement benefits. These liabilities are dealt with through the periodic actuarial valuations of the Fund and are reflected in the levels of employers' contributions determined by these valuations. The Pension Fund has opted to disclose this information in Pension fund Note 18.

The accounts have been prepared on a going concern basis.

The accounting policies set out below have been applied consistently to all periods presented within these financial statements.

Accounting Standards That Have Been Issued but Have Not Yet Been Adopted

On an annual basis the Pension Fund is required to consider the impact of accounting standards that have been issued but have not yet been adopted. For 2019/20 there are a number of new accounting standards:

- Annual Improvements to IFRS Standards 2014 to 2016 cycle;
- IFRIC22 Foreign Currency Transactions and Advance Consideration;
- IFRIC23 Uncertainty over Income Tax Treatments; and
- Amendments to IFRS9 Financial Instruments: Prepayment Features with Negative Compensation.

It is not thought that any of these standards will have a significant impact on the Pension Fund Accounts for 2019/20.

Note 3. Significant Accounting Policies

Fund account – revenue recognition

a. Contributions income

Normal contributions are accounted for on an accruals basis as follows:

- Employee contribution rates are set in accordance with LGPS regulations using common percentage rates for all Funds which rise according to pensionable pay; and

- Employer contributions are set at the percentage rate recommended by the Fund actuary for the period to which they relate.

Employer deficit funding contributions are accounted for on the day on which they are payable under the schedule of contributions set by the Fund actuary or on receipt if earlier than due date.

Additional employers' contributions, for example, in respect of early retirements, are accounted for in the year the event arose.

Any amount due in year but unpaid will be classed as a current financial asset.

b. Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund. They are calculated in accordance with the LGPS Regulations 2013. Transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged.

c. Investment Income

i) Interest income

Interest income is recognised in the Fund account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination.

ii) Dividend income

Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

iii) Distributions from pooled funds

Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

iv) Movement in the net market value of investments

Changes in the net market value of investments (including investment properties) are recognised as income and comprise all realised and unrealised profits/losses during the year.

Fund account – expense items

d. Benefits payable

Pensions and lump sum benefits payable are included in the accounts at the time of payment.

e. Taxation

The Fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a Fund expense as it arises.

f. Management expenses

The Fund discloses its pension fund management expenses in accordance with the CIPFA guidance: Accounting for Local Government Pension Scheme Management Expenses (2016), using the headings shown below. All items of expenditure are charged to the Fund on an accruals basis.

i) Administrative expenses

All staff costs of the pension's administration team are charged to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.

ii) Oversight and Governance

All staff costs associated with the governance and oversight are charged directly to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.

iii) Investment management expenses

Investment management expenses are charged directly to the Fund as part of management expenses and are not included in, or netted off from, the reported return on investments.

Fees for the external investment managers and custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase and decrease as the value of the investments change.

In addition, the Fund has negotiated with the following managers that an element of their fee be performance related:

- Invesco Asset Management - Global Equities (ex UK)
- Schroder Investment Management - Global Equities
- Threadneedle Asset Management - Global Equities
- Morgan Stanley Investment Management Ltd - Alternative Investments

Where an investment manager's fee invoice has not been received by the financial year end, an estimate based upon the market value of their mandate is used for inclusion in the Fund accounts.

Fees on investments where the cost is deducted at source have been included within investment expenses and an adjustment made to the change in market value of investments.

Net assets statement

g. Financial assets

The investment in the LGPS asset pool, Border to Coast Pensions Partnership, is valued at transaction price i.e. cost. The pool’s main trading company only became licensed to trade in July 2018 and they do not have any reliable trading results or profit forecasts available yet. Consequently, the Pension Fund’s view is that the market value of this investment at 31 March 2019 cannot be reasonably assessed and that cost is therefore an appropriate estimate of fair value. This has been classified as FVOCI rather than FVTP&L as the investment is a strategic investment and not held for trading.

All other investment assets are included in the net assets statement on a fair value basis as at the reporting date. A financial asset is recognised in the net asset statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date, any gains or losses arising from changes in the fair value of the asset are recognised by the Fund.

The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS13 (see Pension Fund Note 14). For the purposes of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

Private equity, property and infrastructure valuations are based on valuations provided by managers at the year-end date. If valuations at the year-end are not produced by the manager, the latest available valuation is adjusted for cash flows in the intervening period.

h. Foreign currency transactions

Dividend, interest, purchases and sales of investments in foreign currencies have been accounted for at the spot rates at the date of the transaction. End of year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period. The exchange rates used at 31 March 2019 are shown in Pension Fund Note 28.

i. Derivatives

The Fund uses derivative financial instruments to manage its exposure to certain risks arising from its investment activities. The Fund does not hold derivatives for speculative purposes.

j. Cash and cash equivalents

Cash comprises of cash in hand, deposits and includes amounts held by external managers. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to minimum risk of changes in value.

k. Financial liabilities

A financial liability is recognised in the net assets statement on the date the Fund becomes party to the liability. The Fund recognises financial liabilities relating to investment trading at fair value as at the reporting date, and any gains or losses arising from changes in the fair value of the liability between contract date, the year-end date and the eventual settlement date are recognised in the Fund account as part of the Change in Value of Investments.

Other financial liabilities classed as amortised cost are carried at amortised cost i.e. the amount carried in the net asset statement is the outstanding principal repayable plus accrued interest.

l. Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial standards.

As permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the net assets statement (see Pension Fund Note 18).

m. Additional voluntary contributions

The Fund provides an additional voluntary contribution (AVC) scheme for its members, the assets of which are invested separately from those of the Pension Fund. The Fund has appointed Prudential as its AVC provider. AVCs are paid to the AVC provider by employers and are specifically for providing additional benefits for individual contributors. Each AVC contributor receives an annual statement showing the amount held in their account and the movements in the year.

AVCs are not included in the accounts in accordance with Regulation 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 but are disclosed as a note only (see Pension Fund Note 22).

n. Contingent assets and contingent liabilities

A contingent asset arises where an event has taken place giving rise to a possible asset whose existence will only be confirmed or otherwise by the occurrence of future events.

A contingent liability arises where an event has taken place prior to the year-end giving rise to a possible financial obligation whose existence will only be confirmed or otherwise by the occurrence of future events. Contingent liabilities can also arise in circumstances where a provision would be made, except that it is not possible at the balance sheet date to measure the value of the financial obligation reliably.

Contingent assets and liabilities are not recognised in the net asset statement but are disclosed by way of narrative in the notes (see Pension Fund Note 25 and 26).

Note 4. Critical Judgements in Applying Accounting Policies

Pension Fund liability

The net Pension Fund liability is recalculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines.

This estimate is subject to significant variances based on changes to the underlying assumptions which are agreed with the actuary and have been summarised in Pension Fund Note 17.

These actuarial revaluations are used to set future contribution rates and underpin the Fund’s most significant investment management policies, for example in terms of the balance struck between longer term investment growth and short-term yield/return.

Investment in Border to Coast Pensions Partnership

This investment has been valued at cost on the basis that fair value as at 31 March 2019 cannot be reliably estimated. Management have made this judgement because:

- Border to Coast Pensions Partnership only became licenced to trade in July 2018; and
- No published trading results are available which would allow a fair value to be calculated on a net asset basis or enable the accuracy of profit and cash flow projections contained in the company's business plan to be assessed with confidence.

Note 5. Assumptions Made About the Future and Major Sources of Estimation Uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the balance sheet date and the amounts reported for the revenues and expenses during the year. Estimates and assumptions are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual outcomes could differ from the assumptions and estimates.

The items in the accounts for the year ended 31 March 2019 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
Actuarial present value of promised retirement benefits (Note 18)	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used; the rate at which salaries are projected to increase; changes in retirement ages; mortality rates and expected returns on investments. A firm of consulting actuaries are engaged to provide expert advice about the assumptions to be applied.	The effects of changes in the individual assumptions can be measured. For example: 1) a 0.5% increase in the discount rate assumption would result in a decrease of the pension liability of £359m. 2) a 0.25% increase in assumed earnings inflation would increase the value of liabilities by approximately £28m. 3) a 0.5% increase in the pension increase rate would increase the value of liabilities by approximately £320m. 4) a one-year increase in assumed life expectancy would increase the liability by approximately £151m.

Item	Uncertainties	Effect if actual results differ from assumptions
Private Equity (Note 14)	Private Equity investments are valued at fair value in accordance with International Private Equity and Venture Capital Valuation Guidelines (2012). These investments are not publicly listed and as such there us a degree of estimation involved in the valuation. Private Equity valuations within the Pension Fund accounts are all based on the reported information held by the Council on 31 March each year.	The total private equity investments in the Fund are £23m. There is a risk that these may be over or under-stated in the accounts by £5.5m.

Note 6. Contributions Receivable

Contributions receivable are analysed by category below:

	2017/18	2018/19
	£'000	£'000
Employers		
Normal	55,197	58,966
Deficit Recovery Funding	21,334	17,138
Additional - Augmentation	1,519	1,632
Members		
Normal	19,341	20,466
Additional years	80	76
Total	**97,471**	**98,278**

These contributions are analysed by type of Member Body as follows:

	2017/18	2018/19
	£'000	£'000
Lincolnshire County Council	37,659	40,061
Scheduled Bodies	48,461	53,239
Admitted Bodies	11,351	4,978
Total	**97,471**	**98,278**

Note 7. Transfers In From Other Pension Funds

	2017/18	2018/19
	£'000	£'000
Individual transfers from other schemes	6,861	7,312
Group transfers from other schemes	-	-
Total	**6,861**	**7,312**

There were no material outstanding transfers due to the Pension Fund as at 31 March 2019.

Note 8. Benefits Payable

Benefits payable are analysed by category below:

	2017/18	2018/19
	£'000	£'000
Pensions	68,800	73,016
Commutations & Lump Sum Retirement Benefits	14,482	17,791
Lump Sum Death Benefits	3,302	2,097
Total	**86,584**	**92,904**

These benefits are analysed by type of Member Body as follows:

	2017/18	2018/19
	£'000	£'000
Lincolnshire County Council	45,951	49,350
Scheduled Bodies	36,214	39,423
Admitted Bodies	4,419	4,131
Total	**86,584**	**92,904**

Note 9. Payments To and On Account of Leavers

	2017/18	2018/19
	£'000	£'000
Individual transfers to other schemes	4,390	6,990
Group transfers to other schemes	-	419
Refunds to members leaving service	215	394
Total	**4,605**	**7,803**

There were no material outstanding transfers due from the Pension Fund as at 31 March 2019.

Note 10. Management Expenses

	2017/18	2018/19
	£'000	£'000
Administration Costs	1,047	1,128
Investment Management Expenses	10,476	9,429
Oversight and Governance Costs	455	461
Total	**11,978**	**11,018**

The external audit fee for the year was £0.019m (£0.024m in 2017/18):

A further breakdown of the investment management expenses is shown below:

	2017/18	2018/19
	£'000	£'000
Transaction Costs	690	738
Management Fees	6,982	7,999
Performance Related Fees	2,146	609
Custody Fees	658	83
Total	**10,476**	**9,429**

Note 11. Investment Income

	2017/18 £'000	2018/19 £'000
Equities	16,173	18,192
Pooled Investments:		
- Property	1,384	1,629
- Infrastructure	(7)	18
- Alternatives	3	3
Interest on Cash Deposits	61	97
Stock Lending	129	464
Total	**17,743**	**20,403**

Note 12. Investments

	2017/18 £'000	2018/19 £'000
Unquoted Equity Holding in Border to Coast Pensions Partnership	-	833
Total Long Term Investment	**-**	**833**

	2017/18 £'000	2018/19 £'000
Equities	751,286	818,260
Pooled Investments:		
- Property	194,461	194,973
- Infrastructure	35,420	44,437
- Private Equity	29,345	22,962
- Bonds	264,097	283,158
- Equities	582,508	649,490
- Alternatives	268,167	290,056
Cash Deposits	38,746	36,413
Investment Income Due	4,412	5,216
Amount Receivable for Sales	1,409	-
Open Forward Foreign Exchange (FX)	50	-
Total Investment Assets	**2,169,901**	**2,344,965**
Open Forward Foreign Exchange (FX)	-	(1,276)
Investment Income Payable	(2)	(1)
Amount Payable for Purchases	(2,016)	-
Total Investment Liabilities	**(2,018)**	**(1,277)**
Total Net Investment Assets	**2,167,883**	**2,343,688**

