West Lindsey District Council

Statement of Accounts 2009 – 2010

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Making a difference

Contents

Introduction

West Lindsey District Council provides a wide range of services within an overarching strategy to make the area a place where people want to live work and invest. The Statement of Accounts provides information on how the Council has used the financial resources available to it in 2009/10 to deliver this strategy. This Explanatory Foreword provides a summary explanation of what can often be complicated local government finance requirements together with some contextual information.

The Statement of Accounts provides information on how the Council has used the financial resources available to it. The document is required by law and sets out in concise form various statutory and other relevant information. The notes that follow provide a more straightforward explanation of the often complicated local government finance arrangements.

District Profile

West Lindsey District Council is an award winning organisation which employs around 310 full and part time staff.

The District covers the area immediately north of Lincoln and forms the north west gateway to Lincolnshire. Covering an area of 115,773 hectares the district is predominantly rural and provides an attractive setting for its three market towns of Caistor, Gainsborough and Market Rasen.

West Lindsey is the 17th most sparsely populated area in England with a population density of 77 persons per square kilometre *(Office for National Statistics based on Mid-2008 Population Estimates).* This means that it is the most sparsely populated Council within Lincolnshire and the East Midlands Region.

According to the Mid-2008 population estimates, 88,900 people resided in West Lindsey of whom 49% were male and 51% were female. This is similar to the national male and female split.

Over the next 20 years and beyond, Gainsborough is intended to provide the main focus for urban expansion in West Lindsey, expanding its role as the principle town and a regionally important regeneration area. There are also opportunities for regeneration initiatives in the market towns of Market Rasen and Caistor and there may also be the potential for comprehensive regeneration proposals at former RAF bases in the district.

The regeneration of Gainsborough will be achieved by delivering a fundamental change in the level of housing and economic growth, particularly through the development of a series of neighbourhood extensions to the south, east and north of Gainsborough. This will lead to an increase in the number, quality and variety of houses that cater for all requirements; higher population numbers; a larger business base; and a higher quality and quantity of jobs for local people. This will also be supported by the provision of the necessary strategic green infrastructure.

Council Priorities

The Council's priorities are set out in a four year rolling plan. It is updated annually to reflect the Medium Term Financial Plan and the capital programme.

The Corporate Plan looks to deliver 5 priorities under two themes over the next four years as follows:

Theme 1: Developing a prosperous District

Priority 1: Regenerating and growing our communities
Priority 2: Helping people improve their chances of obtaining a job

Theme 2: Being an efficient Council

Priority 3: Putting customers first
Priority 4: Setting a fair Council Tax
Priority 5: Lowering the carbon footprint

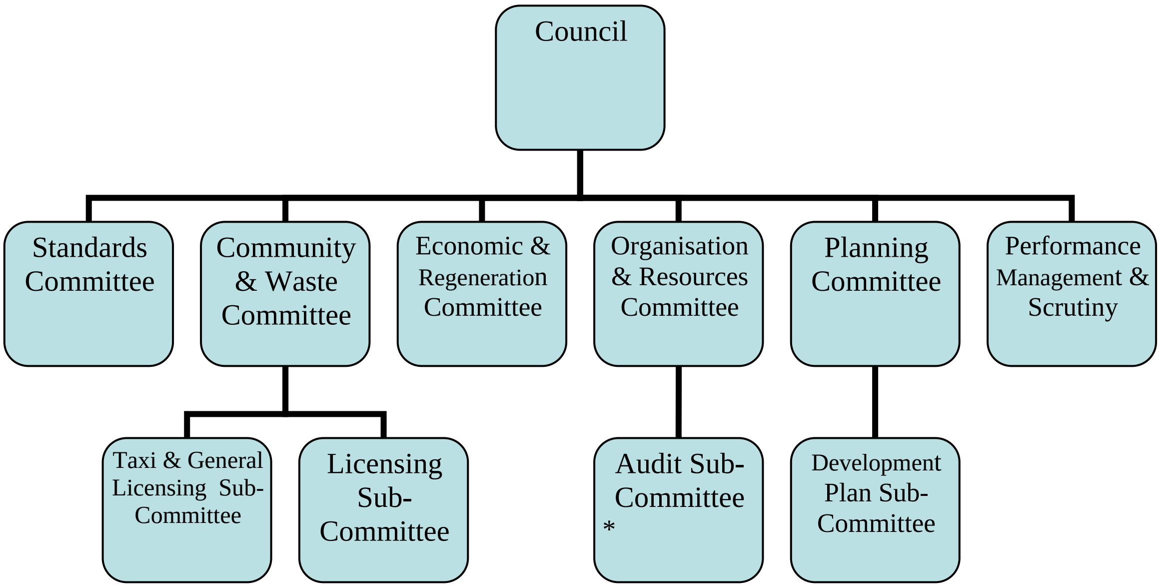
Political Structure

The Council is governed by 37 elected Councillors, representing 25 wards, with one third elected every three years in four.

The Council meets seven times per year and has responsibility for approving a policy framework and budget.

Four policy committees implement the budget and policy framework under powers delegated by the Council. The Council's regulatory functions are undertaken by the Planning and Standards Committees along with the Taxi and General Licensing, Licensing, Development Plan and Audit Sub Committees.

A Performance Management and Scrutiny Committee is responsible for examining and making recommendations on the development of policies and the scrutiny of the decisions of the policy committees.



Audit Sub-Committee, now an Audit Committee from 24th May 2010.

Review of 2009/10

The economic recession has continued to be a major factor throughout 2009/10. The impact includes reduced income received from services (e.g. Building Control, Land Charges and Investment Income) and also additional demand for services (e.g. Housing advice / support and Benefits).

Regular and effective monitoring has ensured spending has remained within the original allocation and this together with the receipt of windfall income has meant that the General Fund Balance remains above the minimum level specified in the Medium Term Financial Strategy. Emerging financial pressures have been addressed and there has been a focus on corporate priorities throughout the year.

The Council incurs both revenue and capital expenditure during the year. Revenue expenditure is generally on items that are consumed within one year, and is financed from government grants, Council Tax and fees and charges. However, capital expenditure is on assets that have a life beyond one year and can be financed from proceeds from the sale of assets (capital receipts), capital grants contributions and direct revenue financing or borrowing.

The 2009/10 Budget

General Fund i.e. the Council's Revenue Account

For 2009/10 the Council agreed an original budget of £14.979m representing the net cost of providing the council's services, this sum was financed by general government grants, redistributed Business Rates and Council Tax.

The Council Tax for 2009/10 was set at £187.65 for an average Band D property, representing an increase of 1.61% on the previous year.

The budget requirement was as follows:

The net position on General Fund services shows	**Original Budget 2009/2010 £000's**	**Outturn 2009/2010 £000's**	**Variance Over / (Under) spend £000's**
Expenditure to be met from Central Government Grants and Local Taxation	15,018	14,106	(912)
Transfer to (from) Reserves	(25)	(224)	(199)
Transfer to (from) General Fund Balance	(14)	1,119	1,133
Total Expenditure	**14,979**	**15,001**	**22**
Financed by: Revenue Support & Area Based Grant	(1,511)	(1,533)	(22)
NNDR Pool Contribution	(6,545)	(6,545)	0
Collection Fund Surplus	(103)	(103)	0
Council Precept	(6,820)	(6,820)	0
Total Finance	**(14,979)**	**(15,001)**	**(22)**

The table below shows the main areas of (underspends)/overspends.

Underspends/Savings/ Additional Income	**2009/2010 £000's**
■ Leisure Contract and NNDR rebate	(217)
■ Additional income from Planning Delivery Grant	(800)
■ Housing Benefit Payments & Council Tax Benefit Subsidy	(228)
■ Savings on Waste Collection services	(127)
■ Savings on Concessionary Fares	(90)
■ Forward Planning	(71)
■ Transfer to Reserves	(199)
Offset by overspends	
■ Administrative Buildings	116
■ Development Control and Planning services	195
■ Building Control	59
■ Young and Safe in Gainsborough (YASIG)	50
■ Revenue contribution to Capital	130
■ Other Net Overspends	49
Total Variations	**(1,133)**

The major variations from the Original budget are explained below by Committee;

Economic Development & Regeneration

The major variations related to schemes funded from existing earmarked reserves i.e. Growth Point, Skills Development and Community Development. Underspends related to the delayed implementation of the Civilian Parking Enforcement scheme (£49k) and restructuring, in addition to changes to service provision in respect of Housing (£29k).

Community & Waste

This Committee under spent the original budget by £417k. Operational Services produced savings of £127k through the implementation of the triple bin collection scheme and a service restructure. Street Cleansing was under spent by £56K due to a higher level than anticipated of vacancies, a reduced vehicle fleet and additional income from the weed killing contract.

A lower than anticipated take-up in year of Concessionary Fares produced a £90k underspend.

The new leisure contract realised a saving of £60k, with additional income of £157k received following a successful NNDR rating appeal.

These savings/underspends were offset by Young and Safe in Gainsborough which overspent by £50k in 2009/10, however this three year project is anticipated to breakeven overall. A £27k surplus was achieved in 2008/09 and dependant on targets being met, over a three year period, Lincolnshire Enterprise funding can be released.

Planning

This Committee over spent the original budget by £166k. Overall the over spend arose from Building Control (£59k), Development Control (£93k), Forward Planning (£102k) and Parish Lighting (£15k) although under spends on Land Charges (£19k) and Other Planning Policy activities (£71k) helped to mitigate the overall over spend.

There was an underachievement of £100k Building Control Income against budget, although this was partly offset by staff vacancy savings. Development Control and Forward Planning overspends relate to costs incurred for the Interim Development Control Manager, costs awarded and Professional & Specialist advice. Overspends were offset in part by additional income achieved from the first new neighbourhood application and savings from staff vacancies.

The Land Charges underspend related to savings against budget for Lincolnshire County Council Search fees, due to fewer requests, and additional income being received. Parish Lighting overspends reflected bills (in dispute) relating to footway lighting for the period December 2005 – March 2010, also actual electricity costs were above the original budget, offset in part by a contingency for utility costs.

Organisation & Resources

This Committee under spent the original budget by £906k mainly reflecting additional Housing & Planning Delivery Grant of £800k.

Administrative Buildings overspent by £116k, the difficult economic conditions have meant that the former administrative buildings, The Guildhall, Spital Terrace and Cross Street are taking longer to sell than originally anticipated. As a result the Council has incurred additional NNDR, maintenance and demolition charges. In addition to this NNDR and service charge for the Marshalls Yard administrative offices were higher than budgeted.

The budget for the Chief Executive overspent by £22k with recruitment costs offset by employee savings during the period prior to the appointment of the new Chief Executive.

Offsetting these additional costs were under spends in respect of staffing and additional Housing Benefit subsidy and administration grant.

Capital Outturn 2009/10

Total capital expenditure for 2009/10 was £2,693k compared with a revised budget of £8,429k, an overall under spend of £5,736k.

The significant variations between the revised estimate and the actual spend in 2009/10 are:-

Economic Development and Regeneration

- **Disabled Facilities Grants –** In the financial year, 112 grants were paid on completed works totalling £409k. Additional funding of £200k was released from existing schemes by this Committee in January 2010.

- **Decent Homes -** 105 grants were paid on completed works totalling £285k.

- **Gainsborough Regained Public Realm –** Works on a core scheme commenced in January 2010 and are due to be completed by the end of September 2010. Optional phases in the overall scheme allow flexibility for a break in the works if the Tesco expansion scheme in Gainsborough (and therefore the Section 106 contribution towards the town centre works) is delayed.

- **Growth Point –** External funding of £500k has been received; £100k for the replacement of market stalls and £400k for an innovation hub. It is envisaged that conversion of the Plough Inn could potentially complement the formation of a "cultural quarter" in part of Gainsborough. Possible plans are being explored with potential partners.

Community and Waste

- **Improvements to Marshalls Sports Ground, Gainsborough** – works commenced in October 2009 with completion expected by the end of June 2010.

- **Sporting initiatives in the Lincoln Fringe Villages** - £200k was set aside in 2009/10 to assist with the development of sporting facilities in the Lincoln fringe area. In year a contribution of £150k was paid to Cherry Willingham School towards a new community sports centre.

- **Triple Bin Scheme** - Approximately 19,880 green and a further 5,900 of blue/black bins were purchased for the introduction of the scheme.

- **Young and Safe in Gainsborough Coffee Bar/Education Centre** – external funding of £1m has been accessed from Lincolnshire Enterprise and The Big Lottery. Works started in November 2009, with an estimated completion date of June 2010.

During 2009/10 £1.204m of capital receipts were used to finance capital expenditure.

Future developments

Within the Revenue Budget for 2010/2011, the Council has identified additional funds for investment in its priorities. These are summarised below and overleaf in two tables, the first intending to maintain existing levels of service and the second to develop new services:-

Maintaining existing services	2010/2011 £000's
■ **Economic Development & Regeneration**	
▪ Commercial property income	6
■ **Community & Waste Services**	
▪ Waste Collection	25
▪ Concessionary fares	50
■ **Organisation Development**	
▪ Admin Buildings	61
▪ E-billing	10
■ **Planning Committee**	
▪ Building Control Income	20
▪ Parish Lighting	6
Total	**178**

Service Developments	2010/2011 £000's
■ **Economic Development & Regeneration**	
▪ Citizens Advice Bureau	61
■ **Community & Waste Services**	
▪ Community safety – inclusion activity	50
▪ Flood alleviation	50
■ **Organisation Development**	
▪ Carbon reduction	200
▪ Access to Services	30
▪ Parish Planning	10
Total	**401**

A brief description of the Service Development schemes is set out below:

- **Citizens Advice Bureau (CAB)** - the Council recognises the important role that both the West Lindsey and Lincoln CABs play in supporting our communities. The importance of the services has been increasingly apparent as the Country's economic position has deteriorated. The Council has increased the annual payment to Lincoln CAB by £4,330 to £12,000 and by £6,580 to £45,000 for West Lindsey CAB in addition to a one off contribution of £15,000 to Lincoln CAB and £35,000 to West Lindsey CAB to increase revenue balances. In total an increase in support in 2010/11 of £60,910.

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- **Community Safety –** improvements in this area require a three strand strategy; prevention, early intervention and enforcement. An allocation of £50k was included to create an intergenerational programme of activity to improve inclusion amongst 'young people' with the foundation being education rather than enforcement.

- **Flood Alleviation** work has historically been funded from a number of areas within the Council. To enhance outcomes from the Council's investment all of the funds available have been amalgamated and a further £50k added to the revenue budget for 2010/11. The utilisation and balance of this fund will be reviewed on an annual basis to ensure that the fund is not only sufficient, but that it also continues to meet the needs of the community.

- **Access to Services** - £30k will support the delivery of a cross cutting Customer Access Strategy.

- **Carbon Footprint** - a new £200k 'invest to save' reserve is being created for carbon reduction activity. This investment will not only help to reduce carbon emissions but will also help to reduce on-going revenue costs and reliance upon finite natural resources.

The Capital Programme for 2010/2011 includes the following items:

Item	2010/2011 £000's
▪ Eastern Growth Corridor	150
▪ Gainsborough Regained	1,142
▪ Growth Point	481
▪ Homes for All	525
▪ Market Rasen Pool	1,200
▪ Private Sector Housing Grants	475
▪ Purchase of a replacement Refuse Freighter	100
▪ Sporting initiatives in the Lincoln Fringe Villages	180
Total	**4,253**

Only those programmes over £100k are included above and will be financed by either grants and contributions or the use of capital receipts.

The allocations for purchasing a replacement Refuse Freighter and Private Sector Housing Grants are intended to maintain existing levels of service, the remaining schemes represent expansions in service delivery.

The main development proposals are:

- **Eastern Growth Corridor** - £150k has been reinstated to the capital programme as a potential contribution to this scheme.

- **Gainsborough Growth Point** - During the 2009/10 budget setting process £850k had been provisionally allocated in 2010/11 as part of the Gainsborough Growth point initiatives. The allocation for 2010/11 has now been finalised and a reduced grant of £481k has been awarded. This change is reflected in the Capital Programme and revised proposals have been put in place.

- **Affordable Housing (Homes for All) -** £525k has also been added to the capital programme to support the delivery of affordable housing. This investment is utilising section 106 monies which the Council currently holds. The proposal is to acquire empty properties and retrofit them to the highest possible standards to test methods, stimulate the market, raise local skill levels and provide examples for different house types and ages.

- The schemes for Gainsborough Regained, Market Rasen Pool and Sporting Initiatives in the Lincoln fringe villages began in previous financial years and will continue in to 2010/11 and beyond.

Outline of the Statement of Accounts

- **Explanatory Foreword**

  This section provides in overall terms, the Council's financial position, and assists in the interpretation of the accounting statements.

- **Statement of Accounting Policies**

  This explains the accounting policies which are consistent with the accounting concepts and relevant accounting standards. It ensures that the Council's accounts present fairly the financial position and transactions of the Council.

- **Statement of Responsibilities for the Statement of Accounts**

  Under the Code of Practice on Local Authority Accounting in the UK, there is a requirement for the Council, in addition to the Chief Financial Officer, to certify its approval of the Statement of Accounts.

- **Core Single Entity Financial Statements**

  - **The Income & Expenditure Account**

    This sets out the gross expenditure, income and net expenditure on the major functions and services for which the Council is responsible, and compares that cost with the finance provided from central government, grants and income from local taxpayers.

