East Lindsey
DISTRICT COUNCIL

FINANCIAL STATEMENTS

For the Year Ended 31 March 2016

C o n t e n t s

FINANCIAL STATEMENTS

NARRATIVE REPORT
BY ROBERT BARLOW - DEPUTY CHIEF EXECUTIVE/S151 OFFICER
FINANCIAL REPORT 2015/16

1. INTRODUCTION

As the Council's statutory Chief Financial Officer I have pleasure in presenting this Narrative Report for East Lindsey's Financial Statements 2015/16. The Narrative Report 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 Narrative Report, 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 2015/16.

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. Effective financial management at both corporate and service levels is key to delivering services efficiently. The need for this is essential given the significant reductions in Government grant funding that local government has faced and will continue to experience in the years to come. This reduction in funding for local government is one of the biggest challenges being faced and further information is provided within this report on the impact of the current economic climate on the Authority and the services it provides.

Since the introduction of the requirement for Value for Money conclusions from the external auditors the Council's has always been unqualified. During 2015/16 there have been a number of key areas where the Council has focused 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.

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 projections 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 both revenue and capital budgets.
- Development of a Transformation Programme which aims to reduce revenue costs and increase income in order to meet the ongoing financial challenges that the Council faces.

I hope that this Narrative Report gives a clear picture of the Statement of Accounts and shows 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. A reconciliation between this format and the management accounts presented to Council during the year is included at Note 26.

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. THE 2015/16 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 2015/16 and the balances as at 31 March 2016. 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 were kept and all reasonable steps were 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 2015/16 (known as the Statement of Responsibilities) appears on page 16.

There have been the following small changes in accounting policy in 2015/16.

Fair Value Measurements (IFRS13) – The Council measures some of its non-financial assets (e.g. surplus assets and investment properties) and some of its financial instruments, such as Certificates of Deposit, at fair value. Fair Value is now deemed to be the price that would be received to sell such an asset in an orderly transaction between market participants at the specified measurement date. Previously this value was based on the amount at which the asset could be exchanged between knowledgeable parties at arms-length. However, this change in the method of valuation has had little impact on the values shown in the accounts.

3. SUMMARY OF THE 2015/16 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, how it was paid for and how it compared to budget
- The amount of capital expenditure, how it was paid for and how it compared to budget
- Reserves
- The Balance Sheet or net worth of the Council
- A financial Overview of 2015/16, together with any unusual or material issues to be noted, and
- Future financial challenges.

Revenue Income and 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 2015/16 and how it was spent.

Income comes primarily from the following sources:

1. Central Government Revenue Support Grant (RSG)
2. Localised Business Rates
3. Council Tax
4. Other government grants e.g. New Homes Bonus, Housing Benefit Subsidy
5. Fees and charges for services
6. Non-government grants from organisations such as Lincolnshire County Council and National Lottery.
7. Fees and charges for services

The Council's revenue expenditure is aimed at delivering services in accordance with local priorities as well as those 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, some non-specific government grants and Council Tax. The revised net budget for the Council was £19.938m. Operationally, the Council made a net surplus on its revenue budget, which enabled it to make additional transfers to reserves. These transfers resulted in a net deficit position of £67,000 being reported.

The budget outturn position 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 development of a Transformation Programme, the mechanism by which the Council will balance future budgets and continue to deliver good quality services.
- The main contributors to savings in 2015/16 were the savings in the delivery of leisure, cultural and health related services following the establishment of the Magna Vitae Trust in January 2015, the setting of more challenging targets for income collection and reduced budgets for the Waste Collection service (staff and vehicle costs).
- The transfer of New Homes Bonus grant money to the capital reserve in order to be able to fund future capital investment.
- Allocation of year end surplus to specific reserves to provide additional resources for future budget pressures.

Table 1 provides a summary of the Council's revenue outturn position for 2015/16.

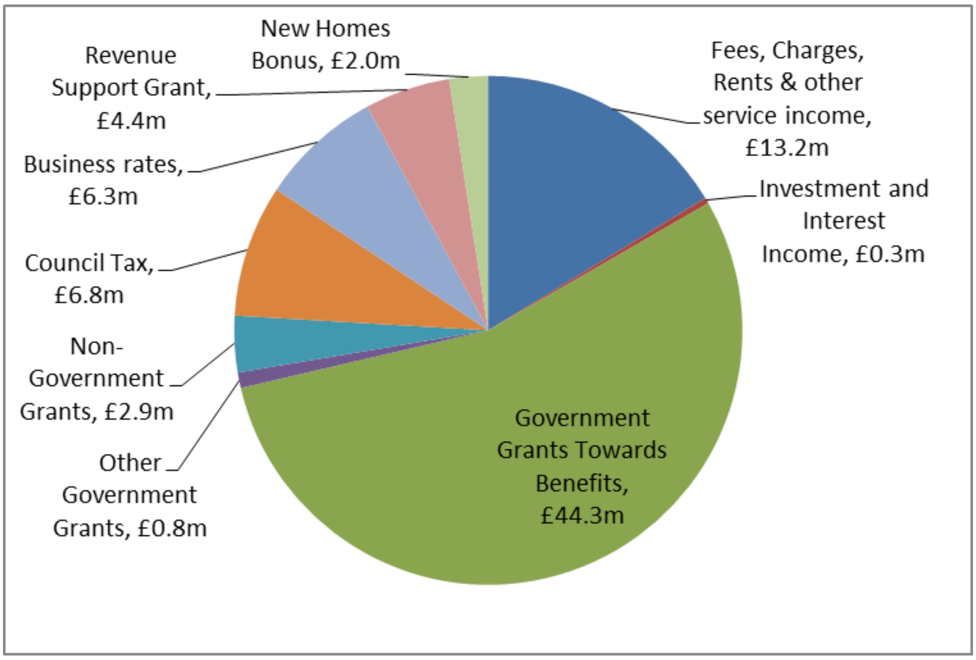
Table 1	A Revised Budget 2015/16 £'000	B Outturn 2015/16 £'000	C Variance Under/(over) budget £'000
EXPENDITURE			
Employees	11,265	10,829	436
Premises	2,547	2,571	(24)
Transport	1,652	1,510	142
Supplies and Services	3,513	4,500	(987)
Third Party Payments	8,022	8,168	(146)
Transfer Payments	50,670	49,028	1,642
Depreciation	2,137	2,256	(119)
Parish Precepts & Drainage Board Levies	4,768	4,768	-
Interest payments	-	9	(9)
TOTAL SERVICE EXPENDITURE	**84,574**	**83,639**	**935**
INCOME			
Fees and Charges	(6,667)	(6,796)	129
Rental Income	(3,605)	(3,636)	31
Other Income	(1,875)	(2,816)	941
Investment/Interest Income	(147)	(315)	168
Government Grants for Benefits	(45,574)	(44,318)	(1,256)
Other Government Grants	(490)	(750)	260
Other Non-Government Grants	(2,887)	(2,879)	(8)
TOTAL SERVICE INCOME	**(61,245)**	**(61,510)**	**265**
NET SERVICE EXPENDITURE	**23,329**	**22,129**	**1,200**
Scheduled transfers to/(from) earmarked reserves	(1,911)	(264)	(1,647)
Transfer of in year revenue surplus to earmarked reserves	-	1,172	(1,172)
Statutory and Non Statutory Accounting Adjustments relating to income and expenditure reported in year	(1,480)	(3,485)	2,005
NET BUDGET/OUTTURN	**19,938**	**19,552**	**386**
FUNDING			
Council Tax	(6,730)	(6,804)	74
Revenue Support Grant	(4,355)	(4,355)	-
Retained Business Rates	(6,803)	(6,268)	(535)
New Homes Bonus	(1,985)	(1,985)	-
Other Government Grants	(65)	(73)	8
TOTAL FUNDING	**(19,938)**	**(19,485)**	**(453)**
NET REVENUE DEFICIT	**-**	**67**	**(67)**

The net revenue deficit of £67k relates to the activities of East Lindsey District Council for 2015/16. The net decrease in year shown in the Movement in Reserves Statement (page 19) of £85k includes the financial impact of consolidating the activities of Compass Point Business Services Ltd into the published accounts.

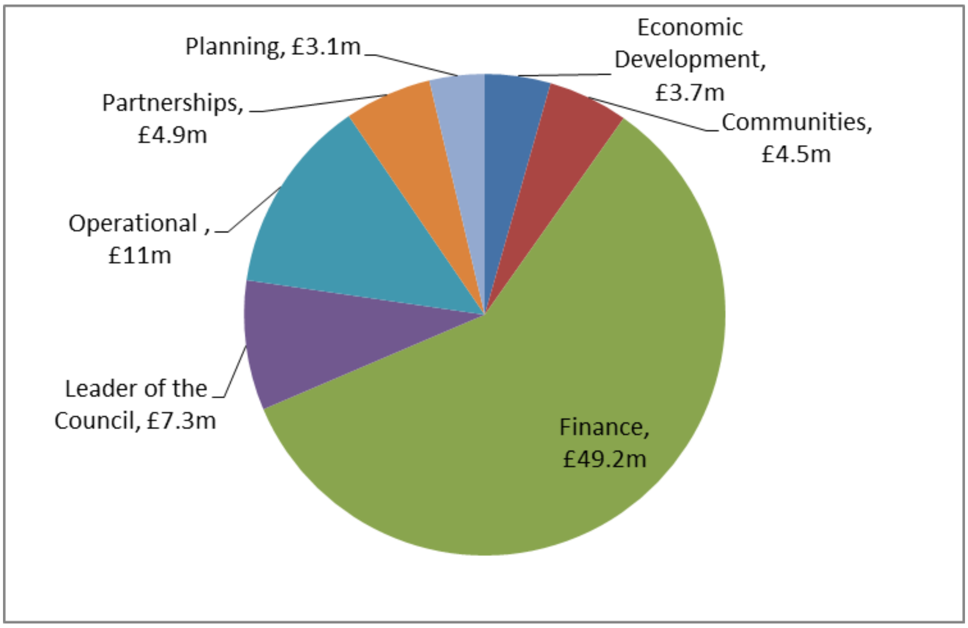
Sources of Funding and Areas of Expenditure

The charts below shows where we got our money from in 2015/16 and how it was spent on services (analysed by the relevant Executive Board Portfolio areas of responsibility).

Where the money comes from (source: Note 26, page 58-61).



What the money was spent on by Portfolio (source: Note 26, page 58-61)



In 2015/16 the Council Portfolios covered the following services:

1. **Planning:** planning, development control and planning policy, building control, planning enforcement and land charges, caravan and scrap metal licensing.
2. **Partnerships:** Cultural activities, health improvements, sports development and leisure facilities, tourist information centres, customer service centres, information technology services, community safety and CCTV.
3. **Coastal, Market Town and Rural Economies:** economic development, tourism, caravan parks and markets.
4. **Communities:** Affordable housing development, housing and welfare support, homelessness, houses in multiple occupation, disabled facility grants, community grants.
5. **Operational Services:** Waste and trade refuse collection, waste enforcement, environmental protection, flooding and emergency planning, food safety, health and safety, public health, street cleaning, parks, open spaces and play areas, beaches and foreshore, public conveniences, arboriculture, car parks.
6. **Finance:** Corporate resources (Council tax, business rates and government grants), investments, pensions, Internal Drainage Board levies, parish precepts, licensing, property management, footway lighting, housing and council tax benefits and subsidies, audit.
7. **Leader:** Public relations and communications, members, elections, council performance, information management and FOI requests.

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 2015/16 Capital Strategy, approved at Council in February 2015, provided the framework within which the Council's capital investment plans were to be delivered. The capital programme for 2015/16 to 2019/20 mirrored the Council's overall Medium Term Financial Strategy and aims to ensure that available resources match planned expenditure.

Capital expenditure must be prudent, affordable and sustainable. In 2015/16 the original approved capital programme was £6.557m. The capital programme was amended during the year due to new schemes being introduced and due to capital budget being slipped from 2014/15 into 2015/16 or from 2015/16 into 2016/17. Actual spend in the year was £4.906m, £838k lower than the revised budget of £5.744m. Of this unspent capital budget, £0.693m will be moved into the 2016/17 capital programme where projects are ongoing.

