EAST LINDSEY
DISTRICT COUNCIL

FINANCIAL STATEMENTS

For the Year Ended 31 March 2014

C o n t e n t s

FINANCIAL STATEMENTS

EXPLANATORY FOREWORD
BY ROBERT BARLOW - DEPUTY CHIEF EXECUTIVE/S151 OFFICER
FINANCIAL REPORT 2013/14

1. INTRODUCTION

As the Council's statutory Chief Financial Officer I have pleasure in presenting this Explanatory Foreword for East Lindsey's Financial Statements 2013/14. The Explanatory Foreword seeks to provide a summary and straightforward explanation of the often complicated local government finance arrangements. It seeks to summarise the key events during the year, their associated financial impact and hopefully make the Financial Statements easier to understand. The Foreword, together with the Annual Governance Statement and the auditor's report, are outside the scope of the formal Accounts, but all of the documents together constitute the Council's Financial Report for 2013/14.

In past years the external auditors have issued unqualified value for money opinions and a Peer Review undertaken in 2013 confirmed that the Council aims to secure value for money in the services that it provides. During 2013/14 there have been a number of key areas where the Council has focussed its activities in order to monitor delivery of its services against its financial plans and develop a Medium Term Financial Strategy which reflects the challenging economic circumstances that the Council is operating in.

By itself or in conjunction with external partner organisations, the Council remains committed to delivering quality frontline services which its residents want and which will deliver the Council's corporate priorities of:

- Enabling people to get actively involved in their community
- Improving equality of opportunity and life chances
- Contributing to environmental sustainability and adapting to climate change
- Developing and nurturing the character and viability of our towns, villages and rural areas
- Helping to develop the right environment for a growing economy – building on current strengths and creating new business sectors

Effective financial management at both corporate and service levels is key to delivering services efficiently. The need for this is becoming even more important given the outlook for future resources, with significant further reductions in Government grant anticipated. For this reason the Council has and will continue to deliver a service Transformation Programme in order to meet the ongoing financial challenges that it faces both now and in the medium term. Measures in place to ensure effective financial management include:

- Regular and informative financial management reports – available on demand by service managers and produced quarterly to Executive Board and Scrutiny. The reports are aligned to service performance and any relevant governance issues.
- Sound financial practices across the Council
- Ensuring that money raised from public taxation is used efficiently and effectively to meet local needs and priorities.
- Ensuring that the five year revenue budget and capital programme are robust, appropriate and deliverable, so that services can be maintained at the highest quality possible despite the substantial contraction that is projected to take place in revenue and capital budgets.

I hope that this Explanatory Foreword and the notes that follow give a clear picture of the figures that make up our Statement of Accounts and show how Council Tax and our other sources of income are used to provide the full range of Council Services. The Financial Statements are required to be prepared in line with International Financial Reporting Standards (IFRS). This means that the Council's Accounts (layout and format) are more consistent with those produced in other sectors of the economy. The Statement of Accounts is required by law and sets out the various statutory and other information required by professional practice.

Please provide any feedback and comments on the format and content of the Financial Statements to enable us to make them as user friendly as possible (e-mail customerservices@e-lindsey.gov.uk).

Robert Barlow
Deputy Chief Executive and Section 151 Officer.

2. DISTRICT PROFILE

East Lindsey is geographically one of the largest shire district councils in the country, and covers some 700 square miles with a population of around 136,600 residents. The Population of the District is spread over a large number of small towns and villages with no one significant sizeable population centre, as usually found in other districts. The district covers virtually the entire Lincolnshire coastline, including the seaside resorts of Skegness, Sutton on Sea and Mablethorpe. In the heart of the district lie the Lincolnshire Wolds, a designated Area of Outstanding Natural Beauty (AONB), and the market towns of Louth and Horncastle. There are a number of other smaller rural towns and large villages.

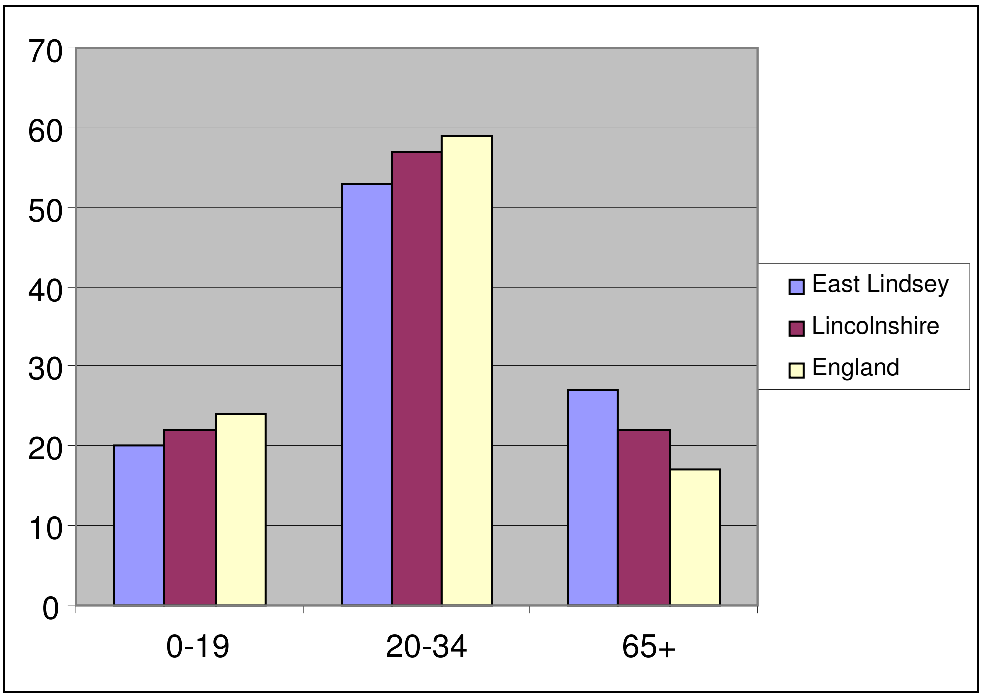
The main industries are agriculture and tourism.

Population

The latest population estimate for East Lindsey is 136,600 (2012 mid-year estimate based on Office for National Statistics, 2011 census). The estimated increase in the population between 2002 and 2012 is only 3.4%, which is a smaller increase than the average experienced in Lincolnshire as a whole (9.6%) or in England (7.7%).

The age structure of the population in East Lindsey shows a much higher percentage of elderly males and females compared to the national average. The 2012 mid year estimate showed that over 27% of the population was aged 65 and over compared to the Lincolnshire average of 22% and the English average of 17%. This is illustrated in the chart below. Between 2002 and 2012 there has been a 5% increase in the East Lindsey population aged 65+ years and the increase in this age group is anticipated to continue in future years.

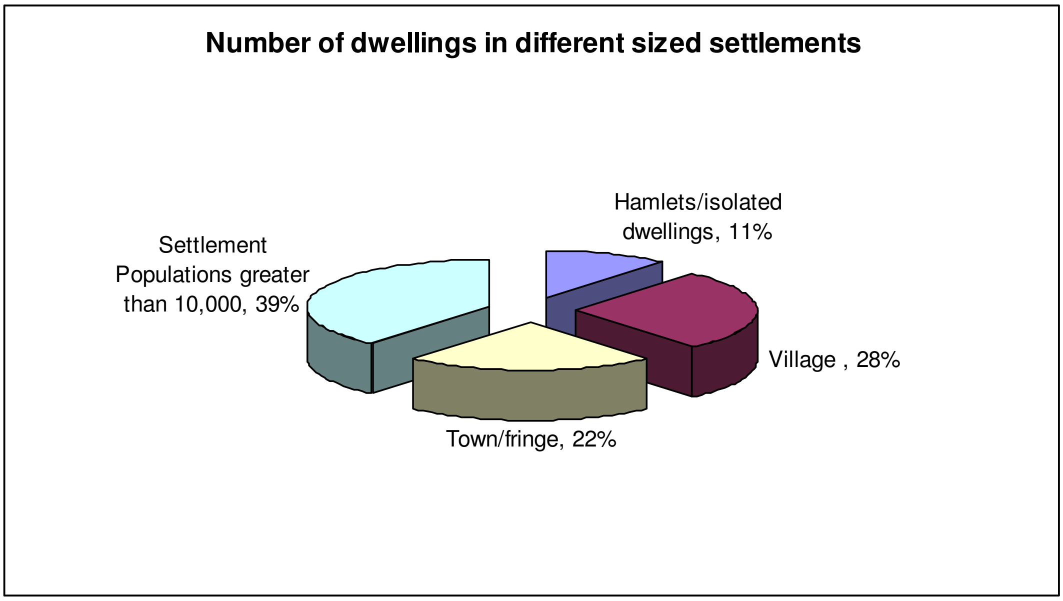
East Lindsey's Population (% by age group) compared to Lincolnshire and England



The number of households in the District as at 30 March 2014 was 66,590.

The district has a low population density of 78 per km^2 compared to an average of 292 per km^2 in the East Midlands and an average of 411 per km^2 for England.

The chart below shows the rural nature of the district, with only 39% of the population living in settlements greater than 10,000.



Employment and Economy

The East Lindsey economy is largely based upon agriculture and tourism. 2012 data shows that the number of jobs attributed to businesses associated with food and accommodation services was 15% in East Lindsey compared to 7% nationally. The economy is also more reliant upon part time jobs which make up 39% of all jobs compared to the national average of 33%. (National Online Manpower Information System - Nomis)

Overall unemployment rates remained just below the national average. However unemployment in the 19 and under age range is higher. As at December 2012 unemployment stood at 7.2% compared to 7.8% for the East Midlands and 7.9% for Great Britain as a whole.

The average gross weekly pay for a full time worker living in East Lindsey in 2012 was £438.00 compared with £474.60 for the East Midlands, with the national average being £517.80 (Nomis).

3. COUNCIL STRUCTURE

The Council operates with a Leader and Executive Board. The Council's policies are directed by the Political Leadership. A number of areas of decision making are delegated to the Executive Board, however, the full Council remains the ultimate decision making body of the Council.

The District has 60 elected Members and at 31 March 2014 the political make–up of the Council is:

Conservative Party	29 Councillors
East Lindsey Independent	13 Councillors
Labour	11 Councillors
District Independent/Liberal Democrat	3 Councillors
UKIP	2 Councillors
Independent	2 Councillors

The Overview Committee provides the role of challenge and scrutiny of recent and/or forthcoming executive decisions. It also undertakes reviews of specific issues and projects relevant to the Council's services.

The Executive Board is chaired by the Leader of the Council and meets on a 5 - 6 weekly cycle. Each of the Board members has an area of responsibility known as a ‘portfolio’ for which they have delegated powers to make executive decisions within their remit.

The Audit and Governance Committee is an independent committee which reports and makes recommendations directly to Council. The purpose of the Committee is to monitor and, if necessary, make recommendations to review the corporate governance and audit arrangements for East Lindsey District Council. The key areas of responsibility for the Committee are to:

- Review financial statements
- Review internal controls
- Review the internal audit programme
- Scrutinise the Treasury Management Strategy, performance and practices
- To have oversight of the Members’ Code of Conduct and the handling of complaints in respect of that code.

Supporting the work of the elected Members is the organisational structure of the Council headed by the Management Team (MT). The MT is made up of the Chief Executive, Chief Finance (S151) Officer and Deputy Chief Executive (myself), and a Director. This team is supported by other senior officers as necessary. The MT provides managerial leadership and supports the elected Members of the Council in:

- Developing strategies
- Identifying and planning resources
- Reviewing and delivering against service plans
- Reviewing the performance of the Council within the overall objective of delivering excellent services to the public.

Council Priorities and Service Plans

The Council has a corporate plan which covers a 4 year period and is refreshed annually. The plan sets out the Council’s priorities. The priorities define the outcomes which the Council wants to deliver over the medium term and as such remain relatively constant from year to year, but the actions associated with them are reviewed annually as a focus for each financial year.

Linked to the Corporate Plan is the Council’s business planning process which includes individual plans at service level and performance targets. Targets are set annually but cover a three year period to demonstrate continuous improvement.

Monitoring and Reporting

The Council monitors and reports on the delivery of its priorities in the following ways:

- Monthly performance reports by service and by priority are produced through the performance management system and discussed by Portfolio Holders and Team Leaders

- Quarterly Governance and Performance Monitoring Report – a detailed report covering performance against priorities, and financial position, is taken to the Executive Board and the Overview Committee.

4. THE 2013/14 FINANCIAL STATEMENTS

The Accounts comply with the relevant accounting practices laid down by the Accounting Standards authorities and the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom (‘The Code’). Further information is provided within the Accounting Policies section of the Accounts.

The Accounts give a true and fair view of East Lindsey’s financial position for the financial year 2013/14 and the balances as at 31 March 2014. The Council’s approved accounting policies have been applied with regard to the Accounts, and in producing them proper and up to date accounting records are kept and all reasonable steps are taken to prevent and detect fraud and any other irregularities.

The Deputy Chief Executive/ Section 151 Officer is the statutory officer responsible for the proper administration of the Council’s financial affairs (referred to in the Statements as the Chief Financial Officer). He is required by law to confirm that the Council’s system of internal control can be relied upon to produce an accurate Statement of Accounts. His statement of assurance for 2013/14 (known as the Statement of Responsibilities) appears on page 20.

There have been no major changes in accounting policy in 2013/14.

However the way in which National Non-Domestic Rates (NNDR) income is collected and distributed changed from 1 April 2013. Prior to this date, NNDR income was collected by the Council and paid over to the Government, who then redistributed these sums back to local authorities in the form of NNDR grant. From 1 April 2013 a new Business Rates Retention scheme came into force whereby local authorities retain a share (East Lindsey 40% and Lincolnshire County Council 10%) of the NNDR income collected and pay the remaining 50% to central Government. In addition to this, the Government has set a level of business rates funding baseline deemed to be applicable to each local authority and each authority pays a tariff (if NNDR collected is above this level) or receives a top-up (if NNDR collected is below this level), East Lindsey paid a tariff of £6.935m in 2013/14.

With the introduction of this retained business rates scheme local authorities pay a levy to central Government if they increase their NNDR income for the year; for East Lindsey the levy payment is 50%. The levy payable in 2013/14 is £0.418m

The differences resulting from the retained business rates scheme from 2012/13 to 2013/14 show in various places within the accounts, the main differences are included in the Collection Fund, taxation and non-specific grant income and unusable reserves – collection fund adjustment account.

A new provision is included within the accounts for 2013-14 which relates to the potential reduction in NNDR income resulting from appeals currently outstanding with the Valuation Office. The Council’s share, £0.604m, is shown in the balance sheet.

5. SUMMARY OF THE 2013/14 FINANCIAL PERFORMANCE

The financial activities of the Council can be split between revenue and capital and, in general terms, can be defined as follows:

- Income and expenditure within the revenue accounts of the Council relate to items consumed within the year

- Income and expenditure within the capital accounts relate to items with a life in excess of one year

The accounting statements provide the formal presentational analysis of how the Council has used the resources available to it in the year, and the balances held at the year end. The following paragraphs provide detail on the following information within the Statements:

- The amount of revenue expenditure and how it was paid for
- The amount of capital expenditure and how it was paid for
- The Balance Sheet or net worth of the Council
- A financial Overview of 2013/14 and
- Future financial challenges

Revenue Expenditure

To fund its day to day expenditure the Council receives money from various sources. The following section reviews the money received by the Council in 2013/14 and how it was spent.

Income comes primarily from the following sources:

1. Central government Revenue Support Grant (RSG) and localised Business Rates
2. Other government grants
3. Non- government grants from organisations such as the Health Authority, the Arts Council.
4. Council Tax
5. Fees and charges for services

The Council's revenue expenditure is aimed at delivering services set in accordance with local priorities as well as services that we have to provide by law.

The Council's Net Revenue Budget, that is gross expenditure less fees and charges and service specific grants, is funded from the estimated levels of Revenue Support Grant, Business Rates and Council Tax. The revised net budget for the Council was £19.538m. After taking account of movements into earmarked reserves and provisions, the Council delivered a surplus of £0.713m which has been allocated to specific reserves to help address future year financial risks, particularly with the greater potential of further cuts in funding and the need to invest in further service transformation.

The overall surplus was achieved against the background of the Government's austerity plans and other economic pressures. Officers made continuous efforts to minimise expenditure, maximise income and maintain the delivery of services.

Other financial decisions were made to provide for future key financial risks:

- The delivery of its Transformation Programme, the mechanism by which the Council will balance future budgets and continue to deliver good quality services.
- The transfer of New Homes Bonus grant money to the capital reserve in order to be able to fund future capital investment.
- Allocation of in year surpluses to specific reserves to provide resources to address the future risk of funding reductions and future anticipated budget pressures.