  - **Statement of Movement on the General Fund Balance**

    This reports items of income and expenditure that are required to be credited or charged to the General Fund and which, therefore, must be taken into account when determining the budget requirement and Council Tax demand, but are not reflected in the Income and Expenditure Account. An example of these amounts is depreciation that is charged to the Income and Expenditure Account but not the General Fund.

  - **Statement of Total Recognised Gains and Losses (STRGL)**

    Not all gains and losses are reflected in the Income and Expenditure Account e.g. gains on the revaluation of fixed assets, they are treated as arising from asset and liability valuations rather than operating performance. In order to assess the financial result for the year it is important to recognise all gains and losses, however they have occurred, in the STRGL.

- **Balance Sheet**

  This sets out the Council's assets and liabilities as they were at 31 March 2010. It shows the level of Reserves and Balances at that date, together with investments and the value of assets held.

- **The Cash Flow Statement**

  This sets out the inflows and outflows of cash arising from both revenue and capital transactions with third parties.

- **Notes to the Core Financial Statements**

- **Supplementary Single Entity Financial Statements**

  - **The Collection Fund**

    This sets out the statutory requirement to maintain a separate Collection Fund, which shows the transactions of the Council as the Billing Authority in relation to Non-Domestic Rates and Council Tax. It illustrates the way in which these have been distributed, as precepts payable to the County Council, Police Authority and the Council's General Fund.

- **Annual Governance Statement (AGS)**

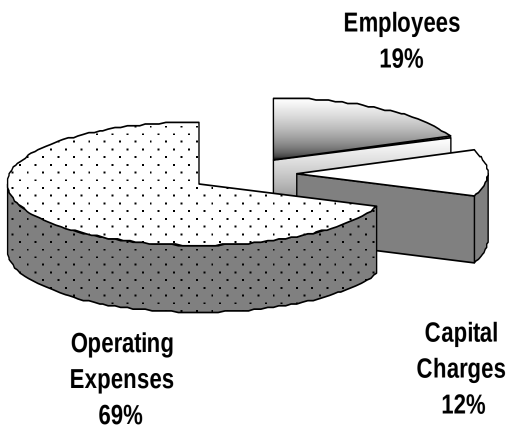
  The Annual Governance Statement sets out the Council's responsibility for Internal Control and describes both the purpose of internal control and the internal control environment. The statement also summarises the Council's review of the effectiveness of internal control and highlights any significant internal control issues and subsequent actions taken to address them.

Revenue Income and Expenditure

The accounts which follow, give details of the financial aspects of the Council's income and expenditure, but the charts below show in broad terms where the Council's money comes from, what it is spent on and how it is used to provide the various services.

What the Money is spent on

Operating Expenses, such as maintaining buildings, operating vehicles, purchases of supplies and services, as well as giving housing benefits and other rating reliefs, account for about 69% of the total expenditure.

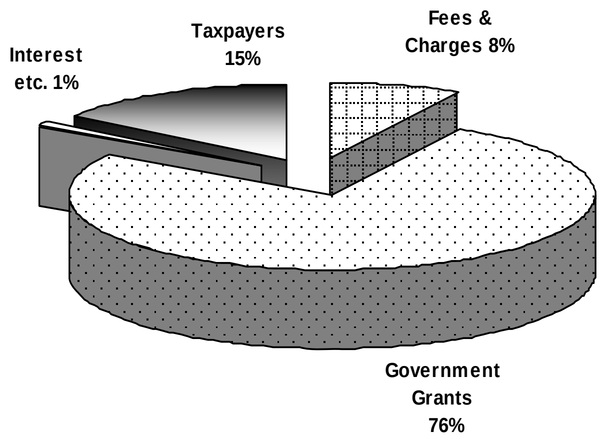


Employees' costs account for about 19% of the total expenditure.

Capital Charges, account for about 12% of the total expenditure, and are the charges made for use of the Council's fixed assets.

Where the Money comes from

The contribution from Council Taxpayers amount to about 15% of the total income.



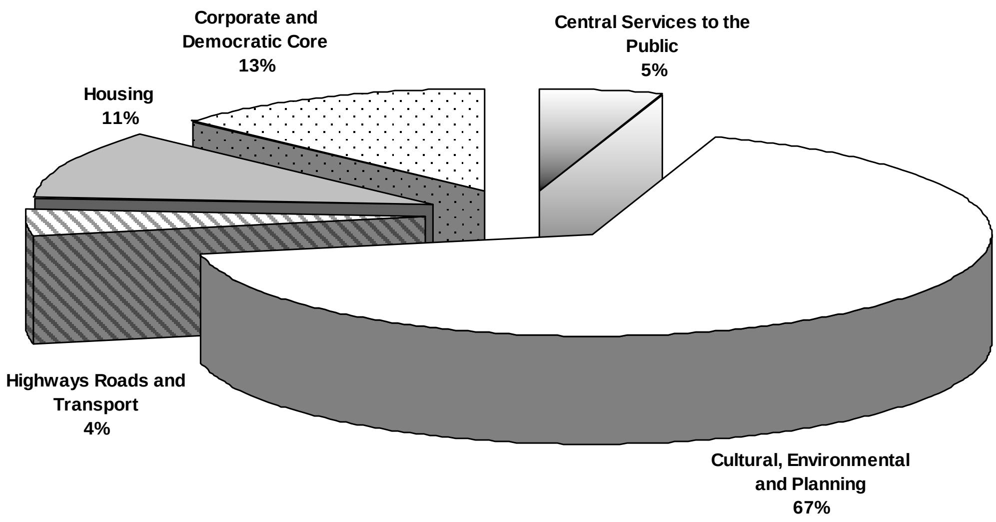
Government Grants, amount to about 76% of the total income.

Fees and Charges amount to about 8% of the total income.

Interest amounts to about 1% of the total income.

Revenue Income and Expenditure

The Services Provided



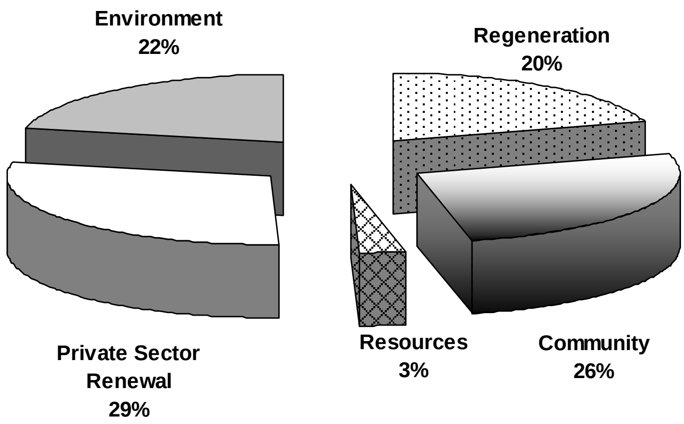
Capital Income and Expenditure

Capital Spending

The Council spent £2.693m on capital projects during 2009/10 (£5m in 2008/09).

The main areas of expenditure during 2009/10 were:

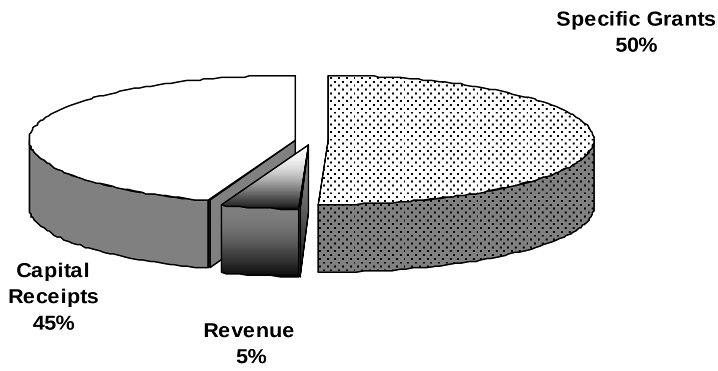
- Purchase of wheeled bins - £567k (Environment)
- Gainsborough Regained - £502k (Regeneration)
- Disabled Facilities Grant - £409k (Private Sector Renewal)
- YASIG- £354k (Community)



Capital Financing

The capital expenditure was financed as follows:

- Specific Grants - £1,358k
- Capital Receipts - £1,204k
- Revenue – £131k



Pensions Liability

The majority of the employees of the Council are members of the Local Government Pension Scheme (LGPS). The liability for pension benefits, measured on a Financial Reporting Standard 17 (FRS17) basis, has increased significantly over the year. At 31st March 2010 the Council's liability reported by the Actuary to the LGPS was £30.4m (£14.2m 08/09), an increase of £16.2m. The fair value of LGPS assets had increased by 29% (£7.4m) to £32.6m whilst there was a 60% (£23.6m) increase to £63.1m in the value of obligations to pay pension benefits (liabilities).

In applying FRS17, pension liabilities are discounted by the interest yield available on good quality corporate bonds. Lower yields increase the value of liabilities and vice versa. As liabilities for pensions benefits are long term in nature, significant annual movements in yields will produce large movements in the valuation of liabilities. Over the year corporate bond yields decreased from 6.9% at 31 March 2009 to 5.5% at 31 March 2010.

Reviewing this year's movement in liabilities the Actuary advised that, for the typical employer in the Lincolnshire LGPS, the drop in yields alone increased liabilities by approximately 30% - 35%. In addition LGPS benefits increase in-line with inflation and expectations that inflation would increase in the future also rose over the year, from 3.1% to 3.8%, further increasing the value of liabilities. Inflation assumptions typically added a further 10% onto the value of liabilities. Overall the change in financial conditions increased the value of the liabilities, for the average employer by approximately 40% - 50%.

Mortality assumptions have been strengthened to allow for the expectation that on average members are living longer. This increased liabilities by a further 4% to 6% for a typical employer. Finally the maturing of liabilities each year will increase their value by approximately 7%. The Council's FRS17 experience this year has been in line with the typical Lincolnshire LGPS employer.

The net liability to the Lincolnshire LGPS of £30.4m represents an estimate at a point in time and there is no direct link to funding or employers' contribution rates. The net liability is matched by a Pension Reserve, also shown in the Balance Sheet, and therefore has no impact on the Council's overall net worth at 31 March 2010. The full triennial valuation of the Lincolnshire LGPS carried out by the Actuary, which sets future contribution rates for employers, uses different assumptions to those required under FRS17. The next triennial valuation will be reported in the autumn of 2010, based on data at 31 March 2010.

The Chancellor of the Exchequer announced in his Emergency Budget on 22 June 2010 that the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI) will be the basis for future public sector pension increases. The Actuary to the Lincolnshire LGPS has estimated that this change will reduce the value of an average employer's FRS17 liabilities by 6% to 8%. The valuations presented in the accounts are based on estimates for RPI. The actuarial valuation at 31 March 2010 and future annual FRS17 valuations will reflect the change to CPI increases.

More details of the FRS17 valuation are set out in Note 36 to the Core Financial Statements.

Changes to the Statement of Accounts

The accounting policies adopted by the Council comply with the relevant recommended accounting practices. The Council's policies are explained fully from page 22 onwards. This document complies with the relevant Statement of Recommended Practice 2009 (SORP) produced by CIPFA.

There has been no change to the Council's statutory functions during the year.

Other changes introduced into the 2009/10 accounts are as detailed below.

(a) Basis of Audit Opinion

Prior to 1 April 2009 the Council was required to give a basis of opinion on the financial position which 'presented fairly' the financial position at the year end. From 2009/10 the responsible finance officer is required by regulation 10 (2) of the Accounts and Audit Regulations to certify that the accounts present a 'true and fair view'. These changes from the 'present fairly' basis have no practical effect on the way that the accounts are prepared, but are a recognition of the convergence of local authority accounting requirements with UK GAAP(Generally Accepted Accounting Practice).

(b) Accounting for Council Tax and National Non Domestic Rates (NNDR)

The Council is a billing authority and is required by statute to maintain a separate account for the collection and distribution of Council Tax and National Non-Domestic Rates (NNDR).

The 2009 SORP clarifies the position that the Council as the billing authority, acts as an agent for major preceptors and the Government in the collection of local taxes. The 2009 SORP includes changes to the guidance on how the Council should account for Council Tax and NNDR.

Effective from 1 April 2009 the amount of Council Tax income to be included in the Council's Income and Expenditure Account must be the accrued income for the year. Previously the amounts recorded would represent the amount required by regulation i.e. the precept amount adjusted for any surplus or deficit on the Collection Fund. The difference between the income included in the Income and Expenditure Account and the amount required by regulation to be credited to the Collection Fund is taken to a Collection Fund Adjustment Account and included as a reconciling item in the Statement of Movement on the General Fund Balance.

Previously the Council recorded all the arrears and pre-payments relating to Council Tax collection on the Balance Sheet and recognised a creditor for any undistributed surplus related to the other preceptors. The 2009 SORP requires that the Council's Balance Sheet only recognises its share of the Council Tax debtors and creditors (pro rata to the precept raised). A similar situation exists for NNDR where a debtor or creditor is recognised with the Government. Cash flows now only recognise the Councils share in both cash collected and paid Over/Under payments to preceptors are now disclosed as a net movement increase/decrease in liquid resources.

Whilst having no impact upon the General Fund Balance of the Council the revisions in the 2009 SORP require a prior year adjustment for purposes of comparison and impact upon the Income and Expenditure Account, Statement of Total Recognised Gains and Losses, Balance Sheet, Cash Flow and various accompanying notes.

(c) Employees' Remuneration

The Accounts and Audit Regulations 2009 introduced a new legal requirement to increase transparency and accountability in Local Government for reporting the remuneration of senior employees. The regulations require disclosure of individual remuneration details for senior employees and identify by name those receiving a salary of £150,000 or more per year.

In accordance with the regulations, the definition of senior employee for the 2009/10 accounts disclosure includes the Chief Executive, Director of Resources and Deputy Chief Executive (Section 151 Officer), Director of Strategy and Regeneration (Monitoring Officer) and the Director of Neighbourhoods and Health. In addition, previous disclosure requirements showing the number of employees whose remuneration was £50,000 or more in bands of £10,000 have been amended. Numbers are now required to be disclosed in bands of £5,000.

(d) General Government grants

General Government grants and other grants that do not relate to the performance of a specific service are disclosed as a single item on the face of the Income and Expenditure Account, with a supporting note.

General Government grants are:

- Revenue Support Grant
- Area Based Grant
- Local Authority Business Growth Incentive

- Housing and Planning Delivery Grant.

Housing and Planning Delivery Grant was previously shown within the net cost of service line. It is now recorded on the face of the Income and Expenditure Account within General Government Grants (£0.901m and £0.651m in 08/09).

(e) Finance Leases - Vehicles

During the year, for the purposes of preparing for the implementation of International Financial Reporting Standards (IFRS) from 2010/11, the accounting treatment of the Council's vehicles held under lease was reviewed in detail. On examination a number of vehicles, primarily refuse freighters, had been incorrectly reported as operating leases (revenue items) in previous years. Under the SORP the vehicles should have been accounted for as Finance Leases. Whilst there is no impact on the Council's net worth from this change in accounting treatment, Finance Leases differ from Operating Leases in requiring a number of Balance Sheet entries and revenue account adjustments as explained at note 6 of the Accounting Policies. In addition Finance Leases are classified as credit arrangements (i.e. borrowing/debt) under the government's capital controls regime for local authorities.

(f) Finance Leases – Properties

The accounting treatment of ten non-operational properties has been revised. The properties have been held since 1999 by the Council on 125 year leases, at peppercorn rents, but had previously been disclosed in the accounts as freehold assets. The present value of the minimum leases payments in respect of these properties does not amount to 90% or more of the fair value of the leased assets. However, following Financial Reporting Standard 5 which requires that the substance of a transaction should be recognised, the assets have been disclosed and accounted for as Finance Leases in these accounts. The ten properties had previously been disclosed as Tangible Fixed Assets. The change in disclosure has not impacted on the Council's net worth.

(g) Trading Accounts – Car Parks

The Council maintains a number of trading accounts for Gainsborough market, commercial properties (industrial estates, shops and other properties) and car parks. Previously the trading account for car parks was disclosed within the Service Revenue Account for Highways and Transport. All trading accounts are now disclosed within the Income and Expenditure Account, surplus/deficit on trading accounts.

The prior year adjustment in respect of accounting for Council Tax and NNDR is disclosed in the table below.