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

Capital Outturn 2015/16

Area of expenditure and Funding	Approved capital programme £000	2015/16 Outturn £000	Variance under/(over) budget £000
Affordable Housing	1,030	673	357
Disabled Facility Grants	1,251	1,208	43
Flood Relief Work	450	834	(384)
Community Capital Grants	50	50	-
Council Asset Improvements and Enhancements	304	214	90
Wheeled Bins	50	69	(19)
Car Park Height Barriers	-	(10)	10
Fleet Replacement	72	72	-
Capital Rural Development Grants	168	186	(18)
Playground Equipment	264	206	58
IT Investments	133	87	46
Broadband Contribution	1,316	1,316	-
CCTV Equipment	440	-	440
Skegness Foreshore Bracing	200	-	200
Pumping Works on Skegness Foreshore	16	1	15
TOTAL EXPENDITURE	**5,744**	**4,906**	**838**
Funding			
Capital Receipts	824	1,047	223
Reserves and revenue funding	3,948	2,944	(1,004)
External grants	972	915	(57)
TOTAL FUNDING	**5,744**	**4,906**	**838**

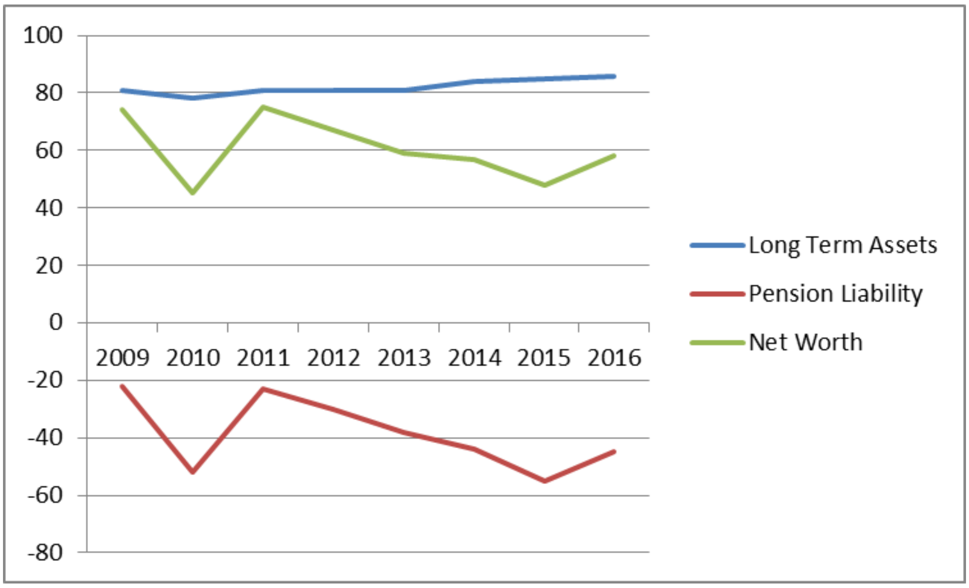
Reserves

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 initial estimates for 2015/16 included a net use of reserves, mainly to finance projects within the capital programme, but also to fund various one off activities anticipated within the revenue budget. Delays in capital project spend and changes in service activities has enabled the Council to ultimately make a net contribution to reserves in the year, and has also required some re-profiling of reserve usage into 2016/17. After all transfers to and from reserves the Council's earmarked reserves increased by £908k from £13.639m to £14.547m (see note 10, page 42). Reductions in specific reserves of £3.143m were made to fund mostly capital expenditure (e.g. Affordable Housing, flood relief measures, broadband infrastructure and investment in IT systems and equipment), but also to cover self-insurance payments, to provide various community and rural business grants, and to invest in the development of the Local Development Plan. Transfers to specific reserves of £4.051m were made to provide future funding for the capital programme (e.g. future fleet vehicle replacements), future increases in insurance liabilities, implementation costs of the Transformation Programme and to provide some provision against future financial pressures.

Balance Sheet – the Council's net worth (page 20)

The Balance Sheet shows the value of the amounts held, owed to and owed by the Council at 31 March 2016. 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. After a period of decline the Council's net worth has increased, mainly due to a reduction in the Council's pension liabilities. The actuarial valuation of this liability is influenced by a number of factors, but changes in the financial assumptions have produced a net reduction in the value of these liabilities at 31 March 2016 (see note 34). Further details affecting the values in specific years are included in the relevant year's accounts.

'THE COUNCIL'S NET WORTH (£m)'



2015/16 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. The Council had a £1.8m reduction in the value of its Revenue Support Grant and uncertainty and risks existed around the value of the overall income that would be received.

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 2015/16, 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 and achieved an overall underspend. The outturn position was a £1.2m underspend compared to budget, mainly as a result of the following:

- After taking account of Section 31 grants and adjustments through the collection fund there was a £535k overachievement on business rates compared to estimate. Given the level of concern regarding future levels of funding the Council has moved this to the MTFS reserve as a provision against volatility in business rate receipts.
- Fuel prices fell further than had been anticipated when the 2015/16 budgets were set resulting in a £154k underspend on fuel costs. This has been moved to the Repairs and Renewals fund to support future expenditure on vehicle replacements and repairs.
- A £511k underspend across other service budgets. This final position was a mixture of additional income and reduced expenditure across a large number of budget areas which

were able to more than absorb a number of other budget pressures. The main areas of variance that contributed to this were as follows:

- £436k under spend on employee costs. Approximately £300k is due to significant levels of vacant posts being held open.
- £54k reduced spend on legal fees and audit fees.
- Spend on benefits and associated subsidy income both fell but overall the Council saw a £227k net gain.
- The Council also achieved higher than anticipated levels of income from court cases and refunded Housing Benefit Overpayments, £430k.
- Additional fee income of £129k was generated across a number of fee earning services, such as building control, car parks, and green waste.
- Treasury investments and other interest income generated higher returns than budgeted of £168k
- The Council was able to absorb some unbudgeted costs such as a £408k provision for bad debts, £143k of unbudgeted insurance claims and £136k of unbudgeted professional fees and other contractor payments.

Key areas of service changes and achievements during 2015/16 were:

- The Council established the Magna Vitae Trust for Lesiure and Culture (MVLT) on 1 January 2015. 2015/16 was the first full year of operation and the Council was able to give a subsidy to MVLT which, due to reductions in Business Rates and VAT for charitable organisations, meant that the Council's overall payment for these services was reduced compared to previous years. The Trust will be able to access new sources of funding and deliver these services at a lower cost compared to provision within the Council.
- The method of delivery of waste services (including collaborative working with Boston BC) and changes made in associated staff and running costs (overtime, agency and vehicle costs) led to reduced spending.
- The Health and Wellbeing Service, funded by the County Council, was able to provide extended levels of support and assistance to vulnerable members of our District.
- The Council awarded 11 Rural Development Grants or loans to new organisations to assist with the promotion and development of businesses in the District and associated new employment opportunities.
- Shared staffing arrangements have continued with Boston Borough Council and Lincolnshire County Council.
- 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 2015/16 the Council's performance in delivering 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 help protect the Council against financial risks going forward.

The main financial issues around the General Fund in 2015/16 were:

The Council's net expenditure relating to the provision of services (see page 17, the Comprehensive Income and Expenditure Statement – CIES) has increased slightly from £19.1m to £19.6m. However the deficit on the provision of services increased from £3.1m to £5.4m due in part to reduced Revenue Support Grant funding, offset in part by increased Council Tax, Business Rates and New Homes Bonus income, and due to a reduced level of gain on the disposal of non-current assets (see notes 6 to 8).

Although net service expenditure remained at nearly the same level as that in 2014/15 there was a significant reduction in gross expenditure of £8.0m and an associated reduction in income of £8.6m. These reductions largely reflected the transfer of income and expenditure to the Magna Vitae Trust for Leisure and Culture. Further details on the Outturn position are included in the Quarter 4

Governance and Performance report that was presented to Executive Board on 14 June and Audit and Governance Committee on 22 June 2016.

To help readers link the formal presentational requirements to the format reported during the year, note 26 in the Statements (pages 58 to 61) reconciles the figures in the CIES to the management account reported to the Executive Board.

Other issues

The Council's net asset position increased by £10.2m from £48.2m to £58.4m. (See the Balance Sheet at page 20). The main reason for this is the £10.2m reduction in Long Term Liabilities (essentially pension obligations). This reflects changes to various assumptions.

The accounts, whilst largely based on actual income and expenditure, also contain some estimated figures. These estimates are based on assumptions about future positions, and whilst every attempt is made to provide accurate estimates, the future actual position may be more or less materially different from the estimates that are made. There is the risk that there may need to be material adjustments to figures in the balance sheet in the forthcoming financial year. The main areas where these risks arise are:

- Pension Liabilities – actuaries have estimated a £10.2m reduction in the net pension liability
- Debt Recovery – recovery of the council's most significant debts has been assessed and the estimate for non-repayment increased. Collection rates may however improve or deteriorate from this position.
- Business Rates – since the introduction of the Business Rates Retention Scheme, effective from 1 April 2013, local authorities are liable for successful appeals against business rates charged to businesses in 2015/16 and earlier years. A provision has been made in the accounts based on the best estimate of the amount that businesses have potentially been overcharged up to the 31 March 2016. This estimate has been calculated using the latest Valuation Office list of outstanding appeals with an assessment being made of the likely impact of those appeals. There has been a large increase in the number of appeals and there is some uncertainty around the accuracy of estimating the likely success of these appeals. The Council's share of the estimated provision as at 31 March 2016 (40% of £3.2m) is £1.3m.

5. FUTURE CHALLENGES

Despite delivering services efficiently within a much reduced budget in 2015/16, 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. Following the 2015 election the Government's stance on public sector funding has been one of continued reductions in the direct grant provided by Government and an increased emphasis on Local Government generating resources itself, be that from business rates, fees and charges or Council Tax.

In line with the proposal for 100% localisation of business rates by 2020, announced by the Chancellor in November 2015, the Council is currently working on the assumption that all government grant support will cease over the next four years (£4m Revenue Support Grant and £2m New Homes Bonus). The Government is proposing a four year settlement plan whereby authorities can have more certainty about the funding that will be received in the period up to devolution of business rates.
As such the Council's Transformation Programme is being developed with the aim of reducing reliance on Government funding and enabling it to accept the Government's settlement plan.

Where possible the Council will need to take action to try and boost economic growth in the District and grow the level of business rates income that it receives. However, the Council has a limited expectation that Business Rates or Council Tax income will grow significantly. Therefore the Council will also need to find increased levels of efficiency within its service budgets and acknowledge that it can no longer deliver services in the same way or to the same extent that it has done in the past.

While predicting and controlling the level of external funding resources may be difficult, where possible the Council uses 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. As part of its development of more independent funding sources the Council is undertaking a complete review of all its assets and its ability to generate additional resources from these sources.

The provision of services in the District's area is also reliant upon funding and service delivery from other public sector organisations such as the County Council. Funding pressures within these organisations will inevitably impact on East Lindsey, especially where these organisations currently provide grant funding to the District Council.

The proposals for devolution of powers and funding from the Government to the Greater Lincolnshire area and greater combined authority working presents a further level of future uncertainty around funding and service provision.

These financial uncertainties will require vigilance as they are progressed, 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 financial risks above, the Council must plan ahead to ensure that it can continue to deliver priority services over the medium term. The Council has made reductions in its expenditure and anticipates increased income from fees and charges in order to deliver a balanced budget for 2016/17. Beyond 2016/17 required reductions in expenditure are anticipated to have a significant impact on the services that it will be able to provide. The Council has absorbed a net loss in funding of £1m in 2016/17 (plus other budget pressures).

The MTFS estimates ongoing annual budget savings of approximately £3m over 2017/18 and 2018/19 and £4.6m by 2020/21. The 2016/17 budget has delivered budget savings through the implementation of a Transformation Programme approved by the Council in February 2016. This programme has reviewed all services and sources of income and includes measures such as:

- Alternative options for providing footway lighting.
- Greater levels of shared service with other councils.
- Reduced fee payments to CPBS and MVLT
- Cessation of grants to external organisations and community groups
- Reduced Customer Access Points and greater use of online access to services
- More electronic communication
- Changes to staff terms and conditions
- Removal of vacant posts
- Generation of additional interest income from investment in property funds
- New fees and charges for discretionary services.

In recent years the Council has been able to make some contributions to reserves, which will provide a buffer against future reduced funding and other financial risks. Given the identified need for ongoing savings the Council must implement its Transformation Programme. It is anticipated that Magna Vitae and the Council's service company, CPBS, will continue to provide annual savings.
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.

Leaving the European Union (EU)

The decision to leave the EU has raised many questions about what the implications will be for local authorities and what steps need to be taken to ensure thay local authorites are prepared for the future. It will take some time to fully understand what the EU exit will mean. There will be political, financial and social threads to the developing picture. Maintaining robust financial management and effective service planning will be essential.

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. In conjunction with CPBS the Council has approved a Housing Benefit performance improvement plan. The Council has service and work plans in place to drive any required improvements in other service areas and has an effective performance management process in place to monitor delivery of services.

6. 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

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.

7. FINANCIAL STATEMENTS

The Council's Accounts are set out on pages 16 to 82 and consist of the:

Statement of Responsibilities (page 16)

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

Comprehensive Income and Expenditure Statement (page 17)

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

Movement in Reserves Statement (pages 18 -19)

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (ie those that can be applied to fund expenditure 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.

Balance Sheet (page 20)

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 21)

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 22 - 79)

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 Statement - Collection Fund (pages 80 to 82)

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.

8. 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.e-lindsey gov.uk

Robert Barlow, CPFA, Deputy Chief Executive and Section 151 Officer
21 September 2016

STATEMENT OF RESPONSIBILITIES

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 East Lindsey, 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 judgements and estimates that were reasonable and prudent
- complied with the local authority Code
- kept proper accounting records which were up to date; and
- 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 give 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 2016.

Robert Barlow
Deputy Chief Executive

Dated: 21 September 2016

Approval of the Financial Statements

I confirm that the Financial Statements were approved by the Audit and Governance Committee at its meeting held on the 21 September 2016.