12A Reconciliation of Movements in Investments

2018/19	Market Value at 31 March 2018	Purchases and Derivative Payments	Sales and Derivative Receipts	Change in Value during the Year	Market Value at 31 March 2019
	£'000	£'000	£'000	£'000	£'000
Equities	751,286	350,985	(335,249)	51,238	818,260
Pooled Investments:					
- Property	194,461	42	(4,989)	5,459	194,973
- Infrastructure	35,420	6,835	(3,294)	5,476	44,437
- Private Equity	29,345	423	(13,271)	6,465	22,962
- Bonds	264,097	12,317	(2,317)	9,061	283,158
- Equities	582,508	-	(1,832)	68,814	649,490
- Alternatives	268,167	78,966	(89,183)	32,106	290,056
	2,125,284	**449,568**	**(450,135)**	**178,619**	**2,303,336**
Cash Deposits	38,746				36,413
Other Investment Balances:					
- Open Forward FX	50				(1,276)
- Amount receivable for Sales	1,409				-
- Investment Income Due	4,410				5,215
- Amount Payable from Purchases	(2,016)				-
Total Investment Assets	**2,167,883**				**2,343,688**

2017/18	Market Value at 31 March 2017	Purchases and Derivative Payments	Sales and Derivative Receipts	Change in Value during the Year	Market Value at 31 March 2018
	£'000	£'000	£'000	£'000	£'000
Equities	726,451	347,673	(330,951)	8,113	751,286
Pooled Investments:					
- Property	187,038	82	(17,625)	24,966	194,461
- Infrastructure	31,381	4,211	(7,190)	7,018	35,420
- Private Equity	43,334	663	(3,300)	(11,352)	29,345
- Bonds	262,168	4,578	(4,578)	1,929	264,097
- Equities	577,302	-	(1,650)	6,856	582,508
- Alternatives	245,375	53,814	(28,576)	(2,446)	268,167
	2,073,049	**411,021**	**(393,870)**	**35,084**	**2,125,284**
Cash Deposits	26,609				38,746
Other Investment Balances:					
- Open Forward FX	(3,668)				50
- Amount receivable for Sales	301				1,409
- Investment Income Due	4,188				4,410
- Amount Payable from Purchases	(714)				(2,016)
Total Investment Assets	**2,099,765**				**2,167,883**

12B Analysis of Investments

2018/19	UK £'000	Overseas £'000	Total £'000
Quoted			
Equities	15,462	802,798	818,260
Pooled Investments			
Property - UK Commerical Unit Trusts	178,634	-	178,634
Bonds	283,158	-	283,158
Equities	649,490	-	649,490
Quoted as at 31 March 2019	**1,126,744**	**802,798**	**1,929,542**
Unquoted			
Pooled Investments			
Property	1,547	14,792	16,339
Infrastructure	40,458	3,979	44,437
Private Equity	0	22,962	22,962
Alternatives	290,056	-	290,056
Unquoted as at 31 March 2019	**332,061**	**41,733**	**373,794**
Cash and Equivalents			36,413
Other Investment Balances - Assets			5,216
Other Investment Balances - Liabilities			(1,277)
Total as at 31 March 2019			**2,343,688**

2017/18	UK £'000	Overseas £'000	Total £'000
Quoted			
Equities	15,064	736,222	751,286
Pooled Investments			
Property - UK Commerical Unit Trusts	175,574	-	175,574
Bonds	264,097	-	264,097
Equities	582,508	-	582,508
Quoted as at 31 March 2018	**1,037,243**	**736,222**	**1,773,465**
Unquoted			
Pooled Investments			
Property	2,969	15,918	18,887
Infrastructure	33,922	1,498	35,420
Private Equity	0	29,345	29,345
Alternatives	268,167	-	268,167
Unquoted as at 31 March 2018	**305,058**	**46,761**	**351,819**
Cash and Equivalents			38,746
Other Investment Balances - Assets			5,871
Other Investment Balances - Liabilities			(2,018)
Total as at 31 March 2018			**2,167,883**

12C Investments Analysed by Fund Manager

Fund Manager	31 March 2018		31 March 2019	
	£'000	%	£'000	%
Externally Managed				
Invesco	504,993	23.4	545,516	23.2
Schroders	123,942	5.7	136,451	5.8
Columbia Threadneedle	133,095	6.1	149,422	6.4
Morgan Stanley (Global Brands)	178,715	8.2	219,728	9.4
Morgan Stanley (Alternatives)	280,716	12.9	303,948	13.0
Morgan Stanley (Private Equity)	31,634	1.5	24,679	1.1
Blackrock	264,122	12.2	283,157	12.1
Legal and General	403,793	18.6	429,762	18.3
Internally Managed				
Property	207,567	9.6	202,956	8.7
Infrastructure	35,650	1.6	44,686	1.9
UK Equity	334	-	344	-
Unallocated Cash	3,322	0.2	3,039	0.1
Total	**2,167,883**	**100.0**	**2,343,688**	**100.0**

It is required to disclose where there is a concentration of investment (other than in UK Government Securities) which exceeds 5% of the total value of the net assets of the scheme. The investments that fall into this category are as follows:

Fund Manager	31 March 2018		31 March 2019	
	£'000	%	£'000	%
Legal and General UK Equity Fund	403,793	18.4	429,762	18.2
Morgan Stanley Alternative Investments	268,167	12.2	290,056	12.3
Morgan Stanley Global Brands	178,715	8.2	219,728	9.3
Blackrock 1-5 year Corporate Bond Fund	126,293	5.8	139,253	5.9

12D Stock Lending

The Fund lends stock to third parties under a stock lending agreement with the Fund's custodian, JPMorgan. The total amount of stock on loan at the year-end was £0.001m (£37.464m at 31 March 2018) and this value is included in the net assets statement to reflect the Fund's continuing economic interest in the securities on loan. As security for the stocks on loan, the Fund was in receipt of collateral at the year-end valued at £0.001m (£40.314m at 31 March 2018), which represented 107.2% of the value of securities on loan.

Stock-lending commissions are remitted to the Fund via the custodian. During the period the stock is on loan, the voting rights of the loaned stock pass to the borrower. Income received from stock lending activities, before costs, was £0.437m for the year ending 31 March 2019 (£0.123m at 31 March 2018) and is included within the 'Investment Income' figure detailed on the Pension Fund Account. There are no liabilities associated with the loaned assets.

Note 13. Analysis of Derivatives

The holding in derivatives is used to hedge exposures to reduce risk in the Fund. The use of any derivatives is managed in line with the investment management agreements in place between the Fund and the various investment managers.

The only direct derivative exposure that the Fund has is in forward foreign currency contracts. In order to maintain appropriate diversification and to take advantage of overseas investment returns, a significant proportion of the Fund's quoted equity portfolio is in overseas stock markets.

Open forward Currency Contracts

Settlement	Currency Bought	Local Value	Currency Sold	Local Value	Asset Value	Liability Value
		'000		'000	£'000	£'000
Up to one month	None					
Over one month	AUD	1,829	GBP	993		(7)
	CAD	7,754	GBP	4,448		(33)
	EUR	8,672	GBP	7,483	6	
	USD	303,513	GBP	231,967		(1,242)
Total					**6**	**(1,282)**
Net Forward Currency Contracts at 31 March 2019						**(1,276)**

Prior year comparative		
Open forward currency contracts at 31 March 2018	77	(27)
Net Forward Currency Contracts at 31 March 2018		**50**

Profit (Loss) of Forward Currency Deals and Currency Exchange

The profit or loss from any forward deals and from currency exchange is a result of normal trading of the Fund's managers who manage multi-currency portfolios. For 2018/19 this was a loss of £21.050m (£19.943m gain in 2017/18).

Note 14. Fair Value – Basis of Valuation

The Fund's unquoted equities holding in Border to Coast Pensions Partnership is valued at cost (i.e. transaction price), as an appropriate estimate of fair value. A fair value cannot be otherwise established for these assets as at 31 March 2019 because the main trading vehicle of Border to Coast Pensions Partnership only became licenced to trade in July 2018 and the reliability of any observable or unobservable inputs used to calculate fair value cannot as yet be assessed with certainty.

All other investments are held at fair value in accordance with the requirements of the Code and IFRS13. The basis of the valuation of each class of investment asset is set out below. There has been no change in the valuation techniques used during the year. All assets have been valued using fair value techniques based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information.

Description of Asset	Value Hierarchy	Basis of Valuation	Observable and Unobservable Inputs	Key Sensitivities Affecting the Valuations Provided
Market quoted investments	Level 1	Published bid market price ruling on the final day of the accounting period.	Not Required	Not Required
Exchange traded pooled investments	Level 1	Closing bid value on published exchanges.	Not Required	Not Required
Forward foreign exchange derivatives	Level 2	Market forward exchange rates at the year-end.	Exchange rate risk	Not Required
Pooled investments	Level 2	Closing bid price where bid and offer prices are published. Closing single price where single price published.	NAV-based pricing set on a forward pricing basis.	Not Required
Unquoted Equities and Alternatives	Level 3	Comparable valuation of similar companies in accordance with '*International Private Equity and Venture Capital Valuation Guidelines (2012)*'.	EBITDA multiple Revenue multiple Discount for lack of marketability Control premium	Valuations could be affected by post balance sheet events, changes to expected cashflows, or by any differences between audited and unaudited accounts.

Sensitivity of assets valued at level 3

Having analysed historical data and current market trends, and consulted with independent investment advisors and investment managers, the Fund has determined that the valuation methods described above are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2019.

	Assessed Valuation Range	Value as at 31 March 2019	Value on Increase	Value on Decrease
	(+/-)	£'000	£'000	£'000
Private Equity	24%	22,962	28,473	17,451
Alternatives	10%	290,056	319,062	261,050

All movements in the assessed valuation range derive from changes in the underlying profitability of component companies, the range in the potential movement of 24% for Private Equity and 10% for Alternatives is caused by how this profitability is measured since different methods (listed in the first table of Note 14 above) produce different price results.

14A Fair Value Hierarchy

Asset and liability valuations have been classified into three levels, according to the quality and reliability of information used to determine fair values. Transfers between levels are recognised in the year in which they occur.

- Level 1
  Assets and liabilities at level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts.
- Level 2
  Assets and liabilities at level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value.
- Level 3
  Assets and liabilities at level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

The following table provides an analysis of the financial assets and liabilities of the Pension Fund grouped into levels 1 to 3, based on the level at which the fair value is observable.

Values at 31 March 2019 - Observable Fair Value	**Quoted Market Price Level 1**	**Using Observable Inputs Level 2**	**With Significant Unobservable Level 3**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Financial assets at fair value through profit and loss	1,755,869	239,658	313,024	2,308,551
Financial liabilities at fair value through profit and loss	-	-	(1,276)	(1,276)
Net Investment Assets	**1,755,869**	**239,658**	**311,748**	**2,307,275**

Values at 31 March 2018 - Observable Fair Value	**Quoted Market Price Level 1**	**Using Observable Inputs Level 2**	**With Significant Unobservable Level 3**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Financial Assets				
Financial assets at fair value through profit and loss	1,603,710	229,931	297,512	2,131,153
Financial liabilities at fair value through profit and loss	-	(2,016)	-	(2,016)
Net Investment Assets	**1,603,710**	**227,915**	**297,512**	**2,129,137**

The following assets have been carried at cost (no investment assets were carried at cost in 2017/18):

Values at 31 March 2019 - Carried at Cost	Quoted Market Price Level 1	Using Observable Inputs Level 2	With Significant Unobservable Level 3	Total
	£'000	£'000	£'000	£'000
Investment in Border to Coast Pensions Partnership	-	-	833	833
Investments held at Cost	**-**	**-**	**833**	**833**

14B Reconciliation of Fair Value Measurements within Level 3

Period 2018/19	Market value at 31 March 2018	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Unrealised gains/(losses)	Realised gains/(losses)	Market value at 31 March 2019
	£'000	£'000	£'000	£'000	£'000	£'000
Private Equity	29,345	423	(13,271)	(5,350)	11,815	22,962
Alternatives	268,167	78,966	(89,183)	52,093	(21,257)	288,786
Total	**297,512**	**79,389**	**(102,454)**	**46,743**	**(9,442)**	**311,748**

Period 2017/18	Market value at 31 March 2017	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Unrealised gains/(losses)	Realised gains/(losses)	Market value at 31 March 2018
	£'000	£'000	£'000	£'000	£'000	£'000
Private Equity	43,334	663	(3,300)	(26,693)	15,341	29,345
Alternatives	245,375	53,814	(28,576)	(24,408)	21,962	268,167
Total	**288,709**	**54,477**	**(31,876)**	**(51,101)**	**37,303**	**297,512**

Unrealised and realised gains and losses are recognised in the profit and losses on disposal and change in market values line of the Fund account.