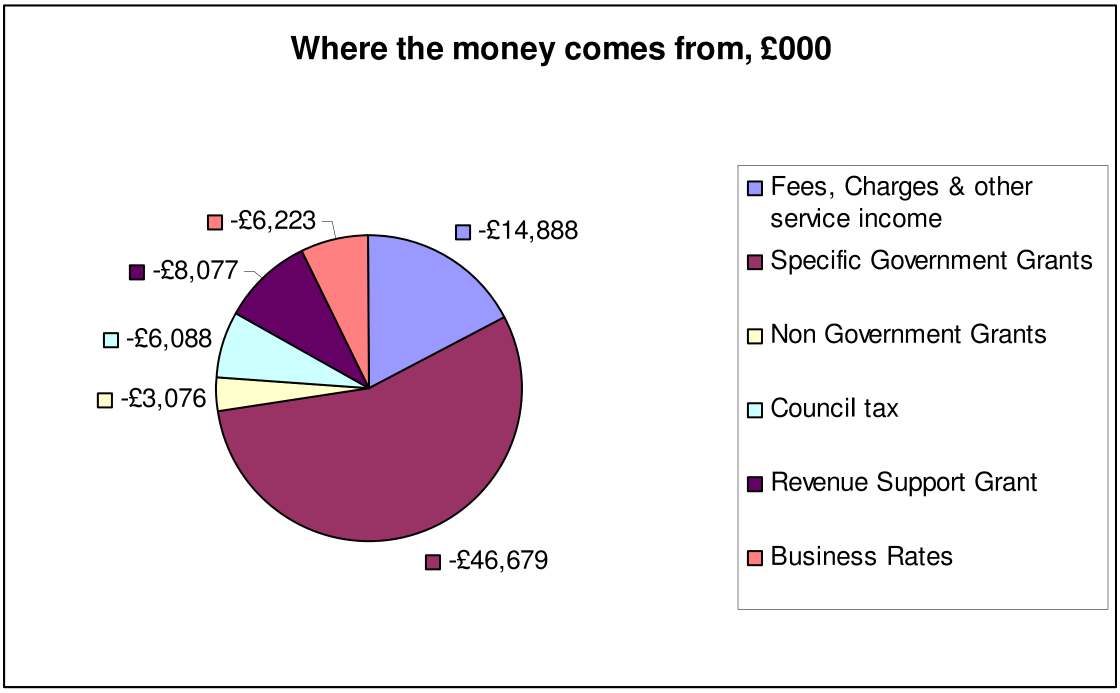
The table below provides a summary of the Council's revenue outturn position for 2013/14.

	A **Revised Budget 2013/14 £,000**	B **Draft Outturn 2013/14 £,000**	C **Variance Under/(over) (see table 2) £,000**
Employees	14,303	13,912	391
Premises	3,327	3,297	30
Transport	2,281	1,842	439
Supplies and Services	5,860	5,987	(127)
Third Party Payments	5,652	5,810	(158)
Transfer Payments	48,520	48,053	467
Capital Charges	(746)	(362)	(384)
Parish Precepts & Drainage Board Levies	4,446	4,450	(4)
Transfer to/(from) earmarked reserves	(1,929)	1,328	(3,257)
Fees and Charges	(8,095)	(8,312)	217
Rental Income	(3,473)	(3,407)	(66)
Interest Income	(183)	(374)	191
Other Income	(2,475)	(2,793)	318
Government Grants for Subsidy and benefits	(43,046)	(44,366)	1,320
Other Government Grants	(1,943)	(2,314)	371
Other Non-Government Grants	(2,961)	(3,076)	115
NET REVENUE BUDGET	**19,538**	**19,675**	**(137)**
Council Tax	(6,088)	(6,088)	-
Revenue Support Grant	(8,077)	(8,077)	-
Retained Business Rates	(5,373)	(6,223)	850
Net Revenue Deficit/(Surplus)	**-**	**(713)**	**713**
Surplus moved to Capital and Insurance Reserves			**(713)**
Net Budget Variance			**-**

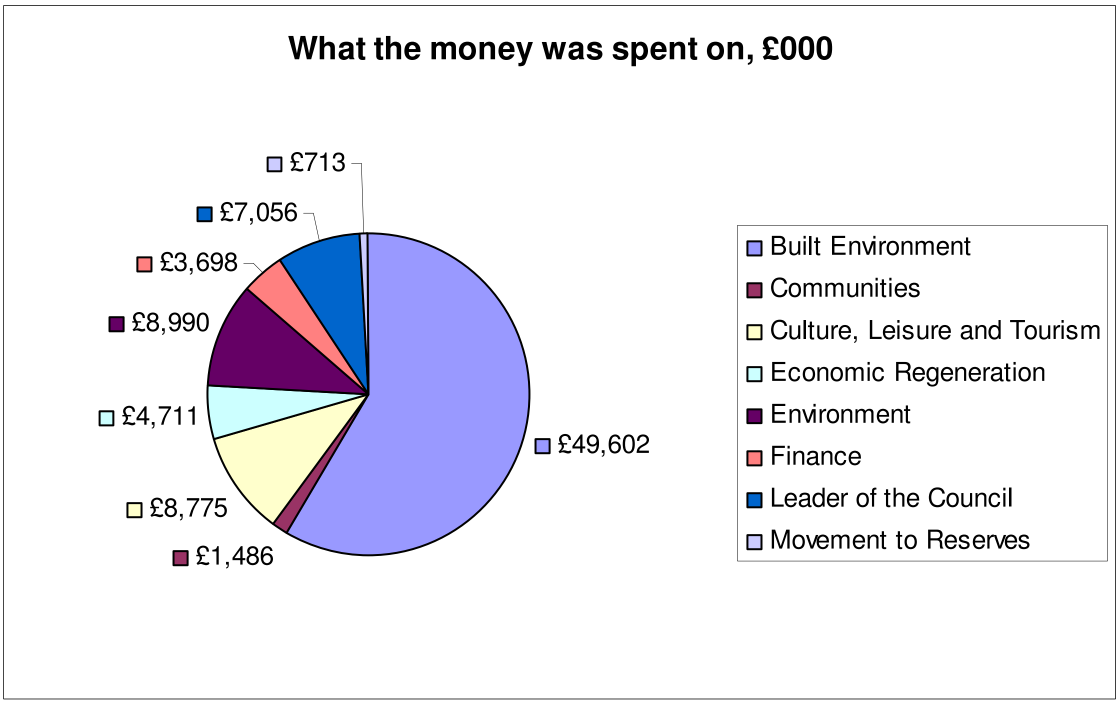
The Council holds a number of earmarked reserves to fund future capital and revenue expenditure and to provide some cushion against future financial pressures. Each reserve has a designated purpose. The earmarked reserves increased by £2.04m from £11.47m to £13.51m (see note 8, page 50). Reductions in reserves of £3.42m were made to fund the Council's Affordable Housing capital programme and other capital expenditure, to cover self insurance payments, service transformation projects, planning appeals and various community grants. Transfers to reserves of £5.46m were made to provide future funding for the capital programme (e.g. future fleet vehicle replacements and affordable housing), future increases in insurance liabilities and planning appeal costs, future service transformation projects and to cover possible future deficits on the collection of Council Tax and Business Rates.

The chart below shows where we got our money from in 2013/14 and how it was spent on services (analysed by the relevant Executive Board Portfolio areas of responsibility).

Where the money comes from (source: Note 28, page 66-69).



What the money was spent on (source: Note 28, page 66-69)



The Council Portfolios each cover the following services:

1. **Built Environment:** affordable housing development, housing advice and homelessness, private sector housing, and council tax and housing benefits.

2. **Communities:** community safety, community grants, food safety, health and safety

3. **Corporate Affairs:** councillors, elections, licensing and land charges

4. **Culture, Leisure and Tourism:** All sports centres and leisure related activities, cultural events, promotion of health improvements, the Embassy Theatre.

5. **Economic Regeneration:** Planning, development control, planning and housing policy, economic development, caravan parks, markets

6. **Environment:** Car parks, environmental protection, parks and open spaces, street cleaning, public conveniences, waste and recycling collection.

7. **Finance:** IDB levies, property, corporate finance, treasury and investments, information technology,

8. **Leader:** Performance, management team, communications

Capital Expenditure

As well as delivering day to day services, the Council also spends money on capital items, which generally become assets. These assets may be property, plant or equipment owned by the Council or grants made to other organisations and individuals towards capital expenditure that they are incurring e.g. grants towards new affordable housing or Disabled Facility Grants. The Council's Capital Strategy, approved at Council in February 2013, provided the framework within which the Council's capital investment plans were to be delivered. The capital programme for 2013/14 to 2017/18 mirrored the Council's overall Medium Term Financial Strategy and aims to ensure that available resources match planned expenditure. As noted above during 2013/14 the Council has been able to transfer additional resources to specific reserves for future capital purposes.

Capital expenditure must be prudent, affordable and sustainable. In 2013/14 the approved capital programme was £5.297m. Actual spend in the year was £3.994m, a net underspend of £1.3m. Unspent capital budget will be moved into the 2014/15 capital programme where projects are ongoing.

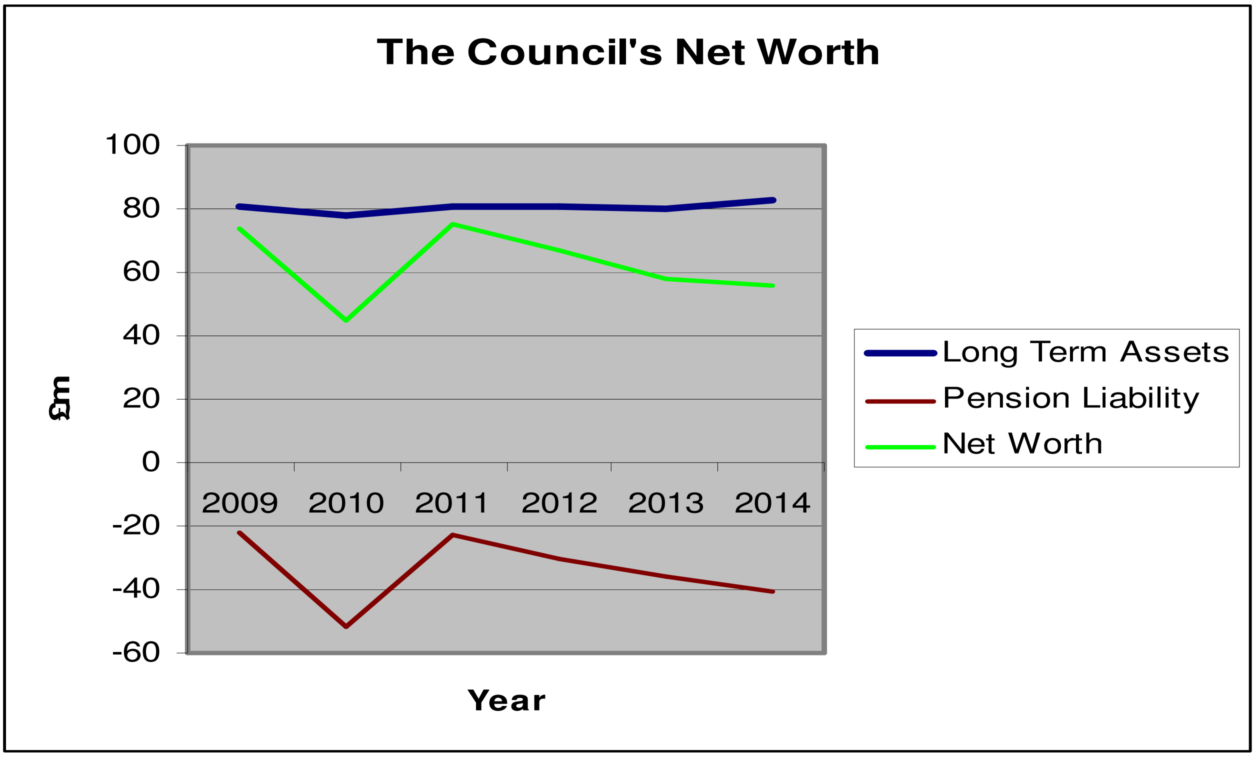
The main areas of spend and how they were funded are illustrated in the following table.

Capital Outturn 2013/14

Area of expenditure and Funding	Approved Capital Programme	2013/14 Outturn	Variance
	£000	£000	£000
Expenditure			
Affordable Housing	1,514	1,666	(152)
Decent Homes Grants	110	17	93
Disabled Facility Grants	1,239	1,198	41
Flood Relief Works	100	99	1
Capital Grants	453	363	90
Council Asset improvements & maintenance	881	651	230
Broadband Lincolnshire - grant	1,000	-	1,000
Total Expenditure	**5,297**	**3,994**	**1,303**
Resources			
Capital receipts	1,192	901	291
Revenue	2,581	1,734	847
Grants and Contributions	1,524	1,359	165
Total Resources	**5,297**	**3,994**	**1,303**

Balance Sheet – the Council's net worth (page 24)

The Balance Sheet shows the value of the amounts held, owed to and owed by the Council at the 31 March 2014. The values are arrived at in a number of ways and in accordance with the Council's accounting policies. This exercise is only carried out once each year. As such the position over a longer period is not always apparent. The chart below shows how the higher value components of the Balance Sheet, namely Long Term Assets and Pension Liabilities, have affected the Council's overall net worth since the introduction of International Financial Reporting Standards. Further details affecting the values in specific years are included in the relevant year's accounts.



6. FINANCIAL OVERVIEW OF 2013/14

2013/14 saw the continuation of the Government's austerity measures and further severe cuts in the value of central government's financial support to local authorities. It also saw the introduction of a change in how local government received its funding from the government which has introduced a significant level of new risk and uncertainty to the value of the income that will be available to fund services.

At the start of the year the Council set a budget that was prudent but recognised the potential financial risks that it could face. All services were required to contribute reductions in their service budgets, and growth in budgets was only allowed for unavoidable increases in areas such as contract prices, utility costs or new statutory obligations. Ongoing savings plans, agreed prior to 2013/14, were incorporated into the budget together with new Transformation projects. Delivery against the budget was closely monitored and ultimately the Council managed to deliver a good financial performance with a net under spend of £0.713m in addition to various other amounts that it was able to transfer to reserves.

Key areas of service changes and achievements during 2013/14 were:

- The structure of Regulatory Services was reviewed and significant staff savings made
- The delivery of waste services was reviewed and changes made in the procurement of the waste vehicles with associated savings in staff and running costs
- Use of leisure facilities, especially the Meridian Leisure Centre, has been promoted and seen increases in the overall levels of income.
- Meridian House in Louth and Skegness Business Centre were sold.
- Shared staffing arrangements for building control and property services were introduced with Boston Borough Council.
- Additional capital money was put into the Council's affordable housing programme with a view to delivering more much needed houses.
- Car Parking charges were reviewed and increased for the first time in 5 years.
- Contract values for the delivery of services such as legal, audit and insurance were reduced.
- The Council's festivals of events throughout the District was brought into the Council's base budgets (rather than being funded from reserves) and it continued to secure increased levels of external funding.
- The Council's shared service company (Compass Point Business Services) has continued to deliver annual revenue savings in the delivery of various services.

Having set a balanced budget for 2013/14 the Council's success in delivering actual income and expenditure compared to budget was measured through the means of regular reports to portfolio holder meetings and quarterly performance reports to the Executive Board and Overview Committees. Mindful of the continued reductions in government funding in future years, the Council has continued to develop service transformation opportunities to help deliver future budget savings and insulate the Council against financial risks going forward. The main financial issues around the General Fund in 2013/14 were the following:

- Efficient management of staff resources delivered an underspend of £0.391m on employee budgets
- Despite the continued economic uncertainty, income from services such as leisure, planning, building control and land charges all exceeded budgets.
- Car parking income has increased overall under a new increased charging regime but, with the difficulty of assessing the likely impact of new charges on budgets, the growth expectations were too high and saw the ultimate level of new income fall £0.200m below budget.
- The new waste fleet vehicles delivered £0.350m additional savings in running costs (fuel and lease costs).
- The Council received a number of unbudgeted grants which if not already applied have been transferred to reserves to support future budget pressures.

The Council's net expenditure relating to the provision of services (see page 23, the Comprehensive Income and Expenditure Statement –CIES) had decreased from £19.97m to £18.69m due to the decreasing budgets and expenditure levels. The deficit on the provision of services has decreased from £3.29m to £1.86m.

The largest increase in gross expenditure in the CIES is for other housing services £0.63m to £2.43m (a £1.8m or 286% increase), which reflects increased expenditure on grants for affordable housing development and renovation grants, and an increase in Housing Benefit administration expenditure (reflecting the impact of changes in administering the new welfare reforms). Further details on the Outturn position are included in the Quarter 4 Governance and Performance report that was presented to Audit and Governance on 25 June and the Executive Board on 15 July 2014.

To help readers link the formal presentational requirements to the format reported during the year, note 28 in the Statements (pages 66 to 69) reconcile the figures in the CIES to the management account reported to the Executive Board.

The Council's net asset position has reduced from £58.46m to £56.47m. (See the Balance Sheet at page 24). The main reasons for this are the long term underlying commitments of the pension scheme with the deficit on the scheme increasing from £36.5m to £40.9m and an increase in the long term fixed asset values from £80.1m to £83.1m.

The value of property, plant and equipment (PPE) has increased by £4.92m. This is mainly due to an increase as a result of revaluations £4.38m and additional spend of £0.72m netted off by disposals of £0.26m.

7. FUTURE CHALLENGES

Despite delivering services efficiently within a much reduced budget in 2013/14, there continue to be future challenges and opportunities that the Council will need to embrace if it is to continue to deliver priority services effectively.

Changes to Local Government Funding

The changing environment of local authority finance means that the Council is facing increasing risks and uncertainty in respect of the resources that it will have available to it. Reductions in Government funding are one element but there are probably even larger risks attached to the ability to generate and retain business rates. Growth in the business economy, changes in the retail price index, the impact of changing business rate valuations and the number of successful appeals against rateable values will all have an impact. It is inevitable that some budget assumptions may prove to be wrong.