	2008/09 Accounts £'000	Change (b) Collection Fund Agency Accounting £'000	Change (b) NNDR Agency Accounting £000's	2008/09 Restated £'000
Income & Expenditure Account				
Demand on Collection Fund	(6,727)	136		(6,591)
Account Deficit	5,457	136		5,593
Statement of Movement on the General Fund Balance				
Deficit for the Year	5,457	136		5,593
Net additional amount credited to General Fund	(5,813)	(136)		(5,949)
Statement of Total Recognised Gains and Losses				
Deficit for the year	5,457	136		5,593
Total Recognised (Gains) and Losses for the year	9,290	(136)		9,154
Balance Sheet				
Current Assets - Debtors	5,286	(1,499)	(353)	3,434
Total Current Assets	**19,086**	(1,499)	(353)	**17,234**
Total Assets	**37,555**	(1,499)	(353)	**35,703**
Current Liabilities				
Creditors	(5,175)	1,499	353	(3,323)
Total Current Liabilities	**(5,655)**	1,499	353	**(3,803)**
Total Assets – Less Current Liabilities	**31,900**	**0**	**0**	**31,900**
Financed by				
Collection Fund	**(126)**	**126**		**0**
Collection Fund Adjustment Account	**-**	**(126)**		**(126)**
Cash Flow Statement				
Revenue Activities Cash Outflows	88,237	(37,190)	(13,229)	37,818
Revenue Activities Cash Inflows	(84,540)	35,835	13,598	(35,107)
Net decrease other liquid resources	0	(1,355)	369	986
(Increase)/Decrease in cash equivalents	**(82)**	**0**	**0**	**(82)**

Exceptional Item

In October 2008, the Icelandic banks Landsbanki, Kaupthing and Glitnir collapsed and the two UK subsidiaries, Heritable (a Landsbanki subsidiary) and Kaupthing Singer and Friedlander went into administration. The Council had £7m deposited across three of these institutions, with varying maturity dates and interest rates. Legal action, co-ordinated by the Local Government Association, is ongoing on behalf of UK local authorities to recover the deposits. In 2008/09 an impairment of £1.481m was charged as an exceptional item within the Council's Income and Expenditure Account. Changes to the impairment will be reflected in future accounts. In this year, largely recognising an increase in the estimated time it will take to recover deposits from both Landsbanki and Glitnir, an additional impairment of £0.510m has been charged as an exceptional item. Note 2 to the Core Financial Statements sets out further detail on the valuation of the deposits with the Icelandic banks.

Further information about these accounts is available from the Financial Services Manager, Guildhall Marshalls Yard, Gainsborough, Lincolnshire, DN21 2NA (01427 676542).

Interested members of the public have a statutory right to inspect the accounts. The availability of the accounts for inspection was advertised in the local press at the appropriate time.

Opinion

In my opinion the Statement of Accounts give a true and fair view of the financial position of West Lindsey District Council at 31 March 2010 and its income and expenditure for the year then ended.

Signed.. 26th October 2010

Russell Stone - Financial Services Manager and Chief Finance Officer

Approval by the Audit Committee

I confirm that these accounts were approved by the Audit Committee at the meeting held on 26th October 2010.

Signed…………………………………….. 26th October 2010

Councillor Sue Rawlins - Chairman

1. General Principles

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2009, A Statement of Recommended Practice published by the Chartered Institute of Public Finance and Accountancy (CIPFA), together with guidance notes issued by CIPFA. It incorporates all Statements of Standard Accounting Practice (SSAP) and Financial Reporting Standards (FRS) applicable to local authorities, as approved by the UK's Accounting Standards Board. The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets.

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;

- Fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services.

- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as stocks on the Balance Sheet. An exception to this principle relates to electricity and similar payments which are charged at the date of meter reading rather than being apportioned between financial years. This policy is consistently applied each year and therefore does not have a material effect on the year's accounts.

- Works are charged as expenditure when they are completed, before which they are carried as works in progress on the Balance Sheet.

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

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

- Income and expenditure are credited and debited to the relevant Service Revenue Account, unless they properly represent capital receipts or capital expenditure.

3. Intangible Fixed Assets

Certain types of capital expenditure do not result in the creation of a tangible fixed asset (not of physical substance). Where such expenditure gives access to a future economic benefit for more than one year that is controlled by the Council it is deemed to be an Intangible Asset e.g. software licences. In this instance the capital expenditure is amortised to the relevant Service Revenue Account over the economic life of the investment to reflect the pattern of consumption of benefits.

4. Tangible Fixed Assets

Tangible fixed assets are assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis.

Recognition: expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis, provided that it yields benefits to the Council and the services that it provides for more than one financial year. Expenditure that secures but does not extend the previously assessed standards of performance of assets (e.g. repairs and maintenance) is charged to revenue as it is incurred. Assets valued at less than £10,000 are not normally recognised in the Balance Sheet.

Measurement: Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the Balance Sheet using the following measurement bases:

- Operational land and properties, investment properties and assets surplus to requirements – lower of net current replacement cost or net realisable value.

- Short life operational assets such as vehicles, plant and equipment – historical cost less depreciation as a proxy for the lower of net current replacement cost and net realisable value in existing use.

- Infrastructure and community assets – depreciated historical cost.

Net current replacement cost is assessed as:

- Non-specialised operational properties – existing use value.

- Specialised operational properties – depreciated replacement cost where market evidence of existing use value is not available.

- Investment properties and surplus assets – market value.

Assets included in the Balance Sheet at current value are re-valued where there have been material changes in the value, 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 Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a Service Revenue Account.

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

The closing balances at 31 March 2009 were re-valued as at 1 April in accordance with the policy detailed above.

The surpluses arising on the re-valuation of fixed assets at 1 April 2009 were credited to the Revaluation Reserve. Full revaluations of assets included in the balance sheet at current value are planned at five yearly intervals (the next one being due at 1 April 2014) with annual reviews by Banks, Long and Co to reflect any material changes during the year. Consequently, the closing balances at 31 March are re-valued annually as at 1 April to reflect revised valuations.

Impairment: the values of each category of assets and of material individual assets that are not being depreciated are reviewed at the end of each financial year for evidence of reductions in value. Where impairment is identified as part of this review or as a result of a valuation exercise, this is accounted for by:

- Where attributable to the clear consumption of economic benefits – the loss is charged to the relevant Service Revenue Account.

- Otherwise – the loss is recognised in the Revaluation Reserve until the asset's carrying amount reaches its depreciated historic cost and thereafter to the Income and Expenditure Account.

Where an impairment loss is charged to the Income and Expenditure Account but there were accumulated revaluation gains in the Revaluation Reserve for that asset, an amount up to the value of the loss or accumulated revaluation gains (whichever is lower) is transferred from the Revaluation Reserve to the Capital Adjustment Account.

Disposals: when an asset is disposed of or decommissioned, the value of the asset in the balance sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposal are credited to the Income and Expenditure Account 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 in the Revaluation Reserve for the asset disposed of are transferred to the Capital Adjustment Account.

All disposal proceeds from Tangible Assets are categorised as capital receipts. Capital receipts are required to be credited to the Usable Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the Statement of Movement on the General Fund Balance.
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 Statement of Movement on the general Fund Balance.

Depreciation: depreciation is provided for on all assets with a determinable finite life (except for investment properties), by allocating the value of the asset in the Balance Sheet over the periods expected to benefit from their use.

Where an asset has major components e.g. Land & Building, Plant and Machinery, with different estimated useful lives, these are depreciated separately.

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 charged on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Depreciation is calculated on the following bases:

- Depreciation is charged by allocating the cost (or re-valued amount) less estimated residual value of the asset as fairly as possible to the periods expected to benefit from its use.

- Infrastructure assets and vehicles, plant and equipment are depreciated over their useful economic lives as determined by the Chief Financial Officer.

- Newly acquired assets are depreciated in the year following acquisition and thereafter based upon their useful economic lives. Assets in the course of construction are not depreciated until they are brought into use.

- Depreciation is not provided for freehold land.

- Depreciation in calculated on the straight-line method.

Depreciation is based on the amount at which the asset is included in the Balance Sheet.

The useful economic lives assumed are:

Assets	Useful lives Years
Offices / Leisure Centre	25/35/40
Depots & Stores	20
Sport Pavilions / Halls	15
Public Conveniences	13/20/30/40
CCTV Systems	11
IT Equipment / Wheeled Bins	3/5/10
Vehicles / Bin Lifters	2 to 8
District Boundary Signs	40
Infrastructure Assets	40

Grants and contributions: where grants and contributions are received that are identifiable to fixed assets with a finite useful life, the amounts are credited to the Government Grants Deferred Account. The balance is then written down to revenue to offset depreciation charges made for the related assets in the relevant Service Revenue Account, in line with the depreciation policy applied to them.

5. Revenue Expenditure Funded From Capital under Statute

Expenditure incurred during the year that may be funded from capital under statutory provisions but does not result in the creation of fixed assets (e.g. disabled facilities grants) has been charged as expenditure to the relevant service account in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources, a transfer to the Capital Adjustment Account then reverses out the amounts charged in the Statement of Movement on the General Fund Balance so that there is no impact on the level of Council Tax.

6. Leases

Finance Leases

The Council accounts for leases as finance leases when substantially all the risk and rewards relating to the leased asset transfers to the Council. Rentals payable are apportioned between:

- a charge for the acquisition of the interest in the asset (recognised as a liability in the Balance Sheet at the start of the lease, matched with a tangible fixed asset – the liability is written down as the rent becomes payable) and

- A finance charge (debited to Net Operating Expenditure in the Income and Expenditure Account as the rent becomes payable).

Fixed assets recognised under finance leases are accounted for using the policies applied generally to Tangible Fixed Assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

Operating Leases

Rentals payable are charged to the relevant Service Revenue Account on a straight-line basis over the term of the lease, generally meaning that rentals are charged when they become payable. The Council's leasing activities are detailed in notes 19 and 20 to the Core Financial Statements.

7. Charges to Revenue for Fixed Assets

Service Revenue Accounts, support services and trading accounts are debited with the following amounts to record the real cost of holding fixed assets during the year:

- Depreciation attributable to the assets used by the relevant service.

- Impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service.

- Amortisation of intangible fixed assets attributable to the service.

- Revaluation losses in excess of any previous accumulated revaluation gains held in the Revaluation Reserve.

8. Financial Instruments

A financial asset or liability is recognised on the Balance Sheet when the Council becomes party to the contractual provisions of the instrument. This will normally be the date that a contract is entered into but may be later if there are conditions that need to be satisfied.

Financial assets are recognised by the Council on the Balance Sheet only when goods or services have been provided or rendered to a third party. Financial liabilities are recognised when the goods or services ordered from a third party have been received by the Council and the third party has performed its contractual obligations.

Financial Instruments – Financial Liabilities

Financial liabilities are classified into two types:

- amortised cost – liabilities that are not held for trading, such as operational creditors and borrowings; and

- fair value through profit or loss – liabilities held for trading

The Council currently only has liabilities carried at amortised cost.

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account for any interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument.

Financial Instruments – Financial Assets

Financial assets are classified into two types;

- loans receivables – assets that have fixed or determinable payments but are not quoted in an active market; and

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

The Council currently only has assets classified as “loans and receivables”

Loans and Receivables

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account for the 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 Income and Expenditure Account is the amount receivable for the year in the loan agreement.

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

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

9. Provisions

Provisions are only recognised in the accounts when there is a liability that is of uncertain timing or amount and it is to be settled by the transfer of economic benefits. A provision will be recognised when there is a present obligation (legal or constructive) as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Unless these conditions are met, no provision is recognised. Provisions are reviewed at each Balance Sheet date and adjusted to reflect the current best estimate.

10. Reserves

The Council sets aside specific amounts as Reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts in the Statement of Movement on the General Fund Balance. When expenditure to be financed from a Reserve is incurred, it is charged to the appropriate Service Revenue Account in that year to score against the Net Cost of Services in the Income and Expenditure Account. The Reserve is then appropriated back into the General Fund Balance statement so that there is no net charge against Council Tax for the expenditure.

11. Stocks and Work in Progress

Stocks are included in the Balance Sheet at the lower of cost and net realisable value.

Work in Progress is subject to an interim valuation at the year-end and recorded in the Balance Sheet at cost plus any profit reasonably attributable to the works.

12. Overheads and Support Services

The costs 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 Best Value Accounting Code of Practice (BVACOP) 2008. 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 – the cost relating to the Council's status as a multi-functional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and any depreciation or impairment losses chargeable on non-operational properties.

These two cost categories are defined in BVACOP and accounted for as separate headings in the Income and Expenditure Account, as part of Net Cost of Services.

13. Government Grants and Contributions (Revenue)

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as income at the date that the Council satisfies the conditions of entitlement to the grant/contribution, there is reasonable assurance that the monies will be received and the expenditure for which the grant is given has been incurred. Revenue grants are matched in Service Revenue Accounts with the service expenditure to which they relate. Grants to cover general expenditure (e.g. Revenue Support, Area Based, Housing and Planning Delivery Grant) are credited to the foot of the Income and Expenditure Account after Net Operating Expenditure.

14. Pensions Benefits

Employees of the Council are eligible to be members of the Local Government Pensions Scheme (LGPS) 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 Scheme is accounted for as a defined benefits scheme;

- The liabilities of the Lincolnshire County Council pension scheme 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 around mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.

- Liabilities are discounted to their values at current prices, using a discount rate of 5.5% (based on the gross redemption yield on the iboxx Sterling Corporates Index, AA over 15 years, with the removal of recently re-rated bonds from the index).

- The assets of the Lincolnshire County Council pension fund attributable to the Council are included in the balance Sheet at their fair value;
    - quoted securities – current bid price
    - unquoted securities – professional estimate
    - unitised securities – current bid price
    - property – market value

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

    - **Current service cost** – the increase in liabilities as result of years of service earned this year – allocated in the Income and Expenditure Account to the revenue accounts of services for whom the employees worked

    - **Past service cost** - the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Net cost of Services in the Income and Expenditure Account as part of Non Distributed Costs

    - **Interest cost** – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to Net Operating Expenditure in the Income and Expenditure Account.

    - **Expected return on assets** - the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to Net Operating Expenditure in the Income and Expenditure Account.

- **Gains/losses on settlements and curtailments -** the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited to the Net Cost of Services in the Income and Expenditure Account as part of Non-Distributed Costs.

- **Actuarial gains and losses -** changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Statement of Total Recognised Gains and Losses.

- **Contributions paid to the Lincolnshire County Council pension fund** – cash paid as employer's contributions to the pension fund.

Statutory provisions limit the Council to raising Council Tax to cover the amounts payable by the Council to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Statement of Movement on the General Fund Balance this means that there are appropriations 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 any amounts payable to the fund but unpaid at year-end.

Discretionary benefits

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

Further information can be found in the Lincolnshire Local Government Pension Fund Annual Report
Which is available from:

The Resources Directorate
Lincolnshire County Council, County Offices
Newland, Lincoln, LN1 1YG

15. Value Added Tax (VAT)

VAT is not included within the revenue and capital accounts except where the Council is unable to recover the tax from HM Customs and Excise.

16. Contingent Assets and Contingent Liabilities

Contingent assets and liabilities are accounted for in accordance with the provisions of FRS 12. This defines a contingent asset as a possible asset that arises from past events and whose existence will be confirmed by the occurrence of one or more future events not wholly within the Council's control.

Contingent assets are not recognised in the Income and Expenditure Account or Balance Sheet but are disclosed in the notes to the accounts.

FRS 12 defines contingent liabilities as either:

A possible obligation that arises from past events and whose existence will be confirmed by the occurrence of one or more uncertain future events not wholly within the Council's control, or

A present obligation that arises from past events but is not recognised because:

It is not probable that a transfer of economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are not recognised within the accounts as an item of expenditure but are disclosed in the notes to the accounts.

Contingent assets and liabilities at 31 March are disclosed in Note 31 to the Core Financial Statements.

17. Exceptional Items, Extraordinary Items and Prior Period Adjustments

Where material, these items will be included in the accounts and disclosed during the year of account. Should a prior period adjustment be necessary, the comparative figures for previous years will be restated where required and a full disclosure note presented.

18. Post Balance Sheet Events

Where a material post balance sheet event occurs which:-

- Provides additional evidence relating to conditions existing at the Balance Sheet date; or

- Indicates that application of the going concern concept to a material part of the Council is not appropriate,

Changes are made in the amounts due to be included in the Statement of Accounts.

The occurrence of a material post balance sheet event which concerns conditions that did not exist at the Balance Sheet date are disclosed in notes to the Balance Sheet. The note discloses the nature of the event and an estimate of the financial effect.

Statement of Responsibilities for the Statement of Accounts

The Council's Responsibilities

The Council is required to:

a) Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the designated Chief Finance Officer

b) manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets

c) approve the Statement of Accounts

The Chief Finance Officer's Responsibilities

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

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

a) selected suitable accounting policies and then applied them consistently

b) made judgements and estimates that were reasonable and prudent

c) complied with the Code of Practice.

The Chief Finance Officer has also:-

a) kept proper accounting records which were up to date;

b) taken reasonable steps for the prevention and detection of fraud and other irregularities.

Signed ……………………………… 26 October 2010

Chief Finance Officer.

Income and Expenditure Account For the Year Ended 31 March 2010

This account summarises the resources that have been generated and consumed in providing services and managing the Council during the last year. It includes/ all day-to-day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year. Details of the 2008/09 restatement are outlined in pages 16 and 19 of the Explanatory Foreword.