Note 15. Financial Instruments

15A Classification of Financial Instruments

The following table analyses the carrying amounts of financial instruments by category and net assets statement heading. No financial assets were reclassified during the accounting period.

	31 March 2019			
	Fair value through profit & loss	Assets at amortised cost	Liabilities at amortised cost	Fair value through comprehensive income
	£'000	£'000	£'000	£'000
Financial Assets				
Unquoted Equity Holding in Border to Coast Pensions Partnership				833
Equities	818,260			
Pooled Investments:				
- Property	194,973			
- Infrastructure	44,437			
- Private Equity	22,962			
- Bonds	283,158			
- Equities	649,490			
- Alternatives	290,056			
Cash		47,123		
Other Investment Balances	5,215			
Debtors		9,092		
	2,308,551	**56,215**	**-**	**833**
Financial Liabilities				
Other Investment Balances	(1,276)			
Creditors			(3,129)	
	(1,276)	**-**	**(3,129)**	**-**
	2,307,275	**56,215**	**(3,129)**	**833**

	31 March 2018			
	Fair value through profit & loss	**Assets at amortised cost**	**Liabilities at amortised cost**	**Fair value through comprehensive income**
	£'000	**£'000**	**£'000**	**£'000**
Financial Assets				
Unquoted Equity Holding in Border to Coast Pensions Partnership				
Equities	751,286			
Pooled Investments:				
- Property	194,461			
- Infrastructure	35,420			
- Private Equity	29,345			
- Bonds	264,097			
- Equities	582,508			
- Alternatives	268,167			
Cash		54,894		
Other Investment Balances	5,869			
Debtors		7,705		
	2,131,153	**62,599**	**-**	**-**
Financial Liabilities				
Other Investment Balances	(2,016)			
Creditors			(2,379)	
	(2,016)	**-**	**(2,379)**	**-**
	2,129,137	**62,599**	**(2,379)**	**-**

15B Net Gains and Losses on Financial Instruments

	2017/18	2018/19
	£000	**£000**
Financial Assets		
Fair Value through Profit and Loss	35,084	178,619
	35,084	**178,619**

The fund has not entered into any financial guarantees that are required to be accounted for as financial instruments.

Note 16. Nature and Extent of Risks Arising from Financial Instruments

Risk and Risk Management

The Fund's primary long-term risk is that its assets will fall short of its liabilities (i.e. the promised benefits payable to members). Therefore, the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the Fund. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. The Fund manages these investment risks as part of its overall Pension Fund risk management programme.

a) Market Risk

Market risk is the loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future prices and yield movements and the asset mix.

To mitigate market risk, the Pension Fund invests in a diversified pool of assets to ensure a reasonable balance between different categories, having taken advice from the Fund's Investment Consultant. The management of the assets is split between a number of managers with different performance targets and investment strategies. Risks associated with the strategy and investment returns are included as part of the quarterly reporting to the Pensions Committee where they are monitored and reviewed.

Other Price Risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The Fund is exposed to share and derivative price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital. The maximum risk resulting from financial instruments is determined by the fair value of the financial instrument.

The Fund’s investment managers mitigate this price risk through diversification, and the selection of securities and other financial instruments is monitored by the Council to ensure it is within limits specified in the Fund investment strategy.

Other Price Risk - Sensitivity Analysis

Following analysis of historical data and expected investment return during the financial year, the Fund, in consultation with a fund manager, has determined that the following movements in market price are reasonably possible for 2019/20; assuming that all other variables, in particular foreign exchange rates and interest rates remain the same:

Asset Type	Potential market movements (+/-)
UK Equities	13.0%
Overseas Equities	13.0%
UK Bonds	5.0%
Property	15.0%
Infrastructure	17.0%
Private Equity	24.0%
Alternatives	10.0%

Had the market price of the Fund's investments increased/decreased in line with the above, the change in net assets available to pay benefits would have been as follows (the prior year comparative is shown below):

Asset Type	Value at 31 March 2019	Percentage Change	Value on Increase	Value on Decrease
	£'000	%	£'000	£'000
UK Equities	664,952	13.0%	751,396	578,508
Overseas Equities	802,798	13.0%	907,162	698,434
UK Bonds	283,158	5.0%	297,316	269,000
Property	194,973	15.0%	224,219	165,727
Infrastructure	44,437	17.0%	51,991	36,883
Private Equity	22,962	24.0%	28,473	17,451
Alternatives	290,056	10.0%	319,062	261,050
Total Assets Available	**2,303,336**		**2,579,619**	**2,027,053**

Asset Type	Value at 31 March 2018	Percentage Change	Value on Increase	Value on Decrease
	£'000	%	£'000	£'000
UK Equities	597,572	10.0%	657,329	537,815
Overseas Equities	736,222	10.0%	809,844	662,600
UK Bonds	264,097	6.0%	279,943	248,251
Property	194,461	16.0%	225,575	163,347
Infrastructure	35,420	18.0%	41,796	29,044
Private Equity	29,345	26.0%	36,975	21,715
Alternatives	268,167	10.0%	294,984	241,350
Total Assets Available	**2,125,284**		**2,346,446**	**1,904,122**

Interest rate risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risk, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes to market interest rates.

The Fund's direct exposure to interest rate movements as at 31 March 2019 and 31 March 2018 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair values.

Interest rate risk - sensitivity analysis

The Fund recognises that interest rates can vary and can affect both income to the Fund and carrying value of Fund assets, both of which affect the value of the net assets available to pay benefits. The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 1% change in interest rates.

Assets Exposed to Interest Rate Risk

Asset Type	Value at 31 March 2019 £'000	Percentage movement on 1% change in Interest Rates	Value on Increase £'000	Value on Decrease £'000
Cash and Cash Equivalents	36,413	-	36,413	36,413
Cash Balances	10,710	-	10,710	10,710
Bonds	283,158	2,832	285,990	280,326
Total	**330,281**	**2,832**	**333,113**	**327,449**

Asset Type	Value at 31 March 2018 £'000	Percentage movement on 1% change in Interest Rates	Value on Increase £'000	Value on Decrease £'000
Cash and Cash Equivalents	38,746	-	38,746	38,746
Cash Balances	16,148	-	16,148	16,148
Bonds	264,097	2,641	266,738	261,456
Total	**318,991**	**2,641**	**321,632**	**316,350**

Income Exposed to Interest Rate Risk

Asset Type	Value at 31 March 2019 £'000	Percentage movement on 1% change in Interest Rates	Value on Increase £'000	Value on Decrease £'000
Cash Deposits, Cash and Cash Equivalents	97	1	98	96
Bonds	-	-	-	-
Total	**97**	**1**	**98**	**96**

Asset Type	Value at 31 March 2018 £'000	Percentage movement on 1% change in Interest Rates	Value on Increase £'000	Value on Decrease £'000
Cash Deposits, Cash and Cash Equivalents	61	1	62	60
Bonds	-	-	-	-
Total	**61**	**1**	**62**	**60**

This analysis demonstrates that a 1% increase in interest rates will not affect the interest received on fixed interest assets but will reduce their fair value, and vice versa. Changes in interest rates do not impact on the value of cash and cash equivalent balances but they will affect the interest income received on those balances.

Currency risk

Currency risk represents the risk that future cash flows will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on any cash balances and investment assets not denominated in UK sterling. Following analysis of historical data and in consultation with an investment manager, the Fund considers the likely volatility associated with foreign exchange rate movements to be not more than 8%, as measured by one standard deviation (8% in 2017/18). An 8% strengthening/weakening of the pound against various currencies in which the Fund holds investments would increase/decrease the net asset available to pay benefits as follows:

Assets Exposed to Currency Risk

Asset Type	Value at 31 March 2019	Percentage Market Movement	Value on Increase	Value on Decrease
	£'000	£'000	£'000	£'000
Overseas Equities	802,798	64,224	867,022	738,574
Pooled Investments:				
Overseas Property	14,792	1,183	15,975	13,609
Overseas Infrastructure	3,979	318	4,297	3,661
Overseas Private Equity	22,962	1,837	24,799	21,125
Total	**844,531**	**67,562**	**912,093**	**776,969**

Asset Type	Value at 31 March 2018	Percentage Market Movement	Value on Increase	Value on Decrease
	£'000	£'000	£'000	£'000
Overseas Equities	736,222	95,709	831,931	640,513
Pooled Investments:				
Overseas Property	15,918	2,069	17,987	13,849
Overseas Infrastructure	1,498	195	1,693	1,303
Overseas Private Equity	29,345	3,815	33,160	25,530
Total	**782,983**	**101,788**	**884,771**	**681,195**

b) Credit Risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities.

The Fund is additionally exposed to credit risk through securities lending and its daily treasury activities.

The securities lending programme is run by the Fund's custodian, JPMorgan, who manage and monitor the counterparty risk, collateral risk and the overall lending programme. The minimum level of collateral for securities on loan is 102%, however more collateral may be required depending upon type of transaction. This level is assessed daily to ensure it takes account of market movements. To further mitigate risk, JPMorgan provide an indemnity to cover borrower default, overnight market risks, fails on return of loaned securities and entitlements to securities on loan. Securities lending is capped by investment regulations and statutory limits are in place to ensure that no more than 25% of eligible assets can be on loan at any one time.

The Pension Fund's bank account is held at Barclays, which holds an 'A' long term credit rating (Fitch Credit Rating Agency) and it maintains its status as a well-capitalised and strong financial organisation. The management of the cash held in this account is carried out by the Council's Treasury Manager, in accordance with an agreement signed by the Pensions Committee and the Council. The agreement stipulates that the cash is pooled with the Council's cash and managed in line with the policies and practices followed by the Council, as outlined in the CIPFA Code of Practice for Treasury Management in the Public Services and detailed in its Treasury Management Practices.

c) Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Council takes steps to ensure that the Fund has adequate cash resources to meet its commitments.

The Fund holds a working cash balance in its own bank account to cover the payment of benefits and other lump sum payments. At an investment level, the Fund holds a large proportion of assets in listed equities – instruments that can be liquidated at short notice, normally three working days. As at 31 March 2019, these assets totalled £1,750.908m (£1,597.890m as at 31 March 2018), with a further £47.123m held in cash (£54.893m as at 31 March 2018). Currently, the Fund is cash flow positive each month (i.e. the contributions received exceed the pensions paid). This position is monitored regularly and reviewed at least every three years alongside the Triennial Valuation.

d) Outsourcing risk

An additional area of risk is in the outsourcing of services to third party service organisations. The main service areas that the Pension Fund outsources, and the controls in place to monitor them, are:

- Pensions Administration
  This service is performed by West Yorkshire Pension Fund (WYPF), through a shared service agreement. WYPF present to the Pensions Committee on a quarterly basis and both the County Finance Officer and the Pension Fund Manager sit on the Collaboration Board which meets quarterly.
- Custody, Accounting and Performance Measurement
  JPMorgan are the Pension Fund's appointed Custodian, with responsibility for safeguarding the assets of the Fund. JPMorgan are a global industry leader, with more than $21 trillion in assets under custody. They have been the Fund's Custodian since 2004, and were reappointed at the end of their seven year contract in March 2011. Monthly reconciliations of holdings are performed to ensure that the Custodian's records match those of the managers. Regular meetings and conference calls are held to discuss performance, and quarterly key performance indicators are produced.
- Fund Management
  The Fund appoints a number of segregated and pooled fund managers to manage portions of the Pension Fund. All appointments meet the requirements set out in the LGPS (Management and Investment of Funds) Regulations 2016. Manager's report performance

on a monthly basis to officers and performance is reported to the Pensions Committee on a quarterly basis. All segregated managers present in person to the Committee at least once a year. Regular meetings and discussions are held between officers and managers.

Note 17. Funding Arrangements

In line with the Local Government Pension Scheme Regulations 2013, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2016 and the next valuation will take place as at 31 March 2019.

The key elements of the funding policy are:

- to ensure the long-term solvency of the Fund, i.e. that sufficient funds are available to meet all pension liabilities as they fall due for payment;
- to ensure that employer contribution rates are as stable as possible;
- to minimise the long-term cost of the scheme by recognising the link between assets and adopting an investment strategy that balances risk and return;
- to reflect the different characteristics of employing bodies in determining contribution rates where reasonable to do so; and
- to use reasonable measures to reduce the risk to other employers and ultimately to the council tax payer from an employer defaulting on its pension obligations.