Signed on behalf of East Lindsey District Council

Cllr R Williams
Chair of meeting approving the accounts

Dated: 21 September 2016

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2014/15 Gross Expenditure £000	2014/15 Gross Income £000	2014/15 Net Expenditure of Continuing Operations £000		2015/16 Gross Expenditure £000	2015/16 Gross Income £000	2015/16 Net Expenditure of Continuing Operations £000
2,913	(1,451)	1,462	Central services to the public	3,013	(1,443)	1,570
11,336	(5,455)	5,881	Cultural and related services	6,882	(2,124)	4,758
8,372	(1,368)	7,004	Environmental and regulatory services	9,211	(1,401)	7,810
4,360	(2,799)	1,561	Planning services	5,729	(2,474)	3,255
1,584	(3,057)	(1,473)	Highways and transport services	1,724	(3,133)	(1,409)
50,868	(48,256)	2,612	Other housing services	49,108	(47,890)	1,218
2,518	(555)	1,963	Corporate and democratic core	2,747	(461)	2,286
4,729	(4,635)	94	Non distributed costs	87	-	87
86,680	**(67,576)**	**19,104**	**Cost of Services**	**78,501**	**(58,926)**	**19,575**
5,071	(1,074)	3,997	Other operating expenditure (Note 6)	5,089	(364)	4,725
6,137	(5,510)	627	Financing and Investment income and expenditure (Note 7)	3,405	(2,837)	568
7,270	(27,856)	(20,586)	Taxation and non-specific grant income and expenditure (Note 8)	7,409	(26,894)	(19,485)
105,158	**(102,016)**	**3,142**	**Deficit on the Provision of Services**	**94,404**	**(89,021)**	**5,383**
		(3,286)	(Surplus) on revaluation of Property, Plant and Equipment assets			(3,175)
		9,164	Remeasurements of the net defined benefit liability			(12,385)
		5,878	**Other Comprehensive Income and Expenditure**			**(15,560)**
		9,020	**Total Comprehensive Income and Expenditure**			**(10,177)**

The notes to the accounts on pages 22 – 79 form an integral part of the Financial Statements.

MOVEMENT IN RESERVES STATEMENT

2014/15	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2014	**1,910**	**13,506**	**2,237**	**60**	**17,713**	**39,518**	**57,231**
Movement in Reserves during 2014/15							
Deficit on the provision of services	(3,142)	-	-	-	(3,142)	-	(3,142)
Other Comprehensive Income and Expenditure	-	-	-	-	-	(5,878)	(5,878)
Total Comprehensive Income and Expenditure	**(3,142)**	**-**	**-**	**-**	**(3,142)**	**(5,878)**	**(9,020)**
Adjustments between accounting basis and funding basis under regulations (Note 9)	3,381	-	746	(56)	4,071	(4,071)	-
Net Increase or Decrease before transfers to Earmarked Reserves	**239**	**-**	**746**	**(56)**	**929**	**(9,949)**	**(9,020)**
Transfers (to)/from Earmarked Reserves (Note 10)	(133)	133	-	-	-	-	-
Increase/(Decrease) in Year	**106**	**133**	**746**	**(56)**	**929**	**(9,949)**	**(9,020)**
Balance at 31 March 2015 carried forward	**2,016**	**13,639**	**2,983**	**4**	**18,642**	**29,569**	**48,211**

2015/16	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2015	**2,016**	**13,639**	**2,983**	**4**	**18,642**	**29,569**	**48,211**
Movement in Reserves during 2015/16							
Deficit on the provision of services	(5,383)	-	-	-	(5,383)	-	(5,383)
Other Comprehensive Income and Expenditure	-	-	-	-	-	15,560	15,560
Total Comprehensive Income and Expenditure	**(5,383)**	**-**	**-**	**-**	**(5,383)**	**15,560**	**10,177**
Adjustments between accounting basis and funding basis under regulations (Note 9)	6,206	-	(689)	57	5,574	(5,574)	-
Net Increase/Decrease before Transfers to Earmarked Reserves	**823**	**-**	**(689)**	**57**	**191**	**9,986**	**10,177**
Transfers (to)/from Earmarked Reserves (Note 10)	(908)	908	-	-	-	-	-
Increase/(Decrease) in Year	**(85)**	**908**	**(689)**	**57**	**191**	**9,986**	**10,177**
Balance at 31 March 2016 carried forward	**1,931**	**14,547**	**2,294**	**61**	**18,833**	**39,555**	**58,388**

The notes to the accounts on pages 22 – 79 form an integral part of the Financial Statements.

BALANCE SHEET

31 March 2015 £'000		Note	31 March 2016 £'000
72,597	Property, Plant & Equipment	11	72,481
484	Heritage Assets	12	1,201
11,071	Investment Property	13	10,704
587	Intangible Assets	14	387
-	Assets Held for Sale	18	962
59	Long Term Debtors		47
84,798	**Long-term Assets**		**85,782**
11,064	Short Term Investments	15	14,988
378	Assets Held for Sale	18	53
5,181	Short Term Debtors	16	5,543
12,978	Cash and Cash Equivalents	17	7,283
29,601	**Current Assets**		**27,867**
(9,882)	Short Term Creditors	19	(9,022)
(1,129)	Provisions	20	(1,292)
(11,011)	**Current Liabilities**		**(10,314)**
(43)	Long Term Creditors		(18)
(55,134)	Other Long Term Liabilities	34	(44,929)
(55,177)	**Long Term Liabilities**		**(44,947)**
48,211	**Net Assets**		**58,388**
	Usable Reserves	21	
2,016	General Fund Balance		1,931
13,639	Earmarked Reserves		14,547
2,983	Capital Receipts Reserve		2,294
4	Capital Grants Unapplied		61
18,642			**18,833**
	Unusable Reserves	22	
27,922	Revaluation Reserve		30,257
57,137	Capital Adjustment Account		55,485
(55,134)	Pension Reserve		(44,929)
12	Deferred Capital Receipts		4
(257)	Collection Fund Adjustment Account		(1,173)
(111)	Accumulated Absences Adjustment Account		(89)
29,569			**39,555**
48,211	**Total Reserves**		**58,388**

The notes to the accounts on pages 22 – 79 form an integral part of the Financial Statements.

CASH FLOW STATEMENT

2014/15 £000	2014/15 £000		2015/16 £000	2015/16 £000
	(3,142)	Net deficit on the provision of services		(5,383)
5,850		Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 23)	5,754	
(2,232)	3,618	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 23)	(1,328)	4,426
	476	Net cash flows from Operating Activities		(957)
	(706)	Investing Activities (Note 24)		(3,178)
	1,990	Financing Activities (Note 25)		(1,560)
	1,760	Net increase/(decrease) in cash and cash equivalents		(5,695)
	11,218	Cash and cash equivalents at the beginning of the reporting period		12,978
	12,978	**Cash and cash equivalents at the end of the reporting period (Note 17)**		**7,283**

The notes to the accounts on pages 22 – 79 form an integral part of the Financial Statements

NOTES TO THE ACCOUNTS

NOTE 1 – ACCOUNTING POLICIES

1. General Principles

The Financial Statements summarise the Council's transactions for the 2015/16 financial year and its position at the year-end of 31 March 2016. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which require the accounts 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 2015/16 and the Service Reporting Code of Practice 2015/16, 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.

1.1 Qualitative Characteristics of Financial Statements

Relevance
The accounts have been prepared to provide information about the Council's financial performance and position that is useful for assessing the stewardship of public funds and for making financial decisions.

Materiality
The concept of materiality has been utilised in preparing the accounts so that insignificant items and fluctuations under an acceptable level of tolerance are permitted provided that, in aggregate, they would not affect the interpretation of the accounts.

Faithful Representation
The financial information in the accounts is a faithful representation of the economic performance of the Council as they have been prepared to reflect the reality or substance of the transaction, are free from deliberate or systematic bias, are free from material error and contain all the information necessary to aid understanding.

Comparability
In addition to complying with the code the accounts also comply with the Service Reporting Code of Practice. This code establishes proper practice in relation to consistent financial reporting below statement of accounts level and aids comparability with other local authorities.

Verifiability
Knowledgeable and independent observers will be able to reach the same conclusion from the information presented in the accounts.

Timeliness
The information provided in the accounts is available in time to influence decisions.

Understandability
These accounts are based on concepts and terminology which require reasonable knowledge of local government finance. Every effort has been made to use plain language and technical terms are explained in the glossary contained at the end of the financial statements.

1.2 Underlying Assumptions

Accruals Basis
The accounts are prepared on an accruals basis, whereby revenue (income) and expenditure is recognised in the period in which it is earned or incurred not as the cash is received or paid.

Going Concern
The accounts have been prepared on the assumption that the Council will continue in existence for the foreseeable future.

Primacy of Legislation Requirements
Where accounting treatment is prescribed by law, it has been applied in preparing the accounts.

The following sections (2-24) disclose 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 not carried as inventories on the Balance Sheet due to their immateriality.

- 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 as income 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

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

4. Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance. There are no exceptional items in 2015/16.

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
- revaluation 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 3.5% (3.2% in 2014/15), based on the indicative rate of return on high quality corporate bonds.

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 pension's 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 most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable plus accrued interest and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

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

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.

Available-for-sale Assets

Available-for-sale Assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument.

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

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

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

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

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

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

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

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

Where the fair value of available-for-sale assets is not materially different from the carrying value, 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 agreement.

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 and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-specific Grant Income 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.

11. Heritage Assets

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 fall into three categories; Statues and Monuments, Civic Regalia and Land Sites of Special Interest and are accounted for as follows:-

Statues and Monuments

- The Clock Tower, Skegness - insurance value, updated by the Council's internal valuer
- Stanhope Memorial Horncastle, Sir John Franklin Memorial Spilsby, Buttercross Monument Spilsby, Clock Tower Old Market Hall Louth, Jolly Fisherman Statue Compass Gardens Skegness – included in the balance sheet at their insurance valuations.
- Dambusters Memorial Woodhall Spa – Historic Cost.

Civic Regalia – included in the balance sheet at their insurance valuations.

Land Sites

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

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 17 in this summary of significant accounting policies.

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 or service potential will flow from the intangible asset to the Council for more than one financial year.

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. Depreciation is calculated on the following basis:

- Computer software and licences – straight line basis

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, the amortisation charge is not permitted to have an impact on the General Fund Balance. It is therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

13. Joint Arrangement

A joint arrangement is an arrangement of which two or more parties have joint control. A joint arrangement has the following characteristics:

- the parties are bound by a contractual arrangement

- the contractual arrangement gives two or more of those parties joint control of the arrangement.

A joint arrangement is either a joint operation or a joint venture.

East Lindsey has joint control with South Holland District Council over Compass Point Business Services (East Coast) Ltd, a company established in 2010 to provide 'back office' services to both Councils.

This arrangement is classified as a joint operation. The Council recognises on its Balance Sheet an appropriate share of its rights to the assets and obligations for the liabilities and debits and credits the Comprehensive Income and Expenditure Statement with its share of expenses incurred and income it earns from the activity of the Company.

14. 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, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. 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.

15. 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 has no material finance lease commitments as at 31 March 2016.

The Council as Lessee - *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. Charges are made on a straight line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent free period).

The Council as Lessor - *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 service line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of a lease).

16. 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 the CIPFA *Service Reporting Code of Practice 2015/16 (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, costs associated with redundant assets 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.

17. 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.

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
- surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant’s perspective
- all other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV)

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

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

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Surplus or Deficit on the Provision of Services 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 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 remains within 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.

18. Fair Value Measurement

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

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

The Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date

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

Level 3 – unobservable inputs for the asset or liability.

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 where it is probable that there will be an outflow of economic benefits or service potential.

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 probable 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 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 Balance 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 2016/17 (the Code) has introduced changes in accounting policies which will be required from 1 April 2016, as detailed below.

- *Amendment to IAS 1 Presentation of Financial Statements.* This standard provides guidance on the form of the financial statements and will result in changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and will introduce a new Expenditure and Funding analysis. These changes are as a result of the "Telling the Story" review of the presentation of the local authority financial statements as well as the December 2014 changes to IAS 1 under the International Accounting Standards Board (IASB) Disclosure Initiative.

Other minor changes to be introduced which are not expected to have a material effect on the Council's Financial Statements are:

- *Amendments to IAS 19 Employee Benefits* (Defined Benefit Plans: Employee Contributions)

- *Annual Improvements to IFRSs (2010 – 2012 Cycle).* These improvements are designed to aid clarification with financial reporting disclosures.

- *Amendments to IFRS 11 Joint Arrangements* (Accounting for Acquisitions of Interests in Joint Operations)

- *Amendment to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets* (Clarification of Acceptable Methods of Depreciation and Amortisation)

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- *Annual Improvements to IFRSs (2012 – 2014 Cycle).* These improvements are designed to aid clarification with financial reporting disclosures.

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.

- The Council has examined its leases, and classified them as either operational leases or finance leases. In some cases the lease transaction is not always conclusive and the Council uses judgements in determining whether the lease is a finance lease that transfers substantially all the risks and rewards incidental to ownership.

- Investments - Investment in banks and other financial institutions are secure and will not suffer impairments.

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

The 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 2016 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 (£44.929m at 31 March 2016) to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide expert advice about the assumptions to be applied.

During 2015/16, the actuaries advised that the net pension liability had decreased by £10.205m. This is made up of:

- £12.385m actuarial gain
- £2.180m loss arising from employer contributions of £2.218m being less than the pension obligations of £4.398m.

Debt Impairment

At 31 March 2016, the Council had a balance of sundry debtor and housing benefit overpayments of £3.212m. A review of significant balances suggested that an impairment of doubtful debts of 55.6% (£1.785m) 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 £0.141m to be set aside as an allowance.

Business Rates

Since the introduction of the Business Rates Retention Scheme effective from 1 April 2013, local authorities need to account for any reduction in Business Rates income and repayment to ratepayers, in respect of successful appeals against business rates for current and earlier years. A provision has been made in the accounts based on the best estimate of the amount that the Council might need to repay as a result of successful appeals up to 31 March 2016. This estimate has been calculated using the latest Valuation Office Agency list of outstanding appeals with an assessment being made of the likely impact of those appeals, taking into account past national decisions together with any specific / local implications. This assessment has been undertaken by an external provider.