While predicting and controlling the level of external funding resources may be difficult, where possible the Council will use its budget management processes, reserves and general balances to mitigate those risks that it can try and control. It will also aim to deliver its services in a way which attempts to reduce its exposure to certain risks. For example the new refuse fleet and waste round efficiencies have enabled the Council to reduce its overall fuel budget in 2014/15.

These financial uncertainties will require vigilant monitoring of budgets to ensure that the Council is not being adversely affected and, where necessary, that measures are put in place to take corrective action.

Delivering a sustainable Medium Term Financial Strategy (MTFS)

Given the above financial risks, the Council must plan ahead to ensure that it can continue to deliver priority services over the medium term. The Council's MTFS estimates ongoing required budget savings of approximately £2m per annum from 2015/16. The 2014/15 budget has implemented changes in charging (e.g. Green Waste) and has reduced employee costs through the redesign of services. In 2013/14 the Council was able to make a net contribution to reserves, which has provided a buffer against future reduced funding and other financial risks. Given the identified need for ongoing savings the Council is continuing to develop its Service Transformation Programme. Initiatives such as the establishment of a Trust to deliver leisure and cultural services are being progressed. Other initiatives will include further service redesigns. The delivery of the Transformation Programme must be monitored to ensure the medium term financial viability of the Council.

Improving areas of poor performance

Generally service delivery performance is good. However, despite the challenge of reduced funding, the Council will continue to strive to improve services and ensure that services are delivered against its stated corporate priorities. The Council has service and work plans in place to drive any required improvements in services and has an effective performance management process in place to monitor delivery of services.

8. SUMMARY

Like many public sector organisations, the Council has many significant financial challenges from:

- The wider economic situation
- Reductions in the value, distribution and general certainty of central government funding
- Increased demand for services
- Changes as a result of welfare reforms, and
- Rising inflation.

The Council has responded to these challenges by being both prudent and proactive. Initiatives to drive forward corporate and service specific budget reductions have been implemented. Reserves have been reviewed and contributed to in order to provide financial resilience and the capacity to deliver future service changes and improvements, and to ensure resources are available for needed future capital investment.

9. FINANCIAL STATEMENTS

The Council's Accounts are set out on pages 21 to 91 and consist of the:

Statement of Responsibilities (page 20)

The responsibilities for the Accounts detail the respective responsibilities of the Deputy Chief Executive, as Chief Financial Officer, and the Council.

Movement in Reserves Statement (pages 21-22)

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

Comprehensive Income and Expenditure Statement (page 23)

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

Balance Sheet (page 24)

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council 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 were 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 (page 25)

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

Notes to the Accounts (pages 26 - 87)

These are notes relating to the preceding financial statements which explain and provide additional information to the figures included within the statements. They have been prepared in accordance with the disclosure requirements of the Code of Practice. Note 1 sets out the Accounting Policies, which provide details of the framework within which the Council's accounts are prepared and published.

Supplementary Financial Statements- Collection Fund (pages 88 to 91)

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

10. FURTHER INFORMATION

Further information on the Statement of Accounts is available from Compass Point Business Services, who provide all financial services for the Council. This is available as follows:

- In writing - to Financial Services, Tedder Hall, Manby Park, Louth, LN11 8UP.
- By telephone - 01507 613940
- By fax - 01507 600206 or
- By e-mail – to Customer Services at customerservices@e-lindsey.gov.uk

The accounts are available on our web-site at www.east-lindsey gov.uk

Robert Barlow, Deputy Chief Executive and Section 151 Officer

24 September 2014.

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STATEMENT OF RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Council's Responsibilities:

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Deputy Chief Executive as Chief Financial Officer.
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Financial Statements.

The Chief Financial Officer's Responsibilities

The Chief Financial Officer is responsible for the preparation of the Council's 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 (the Code).*

In preparing the Financial Statements, the Chief Financial Officer has:

- selected suitable accounting policies and then applied them consistently
- made judgments and estimates that were reasonable and prudent
- complied with the local authority Code

The Chief Financial Officer has also:

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

Certification by the Chief Financial Officer

I hereby certify that the Financial Statements gives a 'true and fair' view of the financial position of the Council at the reporting date and of its expenditure and income for the year ended 31 March 2014

Robert Barlow
Deputy Chief Executive

Dated: 24 September 2014

Approval of the Financial Statements

I confirm that the Financial Statements were approved by the Governance and Audit Committee at its meeting held on the 24 September 2014.

Signed on behalf of East Lindsey District Council:

Cllr S Watson
Chair of meeting approving the accounts

Dated: 24 September 2014

MOVEMENT IN RESERVES STATEMENT

2012/13	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	GROUP position
	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2012	**2,000**	**12,235**	**5,599**	**-**	**19,834**	**48,302**	**68,136**	**67,098**
Movement in Reserves during 2012/13								
Surplus or (deficit) on provision of services	(3,289)	-	-	-	(3,289)	-	(3,289)	(3,289)
Other Comprehensive Income and Expenditure	-	-	-	-	-	(4,766)	(4,766)	(5,353)
Total Comprehensive Income and Expenditure	**(3,289)**	**-**	**-**	-	**(3,289)**	**(4,766)**	**(8,055)**	**(8,642)**
Adjustments between accounting basis & funding basis under regulations (Note 7)	2,440	-	(2,827)	241	(146)	146	-	-
Net Increase/(Decrease) before transfers to Earmarked Reserves	**(849)**	**-**	**(2,827)**	**241**	**(3,435)**	**(4,620)**	**(8,055)**	**(8,642)**
Transfers (to)/from Earmarked Reserves (Note 8)	770	(770)	-	-	-	-	-	-
Increase/(Decrease) in Year	**(79)**	**(770)**	**(2,827)**	**241**	**(3,435)**	**(4,620)**	**(8,055)**	**(8,642)**
Balance at 31 March 2013 carried forward	**1,921**	**11,465**	**2,772**	**241**	**16,399**	**43,682**	**60,081**	**58,456**

2013/14	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	GROUP position
	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2013	**1,921**	**11,465**	**2,772**	**241**	**16,399**	**43,682**	**60,081**	**58,456**
Movement in Reserves during 2013/14								
Surplus or (deficit) on provision of services	(1,855)	-	-	-	(1,855)	-	(1,855)	(1,855)
Other Comprehensive Income and Expenditure	**-**	-	-	-	-	1,423	1,423	(134)
Total Comprehensive Income and Expenditure	**(1,855)**	-	-	-	(1,855)	1,423	(432)	(1,989)
Adjustments between accounting basis & funding basis under regulations (Note 7)	3,896	-	(535)	(181)	3,180	(3,180)	-	-
Net Increase/Decrease before Transfers to Earmarked Reserves	**2,041**	**-**	**(535)**	**(181)**	**1,325**	**(1,757)**	**(432)**	**(1,989)**
Transfers (to)/from Earmarked Reserves (Note 8)	(2,041)	2,041	**-**	-	-	-	-	-
Increase/(Decrease) in Year	**-**	**2,041**	**(535)**	**(181)**	**1,325**	**(1,757)**	**(432)**	**(1,989)**
Balance at 31 March 2014 carried forward	**1,921**	**13,506**	**2,237**	**60**	**17,724**	**41,925**	**59,649**	**56,467**

The notes to the accounts on pages 26 – 87 form an integral part of the Financial Statements.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2012/13 Gross Expenditure £000	2012/13 Gross Income £000	2012/13 Net Expenditure of continuing operations £000		2013/14 Gross Expenditure £000	2013/14 Gross Income £000	2013/14 Net Expenditure of continuing operations £000	GROUP Net Expenditure of continuing operations £000
14,443	(13,329)	1,114	Central services to the public	2,787	(1,328)	1,459	1,459
10,962	(4,801)	6,161	Cultural and related services	11,062	(5,694)	5,368	5,368
8,832	(617)	8,215	Environmental and regulatory services	8,293	(740)	7,553	7,553
4,445	(2,414)	2,031	Planning services	4,330	(2,807)	1,523	1,523
1,512	(2,783)	(1,271)	Highways and transport services	1,243	(2,975)	(1,732)	(1,732)
47,484	(46,854)	630	Other housing services	49,579	(47,150)	2,429	2,429
3,886	(1,051)	2,835	Corporate and democratic core	2,739	(741)	1,998	1,998
253	-	253	Non distributed costs	91	-	91	91
91,817	**(71,849)**	**19,968**	**Cost of Services**	**80,124**	**(61,435)**	**18,689**	**18,689**
4,999	(712)	4,287	Other operating expenditure (Note 9)	4,742	(365)	4,377	4,377
4,633	(5,206)	(573)	Financing and investment income and expenditure (Note 10)	4,812	(4,805)	7	7
-	(20,393)	(20,393)	Taxation and non-specific grant income and expenditure (Note 11)	7,353	(28,571)	(21,218)	(21,218)
101,449	**(98,160)**	**3,289**	**(Surplus)/Deficit on the Provision of Services**	**97,031**	**(95,176)**	**1,855**	**1,855**
		(1,289)	(Surplus)/deficit on revaluation of Property, Plant and Equipment assets			(4,378)	(4,378)
		6,055	Remeasurements of the net defined benefit liability			2,955	2,955
		-	Share of other comprehensive income and expenditure – Joint Ventures * (Note 42)			-	1,557
		4,766	**Other Comprehensive Income and Expenditure**			**(1,423)**	**134**
		8,055	**Total Comprehensive Income and Expenditure**			**432**	**1,989**

* The 2012/13 Group Accounts adjustment was £587,000 giving Group Total Comprehensive Income and Expenditure of £8,642,000.

The notes to the accounts on pages 26 – 87 form an integral part of the Financial Statements.

BALANCE SHEET

31 March 2013 £000	GROUP 31 March 2013 £000		Note	31 March 2014 £000	GROUP 31 March 2014 £000
66,521	66,521	Property, Plant & Equipment	12	71,441	71,441
470	470	Heritage Assets	13	484	484
11,801	11,801	Investment Property	14	11,035	11,035
55	55	Intangible Assets	15	46	46
1,165	1,165	Assets Held for Sale	20	37	37
41	41	Long Term Debtors		74	74
80,053	**80,053**	**Non-Current Assets**		**83,117**	**83,117**
17,184	17,184	Short Term Investments		18,369	18,369
360	360	Assets Held for Sale	20	215	215
157	157	Inventories	17	95	95
5,999	5,999	Short Term Debtors	18	5,238	5,238
6	6	Cash and Cash Equivalents	19	1,094	1,094
23,706	**23,706**	**Current Assets**		**25,011**	**25,011**
(2,718)	(2,718)	Cash and Cash Equivalents	19	-	-
(4,436)	(4,436)	Short Term Creditors	21	(7,021)	(7,021)
-	-	Provisions	22	(604)	(604)
(7,154)	**(7,154)**	**Current Liabilities**		**(7,625)**	**(7,625)**
-	(1,625)	Investment in Joint Ventures	42	-	(3,182)
(36,474)	(36,474)	Other Long Term Liabilities	38	(40,854)	(40,854)
(50)	(50)	Grants Receipts in Advance - Capital		-	-
(36,524)	**(38,149)**	**Long Term Liabilities**		**(40,854)**	**(44,036)**
60,081	**58,456**	**Net Assets**		**59,649**	**56,467**
		Usable Reserves	23		
1,921	1,921	General Fund Balance		1,921	1,921
11,465	11,465	Earmarked Reserves		13,506	13,506
2,772	2,772	Capital Receipts Reserve		2,237	2,237
241	241	Capital Grants Unapplied		60	60
16,399	**16,399**			**17,724**	**17,724**
		Unusable Reserves	24		
21,419	21,419	Revaluation Reserve		25,260	25,260
58,938	58,938	Capital Adjustment Account		57,983	57,983
(36,474)	(36,474)	Pension Reserve		(40,854)	(40,854)
18	18	Deferred Capital Receipts		15	15
(44)	(44)	Collection Fund Adjustment Account		(387)	(387)
(175)	(175)	Accumulated Absences Adjustment Account		(92)	(92)
-	(1,625)	Joint Venture	42	-	(3,182)
43,682	**42,057**			**41,925**	**38,743**
60,081	**58,456**	**Total Reserves**		**59,649**	**56,467**

The notes to the accounts on pages 26 – 87 form an integral part of the Financial Statements.

CASH FLOW STATEMENT

2012/13 £000	GROUP 2012/13 £000		2013/14 £000	GROUP 2013/14 £000
(3,289)	(3,289)	Net (deficit)/surplus on the provision of services	(1,855)	(1,855)
1,763	1,763	Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 25)	7,228	7,228
(1,969)	(1,969)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 25)	(1,231)	(1,231)
(3,495)	**(3,495)**	Net cash flows from Operating Activities	**4,142**	**4,142**
151	151	Investing Activities (Note 26)	(1,464)	(1,464)
922	922	Financing Activities (Note 27)	1,128	1,128
(2,422)	**(2,422)**	Net increase/(decrease) in cash and cash equivalents	**3,806**	**3,806**
(290)	(290)	Cash and cash equivalents at the beginning of the reporting period	(2,712)	(2,712)
(2,712)	**(2,712)**	**Cash and cash equivalents at the end of the reporting period (Note 19)**	**1,094**	**1,094**

The impact of Group Accounting to incorporate Compass Point Business Services has had no effect on the Cash Flow Statement as the equity method has been used for the purpose of consolidation.

The notes to the accounts on pages 26 – 87 form an integral part of the Financial Statements.

NOTES TO THE ACCOUNTS

Contents

NOTE 1 – ACCOUNTING POLICIES

1. General Principles

The Financial Statements summarise the Council's transactions for the 2013/14 financial year and its position at the year-end of 31 March 2014. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and the Service Reporting Code of Practice 2013/14, supported by International Financial Reporting Standards (IFRS).

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

This section discloses the specific accounting policies adopted by the Council for the completion of the financial statements.

2. Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.

- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.

- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.

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

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

- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount, where considered material, is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

3. Cash and Cash Equivalents

a) Cash Equivalents:

Cash Equivalents are held for the purpose of meeting short term cash commitments rather than for investment or other purposes. East Lindsey District Council will classify these as follows:

- Overnight Fixed Deposits, Deposit Based Bank Accounts and Net Asset Value Money Market Funds held for investment purposes for the returns offered, which make up the Council's Average Yield Return on its Investments are to be classed as Short Term Investments.

- 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.

b) Bank Overdrafts:

Bank Overdrafts are to be shown as Cash and Cash Equivalents where they are an integral part of an authority's cash management.

4. Exceptional Items

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

5. Prior Period Adjustments, Changes in Accounting Policies, Estimates and Errors

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

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

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

6. Charges to Revenue for Non- Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

- Depreciation attributable to the assets used by the relevant service.
- Devaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.
- Amortisation of intangible assets attributable to the service.

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance.

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

7. Employee Benefits

Benefits Payable during Employment

Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements, or any form of leave e.g. time off in lieu, earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

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

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to 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.

Post-Employment Benefits

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

The Local Government Pension Scheme

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

The liabilities of the Lincolnshire County Council pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.

Liabilities are discounted to their value at current prices; using a discount rate of 4.3% (4.5% in 2012/13), based on the indicative rate of return on high quality corporate Bond.

The assets of the Lincolnshire County Council pension fund attributable to the Council are included in the Balance Sheet at their fair value:

- Quoted securities – current bid price.
- Unquoted securities – professional estimate.
- Unitised securities – current bid price.
- Property – market value.

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

Service Cost comprising

- ***Current service cost*** – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.

- ***Past service cost*** – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.

- ***Net interest on the net defined benefit liability***, i.e. net interest expense for the Council – the change during the period in the net defined benefit liability 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 at the beginning of the period – taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

Remeasurements comprising

- ***The return on plan assets*** – excluding amounts included in the net interest on the net defined benefit liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

- **Actuarial gains and losses** – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

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

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

Discretionary Benefits

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

8. Events after the Reporting Period

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Financial Statements are authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Financial Statements are adjusted to reflect such events.

- Those that are indicative of conditions that arose after the reporting period – the Financial Statements are not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Financial Statements.

9. Financial Instruments

Financial Liabilities

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

The Council is currently debt free and will remain so subject to Council deciding it prudent to do otherwise. This will be informed by the setting of the Annual Prudential Indicators.

Financial Assets

Financial Assets are classified into two types:

- Loans and Receivables – assets that have fixed or determinable payments but are not quoted in an active market.

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

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument 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 the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable plus accrued interest and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

The Council's investments have been treated as loans and receivables and are carried at their amortised cost.

The Council has made a number of loans mainly in the form of car loans to staff. These are recognised in the Balance Sheet at the amount of principal outstanding and have not been adjusted for fair value due to their scale.

Impairment

A financial asset is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of a past event that occurred subsequent to the initial recognition of the asset. An expected loss as a result of future events, no matter how likely, is not recognised.

At the end of each reporting period an assessment is made of whether there is objective evidence that any financial asset may be impaired. An assessment is first made of whether evidence of impairment exists individually for financial assets that are individually significant. Then an assessment of impairment is made individually or collectively for financial assets that are not individually significant.

In respect of the Icelandic Investments held within the Balance Sheet, the Council has followed the accounting practice set out within the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and additional guidance provided by CIPFA within the various update bulletins issued with regard to LAAP Bulletin 82 *Guidance on the Impairment of deposits with Icelandic Banks*.

Available-for-sale Assets

During 2013/14 the Council did not hold any Available-for-sale financial instrument assets.