The aim is to achieve 100% solvency over a period of 20 years and to provide stability in employer contribution rates, where possible. Solvency is achieved when the funds held, plus future expected investment returns and future contributions are sufficient to meet expected future pension benefits payable. When an employer's funding level is less than the 100% funding target, then a deficit recovery plan will be put in place requiring additional employer contributions.

At the 2016 actuarial valuation, the Fund was assessed as 76.9% funded (71.5% at the March 2013 valuation). This corresponded to a deficit of £529m (2013 valuation: £597m) at that time.

The table below summarises the whole Fund Primary and Secondary Contribution rates at this triennial valuation. The Primary rate is the payroll weighted average of the underlying individual employer primary rates and the Secondary rate is the total of the underlying individual employer secondary rates (before any pre-payment or capitalisation of future contributions), calculated in accordance with the Regulations and CIPFA guidance.

Primary Rate (% of Pay)	Secondary Rate £'000		
	2017/18	2018/19	2019/20
17.40%	18,004	20,539	23,222

At the previous formal valuation at 31 March 2013, a different regulatory regime was in force. Therefore a contribution rate that is directly comparative to the rates above is not provided.

Individual employers' rates will vary from the common contribution rate depending on the demographic and actuarial factors particular to each employer. Full details of the contribution rates payable can be found in the 2016 Actuarial Valuation report on the Fund's website.

The market value of the Fund's assets as at the valuation date are compared against the value placed on the Fund's liabilities in today's terms (calculated using a market-based approach). By maintaining a link to the market in both cases, this helps ensure that the assets and liabilities are valued in a consistent manner. The calculation of the Fund's liabilities also explicitly allows for expected future pay and pension increases.

The principal assumptions were as follows:

Financial Assumptions

Future Assumed Returns as at 2016	%
UK Equities	5.9
Overseas Equities	5.5
Fixed Interest GILTS	2.2
Index Linked GILTS	2.2
Corporate Bonds	3.4
Property & Infrastructure	3.8
Cash	2.5

Other Financial Assumptions	31 March 2013	31 March 2016
	% p.a.	% p.a.
Discount Rate	4.6	4.0
Price Inflation (RPI)	3.3	3.2
Pay Increases (*)	3.8	2.6
Pension Increases	2.5	2.1
Revaluation of Deferred Pension	2.5	2.1
Revaluation of Accrued CARE Pension	2.5	2.1
Expenses	0.4	0.5

(*) An allowance is also made for promotional pay increases

Demographic Assumptions

The baseline longevity assumptions are a bespoke set specifically tailored to fit the membership profile of the Fund. These base tables are then projected using the CMI 2013 Model, allowing for a long-term rate of improvement of 1.25% per year. The assumed life expectancy from age 65 is as follows:

	31 March 2013	31 March 2016
	Years	Years
Males:		
Current Pensioners	22.2	22.1
Future Pensioners	24.5	24.1
Females:		
Current Pensioners	24.4	24.4
Future Pensioners	26.8	26.6

Commutation assumption

It is assumed that future retirees will take 50% of the maximum additional tax-free lump sum up to HMRC limits for pre-April 2008 service and 75% of the maximum for post-April 2008 service.

50:50 option

It is assumed that 2% of active members (evenly distributed across age, service length and salary range) will take up the 50:50 option in the LGPS 2014 scheme.

Note 18. Actuarial Present Value of Promised Retirement Benefits

Below is the note provided by the Fund's Actuary, Hymans Robertson; to provide the Actuarial present value of the promised retirement benefits as required under the Code. The report titled 'Actuarial Valuation as at 31 March 2019 for IAS 19 purposes' referred to in the note can be obtained from the Pensions section at the County Council.

Pension Fund Accounts Reporting Requirement

Introduction

CIPFA's Code of Practice on Local Authority Accounting 2018/19 requires Administering Authorities of LGPS funds that prepare pension fund accounts to disclose what IAS26 refers to as the actuarial present value of promised retirement benefits. I have been instructed by the Administering Authority to provide the necessary information for the Lincolnshire Pension Fund ("the Fund").

The actuarial present value of promised retirement benefits is to be calculated similarly to the Defined Benefit Obligation under IAS19. There are three options for its disclosure in the pension fund accounts:

- showing the figure in the Net Assets Statement, in which case it requires the statement to disclose the resulting surplus or deficit;
- as a note to the accounts; or
- by reference to this information in an accompanying actuarial report.

If an actuarial valuation has not been prepared at the date of the financial statements, IAS26 requires the most recent valuation to be used as a base and the date of the valuation disclosed. The valuation should be carried out using assumptions in line with IAS19 and not the Fund's funding assumptions.

Present value of promised retirement benefits

Year ended	31 March 2019	31 March 2018
Active members (£m)	1,804	1,465
Deferred members (£m)	845	750
Pensioners (£m)	1,131	1,128
Total (£m)	**3,780**	**3,343**

Please note that the above figures have been adjusted with an approximate allowance for both the McCloud judgement and the impact of GMP equalisation changes.

For McCloud the impact was 0.29% of total liabilities, which corresponds to a liability of £10.75m.

For GMP the impact was 0.06% of the total liabilities, which corresponds to a liability of £2.118m.

The promised retirement benefits at 31 March 2019 have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2016. The approximation involved in the roll forward model means that the split of benefits between the three classes of member may not be reliable. However, I am satisfied that the total figure is a reasonable estimate of the actuarial present value of benefit promises.

The above figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value. Further, I have not made any allowance for unfunded benefits.

It should be noted the above figures are appropriate for the Administering Authority only for preparation of the pension fund accounts. They should not be used for any other purpose (i.e. comparing against liability measures on a funding basis or a cessation basis).

Assumptions

The assumptions used are those adopted for the Administering Authority's IAS19 report and are different as at 31 March 2019 and 31 March 2018. I estimate that the impact of the change in financial assumptions to 31 March 2019 is to increase the actuarial present value by £289m. There is no impact from any change in the demographic and longevity assumptions because they are identical to the previous period.

Financial assumptions

Year ended (% p.a.)	31 March 2019	31 March 2019
Pension Increase Rate	2.5%	2.4%
Salary Increase Rate	2.9%	2.8%
Discount Rate	2.4%	2.7%

Longevity assumptions

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2013 model, assuming the current rate of improvements has reached a peak and will converge to a long term rate of 1.25% p.a.. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current pensioners	22.1 years	24.4 years
Future pensioners (assumed to be aged 45 at the latest formal valuation)	24.1 years	26.6 years

Please note that the longevity assumptions have not changed since the previous IAS26 disclosure for the Fund.

Commutation assumptions

An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 75% of the maximum tax-free cash for post-April 2008 service.

Sensitivity Analysis

CIPFA guidance requires the disclosure of the sensitivity of the results to the methods and assumptions used. The sensitivities regarding the principal assumptions used to measure the liabilities are set out below:

Sensitivity to the assumptions for the year ended 31 March 2019	Approximate % increase to liabilities	Approximate monetary amount (£m)
0.5% p.a. increase in the Pension Increase Rate	8%	320
0.5% p.a. increase in the Salary Increase Rate	1%	56
0.5% p.a. decrease in the Real Discount Rate	11%	400

The principal demographic assumption is the longevity assumption. For sensitivity purposes, I estimate that a 1 year increase in life expectancy would approximately increase the liabilities by around 3-5%.

Professional notes

This paper accompanies my covering report titled ‘Actuarial Valuation as at 31 March 2019 for accounting purposes’. The covering report identifies the appropriate reliance's and limitations for the use of the figures in this paper, together with further details regarding the professional requirements and assumptions.

Prepared by:-

Peter Summer FFA

5 July 2019

For and on behalf of Hymans Robertson LLP

Note 19. Long Term Debtors

	31 March 2018	31 March 2019
	£'000	£'000
Magistrates Court - deferred member liabilities	426	-
Total Long Term Debtors	**426**	**-**

Note 20. Current Assets

	31 March 2018	31 March 2019
	£'000	£'000
Short Term Debtors:		
Contributions due - Employers	4,561	5,238
Contributions due - Employees	1,288	1,375
Sundry Debtors	1,430	2,479
Short Term Debtors	**7,279**	**9,092**
Cash Balances	16,148	10,710
Cash Balances	**16,148**	**10,710**
Total Current Assets	**23,427**	**19,802**

Note 21. Current Liabilities

	31 March 2018	31 March 2019
	£'000	£'000
Creditors:		
Contributions - paid in advance	(19)	(34)
Sundry Creditors	(2,360)	(3,095)
Total Current Liabilites	**(2,379)**	**(3,129)**

Note 22. Additional Voluntary Contributions

Scheme members may make additional contributions to enhance their pension benefits. All Additional Voluntary Contributions (AVC) are invested in a range of investment funds managed by the Prudential plc. At the year end, the value of AVC investments (excluding any final bonus) amounted to £8.683m (£8.651m in 2017/18). Member contributions of £0.998m (£1.021m in 2017/18) were received by the Prudential in the year to 31 March and £1.700m (£1.814m in 2017/18) was paid out to members.

The value of AVC funds and contributions received in the year are not included in the Fund Account and Net Assets Statement.

Note 23. Related Party Transactions

The Lincolnshire Pension Fund is administered by Lincolnshire County Council. During the reporting period, the Council incurred costs of £0.236m in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses. The Council is also the single largest employer of members of the Pension Fund and contributed £31.312m to the Fund in 2018/19. All monies owing to and due from the Fund were paid in year.

The Treasury Management section of the Council acts on behalf of the Pension Fund to manage the cash position held in the Pension Fund bank account. This is amalgamated with the Council's cash and lent out in accordance with the Council's Treasury Management policies. During the year, the average balance in the Pension Fund bank account was £10.804m and interest of £0.088m was earned over the year.

Each member of the Pension Fund Committee is required to declare their interests at each meeting and also is asked to sign an annual declaration disclosing any related party transactions. One Committee member, A Antcliff (employee representative), is a contributing member of the Pension Fund as at 31 March 2019.

Note 24. Key Management Personnel

Paragraph 3.9.4.4 of the Code exempts local authorities from the key management personnel disclosure requirements of IAS24, on the basis that the disclosure requirements for officer remuneration and members' allowances detailed in section 3.4 of the Code (which are derived from the requirements of Schedule 1 of the Accounts and Audit (England) Regulations 2015) satisfy the key management and personnel disclosure requirements of paragraph 16 of IAS24. This applies in equal measure to the accounts of Lincolnshire Pension Fund.

The Fund does not employ any staff directly. Lincolnshire County Council employs the staff involved in providing the duties of the Administering Authority for the Fund (the pensions administration service is provided by West Yorkshire Pension Fund working in partnership with the Lincolnshire Pension Fund). Disclosure of the remuneration awarded to key management personnel is included in the officers' remuneration disclosure in the notes to the Lincolnshire County Council Statement of Accounts for 2018/19 (at Note 34), which is available on the Council's website at https://www.lincolnshire.gov.uk/local-democracy/finances-and-budget/.

Note 25. Contingent Liabilities and Contractual Commitments

At 31 March 2019 the Fund had outstanding capital commitments (investments) to twenty investment vehicles, amounting to £37.346m. These commitments relate to outstanding call payments due on unquoted limited partnerships making investments in private equity, property or infrastructure funds. The amounts 'called' by these funds are irregular in both size and timing over the lifetime of the funds.

Note 26. Contingent Assets

Six admitted body employers in the Fund hold insurance bonds or equivalent cover to guard against the possibility of being unable to meet their pension obligations. These arrangements are drawn in favour of the Pension Fund and payment will only be triggered in the event of employer default. No such defaults have occurred in 2018/19 (or for 2017/18).

Note 27. Impairment Losses

The Fund has no recognised impairment losses.