The 31 March 2015 deadline for appeals against the 2010 valuation list led to a surge in the number of appeals received by the Valuation Office Agency in 2014/15. Appeals made after 31 March 2015 are limited to the financial year in which the appeal is made. Appeals received before this date could potentially receive reductions in rateable value and refunds dating back to 2010.

It is believed that some of the appeals may be speculative, with low prospect of success, and therefore have been assessed as such, although there is a risk that, when the appeal is eventually determined, the refund could be different from the original estimation. As the Valuation Office Agency work through the outstanding appeals, it is expected that the accuracy of estimates will improve.

The Council’s share of the provision as at 31 March 2016 (40% of £3.231m) is £1.292m (£1.129m at 31 March 2015).

Fair Value Measurements

When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for similar assets or liabilities in active markets or the discounted cash flow (DCF) model). Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the authority’s assets and liabilities.

Where Level 1 inputs are not available, the authority employs relevant experts to identify the most appropriate valuation techniques to determine fair value (for example for investment properties, the authority’s Chief Valuation Officer). Information about the valuation techniques and inputs used in determining the fair value of the authority’s assets and liabilities is disclosed in notes 13 and 15 below.

NOTE 5 – EVENTS AFTER THE REPORTING PERIOD

The Financial Statements were authorised for issue by the Deputy Chief Executive on 21 September 2016. Events taking place after this date are not reflected in the Financial Statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2016, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

On 23 June, the EU referendum took place and the people of the United Kingdom voted to leave the European Union. Until exit negotiations are concluded, the UK remains a full member of the European Union and all the rights and obligations of EU membership remain in force. During this period the Government will continue to negotiate, implement and apply EU legislation. It will be for the Government, under the new Prime Minister, to begin negotiations to exit the EU. The outcome of these negotiations will determine what arrangements apply in relation to EU legislation and funding in future, once the UK has left the EU. This is therefore a non-adjusting event for which no estimate of its financial effect on the reporting entity can be made.

NOTE 6 – OTHER OPERATING EXPENDITURE

2014/15 £000		2015/16 £000
1,455	Parish council precepts	1,541
3,153	Internal Drainage Board Levies	3,227
3	Payments to the Government Housing Capital Receipts Pool	6
(614)	(Gains)/Losses on the disposal of non-current assets	(49)
3,997	**Total**	**4,725**

NOTE 7 – FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2014/15 £000		2015/16 £000
11	Interest payable and similar charges	9
1,893	Net interest on the net defined benefit liability	1,777
110	Discount, impairment and exchange rate movements on Icelandic Investments	(98)
(172)	Interest receivable and similar income	(218)
(1,215)	Income and Expenditure in relation to investment properties and changes in their fair value	(902)
627	**Total**	**568**

NOTE 8 – TAXATION AND NON SPECIFIC GRANT INCOME AND EXPENDITURE

2014/15 £000		2015/16 £000
(6,446)	Council tax income	(6,804)
(5,152)	Retained Business Rates income and expenditure	(4,831)
(6,177)	Revenue Support Grant	(4,355)
(2,781)	Non-ringfenced government grants	(3,495)
(30)	Capital grants and contributions	-
(20,586)	**Total**	**(19,485)**

NOTE 9 – 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 arrive at 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 the Council are required to be paid and out of which all liabilities of the Council are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment 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 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.

2015/16	General Fund Balance £000	Capital Receipts reserve £000	Capital Grants Unapplied £000
Adjustments to the Revenue Resources			
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:			
• Pension Costs	2,180	-	-
• Council Tax and Non Domestic Rates	916	-	-
• Holiday pay	(22)	-	-
• Movements in the market value of Investment Properties	447	-	-
• Capital grants and contributions applied to capital financing	(915)	-	-
• Capital grants and contributions not applied to capital financing in year	(57)	-	57
• Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure	6,962	-	-
Total Adjustments to Revenue Resources	**9,511**	**-**	**57**
Adjustments between Revenue and Capital Resources			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(364)	364	-
Administrative costs of non-current asset disposals	8	(8)	-
Payments to the government housing receipts pool	6	(6)	-
Statutory provision for the repayment of debt	(11)	-	-
Capital expenditure financed from revenue balances	(2,944)	-	-
Total Adjustments between Revenue and Capital Resources	**(3,305)**	**350**	**-**
Adjustments to Capital Resources			
Use of Capital Receipts Reserve to finance capital expenditure	-	(1,047)	-
Use of capital grants to finance capital expenditure	-	-	-
Cash payments in relation to deferred capital receipts	-	8	-
Total adjustments to Capital Resources	**-**	**(1,039)**	**-**
Total Adjustments	**6,206**	**(689)**	**57**

2014/15	General Fund Balance £000	Capital Receipts reserve £000	Capital Grants Unapplied £000
Adjustments to the Revenue Resources			
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:			
• Pension Costs	1,857	-	-
• Council Tax and NDR	(130)	-	-
• Holiday pay	(17)	-	-
• Movements in the market value of Investment Properties	(10)	-	-
• Capital grants and contributions applied to capital financing	(1,158)	-	-
• Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure	6,165	-	-
Total Adjustments to Revenue Resources	**6,707**	**-**	**-**
Adjustments between Revenue and Capital Resources			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(1,074)	1,074	-
Payments to the government housing receipts pool	2	(2)	-
Statutory provision for the repayment of debt	(15)	-	-
Capital expenditure financed from revenue balances	(2,239)	-	-
Total Adjustments between Revenue and Capital Resources	**(3,326)**	**1,072**	**-**
Adjustments to Capital Resources			
Use of Capital Receipts Reserve to finance capital expenditure	-	(329)	-
Use of capital grants to finance capital expenditure	-	-	(56)
Cash payments in relation to deferred capital receipts	-	3	-
Total adjustments to Capital Resources	**-**	**(326)**	**(56)**
Total Adjustments	**3,381**	**746**	**(56)**

NOTE 10 -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 2015/16.

	Balance at 1 April 2014 £000	Transfers Out 2014/15 £000	Transfers In 2014/15 £000	Balance at 31 March 2015 £000	Transfers Out 2015/16 £000	Transfers In 2015/16 £000	Balance at 31 March 2016 £000
Capital Reserve	**2,161**	(994)	1,799	**2,966**	(2,071)	2,035	**2,930**
Community and Cultural Reserve	**3,693**	(665)	640	**3,668**	(511)	290	**3,447**
Housing Reserve	**224**	(138)	-	**86**	-	-	**86**
Technology Reserve	**954**	-	112	**1,066**	(138)	88	**1,016**
Insurance Reserve	**525**	(89)	100	**536**	(55)	100	**581**
Workforce Costs Reserve	**111**	-	60	**171**	-	-	**171**
Service Transformation Reserve	**1,726**	(647)	84	**1,163**	(289)	538	**1,412**
Medium Term Financial Strategy Reserve	**931**	-	83	**1,014**	-	530	**1,544**
Carbon Reduction Reserve	**234**	(54)	-	**180**	-	-	**180**
Legal and Appeals Reserve	**907**	(379)	109	**637**	(6)	-	**631**
Repair and Renewals Reserve	**2,040**	(137)	249	**2,152**	(73)	470	**2,549**
Total Earmarked Reserves	**13,506**	**(3,103)**	**3,236**	**13,639**	**(3,143)**	**4,051**	**14,547**

NOTE 11 – PROPERTY, PLANT AND EQUIPMENT - Movements on Balances

2015/16	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
Movements on balances						
Cost or valuation						
At 1 April 2015	**67,592**	**4,879**	**89**	**1,357**	**938**	**74,855**
Additions	73	431	-	38	-	542
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	953	-	-	-	12	965
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(58)	-	-	-	16	(42)
Derecognition – disposals	(1)	(188)	(1)	-	-	(190)
Assets reclassified (to)/from Held for Sale	-	-	-	-	(943)	(943)
Other movements in Cost or Valuation	-	(15)	-	-	1	(14)
At 31 March 2016	**68,559**	**5,107**	**88**	**1,395**	**24**	**75,173**
Accumulated Depreciation and Impairment						
At 1 April 2015	**-**	**(2,251)**	**(6)**	**(1)**	**-**	**(2,258)**
Depreciation charge	(1,644)	(632)	(5)	-	(14)	(2,295)
Depreciation written out to the Revaluation Reserve	1,479	-	-	-	14	1,493
Depreciation written out to the Surplus/Deficit on the Provision of Services	165	-	-	-	-	165
Derecognition – disposals	-	188	-	-	-	188
Other movements in Depreciation and Impairment	-	15	-	-	-	15
At 31 March 2016	**-**	**(2,680)**	**(11)**	**(1)**	**-**	**(2,692)**
Net Book value						
at 31 March 2015	**67,592**	**2,628**	**83**	**1,356**	**938**	**72,597**
at 31 March 2016	**68,559**	**2,427**	**77**	**1,394**	**24**	**72,481**

2014/15	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
Movements on balances						
Cost or valuation						
At 1 April 2014	**65,692**	**7,157**	**89**	**1,387**	**1,421**	**75,746**
Additions	276	325	-	3	-	604
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	2,166	-	-	-	(53)	2,113
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(281)	-	-	-	(106)	(387)
Derecognition – disposals	(296)	(2,603)	-	(33)	(37)	(2,969)
Assets reclassified (to)/from Held for Sale	-	-	-	-	(252)	(252)
Other movements in Cost or Valuation	35	-	-	-	(35)	-
At 31 March 2015	**67,592**	**4,879**	**89**	**1,357**	**938**	**74,855**
Accumulated Depreciation and Impairment						
At 1 April 2014	**-**	**(4,144)**	**(2)**	**(28)**	**-**	**(4,174)**
Depreciation charge	(1,340)	(712)	(4)	-	(14)	(2,070)
Depreciation written out to the Revaluation Reserve	1,156	-	**-**	-	17	1,173
Depreciation written out to the Surplus/Deficit on the Provision of Services	177	-	**-**	-	-	177
Derecognition – disposals	4	2,605	**-**	27	-	2,636
Other movements in Depreciation and Impairment	3	-	**-**	-	(3)	-
At 31 March 2015	**-**	**(2,251)**	**(6)**	**(1)**	**-**	**(2,258)**
Net Book value						
at 31 March 2014	**65,692**	**3,013**	**87**	**1,359**	**1,421**	**71,572**
at 31 March 2015	**67,592**	**2,628**	**83**	**1,356**	**938**	**72,597**

Depreciation

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

- Property, Land and Buildings – 2-109 years
- Vehicles, Plant, Furniture & Equipment – 1-30 years

Effects of Changes in Estimates

In 2015/16, no material changes were made to the Council's accounting estimates for Property, Plant and Equipment.

Revaluations

The Council carries out a programme that ensures that all Property, Plant and Equipment required to be measured at current value are revalued every 5 years, although a desktop review of all assets is carried out in each of the intervening years. 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	-	2,427	77	1,394	-	**3,898**
Valued at fair value (NBV) as at:						
31 March 2016	68,559	-	-	-	24	**68,583**
Total Cost or Valuation at 31 March 2016	**68,559**	**2,427**	**77**	**1,394**	**24**	**72,481**

NOTE 12 – HERITAGE ASSETS

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

2014/15 £000		Statues and Monuments 2015/16 £000	Civic Regalia 2015/16 £000	Land Sites of Special Interest 2015/16 £000	Total 2015/16 £000
	Cost or valuation				
484	1 April	431	47	6	484
-	Revaluations in year	739	(22)	-	717
484	**31 March**	**1,170**	**25**	**6**	**1,201**

Heritage assets, held by the Council fall into three categories; Statues and Monuments, Civic Regalia and Land Sites of Special Interest. All the assets have been in the Council's ownership for a number of years and are held for their intrinsic worth as opposed to financial gain. As such they are unlikely to be sold. According to the Code there is no prescribed minimum period between valuations. There were no additions or disposals in the current financial year.

Heritage assets recognised on the Council's balance sheet:

Statutes and Monuments

- The Clock Tower, Skegness - insurance value, updated by the Council's internal valuer and last revalued at 31 March 2014.

- Stanhope Memorial Horncastle, Sir John Franklin Memorial Spilsby, Buttercross Monument Spilsby, Clock Tower Old Market Hall Louth, Jolly Fisherman Statue Compass Gardens Skegness – included in the balance sheet at their insurance valuations. These valuations were undertaken on 31 March 2015 by an external specialist valuer – Bonham's.

- Dambusters Memorial Woodhall Spa – Historic Cost.

Civic Regalia – included in the balance sheet at their insurance valuations. These valuations were undertaken on 31 March 2015 by an external specialist valuer – Bonham's.

Land Sites

- The Pingle Coningsby, Gibraltar Point Nature Reserve, St Mary's Burial Ground Louth, Tower Gardens Skegness, Site of Special Scientific Interest Skegness Foreshore – recorded at historic Cost.

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

NOTE 13 – 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:

2014/15 £000		2015/16 £000
(1,926)	Rental Income from investment property	(2,036)
721	Direct operating expenses arising from investment property	687
(10)	Net (gains)/losses from fair value adjustments	447
(1,215)	**Net gain**	**(902)**

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.