Net Expenditure 2008/2009 Restated £000's	Services	Note	Expenditure 2009/2010 £000's	Income 2009/2010 £000's	Net Expenditure 2009/2010 £000's
1,272	Central Services to the Public		7,131	(6,380)	751
11,263	Cultural, Environmental, Regulatory and Planning		11,714	(2,570)	9,144
714	Highways and Transport		706	(149)	557
1,877	Housing		20,788	(19,302)	1,486
1,763	Corporate and Democratic Core		1,923	(2)	1,921
652	Non Distributable Costs		971	(362)	609
17,541	**Net Cost of Services**		**43,233**	**(28,765)**	**14,468**
(223)	(Gain)/Loss on sale of Fixed Assets				(91)
204	Contribution to Parish Councils				191
1,028	Precepts paid to Parish Councils				1,153
273	Drainage Board Levies				287
364	(Surplus)/Deficit on Trading Activities	4			80
0	Interest payable and similar charges				594
(1,026)	Interest and Investment Income	43			(454)
1,481	Exceptional item: Impairment of Icelandic Banks investments	2			510
564	Pension Interest cost and expected return on pension asset	36			1,080
20,206	**Net Operating Expenditure**				**17,818**
(1,126)	General Government Grants	8			(2,434)
(6,896)	Non-Domestic Rate Distribution				(6,544)
(6,591)	Demand on Collection Fund				(6,869)
5,593	**Income & Expenditure Account (Surplus) / Deficit**				**1,971**

Statement of Movement on the General Fund

The Income and Expenditure Account shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the Council is required to raise council tax on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.

- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

The General Fund Balance compares the Council's spending against the Council Tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

This reconciliation statement summarises the differences between the surplus or deficit on the Income and Expenditure Account and the General Fund Balance. Note 13 to the Core Financial Statements gives a breakdown of the reconciling items for the Statement of Movement on the General Fund.

Details of the 2008/09 restatements are outlined in pages 16 and 19 of the Explanatory Forward.

2008/2009 Restated £000's	Services	2009/2010 £000's
5,593	(Surplus)/Deficit for the Year on the Income and Expenditure Account	1,971
(5,949)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund balance for the year	(3,090)
(356)	**(Increase)/Decrease in General Fund balance for the Year**	**(1,119)**
(2,128)	General Fund balance brought forward	(2,484)
(2,484)	**General Fund balance carried forward**	**(3,603)**

Statement of Total Recognised Gains and Losses

Statement of Total Recognised Gains and Losses at 31 March 2010

This statement brings together all the gains and losses of the Council for the year and shows the aggregate (increase)/decrease in its net worth. In addition to the (surplus)/deficit generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

Details of the 2008/09 restatements are outlined in pages 16 and 19 of the Explanatory Forward.

2008/2009 £000's	2008/2009 Restated £000's		2009/2010 £000's
5,593	5,457	■ (Surplus) / Deficit in the Income and Expenditure Account	1,971
4,666	4,666	■ Actuarial (gains)/Losses on Pension Fund Assets & Liabilities	15,892
(969)	(969)	■ (Surplus) / Deficit arising on the Revaluation of Fixed Assets	-
		■ Other (Gains) / Losses	225
9,290	**9,154**	**Total Recognised (Gains) and Losses for the year**	**18,088**
		Cumulative Effect of Prior Period Adjustments	
	136	**Prior Period Adjustments (see Note 2 to the Core Financial Statements)**	
	9,290	**Total Recognised (Gains) and Losses since published Statement of Accounts 2008/09**	**18,088**

Balance Sheet at 31 March 2010

Details of the 2008/09 restatements are outlined in pages 16 and 19 of the Explanatory Foreword.

31 March 2009 Restated £000's	Balance Sheet	Notes	31 March 2010 £000's	
	Fixed Assets Intangible	**16**		
	Fixed Assets Tangible	**14/15**		
	Operational Assets:			
10,453	Land and Buildings		10,144	
2,407	Vehicles, Plant, Furniture & Equipment		2,282	
637	Infrastructure Assets		32	
0	**Non-Operational Assets:**			
3,351	Investment Properties		3,316	
142	Assets under Construction		404	
1,459	Surplus Assets held for Disposal		1,458	
18,449	**Total Fixed Assets**			**17,636**
	Long Term Assets			
1	Investments	**43**	4,531	
19	Long Term Debtors	**22**	11	
20	**Total Long Term Assets**			**4,542**
	Current Assets			
35	Stocks	**21**	28	
3,434	Debtors	**22**	6,138	
13,549	Short Term Investments	**40/43**	7,494	
216	Cash in Hand		467	
17,234	**Total Current Assets**			**14,127**
35,703	**Total Assets**			**36,305**
	Current Liabilities			
(3,323)	Creditors	**24**	(2,815)	
(480)	Bank Overdraft		(1,540)	
(3,803)	**Total Current Liabilities**			**(4,355)**
31,900	**Total Assets Less Current Liabilities**			**31,950**
	Long Term Liabilities			
(637)	Government Grants Deferred Account	**24**	(549)	
0	Deferred Liabilities		(696)	
(492)	Unapplied Capital Grants and Contributions		(1,764)	
(14,172)	Liability Related to Deferred Benefit Pension Scheme	**36**	(30,431)	
(15,301)	**Total Long Term Liabilities**			**(33,440)**
16,599	**Total Assets – Less Liabilities**			**(1,490)**
	Finance by	**30**		
(1,551)	Revaluation Reserve		(1,520)	
(15,196)	Capital Adjustment Account		(13,863)	
1,191	Financial Instruments Adjustment A/C		1,375	
14,172	Pension Reserve	**36**	30,431	
(5,628)	Useable Capital Receipts		(4,516)	
(16)	Deferred Capital Receipts		(7)	
(2,485)	General Fund		(3,603)	
(6,960)	Earmarked Revenue Reserves		(6,736)	
(126)	Collection Fund Adjustment Account		(71)	
(16,599)	**Total Equity**			**1,490**

These financial statements replace the unaudited financial statements authorised at the meeting of the Audit Committee on 28th June 2010.

Cash Flow Statement

2008/2009 Restated £000's	Heading	Notes	2009/2010 £000's	£000's
	Revenue Activities – Cash Outflows			
9,313	■ Cash Paid to Employees		9,091	
14,213	■ Other Operating Expenses		10,729	
14,292	■ Housing Benefit Paid Out		17,830	
0	■ Precepts Paid		1,631	
37,818				**39,281**
(6,597)	**Cash Inflows** ■ Council Tax Income		(6,868)	
(6,896)	■ NNDR Receipts from National Pool		(6,545)	
(2,214)	■ Other Government Grants	42	(2,254)	
(960)	■ Revenue Support Grant		(1,511)	
(14,180)	■ DWP Grants for Benefits	42	(18,615)	
(3,319)	■ Cash Received for Goods & Services		(1,354)	
(941)	■ Other Operating Cash Receipts		(947)	
(35,107)				**(38,094)**
2,711	**Net cash flow from Revenue Activities** **Servicing of Finance – Cash inflows**			**1,187**
(889)	■ Interest Received		(232)	
	■ Interest Paid		68	
1,822	**Net cash outflow / (inflow) from revenue activities**	**37**		**1,022**
	Capital Activities – Cash Outflows			
1,258	■ Purchase of Fixed Assets		755	
96	■ Other Capital Payments			
1,354				**755**
(621)	**Cash Inflows** ■ Sales of Fixed Assets		(504)	
(561)	■ Capital Grants and Contributions Received		(2,009)	
(592)	■ Other Capital Receipts			
(420)	**Net from Capital Activities**			**(1,758)**
1,402	**Net Cash Outflows/(Inflows) Before Financing**			**(736)**
986	**Management of Liquid Resources** Net (increase) / decrease in other liquid resources			2,598
	Financing – Cash Outflows Capital Element of Finance Lease rental payments			196
(970)	**Cash Inflows** ■ Short Term Investments- Recalled	39/40		(1,250)
(1,500)	■ Long Term Investments - Recalled			
(82)	**(Increase) / Decrease in Cash and Cash Equivalents**			**808**

Details of the 2008/09 restatements are outlined in pages 16 and 19 of the Explanatory Forward.

Notes to the Core Financial Statements

1. Acquired or Discontinued Operations

There were no acquired or discontinued operations during 2009/10.

2. Prior Period and Exceptional / Extraordinary items

Prior Period Adjustments: The SORP required a prior period adjustment in respect of the implementation of agency accounting for Council Tax and NNDR. The prior period adjustment in respect of Council Tax and NNDR are fully explained at pages 16 and 19 of the Explanatory Foreword and the Core Statements and notes indicate where 2008/09 figures have been restated.

Extraordinary items: There are no extraordinary items in the accounts.

Exceptional Item: There is one exceptional item recorded in the accounts relating to the impairment of investments with Icelandic banks. In October 2008, the Icelandic banks Landsbanki, Kaupthing and Glitnir collapsed and the UK subsidiaries of the banks, Heritable and Kaupthing Singer and Friedlander went into administration. The Council had £7m deposited across three of these institutions, with varying maturity dates and interest rates as follows:

Investments included in current assets figure in the Balance Sheet include the following investments that have been impaired because of the financial difficulties experienced by Icelandic Banks.

Bank	Date Invested	Maturity Date	Amount Invested £000s	Interest Rate %	Carrying Amount £000s	Impairment £000s
Glitnir	07/02/08	06/02/09	1,000	5.45	995,669	122,047
Heritable Bank	15/07/08	17/10/08	1,000	5.88	467,914	256,378
Landsbanki	15/07/08	17/10/08	1,000	5.88	749,044	343,849
Landsbanki	30/07/08	17/10/08	1,500	5.8	1,124,434	509,347
Landsbanki	15/08/08	21/11/08	1,500	5.89	1,117,763	514,274
Heritable Bank	17/09/08	08/10/08	1,000	5.55	465,121	244,886
					4,919,945	**1,990,781**

The carrying amounts of the investments included in the balance sheet have been calculated using the present value of the expected repayments, discounted using the investment's original interest rate.

The Balance Sheet shows the net impact of the impairment of the Icelandic Banks investment in the Financial Instruments Adjustment

Account. All monies within these institutions are currently subject to the respective administration and receivership processes. The amounts and timing of payments to depositors such as the Council will be determined by the administrators / receivers.

The current situation with regards to recovery of the sums deposited varies between each institution. Based on the latest information available the Council considers that it is appropriate to consider an impairment adjustment for the deposits, and has taken the action outlined below. As the available information is not definitive as to the amounts and timings of payments to be made by the administrators / receivers, it is likely that further adjustments will be made to the accounts in future years.

Heritable Bank

Heritable bank is a UK registered bank under English law. The company was placed in administration on 7 October 2008. A total repayment of £705,368.22 was received (34.98%) in 2009/10 and the revised impairment is based on the assumption that a further 50% will be received by the end of 2012/13, taking the total dividends expected to be paid to 84.98%

Therefore in calculating the impairment the Council has made the following assumptions re timing of recoveries:

Date	Repayment	Date	Repayment
June 2010	5%	September 2011	5%
September 2010	5%	December 2011	5%
December 2010	5%	March 2012	5%
March 2011	5%	June 2012	5%
June 2011	5%	September 2012	5%

Recoveries are expressed as a percentage of the authority's claim in the administration, which includes interest accrued up to 6 October 2008.

Glitnir Bank hf & Landsbanki

The impairment for Glitnir and Landsbanki in 2008/09 has been based on the assumption that local authority deposits with the bank had priority status, and would therefore be repaid ahead of any creditors that did not have priority status. This was based on the legal advice obtained by local authorities, and on announcements made by the banks.

The Glitnir Winding-Up Board has since expressed the view that local authority deposits do not have priority status. This may also impact on the Landsbanki position. Local authorities' legal advice remains that deposits have priority status under Icelandic law however decisions on the priority status of local authority deposits will be made by the Icelandic courts. It is unlikely that the position on priority status will be known until 2011/12 however the impairment for 2009/10 has been calculated on the basis that priority status for Glitnir will be confirmed and a 100% repayment received in 2011/12, and for Landsbanki 94.86% received between October 2011 and October 2018.

Deposits with the Icelandic-domiciled banks were converted to Icelandic Krona on 22 April 2009. Repayments by the banks will be based on the value of the deposit in ISK; the sterling value received by authorities will depend on the prevailing exchange rate, and may therefore be lower than the equivalent value on 22 April 2009.

Therefore in calculating the impairment the Council has made the following assumptions re timing of recoveries:

Glitnir: 100% recoverable in June 2011.

Landsbanki:

Date	Repayment	Date	Repayment
October 2011	22.17%	October 2015	8.87%
October 2012	8.87%	October 2016	8.87%
October 2013	8.87%	October 2017	8.87%
October 2014	8.87%	October 2018	19.47%

If the Council does not receive priority status the expected repayments will be for Glitnir 29% between October 2011 and October 2015 and for Landsbanki 38.19% between October 2011 and October 2018.

3. Un-discharged obligations arising from Long Term Contracts

The Council has no outstanding un-discharged obligations arising from long term contracts.

4. Trading Operations

The Council maintains a number of trading accounts for Gainsborough market, commercial properties (industrial estates, shops and other properties) and car parks. Previously the trading account for car parks was disclosed within the Service Revenue Account for Highways and Transport. All trading accounts are now disclosed within the Income and Expenditure Account, surplus/deficit on trading accounts.

2008/2009 Trading (Surplus)/ Deficit £000's	Service	2009/2010 Expenditure £000's	2009/2010 Income £000's	2009/2010 Trading (Surplus)/ Deficit £000's
173	■ Car Park	356	(226)	130
56	■ Markets	142	(73)	69
265	■ Shops and other properties	53	(182)	(129)
43	■ Industrial Estates	10	0	10
537		**561**	**(481)**	**80**

The deficit position for car parks reflects the ongoing cost of the licence to operate the Beaumont Street Car Park (Gainsborough) (£244k in 2009/10). Following a loss on impairment of the shops and other properties in 2008/09 which resulted in a deficit trading position they have now produced a net return of £117,000. The increased deficit for markets reflects the closure of the Market Square for major renovation works and the temporary relocation of the Market stalls.

5. The Nature and Amount of any Significant Agency Income & Expenditure.

The Council does not have any material expenditure in relation to agencies.

6. Transport Arrangements under the Transport Act 2000

The Council does not have any arrangements under the Transport Act 2000 to be disclosed.

7. Pooled Arrangements

The Council is required to declare any partnership schemes under section 31 of the Health Act 1999. The Council has not entered into any relevant arrangements.

8. General Government Grants

2008/09 £000's		2009/10 £000's
-	Housing and Planning Delivery Grant	901
23	Area Based Grant	23
1,103	Revenue Support Grant	1,510
1,126	**Totals**	**2,434**

In 2008/09 Housing and Planning Delivery Grant of £651k was disclosed in the Non Distributable Costs line of The Income and Expenditure Account.

9. Members' allowances

Members Allowances paid during the year amounted to £250k (2008/2009 £243k)

10. Officers' Remuneration

The numbers of officers employed during the year whose remuneration exceeded £50,000, listed in bands of £5,000 are shown in the table below. For this purpose "remuneration" means all amounts paid to or recoverable by an employee and includes sums due by way of expenses allowance (in so far as those sums are chargeable to UK Income Tax) and the estimated `money value of any other benefits received by an employee otherwise than in cash but excludes employers contributions to pensions.

Remuneration band	Number of Officers 2008/2009	Number of Officers 2009/2010
£50,000-£54,999	4	4
£55,000-£59,999	1	-
£60,000-£64,999	-	-
£65,000-£69,999	-	-
£70,000-£74,999	2	3
£75,000-£79,999	-	-
£80,000-£84,999	1	1
£85,000-£89,999	-	-
£90,000-£94,999	-	-
£95,000 - £99,999	-	1
£100,000 - £104,999	1	-

Included in the above analysis are a number of Senior Employees, whose salary is between £50,000 and £150,000 and for whom more information is now required. Further details of these employees are given below:

2009/10					
Post Holder	**Salary including fees and Allowances)**	**Expenses**	**Total Remuneration excluding pension contributions**	**Pension Contributions**	**Total Remuneration including pension contributions**
Chief Executive (left Council on 8 March 2010)	£97,039	£0	£97,039	£19,688	£116,727
Director of Resources and Deputy Chief Executive (Section 151 Officer)	£82,623	£343	£82,966	£17,429	£100,395
Director of Strategy and Regeneration(Monitoring officer)	£72,616	£574	£73,190	£15,492	£88,682
Director of Neighbourhoods and Health	£72,169	£269	£72,438	£15,492	£87,930
2008/09					
Post Holder	**Salary including fees and Allowances)**	**Expenses**	**Total Remuneration excluding pension contributions**	**Pension Contributions**	**Total Remuneration including pension contributions**
Chief Executive	£103,731	0	£103,731	£20,592	£124,323
Director of Resources and Deputy Chief Executive (Section 151 Officer)	£82,623	£562	£83,185	£17,053	£100,238
Director of Strategy and Regeneration (Monitoring Officer)	£71,721	£763	£72,484	£15,158	£87,642
Director of Neighbourhoods and Health	£71,721	£39	£71,760	£15,158	£86,918

11. Disclosure of Related Party Transactions

The Council is required to disclose any material transactions with related parties not disclosed elsewhere within the Statement of Accounts under the Code of Practice on Local Authority Accounting.

This requirement relates to material transactions between the Council on the one hand and third parties such as central government, pensions funds, other local authorities or precepting bodies, joint venture partners, members and senior officers.

Central Government

Details of government grants received are set out in Note 42, Payments to precepting authorities are disclosed in the Notes to the Collection Fund.

Members/Officers

From a review of the returns completed and the individual register of interests, no payments for services were made to local businesses that the Council trades with and in which a Councillor is a Partner or Director.

There were no material transactions disclosed by senior officers or their close relations.