10. Government Grants and Contributions

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

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

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.
Monies advanced as grants or contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-specific Grant Income and Expenditure (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

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

The extent of the Council's holdings of heritage assets is limited. Heritage assets are held to help increase the knowledge, understanding and appreciation of the Council's history and local area. Heritage Assets are recognised and measured, including the treatment of revaluation gains and losses, in accordance with the Council's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets where appropriate. The Council's heritage assets are accounted for as follows:-

- The Pingle Coningsby, Gibraltar Point Nature Reserve, St Mary's Burial Ground Louth, Tower Gardens Skegness, Dambusters Memorial Woodhall Spa, Site of Special Scientific Interest Skegness Foreshore - Historic Cost.

- The Clock Tower, Skegness, Civic Regalia - insurance value, the insurance values are updated by the internal valuer at insurance renewal time or external valuer for the civic regalia.

- Stanhope Memorial Horncastle, Sir John Franklin Memorial Spilsby and Buttercross Monument Spilsby, Clock Tower Old Market Hall Louth, Jolly Fisherman Statue Compass Gardens Skegness – not included as heritage assets in the balance sheet as they are sited within other assets that are included within Property Plant and Equipment on the balance sheet. The cost of obtaining their value information outweighs the benefit to the users of the statement. The value of the assets that the Heritage assets are included in are determined by the internal valuer during the annual valuation process.

The carrying amounts of heritage assets are reviewed when there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment – see item 18 in this summary of significant accounting policies.

In most cases depreciation is not charged as the assets are deemed to be held in perpetuity. Should any heritage assets be disposed of, the proceeds are accounted for in accordance with the Council's general provisions relating to the disposal of property, plant and equipment.

12. Intangible Assets

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

Intangible assets are measured initially at cost and are carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line in the Comprehensive Income and Expenditure Statement.

Assets are assessed for impairment at each year end, whenever there is an indication that the asset might be impaired, any losses recognised are posted to the relevant service line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation and impairment losses are not permitted to have an impact on the General Fund balance. The gains and losses are therefore reversed out of the General Fund balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

13. Interest in Companies and Other Entitles

The Council has a material interest (50% voting power) in Compass Point Business Services (East Coast) Limited and will account for this as a jointly controlled entity under Group Accounting rules using the equity method for consolidation. The Council's shareholding is 63% of the total shareholding.

14. Inventories

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the current costing formula.

15. Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arms-length. Properties are not depreciated but are revalued annually according to market conditions at the year end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

16. Leases

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

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

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

The Council as Lessee

Finance Leases

The Council does not lease any property, plant or equipment under the terms of a finance lease.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment.

The Council as Lessor

Finance Leases

The Council does not lease out any property under the terms of a finance lease.

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

17. Overheads and Support Services

The cost of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of CIPFA *Service Reporting Code of Practice 2013/14 (SeRCOP)*. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multi–functional, democratic organisation.

- Non-Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

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

18. Property, Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising;

- The purchase price.

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

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

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance i.e. it will not lead to a variation in the cash flows of the Council.

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

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

- All other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

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

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

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

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

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

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

Impairment

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

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

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

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

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

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable useful life i.e. freehold land and certain Community Assets and assets that are not yet available for use i.e. assets under construction.

Depreciation is calculated on the following bases:

- Dwellings and other buildings– straight line allocation over the life of the property as estimated by the valuer.

- Vehicles, plant and equipment – straight line allocation over the life of the asset, as advised by a suitably qualified officer.

- Infrastructure – straight line allocation.

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. Materiality levels have been assessed and a materiality level of £0.5m for major components has been applied.

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

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

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

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

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

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

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

19. Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

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

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required or a lower settlement than anticipated is made, the provision is reversed and credited back to the relevant service.

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

20. Contingent Liabilities

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

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

21. Contingent Assets

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

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

22. Reserves

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

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

23. Revenue Expenditure Funded from Capital under Statute

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

24. VAT

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

NOTE 2 – ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED

The Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (the Code) has introduced several changes in accounting policies which will be required from 1 April 2014.

Accounting Standards addressing accounting for consolidation, involvements in joint arrangements and disclosure of involvement in other entities:

- IFRS 10 Consolidated financial statements: This standard introduces a new definition of control, which is used to determine which entities are consolidated for the purpose of group accounts.

- IFRS 11 Joint Arrangements: This standard addresses the accounting requirements for a 'joint arrangement' which is defined as a contractual arrangement over which two or more parties have joint control. These are classified as either a joint venture or a joint operation.

- IFRS 12 Disclosure of Interests in Other Entities: This is a consolidated disclosure standard requiring a range of disclosures about an entity's interest in subsidiaries, joint arrangements, associates and unconsolidated 'structured entities'.

- IAS 27 Separate Financial Statements and IAS 28 Investments in Associates and Joint Ventures: These have been amended to conform to the changes in IFRS 10, 11 and 12.

The Consolidation of Compass Point Business Services (East Coast) Ltd will fall under the provisions of IFRS 11 – Joint arrangements as the Company is classed as a Joint Venture.

Other Standards

- IAS 32 Financial Instruments Presentation: The Code references application guidance when offsetting a financial asset and a financial liability. All gains and losses are separately identified in the Comprehensive Income and Expenditure Statement.

- IAS 1 Presentation of the Financial Statements: The change clarifies the disclosure requirements in respect of comparative information of the preceding accounting period. The Financial Statements fully disclose comparative information for the preceding period and therefore these changes will not have a material impact on the Statements.

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 Financial Statements are:

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

NOTE 4 – ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

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

The items in the Council's Balance Sheet at 31 March 2014 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Pensions Liability

The estimation of the net liability (£40.854m at 31 March 2014) to pay pensions depends on a number of complex judgments 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 pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.

During 2013/14, the Council's actuaries advised that the net pension liability had increased by £4.380m. This is made up of:

- £2.955m actuarial loss

- £1.425m loss arising from employer contributions of £1.996m being less than the pension obligations of £3.421m.

Debt Impairment

At 31 March 2014, the Council had a balance of sundry debtor and housing benefit overpayments of £2.496m. A review of significant balances suggested that an impairment of doubtful debts of 34.8% (£0.869m) was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.

If collection rates were to deteriorate, increasing the impairment for doubtful debts to 60% of the total debt would require an additional £0.629m to be set aside as an allowance.

Repayments of investments in Icelandic banks

At 31 March 2014, the Council had a holding balance of £0.263m in two Icelandic banks where repayments of principal and interest are expected over the next six years. All monies within these Institutions are currently subject to Administration processes or Icelandic currency restrictions. The amounts and timing of payments to depositors such as the Council will be determined by Administrators or Icelandic Government legislation.

If the repayment levels determined by the Administrators increases above, or are made prior to, expected levels the Council's income will increase in future years. However, if repayments are delayed or reduced, an impairment charge would be charged to future Comprehensive Income and Expenditure Statements.

NOTE 5 – MATERIAL ITEMS OF INCOME AND EXPENSE

There are no material items of income and expenditure that are not disclosed elsewhere within the financial statements.

NOTE 6 – EVENTS AFTER THE BALANCE SHEET DATE

The financial statements were authorised for by the Deputy Chief Executive on 24 September 2014. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2014, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

There have been no material events after the balance sheet date.

NOTE 7 – ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

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

Capital Receipts Reserve

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

Capital Grants Unapplied

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

2013/14	Usable Reserves			
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	1,925	-	-	(1,925)
Revaluation losses on Property Plant and Equipment	(11)	-	-	11
Movements in the fair value of Investment Properties	-	-	-	-
Amortisation of intangible assets	9	-	-	(9)
Capital grants and contributions applied	(1,119)	-	-	1,119
Revenue expenditure funded from capital under statute	3,274	-	-	(3,274)
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	289	-	-	(289)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Capital expenditure charged against the General Fund balance	(1,733)	-	-	1,733
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(60)	-	60	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	(241)	241
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(365)	365	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	(901)	-	901
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	2	(2)	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	3	-	(3)

2013/14	Usable Reserves			
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note **24**)	3,421	-	-	(3,421)
Employer's pensions contributions and direct payments to pensioners payable in the year	(1,996)	-	-	1,996
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax and non-domestic rating income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rating income calculated for the year in accordance with statutory requirements	343	-	-	(343)
Adjustments primarily involving the Accumulated Absences Account:				
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	(83)	-	-	83
Total Adjustments	**3,896**	**(535)**	**(181)**	**(3,180)**

2012/13	Usable Reserves			
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	1,631	-	-	(1,631)
Revaluation losses on Property Plant and Equipment	195	-	-	(195)
Movements in the market value of Investment Properties	54	-	-	(54)
Amortisation of intangible assets	2	-	-	(2)
Capital grants and contributions applied	(1,016)	-	-	1,016
Revenue expenditure funded from capital under statute	2,260	-	-	(2,260)
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	398	-	-	(398)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Capital expenditure charged against the General Fund balance	(770)	-	-	770
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(241)	-	241	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(712)	712	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	(3,540)	-	3,540
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	2	(2)	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	3	-	(3)

2012/13	Usable Reserves			
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 24)	2,511	-	-	(2,511)
Employer's pensions contributions and direct payments to pensioners payable in the year	(1,975)	-	-	1,975
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	44	-	-	(44)
Adjustments primarily involving the Accumulated Absences Account:				
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	57	-	-	(57)
Total Adjustments	**2,440**	**(2,827)**	**241**	**146**

NOTE 8 – TRANSFERS TO/FROM EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund balance in earmarked reserves to provide financing for future expenditure plans, and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2013/14.

	Balance at 1 April 2012 £000	Transfers Out 2012/13 £000	Transfers In 2012/13 £000	Balance at 31 March 2013 £000	Transfers Out 2013/14 £000	Transfers In 2013/14 £000	Balance at 31 March 2014 £000
Capital Reserve	3,678	(148)	93	3,623	(2,118)	656	**2,161**
Community and Cultural Reserve	2,597	(534)	800	2,863	(285)	1,115	**3,693**
Housing Reserve	993	(520)	-	473	(262)	13	**224**
Technology Reserve	928	(46)	31	913	(65)	106	**954**
Insurance Reserve	475	(137)	100	438	(253)	340	**525**
Workforce Costs Reserve	298	(158)	-	140	(52)	23	**111**
Service Transformation Reserve	1,766	(152)	-	1,614	(226)	338	**1,726**
Medium Term Financial Strategy Reserve	8	(8)	-	-	-	931	**931**
Carbon Reduction Reserve	250	-	-	250	(16)	-	**234**
Legal and Appeals Reserve	722	(141)	-	581	(108)	434	**907**
Repair and Renewals Reserve	520	(53)	103	570	(37)	1,507	**2,040**
Total Earmarked Reserves	**12,235**	**(1,897)**	**1,127**	**11,465**	**(3,422)**	**5,463**	**13,506**

NOTE 9 – OTHER OPERATING EXPENDITURE

2012/13 £000		2013/14 £000
1,519	Parish council precepts	1,357
3,080	Internal Drainage Board Levies	3,093
2	Payments to the Government Housing Capital Receipts Pool	2
(314)	(Gains)/Losses on the disposal of non-current assets	(75)
4,287	**Total**	**4,377**

NOTE 10 – FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2012/13 £000		2013/14 £000
3	Interest payable and similar charges	2
965	Net interest on the net defined benefit liability	1,636
(442)	Interest receivable and similar income	(241)
(1,099)	Income and Expenditure in relation to investment properties and changes in their fair value	(1,255)
-	Other investment income	(135)
(573)	**Total**	**7**

NOTE 11 – TAXATION AND NON SPECIFIC GRANT INCOME AND EXPENDITURE

2012/13 £000		2013/14 £000
(6,866)	Council tax income	(6,178)
	Non Domestic Rates Income and Expenditure	
(12,325)	Share of National Pool	-
-	Retained Business Rates after payment of Tariff and Levy to Central Government	(4,935)
-	Revenue Support Grant	(8,077)
(1,161)	Non-ringfenced government grants	(1,978)
(41)	Capital Grants and Contributions	(50)
(20,393)	**Total**	**(21,218)**

Revenue Support Grant for 2012/13 of £239,000 is included under Non-ringfenced government grants.

NOTE 12 – PROPERTY, PLANT AND EQUIPMENT - Movements on Balances

2013/14	Other Land and Buildings	vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000
Movements on balances						
Cost or valuation						
At 1 April 2013	**63,355**	**7,163**	**24**	**1,282**	**24**	**71,848**
Additions	490	118	43	69	-	720
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	2,174	-	-	-	52	2,226
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(360)	-	-	-	(137)	(497)
Derecognition – disposals	-	(17)	-	-	-	(17)
Derecognition – others	(453)	(344)	-	-	-	(797)
Assets reclassified (to)/from Held for Sale	-	-	-	-	1,225	1,225
Other movements in Cost or Valuation	486	-	22	36	257	801
At 31 March 2014	**65,692**	**6,920**	**89**	**1,387**	**1,421**	**75,509**
Accumulated Depreciation and Impairment						
At 1 April 2013	**(1,617)**	**(3,710)**	**-**	**-**	**-**	**(5,327)**
Depreciation charge	(1,245)	(668)	(2)	-	(1)	(1,916)
Depreciation written out to the Revaluation Reserve	2,157	-	-	-	1	2,158
Depreciation written out to the Surplus/Deficit on the Provision of Services	525	-	-	-	-	525
Impairment (Losses) Reversals recognised in Revaluation Reserve	(27)	-	-	-	-	(27)
Derecognition – disposals	-	10	-	-	-	10
Derecognition – others	218	330	-	-		548
Other movements in Depreciation and Impairment	(11)	-	-	(28)		(39)
At 31 March 2014	**-**	**(4,038)**	**(2)**	**(28)**	**-**	**(4,068)**
Net Book value						
at 31 March 2013	**61,738**	**3,453**	**24**	**1,282**	**24**	**66,521**
at 31 March 2014	**65,692**	**2,882**	**87**	**1,359**	**1,421**	**71,441**

2012/13	Other Land and Buildings £000	vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Total Property, Plant and Equipment £000
<u>Movements on balances</u>						
Cost or valuation						
At 1 April 2012	**63,662**	**4,810**	**-**	**1,224**	**-**	**69,696**
Additions	259	2,653	24	68	-	3,004
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	1,369	-	-	-	(32)	1,337
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(1,412)	-	-	(10)	-	(1,422)
Derecognition – disposals	(390)	(300)	-	-	-	(690)
Assets reclassified (to)/from Held for Sale	(133)	-	-	-	56	(77)
At 31 March 2013	**63,355**	**7,163**	**24**	**1,282**	**24**	**71,848**
Accumulated Depreciation and Impairment						
At 1 April 2012	**(1,473)**	**(3,733)**	**-**	**-**	**-**	**(5,206)**
Depreciation charge	(1,316)	(277)	-	-	-	(1,593)
Depreciation written out to the Revaluation Reserve	(36)	-	-	-	-	(36)
Depreciation written out to the Surplus/Deficit on the Provision of Services	1,185	-	-	-	-	1,185
Derecognition – disposals	23	300	-	-	-	323
At 31 March 2013	**(1,617)**	**(3,710)**	**-**	**-**	**-**	**(5,327)**
Net Book value						
at 31 March 2012	**62,189**	**1,077**	**-**	**1,224**	**-**	**64,490**
at 31 March 2013	**61,738**	**3,453**	**24**	**1,282**	**24**	**66,521**

Depreciation

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

- Property, Land and Buildings – 1-110 years
- Vehicles, Plant, Furniture & Equipment – 1-7 years

Effects of Changes in Estimates

In 2013/14, no material changes were made to the Council's accounting estimates for Property, Plant and Equipment.

Revaluations

The Council ensures that all properties that are held at current cost are revalued as a minimum at five yearly intervals. There has been a full revaluation of all such assets as at 31 March 2014. All valuations were carried out internally. 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.

	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Total £000
Carried at historical cost	-	2,882	87	1,359	-	**4,328**
Valued at fair value (NBV) as at: 31 March 2014	65,692	-	-	-	1,421	**67,113**
Total Cost or Valuation at 31 March 2014	**65,692**	**2,882**	**87**	**1,359**	**1,421**	**71,441**

NOTE 13 – HERITAGE ASSETS

Reconciliation of the carrying value of Heritage Assets held by the Council

2012/13 £000		2013/14 £000
	Cost or valuation	
470	1 April	470
-	Revaluations in year	22
-	Other Movements	(8)
470	**31 March**	**484**

The Council's heritage assets are valued in accordance with the CIPFA Code of Practice and are detailed in the accounting policy on pages 34 - 35.

The Council has not recognised any museum artefacts as Heritage Assets.

NOTE 14 – INVESTMENT PROPERTY

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

2012/13 £000		2013/14 £000
(1,858)	Rental Income from investment property	(1,865)
705	Direct operating expenses arising from investment property	610
54	Net (gains)/losses from fair value adjustments	-
(1,099)	**Net (gain)/loss**	**(1,255)**

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

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

2012/13 £000		2013/14 £000
11,870	Balance at start of the year	11,801
15	Additions – Subsequent Expenditure	-
(30)	Disposals	(4)
-	Transfer (to)/from Property, Plant & Equipment	(762)
(54)	Net gains/(losses) from fair value adjustments	-
11,801	**Balance at end of the year**	**11,035**

NOTE 15 – INTANGIBLE ASSETS

The Council accounts for its software as intangible assets. Intangible assets include purchased licenses.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. A seven year life has been used to amortise the existing software infrastructure assets.