2014/15 £000		2015/16 £000
11,035	Balance at start of the year	11,071
26	Additions – Subsequent Expenditure	80
10	Net gains/(losses) from fair value adjustments	(447)
11,071	**Balance at end of the year**	**10,704**

Fair Value Hierarchy

Details of the authority's investment properties and information about the fair value hierarchy as at 31 March 2016 is as follows:

	Level 2 2015/16 £000	Level 3 2015/16 £000	Fair Value 2015/16 £000
Office Units	280	165	445
Commercial Retail Units	-	682	682
Commercial Storage Units	-	17	17
Commercial Unit Caravan Park	9,560	-	9,560
	9,840	**864**	**10,704**

Valuation Techniques Used to Determine Level 2 and 3 Fair Values for Investment Properties

Significant Observable Inputs – Level 2

The fair value of investment properties has been measured using two main approaches - the investment method and the comparable method.

The comparable method of valuation is relied upon in the case of plots of similar size and location. It is relatively simple to achieve a direct comparison with one plot against another which has been sold recently.

Using the investment methodology, the valuers have relied upon data ascertained from current evidence of passing rents on comparable properties. Yields have been taken from the sale of comparable investments having regard to the type of property, covenant strength and lease terms. Valuation inputs for rental and yield which are directly applicable are said to be a valuation input 2 because they are directly comparable with limited adjustment.

Significant Unobservable Inputs – Level 3

Where the comparable data needs to be adjusted by the valuer in order to reflect the specific circumstances of the valuation subject, the valuer uses his judgement and experience. This includes assumptions regarding rent level and prospective rental growth, occupancy levels, floor area and state of repair.

These adjustments are the valuer's opinion and therefore subjective and considered to be Level 3 in the fair value hierarchy. The measurement technique uses significant unobservable inputs to determine the fair value measurements.

Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement of the assets.

Highest and best use of investment properties

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

Valuation Process for Investment Properties

The fair value of the Council's investment property is measured at each reporting date. All valuations are carried out internally, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The Council's valuation experts work closely with finance officers regarding all valuation matters.

NOTE 14 – 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. The carrying amount of intangible assets is amortised on a straight-line basis over 7 years. The amortisation of £216,000 was charged to an overhead account and then absorbed across service headings in the Cost of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

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

2014/15 £000		2015/16 £000
	Balance at start of year:	
1,343	- Gross carrying amounts	1,343
(540)	- Accumulated amortisation	(756)
803	Net carrying amount at start of year	**587**
	Additions:	
-	- Purchases	17
(216)	Amortisation for the period	(216)
-	Other Changes	(1)
587	**Net carrying amount at end of year**	**387**
	Comprising:	
1,343	- Gross carrying amounts	1,375
(756)	- Accumulated amortisation	(988)
587		**387**

NOTE 15 – FINANCIAL INSTRUMENTS

Categories of Financial Instruments

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

	Long Term		Short Term	
	31 March 2016 £000	31 March 2015 £000	31 March 2016 £000	31 March 2015 £000
Investments				
Loans and receivables				
Principal	-	-	12,000	7,000
Accrued interest	-	-	63	48
Available for Sale Assets				
Certificates of deposit	-	-	2,925	4,016
Total Investments	-	-	**14,988**	**11,064**
Cash and Cash Equivalents				
Loans and receivables	-	-	12,977	7,281
Total Cash and Cash Equivalents	**-**	**-**	**12,977**	**7,281**
Debtors				
Loans and receivables				
Mortgages and car loans	47	59	-	-
Trade debtors	-	-	768	2,019
Total included in Debtors	**47**	**59**	**768**	**2,019**
Other Liabilities				
Amortised cost				
Finance lease liabilities	(18)	(43)	(14)	-
Total Other Liabilities	**(18)**	**(43)**	**(14)**	**-**
Creditors				
Amortised cost				
Trade creditors	-	-	(2,793)	(5,104)
Total Creditors	**-**	**-**	**(2,793)**	**(5,104)**

Income, expense, gains and losses

	2015/16		
	Financial Assets: Loans and receivables £000	Financial Assets: Available for Sale £000	Total £000
Interest income	(159)	(59)	(218)
(Gains)/Losses on Derecognition of Financial Assets	(98)	-	(98)
Total income in Surplus or Deficit on the Provision of Services	**(257)**	**(59)**	**(316)**
Net loss/(gain) for the year	**(257)**	**(59)**	**(316)**

	2014/15		
	Financial Assets: Loans and receivables £000	Financial Assets: Available for Sale £000	Total £000
Interest income	(156)	(16)	(172)
(Gains)/Losses on Derecognition of Financial Assets	110	-	110
Total income in Surplus or Deficit on the Provision of Services	**(46)**	**(16)**	**(62)**
Net loss/(gain) for the year	**(46)**	**(16)**	**(62)**

Fair Value of Financial Assets

The Council held £2.925m in a Certificate of Deposit with Royal Bank of Scotland. This represents level 1 inputs in the fair value hierarchy. Fair Value has been assessed using published price quotations and estimation techniques offered by King & Shaxson brokers.

As the difference between the carrying value and fair value is immaterial the Council's balance sheet reflects the carrying value of £2.925m.

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

Financial liabilities and financial assets represented by loans and receivables, 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 take place over the remaining life of the instruments (Level 2), using the following assumptions:

- For loans receivable, prevailing benchmark market rates have been used to provide the fair value

The fair values calculated are as follows:

ASSETS	31 March 2016		31 March 2015	
	Carrying amount £000	Fair Value £000	Carrying amount £000	Fair Value £000
Short-term investments	12,063	12,074	7,048	7,051

The fair value of investments is higher than the carrying amount because the Council's portfolio of investments includes fixed rate loans where the interest rate receivable is higher than the rates available for similar loans at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31 March 2016) attributable to the commitment to receive interest above current market rates.

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

NOTE 16 – DEBTORS

31 March 2015 Net £'000		31 March 2016 Gross £'000	31 March 2016 Impairment £'000	31 March 2016 Net £'000
770	Central government bodies	2,013	-	2,013
368	Other local authorities	533	-	533
13	NHS bodies	2	-	2
4,030	Other entities and individuals	5,706	(2,711)	2,995
5,181	**Total**	**8,254**	**(2,711)**	**5,543**

NOTE 17 – CASH AND CASH EQUIVALENTS

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

31 March 2015 £000		31 March 2016 £000
1	Cash held by the Council	1
270	Bank current accounts	253
12,707	Deposits with Banks on Instant Access	7,029
12,978	**Total Cash and Cash Equivalents**	**7,283**

NOTE 18 – ASSETS HELD FOR SALE

The following tables summarise the movements in the fair value of assets held for sale over the year.

Current assets	Current assets		Non Current assets	
	2015/16 £000	2014/15 £000	2015/16 £000	2014/15 £000
Balance outstanding at start of year	**378**	**215**	**-**	**37**
Assets newly classified as held for sale:				
Property, Plant and Equipment	-	252	943	-
Assets sold	(306)	(126)	-	-
Transfers between current and non-current	(19)	37	19	(37)
Balance outstanding at year-end	**53**	**378**	**962**	**-**

NOTE 19 – CREDITORS

2014/15 £000		2015/16 £000
(1,617)	Central government bodies	(816)
(2,428)	Other local authorities	(3,724)
(1)	NHS bodies	-
(5,836)	Other entities and individuals	(4,482)
(9,882)	**Total**	**(9,022)**

NOTE 20 – PROVISIONS

	Business Rate Appeals £000
Balance at 1 April 2015	**(1,129)**
Additional provisions made in 2015/16	(519)
Amounts used in 2015/16	59
Unused amounts reversed in 2015/16	297
Balance at 31 March 2016	**(1,292)**

The provision represents East Lindsey's share (40% of £3.231m) of the total provision for appeals against the rateable values set by the Valuation Office Agency (VOA) not settled as at the 31 March 2016. The total provision has been recognised in the Collection Fund Statement (page 80).

NOTE 21 – USABLE RESERVES

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

NOTE 22 – UNUSABLE RESERVES

31 March 2015 £000		31 March 2016 £000
27,922	Revaluation Reserve	30,257
57,137	Capital Adjustment Account	55,485
(55,134)	Pensions Reserve	(44,929)
12	Deferred Capital Receipts Reserve	4
(257)	Collection Fund Adjustment Account	(1,173)
(111)	Accumulated Absences Account	(89)
29,569	**Total Unusable Reserves**	**39,555**

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.

2014/15 £000	2014/15 £000		2015/16 £000	2015/16 £000
	25,260	**Balance at 1 April**		**27,922**
5,507		Upward revaluation of assets	4,640	
(2,221)		Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(1,465)	
	3,286	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		3,175
(604)		Difference between fair value depreciation and historical cost depreciation	(806)	
(20)		Accumulated gains on assets sold or scrapped	(34)	
	(624)	Amount written off to the Capital Adjustment Account		(840)
	27,922	**Balance at 31 March**		**30,257**

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 current and fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and subsequent costs.
The Account contains accumulated gains and losses on Investment Properties. It also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

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

2014/15 £000	2014/15 £000		2015/16 £000	2015/16 £000
	58,871	**Balance at 1 April**		**57,137**
		Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement		
(2,070)		Charges for depreciation and impairment of non-current assets	(2,295)	
(210)		Revaluation (losses)/gains on Property, Plant and Equipment	123	
(216)		Amortisation of intangible assets	(216)	
(3,209)		Revenue expenditure funded from capital under statute	(4,267)	
(460)		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	(307)	
	(6,165)			(6,962)
	20	Adjusting amounts written out of the Revaluation Reserve		34
	604	Net written out amount of the cost of non-current assets consumed in the year		806
		Capital financing applied in the year:		
329		Use of the Capital Receipts Reserve to finance new capital expenditure	1,047	
1,158		Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	915	
56		Application of grants to capital financing from the Capital Grants Unapplied Account	-	
15		Statutory provision for the financing of capital investment charged against the General Fund balance.	11	
2,239		Capital expenditure charged against the General Fund balance	2,944	
	3,797			4,917
	10	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		(447)
	57,137	**Balance at 31 March**		**55,485**

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.

2014/15 £000		2015/16 £000
(44,113)	**Balance at 1 April**	**(55,134)**
(9,164)	Remeasurements of the net defined benefit liability	12,385
(4,319)	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	(4,398)
2,462	Employer's pensions contributions and direct payments to pensioners payable in the year	2,218
(55,134)	**Balance at 31 March**	**(44,929)**

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.

2014/15 £000		2015/16 £000
15	**Balance at 1 April**	**12**
(3)	Transfer to the Capital Receipts Reserve upon receipt of cash	(8)
12	**Balance at 31 March**	**4**

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 rate payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2014/15 £000		2015/16 £000
(387)	**Balance at 1 April**	**(257)**
130	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	(916)
(257)	**Balance at 31 March**	**(1,173)**

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.

2014/15 £000	2014/15 £000		2015/16 £000	2015/16 £000
	(128)	**Balance at 1 April**		**(111)**
128		Settlement or cancellation of accrual made at the end of the preceding year	111	
(111)		Amounts accrued at the end of the current year	(89)	
	17	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		22
	(111)	**Balance at 31 March**		**(89)**

NOTE 23 – CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items

2014/15 £000		2015/16 £000
183	Interest received	194
(11)	Interest paid	(9)

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

2014/15 £000		2015/16 £000
2,070	Depreciation	2,295
210	Impairment and downward Revaluations	(123)
216	Amortisation of intangible assets	216
11	(Increase)/decrease in interest debtors	(24)
777	(Decrease)/increase in creditors	(312)
(136)	(Increase)/decrease in debtors	604
95	Decrease in inventories	-
1,857	Movement in Pension Liability	2,180
460	Carrying Amount of non-current assets and non-current assets held for sale, sold or derecognised	307
(10)	Movement in Investment Property Values	447
179	Contribution to Provisions	163
121	Other non-cash items	1
5,850		**5,754**
	Adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities	
(1,074)	Capital Grants credited to surplus or deficit on the provision of services	(972)
(1,158)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(356)
(2,232)		**(1,328)**

NOTE 24 – CASH FLOW STATEMENT – INVESTING ACTIVITIES

2014/15 £000		2015/16 £000
(611)	Purchase of property, plant and equipment, investment property, plant and intangible assets	(618)
(29,197)	Purchase of short term investments	(37,050)
(15)	Other payments for investing activities	(31)
1,077	Proceeds from the sale of property, plant and equipment, investment property	364
26,849	Proceeds from short-term investments	33,150
1,191	Other receipts from investing activities	1,007
(706)	**Net cash flows from investing activities**	**(3,178)**

NOTE 25 – CASH FLOW STATEMENT – FINANCING ACTIVITIES

2014/15 £000		2015/16 £000
-	Cash payment for the reduction of outstanding liabilities relating to finance leases	(11)
1,990	Council tax and NNDR adjustments	(1,549)
1,990	**Net cash flows from financing activities**	**(1,560)**

NOTE 26 – 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 and 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, i.e. depreciation and amortisation, 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 2015/16	Coastal Economy, Market Towns and Rural Economy £000	Communities £000	Finance £000	Leader of the Council £000	Operational Services £000	Partnerships £000	Planning £000	Total £000
Fees, charges & other service income	(2,341)	(416)	(4,071)	(244)	(4,183)	(130)	(1,863)	(13,248)
Interest and investment income	-	-	-	(315)	-	-	-	(315)
UK Government grants and contributions	(54)	(4)	- (44,796)	(103)	(1)	-	(110)	(45,068)
Other grants and contributions	(323)	(2,158)	(30)	-	(31)	(337)	-	(2,879)
Total Income	**(2,718)**	**(2,578)**	**(48,897)**	**(662)**	**(4,215)**	**(467)**	**(1,973)**	**(61,510)**
Employee expenses	701	1,325	943	1,240	4,500	200	1,920	10,829
Other service expenses	1,337	1,060	4,204	1,189	4,026	3,803	1,130	16,749
Payment of Housing Benefit and grants to outside bodies	1,631	2,131	43,751	76	1,356	61	22	49,028
Depreciation	16	-	308	-	1,101	831	-	2,256
Interest Payments	-	-	9	-	-	-	-	9
Precepts and Levies	-	-	-	4,768	-	-	-	4,768
Total Expenditure	**3,685**	**4,516**	**49,215**	**7,273**	**10,983**	**4,895**	**3,072**	**83,639**
Net Expenditure	**967**	**1,938**	**318**	**6,611**	**6,768**	**4,428**	**1,099**	**22,129**