Note 28. Exchange Rates Applied

The exchange rates used at 31 March 2019 per £1 sterling were:

Exchanges Rates Applied	
Australian Dollar	1.8344
Brazilian Real	5.0711
Canadian Dollar	1.7408
Swiss Franc	1.2977
Danish Krone	8.6635
Euro	1.1605
Hong Kong Dollar	10.2289
Indonesian Rupiah	18,555.4328
Japanese Yen	144.2281
Korean Won	1,479.0921
Norwegian Krone	11.2213
Swedish Krona	12.0861
Singapore Dollar	1.7650
Taiwan Dollar	40.1606
US Dollar	1.3030

MAZARS

Independent auditor's report to Members of Lincolnshire County Council

Report on the Lincolnshire County Council financial statements

Opinion

We have audited the financial statements of for the year ended 31 March 2019, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Lincolnshire Fire and Rescue Pension Fund and notes to the financial statements, including a summary of significant accounting policies. 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 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of Lincolnshire County Council as at 31st March 2019 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report. We are independent of the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applicable to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Executive Director for Resources's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Executive Director for Resources has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Executive Director for Resources is responsible for the other information. The other information comprises the Annual Governance Statement and information included in the Financial Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Executive Director for Resources for the financial statements

As explained more fully in the Statement of the Executive Director for Resources' Responsibilities, the Executive Director for Resources 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 2018/19, and for being satisfied that they give a true and fair view. The Executive Director for Resources is also responsible for such internal control as the Executive Director for Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Executive Director for Resources is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and prepare the financial statements on a going concern basis, unless the Council is informed of the intention for dissolution without transfer of services or function to another entity. The Executive Director for Resources is responsible for assessing each year whether or not it is appropriate for the Council to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Matters on which we are required to report by exception under the Code of Audit Practice

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Conclusion on Lincolnshire County Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that, in all significant respects Lincolnshire County Council, has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Basis for conclusion

We have undertaken our review in accordance with the Code of Audit Practice issued by the Comptroller and Auditor General, having regard to the guidance on the specified criterion issued in November 2017, as to whether the 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 Comptroller and Auditor General determined this criterion as that necessary for us to consider in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

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

Responsibilities of the Council

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

We are required under section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice requires us to report to you our conclusion relating to proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Use of the audit report

This report is made solely to the members of , as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Council 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 Council, as a body, for our audit work, for this report, or for the opinions we have formed.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Council's Whole of Government Accounts consolidation pack. We are satisfied that these matters do not have a material effect on the financial statements or on our conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

Mark Surridge

Mark Surridge
For and on behalf of Mazars LLP

45 Church Street
Birmingham
B3 2RT

31 July 2019

MAZARS

Independent auditor's report to Members of Lincolnshire County Council

Opinion on the Pension Fund financial statements

We have audited the financial statements of Lincolnshire Pension Fund for the year ended 31 March 2019 under the Local Audit and Accountability Act 2014. The Pension Fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes, including the summary of significant accounting policies. 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 2018/19.

In our opinion the financial statements:

- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2019 and the amount and disposition of the fund's assets and liabilities as at 31 March 2019; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report. We are independent of the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Executive Director for Resources' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Executive Director for Resources has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Executive Director for Resources is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Executive Director for Resources for the financial statements

As explained more fully in the Statement of the Executive Director for Resources' Responsibilities, the Executive Director for Resources 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 2018/19, and for being satisfied that they give a true and fair view. The Executive Director for Resources is also responsible for such internal control as the Executive Director for Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Executive Director for Resources is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and prepare the financial statements on a going concern basis, unless the Council is informed of the intention for dissolution without transfer of services or function to another entity. The Executive Director for Resources is responsible for assessing each year whether or not it is appropriate for the Council to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

MAZARS

Matters on which we are required to report by exception under the Code of Audit Practice

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Use of the audit report

This report is made solely to the members of Lincolnshire County Council, as a body and as administering authority for the Lincolnshire Pension Fund, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Council 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 Council, as a body, for our audit work, for this report, or for the opinions we have formed.

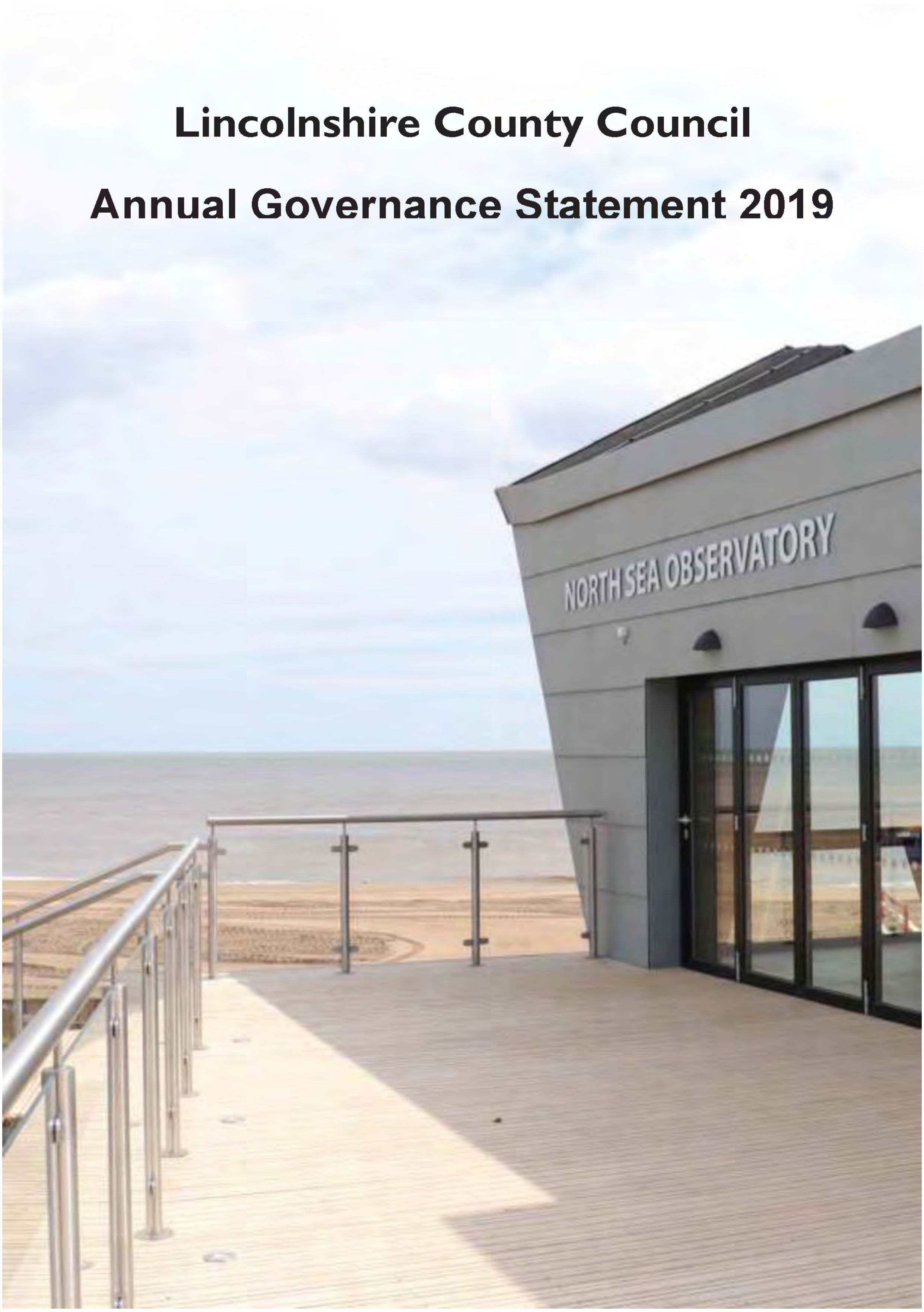
Lucy Nutley

Lucy Nutley
For and on behalf of Mazars LLP

Park View House
58 The Ropewalk
Nottingham
NG1 5DW

31 July 2019

Annual Governance Statement 2019



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Executive summary

Lincolnshire County Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded. We recognise the importance of having good leadership and management, effective processes and other appropriate controls in place to have a well-run Council - delivering our services to the communities of Lincolnshire.

The Council works in a complex and constantly evolving environment and the Annual Governance Statement, whilst focussing on governance, aims to provide you with an overall context of how the Council operates and how we have managed public money. The statement enables us to monitor our achievements and to provide assurance that our strategic objectives have led to the delivery of strong, effective services which provide value for money

This statement has been prepared by those with knowledge of the key governance issues facing the Council and conforms to good practice[1].

We are satisfied that the Council has the appropriate systems and processes in place to ensure good governance is maintained. These generally work well but we acknowledge that there are a number of areas for improvement or where closer governance oversight is needed. These are:

Significant governance issue

Key improvement area	Lead officer	
IT Governance -	Executive Director - Commercial	31st March 2020

We have also identified a number of improvements over our governance framework – these can be found later in the document and will be monitored through the Council's performance management processes.

Signed on behalf of Lincolnshire County Council

Councillor Martin Hill OBE
Leader of the Council

Debbie Barnes OBE
Executive Director – Head of Paid Service

Andrew Crookham
Executive Director – Resources

[1] CIPFA / SOLACE Delivering Good Governance in Local Government – published April 2016

What is corporate governance?

Good governance can mean different things to people – in the public sector it means:

"Achieving the intended outcomes while acting in the public interest at all times"

Corporate governance generally refers to the processes by which an organisation is directed, controlled, led and held to account.

The Council's governance framework aims to ensure that in conducting its business it:

- operates in a lawful, open, inclusive and honest manner
- makes sure public money is safeguarded, properly accounted for and spent wisely
- has effective arrangements in place to manage risk
- meets the needs of Lincolnshire communities - secures continuous improvements in the way it operates.

Our governance framework comprises of the culture, values, systems and processes by which the Council is directed and controlled. It brings together an underlying set of legislative and regulatory requirements, good practice principles and management processes. The full governance framework can be found at the end of this document.

Each year the Council is required to produce an Annual Governance Statement (AGS) which describes how its corporate governance arrangements have been working. To help us do this the Council's Audit Committee undertakes a review of our governance framework and the development of the AGS.

It is crucial to the Council's success that its governance arrangements are applied in a way that demonstrates the spirit and ethos of good governance – this cannot be achieved by rules and procedures alone. The Council is expected to have a culture that places the public and integrity at the heart of its business.

A governance review of culture and values in 2019 showed that the Council's core values[1] were at the heart of what the Council does – being open, transparent and inclusive. The report recommendations provided the Council with suggested improvements to help embed good governance across the organisation.

On the 25th March 2019 the Audit Committee considered and challenged the content and the significant governance issues identified in the draft Statement – ensuring that the Statement properly reflects how the Council is run – identifying any improvement actions.

The final statement was formally approved by the Audit Committee on the 17th June 2019 where it was recommended for signing by the Leader of the Council, Executive Director - Head of Paid Service and the Executive Director – Resources.

[1] Council's values – Professional, Resourceful, Respectful, Reflective

Principles of corporate governance

Principle A: Integrity and values

- Staying true to our strong ethical values and standards of conduct
- Respecting the rule of law
- Creating a culture where statutory officers and other key post holders are able to fulfil their responsibilities
- Ensuring fraud, corruption and abuse of position are dealt with effectively
- Ensuring a safe environment to raise concerns and learning from our mistakes

Principle B: Openness and engagement

- Keeping relevant information open to the public and continuing their involvement
- Consultation feedback from the public is used to support service and budget decisions
- Providing clear rationale for decision making – being explicit about risk, impact and benefits.
- Having effective scrutiny to constructively challenge what we do and the decisions made

Principle C: Working together

- Having a clear vision and strategy to achieve intended outcomes - making the best use of resources and providing value for money
- Being clear about expectations - working effectively together within the resources available
- Developing constructive relationships with stakeholders
- Having strong priority planning and performance management processes in place
- Taking and active and planned approach to consult with the public
- Regularly consult with employees and their representatives

Principle D: Making a difference

- Having a clear vision and strategy setting out our intended outcome for citizens and service users

Principle E: Capability

- Clear roles and responsibilities for council leadership
- Maintaining a development programme that allows councillors and officers to gain the skills and knowledge they need to perform well in their roles.
- Evaluating councillor and officers' performance
- Regular oversight of performance, compliments and complaints to enable results (outcomes) to be measured and enable learning

Principle F: Managing risk and performance

- Ensuring that effective risk management and performance systems are in place, and that these are integrated in our business systems / service units
- Having well developed assurance arrangements in place – including any commercial activities
- Having an effective Audit Committee
- Effective counter fraud arrangements in place

Principle G: Transparency and accountability

- Having rigorous and transparent decision making processes in place
- Maintaining an effective scrutiny process
- Publishing up to date and good quality information on our activities and decisions.
- Maintaining an effective internal and external audit function

Looking back at 2017/18

A number of improvement actions were identified as part of the 2017/18 Annual Governance Statement.