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £8,291 charged to revenue in 2013/14 was charged to the IT Service cost centre and then absorbed as an overhead across service headings in the Cost of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading

The movement on Intangible Asset balances during the year is as follows:

2012/13 £000		2013/14 £000
	Balance at start of year:	
13	- Gross carrying amounts	58
(2)	- Accumulated amortisation	(3)
11	Net carrying amount at start of year	**55**
	Additions:	
46	- Purchases	-
(2)	Amortisation for the period	(9)
55	**Net carrying amount at end of year**	**46**
	Comprising:	
58	- Gross carrying amounts	58
(3)	- Accumulated amortisation	(12)
55		**46**

NOTE 16 – FINANCIAL INSTRUMENTS

Categories of Financial Instruments

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

	Long Term		Short term	
	31 March 2014 £000	31 March 2013 £000	31 March 2014 £000	31 March 2013 £000
Investments and cash and cash equivalents				
Loans and receivables	**-**	**-**	**19,457**	**17,184**
Debtors				
Loans and receivables	74	41	-	-
Financial assets carried at contract amounts	-	-	1,320	1,188
Total Debtors	**74**	**41**	**1,320**	**1,188**
Creditors				
Financial liabilities carried at contract amount	**-**	**-**	**(4,679)**	**(3,328)**
Cash and Cash Equivalents				
Financial liabilities carried at contract amount	**-**	**-**	**-**	**(2,718)**

Income, expense, gains and losses

	2013/14	
	Financial Assets: Loans and receivables £000	Total £000
Interest income	(241)	(241)
Total income in Surplus or Deficit on the Provision of Services	**(241)**	**(241)**
Net loss/(gain) for the year	**(241)**	**(241)**

	2012/13	
	Financial Assets: Loans and receivables £000	Total £000
Interest income	(442)	(442)
Total income in Surplus or Deficit on the Provision of Services	**(442)**	**(442)**
Net loss/(gain) for the year	**(442)**	**(442)**

Fair Values of Assets and Liabilities

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

- no early repayment or impairment is recognised
- where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

LIABILITIES	31 March 2014		31 March 2013	
	Carrying amount £000	Fair Value £000	Carrying amount £000	Fair Value £000
Financial liabilities (Short-term trade creditors)	(4,679)	(4,679)	(3,328)	(3,328)
Cash and Cash Equivalents	-	-	(2,718)	(2,718)

Financial liabilities represent trade creditors. Fair value is taken to be the invoiced value.

ASSETS	31 March 2014		31 March 2013	
	Carrying amount £000	Fair Value £000	Carrying amount £000	Fair Value £000
Investments	18,106*	18,094	16,684*	16,744
Cash and Cash Equivalents	1,088	1,088	-	-
Long-Term Debtors	74	74	41	41
Financial assets carried at contract amounts (Short-term trade debtors)	1,320	1,320	1,188	1,188

* The carrying value of loans and receivables excludes £0.263m of Icelandic investments (0.5m at 31 March 2013).

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

NOTE 17 – INVENTORIES

	Leisure Services Retail Stock		Maintenance Materials and Fuel		Total	
	2013/14 £000	2012/13 £000	2013/14 £000	2012/13 £000	2013/14 £000	2012/13 £000
Balance outstanding at the start of the year	**7**	**-**	**150**	**112**	**157**	**112**
Purchases	21	18	613	657	634	675
Recognised as an expense in the year	(20)	(11)	(615)	(619)	(635)	(630)
Written off balances	-	-	(61)	-	(61)	-
Balance outstanding at year end	**8**	**7**	**87**	**150**	**95**	**157**

NOTE 18 – DEBTORS

31 March 2013 £000 Net		31 March 2014 £000 Gross	31 March 2014 £000 Impairment Allowance	31 March 2014 £000 Net
2,053	Central Government Bodies	1,605	-	1,605
1,417	Other Local Authorities	283	-	283
-	NHS bodies	20	-	20
71	Public corporations and trading funds	-	-	-
2,458	Other entities and individuals	4,868	(1,538)	3,330
5,999	**Total**	**6,776**	**(1,538)**	**5,238**

NOTE 19 – CASH AND CASH EQUIVALENTS

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

31 March 2013 £000		31 March 2014 £000
6	Cash held by the Council	6
(2,718)	Bank current accounts	1,088
(2,712)	**Total Cash and Cash Equivalents**	**1,094**

NOTE 20 – ASSETS HELD FOR SALE

	Current assets		Non-current assets	
	2013/14 £000	2012/13 £000	2013/14 £000	2012/13 £000
Balance outstanding at start of year	**360**	**264**	**1,165**	**1,192**
Assets newly classified as held for sale:				
Property, Plant and Equipment	-	133	-	-
Revaluation losses	(6)	-	(12)	(9)
Impairment losses	-	(37)	-	-
Revaluation gains	-	-	-	39
Assets declassified as held for sale				
Property, Plant and Equipment	(222)	-	(1,003)	-
Other assets/liabilities in disposal groups	(42)			
Assets sold	-	-	(30)	-
Transfers from non-current to current	125	-	(125)	(57)
Other movements	-	-	42	
Balance outstanding at year-end	**215**	**360**	**37**	**1,165**

NOTE 21 – CREDITORS

2012/13 £000		2013/14 £000
(414)	Central government bodies	(858)
(298)	Other local authorities	(967)
(82)	NHS bodies	(1)
-	Public corporations and trading funds	-
(3,642)	Other entities and individuals	(5,195)
(4,436)	**Total**	**(7,021)**

NOTE 22 – PROVISIONS

.

	Non Domestic Rating Appeals £000
Balance at 1 April 2013	-
Provision made in 2013/14	604
Balance at 31 March 2014	**604**

The provision represents East Lindsey's share (40% £1.511m) of the total provision for appeals against the rateable valuation set by the Valuation Office Agency (VOA) not settled as at the 31 March 2014. The total provision has been recognised in the Collection Fund Statement (page 88).

NOTE 23 – USABLE RESERVES

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

NOTE 24 – UNUSABLE RESERVES

31 March 2013 £000		31 March 2014 £000
21,419	Revaluation Reserve	25,260
58,938	Capital Adjustment Account	57,983
(36,474)	Pensions Reserve	(40,854)
18	Deferred Capital Receipts Reserve	15
(44)	Collection Fund Adjustment Account	(387)
(175)	Accumulated Absences Account	(92)
43,682	**Total Unusable Reserves**	**41,925**

Revaluation Reserve

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

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

2012/13 £000	2012/13 £000		2013/14 £000	2013/14 £000
	20,753	**Balance at 1 April**		**21,419**
1,215		Upward revaluation of assets	5,831	
74		Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(1,453)	
	1,289	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		4,378
(469)		Difference between fair value depreciation and historical cost depreciation	(508)	
(154)		Accumulated gains on assets sold or scrapped	(29)	
	(623)	Amount written off to the Capital Adjustment Account		(537)
	21,419	**Balance at 31 March**		**25,260**

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 additions to those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or subsequent costs 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 subsequent costs.

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

2012/13 £000	2012/13 £000		2013/14 £000	2013/14 £000
	57,529	**Balance at 1 April**		**58,938**
		Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement		
(1,631)		Charges for depreciation and impairment of non-current assets	(1,925)	
(195)		Revaluation losses on Property, Plant and Equipment	11	
(2)		Amortisation of intangible assets	(9)	
(2,260)		Revenue expenditure funded from capital under statute	(3,274)	
(398)		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	(289)	
	(4,486)			(5,486)
	154	Adjusting amounts written out of the Revaluation Reserve		29
	469	Net written out amount of the cost of non-current assets consumed in the year		508
		Capital financing applied in the year:		
3,540		Use of the Capital Receipts Reserve to finance new capital expenditure	901	
1,016		Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	1,119	
-		Application of grants to capital financing from the Capital Grants Unapplied Account	241	
770		Capital expenditure charged against the General Fund balance	1,733	
	5,326			3,994
	(54)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		-
	58,938	**Balance at 31 March**		**57,983**

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.

2012/13 £000		2013/14 £000
(29,883)	**Balance at 1 April**	**(36,474)**
(6,055)	Remeasurements of the net defined benefit liability	(2,955)
(2,511)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(3,421)
1,975	Employer's pensions contributions and direct payments to pensioners payable in the year	1,996
(36,474)	**Balance at 31 March**	**(40,854)**

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

2012/13 £000		2013/14 £000
21	**Balance at 1 April**	**18**
(3)	Transfer to the Capital Receipts Reserve upon receipt of cash	(3)
18	**Balance at 31 March**	**15**

Collection Fund Adjustment Account

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

2012/13 £000		2013/14 £000
-	**Balance at 1 April**	**(44)**
(44)	Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non domestic rates income calculated for the year in accordance with statutory requirements	(343)
(44)	**Balance at 31 March**	**(387)**

Accumulated Absences Account

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

2012/13 £000	2012/13 £000		2013/14 £000	2013/14 £000
	(118)	**Balance at 1 April**		**(175)**
118		Settlement or cancellation of accrual made at end of the preceding year	175	
(175)		Amounts accrued at the end of the current year	(92)	
	(57)	Amount by which officer remuneration charges to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		83
	(175)	**Balance at 31 March**		**(92)**

NOTE 25 – CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items

2012/13 £000		2013/14 £000
245	Interest received	956
(3)	Interest paid	(2)

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

2012/13 £000		2013/14 £000
1,631	Depreciation and impairment of non-current assets	1,925
195	Impairment and downward Revaluations	(11)
2	Amortisation of intangible assets	9
(197)	Increase/decrease in interest and dividend debtors	715
(380)	Increase/decrease in creditors	1,982
(431)	Increase/decrease in debtors	228
(45)	Increase/decrease in inventories	62
536	Movement in Pension Liability	1,425
398	Carrying Amount of non-current assets and non-current assets held for sale, sold or derecognised	289
54	Movement in Investment Property Values	-
-	Contribution to Provisions	604
1,763		**7,228**
	Adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities	
(1,257)	Capital Grants credited to surplus or deficit on the provision of services	(1,179)
(712)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(52)
(1,969)		**(1,231)**

NOTE 26 – CASH FLOW STATEMENT – INVESTING ACTIVITIES

2012/13 £000		2013/14 £000
(3,066)	Purchase of property, plant and equipment, investment property, plant and intangible assets	(568)
(56,585)	Purchase of short term investments	(20,020)
715	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	55
57,830	Proceeds from short-term and long-term investments	18,120
1,257	Other receipts from investing activities	949
151	**Net cash flows from investing activities**	**(1,464)**

NOTE 27 – CASH FLOW STATEMENT – FINANCING ACTIVITIES

2012/13 £000		2013/14 £000
922	Council Tax and NNDR Adjustments	1,128
922	**Net cash flows from financing activities**	**1,128**

NOTE 28 – AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Council's Executive the basis of budget reports analysed across Portfolio Holder structure. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- only some charges are made in relation to capital expenditure (whereas revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)

- the cost of retirement benefits is based on cash flows (payment of employer's pension's contributions) rather than current service cost of benefits accrued in the year.

The income and expenditure of the Council's Portfolio Holder structure recorded in the budget reports for the year is as follows:

Portfolio Holder Income and Expenditure	Built Environment	Communities	Culture, Leisure & Tourism	Economic Regeneration	Environment	Finance	Leader of the Council	Total
2013/14	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Fees, charges & other service income	(1,033)	(158)	(3,996)	(4,543)	(3,270)	(3,733)	(854)	(17,587)
Interest and investment income	-	-	-	-	-	(135)	(241)	(376)
Government grants	(45,453)	-	-	(34)	-	-	(1,193)	(46,680)
Total Income	**(46,486)**	**(158)**	**(3,996)**	**(4,577)**	**(3,270)**	**(3,868)**	**(2,288)**	**(64,643)**
Employee expenses	731	915	3,140	2,367	4,081	1,238	1,440	13,912
Other service expenses	48,871	571	5,635	2,344	4,909	2,460	5,616	70,406
Total Expenditure	**49,602**	**1,486**	**8,775**	**4,711**	**8,990**	**3,698**	**7,056**	**84,318**
Net Expenditure	**3,116**	**1,328**	**4,779**	**134**	**5,720**	**(170)**	**4,768**	**19,675**

Restated Portfolio Holder Income and Expenditure 2012/13	Built Environment £000	Communities £000	Culture, Leisure & Tourism £000	Economic Regeneration £000	Environment £000	Finance £000	Leader of the Council £000	Total £000
Fees, charges & other service income	(1,161)	(129)	(3,743)	(3,932)	(2,986)	(3,038)	(926)	(15,915)
Interest and investment income	-	-	-	-	-	-	(442)	(442)
Government grants	(57,297)	-	-	(5)	-	(270)	(220)	(57,792)
Total Income	**(58,458)**	**(129)**	**(3,743)**	**(3,937)**	**(2,986)**	**(3,308)**	**(1,588)**	**(74,149)**
Employee expenses	658	798	3,041	2,483	4,156	1,153	2,023	14,312
Other service expenses	58,251	522	4,607	1,934	4,658	4,184	3,255	77,411
Total Expenditure	**58,909**	**1,320**	**7,648**	**4,417**	**8,814**	**5,337**	**5,278**	**91,723**
Net Expenditure	**451**	**1,191**	**3,905**	**480**	**5,828**	**2,029**	**3,690**	**17,574**

In 2012/13 this analysis was based on Corporate Priorities and therefore figures have been restated to allow comparison with 2013/14.

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

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

2012/13 £000		2013/14 £000
17,574	Net expenditure in the Portfolio Holder Analysis	19,675
1,645	Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	420
749	Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	(1,406)
19,968	**Cost of Services in Comprehensive Income and Expenditure Statement**	**18,689**

Reconciliation to Subjective Analysis

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

2013/14	Corporate Priority analysis	Amounts not reported to management for decision making	Amounts not included in I&E	Cost of Services	Corporate	Total
	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(17,587)	(205)	1,864	(15,928)	(1,865)	(17,793)
Interest and investment income	(376)	-	376	-	(376)	(376)
Income from Council Tax	-	-	-	-	(6,178)	(6,178)
Income from Business Rates	-	-	-	-	(12,288)	(12,288)
Government grants and contributions	(46,680)	-	1,173	(45,507)	(10,105)	(55,612)
Gain or loss on disposal of fixed assets	-	-	-	-	(365)	(365)
Total Income	**(64,643)**	**(205)**	**3,413**	**(61,435)**	**(31,177)**	**(92,612)**
Employee expenses	13,912	(271)	(114)	13,527	114	13,641
Other service expenses	66,316	896	(2,494)	64,718	461	65,179
Support Service recharges	-	-	(35)	(35)	35	-
Depreciation, amortisation and impairment	(289)	-	2,203	1,914	-	1,914
Interest payments	2	-	(2)	-	2	2
Precepts & Levies	4,450	-	(4,450)	-	4,450	4,450
Payments to Housing Capital Receipts Pool	2	-	(2)	-	2	2
Gain or Loss on disposal of fixed assets	(75)	-	75	-	290	290
Business Rates Tariff and Levy	-	-	-	-	7,353	7,353
Net interest on the net defined benefit liability	-	-	-	-	1,636	1,636
Total expenditure	**84,318**	**625**	**(4,819)**	**80,124**	**14,343**	**94,467**
Surplus or deficit on the provision of services	**19,675**	**420**	**(1,406)**	**18,689**	**(16,834)**	**1,855**

2012/13	Corporate Priority Analysis	Amounts not reported to management for decision making	Amounts not included in I&E	Cost of Services	Corporate	Total
	£000 Restated	£000 Restated	£000 Restated	£000 Restated	£000 Restated	£000 Restated
Fees, charges & other service income	(15,915)	-	1,858	(14,057)	(1,858)	(15,915)
Interest and investment income	(442)	-	442	-	(442)	(442)
Income from Council Tax	-	-	-	-	(6,866)	(6,866)
Government grants and contributions	(57,792)	-	-	(57,792)	(13,527)	(71,319)
Gain or loss on disposal of fixed assets	-	-	-	-	(712)	(712)
Total Income	**(74,149)**	**-**	**2,300**	**(71,849)**	**(23,405)**	**(95,254)**
Employee expenses	14,312	-	(116)	14,196	116	14,312
Other service expenses	77,411	-	(1,435)	75,976	644	76,620
Support Service recharges	-	(183)	-	(183)	-	(183)
Depreciation, amortisation and impairment	-	1,828	-	1,828	-	1,828
Interest Payments	-	-	-	-	3	3
Precepts & Levies	-	-	-	-	4,598	4,598
Payments to Housing Capital Receipts Pool	-	-	-	-	2	2
Gain or loss on disposal of fixed assets	-	-	-	-	398	398
Net interest on the net defined benefit liability	-	-	-	-	965	965
Total expenditure	**91,723**	**1,645**	**(1,551)**	**91,817**	**6,726**	**98,543**
Surplus or deficit on the provision of services	**17,574**	**1,645**	**749**	**19,968**	**(16,679)**	**3,289**

NOTE 29 – MEMBERS' ALLOWANCES

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

	2013/14 £000	2012/13 £000
Salaries	249	246
Allowances	80	84
Expenses	43	49
Total	**372**	**379**

NOTE 30 – OFFICERS' REMUNERATION

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

		Salary, Fees and Allowances £	Expenses Allowances £	Termination Payments / Compensation for Loss of Office* £	Pension Contribution £	Total £
Chief Executive from 28/2/13 (Prev. Deputy Chief Executive)	2013/14	112,875	458	-	25,305	138,638
	2012/13	102,960	1,310	-	24,817	129,087
Chief Executive (to 31/12/12)	2013/14	-	-	-	-	-
	2012/13	96,542	94	31,839	18,756	147,231
Director (Management Team from May 2013)	2013/14	75,968	1,239	-	17,079	94,286
	2012/13	-	-	-	-	-
Strategic Development Manager (1) (Management Team from May 2013)	2013/14	63,330	1,555	-	14,237	79,122
	2012/13	-	-	-	-	-
Strategic Development Manager (2) (Management Team from May 2013)	2013/14	63,330	1,394	-	14,237	78,961
	2012/13	-	-	-	-	-
Corporate Asset Manager * (Management Team from February 2014)	2013/14	63,330	1,335	-	14,237	78,902
	2012/13	-	-	-	-	-

From 1 January 2011, a joint arrangement to share the Section 151 Officer (Chief Financial Officer) with Boston Borough Council was introduced. As they are employed by Boston BC, the employment costs are shown in their Accounts. In 2013/14 the Council paid £54,182 (2012/13 £55,251) in respect of this arrangement.