Portfolio Holder Income and Expenditure 2014/15	Coastal Economy, Market Towns and Rural Economy £000	Communities £000	Finance £000	Leader of the Council £000	Operational Services £000	Partnerships £000	Planning £000	Total £000
Fees, charges & other service income	(2,621)	(321)	(4,254)	(255)	(4,098)	(2,724)	(1,890)	(16,163)
Interest and investment income	-	-	-	(169)	-	-	-	(169)
UK Government grants and contributions	-	(767)	(45,310)	(139)	(2)	-	(5)	(46,223)
Other grants and contributions	(314)	(1,308)	(28)	-	(37)	(1,056)	(16)	(2,759)
Total Income	**(2,935)**	**(2,396)**	**(49,592)**	**(563)**	**(4,137)**	**(3,780)**	**(1,911)**	**(65,314)**
Employee expenses	755	1,319	1,011	1,040	4,483	2,697	1,875	13,180
Other service expenses	1,512	1,044	4,292	1,206	4,434	4,841	1,261	18,590
Payment of Housing Benefit and grants to outside bodies	279	2,907	44,786	102	352	471	18	48,915
Depreciation	12	-	283	-	861	875	-	2,031
Interest Payments	-	-	121	-	-	-	-	121
Precepts and Levies	-	-	-	4,608	-	-	-	4,608
Total Expenditure	**2,558**	**5,270**	**50,493**	**6,956**	**10,130**	**8,884**	**3,154**	**87,445**
Net Expenditure	**(377)**	**2,874**	**901**	**6,393**	**5,993**	**5,104**	**1,243**	**22,131**

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.

2014/15 £000		2015/16 £000
22,131	Net expenditure in the Portfolio Holder Analysis	22,129
(93)	Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	32
(8,389)	Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	(8,084)
5,455	Joint Operation CPBS Share included in the Comprehensive Income and Expenditure Statement	5,498
19,104	**Cost of Services in Comprehensive Income and Expenditure Statement**	**19,575**

Reconciliation to Subjective Analysis

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

2015/16	Corporate Priority Analysis	Amounts not reported to management for decision making	Amounts not included in I&E	Joint Operation - CPBS Share	Cost of Services	Corporate	Total
	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(13,248)	-	2,357	(85)	(10,976)	(2,037)	(13,013)
Interest and investment income	(315)	-	315	-	-	(316)	(316)
Income from Council Tax	-	-	-	-	-	(6,804)	(6,804)
Income from Business Rates	-	-	-	-	-	(12,240)	(12,240)
Government grants and contributions	(45,068)	-	-	-	(45,068)	(7,850)	(52,918)
Other grants and contributions	(2,879)	-	-	-	(2,879)	-	(2,879)
Change in investment property value	-	-	-	-	-	(2)	(2)
Gain or loss on disposal of non-current	-	-	-	-	-	(365)	(365)
Total Income	**(61,510)**	**-**	**2,672**	**(85)**	**(58,923)**	**(29,614)**	**(88,537)**
Employee expenses	10,829	-	(148)	4,464	15,145	148	15,293
Other service expenses	16,749	-	(5,830)	863	11,782	539	12,321
Payment of Housing Benefits and grants to outside bodies	49,028	-	-	-	49,028	-	49,028
Pensions accounting adjustments	-	155	-	-	155	-	155
Depreciation, amortisation and impairment	2,256	(123)	(1)	256	2,388	1	2,389
Interest Payments and impairment of investments	9	-	(9)	-	-	9	9
Precepts & Levies	4,768	-	(4,768)	-	-	4,768	4,768
Payments to Housing Capital Receipts Pool	-	-	-	-	-	6	6
Gain or loss on disposal of non-current	-	-	-	-	-	316	316
Change in investment property value	-	-	-	-	-	449	449
Business Rates Tariff and Levy	-	-	-	-	-	7,409	7,409
Net interest on the net defined benefit liability	-	-	-	-	-	1,777	1,777
Total expenditure	**83,639**	**32**	**(10,756)**	**5,583**	**78,498**	**15,422**	**93,920**
Surplus or deficit on the provision of services	**22,129**	**32**	**(8,084)**	**5,498**	**19,575**	**(14,192)**	**5,383**

2014/15	Corporate Priority Analysis £000	Amounts not reported to management for decision making £000	Amounts not included in I&E £000	Joint Operation - CPBS Share £000	Cost of Services £000	Corporate £000	Total £000
Fees, charges & other service income	(16,163)	-	2,223	(19)	(13,959)	(1,926)	(15,885)
Interest and investment income	(169)	-	169	-	-	(172)	(172)
Income from Council Tax	-	-	-	-	-	(6,446)	(6,446)
Income from Business Rates	-	-	-	-	-	(12,422)	(12,422)
Government grants and contributions	(46,223)	-	-	-	(46,223)	(8,988)	(55,211)
Other grants and contributions	(2,759)	-	-	-	(2,759)	-	(2,759)
Change in investment property value	-	-	-	-	-	(595)	(595)
Gain or loss on disposal of non-current	-	-	-	-	-	(1,074)	(1,074)
Reduction in Pension Fund liabilities	-	(4,635)	-	-	(4,635)	-	(4,635)
Total Income	**(65,314)**	**(4,635)**	**2,392**	**(19)**	**(67,576)**	**(31,623)**	**(99,199)**
Employee expenses	13,180	(168)	(137)	4,408	17,283	137	17,420
Other service expenses	18,590	-	(5,914)	811	13,487	583	14,070
Payment of Housing Benefits and grants to outside bodies	48,915	-	-	-	48,915	-	48,915
Depreciation, amortisation and impairment	2,031	211	(1)	255	2,496	1	2,497
Interest Payments and impairment of investments	121	-	(121)	-	-	121	121
Precepts & Levies	4,608	-	(4,608)	-	-	4,608	4,608
Payments to Housing Capital Receipts Pool	-	-	-	-	-	3	3
Gain or loss on disposal of non-current	-	-	-	-	-	460	460
Change in investment property value	-	-	-	-	-	585	585
Business Rates Tariff and Levy	-	-	-	-	-	7,270	7,270
Net interest on the net defined benefit liability	-	-	-	-	-	1,893	1,893
Reduction in Pension Fund assets	-	4,499	-	-	4,499	-	4,499
Total expenditure	**87,445**	**4,542**	**(10,781)**	**5,474**	**86,680**	**15,661**	**102,341**
Surplus or deficit on the provision of services	**22,131**	**(93)**	**(8,389)**	**5,455**	**19,104**	**(15,962)**	**3,142**

NOTE 27 – MEMBERS’ ALLOWANCES

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

	2015/16 £000	2014/15 £000
Basic Allowance	239	250
Special Responsibility	80	78
Expenses	38	38
Total	**357**	**366**

NOTE 28 – OFFICERS' REMUNERATION

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

		Salary, Fees and Allowances £	Expenses Allowances £	Pension Contribution £	Total £
Chief Executive	2015/16	105,000	1,353	19,093	125,446
	2014/15	105,000	599	16,800	122,399
Director	2015/16	72,283	1,265	11,565	85,113
	2014/15	71,220	1,261	11,395	83,876
Strategic Development Manager (Management Team to December 2014)	2015/16	-	-	-	-
	2014/15	44,307	1,220	7,089	52,616
Strategic Development Manager	2015/16	59,104	1,410	9,641	70,155
	2014/15	59,371	1,430	9,499	70,300
Strategic Development Manager (Management Team from 19 January 2015)	2015/16	55,929	1,405	8,949	66,283
	2014/15	44,077	1,459	7,052	52,588
Corporate Asset Manager *	2015/16	60,258	1,315	9,641	71,214
	2014/15	59,371	1,337	9,499	70,207

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.

From 12 October 2014, a secondment arrangement was agreed with Boston BC for the Council's Monitoring Officer.

*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 terminated the contracts of a number of employees in 2015/16 incurring liabilities of £47,588 (£66,203 in 2014/15). 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	
	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16 £	2014/15 £
£0-£20,000	3	2	5	6	8	8	47,577	11,967
£20,001-£40,000	-	1	-	1	-	2	-	54,236
Total cost included in CIES							**47,577**	**66,203**

No other employees received more than £50,000 remuneration for the year, therefore disclosure of remuneration bands is not required.

NOTE 29 – EXTERNAL AUDIT COSTS

The Council has incurred the following costs in relation to the audit of the Financial Statements.

	2015/16 £000	2014/15 £000
Statutory Audit Services		
Fees payable to KPMG LLP with regard to external audit services carried out for the year by the appointed auditor for the year	48	63
Fees payable to KPMG LLP with regard to certification of grants and claims	5	7
	53	**70**
Other Audit Services		
Share of fees payable to KPMG LLP with regard to external audit services carried out for the year on behalf of Compass Point Business Services.	12	12
	12	**12**
Total	**65**	**82**

NOTE 30 – GRANT INCOME

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2015/16:

	2015/16 £000	2014/15 £000
Credited to Taxation and Non Specific Grant income		
Revenue Support Grant	(4,355)	(6,177)
S31 Grant – Small Business Rate Relief	(1,437)	(1,290)
New Homes Bonus Scheme Grant	(1,985)	(1,340)
New Burdens Grant	-	(16)
Other non-ring fenced Government grants	(73)	(135)
Grants in relation to capital expenditure	-	(30)
Total	**(7,850)**	**(8,988)**
Credited to Services		
Housing Benefit Subsidy	(43,486)	(43,895)
Council Tax Support and Housing Benefit Administration	(832)	(1,005)
Disabled Facilities Grant	(972)	(761)
LCC and Police Second Homes Grant	(500)	(495)
Council Tax Reform Grant	(32)	(100)
Arts Council	-	(286)
Home Office – Elections and Crime Panel	(64)	(139)
Discretionary Housing Payment	(183)	(204)
Wellbeing Service	(902)	(991)
Natural England Grazing Marshes	(38)	(36)
Other Housing Benefit grants to deliver Local Initiatives	(196)	(72)
Health Funding	(309)	(297)
European Regional Development Fund	(60)	(73)
Counter Fraud Fund	(34)	(18)
Other grants	(339)	(610)
Total	**(47,947)**	**(48,982)**

NOTE 31 – 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 effective control over the general operations of the Council which it could exercise through statutory measures, directives to operate in a specific way or through financial pressure. It is responsible for providing the statutory framework which the Council operates in, prescribes the terms of many transactions that the Council has with other parties (e.g. housing benefits) and provides the majority of the Council's funding in the form of grants.

Details of material transactions with Central Government are shown below. 2014/15 comparators shown in brackets.

• Funding from Government	Note 26	£52.918m	(£55.211m)
• Non Domestic Rates Share Payable	Collection Fund	£16.465m	(£16.028m)
• Debtors	Note 16	£2.013m	(£0.770m)
• Creditors	Note 19	£0.816m	(£1.617m)

Grants received from Central Government are shown in Note 30.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2015/16 is shown in Note 27. During 2015/16, a number of members were also directors of Compass Point Business Services (East Coast) Ltd, directors of Magna Vitae Trust for Leisure and Culture, members of Internal Drainage Boards and other local community associations.

Payments to Companies, during the year, for which members are directors amounted to £72,000.

Details of specific transactions where members declared their interests 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 2015/16 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% and 15% of the costs refunded by the Council respectively. The cost to the Council of this arrangement was £58,907 relating to the Section 151 Officer and £12,129 relating to the Deputy (£55,600 and £15,231 in 2014/15).

From 12 October 2014, a secondment arrangement was agreed with Boston Borough Council for the Council's Monitoring Officer. In 2015/16 the Council paid Boston Borough Council salary costs of £33,084 in respect of this arrangement (£16,200 in 2014/15).

Entities Controlled or Significantly Influenced by the Council

Compass Point Business Services

Joint merged service organisation arrangements for the shared provision of a number of back office services with South Holland District Council were implemented with effect from 1 August 2010, delivered through Compass Point Business Services (CPBS) (East Coast) Ltd. The Council's share of the Company's assets, liabilities, income and expenditure are shown in note 38. There are no significant balances outstanding between the Council and the Company at the 31 March 2016.

Further information about the accounts of CPBS is available from the Company Secretary, Eversheds House, 70 Great Bridgewater Street, Manchester, M1 5ES

Magna Vitae Trust for Leisure and Culture

From 1 January 2015 the delivery and operation of leisure, cultural and health related services were transferred to Magna Vitae Trust for Leisure and Culture, a registered charity. For the financial year 2015/16 two of the eleven trustees of Magna Vitae were Council Members. The Council paid a service fee of £2,170,939 to Magna Vitae for the 2015/16 financial year. In addition it provided support service functions including IT, Finance and HR Services.

During the year the Council recognised the sum of £308,611 relating to Health grant income awarded by Lincolnshire County Council. This funding is subsequently transferred to Magna Vitae. At 31 March 2016, £76,771 was due to the company and will be paid in 2016/17 subject to conditions of award being met.

There were no other significant balances outstanding between the Council and the Company at the 31 March 2016.