The table below shows progress with these actions:

Key improvement area	To be delivered by (original target date)	Progress
IT governance	31st March 2019	Behind plan*
Fairer Funding - financial sustainability	Ongoing through to late 2019	On track – Budget 2020 project set up
Market supply – adult social care	On-going through to 2020	On track – continued improved relationship with providers and targeted market simulation.
Collaborative working - governance arrangements	31st December 2018	Behind plan*

Areas behind plan

IT governance – a new IMT Governance Board is now in place which will improve oversight of financial and programme management control. The Council is also in the process of agreeing an IMT strategy which outlines at a strategic level what needs to happen to improve the effectiveness of operational IMT as well as enhancing and supporting service transformation.

Progress has been slower than expected and IMT improvement remains a key priority for 2019. This will be a key focus for the newly appointed Executive Director – Commercial.

Collaborative working - governance arrangements – the financial procedures are currently being updated (in draft) with completion / sign off planned for the end of June 2019. It includes procedures around commercial activities, external funding and partnerships.

How the Council works

The Annual Governance Statement covers the 2018/19 financial year. The information below relates to this period.

The Council is made up of 70 councillors and operates a 'Leader and Executive' model of decision making.

- All 70 councillors meet to agree the budget and policy framework.

The Executive makes the decisions that deliver the budget and policy framework of the council and consists of a minimum of 2 members and a maximum of 10.

- In 2017/18 the Leader and 7 councillors sat on the Executive.

The remaining 62 councillors form Scrutiny and Regulatory committees.

- These committees develop policy and scrutinise decisions made by the Executive officers – holding them to account.
- A number of these committees deal with regulatory issues.

Outcomes

Our plan and performance dashboard

We want to support a society where people contribute to their communities and are willing and able to look after themselves and others; a county where:

A link to the Performance Dashboard can be found here.

Performance summary

We achieved the majority of the targets we set out in our Council Business Plan 2018/19 – with the exception of the 'Readiness for School' measures which did not achieve their target.

The performance of the 16 commissioning strategies is shown below.

Key:
Mostly = all but 1 measure achieved

Some = more than 1 measure not achieved

Value for money

It is anticipated that the external auditors of the Council will issue an unqualified Value for Money judgement for 2018/19.

The Council remains generally in a sound financial position relative to other councils over the short term. This is because of considerable savings made in the earlier part of this decade coupled with a recent trend of underspending its annual budget resulting in either limited or no calls on reserves to balance the budget. The Council has had a financial strategy for a number of years now which has combined:

- service efficiency savings
- modest service reductions
- prudent use of reserves

The financial problems at Northamptonshire County Council have been widely publicised. The Council's Audit Committee and Overview and Scrutiny Management Board, together with officers from Finance and Audit have identified what lessons could be learnt – improving our financial governance and internal controls as appropriate.

Continuing to follow this strategy, **the Council has set a one year budget up to March 2020**, and this would leave the Council with at least enough in reserves to cover an underlying deficit at April 2020 for a minimum of at least another two years. The 2019/20 budget is balanced inclusive of a £6m business rate collection fund surplus which is being placed in a new reserve. The 2019/20 position is a considerable improvement over that expected for 2019/20 a year ago when a provisional budget was set.

As in previous years, **the public are generally satisfied** with the standard of services delivered. Services which have received external inspections over the last year in Children's Services and Fire & Rescue have received strong ratings.

The 2019/20 budget does not include any major service reductions.

Public feedback has been taken into account in reinstating a number of highways related services previously the subject of budget reductions (e.g. verge cutting, gully empting). In a similar vein core funding to Citizen Advice Bureau's has been reinstated.

The implementation of the Council's first capital strategy from April 2019 will bring added transparency and rigour to the processes for approving, assessing the affordability of, and monitoring of the capital programme.

The Council is constantly monitoring its long term financial position using a funding model which currently goes to March 2023. The model predicts the budget shortfall for future years taking into account known cost pressures and planned savings. A major budget savings exercise will be undertaken during 2019 which will look to identify savings options in the revenue budget, including income generation options, to be applied as and when required in post April 2020 budgets. At the same time there will be a comprehensive review of the reserves of the Council to seek to repatriate funding from existing ring-fenced reserves which may not be needed in future. The future capital programme will also be developed in line with the provisions of the new capital strategy.

During the 2019/20 financial year, the Council will also be considering the impacts of:

- the outcome of the Government's spending review
- the partial localisation of business rates from April 2020
- the outcomes of the Fair Funding Review being undertaken by Government
- the Adult Care Green Paper
- full publication of CIPFA's financial resilience index
- the CIPFA Financial Management Code

The Council's approach to, and governance of, commercial activities will be developed further during 2019 with the introduction of a Corporate Leadership Team level post of Executive Director - Commercial Services from April 2019. A Commercial Strategy has been put in place with oversight by a Commercial Board. The Council set up a holding company in 2018 and has one active trading company, Transport Connect LTD (TCL). Our transport company was created predominantly to help stimulate the market in the county, and to ensure we were able to meet our statutory responsibilities. The company is currently trading with a surplus and has secured cost reductions for the council's transport activities.

The Council is the accountable body for the Greater Lincolnshire Local Enterprise Partnership (GLEP) and supports its governance framework – providing assurance and transparency on the spending of government funds.

Roles and Responsibilities

Head of Internal Audit

The Head of Internal Audit is required to provide an independent opinion on the overall adequacy of and effectiveness of the Council's governance, risk and control framework and therefore the extent to which the Council can rely on it.

The annual report has been considered in the development of the Annual Governance Statement and any significant governance issues incorporated as appropriate. The opinion of the Head of Internal Audit is included in this statement.

They are able to operate effectively and perform their core duties - complying with the CIPFA Statement on the role of the Head of Internal Audit.

Monitoring Officer

The Chief Legal Officer is the designated Monitoring Officer with responsibility for ensuring the lawfulness of decisions taken by us as detailed in the Constitution.

The Monitoring Officer is responsible for ensuring the Council complies with its duty to promote and maintain high standards of conduct by members and co-opted members of the authority.

Chief Finance Officer

The Council has designated the Executive Director – Resources (formally Executive Director - Finance and Public Protection) as the Chief Finance Officer under Section 151 of the Local Government Act 1972. He leads and directs the financial strategy of the Council.

They are a member of the Council's Leadership Team and have a key responsibility to ensure that the Council controls and manages its money well. They are able to operate effectively and perform their core duties - complying with the CIPFA Statement on the role of the Chief Finance Officer.

Senior Information Risk Owner

The Executive Director – Resources is the designated Senior Information Risk Owner with responsibility for strategic information risks and leads and fosters a culture that values, protects and uses information in a manner that benefits the Council and the services it delivers.

The Senior Information Risk Owner also ensures an appropriate governance framework is in place to support the Council in meeting its statutory, regulatory, and third party information obligations, and which mitigates information risk from internal and external threats.

Council managers

Our managers have the day to day responsibility for services, and are accountable for their successful delivery. They set ‘the tone from the top’ and develop and implement the policies, procedures, processes and controls – ensuring compliance.

Corporate Leadership Team

Our corporate leadership team oversees the Council's governance arrangements and the development of the Annual Governance Statement. There is also a corporate governance group of officers whose role is to support the Council to ensure that it complies with the standards of good governance.

The Leader of the Council, Executive Director – Head of Paid Service and Executive Director - Resources have overseen the review of our governance, and have signed the Annual Governance Statement.

Effective Scrutiny and Review

Overview and Scrutiny Management Board

The Overview and Scrutiny Management Board exists to review and scrutinise any decision made by the Executive, Executive Councillor or key decision made by an officer. They also review the Council's performance against delivery of its plans and priorities and its value for money arrangements.

The key aim of scrutiny in councils is to:

- Provide healthy and constructive challenge
- Give voice to public concerns
- Support improvement in services
- Provide independent review

Each year an Overview and Scrutiny Management Board Annual Report is produced showing the activities undertaken.

Audit Committee

The Council's Audit Committee plays a vital role overseeing and promoting good governance, ensuring accountability and reviewing the ways things are done.

It provides an assurance role to the Council by examining areas such as audit, risk management, internal control, counter fraud and financial accountability. The Committee exists to challenge the way things are being done and make sure the right processes are in place. It works closely with both internal audit and senior management to continually improve the Council's governance, risk and control environment.

Find out more about the Audit Committee here.

Full Council

The Annual Governance Statement is brought to the attention of the full Council

External Audit

The Council's financial statements and annual governance statement are an important way we account for our stewardship of public funds.

Mazars, our external auditors, audit our financial statements and provide an opinion on these. They also assess how well we manage our resources and deliver value for money to the people of Lincolnshire.

They also review the annual governance statement to assess if it accurately reflects their understanding of Council.

How we carry out assurance

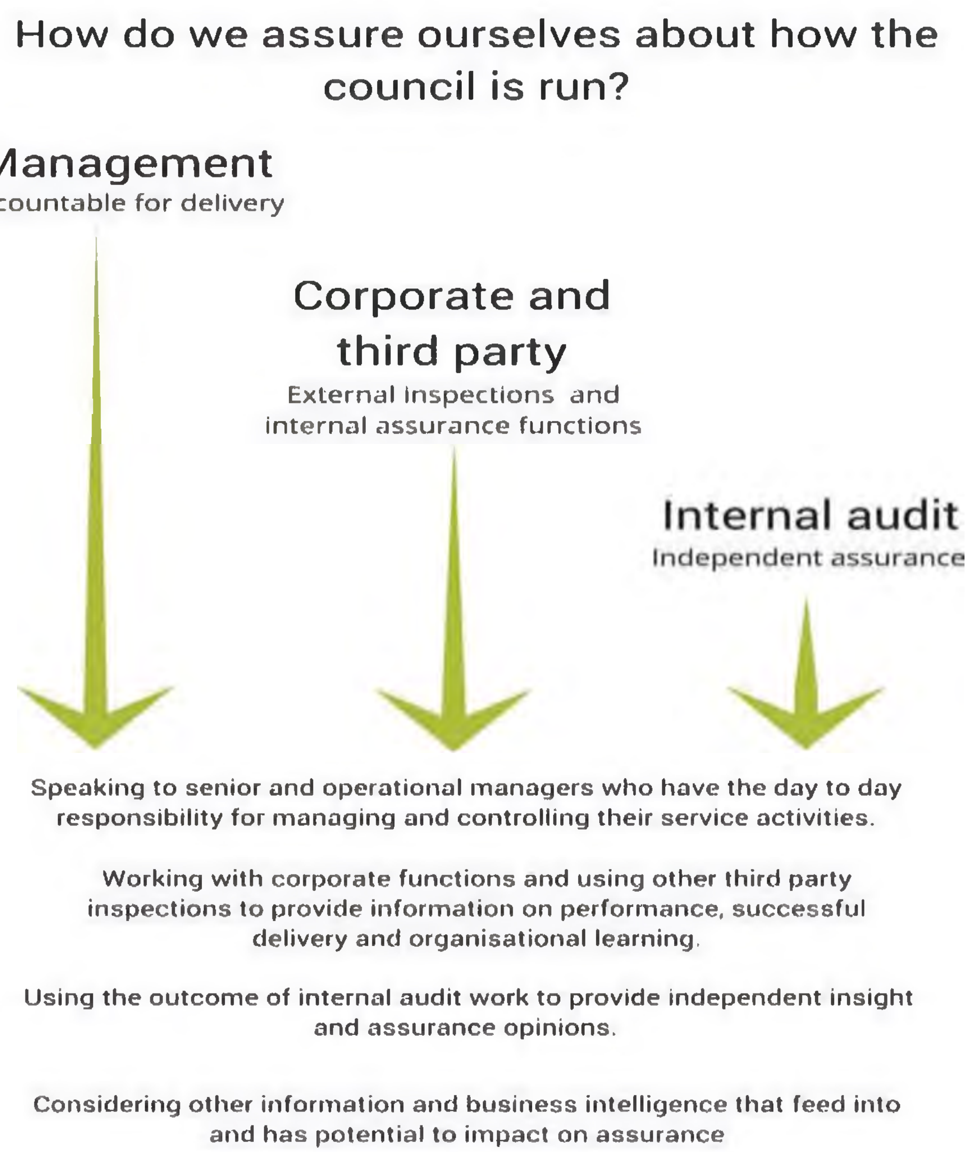
A combined assurance status report is produced by each executive director.

It looks at the level of confidence the Council can have in each area for:

- service delivery arrangements
- management of risks
- operation of controls
- performance

These reports were reviewed by the Audit Committee in January 2019.