*The Council has a joint arrangement to share the Corporate Asset Manager with Boston BC. As East Lindsey DC is the employing Council the full employment costs are reflected in the table above but 20% of the cost is recharged to Boston BC.

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

Remuneration Band	2013/14 Number of Employees	2012/13 Number of Employees
£ 50,000 – £ 54,999	4	-
£ 55,000 – £ 59,999	-	3*
£ 60,000 – £ 64,999	-	-
£ 65,000 – £ 69,999	-	1
£ 70,000 – £ 74,999	-	1
£ 75,000 – £ 79,999	-	1
£100,000 – £104,999	-	1

*During 2012/13 the Council had a joint arrangement to share one of the Officers in the £55,000 to £59,999 category with Boston BC. As East Lindsey DC was the employing Council the full employment costs are reflected in the table above but 20% of the cost was recharged to Boston BC. This Officer is now included in the Senior Management table above for 2013/14.

Four employees are included in the above table as a result of termination payments taking them above the £50,000 threshold, one in 2013/14 and three in 2012/13.

The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below.

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14 £	2012/13 £
£0-£20,000	6	-	3	5	9	5	77,864	26,390
£20,001-£40,000	2	-	-	3	2	3	50,790	91,886
£40,001-£60,000	-	-	-	2	-	2	-	101,349
Total cost included in bandings							128,654	219,625
Add: Amounts provided for in CIES not included in bandings							-	-
Total cost included in CIES							**128,654**	**219,625**

NOTE 31 – EXTERNAL AUDIT COSTS

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

	2013/14 £000	2012/13 £000
Fees payable to the appointed auditor, KPMG, with regard to external audit services carried out for the year	62	62
Fees payable to the appointed auditor, KPMG, for the certification of grant claims and returns for the year	6	6
TOTAL	**68**	**68**

NOTE 32 – GRANT INCOME

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2013/14:

	2013/14 £000	2012/13 £000
Credited to Taxation and Non Specific Grant income		
Revenue Support Grant	(8,077)	(239)
Distribution of Non domestic rates income from National Pool	-	(12,325)
S31 Grant – Small Business Rate Relief	(855)	
Council Tax Freeze Grant	-	(135)
New Homes Bonus Scheme Grant	(970)	(675)
Local Services Support Grant	-	(99)
New Burdens Grant	(16)	(13)
Other non-ring fenced Government Grants	(137)	-
Grants in relation to capital expenditure	(50)	(41)
Total	**(10,105)**	**(13,527)**
Credited to Services		
Housing Benefit Subsidy (Incl. Council Tax Benefit Subsidy 2012/13	(43,227)	(54,867)
Council Tax Support and Housing Benefit Administration	(1,139)	(1,264)
Supporting People Grant	(793)	(797)
Disabled Facilities Grant	(731)	(971)
Council Tax Reform	-	(111)
LCC and Police Second Homes Grant	(576)	(571)
Arts Council	(190)	(169)
Primary Care Trust	(450)	(378)
Home Office – PCC Elections and Crime Panel	(65)	(218)
LCC Grass Cutting	-	(108)
Lottery/LCC/Natural England Grazing Marshes	(245)	(243)
Discretionary Housing Payment	(189)	-
Welfare Reform Grants DWP	(146)	-
Other Grants	(639)	(157)
Total	**(48,390)**	**(59,854)**

Discretionary Housing Payment for 2012/13 of £83,000 is included under Other Grants

NOTE 33 – RELATED PARTIES

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

Central Government

UK Central government has significant influence over the general operations of the Council - it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 28 on reporting for resources allocation decisions.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2013/14 is shown in Note 29. During 2013/14, a number of members were also directors of Compass Point Business Services (East Coast) Ltd (joint venture with South Holland District Council), and members of Internal Drainage Boards, Citizens' Advice Bureau and other local community associations.

Details of specific transactions where members declared their interest are recorded in the Register of Members' Interest, open to public inspection at the Council Offices during office hours. The Council is compliant with the Localism Act 2012.

Officers

During 2013/14 the Chief Executive served as director of Compass Point Business Services (East Coast) Ltd by virtue of their position as Head of Paid Service. No other material transactions were identified.

Other Public Bodies

Arrangements for the sharing of the Council's Section 151 Officer and Deputy Section 151 Officer with Boston Borough Council were approved and implemented with effect from 1 January 2011. Boston continues to be the employer, with 50% of the costs refunded by the Council. The cost to the Council of this arrangement was £54,182 relating to the Section 151 Officer and £17,103 relating to the Deputy. (£55,251 and £12,198 in 2012/13).

Entities Controlled or Significantly Influenced by the Council

Joint merged service organisation arrangements for the shared provision of a number of back office services with South Holland District Council were implemented during 2010/11, delivered through Compass Point Business Services (CPBS) (East Coast) Ltd. Information regarding the company, and transactions between the Council and CPBS, is included in the Group Accounts.

NOTE 34 – CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

	2013/14 £000	2012/13 £000
Opening Capital Financing Requirement	**-**	**-**
Capital Investment		
Property, Plant and Equipment	720	3,004
Investment Properties	-	15
Intangible Assets	-	46
Revenue Expenditure Funded from Capital under Statute	3,274	2,260
Sources of finance		
Capital receipts	(901)	(3,540)
Government grants and other contributions	(1,360)	(1,015)
Sums set aside from revenue:		
Direct revenue contributions	(1,733)	(770)
Closing Capital Financing Requirement	**-**	**-**

NOTE 35 – LEASES

Council as Lessee

Operating Leases

Historically the Council acquired its vehicle fleet by entering into operating leases, with typical lives of seven years.

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

	31 March 2014 £000	31 March 2013 £000
Not later than 1 year	32	31
Later than 1 year and not later than 5 years	982	1,388
Later than 5 years	132	144
	1,146	**1,563**

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

	31 March 2014 £000	31 March 2013 £000
Minimum lease payments	623	671
	623	**671**

Council as Lessor

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

- For the provision of community services, such as sports facilities, tourism services and community centres, and
- For economic development purposes to provide suitable affordable accommodation for local businesses.

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

	31 March 2014 £000	31 March 2013 £000
Not later than 1 year	190	42
Later than 1 year and not later than 5 years	2,170	1,805
Later than 5 years	15,459	16,524
	17,819	**18,371**

In addition, the Council received £217,000 as a charge for office space (£218,000 in 2012/13) from Compass Point Business Services (East Coast) Ltd in respect of the usage of office space only. No formal long term arrangement currently exists.

There are no contingent rents payable to/from the Council, both as lessee and lessor.

NOTE 36 – IMPAIRMENT LOSSES

The Code requires disclosure by class of assets of the amounts for impairment losses and impairment reversals charged to the Surplus or Deficit on the Provision of Services and to Other Comprehensive Income and Expenditure. These disclosures are consolidated in Note 12 reconciling the movement over the year in the Property, Plant and Equipment balances.

No material losses were recognised during 2013/14.

NOTE 37 – TERMINATION BENEFITS

The Council terminated the contracts of a number of employees in 2013/14 incurring liabilities of £128,654 (£219,625 in 2012/13) – see Note 30 for the number of exit packages and total cost per band.

NOTE 38 – DEFINED BENEFIT PENSION 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 and to disclose them at the time that employees earn their future entitlement.

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

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

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

Transactions Relating to Post-employment Benefits

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

	Local Government Pension Scheme 2013/14 £000	Local Government Pension Scheme 2012/13 £000
Comprehensive Income and Expenditure Statement		
Cost of Services:		
Service cost comprising		
Current service cost	1,781	1,401
Past Service costs (including curtailments)	4	145
Financing and Investment Income and Expenditure		
Net interest expense	1,636	965
Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services	**3,421**	**2,511**
Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement		
Remeasurement of net defined benefit liability comprising:		
Return on plan assets (excluding the amount included in the net interest expense)	4,537	(3,971)
Actuarial gains and losses arising on changes in demographic assumptions	1,733	-
Actuarial gains and losses arising on changes in financial assumptions	249	10,130
Other experience	(3,564)	(104)
Total Remeasurements recognised in Other Comprehensive Income and Expenditure	**2,955**	**6,055**
Total Post-employment Benefit charged to the Comprehensive Income and Expenditure Statement	**6,376**	**8,566**
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(1,425)	(536)
Actual amount charged against the General Fund Balance for pensions in the year:		
Employers' contributions payable to scheme	1,843	1,827
Contributions in respect of unfunded benefits	153	148

Pensions Assets and Liabilities Recognised in the Balance Sheet.

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

	Local Government Pension Scheme	
	2013/14 £000	2012/13 £000
Present Value of the funded liabilities	(93,213)	(91,696)
Present Value of unfunded liabilities	(2,235)	(2,239)
Fair Value of plan assets	54,594	57,461
Net Liability arising from defined benefit obligation	**(40,854)**	**(36,474)**

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

	Local Government Pension Scheme	
	2013/14 £000	2012/13 £000
Opening fair value scheme assets	57,461	51,356
Interest Income	2,564	2,906
Remeasurement gain/(loss)		
The return on plan assets, excluding the amount included in the net interest expense	(4,537)	3,971
Contributions from employer	1,843	1,827
Contributions from employees into the scheme	474	465
Contributions in respect of unfunded benefits	153	148
Benefits Paid	(3,364)	(3,212)
Closing fair value of scheme assets	**54,594**	**57,461**

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

	Funded Liabilities: Local Government Pension Scheme	
	2013/14 £000	2012/13 £000
Opening Balance at 1 April	93,935	81,239
Current Service Cost	1,781	1,401
Interest Cost	4,200	3,871
Contributions from scheme participants	474	465
Remeasurements (gains) and losses:		
Actuarial gains/losses arising from changes in demographic assumptions	1,733	-
Actuarial gains/losses arising from changes in financial assumptions	249	10,130
Other experience	(3,564)	(104)
Past service cost	4	145
Benefits paid	(3,364)	(3,212)
Closing Balance at 31 March	**95,448**	**93,935**

Local Government Pension Scheme assets comprised

	Fair Value of Scheme Assets			
	2013/14		2012/13	
	Quoted prices in active markets £000	% of Total assets	Quoted prices in active markets £000	% of Total assets
Cash and Cash Equivalents	843	2%	650	1%
Equity Instruments				
Consumer	10,044	18%	10,709	18%
Manufacturing	1,844	3%	2,373	4%
Energy and utilities	4,009	7%	4,672	8%
Financial institutions	6,451	12%	6,163	11%
Information technology	1,492	3%	2,059	4%
Other	6,933	13%	6,524	11%
Debt Securities				
Corporate Bonds	1,702	3%	1,857	3%
UK Government	1,004	2%	1,139	2%
Other	651	1%	749	1%
Private Equity	2,991	5%	3,811	7%
Property				
UK Property	5,132	9%	4,917	9%
Overseas Property	827	2%	1,065	2%
Investment Funds and Unit Trusts				
Equities	2,550	5%	2,855	5%
Bonds	3,442	6%	3,392	6%
Other	4,679	9%	4,526	8%
Total Assets	**54,594**	**100%**	**57,461**	**100%**

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 dependant on assumptions about mortality rates, salary levels, etc.

The Local Government Pension Scheme has been assessed by Hymans Robertson, an independent firm of actuaries; estimates for the Lincolnshire County Council Fund are based on the latest full valuation of the scheme as at 31 March 2013.

The significant assumptions used by the actuary have been

	Local Government Pension Scheme	
	2013/14	2012/13
Mortality assumptions:		
Longevity at 65 for current pensioners (years):		
- Men	22.2	21.2
- Women	24.4	23.4
Longevity at 65 for future pensioners (years):		
- Men	24.5	23.7
- Women	26.8	25.7
Rate of inflation	3.6%	3.2%
Rate of increase in salaries	4.1%	5.1%
Rate of increase in pensions	2.8%	2.8%
Rate for discounting scheme liabilities	4.3%	4.5%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

	Impact on the Defined Benefit Obligation in the Scheme	
	Approximate increase to Employer Liability	Approximate monetary amount £000
0.5% decrease in Real Discount Rate	9%	8,783
1 year increase in member life expectancy	3%	2,863
0.5% increase in the Salary Increase Rate	2%	2,212
0.5% increase in the Pension Increase Rate	7%	6,497

Impact on the Authority's Cash Flows

The contributions paid by the Council are set by the Fund Actuary at each triennial actuarial valuation, the most recent being 31 March 2013. The employer's contributions rate, over the period to 31 March 2017, has been stabilised. The stabilisation mechanism implemented is for employer contribution rates to increase at 1% p.a from the 2013/14 level.

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 may not provide benefits in relation to service after 31 March 2014.

The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The Council anticipates paying £1.860m as Employer's contributions to the scheme in 2014/15.

The weighted average duration of the defined benefit obligation for scheme members is 18 years, 2013/14 (18 years 2012/13).

NOTE 39 – CONTINGENT LIABILITIES

There were no significant contingent liabilities as 31 March 2014.

NOTE 40 – CONTINGENT ASSETS

At 31 March 2014 the Council has identified the following material contingent assets:

S106 Agreements

The Council has signed a number of S106 agreements that require developers to make payments to the Council at some future date, dependant upon certain events taking place such as when the development actually starts on site. The contributions generally have conditions requiring the Council to spend the monies in specific areas and on specific items. The total value of the contributions is unknown but is expected to be in excess of £1m.

NOTE 41 – NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Key risks

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

- **credit risk** – the possibility that other parties might fail to pay amounts due to the Council
- **liquidity risk** – the possibility that the Council might not have funds available to meet its commitments to make payments
- **re-financing risk** – the possibility that the Council might be requiring 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.

Overall procedures for managing risk

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

- by formally adopting the requirements of the CIPFA Treasury Management Code of Practice;

- by the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations/standing orders/constitution;

- by approving annually in advance prudential and treasury indicators for the following three years limiting:
    - the Council's overall borrowing;
    - Its maximum and minimum exposures to fixed and variable rates;
    - its maximum and minimum exposures to the maturity structure of its debt;
    - its maximum annual exposures to investments maturing beyond a year.

- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with Government guidance;

These are required to be reported and approved at or before the Council's annual Council Tax budget setting meeting. They are reported with the annual Treasury Management Strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported at the end of each financial year as is a mid year report.

The annual Treasury Management Strategy which incorporates the prudential indicators was approved by Council on 27 February 2013 and is available on the Council's website. The key issues within the strategy are:

- the Authorised Limit for 2013/14 was set at £18m. This is the maximum limit of external borrowings and other long term liabilities.

- the Operational Boundary was set at £11m to allow for financing the capital programme but was expected to be £0m. This is the expected level of debt and other long term liabilities during the year.

- the maximum amounts of fixed and variable interest rate exposure were set at £0m and £11m based on the Council's net debt.

- the maximum and minimum exposures to the maturity structure of any new fixed rate debt were set at 100% and 0% respectively.

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

Credit Risk

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

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poors Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above. Additional selection criteria are also applied. Details of the Investment Strategy, approved by Council on 27 February 2013, can be found on the Council's website.

One of the key areas of the Investment Strategy is that the minimum criteria for investment counterparties include the creditworthiness service provided by Capita Asset Services. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moody's and Standard and Poors - forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

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

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2014 that this was likely to crystallise.
The following analysis summarises the Council's maximum exposure to credit risk on other financial assets, based on experience of default, adjusted to reflect current market conditions:

	Amount at 31 March 2014 £000	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2014 %	Estimated maximum exposure to default and uncollectability at 31 March 2014 £000	Estimated maximum exposure at 31 March 2013 £000
	A	B	C	(A X C)	
Customers	998	6.6	6.6	66	28

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

The Council does not generally allow credit for its customers, such that £0.187m of the £0.998m balance is past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

	31 March 2014 £'000	31 March 2013 £'000
Less than three months	919	1,057
Three to six months	17	39
Six months to one year	14	37
More than one year	48	55
	998	**1,188**

The council has undertaken a review of the credit quality of financial assets that are neither past due nor impaired, namely customers, taking account of past experiences and has concluded that there is a minimal risk of payment default.

Liquidity Risk

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

The Council has ready access to borrowings from the money markets to cover any day to day cash flow needs, and the PWLB and money markets for access to longer term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

All trade and other payables are due to be paid in less than one year.

Refinancing and maturity risk

In managing its cash reserves the Council maintains an investment portfolio. Whilst its cash flow procedures are considered against the refinancing risk procedures, the longer-term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to the maturity of longer term financial assets.

The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments for greater than one year in duration are the key parameters used to address this risk. The approved treasury and investment strategies address the main risks whilst the treasury team addresses the operational risks within the approved parameters. This includes monitoring the maturity profile of investments to ensure that sufficient liquidity is available for the Council's day to day cash flow needs.