NOTE 32 – 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. The CFR is analysed in the second part of this note.

	2015/16 £000	2014/15 £000
Opening Capital Financing Requirement	**42**	**-**
Capital Investment		
Property, Plant and Equipment	542	604
Intangible Assets	17	-
Revenue Expenditure Funded from Capital under Statute	4,267	3,209
Investment Properties	80	26
Sources of finance		
Capital receipts	(1,047)	(329)
Government grants and other contributions	(915)	(1,214)
Sums set aside from revenue:		
Direct revenue contributions	(2,944)	(2,239)
Finance leases - repayments	(11)	(15)
Closing Capital Financing Requirement	**31**	**42**
Explanation of movements in year		
Assets acquired under finance leases	(11)	42
Increase/(decrease) in Capital Financing Requirement	**(11)**	**42**

NOTE 33 – LEASES

Council as Lessee - Operating Leases

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

	31 March 2016 £000	31 March 2015 £000
Not later than 1 year	282	94
Later than 1 year and not later than 5 years	233	496
Later than 5 years	35	92
	550	**682**

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

	31 March 2016 £000	31 March 2015 £000
Minimum lease payments	384	452
	384	**452**

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 2016 £000	31 March 2015 £000
Not later than 1 year	1,622	1,647
Later than 1 year and not later than 5 years	5,867	5,309
Later than 5 years	11,242	11,131
	18,731	**18,087**

In addition, the Council received £226,912 as a charge for office space (£226,912 in 2014/15) 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 34 – 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, there is 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 scheme, meaning that the employer 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 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.

The financial information contained in this note includes the position for East Lindsey District Council together with a share for Compass Point Business Services Ltd to comply with the accounting requirements for Joint Operations.

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 2015/16 £000	Local Government Pension Scheme 2014/15 £000
Comprehensive Income and Expenditure Statement		
Cost of Services:		
Service cost comprising		
Current service cost	2,621	2,409
Past Service costs (including curtailments)	-	153
Gain on Settlements	-	(136)
Financing and Investment Income and Expenditure		
Net interest expense	1,777	1,893
Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services	**4,398**	**4,319**
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)	1,456	(5,427)
Actuarial (gains) and losses arising on changes in financial assumptions	(12,110)	16,006
Other experience	(1,731)	(1,415)
Total Remeasurements recognised in Other Comprehensive Income and Expenditure	**(12,385)**	**9,164**
Total Post-employment Benefit charged to the Comprehensive Income and Expenditure Statement	**(7,987)**	**13,483**
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	(2,180)	(1,857)
Actual amount charged against the General Fund Balance for pensions in the year:		
Employers' contributions payable to scheme	2,062	2,309
Contributions in respect of unfunded benefits	156	153

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 2015/16 £000	Local Government Pension Scheme 2014/15 £000
Present Value of the defined obligation	(114,897)	(125,271)
Fair Value of plan assets	69,968	70,137
Net Liability arising from defined benefit obligation	**(44,929)**	**(55,134)**

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

	Local Government Pension Scheme 2015/16 £000	Local Government Pension Scheme 2014/15 £000
Opening fair value scheme assets	70,137	66,875
Interest Income	2,243	2,817
Remeasurement gain/(loss)		
The return on plan assets, excluding the amount included in the net interest expense	(1,456)	5,427
Contributions from employer	2,062	2,309
Contributions from employees into the scheme	569	654
Contributions in respect of unfunded benefits	156	153
Effect of Settlements	-	(4,499)
Benefits Paid	(3,743)	(3,599)
Closing fair value of scheme assets	**69,968**	**70,137**

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

	Funded Liabilities: Local Government Pension Scheme 2015/16 £000	Funded Liabilities: Local Government Pension Scheme 2014/15 £000
Opening Balance at 1 April	125,271	110,988
Current Service Cost	2,621	2,409
Interest Cost	4,020	4,710
Contributions from scheme participants	569	654
Remeasurements (gains) and losses:		
Actuarial losses arising from changes in financial assumptions	(12,110)	16,006
Other experience	(1,731)	(1,415)
Past service cost	-	153
Liabilities extinguished on settlements	-	(4,635)
Benefits paid	(3,743)	(3,599)
Closing Balance at 31 March	**114,897**	**125,271**

Local Government Pension Scheme assets comprised

	Fair Value of Scheme Assets			
	2015/16		2014/15	
	Quoted prices in active markets £000	% of Total assets	Quoted prices in active markets £000	% of Total assets
Cash and Cash Equivalents	755	1%	1,003	1%
Equity Instruments				
Consumer	14,495	21%	13,395	19%
Manufacturing	1,554	2%	1,959	3%
Energy and utilities	3,791	5%	4,329	6%
Financial institutions	7,549	11%	8,311	12%
Information technology	2,595	4%	2,656	4%
Other	7,763	11%	8,290	12%
Debt Securities				
Corporate Bonds – Investment grade	2,397	3%	2,336	3%
Corporate Bonds – Non Investment grade	4,427	6%	4,570	7%
UK Government	1,447	2%	1,332	2%
Other	979	1%	915	1%
Private Equity	2,556	4%	2,996	4%
Property				
UK Property	7,446	11%	6,884	10%
Overseas Property	759	1%	804	1%
Investment Funds and Unit Trusts				
Equities	3,948	6%	3,626	5%
Other	7,507	11%	6,731	10%
Total Assets	**69,968**	**100%**	**70,137**	**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 dependent on assumptions about mortality rates, salary levels, etc.

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

The significant assumptions, for the Council, used by the actuary have been:

	Local Government Pension Scheme 2015/16	2014/15
Mortality assumptions:		
Longevity at 65 for current pensioners (years):		
- Men	22.2	22.2
- Women	24.4	24.4
Longevity at 65 for future pensioners (years):		
- Men	24.5	24.5
- Women	26.8	26.8
Rate of inflation	3.2%	3.3%
Rate of increase in salaries	3.7%	3.8%
Rate of increase in pensions	2.2%	2.4%
Rate for discounting scheme liabilities	3.5%	3.2%

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	10%	9,462
1 year increase in member life expectancy	3%	2,895
0.5% increase in the Salary Increase Rate	2%	2,120
0.5% increase in the Pension Increase Rate	8%	7,256

Impact on the Council'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 2014/15 level.

Employer contributions payable to the scheme in 2016/17 are estimated to be £2.144m.

The weighted average duration of the defined benefit obligation for scheme members is 18 years, 2015/16 (18 years 2014/15).

NOTE 35 – CONTINGENT LIABILITIES

At 31 March 2016 the Council has identified the following material contingent liability.

NNDR Appeals
The Council has made provision for NNDR Appeals based upon its best estimate of known appeals as at the 31 March 2016. It is not possible to quantify appeals that have yet to be lodged with the Valuation Office Agency, so there is a risk that national and local appeals will have a significant impact on the Financial Statements.

NOTE 36 – CONTINGENT ASSETS

At 31 March 2016 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, dependent 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 37 – 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 programme focuses on the unpredictability of financial markets, and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by the Council in the annual treasury management strategy. The Council provides written principles for overall risk management, as well as written policies (covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash).

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 with a financial institution located in each category.

The credit criteria in respect of financial assets held by the Council are detailed below:

This Council uses 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 Poor's, 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 full Investment Strategy for 2015/16 was approved by Full Council on 25 February 2015 and is available on the Council's website.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £6m 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 2016 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 2016 £000	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2016 %	Estimated maximum exposure to default and uncollectability at 31 March 2016 £000	Estimated maximum exposure at 31 March 2015 £000
	A	B	C	(A X C)	
Customers	393	10.0%	10.0%	39	45

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 £100,445 of the £393,000 balance is past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

	31 March 2016 £'000	31 March 2015 £'000
Less than three months	332	566
Three to six months	2	6
Six months to one year	40	25
More than one year	19	36
Total	**393**	**633**

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

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

Borrowings are not carried at fair value 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	108
Increase in government grant receivable for financing costs	44
Impact on Surplus or Deficit on the Provision of Services	**152**

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 no material financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

NOTE 38 – JOINT OPERATION

East Lindsey has joint control with South Holland District Council over Compass Point Business Services (East Coast) Ltd, a company established in 2010 to provide 'back office' services to both Councils. East Lindsey owns 63%, of the company, and South Holland 37%, but voting rights are split 50:50.

This arrangement is classified as a joint operation. The Council recognises on its Balance Sheet an appropriate share of its rights to the assets and obligations for the liabilities and debits and credits the Comprehensive Income and Expenditure Statement with its share of expenses incurred and income it earns from the activity of the Company.

Compass Point Business Services' attributable proportion included in the Council's Balance Sheet as at 31 March 2016:

31 March 2015 £'000		31 March 2016 £'000
84	Property, Plant and Equipment	37
549	Intangible Assets	341
633	**Long-term Assets**	**378**
16	Short-term Debtors	40
477	Cash and Cash Equivalents	485
493	**Current Assets**	**525**
(427)	Short-term Creditors	(480)
(427)	**Current Liabilities**	**(480)**
(5,705)	Other Long-term Liabilities	(3,280)
(5,006)	**Net Assets**	**(2,857)**
	Usable Reserves	
90	General Fund	74
	Unusable Reserves	
633	Capital Adjustment Account	377
(5,705)	Pension Reserve	(3,280)
(24)	Accumulated Absences Adjustment Account	(28)
(5,096)		**(2,931)**
(5,006)	**Total Reserves**	**(2,857)**

Compass Point Business Services' attributable proportion included in the Council's Comprehensive Income and Expenditure Account for the year:

31 March 2015 £'000		31 March 2016 £'000
4,408	Gross Pay, National Insurance and Pensions	4,464
41	Premises Related Expenses	38
64	Transport Related Expenses	61
706	Supplies and Services	764
255	Depreciation and amortisation	256
5,474	**Gross Operating Expenditure**	5,583
(19)	Other Income	(85)
5,455	**Cost of Services**	**5,498**
145	Net interest on the net defined benefit liability	193
(2)	Interest receivable and similar income	(1)
5,598		**5,690**
2,032	Remeasurements of the net defined benefit liability	(2,866)
7,630	**Total Comprehensive Income and Expenditure**	**2,824**

COLLECTION FUND STATEMENT

2014/15 Council Tax £000	2014/15 Non Domestic Rates £000	2014/15 Total £000		2015/16 Council Tax £000	2015/16 Non Domestic Rates £000	2015/16 Total £000
			Income			
(59,234)		(59,234)	Council Tax (Note 2)	(61,832)		(61,832)
	(33,436)	(33,436)	Non Domestic Rates (Note 3)		(31,999)	(31,999)
			Contribution towards previous year's Collection Fund deficit			
	(521)	(521)	Central Government		(96)	(96)
-	(417)	(417)	East Lindsey District Council		(77)	(77)
-	(104)	(104)	Lincolnshire County Council		(19)	(19)
(59,234)	**(34,478)**	**(93,712)**	**Total Income**	**(61,832)**	**(32,191)**	**(94,023)**
			Expenditure			
			Precepts, demands and shares			
	16,028	16,028	Central Government		16,465	16,465
6,331	12,822	19,153	East Lindsey District Council	6,575	13,172	19,747
43,412	3,206	46,618	Lincolnshire County Council	44,803	3,293	48,096
7,897		7,897	Police and Crime Commissioner for Lincolnshire	8,154		8,154
			Impairment of debts/appeals			
550	572	1,122	Increase in allowance for impairment	282	490	772
	1,626	1,626	Increase in provision for appeals (Note 4)		557	557
	19	19	Transitional Protection Payments receivable		272	272
	269	269	Cost of Collection Allowance		269	269
	71	71	Renewable Energy		208	208
			Contributions towards previous year's Collection Fund surplus			
-	-	-	East Lindsey District Council	155	-	155
-	-	-	Lincolnshire County Council	193	-	193
-		-	Police and Crime Commissioner for Lincolnshire	1,061		1,061
58,190	**34,613**	**92,803**	**Total Expenditure**	**61,223**	**34,726**	**95,949**
(1,044)	**135**	**(909)**	**Deficit/(Surplus) arising during year**	**(609)**	**2,535**	**1,926**
(419)	1,082	663	Deficit/(surplus) at beginning of year	(1,463)	1,217	(246)
(1,463)	**1,217**	**(246)**	**Deficit/(surplus) at end of year (Note 5)**	**(2,072)**	**3,752**	**1,680**

NOTES TO THE COLLECTION FUND STATEMENT

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 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 Council Tax base 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)		45	5/9	25
A	26,569	16,163	6/9	10,775
B	13,831	10,572	7/9	8,223
C	15,567	12,707	8/9	11,295
D	6,196	5,654	9/9	5,654
E	3,170	2,880	11/9	3,520
F	1,091	1,021	13/9	1,474
G	517	458	15/9	763
H	53	34	18/9	68
Band D Equivalents				**41,797**
Allowance for non-collection (1.99%)				(831)
Armed forces contribution				291
District Tax Base				**41,257**

The basic amount of Council Tax for a band D property including an average parish charge, £1,442.96 (2014/15 £1,414.97), 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 2015/16 there are two multipliers, the non-domestic rating multiplier of 49.3p and the small business non-domestic rating multiplier of 48.0p.

The Council's total Non-Domestic Rates Rateable Value at 31 March 2016 was £89.675m (31 March 2015 £88.140m).

NOTE 4 – NON-DOMESTIC RATES PROVISION FOR APPEALS

The Collection Fund provides for a provision for appeals against the Rateable Value set by the Valuation Office Agency (VOA) not settled at 31 March 2016.