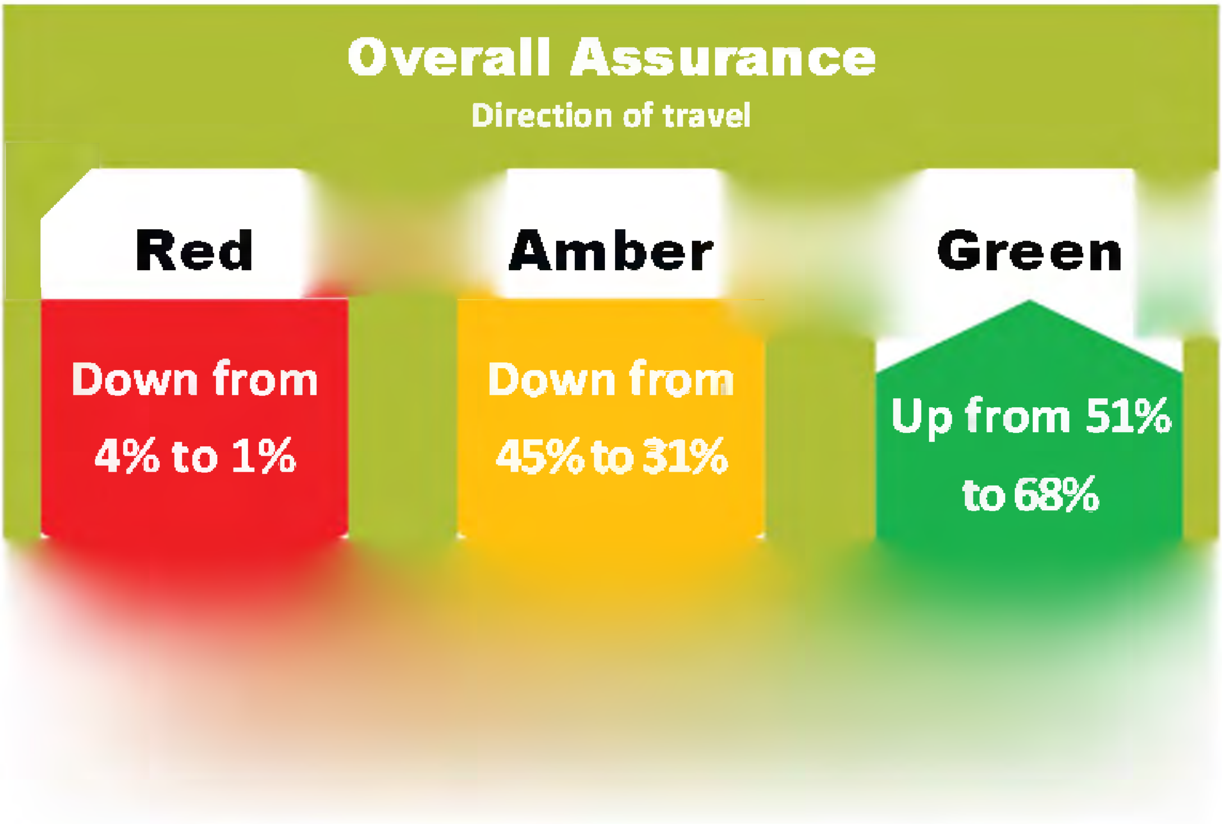
The council adopts the 'three lines of assurance' methodology, as seen below.



The Council's assurance levels

Overall there is a positive assurance picture for the Council but one that reflects the complex environment in which we operate.

The Council will need to be comfortable with taking more high risk decisions and accepting that there may be service failures as a consequence of budget and service reductions.



Areas of improvement identified include:

Area	Executive Director
Governance and oversight of key projects and transformation programmes	Executive Director Commercial
Business World – re-engagement (our ERP system)	Executive Director Commercial
Update of Corporate Plan & performance management arrangements	Corporate Leadership Team

Implementations of agreed actions are monitored through the Council's performance management systems.

Head of Internal Audit Opinion

The opinion of the Head of Internal Audit is given for 2018/19 on four areas of Council assurance:

- **governance** (how the Council is run)
- **risk** (the risks to the Council's operations)
- **internal controls** (the processes in place to ensure compliance)
- **financial controls** (the processes in place to ensure we manage our finances appropriately)

For the twelve months ended 31 March 2019 (based on the work we have undertaken and information from other sources of assurance) my opinion on the adequacy and effectiveness of Lincolnshire County Council's arrangements for governance, risk management and control is:-

	Performing Well – Some improvements identified over the Council's Governance, Risk and Control framework or to manage medium risks across the Council
Risk	**Performing Adequately** – Some improvement required to manage a high risk in a specific business area and medium risks across the Council
	Performing Adequately – Some improvement required to manage a high risk in a specific business area and medium risks across the Council
Financial Control	**Performing Adequately** – Some improvement required to manage a high risk in a specific business area and medium risks across the Council

Appendix 1 – Governance framework

Appendix 2 – Strategic risk register

Good risk management is part of the way we work. It is about taking the right risks when making decisions or where we need to encourage innovation in times of major change – balancing risk, quality, cost and affordability.

This puts us in a stronger position to deliver our goals and provide excellent services.

Our Strategic Risk Register is regularly reviewed and our risks are being effectively managed.

Risk	Mitigating actions	Risk rating	Level of assurance	DoT
Safeguarding children	Good and effective management arrangements in place with controls working effectively	Amber	Substantial	↑
Safeguarding adults	Programme in place to develop and implement suitable assurance frameworks for commissioned services & personal budgets.	Amber	Limited	↑
Good business continuity and resilience	Programme in place to review and test continuity and recovery plans	Amber	Substantial	↑
Market Supply – Adequacy of market supply to meet eligible needs across a number of directorates within the Council	Strong relationships with providers & funding for residential care secured. Improved contract management.	Amber	Limited	↑
Ability to deliver our programme of designated projects	Project governance arrangements in place – but corporate oversight needs improving	Amber	Limited	↑
Funding and maintaining financial resilience	2019/2020 budget underway. Good financial management and monitoring.	Amber	Substantial	=
Ability to recruit and retain staff in high risk areas	Proactive work continuing in this area	Amber	Substantial	↑

Risk	Mitigating actions	Risk rating	Level of assurance	DoT
Ensuring contracts and markets (other than adult care) are fit for purpose	Commercial team supports the business with ongoing work to strengthen contract management (intelligent client) and learning from procurement/existing contracts	Amber	Limited	↑
The Council will be subject to a successful cyber-attack	Ongoing work to identify and manage the ever changing risk presented by cyber threats. ISO/IEC 27001:13 accreditation attained	Red	Limited	↑
IT Infrastructure – the ability to implement transformational aspirations and deliver business as usual	IT Governance Board in place – together with appropriate resources / projects to deliver transformation. New post established to support oversight and accountability/	Amber	Limited	New

Key	Risk	Assurance
Red	High impact on resources, significant costs likely, high impact on service delivery	Low level of confidence over the design and operation of controls, performance or management of risk
Amber	Medium or short term impact on resources, cost covered within existing financial plans, low impact on service delivery	Medium level of confidence over the design and operation of controls, performance or management of risk
Green	Monitor and be aware , activity to mitigate the risk within existing service delivery plans / management arrangements	High level of confidence over the design and operation of controls, performance or management of risk

Direction of Travel (DoT)	
↑	Improving
=	Static

Glossary of Terms

A	Academy Schools	Academy schools are directly funded by central government (the Department for Education) and are independent of local Council control.
	Accounting Period	The period of time covered by the accounts, normally a period of twelve months commencing on 1 April. The end of the accounting period is the Balance Sheet date.
	Accounting Policies	The principles, bases, conventions, rules and practices applied by an organisation that specify how the effects of transactions and other events are to be reflected in its Financial Statements. Retrospective application is applying a new accounting policy to transactions, other events and conditions as if that policy had always been applied.
	Accruals	Sums included in the final accounts to recognise revenue and capital income and expenditure attributable to the accounting period, but for which payment has not been received or made by 31 March.
	Actuary	An independent consultant who advises the Fund and every three years formally reviews the assets and liabilities of the Fund and produces a report on the Fund's financial position, known as the Actuarial Valuation.
	Admitted Body	Private contractors that are admitted to the LGPS to protect member pension rights following a TUPE transfer, or a body which provides a public service which operates otherwise than for the purposes of gain.
	Alternatives	Investment products other than traditional investments of stocks, bonds, cash or property. The term is used for tangible assets such as infrastructure and property and financial assets such as private equity and derivatives.
	Amortisation	The term used to describe the charge made for the cost of using intangible fixed assets. The charge for the year will represent the amount of economic benefits consumed (e.g. wear and tear).
	Appropriation	The transfer of sums to and from reserves, provisions and balances.
	Asset	An item having value to the Council in monetary terms, categorised as: • 'Current assets' are intended for use or to be sold within the normal operating cycle. They are held for the purpose of current service provision, trading or the Council expects to realise the assets within 12 months after the reporting date. • 'Non–current assets' do not meet the definition of a current asset and can be tangible (e.g. school buildings) or intangible (e.g. computer software licences). • 'Donated assets' are assets which transferred to the Council at nil value or acquired at less than fair value. • 'Heritage Assets' are of an historic nature, including buildings and collections; which are held by the Council. • 'Intangible Assets' are without physical substance. Examples

		include: computer software and licences.
	Asset Allocation	Distribution of investments across asset categories, such as cash, equities and bonds. Asset allocation affects both risk and return, and is a central concept in financial planning and investment management.
	Asset Pooling	In the context of the LGPS, this is the collaboration of several LGPS Funds to pool their investment assets in order to generate savings from economies of scale, as requested by MHCLG: 'significantly reducing costs whilst maintaining investment performance'.
	Audit of Accounts	An independent examination of the Council's financial affairs.
	Auto Enrolment	UK employers have to automatically enrol their staff into a workplace pension if they meet certain criteria and repeat this process every three years to re-enrol any employees who have opted out.
B	Balances	The total revenue reserves required to provide a working balance during the financial year, for example in periods when expenditure exceeds income.
	Balance Sheet	Shows all balances including reserves, long-term debt, fixed and net current assets, together with summarised information on the fixed assets held.
	Bonds	Certificate of debt issued by a government or company, promising regular payments on a specified date or range of dates, usually with final capital payment at redemption.
	Borrowing costs	Interest and other costs that an entity incurs in connection with the borrowing of funds.
	Budget	The forecast of net revenue and capital expenditure over the accounting period.
C	Capital Charges	This is a general term used for the notional charges made to service expenditure accounts for the use of fixed assets. The term covers depreciation and impairment charges (included in gross expenditure).
	Capital Expenditure	Expenditure on assets which have a long term value. Includes the purchase of land, purchase or cost of construction of buildings and the acquisition of plant, equipment and vehicles.
	Capital Financing (Costs & Requirements)	Costs - These are the revenue costs of financing the capital programme and include the repayment of loan principal, loan interest charges, loan fees and revenue funding for capital. Requirements - Statutory requirement to ensure that over the medium term the net borrowing by the Council will only be for capital purposes.
	Capital Grants Unapplied Account	Grants that have been recognised as income in the Comprehensive Income and Expenditure Statement but where the expenditure has not yet been incurred.
	Capital Receipts	Proceeds received from the sale of property and other fixed assets.
	Career Average Revalued Earnings (CARE) Scheme	The pension at retirement will relate to your average salary over your career (while paying into the pension scheme). More precisely for the LGPS, it is based on pensionable earnings, increased in line with inflation as measured by the Consumer Price Index (CPI).

	Carrying Amount	The amount of an asset that is recognised on the Balance Sheet after all costs have been charged for the accounting period (e.g. accumulated depreciation and impairment losses).
	Cash equivalents	Short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value (e.g. bank balances).
	Cash Flow Statement	This consolidated statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes
	CIPFA	The Chartered Institute of Public Finance and Accountancy.
	Comprehensive Income and Expenditure Statement (CI&ES)	This statement reports the net cost of all the services which the Council is responsible for, and demonstrates how that cost has been financed.
	Consumer Price Index (CPI)	The rate of increase in prices for goods and services. CPI is the official measure of inflation of consumer prices of the United Kingdom.
	Contingent…	…Asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Council. …Liability are potential costs the Council may incur in the future because of something that happened in the past, but there is no certainty that a cost will occur.
	Counterparty	The other party that participates in a financial transaction. Every transaction must have a counterparty in order for the transaction to complete. More specifically, every buyer of an asset must be paired up with a seller that is willing to sell and vice versa.
	Creditors	Amounts owed by the Council for work done, goods received or services rendered but for which payment has not been made at 31 March.
	Custodian	Organisation which is responsible for the safekeeping of assets, income collection and settlement of trades for a portfolio, independent from the asset management function.
D	Debtors	Sums of money owed to the Council but unpaid at 31 March. Long Term Debtors are sums of money due to the Council originally repayable within a period in excess of twelve months but where payment is not due until future years.
	Defined Benefit Scheme	Also known as a final salary scheme. Pension scheme arrangement where the benefits payable to the members are determined by the scheme rules. In most cases there is a compulsory member's contribution but over and above this all costs of meeting the quoted benefits are the responsibility of the employer.
	Depreciation	The allocation of the cost of the useful economic life of the Council's non-current assets for the accounting period through general wear and tear, consumption or obsolescence.