Market Risk

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

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

Borrowings are not carried at fair value on the Balance Sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the Other Comprehensive Income and Expenditure Statement.

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

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

	£000
Increase in interest receivable on variable rate investments	84
Increase in government grant receivable for financing costs	80
Impact on Surplus or Deficit on the Provision of Services	**164**

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

Price Risk - The Council does not generally invest in equity share or marketable bonds. However, it does have shareholdings in the Compass Point Business Services (East Coast) Ltd joint venture with South Holland District Council.

Foreign exchange Risk - The Council has foreign exchange exposure resulting from an element of the settlement received from Glitnir. This is being held in Icelandic kroner in an escrow account due to the current imposition of currency controls. At 31 March 2014, the sterling value of the escrow sum was estimated to be £220,419 (31 March 2013 £212,050).

NOTE 42 – GROUP ACCOUNTS – INTEREST IN JOINT VENTURE

The Council has the following interest in its joint venture company, Compass Point Business Services (East Coast) Limited.

2012/13 £000		2013/14 £000
582	Current Assets	707
1,114	Non Current Assets	889
(929)	Current Liabilities	(978)
(2,392)	Long term Liabilities	(3,800)
(1,625)	Shown on Balance Sheet	**(3,182)**
(587)	Interest in Income and Expenditure	(1,557)
(2,212)	**Total Interest In Joint Venture**	**(4,739)**

COLLECTION FUND STATEMENT

2012/13 Council Tax £000	2012/13 Non Domestic Rates £000	2012/13 Total £000		2013/14 Council Tax £000	2013/14 Non Domestic Rates £000	2013/14 Total £000
			Income			
(54,560)		(54,560)	Council Tax Receivable (Note 2)	(58,185)		(58,185)
(12,122)		(12,122)	Council Tax Benefit	-		-
	(31,918)	(31,918)	Non Domestic Rates Receivable (Note 3)		(33,130)	(33,130)
	-	-	Transitional Protection Payments Receivable		(64)	(64)
			Contribution towards previous year's estimated Collection deficit			
-	-	-	East Lindsey District Council	(35)	-	(35)
-	-	-	Lincolnshire County Council	(330)	-	(330)
-		-	Police and Crime Commissioner for Lincolnshire	(58)		(58)
(66,682)	**(31,918)**	**(98,600)**	**Total Income**	**(58,608)**	**(33,194)**	**(91,802)**
			Expenditure			
			Precepts, demands and shares			
	31,648	31,648	Central Government		15,901	15,901
6,909	-	6,909	East Lindsey District Council	6,123	12,721	18,844
51,105	-	51,105	Lincolnshire County Council	43,276	3,180	46,456
8,939		8,939	Police and Crime Commissioner for Lincolnshire	7,719		7,719
			Impairment of debts/appeals			
43	-	43	Write-offs of uncollectable amounts	55	336	391
99	-	99	Increase in allowance for impairment	607	356	963
	-	-	Increase in provision for appeals (Note 4)		1,511	1,511
	270	270	Cost of Collection Allowance		271	271
67,095	**31,918**	**99,013**	**Total Expenditure**	**57,780**	**34,276**	**92,056**
413	**-**	**413**	**Deficit/(Surplus) arising during year**	**(828)**	**1,082**	**254**
(4)	-	(4)	Deficit/(surplus) at beginning of year	409	-	409
409	**-**	**409**	**Deficit/(surplus) at end of year (Note 5)**	**(419)**	**1,082**	**663**

NOTES TO THE COLLECTION FUND

NOTE 1 – PURPOSE OF COLLECTION FUND STATEMENT

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

NOTE 2 – COUNCIL TAX RECEIVABLE

Council Tax income derives from charges raised according to the value of residential properties that have been classified into eight Valuation Bands (A to H). Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Lincolnshire County Council, Police and Crime Commissioner for Lincolnshire (previously Lincolnshire Police Authority) and East Lindsey District Council, together with the relevant Parish requirement.

This is then divided by the Council Tax base, i.e. the number of properties in each valuation band, converted to an equivalent number of band D dwellings and adjusted for discounts and exemptions.

The national Council Tax Benefit scheme was abolished on 31 March 2013 and replaced from 1 April 2014 by local Council Tax Support scheme. Central funding changed from demand led subsidy to a reduced fixed grant to councils, who were required to implement local Council Tax Support scheme. These now form part of the tax base and the collection fund arrangements.

The Council Tax base for 2013/14 was calculated as follows:

Band	No. of properties on Valuation List	No. of dwellings after discounts and exemptions	Ratio	Band D equivalent dwellings
A (with Disabled Relief)	-	34	5/9	19
A	26,193	18,183	6/9	12,122
B	13,706	10,176	7/9	7,915
C	15,572	11,718	8/9	10,416
D	6,133	5,992	9/9	5,992
E	3,121	2,415	11/9	2,952
F	1,086	857	13/9	1,238
G	516	379	15/9	632
H	54	26	18/9	51
Band D Equivalents				**41,337**
Allowance for non-collection (2.36%)				(976)
Armed forces contribution				248
District Tax Base				**40,609**

The basic amount of Council Tax for a band D property including an average parish charge, £1,406.56 (2012/13 £1,396.16), is then multiplied by the ratio specified for the particular band to give an individual amount due.

NOTE 3 – NON-DOMESTIC RATES RECEIVABLE

Under the arrangements for Non-Domestic Rates, the Council collects rates for its area based on local rateable values (determined by the Valuation Office Agency, an executive agency of HM Revenue and Customs) multiplied by the multiplier (determined by the Government). For 2013/14 there are two multipliers, the non-domestic rating multiplier of 47.1p and the small business non-domestic rating multiplier of 46.2p.

The Council's total Non-Domestic Rates Rateable Value at 31 March 2014 was £87.780m (31 March 2013 £87.556m).

Before April 2013 all business rate income collected by councils formed a single, national pool, which was then distributed to councils by government in the form of formula grant. The amount paid to the pool by East Lindsey in 2012/13 was £31.648m.

These national pooling arrangements were replaced from 2013/14 with local business rate retention arrangements, and in turn new accounting requirements. Under the new arrangements, the Government has given a financial incentive to councils to grow local economies, as part of the increase in business rates is retained locally. The new arrangements have though introduced risk to local councils, including the potential for loss due to rateable value appeals. The new system's arrangements include a levy payable to the government if growth exceeds the authority's baseline, and safety net provisions to cap the loss on individual local authorities in any one year.

Under the new arrangements East Lindsey retain 40% of Business Rate Income with the remainder being distributed to Central Government (50%) and Lincolnshire County Council (10%).

NOTE 4 – NON-DOMESTIC RATES PROVISION FOR APPEALS

The Collection Fund provides for provision for appeals against the Rateable Value set by the Valuation Office Agency (VOA) not settled at 31 March 2014.

2012/13 £000		2013/14 £000
-	Balance at 1 April	-
-	Increase in Provision during the year	1,511
-	**Balance at 31 March**	**1,511**
-	**East Lindsey Share**	**604**

NOTE 5 – COLLECTION FUND DEFICIT/ (SURPLUS)

Council Tax surplus or deficits are apportioned to the relevant precepting bodies based on the following years Council Tax requirement. Non Domestic Rates surplus or deficits are apportioned in accordance with the new arrangements i.e. East Lindsey 40%, Central Government 50% and Lincolnshire County Council 10%.

As at 31 March 2014, the total deficit on the Collection Fund is £663,000 (31 March 2013, a deficit of £409,000). The balance on the Collection Fund is allocated as follows:-

2012/13 Council Tax £'000	2012/13 Non Domestic Rates £'000		2013/14 Council Tax £'000	2013/14 Non Domestic Rates £'000
		Central Government		541
44		East Lindsey District Council	(46)	433
310		Lincolnshire County Council	(316)	108
55		Police and Crime Commissioner for Lincolnshire	(57)	
409		**(Surplus)/deficit**	**(419)**	**1,082**

Independent auditor’s report to the members of East Lindsey District Council

We have audited the financial statements of East Lindsey District Council for the year ended 31 March 2014 on pages 21 to 91. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

This report is made solely to the members of the Authority, as a body, in accordance with Part II of the Audit Commission Act 1998. Our audit work has been undertaken so that we might state to the members of the Authority, as a body, those matters we are required to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Financial Officer and auditor

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

Scope of the audit of the financial statements

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

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority and the Group as at 31 March 2014 and of the Authority's and the Group's expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

Matters on which we are required to report by exception

The Code of Audit Practice 2010 for Local Government Bodies requires us to report to you if:

- the annual governance statement set out on pages 96 to 106 does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- the information given in the explanatory foreword for the financial year for which the financial statements are prepared is not consistent with the financial statements; or
- any matters have been reported in the public interest under section 8 of Audit Commission Act 1998 in the course of, or at the conclusion of, the audit; or
- any recommendations have been made under section 11 of the Audit Commission Act 1998; or
- any other special powers of the auditor have been exercised under the Audit Commission Act 1998.

We have nothing to report in respect of these matters.

Conclusion on East Lindsey District Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's responsibilities

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

Auditor's responsibilities

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

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

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

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2013, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2013, we are satisfied that, in all significant respects, East Lindsey District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2014.

Certificate

We certify that we have completed the audit of the financial statements of East Lindsey District Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice 2010 for Local Government Bodies issued by the Audit Commission.

Neil Bellamy
for and on behalf of KPMG LLP, Appointed Auditor

Chartered Accountants
St Nicholas House
31 Park Row
Nottingham
NG1 6FQ

26 September 2014

ANNUAL GOVERNANCE STATEMENT

1. Scope of Responsibility

1.1 East Lindsey District Council (ELDC) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. ELDC also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

1.2 In discharging this overall responsibility, ELDC is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, including arrangements for the management of risk.

1.3 The Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA / SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the Council's code is on our website at www.e-lindsey.gov.uk or can be obtained from the Council offices. This statement explains how the Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (England) Regulations 2011, regulation 4(3), which requires all relevant bodies to prepare an annual governance statement.

1.4 The authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010) as set out in the Application Note to Delivering Good Governance in Local Government: Framework.

2. The Purpose of the Governance Framework

2.1 The governance framework comprises the systems and processes, culture and values by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

2.3 The governance framework has been in place at the Council for the year ended 31 March 2014 and up to the date of approval of the annual Accounts.

3. The Governance Framework

3.1 The Council's review of the effectiveness of its governance arrangements is set out below against the key elements identified in *Delivering Good Governance in Local Government: Framework*.

Key Elements	Description of Governance Mechanisms	Assurance Received
Identifying and communicating the authority's vision of its purpose and intended outcomes for citizens and service users	• The Corporate Strategy 2010/11 to 2013/14 was approved by the Council in December 2010 and sets out the vision and priorities for the Council. • A quarterly report sets out the councils' targets and performance measures that reflect the priorities set by services in their Service Plans and also reports on key financial monitoring and decision making that help delivery the Corporate Strategy • The quarterly report also provides contextual information at a district level, providing a range of indicators that help identify general health, community safety and economic trends. • The council is pro-active in reporting activity and outcomes to the public through the local press and social media, as well as the three yearly Messenger • The vast majority of council business is held in public meetings	• Performance Management Framework quarterly report, reported through Executive Board, Overview Committee and Audit & governance Committee • Portfolio Holders receive monitoring reports on the key indicators and operation indicators along with finance reports, on a six weekly basis • The Strategic Risk Register and Internal Audit Plan support the achievement of the council's priorities
Reviewing the authority's vision and its implications for the authority's governance arrangements	• Challenge session with officers and members were held in September 2013 to consider the priorities and targets being set through services Corporate Strategy Review • The Corporate Strategy is being fully reviewed in order to set a longer term vision for the authority. • Member workshops, community consultation (through a Simalto exercise) and Management Team discussions have been held to feed into the new Corporate Strategy to be implemented from the summer of 2014. • Senior members and officers strategic planning discussions July 2013	• Review of current performance against priorities reported to Portfolio and evidence in Service Plans • All members invited to engage in review of the Corporate Strategy • Feedback from community/member/staff consultation on council priorities
Translating the Vision into objectives	• The Service Plans identify activity that helps to deliver the Corporate priorities • The Medium Term Financial Strategy identifies risks and opportunities to achieving the delivery of the council's priorities • The Risk Strategy and Risk Register supports the delivery of priorities	• Service Plans agreed by Corporate Management Team and Portfolio Holders, with targets captured in the Performance Report • MTFS agreed by Executive Board and Council

Measuring the quality of service for users, for ensuring they are delivered in accordance with the authority's objectives and for ensuring that they represent the best use of resources and value for money	• A range of surveys are carried out each year, co-ordinated through the Corporate Consultation programme • 'Street Talking' programme throughout the year, internet questions and monitoring of social networking • Quarterly Monitoring report contains both performance and finance indicators and a dashboard to show the overall health of the organisation • The Corporate Strategy/Corporate prioritisation consultation was held, with satisfaction levels included • Compliments and complaints summary included in Performance Report and reported to MT	• Performance Management Framework quarterly report, reported through Executive Board, Overview Committee and Audit & governance Committee • MT Minutes • Feedback from Corporate Strategy public consultation
3.1.5 Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication in respect of the authority and partnership arrangements	• Set out in the Council Constitution • Updated where necessary, especially in relation to any national policy change	• Changes to the constitution reported to Council • Management Agreement with CPBS reported through Audit & Governance Committee
Developing, communicating and embedding codes of conduct, defining the standards of behavior for members and staff	• Set out in the Council Constitution Part 5 • Updated to take account of the changes to member standards arrangements • Staff behaviour set out in the Staff Handbook provided to all new staff and available on the website • Training provided to all members on the new member code of conduct arrangements • Audit & Governance Committee reviewed the implementation of the new member standards arrangements following introduction of the Localism Act	• New standards arrangements reported to Council • Audit & Governance Committee oversee standards arrangements including receiving reports on complaints regarding conduct and the measures taken or recommended • Audit & Governance Committee provide a Hearing Panel function for any serious complaints
Reviewing the effectiveness of the	• Set out in the Constitution • Decision making arrangements reviewed as part of the changes to	• All members and officers provided with guidance on new decision making

authority's decision-making framework, including delegation arrangements, decision making in partnerships and robustness of data quality	the Executive decision making arrangements legislation • The Performance Team have a rolling programme of data quality checking • Data sharing protocols in place where necessary • Service Level agreements with partners in place and monitored carefully (financial and performance), with named officers and Portfolio responsibility	arrangements • Data Quality checking results reported to CMT • CPBS management agreement and SLA reported to Audit & Governance Committee, and reported to Council through annual business plan reports
Reviewing the effectiveness of the framework for identifying and managing risks and demonstrating clear accountability	• Strategic Risk register in place and monitored by managers and members • Operational Risk Registers in place and monitored by the Performance Manager • Strategy for risk Management fully reviewed by Audit & Governance Committee	• Strategic Risk Register reported in the quarterly Performance Framework and separately to the Audit & Governance Committee and CMT • Operation Risk identified in Service Plans • Service level monitoring • Reviewed Strategy for Risk Management in place
Ensuring effective counter-fraud and anti-corruption arrangements are developed and maintained	• Anti-fraud and Corruption policy in place • Anti-fraud training provided to Audit & Governance Committee • Team Leaders completed an on-line training programme on fraud • The Council actively takes part in National Fraud Initiative	• Audit & Governance Committee and Staff training
Ensuring effective management of change and transformation	• Challenge sessions with staff and members carried out annually • Reporting of significant changes to policy or provision reported through Portfolio and Executive Board (and Council where appropriate) • Recognition of the risk of change in the Risk Register • New Corporate Staff Development programme being developed • People strategy developed to ensure appropriate levels of support and training are in place to enable staff to manage change • Strong internal communication to keep staff and members informed • The authority invited an LGA Peer Review in 2013/14 to provide external input to current performance and identify areas for improvement.	• CMT • Portfolio/Executive Board

Ensuring the authority's financial management arrangements conform with the governance requirements of the *CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010)* and, where they do not, explain why and how they deliver the same impact	• Full compliance with the CIPFA guidance: – Role of Chief Financial Officer (CFO) undertaken by Deputy Chief Executive with responsibilities set out in the Constitution; key member of Corporate Management Team (CMT); professionally qualified accountant with direct access to the Chief Executive, Leader, Executive Board, Audit & Governance Committee & the appointed auditors – Finance team fit for purpose Medium Term Financial Strategy, annual budget process, compliance with CIPFA codes and guidance on capital finance, treasury management and management of reserves	• Adequacy of financial arrangements overseen by Chief Financial Officer, Portfolio Holder for Finance and Audit & Governance Committee
Ensuring the authority's assurance arrangements conform with the governance requirements of the *CIPFA Statement on the Role of the Head of Internal Audit* (2010) and, where they do not, explain why and how they deliver the same impact	• Full compliance with the CIPFA guidance: – The Internal Audit Team/Head of Internal Audit provide an objective and evidence based opinion on all aspects of governance, risk management and internal control – The internal audit service is fit for purpose – The Head of Internal Audit reports directly to CMT (including Chief Financial Officer) and the Audit & Governance Committee and is able to meet separately with the Chair of the Audit & Governance Committee should that be required (as set out in the Constitution) The internal audit progress report presented to AGC in June 2014 showed that 16 audits had been completed and reported at that time; of those, 2 had full assurance, 8 substantial assurance, 3 limited assurance and 2 no assurance (both related to the Embassy Theatre)); recommendations have been agreed to address the required improvements. The themed areas of Governance, Risk Management and Financial Control are identified as Green (performing well), with Internal Control as amber (performing adequately). Overall, assurance opinions have improved on the previous year.	• CMT • Audit & Governance Committee