Other Bodies

Drainage board levies and payments to Parish/Town Councils are shown on the Income and Expenditure Account.

Assisted Organisations

The Council made material financial assistance to the following organisations during 2009/10:

- West Lindsey CAB £38k
- Lincoln and District CAB £8k

12. Audit Costs

In 2009/2010 the Council incurred the following fees relating to external Audit and Inspection.

	2008/2009 £000's	2009/2010 £000's
■ Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	93	149
■ Fees payable to the Audit Commission in respect of statutory inspection	13	8
■ Fees payable to the Audit Commission for the certification of grant claims and returns	12	13
■ Fees payable in respect of other services provided by the appointed auditor	0	0
Total	**118**	**170**

The fees relating to grant claims can vary from year to year depending on the number of claims to be audited.

13. Breakdown of Reconciling Items for the Statement of Movement on the General Fund Balance

The SORP requires a note to the accounts that breaks down the amounts apart from the outturn on the Income and Expenditure Account required by statute or non-statutory proper practices to be credited or charged to the General Fund for the year. Details of the 2008/09 restatements are outlined in pages 16 and 19 of the Explanatory Foreword. This breakdown is as follows:

2008/2009 Restated £000's		**2009/2010 £000's**
	Amounts included in the Income & Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year	
(96)	Amortisation of Intangible Fixed Assets	0
(3,377)	Depreciation & impairment of fixed assets	(3,155)
(1,191)	Impairment of Investments	(184)
45	Government Grants Deferred Amortisation	235
(2,180)	Write down of Revenue Expenditure Funded from Capital Under Statute	(855)
223	Net gain on Sale of Fixed Assets	92
(1,613)	Net Charges made for Retirement Benefits in accordance with FRS17	(1,817)
(136)	Difference between Council Tax Income included in the Income and Expenditure Account and amount to be taken to the General Fund in accordance with regulation	(55)
(8,325)		**(5,739)**
	Amounts not included in the Income & Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year	
0	Minimum Revenue Provision for Capital Financing	1,293
592	Capital Expenditure charged in-year to the General Fund Balance	130
1,305	Employer's contributions payable to the Local Government Pension Fund and retirement benefits payable direct to pensioners.	1,450
1,897		**2,873**
	Transfers to or from the General Fund that are required to be taken into account when determining the movement on the General Fund Balance for the year	
479	Net transfers To or From Earmarked Reserves	(224)
479		**(224)**
(5,949)	**Net additional amount required to be credited to the General Fund balance for the year**	**(3,090)**

14. Summary of Capital Expenditure and Fixed Asset Disposals

Fixed Assets - Operational

	Land and buildings £000s	Vehicles, plant and equipment £000s	Infrastructure £000s	Total £000s
Cost or Valuation				
At 1 April 2009	10,453	3,862	971	15,286
Additions	(17)	2,179	-	2,162
Donations	-	-	-	-
Disposals	(30)	(1,197)	-	(1,227)
Reclassifications	-	-	-	-
Revaluations	-	-	-	-
At 31 March 2010	10,406	4,844	971	16,221
Depreciation and impairments				
At 1 April 2009	-	(1,455)	(334)	(1,789)
Charge for 2009/10	(279)	(1,840)	(605)	(2,724)
Disposals	-	733	-	733
Reclassifications	-	-	-	-
Revaluations	17	-	-	17
At 31 March 2010	(262)	(2,562)	(939)	(3,763)
Balance Sheet amount at 31 March 2010	**10,144**	**2,282**	**32**	**12,458**
Balance Sheet amount at 1 April 2009	**10,453**	**2,407**	**637**	**13,497**
Nature of Asset Holding				
Owned	10,144	2,023	32	12,199
Finance Lease	0	259	0	259
	10,144	**2,282**	**32**	**12,458**

Fixed Assets – Non Operational

	Investment Properties £000s	Assets Under Construction £000s	Surplus Assets £000s	Total £000s
Cost or Valuation				
At 1 April 2009	3,351	142	1,458	4,951
Additions	4	262	-	266
Donations	-	-	-	-
Disposals	(35)	-	-	(35)
Reclassifications	-	-	-	-
Revaluations	-	-	-	-
At 31 March 2010	3,320	404	1,458	5,182
Depreciation and impairments				
At 1 April 2009	-	-	-	-
Charge for 2009/10	(4)	-	-	(4)
Disposals	-	-	-	-
Reclassifications	-	-	-	-
Revaluations	-	-	-	-
At 31 March 2010	(4)	-	-	(4)
Balance Sheet amount at 31 March 2010	**3,316**	**404**	**1,458**	**5,178**
Balance Sheet amount at 1 April 2009	**3,351**	**142**	**1,458**	**4,951**
Nature of Asset Holding				
Owned	2,853	404	1,458	4,715
Finance Lease	463	0	0	463
	3,316	**404**	**1,458**	**5,178**

15. Summary of Capital Expenditure and Sources of Finance

	2008/2009 £000's	2009/2010 £000's
Opening Capital Financing Requirement	**1,065**	**1,065**
Capital Investment		
Operational Assets	390	993
Non Operational Assets	827	4
Assets under Construction	95	262
Intangible Assets	96	0
Revenue Expenditure Funded from Capital Under Statute (Formerly Deferred Charges)	3,601	1,944
Sources of Finance		
Capital Receipts	(2,607)	(1,204)
Capital Grants & Contributions	(1,810)	(1,358)
Revenue Contributions	(592)	(131)
Finance Lease		(510)
Closing Capital Financing Requirement	**1,065**	**1,065**
Increase/(Decrease) in Capital Financing Requirement	0	0

16. Intangible Assets

There is no movement within the Intangible Assets category.

17. Commitments under Capital contracts

The Council is committed to spending on capital schemes in future years. The expenditure will be incurred in the next financial year.

Project	2010-11 £000's	2011-12 £000's
Drugs Action Team Property	132	-
Financial Ledger Suite	10	-
Gainsborough Public Realm	1,226	-
Marshall Sports Pavilion	667	-
Young & Safe In Gainsborough	494	-
TOTAL	**2,529**	**-**

18. An analysis of Council Fixed Assets

31 March 2009 (Numbers)	Fixed Assets	31 March 2010 (Numbers)
4	■ Offices	3
5	■ Non- operational Offices	3
2	■ Strategic/Investment Holdings	2
1	■ Depots and Workshops	1
11	■ Off-Street Car Parks	11
1	■ Leisure Centre and Pools	1
1	■ Arts Centre	1
2	■ Community Centres	2
5	■ Recreation Grounds	5
5	■ Cemeteries	4
1	■ Bus Station	1
7	■ Public Conveniences	7
16	■ Commercial Property Rented Out	17
31	■ Parcels of Land	31
320	■ Telephones	320
324	■ Personal Computers	324
28	■ CCTV Cameras	26
23	■ Vehicles	45
85,180	■ Wheeled Bins	110,960

19. Leases

Assets for which the Council is Lessee

Finance Leases

As explained in page 18 of the Explanatory Foreword the Council has recognised and disclosed a number of Finance Lease arrangements.

Vehicles – the amount paid under these arrangements in 2009/10 was £264k (£469k in 2008/09), £68k being charged to the Income and Expenditure Account as interest payable and £196k written down to deferred liabilities in the Balance Sheet.

Land and Buildings – the Council leases ten properties on long term leases (125 years) which have now been accounted for as Finance Leases. They are all at peppercorn rents.

The following amounts are included within tangible fixed assets (note 15) for the properties and equipment held under Finance Leases:

	Land & Buildings £'000	**Vehicles, Plant & Equipment £'000**
Valuation at 1 April 2009	467	1,679
Additions		
Revaluations (Impairment)		(60)
Depreciation	(4)	(1,358)
Disposals		(2)
Reclassifications		
Net Book Value at 31 March 2010	**463**	**259**

Outstanding commitments to make payments under these Finance Leases (excluding finance costs) at 31 March 2010, and accounted for as part of long-term liabilities, are as follows:

	Vehicles, Plant & Equipment £'000
Commitments payable in 2010/11	170
Commitments payable between 2011/12 and 2014/15	139
Commitments Payable after 2014/15	0
Total Committed Liabilities for 2010/11	**309**

Operating Leases

Vehicles – the Council has two vehicles which are financed under the terms of an operating lease. The amount paid under this arrangement in 2009/10 was £3,858 (2008/09 £5,057)

The Council has a small number of other operating leases, which includes photocopiers. Payments of £86k were made in 2009/10 (2008/09 £130k).

As at 31 March 2010, the Council is committed to making payments of £90k under operating leases in 2010/11, comprising of the following:

	Vehicles, Plant & Equipment £'000
Leases expiring in 2010/11	0
Leases expiring between 2011/12 and 2014/15	90
Leases expiring after 2014/15	0
Total Committed Liabilities for 2010/11	**90**

20. Assets for which the Council is Lessor

The Council holds assets which are leased out mainly as operating leases and which are valued at £2,381k. Rental income on these properties amounted to £188k in 2009/10 (£148k in 2008/09). The Council also rents out space within some of its Operational Buildings, revenue in 2009/10 amounted to £30k (2008/09 £24k).

21. Stocks

Balance at 31 March 2009 £000's	Stocks	Balance at 31 March 2010 £000's
4	■ Area Stores	6
6	■ Refuse Sacks	3
0	■ De Aston	0
5	■ Postage Imprest	6
3	■ Central Purchased Stationery	3
0	■ Wheels to Work	0
16	■ Bus Tokens	8
1	■ Trinity Arts Centre	2
35	**Total Stock**	**28**

22. Debtors

Balance at 31 March 2009 Restated £000's	Debtors	Balance at 31 March 2010 £000's
	Amounts falling due in one year	
1,148	■ Government Departments	2,729
349	■ Other Local Authorities	135
376	■ Local Taxpayers	362
2,165	■ Sundry Debtors	2,406
-	■ Prepayments	1,318
4,038		**6,950**
(604)	Less Impairment Allowance for un-collectable Debts	(812)
3,434		**6,138**
	Amounts falling due after one year	
16	■ Sale of Council Houses	11
3	■ Car Loans to Employees	-
19	**Total Long-Term Debtors**	**11**

23. Impairment Allowances for Un-collectable Debts

Balance at 31 March 2009 Restated £000's	Impairment Allowances for Un-collectable Debts	Balance at 31 March 2010 £000's
97	Council Tax	99
206	General Fund	215
301	Benefits Debtors	498
604	**Total Impairment Allowances for Un-collectable Debts**	**812**

24. Creditors

Balance at 31 March 2009 Restated £000's	Creditors	Balance at 31 March 2010 £000's
	Current / short term creditors	
854	■ Government Departments	543
373	■ Other Local Authorities	71
161	■ Local Taxpayers	167
1,933	■ Sundry Creditors	2,034
3,321		**2,815**
637	**Long Term creditors** ■ Government Grants Deferred Account	**549**

25. Private Finance Initiative

The Council has not entered into any PFI agreements.

26. Fixed Asset Valuation

The freehold properties, which comprise the Council's property portfolio were re-valued as at 1 April 2009 by J. Butcher, BSc(Hons) M.R.I.C.S. of Banks, Long & Co in accordance with the Statements of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors, except that not all properties were inspected. This was neither practical nor considered by the Valuer to be necessary for the purpose of the valuation. Assets are also reviewed yearly for material changes by the appointed Valuer in conjunction with the Technical and Contract Services Manager.

The basis of valuing the individual classes of fixed assets owned by the Council is explained in Note 4 in the Statement of Accounting Policies.

Under the capital accounting arrangements all assets are due to be fully re-valued every five years. As the latest valuation was undertaken as at 1 April 2009 the next revaluation is due on 1 April 2014.

27. Analysis of Net Assets Employed

The SORP requires disclosure of the Authority's overall Net Asset position with regard to the General Fund and any Trading undertakings where material. Since none of the Council's Trading Services use a material level of the overall Net Assets, all may be regarded as applying to the General Fund.

28. Interests in Companies and Other Entities

The Council does not have any material interests in companies or other entities.

29. Provisions

The Council had no provisions as at 31 March 2010.

30. Reserves

Summary of movement on Reserves

The Council keeps a number of Reserves on the Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice and others are set up to earmark resources for future spending plans. Detailed below is a summary of the movement on these Reserves.

Reserve	Purpose	Balance as at 1 April 2009 Restated £000's	Net Movement in Year £000's	Balance as at 31 March 2010 £000's
Deferred Capital Receipts	Mortgages in respect of former Council Houses.	(16)	9	(7)
Revaluation Reserve	Net gains on revaluation of fixed assets	(1,551)	31	(1,520)
Capital Accounting Adjustment	Capital Resources set aside to meet past expenditure	(15,196)	1,332	(13,864)
Useable Capital Receipts	Proceeds of fixed asset sales available to meet future capital investment	(5,628)	1,112	(4,516)
Deferred Pensions Reserve	Balancing Account for Pensions Liability	14,172	16,259	30,431
Earmarked Reserves	Resources for future spending plans	(6,960)	224	(6,736)
General Fund Balance	Resources available to meet future running costs	(2,485)	(1,118)	(3,603)
Collection Fund Adjustment Account	Statutory fund for collection of local taxes	(126)	55	(71)
Financial Instruments Adjustment Account	Adjust for timing differences for capital and Interest Impairment	1,191	184	1,375
		(16,599)	**18,088**	**1,489**

Movement on Earmarked Reserves

	Balance as at 01 April 2009	Net Movement in Year	Balance as at 31 March 2010
VAT & NNDR Refunds	(45,324)	9,030	(36,294)
Insurance Fund	(90,000)	0	(90,000)
CCTV Service	(16,000)	5,000	(11,000)
Enveloping Machine	(12,750)	12,750	0
Growth Point Status	(500,000)	51,230	(448,770)
Scott (Play Equipment)	(36)		(36)
Lord Street Civic Trust Fund	(36)		(36)
Local Development Framework	(163,270)	0	(163,270)
IT Upgrades	(324,510)	75,000	(249,510)
Invest To Save	(484,000)	111,000	(373,000)
Outcomes & Outputs of Gainsborough Masterplan	(216,294)	31,870	(184,424)
Guildhall Demolition	(57,000)	15,200	(41,800)
Market Rasen Pool Revenue Costs	(1,250,000)	0	(1,250,000)
Green Waste Initiatives/Depot Move	(100,000)	0	(100,000)
Strategic Objectives/Service Improvements	(3,000)	3,000	0
Historic Buildings Grants	(10,577)	10,577	0
CRM Implementation	(40,000)	0	(40,000)
Asset Valuations	(10,000)	10,000	0
Wheeled Bin Replacement	(40,000)	(30,000)	(70,000)
Member's Initiative - Local Needs	(15,250)	(22,000)	(37,250)
Housing Benefit Administration	(58,620)	4,930	(53,690)
Maintenance of Facilities	(40,000)	0	(40,000)
Housing Priority Needs Order	(8,880)	8,880	0
Marshalls Sports Ground	(200,000)	100,396	(99,604)
Operational Services Restructure Costs	(88,870)	88,870	0
Superloo – Termination of Contract	(35,000)	35,000	0
Wheels to Work	(11,907)	11,907	0
Housing Services Development	(46,000)	46,000	0
Watercourse Maintenance Commuted Sum	(10,000)	0	(10,000)
Audit Programme	(7,500)	0	(7,500)
Concessionary Fares	(50,000)	0	(50,000)
Gainsborough Strategic Coordinator	(66,490)	34,270	(32,220)
Development Plans Staffing	(44,590)	44,590	0
Generic Equalities	(40,420)	(20,000)	(60,420)
Capacity Planning & Scheduling Analyst	(72,500)	72,500	0
Town Centre Manager	(4,180)	0	(4,180)
Market Rasen Pool (Contribution to capital costs)	(561,000)	0	(561,000)
Support for Monitoring Officer	(27,000)	(40,450)	(67,450)
Shared Services Programme	(50,000)	20,000	(30,000)
Pension Reserve	(496,500)	0	(496,500)
Investment in Gainsborough South West Ward	(98,990)	18,300	(80,690)
Investment in Skills	(272,260)	56,830	(215,430)
Flooding - Data Collection	(25,000)	(50,000)	(75,000)
Project Management	(4,560)	4,560	0
Human Resources/Payroll Set Up Costs	(35,000)	35,000	0
Human Resources – Corporate Development	(16,500)	(10,000)	(26,500)

Recycling Service Improvements	(13,990)	9,760	(4,230)
Performance Management Software	(10,000)	5,000	(5,000)
Property Services Costs	(20,000)	0	(20,000)
Village Halls	(3,795)	3,795	0
LABGI Reserve	(1,162,162)	0	(1,162,162)
Member Training	0	(18,000)	(18,000)
Review of Refuse and Recycling Rounds	0	(54,000)	(54,000)
Vehicle Replacement	0	(50,000)	(50,000)
Civilian Parking Enforcement	0	(49,440)	(49,440)
Development Control Improvements	0	(340,000)	(340,000)
Joint Planning Unit	0	(25,000)	(25,000)
Civic	0	(2,500)	(2,500)
	(6,959,762)	**223,855**	**(6,735,907)**

- **VAT & NNDR Refunds Reserve** – sums to meet likely refunds relating to previous year's income.

- **Insurance Reserve** – to meet the excess on insurance claims.