	Business Rate Appeals £000	£000
Balance at 1 April 2015		**(2,823)**
Amounts used in 2015/16		149
		(2,674)
Additional provisions made in 2015/16	(1,298)	
Unused amounts reversed in 2015/16	741	
		(557)
Balance at 31 March 2016		**(3,231)**

NOTE 5 – COLLECTION FUND DEFICIT/ (SURPLUS)

As at 31 March 2016, the net deficit on the Collection Fund is £1,680,000 (31 March 2015, a surplus of £246,000).

The Council Tax surplus is apportioned to the relevant precepting bodies based on the following year's Council Tax requirement. Whereas, the Non Domestic Rates deficit is apportioned to East Lindsey (40%), Central Government (50%) and Lincolnshire County Council (10%).

The balance on the Collection Fund is allocated as follows:-

2014/15 Council Tax £'000	2014/15 Non Domestic Rates £'000		2015/16 Council Tax £'000	2015/16 Non Domestic Rates £'000
	608	Central Government		1,876
(162)	487	East Lindsey District Council	(236)	1,501
(1,101)	122	Lincolnshire County Council	(1,558)	375
(200)		Police and Crime Commissioner for Lincolnshire	(278)	
(1,463)	**1,217**	**(Surplus)/deficit**	**(2,072)**	**3,752**

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 2016 on pages 17 to 82. 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 2015/16.

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

Respective responsibilities of the Chief Financial Officer and auditor

As explained more fully in the Statement of 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 the financial statements give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2016 and of the Authority's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

Matters on which we are required to report by exception

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

- the Annual Governance Statement set out on pages 86 to 96 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 Narrative Statement for the financial year for which the financial statements are prepared is not consistent with the financial statements; or
- any matters have been reported in the public interest under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of, the audit; or
- any recommendations have been made under Section 24 of the Local Audit and Accountability Act 2014; or
- any other special powers of the auditor have been exercised under the Local Audit and Accountability Act 2014.

We have nothing to report in respect of these matters.

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by C&AG in November 2015, as to whether East Lindsey District Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The C&AG determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether East Lindsey District Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

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, East Lindsey District Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2015, 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 ended 31 March 2016.

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 Local Audit and Accountability Act 2014 and the Code of Audit Practice.

John Cornett

For and on behalf of KPMG LLP, Statutory Auditor

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

22 September 2016

EAST LINDSEY DISTRICT COUNCIL
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 the Accounts and Audit Regulations (England) 2015, which requires all relevant bodies to prepare an annual governance statement.

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 2016 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 2014-2018 was approved by the Council in July 2014 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 the Executive Board and the Overview 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 2015 to consider the priorities and targets being set through services Corporate Strategy Review • The Corporate Strategy was fully reviewed in order to set a longer term vision for the authority. • Member workshops, community consultation and Management Team discussions were held to inform the new Corporate Strategy	• Review of current performance against priorities reported to Portfolio and evidence in Service Plans • 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	• A range of surveys are carried out each year, co-ordinated through the Corporate Consultation programme • Internet questions and monitoring of social networking	• Performance Management Framework quarterly report, reported through Executive Board, Overview Committee and Audit & governance

delivered in accordance with the authority's objectives and for ensuring that they represent the best **use of resources and value for money**	• 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	Committee • MT Minutes • Feedback from Corporate Strategy public consultation
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 • Full review of the Council's Constitution to take place during 2016. • Management Agreement with CPBS reported through Audit & Governance Committee • Management Agreement and contract in place with Magna Vitae • Monitoring of partnering arrangements through new Partnerships Portfolio
Developing, communicating and embedding **codes of conduct**, defining the standards of behaviour for members and staff	• Set out in the Council Constitution Part 5 • 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 member code of conduct arrangements (mandatory training) • Audit & Governance Committee monitoring member standards arrangements following introduction of the Localism Act	• 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 authority's **decision-making framework**, including delegation arrangements, decision making in partnerships and robustness of data quality	• Set out in the Constitution • Decision making arrangements meet legislative requirements • 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	• All members and officers provided with guidance on decision making 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 • Magna Vitae contractual arrangements in place with reporting timetable. • Full review of the Council's Constitution to take place during 2016.

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	• Strategic Risk Register reported in the quarterly Performance Framework and separately to the Audit & Governance Committee and CMT • Operational Risk identified in Service Plans • Service level monitoring • Reviewed Strategy for Risk Management in place • External Review of risk management arrangements completed with a positive assessment of the arrangements. Suggested areas of good practice to be implemented 2016.
Ensuring effective **counter-fraud and anti-corruption** arrangements are developed and maintained	• Counter Fraud Policy and Fraud Response Plan 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 • A counter fraud e-learning package has been updated and rolled out to all staff. • The Council and CPBS have worked closely with the Lincolnshire Counter Fraud Partnership on a number of areas in 2016	• Audit & Governance Committee and Staff training • Work with DWP arrangements • Reminders provided to staff to be aware of fraud risk. • Ongoing development of the Council's Fraud Risk Register in 2016
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) • Corporate Staff Development programme in place • People strategy developed to ensure appropriate levels of support and training are in place to enable staff to manage change • People Strategy Action plan reviewed and delivered annually. • Strong internal communication to keep staff and members informed • Annual staff survey to help monitor impact of change • New project management discipline introduced 2015.	• CMT • Portfolio/Executive Board • Overview Committee
Ensuring the authority's **financial management** arrangements conform	• Full compliance with the CIPFA guidance: – Role of Chief Financial Officer (CFO) undertaken by Deputy Chief Executive with responsibilities set out in the	• Adequacy of financial arrangements overseen by Chief Financial Officer, Portfolio Holder for Finance and Audit & Governance Committee

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	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	
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) – Audit Team attend external training as necessary, and access national network of governance support through CIPFA – Head of Internal Audit maintains working relationship with other Internal Audit functions in the County to share good practice. – The UK Public Sector Internal Audit Standards implemented. A Quality Assurance Improvement Programme has been implemented as part of those new standards – 27 audits had been completed from the 2015/16 Audit Plan; of those, 1 had Full Assurance, 14 Substantial Assurance, 6 Limited Assurance and 1 Low Assurance; recommendations have been agreed to address the required improvements, and 86% of recommendations have been implemented March 2016. The themed areas of Governance and Risk Management are identified as Green (performing well), with Internal Control and Financial	• CMT • Audit & Governance Committee • Internal review of the conformance of Internal Audit with the Public Sector Internal Audit Standards

	Control as amber (performing adequately).	
Ensuring effective arrangements are in place for the discharge of the **monitoring officer** function	• Set out in the Constitution • The Council directly employs a Monitoring Officer in a shared arrangement with Boston Borough Council	• 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 Services Lincolnshire provides advice on legislation and law	• CMT • Audit & Governance Committee (through 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 • MT receives a regular report setting out the number and type of complaints, along with the outcome and any changes of measures implemented	• MT • Feedback levels included in the Quarterly Performance Report
Identifying the **development needs of**	• 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	• Feedback through Overview Committee • MT

members and senior officers in relation to their strategic roles, supported by appropriate training	suggested by officers • A very thorough member induction programme was delivered post 2015 election. • Training and development opportunities are circulated to members on a regular basis alongside internal training provision • Groups are encouraged to identify development priorities through local and national networks • Annual Staff Survey/Staff appraisal • An annual corporate training programme is developed and implemented annually, linked to service requirements and development needs	
Establishing clear channels of **communication** with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation	• ‘Messenger’ magazines are produced each year with a combination of council and partner articles. This has moved to an on-line service. Annual feedback on the magazine is obtained and feeds into improvements • A range of consultations are carried out with service users (co-ordinated through a central team) • New Community Forums are in place which tour round the district 3 times per year • 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 • Town & Parish Council Portal
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 • Reserved Members’ Days

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 • Portfolio Holder (Partnerships)
Information Governance	• Following the voluntary Information Commissioners Officers (ICO) audit, the authority has built up significant expertise in the area (provided training and services to other organisations) • All managers receive annual Data Protection Act (DPA) training • An ongoing programme, working with internal Information Asset Owners, is in place, and an information management improvement programme is in place. • The SIRO has attended formal information governance training • An external audit was carried out of the service, providing a High assurance level	• Audit & Governance Committee • MT • Portfolio Holder • Performance Report

4. 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 2015/16
- Assurance from Internal Audit; 27 audits completed; 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, 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 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 2014/15

5.1 A detailed review of controls and processes at all of the council's Swimming pools prior to their transfer to the Magna Vitae Leisure Trust produced a low level of assurance. We have presented the results to the Magna Vitae Leisure Trust Board and the recommendations will form part of their action plan. We will require assurance that the recommendations have been implemented.

Update

An income recognition audit was included as part of Magna Vitae's first year Internal Audit programme. This audit purposefully included the Embassy Swimming Pool and subsequently provided a 'substantial' level of assurance. Within the report the senior auditor responsible specifically stated *"Following the last audit in 2014, It is pleasing to see an overall improvement at the Embassy Swimming Pool".* All Magna Vitae audit reports are presented to the Board, who were pleased to note the level of assurance given.'

5.2 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.

Update

Budgets are currently being well managed. The Council approved a Transformation Plan in Feb 2016 to be delivered over the next 4 years. This is being monitored through a Transformation Board reporting to the Executive Board.

5.3 The contractual relationship with Magna Vitae (MV) is a new one for the Council. The process leading up to the transfer was very robust and detailed, and benefitted from the experience of other local authorities that have already gone down this route, so the arrangement is not considered high risk. However, it will be inevitable that operational issues may arise during the early period of the arrangement, and the role of the council as contractor rather than provider will require culture change especially in relation to governance for both offices and members. This will be monitored through client relationship management and through the Partnerships Portfolio.

Update

Continues to be managed through client meetings and reporting to Portfolio Holder. ELDC is working with MV to produce a 5 year plan to help them achieve savings identified in the Transformation Plan.

5.4 In order for the Constitution to support the improvement and delivery of services and governance, it needs to be fit for purpose. Whilst the Constitution is updated on a regular basis, it is felt that a full review is required to ensure consistency across the document, and to ensure it supports efficient and timely decision making. This will be implemented ready for the next Council year.

Update

There has been a delay in the full review of the Constitution, but necessary changes have been implemented throughout the year. A new timetable has been set for the full review.

5.5 The recent election resulted in a significant change over of Members in the Council. Whilst a detailed induction programme has been delivered, including a number of elements in relation to governance issues, we will use the Reserved Members Days to enhance the members' role and understanding of governance in the organisation.

Update

Reserved Members' Days remain a regular fixture in the annual diaries

5.6 The authority has received a penalty due to the error rate in administering the benefits service. An improvement programme is in place with our provider, CPBS, and the IRRV are carrying out an independent review. We will look to the outcomes of this work to help understand whether any matters of governance can be improved to improve the performance and quality of processing housing benefits in order to progress services and avoid financial penalties.

Update

IRRV completed their independent review and an improvement plan was agreed with the CPBS Board and clients. Performance has significantly improved during this period, but the improvement plan is still being closely monitored.

6. Significant Governance Issues 2015/16

Subject	Responsible Officer	Timescale
Constitution Review Whilst the current Constitution is updated on an as and when basis, it would benefit from a full review to ensure consistency and to improve the readers understanding. A number of sections have been updated and are ready for consultation. Consultation with members has been booked in for September 2016. With significant changes being implemented over the next 4 years, an understanding of the council's constitutional arrangements is increasingly important.	Monitoring Officer	January 2017
Financial Control - Accounts Payable A recent audit identified some areas where improvement is required, in particular around practice that could be a fraud risk, such as lack of purchase orders being raised. Action has already been taken, but this is an area that would benefit from closer monitoring in the coming months.	CPBS – Finance Manager	September 2016
Internal Control – ICT Recent audits identified a number of areas for improvement ranging from lack of good IT strategy and risk management, as well as more specific operational areas. An external, temporary manager is currently in place who has a role in identifying key improvement areas; and a new IT Manager will be in post in September. The Audit team has also increased the number of ICT audit days in recognition of this being a priority area.	CPBS – IT Manager	December 2016
Delivery of the Transformation Plan The Council's transformation plan identifies actions to achieve savings of £6m over the next 4 years. The impact of such measures requires close monitoring in terms of impact on residents, staff and overall controls and compliance on an ongoing basis. All projects identify risks, but cumulative impact will also require ongoing review.	Chief Executive	March 2017 (first year review)
Greater Lincolnshire Devolution Work is ongoing to progress the devolution agreement for Greater Lincolnshire. This will require new ways of working including a new Combined Authority with Accountable Body Status and a new Mayoral function. There will be challenges and risks associated with this.	Chief Executive	May 2017

6.1 We propose over the coming year to address and/or monitor the above matters to further enhance our governance arrangements and the understanding of those arrangements where there is any change. We are satisfied this will address the need for improvements that were identified in our review of effectiveness, or manage any significant change, and will monitor their implementations and operation as part of our annual review.

Signed:……………………………… …………………………………..

(Leader) (Chief Executive)

21 September 2016

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
Public Sector Audit Appointments Limited (PSAA) 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.

Equity method
A method of accounting by which an equity investment is initially recorded at cost and subsequently adjusted to reflect the investor's share of the net assets of the Joint Operation.

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.

Future Economic Benefits
The potential for an asset to contribute to the flow of cash and cash equivalents of the Authority.

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.

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.

Joint Arrangement
An arrangement of which two or more parties have joint control.

Joint Operation
A joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

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 requires as proper practices under the Local Government Act 2003.

Service Potential
Future benefits that an asset is expected to bring to the Council.

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.