Ensuring effective arrangements are in place for the discharge of the monitoring officer function	• Set out in the Constitution • The Monitoring Officer role is provided by Legal Services Lincolnshire	• Council through the Constitution
Ensuring effective arrangements are in place for the discharge of the head of paid service function	• Set out in the Constitution	• Council through the Constitution
Undertaking the core functions of an audit committee, as identified in CIPFA's *Audit Committees: Practical Guidance for Local Authorities*	• The Terms of Reference which include the core functions are set out in the Constitution • The Audit & Governance Committee have had training to help them understand their role and responsibility • The Chair and Vice Chair attend external training as necessary	• Council through the Constitution • Audit & Governance Committee
Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful	• Annual Internal Audit Plan work includes the review of compliance in these areas • The 151 officer and Monitoring Officer advise on the legality of activity where appropriate, and Legal Service Lincolnshire provides advice on legislation and law	• CMT • Audit & Governance Committee 9through IA reporting) • External Audit Plan
Whistleblowing and for receiving and investigating complaints from the public	• A Whistleblowing policy updated and re-issued • A clear Feedback policy and procedure is in place (including complaints) • A dedicated officer delivers the complaints procedure and also trains and advises staff. Each service has an allocated contact officer • CMT receives a regular report setting out the number and type of complaint, along with the outcome and any changes of measures implemented	• MT • Feedback levels included in the Quarterly Performance Report
Identifying the development needs of members and senior	• Reserved Member Days are pre-booked as part of the Programme of Committee meetings (1 per month) for any training or awareness sessions requested by members and/or suggested by	• Feedback through Overview Committee

officers in relation to their strategic roles, supported by appropriate training	officers • Training and development opportunities are circulated to members on a regular basis alongside internal training provision • Groups are encouraged to identify development priorities	
3.1.19 Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation	• Three 'Messenger' magazines are published each year with a combination of council and partner articles. Annual feedback on the magazine is obtained and feeds into improvements • A wide range of consultations are carried out with service users (co-ordinated through a central team) • A regular programme of 'Street Talking' (e.g. market stalls) is delivered throughout the year (partner agencies also invited to take part) • Pro-active communication through the press, along with communication though the website, Facebook • Town & Parish Portal set up and used to push information out to local councils • Annual consultation with the community on the budget and/or corporate priorities	• MT • Executive Board for key pieces of consultation • Member Editorial Board
Enhancing the accountability for service delivery and effectiveness of other public service providers	• The Overview Committee take an active role in overseeing scrutiny of other public service providers e.g. Feedback from the County Health and Wellbeing Scrutiny committee • Partner agencies invited to Scrutiny & Policy Panels • Significant changes to other public services communicated to members through briefing or awareness sessions • Area Committees invite other agencies to attend meetings • The quarterly Performance Report includes performance measures for other agencies	• Overview Committee • Scrutiny & Policy Panels

3.1.21 Incorporating good governance arrangements in respect of partnerships and other joint working as identified by the Audit Commission's report on the governance of partnerships and reflecting these in the authority's overall governance arrangements	• Operational /strategic partnering arrangements are subject to contractual agreements and performance monitoring and reported on as part of service and budget monitoring • Portfolio Holders have responsibilities for receiving reports on key partner arrangements • CPBS arrangements are reported to and overseen by the Audit & Governance Committee and annually through the Council. A management agreement is in place. There is a scrutiny review group that consider the CPBS business plan each year. • Joint working arrangements are subject to written agreements approved by CMT and portfolio holders	• Audit & Governance Committee • MT
Information Governance	• The improvement plan continues to be implemented following the voluntary Information Commissioners Officers (ICO) audit, with all items on track • All managers have received Data Protection Act (DPA) training • A programme working with internal Information Asset Owners is in place • The SIRO has attended formal information governance training • The Information Governance Office has implemented improvements as advised by the ICO	• Audit & Governance Committee • MT • Portfolio

Review of Effectiveness

4.1 The Council has responsibility for conducting, at least annually, a review of effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior managers within the authority who have responsibility for the development and maintenance of the governance environment, the head of internal audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

4.2 The effectiveness of the governance framework has been evaluated in the following ways:

- Assurance from Audit and Governance Committee – annual review of 2013/14
- Assurance from Internal Audit; 16 audits completed; internal audit assurance map; annual internal audit plan; quarterly performance reporting to Audit & Governance Committee on performance and internal audit recommendations tracker
- Assurance from MT
- Assurance from appointed external auditors; Annual Governance Report / Annual Audit Letter– unqualified audit opinion and value for money conclusion; annual audit plan
- Quarterly Performance Report, including performance and finance progress - reported to Executive Board, Overview Committee, Audit & Governance Committee and MT
- Overview Committee Annual scrutiny programme; Scrutiny & Policy Panels reviewing the work and decisions/pre-scrutiny of Executive Board and areas of the Council's work (reported directly to Council)
- External Challenge and Review e.g. ICO Audit, Peer Review
- External monitoring of contractual work

4.3 We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit & Governance Committee, and that the arrangements continue to be fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined below.

5 Update to Significant Governance Issues from 2013/14

5.1 The Council has made significant savings over the last five years, with little impact on front line services. There is now a much more significant challenge as harder decisions have to be taken, with larger scale project and service transformation activity required. This programme needs to be driven more rigorously than before in order to ensure that planned saving are achieved, and that there is a clear steer from members to officers. There has also been a reduction in the management structure which creates a risk of good governance, risk management and correct procedures being less well understood and adhered to in the planning and delivery of a change programme with more radical approaches. A more structured project management approach is needed.

Update: Significant projects are reported through Executive Board and Council. The scrutiny programme for 2013/14 was focused around projects contributing to efficiencies or resulted in change to policy or the way services are delivered. All scrutiny topics were completed and reported to full Council with the exception of the new ELDC Website/Channel Shift which has been moved into the 2014/15 programme following implementation of the new site in April 2014. Savings projects are also included in the MTFS to ensure that projected savings plans can be monitored year on year.

5.2 The authority invited the ICO to carry out an audit of our information management procedures (records management, data protection and security, training). We were aware that this was a weakness in our procedures, and had identified it on our risk register. We hoped the audit might help prioritise and provide guidance on improvements. Whilst the auditors identified some good practice, and acknowledged that staff were aware of their responsibilities, we need to do more work on ensuring that staff know why they are doing things and to provide more procedural guidance. We also need to identify a senior officer as responsible for managing information, and make it clear where staff go to for advice and support. A draft programme is already in place. The outcome of the audit was Limited Assurance. An Action Plan is currently being drafted by the ICO which will include the recommendations in the audit report and enhance the draft programme.

5.3 **Update**: The Action Plan was drafted, approved and has been enacted upon, with two updates provided to the ICO already. (See table above). Increased emphasis is now placed on the wider information governance agenda, with many improvements already in place. Records Management will be the focus in 2014/15.

5.4 Another area where we need to make some improvements, which we believe is important in the current environment, is our approach to risk management. An internal audit identified some areas for improvement which is, again, about updating our procedures and training staff. The Risk Management Strategy is still fit for purpose, but the procedures identified are out of date. More clarity for middle managers is required to ensure that risks are escalated where necessary.

5.5 **Update:** The Strategy for Risk Management has been improved and brought up to date in order to ensure integration with current performance monitoring processes. Both staff and members have received Risk Management training - improving understanding as part of the roll out of the updated strategy.

6 Significant Governance Issues 2014/15

6.1 An improvement programme has been in place following identification of lack of controls at the Embassy Theatre. This followed slippage in improvements that had been implemented following a previous Internal Audit report. This showed not only lack of controls that had crept back into practice, but also lack of monitoring in an area of risk. This coincided with data protection errors in relation to a contract with a community lottery scheme that the Theatre was associated with where due diligence checks had not been sufficient. An experienced manager has been in place for a number of months now, with significant improvements embedded into staff practice. The ICO investigated the data protection breach and were fully satisfied with the thorough actions that were immediately put in place. Internal Audit have built follow-up audits for risk areas into the annual internal audit plan.

6.2 Pressures created by the level of local government funding, along side uncertainty of the impact of changes to the way local government is funded continues to be a risk area as identified in the Risk Register. Strong financial monitoring and management remains a priority, and the Council continues to be prudent in its budget setting in order to prepare for continuing, future financial challenge.

6.3 The Council continues to look at alternative delivery models for its services. Ensuring that effective governance arrangements are in place will be a vital aspect of business cases and business plans that come forward.

Subject	Responsible Officer	Timescale
Internal Audit follow-up at the Embassy Theatre	E Bee/A Richardson	August 2014

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed:……………………………… …………………………………..

(Leader) (Deputy Chief Executive)

24 September 2014

GLOSSARY OF TERMS

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

Accruals Basis
The accruals principle is that income is recorded when it is earned rather than when it is received and expenses are recorded when goods and services are received rather than when the payment is made.

Actuarial Gains and Losses
Actuaries assess financial and non-financial information by the Council to project levels of future pension fund requirements. Changes in actuarial deficits or surpluses can arise leading to a loss or gain because:

- events have not coincided with the actuarial assumptions made for the last valuation
- the actuarial assumptions have changed

Appointed Auditors
The Audit Commission appoints external auditors to every Local Authority from one of the major firms of registered auditors. For East Lindsey this is KPMG.

Balance Sheet
This is a statement of the recorded assets, liabilities and other balances held at the end of the accounting period.

Balances
The balances of the Council represent the accumulated surplus of income over expenditure on any of the funds.

Capital Adjustment Account
The Account accumulates (on the debit side) the write-down of the historical cost of fixed assets as they are consumed by depreciation and impairments or written off on disposal. It accumulates (on the credit side) the resources that have been set aside to finance capital expenditure. The same process applies to capital expenditure that is only capital by statutory definition (e.g. Disabled Facilities Grants). The balance on this account thus represents timing differences between the amount of the historical cost of fixed assets that has been consumed and the amount that has been financed in accordance with statutory requirements.

Capital Expenditure
This is expenditure on the acquisition of a non-current asset (fixed asset), or expenditure, which adds to, and not merely maintains, the value of an existing non-current asset.

Capital Receipts
Income received from the sale of land or other capital assets, a proportion of which may be used to finance new capital expenditure, subject to the provisions contained within the Local Government Act 2003.

Carrying Amount
The Balance Sheet value recorded of either an asset or a liability.

Cash Flow Statement
The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the financial year.

Chartered Institute of Public Finance and Accountancy (CIPFA)
CIPFA is the leading professional accountancy body for public services

Collection Fund
A fund administered by the Council showing the transactions of the billing authority (East Lindsey) in relation to the collection from taxpayers and the distribution to local authorities and the Government of Council tax and non-domestic rates.

Community Assets
These are non-current assets that the Council intends to hold in perpetuity which have no determinable finite useful life and, in addition, may have restrictions on their disposal. Examples of community assets are parks and historical buildings.

Contingent Liabilities or Assets
These are amounts potentially due to or from individuals or organisations which may arise in the future but which at this time cannot be determined accurately and for which, provision has not been made in the Council's accounts.

Council Tax
This is one of the main sources of local taxation to Local Authorities. Council Tax is levied on households within its area by the Billing Authority (East Lindsey) and the proceeds are paid into its Collection Fund for distribution to precepting Authorities and for use by its own General Fund.

Council Tax Requirement
This is the estimated revenue expenditure on General Fund services that is required to be financed from Council Tax after deducting income from fees and charges, certain specific grants and any funding from reserves.

Creditors
Amounts owed by the Council for work done, goods received or services rendered, for which payment has not been made at the balance sheet date.

Current Service Cost
Current Service Cost is the increase in the present value of a defined benefit pension scheme's liabilities expected to arise from employee service in the current period, i.e. the ultimate pension benefits "earned" by employees in the current year's employment.

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

Debtors
These are sums of money due to the Council that have not been received at the balance sheet date.

Deferred Capital Receipts
These represent capital income still to be received after disposals have taken place.

Defined benefit Scheme
Pension schemes in which the benefits received by the participants are independent of the contributions paid and are not directly related to the investments of the scheme. The scheme may be funded or unfunded.

Department for Communities and Local Government (CLG)
The CLG is a key Department within Central Government with the overriding responsibility for determining the allocation of general resources to Local Authorities.

Depreciation
This is the measure of the wearing out, consumption, or other reduction in the useful economic life of a fixed (non-current) asset.

Earmarked Reserves
The Council holds a number of reserves earmarked to be used to meet specific, known or predicted future expenditure.

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

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

External Audit
The independent examination of the Council's activities and accounts to ensure that the accounts have been prepared in accordance with legislative requirements and proper practices and to ensure the Council has made proper arrangements to secure value for money in its use of resources.

Expenditure
This is amounts paid by the Council for goods and services rendered of either a capital or revenue nature. This does not necessarily involve a cash payment since expenditure is deemed to have been incurred once the goods or services have been received even if they have not been paid for.

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

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

Financial Instruments
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term 'financial instrument' covers both financial assets and financial liabilities and includes Investments, trade receivables and trade payables.

General Fund
This is the main revenue fund of the Council and includes the net cost of all services financed by local taxpayers and Government Grants.

Group Accounts
Group Accounts consolidate the financial results of the Council, its associates and its joint venture Compass Point Business Services.

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

Impairment
A reduction in the value of a fixed asset to below its carrying amount on the Balance Sheet. Examples of factors which may cause such a reduction in value include general price decreases, a significant decline in a fixed asset's market value and evidence of obsolescence or physical damage to the asset.

Income
These are amounts due to the Council for goods supplied or services rendered of either a capital or a revenue nature. This does not necessarily involve a cash payment. Income is deemed to have been earned once the goods or the services have been supplied even if the payment hasn't been received (in which case the recipient is a debtor to the Council).

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

Intangible Assets
These are assets that do not have physical substance but are identifiable and controlled by the Council. Examples include Software Licenses.

International Financial Reporting Standards
These are defined Accounting Standards that must be applied by all reporting entities to all financial statements in order to provide a true and fair view of the entity's financial position, and a standardised method of comparison with financial statements of other entities.

Liabilities
These are amounts due to individuals or organisations which will have to be paid at some time in the future. Current Liabilities are usually payable within one year of the Balance Sheet date.

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

National Non Domestic Rates (Business Rates)
This is one of the main sources of local taxation to Local Authorities. NNDR is the levy on business property, based on a national rate in the pound applied to the rateable value of the property.

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

Net Debt
Net debt is the Council's borrowings less cash and liquid resources.

Net Realisable Value (NRV)
NRV is the open mark value of the asset in its existing use (or open market value in the case of non-operational assets) less the expenses to be incurred in realising the asset.

Non-Current Assets Fixed Assets)
Assets that yield benefits to the Council and the services it provides for a period of more than one year. Examples include land, buildings and vehicles.

Non-Distributed Costs
These are overheads for which no user now benefits and as such are not apportioned to services.

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

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

Operational Boundary
This reflects the maximum anticipated level of external debt consistent with budgets and forecast cash flows.

Operating Lease
This is a type of lease usually for computer equipment or office furniture and equipment where the balance of risks and rewards of holding assets remains with the lessor. The assets remain the property of the lessor and the lease costs are revenue expenditure to the Council.

Precept
The amount levied by various Authorities that is collected by the Council on their behalf. The precepting authorities in East Lindsey are Lincolnshire County Council and the Police and Crime Commissioner for Lincolnshire.

Prior Year Adjustment
These are material adjustments which are applicable to an earlier accounting period arising from changes in accounting policies or from the correction of fundamental errors. This does not include normal recurring corrections or adjustments of accounting estimates made in prior years.

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

Related Parties
Related parties are Central Government, other Local Councils, precepting and levying bodies, subsidiary and associated companies. Related parties are deemed to include the Council's elected members, the Chief Executive and its directors. For individuals identified as related parties, the following are also presumed to be related parties:-

- members of the close family, or the same household; and
- partnerships, companies, trusts or other entities in which the individual or member of their close family or the same household has a controlling interest.

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

Reserves
The accumulation of surpluses, deficits and appropriations arising from previous financial years. Reserves can either be usable; that is, available to meet the Council's future expenditure plans and unusable; that is, those maintained purely for accounting purposes.

Revaluation Reserve
The Reserve records the accumulated gains on the fixed assets held by the Council arising from increases in value as a result of inflation or other factors (to the extent that these gains have not been consumed by subsequent downward movements in value).

Revenue Expenditure
Expenditure incurred on the day-to-day running of the Council. This mainly includes employee costs, general running expenses and capital financing costs.

Revenue Expenditure Funded From Capital under Statute (REFCUS)
Expenditure incurred in year that may be capitalised under statutory provision but that does not result in the creation of a non-current asset that has been charged as expenditure to the Comprehensive Income and Expenditure Statement.

Revenue Support Grant
A grant paid by Central Government towards the cost of providing General Fund services.

Service Reporting Code of Practice (SeRCOP)
Prepared and published by CIPFA, SeRCOP establishes proper practices with regard to consistent financial reporting for services in England and Wales. It is given legislative backing by regulations which identify the accounting practices it propounds as proper practices under the Local Government Act 2003.

Treasury Management
This is the process by which the Council controls its cash flow and its borrowing and lending activities.

Treasury Management Strategy
A strategy prepared with regard to legislative and CIPFA requirements setting out the framework for treasury management activity for the Council.