- **CCTV Service** – comprises two items; £5k for replacement of monitors and £11k to bring back 4 Riverside cameras on line. £5k was used during 2009/10

- **Enveloping Machine** – Slippage from 2008/09 to allow modifications to the originally ordered machine. This Reserve was fully used in 2009/10

- **Growth Point Status** – to support Gainsborough Growth Point.

- **Local Development Framework Reserve** – set up to even out the impact on the revenue budgets of the uneven annual costs associated with reviewing the Local Development Framework.

- **Information & Communications Technology Upgrades Reserve** –a Reserve set aside for the future upgrades of Information Technology.

- **Invest to Save Reserve** – a fund for investment projects based around efficiency and Value FM. Projects can be capital or revenue in nature but must give a positive net payback over the Medium Term Financial Strategy.

- **Outcomes and Outputs of Gainsborough Master Plan Reserve** – a Reserve to fund the delivery of the requirements of this strategic document.

- **Guildhall Demolition** – for demolition of old Guildhall and Old Mortuary building.

- **Revenue funding of potential swimming pool at Market Rasen Reserve** - £250k over the life of the current Medium Term Financial Strategy to fund the revenue costs of a potential pool at Market Rasen.

- **Green Waste initiatives and costs associated with moving to one depot site Reserve** – set up to provide funds to cover the costs likely to occur from expanding the current Green Waste Initiatives and any potential costs moving to a single depot site.

- **Capacity Funding for future service improvements and to support Members Strategic Objectives Reserve** – set aside to fund the costs of emergency Strategic Objectives and main Aims.

- **Historic Buildings Grant** – to provide for commitments made.

- **Customer Relationship Management Implementation Reserve** – set aside to supplement the future development of this project.

- **Asset Valuation Reserve** – set aside to meet the costs of employing the external valuer to review the Council's assets and property terrier. This Reserve was fully utilised during 2009/10.

- **Wheeled Bin Replacement** – set aside to cushion the impact of the replacement of wheeled bins as they begin to come to the end of their useful life.

- **Members Initiative Fund** – As part of the Leaders Budget Speech an additional £22k has been agreed to support individual ward members in the delivery of 'local' priorities.

- **Housing Benefit Administration –** Balance of Government Grant received.

- **Maintenance of Facilities** - a Reserve to meet future property maintenance requirements. This will allow greater flexibility in the Maintenance programme and negate the need for year on year growth to match demand.

- **Housing Priority Needs Order** – Balance of Grant received in 2008/09 used in 2009/10.

- **Marshalls Sports Ground** – approved allocation for the cost of changing provision.

- **Operational Services Restructure Costs** – to contribute towards one-off costs of restructuring the Operational Services Team. Fully utilised during 2009/10.

- **Pension Reserve** – funds have been set aside to help offset future potential pension cost increases; to cover underspent Pension Contributions; and to meet the additional pension payments for early retirement packages.

- **Superloo** – cost of termination of contract. Utilised fully during 2009/10.

- **Wheels to Work** – surplus funds from 2008/09 used to support continuation of project. Used during 2009/10.

- **Housing Services Development –** to assist in the return of the Hope Options team back into the Council. This Reserve has been fully utilised in year.

- **Watercourse Maintenance Commuted Sum -** set aside for the maintenance of watercourses.

- **Audit Programme** – this Reserve has been established to meet any additional costs resulting from works within the audit programme.

- **Concessionary Fares** – the national scheme was introduced from 1st April 2008. This Reserve has been set up for any additional costs that the Council may have to incur to roll out the scheme.

- **Gainsborough Strategic Coordinator** (Developing Communities Coordinator) – funds to cover the two year contract for this post.

- **Development Plans Staffing** – this was included as part of budget growth for 2007/08. The funding for this post will be spread over a number of years. This Reserve has been set up to cover these future years' costs. The Reserve now stands at zero.

- **Generic Equalities**– this was included as part of budget growth for 2007/08. The Generic Equalities programme will be spread over a number of years. This Reserve has been set up to cover these future years' costs.

- **Capacity Planning & Scheduling Analyst** – this was included as part of budget growth for 2007/08. The funding for this post will be spread over a number of years. This Reserve has been set up to cover these future years' costs. This Reserve now stands at zero.

- **Town Centre Manager** – to cover the cost of the continuation of this post and project.

- **Market Rasen Pool (contribution to capital costs) -** funds have been transferred to a Reserve to provide additional funding towards a capital scheme to provide a leisure facility at Market Rasen.

- **Support for Monitoring Officer** – a Reserve has been set aside to provide funding to support the role and duties of the Council's Monitoring Officer.

- **Shared Services Programme** – a Reserve has been set aside to meet any residual costs that may fall on the Council that are not covered by the new arrangements and to contribute to the ongoing project costs.

- **Investment in Gainsborough South West Ward** – a Reserve has been set up to support the regeneration activity developing out of Gainsborough Regained the Masterplan which includes a Neighbourhood Management project.

- **Investment in Skills** – funding towards the development of projects to increase skills education and training of West Lindsey residents including an Employment and Skills Project Manager for three years.

- **Flood Data Collection –** To support the delivery of practical flood alleviation measures as agreed through the Leaders Speech at budget setting.

- **Project Management** - a Reserve has been set aside to meet the costs associated with the rollout of Project Management training. Reserve now stands at zero.

- **Human Resources/ Payroll set up costs** – on 1 April 2007 the Council changed its payroll provider. The new contract covers both the payroll service and the provision of a human resources system. The Reserve was been established to cover ongoing implementation costs and now stands at zero.

- **Human Resources – Corporate Development** – this Reserve was set aside to complete the policy development programme in 2008/09. An additional £10k has been placed in Reserve in year.

- **Recycling Service Improvements** - set aside to enable changes to be made to the existing recycling service and expand the mix of materials.

- **Performance Management Software** - a Reserve has been set up to give the Council access to software that will provide the Council with lively and accurate performance management information to enable continuous improvement.

- **Property Service Costs** - set aside to cover any additional costs that may occur pending the completion of sales of vacated office accommodation.

- **Village Halls** - To even out the impact on the revenue budget of supporting village halls. This Reserve now stands at zero after in year movements.

- **Local Authority Business Growth Initiative** (LABGI) – funds received from LABGI are being set aside to support future growth, which can be both revenue and capital.

- **Member Training -** To cover the IDEA programme of training as agreed at full Council.

- **Review of Refuse and Recycling –** To fund the costs associated with changing collection rounds.

- **Vehicle Replacement** - To meet the capital costs of purchasing waste collection vehicles.

- **Civilian Parking Enforcement** – To support the setup costs associated with the transfer of responsibility for civilian parking enforcement.

- **Development Control Improvements -** set aside from HPDG to support improvements and support in Development Control around Enforcement, Staff training and development following the restructure and Public relations following the release of the Audit commission report.

- **Civic -** To allow funds approved in specific financial years to be aligned to Civic years.

- **Joint Planning Unit –** Contribution to the Joint Planning Unit from Housing Planning Development monies.

Financial Instruments Adjustment Account

Regulations issued in March 2009 allow the Council to defer the impact of an impairment loss on the General Fund. Such amounts are instead transferred to the Financial Instruments Adjustment Account, an account that records the timing differences between charging these amounts to the General Fund in accordance with proper practice and in accordance with the regulations. The Council has taken advantage of the regulations, and has transferred the amounts shown in the following table to the Financial Instruments Adjustment Account.

Bank	Amount Transferred to Financial Instruments Adjustment Account £
Heritable Bank	(191,863)
Landsbanki	384,499
Glitnir Bank	(8,715)
	183,921

Under the regulations, the Council must transfer the balance on the Financial Instruments Adjustment Account to the General Fund no later than 31 March 2011, and must also credit the Financial Instruments Adjustment Account with interest earned until such time as the balance has been transferred to the General Fund. The movement on the FIAA in 2009/10 of £183,921 reflects a change in impairment of £510,050 for the year reduced by the interest borne in full by the General Fund of £326,129.

The Council has made the following entries to the Financial Instruments Adjustment Account (FIAA) during 2009/10.

Bank	Balance on FIAA at 31/3/09 £	Change in Impairment 2009/10 £	Interest during 2009/10 £	Balance on FIAA at 31/3/10 £
Heritable Bank	553,460	(123,883)	(67,980)	361,597
Landsbanki	624,259	587,496	(202,996)	1,008,759
Glitnir Bank	13,046	46,437	(55,153)	4,331
	1,190,765	**510,050**	**(326,129)**	**1,374,687**

Insurance Reserve

The Council maintains an insurance Reserve in order to meet the 'excesses' of any large claims. There were no substantial insurance excesses in 2009/10 although a number of small charges totalling £12,760 were made against the Reserve. The Reserve has been maintained at £90k.

31. Contingent Liabilities and Contingent Assets

There are no material contingent liabilities as at 31 March 2010.

In respect of contingent assets the Council is seeking to recover VAT as a result of the ruling in the Fleming case. A claim of £141,922 plus compound interest has been submitted and is currently being assessed by HM Revenue and Customs.

32. Authorisation of the Statement of Accounts

The Statement of Accounts was scrutinised and approved by the Audit Committee on the 28th June 2010 and amended versions on 27th September 2010 and 26th October 2010.

33. Post Balance Sheet Events

Events after the Balance Sheet date have been considered up to the time of authorisation of the Accounts.

There has been one event that has been deemed to be a non-adjusting post Balance Sheet event in accordance with Financial Reporting Standard 21. The Chancellor of the Exchequer announced in his Emergency Budget on 22 June 2010 that the Consumer Prices Index rather than the Retail Prices Index will be the basis for future public sector pension increases. It is estimated by the Actuary to the Lincolnshire Local Government Pension Scheme that this change will reduce the value of an average employer's FRS17 liabilities by 6% to 8%. The Council's FRS17 liabilities, based on RPI pensions increases, at 31 March 2010 of £63.058m are detailed in Note 36 to the Core Financial Statements.

34. Trust Funds

The Council has no role regarding Trust Funds to disclose

35. Amounts due to or from Related Parties

The SORP requires disclosure of any amounts due to or from Related Parties, including any Impairment Allowances (Provisions for doubtful Debts).

There are no sums due from or to individuals, other than local Taxpayers, however, there are routine sums due from and to various bodies which are Related Parties. These sums include one month's sums due to H M Customs and Excise and DWP for VAT, PAYE and National Insurance and to the Lincolnshire Local Government Pension Scheme for Employer Pensions Contributions. These are all normally paid in the month following their becoming due.

Details of the total sums due from/to Government Departments and Taxpayers are shown in the Notes relating to Accounts Receivable (Debtors) and Accounts Payable (Creditors) – Notes 22 and 24.

Included within the Collection Funds are balances due to/from other Lincolnshire authorities, details of which are within the notes to the Collection Fund. No Impairment is applicable to any of the above sums.

There are no sums to disclose apart from the items above.

36. Retirement Benefits

Participation in pension schemes

As part of the terms and conditions of employment of its officers and other employees, the Council offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The Council participates in the Local Government Pension Scheme administered by Lincolnshire County Council, and this is classified as a defined benefits scheme whereby:

- Retirement benefits are determined independently of the investments of the Scheme, and employers have obligations to make contributions where assets are insufficient to meet employee benefits.
- Recognised liabilities are accounted for as benefits which are earned (i.e. employees work qualifying years of service), matching them with the organisation's attributable share of the Scheme's investments.

Under the 2008 SORP the Council has adopted the amendment to FRS 17, *Retirement Benefits*. As a result, quoted securities held as assets in the defined benefit pension scheme are valued at bid price rather than mid-market value.

Transactions relating to retirement benefits

The Council recognises the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Council is required to make against Council Tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement in the General Fund Balance.

The following transactions have been made in the Income and Expenditure Account and Statement of Movement in General Fund Balance during the year:

Local Government Pension Scheme	**2008/2009 £000's**	**2009/2010 £000's**
Income and Expenditure Account Net Cost of Services:		
■ Current Service Cost	(731)	(597)
■ Past Service Cost	(318)	(31)
■ Curtailment and Settlement Costs (NDC)	0	(109)
Total	**(1,049)**	**(737)**
Net Operating Expenditure:		
■ Expected Return on Employer Assets	2,221	1,615
■ Interest on Pension Scheme Liabilities	(2,785)	(2,695)
Total	**(564)**	**(1,080)**
Net Charge to the Income and Expenditure Account	**(1,613)**	**(1,817)**
Statement of Movement in the General Fund Balance: ■ Reversal of net charges made for retirement benefits in accordance with FRS 17	(308)	(367)
Actual amount charged against the General Fund Balance for pensions in the year: ■ Employers' contributions payable to the scheme	(1,226)	(1,367)

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial losses of £15,892,000 (£4,666,000 2008/09) were included in the Statement of Total Recognised Gains and Losses. The cumulative amount of actuarial losses recognised in the Statement of Total Recognised Gains and Losses is £22,579,000.

Assets and liabilities in relation to retirement benefits

Reconciliation of present value of the scheme liabilities:	**2008/09 £000's**	**2009/10 £000's**
1 April	**(40,543)**	**(39,415)**
■ Current Service Cost	(731)	(597)
■ Interest Cost	(2,785)	(2,695)
■ Contributions by scheme participants	(375)	(368)
■ Actuarial Gains/ (Losses)	3,535	(21,684)
■ Gains/ (Losses) on Curtailments	0	(109)
■ Benefits paid	1,802	1,841
■ Past Service Costs	(318)	(31)
31 March	**(39,415)**	**(63,058)**

Reconciliation of fair value of the scheme assets:	2008/09 £000's	2009/10 £000's
1 April	**31,345**	**25,243**
■ Expected rate of return	2,221	1,615
■ Actuarial Gains/ (Losses)	(8,201)	5,792
■ Employer	1,226	1,367
■ Contributions by scheme participants	375	368
■ Benefits paid	(1,723)	(1,758)
31 March	**25,243**	**32,627**

The expected return on scheme assets is determined by considering the expected returns available on the assets underling the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected return on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £7,406,000, 2008/09: (£5,853,000).

Local Government Pension Scheme Scheme History	2009/10 £000's	2008/09 £000's	2007/08 £000's	2006/07 £000's	2005/06 £000's
Present Value of Defined Benefit Obligation (liability)	(63,058)	(39,415)	(40,543)	(42,558)	(42,878)
Fair Value of Assets	32,627	25,243	31,345	33,052	30,891
Surplus/(Deficit)	**(30,431)**	**(14,172)**	**(9,198)**	**(9,506)**	**(11,987)**

The liabilities show the underlying commitment that the Council has in the long run to pay retirement benefits. The liability of £30.4m has a substantial impact on the net worth of the Council as recorded in the balance sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy as the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

The Employer's contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2011 is £1.3m.

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Pension figures have been provided by the Actuaries (Hymans Robertson) to the Lincolnshire County Council Pension Fund using information provided by the scheme and assumptions determined by the Council in conjunction with the Actuary.

The principal assumptions used by the actuary have been:

Assets – County Council Pension Fund	**Balance at 31 March 2010 %**	**Long Term Return 2009/2010 % per annum**	**Balance at 31 March 2009 %**	**Long Term Return 2008/2009 % per annum**
■ Equity investment	70.0	7.8	64.6	7.0
■ Bonds	18.0	5.0	20.9	5.6
■ Property	11.0	5.8	13.7	4.9
■ Cash	1.0	4.8	0.8	4.0
Total	**100**		**100**	

Mortality Assumptions:	**2009/10**
Longevity at 65 for current pensioners	
Men	20.8 yrs
Women	24.1 yrs
Longevity at 65 for future pensioners	
Men	22.3 yrs
Women	25.7 yrs

The main assumptions in their calculations are:	2008/09 %	2009/10 %
■ Rate of Inflation/Pension Increase rate	3.1	3.8
■ Rate of increase in salaries	4.6	5.3
■ Rate of increase in pensions	3.6	3.8
■ Rate for discounting scheme liabilities	6.9	5.5
■ Take-up of option to convert annual pension into retirement grant	62.5	63.0

Changes to the local government pension scheme permit employees retiring on or after 6 April 2006 to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. The valuation of the Council's retirement benefit liabilities as at 31 March 2008 includes;

- For membership prior to 1 April 2008, an allowance of 25% of future retirements to elect additional tax-free cash up to HMRC limits.

- For membership post 1 April 2008 an allowance of 63% of future retirements to elect additional tax-free cash up to HMRC limits.

Actuarial Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve can be analysed into the following categories, measured as absolute amount.

	2005/2006		2006/2007		2007/2008		2008/2009		2009/2010	
	£000's	%	£000's	%	£000's	%	£000's	%	£000's	%
Differences between the expected and actual return on assets	4,140	13.4	90	0.3	(3,901)	(12.4)	(8,201)	(32.48)	5,792	(7.9)
Differences between actuarial assumptions about liabilities and actual experience	(19)	(0.0)	20	(0.0)	(2,592)	(6.4)	(1)	(0.0)	(63)	(0)

37. Reconciliation of Net Surplus on the Income and Expenditure Account to the Movement in Cash

2008/2009 Restated £000's		2009/2010 £000's
5,593	■ (Surplus) / Deficit for year on Income & Expenditure Account	1,971
	Adjustment for Movements	
(5,949)	■ Net additional amount to be debited / (credited) to I & E	(3,090)
(848)	■ Collection Fund Adjustment Account	55
637	■ Other Funds – Earmarked Reserves	224
(1,481)	■ Investment Impairment	
2,137	■ Revenue Funded from Capital Under Statute	1,944
	■ Revenue Contributions to Capital Outlay	(131)
1,722	■ Debtors	1,095
12	■ Creditors	(791)
(1)	■ Stocks	(7)
0	■ Finance Lease adjustment	(248)
1,822	**Net Cash Flow from Revenue Activities**	**1,022**

38. Reconciliation of the Movement in cash to the movement in net debt

The Council has no external long term borrowing, and therefore, there is no movement in debt.