		• Straight Line basis is the method of calculating depreciation by charging the same amount each year over the assets life.
	Depreciated replacement cost (DRC)	Is a method of valuation which provides the current cost of replacing an asset with its modern equivalent asset less deductions for all physical deterioration and all relevant forms of obsolescence and optimisation.
	Derivative	Financial instrument whose value is dependent on the value of an underlying index, currency, commodity or other asset.
	Diversification	Risk management technique which involves spreading investments across a range of different investment opportunities, thus helping to reduce overall risk. Risk reduction arises from the different investments not being perfectly correlated. Diversification can apply at various levels, such as diversification between countries, asset classes, sectors and individual securities.
E	Employee benefits	Are all forms of consideration (both monetary and in-kind) given by the Council in exchange for services rendered. Short Term Employee Benefits (other than termination benefits) fall due wholly within 12 months after the end of the period in which the employees render the related service.
	Equities	Ordinary shares in UK and overseas companies traded on a stock exchange. Shareholders have an interest in the profits of the company and are entitled to vote at shareholders' meetings.
	Exceptional Items	Are all forms of consideration (both monetary and in-kind) given by the Council in exchange for service rendered.
F	Fair Value	The amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's-length deal.
	Fiduciary Duty	A legal obligation of one party to act in the best interest of another. The obligated party is typically a fiduciary, that is, someone entrusted with the care of money or property.
	Final Salary	One type of defined benefit pension scheme where employee benefits are based on the person's final salary when they retire. The LGPS Scheme has moved from this to a CARE (career average) scheme from 2014.
	Finance Costs	Reflects the element of annual payment for PFI or Leased assets which is in relation to interest payable on the loan liability.
	Financial…	…Assets are a right to future economic benefits controlled by the Council. … Liabilities are an obligation to transfer economic benefits controlled by the Council.
	Financial Instrument	A contract that gives rise to a financial asset of one entity and a financial liability of another entity; for example, at its simplest, a contractual right to receive money (debtor) and a contractual obligation to pay money (creditor).
	Foundation Schools	Schools run by their own governing body, which employs the staff and sets the administrations criteria. Land and buildings are usually owned

		by the governing body or a charitable foundation.
	Funding Level	The ratio of a pension fund's assets to its liabilities. Normally relates to defined benefit pension funds and used as a measure of the fund's ability to meet its future liabilities.
G	General Fund	The main revenue fund of the Council. Income from the council tax precept and government grants is paid into the fund, from which the costs of providing services are met.
	Going Concern	The going concern accounting concept assumes that the organisation will not significantly curtail the scale of its operation in the foreseeable future.
	Government Grants	Payments by central government towards Council expenditure. They are receivable in respect of both revenue and capital expenditure.
	Grants and Contributions	Assistance in the form of transfers of resources to the Council in return for past or future compliance with certain conditions relating to the operation of activities.
I	Impairment	A reduction in the value of a fixed asset to below its carrying amount on the Balance Sheet, due to damage, obsolescence or a general decrease in market value.
	Infrastructure	The public facilities and services needed to support residential development, including highways, bridges, schools, and sewer and water systems. A term usually associated with investment in transport, power and utilities projects.
	International Accounting Standard (IAS)	Regulations outlining the method of accounting for activities, IASs are currently being replaced with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board.
	International Financial Reporting Standards (IFRS)	Regulations outlining the method of accounting for activities, issued by the International Accounting Standards Board.
	Inventories	Items of raw materials, work in progress or finished goods held at the financial year end, valued at the lower of cost or net realisable value.
	Investment Strategy	The investor's long-term distribution of assets across various asset classes, taking into consideration their objectives, their attitude to risk and timescale.
L	Leases	A lease is an agreement whereby the lessor conveys to the lessee, in return for a payment, the right to use an asset for an agreed period of time. • Finance Lease – a lease whereby all the risks and rewards of ownership of an asset are with the lessee. In substance the asset belongs to the lessee. • Operating Lease – a lease where the risks and rewards, and therefore ownership, of the asset remains with the lessor.
	Lessee	The person or organisation that is using or occupying an asset under lease (tenant).

	Lessor	The person or organisation that owns an asset under lease (landlord).
	Liabilities	A present obligation to transfer economic benefits. Current liabilities are payable within one year.
	Liquid Resources	Cash and current asset investments that can be easily converted to known amounts of cash without penalty, or can be traded in an active market.
	Long-Term Contract	A contract entered into for the design, manufacture or construction of a single substantial asset, or the provision of a service (or a combination of assets and services which together constitute a single project), where the project life falls into more than one accounting period.
M	Market Value	The price at which an investment can be bought or sold at a given date.
	Materiality	Materiality is an expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the item, or a combination of both, could be the determining factor.
	Minimum Revenue Provision (MRP)	A minimum amount, set by law, which the Council must charge to the income & expenditure account, for debt redemption or for the discharge of other credit liabilities (e.g. finance lease).
N	Net Book Value	The value of fixed assets included on the Balance Sheet, being the historical cost or a current revaluation less the cumulative amounts provided for depreciation.
	Net Debt	The Council's borrowings less liquid resources.
	Non Distributed Costs	These are overhead costs from which no user now benefits. They include the costs associated with unused assets and certain pension costs.
O	Off Balance Sheet	Accounting category not shown or recorded on a Balance Sheet, such as an operating lease or a deferred or contingent asset or liability which is shown only when it becomes 'actual'.
	Operations (Acquired & Discontinued)	Operations comprise services and division of service as defined in SERCOP. - Acquired operations are those that are acquired in the period by the Council. - Discontinued operations are those that are discontinued in the period. Responsibilities that are transferred from one part of the public sector to another are not discontinued operations.
P	Pension fund accounts	This covers accounting and reporting by pension funds to all fund participants as a group rather than being concerned with determination of the cost of retirement benefits in the Financial Statements of employers.
	Pooled Investment Fund	A fund managed by an external Fund Manager in which a number of investors buy units. The total fund is then invested in a particular market or region. The underlying assets the funds hold on behalf of clients are quoted assets such as fixed interest bonds and equity shares. They are

		used as an efficient low-risk method of investing in the asset classes.
	Portfolio	Block of assets generally managed under a single mandate.
	Precept	The amount levied by one Authority which is collected by another e.g. Lincolnshire is the precepting Authority and the District Councils are the collecting Authorities of Council Tax. Water Authorities also precept on the Council for land drainage purposes.
	Previous Year Adjustments	These are material adjustments relating to prior year accounts that are reported in subsequent years and arise from changes in accounting policies or from the correction of fundamental errors.
	Principal	The amount of repayment to a lender which relates to the reduction in the loan, rather than the interest paid on the loan.
	Private Equity	Shares in unquoted companies. Usually high risk, high return in nature.
	Private Finance Initiative (PFI)	A government initiative that enables Authorities to carry out capital projects, in partnership with the private sector, through the provision of financial support.
	Projected Unit Method	An accrued pension benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a method in which the scheme liabilities at the valuation date relate to: • the benefits for pensioners and deferred pensioners and their dependants, allowing where appropriate for future increases, and • the accrued benefits for members in service on the valuation date.
	Property, Plant & Equipment	Are tangible assets (i.e. assets with physical substance) that are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes, and expected to be used during more than one period. • Land and buildings. • Vehicles, plant, furniture and equipment. • Infrastructure assets that form part of the economic or social framework of the area and whose function is not transferable (e.g. highways, bridges and footpaths). • Community assets that the Council intends to hold in perpetuity, that have no determinable useful life and may have restrictions on their disposal (e.g. nature reserves, country & coastal parks and picnic sites). • Surplus assets are non-current assets held by the Council but not directly occupied, used or consumed in the delivery of services. • Investment properties are land or buildings held to earn rental income or for capital appreciation or both. • Assets under construction are non-current assets which include expenditure capitalised for work in progress in respect of activities to develop, expand or enhance items of property, plant and equipment, intangible assets and exploration assets. • Non-current assets held for sale and discontinued operations.

		These are non-current assets that are either going to be sold or disposed of within the next twelve months.
	Provision	This is an amount which is put aside to cover future liabilities or losses which are considered to be certain or very likely to occur, but the amounts and timing are uncertain.
	Prudential Indicators	A set of financial indicators and limits that are calculated in order to demonstrate that Councils' capital investment plans are affordable, prudent and sustainable.
	Public Works Loan Board (PWLB)	A central government agency, which provides loans for one year and above to Authorities at favourable rates which are only slightly higher than the Government can borrow itself.
R	Recognition	The process upon which assets are deemed to belong to the Council either by purchase, construction or other forms of acquisition.
	Related party	These are parties which are considered to be related if one party has the ability to control the other party, or exercise significant influence over the other party in making financial and operating decisions, or if the related party entity and another entity are subject to common control. Related party transactions are transfers of resources or obligations between related parties, regardless of whether a price is charged. Related party transactions exclude transactions with any other entity that is a related party solely because of its economic dependence on the Council or the Government of which it forms part.
	Reserves	The accumulation of surpluses, deficits and appropriations over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Council. Some capital reserves such as the Revaluation Reserve and Capital Adjustment Account cannot be used to meet current expenditure. • Capital Adjustment Account reserve largely consisting of resources applied to capital financing and not available to the Council to support new investment. • Earmarked Reserves are those elements of total Council reserves which are retained for specific purposes. • Revaluation Reserve holds revaluation gains on assets recognised since 1 April 2007 only, the date of its formal implementation.
	Retirement Benefits	• Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment. • Actuarial basis is the estimation technique applied when estimating the liabilities to be recognised for defined benefit pension schemes in the Financial Statements of an organisation. • Actuarial gains and losses for a defined benefit pension scheme are the changes in actuarial deficits or surpluses that arise because: o Events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or

		◦ The actuarial assumptions have changed. • Current service cost is the increase in the present value of a defined benefit obligation resulting from employee service in the current period. • Defined benefit plans are post-employment benefit plans other than defined contribution plans. • Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. • Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement. • Past service cost is the increase in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (where benefits are introduced or improved) or negative (where existing benefits are reduced).
	Return	Increase in value of an investment over a period of time, expressed as a percentage of the value of the investment at the start of the period.
	Revaluation Gain	The increase to the fair value of an asset following a valuation.
	Revenue Contributions	This refers to the financing of capital expenditure directly from revenue rather than from loans or other sources.
	Revenue Expenditure	The day to day expenditure on such items as employees and equipment.
	Revenue Expenditure Funded from Capital under Statute (REFCUS)	Expenditure which may be funded from capital, but which does not result in fixed assets owned by the Council. These costs are included in the net cost of services shown in the Income and Expenditure Account.
	Risk	Likelihood of a return different from that expected and the possible extent of the difference. Also used to indicate the volatility of different assets.
S	Scheduled Body	Public sector employers or designating bodies that have an automatic right and requirement to be an employer within the LGPS.
	Service Reporting Code of Practice (SERCOP)	Details standard definitions of service and total cost which enables spending comparisons to be made with other Local Authorities.
	Settlement	Payment or collection of proceeds after trading a security. Settlement usually takes place sometime after the deal and price are agreed.
	Specific Grant	A grant awarded to a Council for a specific purpose or service that cannot be spent on anything else.
	Stock Lending	Lending of stock from one investor to another that entitles the lender to continue to receive income generated by the stock plus an additional

		payment by the borrower.
T	Target	Managers are set a target for investment performance such as 1% above benchmark per year over three year rolling periods.
	Termination Benefits	Employee benefits paid upon termination of employment such as redundancy.
	Treasury Management	The utilisation of cash flows through investments and loans.
	Triennial Actuarial Valuation	Every three years the actuary formally reviews the assets and liabilities of the Lincolnshire Fund and produces a report on the Fund's financial position.
	Trust Funds	Funds administered by the Council for such purposes as prizes, charities and specific projects or on behalf of minors.
U	Useful Life	The period with which an asset is expected to be useful to the Council in its current state.