39. Movement in Cash and Investments

	31 Mar 2009 £000's	Movement £000's	31 Mar 2010 £000's
Cash and Bank (in hand)	(264)	(809)	(1,073)

Reconciliation of items shown under the Financing and Management of Liquid Resources sections to the opening and closing balance sheet.

2008/2009 £000's	Short Term Investments	2009/2010 £000's	Movement £000's
13,549	Short Term Investment	7,494	(6,055)
(90)	Accrued Interest	1	91
	Impairment Adjustment	184	184
	Re-classified as Long-term	4,530	4,530
13,459	**Net Change in Short Term Deposits**	**12,209**	**(1,250)**

2008/2009 £000's	Net Decrease in Other Liquid Resources	2009/2010 £000's
(35,835)	■ Council Tax cash collected on behalf of major preceptor	(37,042)
37,190	■ Amounts paid to major preceptors	37,216
(13,598)	■ Business Rates cash collected in year	(13,996)
13,229	■ Amount paid to NNDR pool in year	16,420
986	**Total other liquid resources**	**2,598**

40. Statement of liquid resources

Liquid resources are current assets i.e. items that can be redeemed within one year. This therefore includes short term investments as well as cash in hand.

An analysis of the Short Term Investments outstanding as at 31 March 2010 is:

Short Term Investments	31 March 2009 £000's	31 March 2010 £000's
Investments maturing less than 12 months	15,030	7,442
Impairment of Investment (Icelandic Banks) – see below	(1,481)	52
	13,549	**7,494**

Impairment of Investments

Investments included in the current and non-current assets figures in the Balance Sheet include the following investments that have been impaired because of the financial difficulties being experienced by Icelandic Banks.

Bank	Date Invested	Maturity Date	Amount Invested	Interest Rate	Carrying Amount	Impairment
Glitnir	07/02/08	06/02/09	1,000	5.45	995,669	122,047
Heritable Bank	15/07/08	17/10/08	1,000	5.88	467,914	256,378
Landsbanki	15/07/08	17/10/08	1,000	5.88	749,044	343,849
Landsbanki	30/07/08	17/10/08	1,500	5.80	1,124,434	509,347
Landsbanki	15/08/08	21/11/08	1,500	5.89	1,117,763	514,274
Heritable Bank	17/09/08	08/10/08	1,000	5.55	465,121	244,886

The carrying amounts of the investments included in the Balance Sheet have been calculated using the present value of the expected repayments, discounted using the investment's original interest rate. The expected repayments have been estimated as follows, based on the statements made by the administrator:

Date	Heritable Bank Ltd	Landsbanki Islands Ldn	Glitnir
Jun 2010	£100,829		
Sep 2010	£100,828		
Dec 2010	£100,829		
Mar 2011	£100,828		
Jun 2011	£100,829		£1,065,699
Sep 2011	£100,828		
Oct 2011		£924,282	
Dec 2011	£100,829		
Mar 2012	£100,828		
Jun 2012	£100,829		
Sep 2012	£100,828		
Oct 2012		£369,713	
Oct 2013		£369,712	
Oct 2014		£369,713	
Oct 2015		£369,712	
0ct 2016		£369,713	
Oct 2017		£369,712	
Oct 2018		£811,884	

Interest credited to the Income and Expenditure Account in respect of the investments is as follows:

Bank	Credited 2007/08	Received 2007/08	Credited 2008/09	Received 2008/09	Credited 2009/10	Received 2009/10
Glitnir	£8,063	£0	£54,500	£0	£55,153	£0
Heritable Bank Ltd	£0	£0	£71,688	£0	£202,996	£0
Landsbanki Islands Ldn	£0	£0	£155,713	£0	£67,980	£0

41. Additional notes on the cashflow statement

Deferred Capital Receipts

These are the amounts derived from the sales of assets which will be received in instalments over an agreed advance period. All the amounts shown arise from the mortgages on sales of former Council Houses. The debt remained with the Council after the stock was transferred to Acis.

Expenditure of a capital nature, but written off as incurred

2008/09 £000's		**2009/10 £000's**
0	Balance as at 31 March 2009	**0**
3,601	Add: Expenditure during year	1,944
(3,601)	Less: Amounts written off to Revenue	(1,944)
0	**Balance as at 31 March 2010**	**0**
	<u>The Expenditure during the year is made up of the following items:</u>	
1,372	Improvement/Renovation/Disabled Facilities Grant	804
2,019	Economic and other Grants	872
78	IT Enhancement	5
12	Sports Facilities	152
120	Other Infrastructure Related Expenditure	111
3,601		**1,944**
(1,422)	Less Income Received relating to the above items	(1,089)
2,179		**855**

42. Analysis of Cash Received as Government Grants

2008/2009 £000's		2009/2010 £000's
	Department for Work and Pensions Grants	
165	■ Council Tax Benefit Administration	173
4,685	■ Council Tax Benefit Subsidy *	5,859
13,822	■ Rent Allowance Subsidy	17,676
0	■ Housing Benefit Verification Framework Grant	45
463	■ Rent Allowance Administration	502
14	■ Other DWP Grants	17
19,149	**DWP Grants Total**	**24,272**
	Other Government Grants and Contributions	
144	■ Local Authority Business Growth Initiative	55
38	■ Homelessness Grant	31
250	■ European Regional Development Fund	0
651	■ Housing and Planning Delivery Grant	901
107	■ NNDR Allowance	108
143	■ Concessionary Fares	146
23	■ Area Based Grant	23
214	■ Disabled Facilities Grant	225
	■ Government Funding via BLF for YASIG	230
584	■ Decent Homes Grant	363
0	■ Free Swimming	41
60	■ Other	131
2,214	**Other Grants Total**	**2,254**

***** The council tax benefit subsidy includes £5,657k which is categorised in the cashflow statement under Council Tax Income and Net Increase / decrease in other liquid resources.

43. Financial Instruments

This is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets include for example cash, debtors, investments and shareholdings. Financial liabilities include creditors, finance leases and loans from other entities.

Fair Value of Assets and Liabilities

Note 8 to the Accounting Policies explain the Council's policy for determining the fair value of financial liabilities and financial assets. The SORP 2009 requires the fair value of each class of asset and liabilities to be disclosed as a note to the accounts in order to be compared to its carrying amount.

Financial Liabilities

Where an instrument has a maturity of less than 12 months or is a Creditor or Bank Overdraft, the fair value is taken to be the billed amount or the principal outstanding.

	Carrying Amount 2008/2009 £000's	Fair Value 2008/2009 £000's	Carrying Amount 2009/2010 £000's	Fair Value 2009/2010 £000's
Borrowings	0	0	0	0
Payables	1,761	1,761	1,545	1,545
Bank Overdraft	480	480	1,540	1,540
Total Financial Liabilities	**2,241**	**2,241**	**3,085**	**3,085**

Financial Assets

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account 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 and interest credited to the Income and Expenditure Account 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 the contract will not be made, the asset is written down and a charge made to the Income and Expenditure

Account. Financial assets are considered both individually (where individually significant) and collectively for impairment.

The Council has made an impairment in respect of the investments with Icelandic banks (see note 2 to the Core Financial Statements). However, the Council has determined not to charge amounts relating to these investments to the General Fund in accordance with regulations issued in March 2009. Under the regulations the Council must transfer the balance to the General Fund no later than 31 March 2011.

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

The value of trade and other receivables is taken to be the invoiced or billed amount.

	Carrying Amount 2008/2009 £000's	Fair Value 2008/2009 £000's	Carrying Amount 2009/2010 £000's	Fair Value 2009/2010 £000's
Investments (Short Term)	13,550	13,550	7,494	7,494
Investments (Long Term)	0	0	4,531	4,531
Receivables (Short Term)	1,777	1,777	1,770	1,770
Receivables (Long Term)	18	18	11	11
Cash & Cash equivalents	216	216	467	467
Total Loans and Receivables	**15,561**	**15,561**	**14,273**	**14,273**

Short Term Investments – comprise investments maturing in less than 12 months (£7,442,320) plus the element of the reduction in impairment amount of the Icelandic investment expected to be repaid (£51,684) in 2010/11

Long Term Investments – comprise investments maturing in excess of 12 months (£5,093,080) including sundry investment (£500) and parish investments (£161) less the increase in the impairment for the Icelandic investments expected to be repaid after 2010/11 (£561,735)

Short Term Debtors – comprise trade and sundry debtors (£1,924,638).

Long Term Debtors – comprise council house sales debtors (£11,280).

Financial Instruments Gains/Losses

The gains and losses recognised in the Income and Expenditure Account in relation to Financial Instruments are as follows:

	Financial Liabilities – at amortised cost 2009 £000's	Financial Liabilities – at amortised cost 2010 £000's	Financial Assets – Loans and Receivables 2009 £000's	Financial Assets – Loans and Receivables 2010 £000's
Interest Expense	0	0	0	594
Losses on derecognition	0	0	0	0
Impairment Losses	0	0	290	326
Interest Payable and Similar Charges	**0**	**0**	**290**	**920**
Interest Income	0	0	1,026	454
Gains on de-recognition	0	0	0	0
Interest and investment income	**0**	**0**	**1,026**	**454**
Net Gain/(Loss) for the year	**0**	**0**	**736**	**(466)**

Disclosure of nature and extent of risks arising from financial instruments.

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

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

Overall Procedures for managing risk.

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

- By formally adopting the requirements of the Code of Practice.
- By approving annually in advance prudential indicators for the following three years limiting;
- The Council's overall borrowing;
- Its Maximum and minimum exposures to fixed and variable rates;
- Its maximum and minimum exposures the maturity structure of its debt (the Council currently has no debt);
- Its maximum annual exposures to investments maturing beyond a year.

By approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with Government Guidance.

These are required to be reported and approved at or before the Council's annual Council Tax setting budget. These items were reported on 1 March 2010 to Council along with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported annually to Members.

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

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined in the Council's Treasury Management Strategy.

In common with a number of other Local Authorities, monies were placed on deposit with three Icelandic Banks, which were placed into Administration/Receivership in October 2008.

No credit limits were exceeded during the reporting period and, apart from the Icelandic deposits, 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 extended credit for its trade debtors, although some £0.58m of its £10.1m (2008/09 £0.37m of its £8.9m) balance is past its due date for payment. The past due amount can be analysed by age as follows:

	31 March 2009 £000's	31 March 2010 £000's
Less than three months	305	397
Between three and six months	10	114
More than six months	56	67
Total	**371**	**578**

Liquidity Risk

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

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

Refinancing and Maturity Risk

The Council has no external debt other than credit arrangements for Finance Leases and maintains an investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk can relate to both the maturing of longer term financial liabilities and longer term financial assets.

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

The maturity of financial assets is as follows:

	31 March 2009 £000's	31 March 2010 £000's
Less than one year	13,549	7,494
Between one and two years	0	996
Between two and three years	0	544
More than three years	0	2,991
Total	**13,549**	**12,025**

The above assets are shown at their Balance Sheet carrying value. The outstanding Icelandic bank investments were all originally short term investments and were previously presented in the accounts as such. Based on the estimated recoveries in accordance with the guidance, amounts due to be received in 2010/11 are presented within short-term investments, with the remainder being presented within long-term investments.

The values disclosed in excess of one year reflect a re profiling of expected recoveries from the deposits with Icelandic Banks.

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

Market Risk

Interest Rate Risk – The Council is exposed to interest rate movements on any borrowings (the Council currently has no borrowings) and investments.

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

- Borrowings at variable rates – the interest expense charged to the Income and Expenditure Account will rise;
- Borrowings at fixed rates – the fair value of the borrowing liability will fall;
- Investment at variable rates – the interest income credited to the Income and Expenditure Account will rise; and
- Investment 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 Income and Expenditure Account or STRGL. However, changes in interest payable and receivable on variable rate investments will be posted to the Income and Expenditure Account and effect the General Fund Balance, subject to influences from Government grants.

Movement in the fair value of fixed rate investments will be reflected in the STRGL, unless the investments have been designated as fair value through the Income and Expenditure account.

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

Excluding the impaired deposits with Icelandic banks the Council has no long term fixed rate investments or borrowings. The impact of changes in interest rates during 2009/10 would be to vary the amount of investment income achieved. Excluding Icelandic deposits the Council received £128k in interest during 2009/10 at an average rate for the year of 1.1%. The effect if interest rates had been 1% higher or lower would be to have increased or reduced interest income by £113k.

Price Risk – The Council does not generally invest in instruments with this type of risk.

Foreign Exchange Risk – The Council has no financial assets or liabilities denominated in foreign currencies. However, the sums that may be recovered from the deposits with the Icelandic Banks will be impacted by a number of factors one of which will be movements in exchange rates. Further information is provided at Note 2 of the Core Financial Statements.

The Collection Fund

For the Year Ended 31 March 2010

The Collection Fund is a statutory fund separate from the General Fund of the Council. Administrative Costs of the Fund are, however, borne by the Council's General Fund.

2008/2009 £000's	Collection Fund	Note	2009/2010 £000's
	Income		
37,211	Income Collectable from Council Tax	1	38,121
14,665	Income Collectable from Business Ratepayers	2	16,221
4,968	Transfers from General Fund: ■ Council Tax Benefits		5,656
56,844	**Total Income**		**59,998**
	Expenditure		
	Precepts and demands		
	West Lindsey District Council		
6,568	Precept		6,820
158	Surplus / (Deficit)		103
	Lincolnshire County Council		
30,654	Precept		31,398
744	Surplus / (Deficit)		483
	Lincolnshire Police Authority		
4,973	Precept		5,257
99	Surplus / (Deficit)		78
	Non-Domestic Rates		
14,274	Payment to NNDR Pool		15,936
107	Cost of Collection Allowance		108
(120)	Bad & Doubtful Debts written off		236
246	Increase (Decrease) in provision		(61)
57,703	**Total Expenditure**		**60,358**
(859)	Surplus /(Deficit) for The year		(360)
1,666	Surplus brought forward		807
807	**Surplus carried forward**	**3**	**447**

Notes to The Collection Fund

1. Council Tax

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, Lincolnshire Police Authority and West Lindsey District Council together with each 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. The basic amount of Council Tax for a band D property including an average parish charge is £1,401.39 (2008/09 £1,372.23) and is multiplied by the ratio specified for the particular band to give an individual amount due.

The Council Tax base was calculated as follows:

Band	Total Dwellings on Valuation List	Equivalent Dwellings after Discounts, Exemptions and Reliefs	Ratio	Band D Equivalent Dwellings
A - Disabled Relief	29	27.25	5/9	15.14
A	14,830	12,372.65	6/9	8,248.43
B	7,513	6,632.32	7/9	5,158.47
C	7,153	6,487.43	8/9	5,766.60
D	5,363	4,994.00	9/9	4,994.00
E	3,216	3,032.81	11/9	3,706.77
F	1,325	1,244.74	13/9	1,797.96
G	504	453.37	15/9	755.61
H	56	30.35	18/9	60.70
				30,503.68
Band D equivalent for Council Tax Base				**30,046.12**
Band D equivalent of contributions in lieu				**153.88**
Total Council Tax Base				**30,200.00**

The band D equivalent dwellings is multiplied by the estimated collection rate of 98.5% to arrive at a base figure of 30,046 and then the contributions in lieu are added to this to arrive at a base figure of 30,200.

2. Business Rates

Non-Domestic Rates are determined on a national basis by Central Government which sets an annual non-domestic rating multiplier amounting to 48.5p in 2009/10 (46.2p in 2008/09). The non-domestic rate multiplier for small businesses is 48.1p in 2009/10 (45.8 in 2008/09). Subject to the effects of transitional arrangements, local businesses pay

Notes to The Collection Fund

rates calculated by multiplying their rateable value by this multiplier. Local rateable values were £36.074m in 2009/10 (£36.351m in 2008/09).

3. Surplus on the Collection Fund

The surplus £446,574 at the 31 March 2010, which related to Council Tax, will be will be shared in future years between the Council and its main precepting bodies in proportion to their respective shares of the Council Tax demand and precepts.

2008/2009 £000's	Share of Collection Fund Balance	2009/2010 £000's
126	■ West Lindsey District Council	71
586	■ Lincolnshire County Council	322
95	■ Lincolnshire Police Authority	54
807	**Total**	**447**

Annual Governance Statement 2009/10

1. SCOPE OF RESPONSIBILITY

1.1 West Lindsey District Council 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. The Council 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 The Council is also responsible for ensuring that there is a sound system of governance that results in internal control arrangements, effectiveness and value for money, as well as arrangements for the management of risk.

1.3 To do this, we have adopted a governance and assurance framework which is consistent with the principles of the Chartered Institute of Public Finance Accountants (CIPFA)/Society of Local Authority Chief Executives (SOLACE) Framework *Delivering Good Governance in Local Government.* This statement explains how we have complied with the code and meet the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit Regulations (Amendment) (England) Regulation 2006 in relation to the publication of a statement on internal control.

2. THE PURPOSE OF THE ANNUAL GOVERNANCE STATEMENT

2.1 The Annual Governance Statement (AGS) is the formal statement that reviews, records and publishes the Council's governance arrangements as defined in the framework. It has replaced the former Statement of Internal Control (SIC). This was a similar document, so a similar 'assurance-gathering process' has been followed.

2.2 The CIPFA/SOLACE governance framework is an inter-related system that brings together an underlying set of legislative requirements, governance principles and management processes that relate to the entire Council. The framework covers six core principles of good governance and focuses on the systems and processes for the direction and control of the Council in accounting to, engaging with and leading the community.

2.3. The statement takes into account some of the activities that are taking place under the six principles and takes a view of how this is developing and what else needs to be done.

2.4 The statement makes a declaration of the extent to which we follow the good governance principles through our systems, processes, culture and values and the activities through which we account to, engage with and lead the community.

2.5 The system of internal control is a significant part of the framework, designed to manage risks to an acceptable level. It looks at ongoing processes designed to identify and prioritise the risks to the achievement of policies, aims and objectives. It also evaluates the likelihood of those risks being realised and their impact should they be realised, so that we can manage them efficiently, effectively and economically.

2.6 Section 3 of this Statement sets out, in more detail, how we comply with the six principles. Section 4 sets out our assurance framework and Section 5 sets out areas for improvement. An action plan will be developed and monitored by the Audit Committee to address those areas. The governance framework has been in place for the year ended 31 March 2009 and up to the date of approval of the annual report and accounts.

3. THE GOVERNANCE FRAMEWORK

3.1 Over recent years the Council has developed effective governance arrangements as set out in our governance framework. Assurance is the process by which we can test and gain confidence that the governance framework is operating as intended and that we are,

> "Doing the right things, in the right way for the right people, in an open, honest, inclusive and timely manner"

3.2 To achieve this it is essential that the Council as a whole and at the most senior level have approved the governance framework and accepted responsibility for its implementation.

3.3 The Council has a Local Code of Governance to make sure that we deliver the high standards that are expected in public life and the governance framework of principles processes and legislation.

3.4 To this end, the Council has a well established and effective internal Corporate Governance Group which includes a senior Councillor and the three statutory officers of the Authority – the Chief Executive (Head of paid Service), the Monitoring Officer and the Chief Finance Officer. This Group is responsible for overseeing the Governance framework, for making decisions around its review and monitoring its effectiveness.

3.5 Working in hand with this process is the Audit Committee (previously the Audit-sub Committee) which oversees the financial processes, audit and risk management which includes the corporate governance framework and overseeing the Annual Governance Statement.

3.6 The Audit Commission[1[1]] have determined that we have adequate arrangements to promote and demonstrate the principles and values of good governance. It should be noted however, that there is an outstanding Governance review due from the Audit Commission. Further information on the nature of this review is contained in paragraph 5.8 of the Annual Governance Statement.

3.7 The key elements of the governance framework are detailed in the following pages.

3.8 Engaging with local people and stakeholders to ensure robust public accountability

3.8.1 It is vital that everyone is aware that they are accountable to local people and that the authority is open, transparent and accessible to the community.

3.8.2 The Council has continued to develop its role as a community leader through a number of activities. This has included improving our approach to engaging with our communities and acting as an advocate on behalf of the area.

3.8.3 This is part of the Council's overall approach to engaging and involving the community in the work of the Council. Major improvements have been made since this was recognised as an area for improvement in a former Statement of Internal Control.

3.8.4 One such example was with NHS Lincolnshire, where sessions were held with the Gainsborough Area Forum to find out what people wanted in the development of their health services at the John Coupland Hospital. The discussion saw 76 people from the community engaging in workshops to inform the next stages of consultation for 2010.

3.8.5 Developments at Ashcroft Road Community Park have been designed by local people following events to make sure that people had the opportunity to express their views.

3.8.6 Carrying out a survey of local business has resulted in an extensive action plan to help tackle local issues such as:

- Local transport for work,
- Promotion of `Solutions for Business' support package,
- Assistance with planning applications,
- Developing new markets abroad.

[1[1]] Use of Resources Assessment 2009

3.8.7 As part of the major work to the market place and surrounding street scene as part of the `Gainsborough Regained', local people, businesses and market traders are involved in developing options.

3.8.8 Our Citizen's Panel of over a thousand people in West Lindsey, established in 2007, helps us to develop and improve our services by taking into account the views and opinions of local people.

3.8.9 Last year, the Panel was asked about their views on a range of services including, housing, recycling and waste collection, satisfaction with the local area and with the District Council itself, health, ability to influence local decisions and volunteering.

3.8.10 Members of the public have been directly involved in developing actions to address specific flooding issues in the District.

3.8.11 We also have three area forums across the district where local people can tell us about their concerns and priorities for us to focus on.

3.8.12 A scrutiny review looking at how we engage with Parish Councils has developed an action plan to improve our approach to supporting Parish Plans and to improve the relationship between the different levels of local government.

3.8.13 Regular Business Forum meetings with Planning Agents, housing associations, private landlords and other stakeholders take place to broaden accountability and engagement with the West Lindsey community.

3.8.14 Annual staff surveys take place and the results are used to develop the appraisal process, a new competency based framework and individual development plan as well as developing the culture of the Council.

3.8.15 The Council has also reached the "achieving" standard of the equalities framework and level 3 of the equalities standard for Local Government which sets out our commitment to equalities and diversity. Impact assessments are being carried out and further training will continue. We aim to reach "excellent" in this area.

3.8.16 We appreciate the value of the voluntary sector, both to those who receive their services and to those who volunteer themselves. The Council contributes to the West Area Advisory Partnership to provide a wide range of support services to voluntary and community groups in West Lindsey. This includes free publicity, loan of equipment, representation on decision making bodies, support from specialist staff, access to resources, newsletters, recruitment of volunteers, training, the provision of information and development facilities.

3.9 Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area

3.9.1 This involves applying strategic leadership by developing a vision for the District and being clear about the outcomes for local people, making best use of resources.

3.9.2 Our vision, which was determined from consultation with the community and our partners, is that

“West Lindsey is seen as a place where people want to live, work, invest and visit”.

3.9.3 The West Lindsey outcomes framework is designed around `Making a Difference.’

- **Developing a prosperous District** by regenerating and growing our communities and helping people to improve their opportunities of finding a job.

- **Being an efficient Council** by putting customers first, setting a fair Council tax and lowering the carbon footprint.

3.9.4 The eight Councils and Local Strategic Partnerships in Lincolnshire are working together to support a long term shared vision for the County through the ‘Big County, Big Skies, Big future’ Sustainable Community Strategy for Lincolnshire. Each Council, including West Lindsey has a chapter of this strategy, to contribute towards achieving those areas that are important to the District.

3.9.5 The West Lindsey Local Strategic Partnership (LSP) has five main objectives to meet the needs of local people and to address some of the inequalities that there are in the District:

- Reducing inequalities in Health
- Housing
- Gainsborough Growth
- Accessibility
- Economy and Skills

3.9.6 Within this, the West Lindsey Sustainable Community Strategy sets out a clear vision for the District, and the Council’s Corporate Plan sets out how the District Council will achieve its element of the Community Strategy as set out in the Outcomes Framework. The Corporate Plan covers a three year period with a focus on the current financial year. The Plan is reviewed annually and is considered by full Council.

3.9.7 A comprehensive performance management framework is in place and is updated regularly. Significant improvements have been made to our performance reporting arrangements and our Performance Management Framework is supported by guidance to officers and linked to quarterly performance reviews.

3.9.8 The Performance Management Framework clearly shows how the Council's priorities are filtered into Service Plans and subsequently into team and individual work plans. Key strategies, including the Corporate Equality Scheme, are also included in Service Plans and subsequent action plans.

3.9.9 Progress towards the delivery of the service action plans is monitored through Team Meetings, one to one review meetings and Core Management Team quarterly reports.

3.9.10 The staff appraisal scheme was introduced in January 2008, known as the Competency Framework. The new framework includes a series of competencies on performance management and was first introduced through the One Council Change Programme.

3.9.11 The Lean Systems Thinking methodology for service reviews has introduced measures and an analysis of key processes that affect customer expectations and experiences. Actions have been taken to improve performance from the customer's perspective. The Council has recently carried out a review of the systems for delivering grants to people with disabilities and dealing with planning applications. Recommendations have been developed into managed action plans.

3.9.12 The Council has improved its approach to delivering Value for Money and works with the other councils in the County to see where there are further opportunities to improve value for money.

3.9.13 The Audit Commission has identified that we do take care to check that we give value for money, but that not all services in the Authority follow the good practices that have been developed. We are working to make sure that this happens.

3.9.14 As well as delivering its objectives and priorities the Council has wider responsibilities to fulfil. It must engage with the communities it serves and lead the development of those communities as well as the services that support them.

3.9.15 An example of an outcome for local people as a result of this focus on a vision for the district is the work that is taking place in Gainsborough to renew the market place and link this with the Marshall's Yard shopping development and the Riverside area.

3.9.16 Gainsborough will also see the development of an environmentally sustainable new neighbourhood that will help to improve the affordable housing opportunities in the area and contribute towards regeneration in one of the most deprived areas.

3.9.17 We will continue to take into account the effects of external influences on achieving the strategic aims for the District such as the effects of the recession and reduced Government funding.

3.9.18 Decisions are made based on accurate and impartial financial advice linking to the financial strategy with budgets being reviewed in a “Star Chamber” process.

3.10 Members and Officers working together to achieve a common purpose with clearly defined functions and roles (Member/Officer Relationships and roles)

3.10.1 It is vital that there is a constructive working relationship between elected members and officers and that the respective roles are carried out to a high standard.

3.10.2 The Council Constitution sets out how the Council operates, how decisions are made and challenged, and procedures to be followed to ensure that these are efficient, transparent and accountable to local people. Full Council sets the overall budget and policy framework, the policy committees make decisions within this framework and are held to account by the Performance Management and Scrutiny Committee and the Audit Committee.

3.10.3 Section 4 of the Constitution details the Responsibility and Function of the Committees and of the Chief Executive and the three Directors.

3.10.4 The Annual Council meeting each year considers a report from the Monitoring Officer which reviews the Constitution to ensure it remains robust and effective. This allows for appropriate amendments to be made.

3.10.5 Part III of the Constitution specifically relates to the following Codes and Protocols:

- Members’ and Co-opted Members’ Code of Conduct
- Officers’ Code of Conduct
- Protocol on Operational Conventions
- Local Code of Corporate Governance

3.10.6 Our Corporate Governance framework sets out our commitment to monitor compliance with our key policies and manage internal controls.

3.10.7 Our "Local Code of Corporate Governance", sets out and describes our commitment to corporate governance and identifies our arrangements to ensure a high quality of leadership through openness and respect and standards of behaviour.

3.10.8 We have developed a protocol to make clear the different roles of members and officers and so that relationships are built on mutual respect.

3.10.9 The Council has a Standards Committee that is responsible for promoting and maintaining high standards of conduct by members through the Code of Conduct. Any issues that cannot be resolved here can be dealt with by the Standards for England.

3.10.10 Increasingly, we deliver our services by working together with partners to increase and improve services to local people. Recognising the importance of this way of working, a corporate approach to managing partnerships has been adopted. We have assessed the effectiveness of our five key partnerships and will continue to make sure that they meet the needs of local people. We have made significant progress in our management of partnership working. This still needs to be developed throughout the Council; consequently, working in partnership remains an area for improvement as set out in Section 5 of this Statement.

3.10.11 We will make sure that all of our partners have anti-fraud and corruption procedures in place and that all significant partners have business continuity plans in place.

3.10.12 We will also make sure that our partners are clear about their authority and the extent to which partners are bound to joint decisions.

3.10.13 Through the work of the leaders panel we make sure that senior members and the Core Management Team are able to prioritise and steer activity. There are regular meetings with Committee Chairmen to look at key service issues.

3.10.14 Member and officer relationships have challenged us over the last year and are the subject of an independent Governance Review by the Audit Commission.

3.10.15 The findings of this review will help us to develop training, protocols and behaviours.

3.10.16 The Audit Committee will play a key role in maintaining good governance arrangements in response to the review findings.

3.10.17 Our financial management arrangements conform to the governance arrangements of the CIPFA statement on the role of the chief financial officer in local government 2010. Audit reports have identified that our financial and corporate planning processes link to risk management and that a sustainable and balanced budget is produced.

3.11 Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour (Standards of conduct, probity and ethics)

3.11.1 Showing high standards of conduct and effective governance are vital to promoting high values of good governance and this is important to the Council.

3.11.2 The Standards Committee key objectives are to raise the profile with officers, Parish and Town Councils, members and the public to support adherence to codes of conduct and ethical behaviour.

3.11.3 We have developed shared values for the Council and for staff that reflect the standards that local people should be able to expect from us and this will be extended to our partnership working.

3.11.4 The Standards Committee has agreed a more proactive approach and work plan including:

- Ethical governance training
- Code of conduct training
- Guidance on interests
- Improved communication of standards and governance with parish councils and the public.
- Inspection of the register of members interests
- Regular discussion of ethical issues.
- An ethical governance checklist.

3.11.5 Some of the actions in the work plan have been delayed as a result of the governance issues that are currently being investigated by the Audit Commission.

3.11.6 The work plan will be amended to make sure that the developed action plan is taken forward.

3.11.7 The procedure for registering interests, gifts and hospitality by staff and members has been given a higher profile. Checks have been introduced. And new forms have been introduced with accompanying guidance.

3.11.8 Ethics training is currently taking place with IDeA and we are looking at applying an ethical governance toolkit.

3.11.9 This will also be applied to our partnership working to make sure of the highest standards of ethics at all levels.

3.12 Taking informed, transparent decisions which are subject to effective scrutiny and managing risk

3.12.1 The Council has recognised the importance of an informed, transparent decision making process.

3.12.2 The annual review of the Constitution supports this process as does the Performance Management and Scrutiny Committee and the Audit Committee which is now a full Committee.

3.12.3 The framework for Financial Management and Control is laid out within the Council's Constitution; particular reference is made in the Financial and Contract Procedure Rules.

3.12.4 Regular reviews of the procedure rules are undertaken to ensure that the appropriate control framework is in place within the Council's approach to corporate governance.

3.12.5 The Council's Revenue and Capital budgets are maintained, primarily, by Financial Services. Nominated budget managers in each Directorate receive detailed cost centre management reports on a monthly basis. Directors receive similar summary level reports. Service Managers discuss their budget updates with their Directors at their divisional management team meetings and at one to one meetings. The Council's Core Management Team reviews the Council's spend against budget on a regular basis.

3.12.6 Each policy committee receives monitoring information on their respective budgets on a quarterly basis. The Organisation and Resources and Performance Management and Scrutiny Committees receive a full review of the Council's budgetary position again on a quarterly basis.

3.12.7 There is a robust budget process which allows Members to allocate resources towards their new outcomes framework. Budgets form part of Service Plans and quarterly performance reviews.

3.12.8 Scrutiny is an opportunity to add value to and challenge decisions. We recognise that the role of scrutiny is not well developed and that it should provide a constructive challenge to improve performance. This will be developed further throughout the next 12 months so that the process adds value for local people and improves decision making.

3.12.9 During 2009/10, we have continued to make significant progress in developing our approach to managing risk. The Risk Management Strategy has been revised to take account of best practice from CIPFA and the Audit Commission. Risk Management now specifically includes consideration of fraud and the risks associated with individual partnerships within each service area.

3.12.10 Corporate and service risk registers are now updated quarterly and management actions included within quarterly performance reviews.

3.12.11 The fraud risk register has been further update to reflect a new Fraud, Corruption and Money Laundering strategy to strengthen consideration of council tax and employment fraud. The new fraud strategy also includes a work plan and increased joint working with the Lincolnshire Fraud Group

3.12.12 During 2009/10 The Organisation and Resources Committee was updated on the management actions taken to reduce high and key medium risks. The Audit Sub-Committee received regular reports to give assurance that the Council has adequate risk management arrangements in place.

3.13 Developing the Capacity and capability of Members and Officers to be effective

3.13.1 It is vital that members and officers have the skills, knowledge, experience and resources to perform their roles and to meet the needs of modern local government.

3.13.2 The Council operates Performance and Development Appraisals for all staff, based on the Competency Framework to achieve the 'One Council' culture. All staff are assessed against the behaviours contained in the Framework.

3.13.3 The process includes identifying training needs to develop a training plan. The Wider Management Team, all Team Leaders and prospective Team Leaders have undergone a programme of Leadership Training.

3.13.4 Member training, capability and capacity are current issues for the Council to address, having been identified as a weakness.

3.13.5 We have assessed the skills that are required by our members, officers and managers and have made a commitment to develop those skills so that the respective roles can be carried out effectively.

3.13.6 Senior managers are currently working to ensure the roll out of relevant, effective training for members that includes flexible approaches to meet members' needs.

3.13.7 In addition, induction training is being provided for the four new Councillors and peer mentoring is to be provided to the two group leaders and the two groups to recognise the importance of supporting group development. A number of members have successfully completed the Leadership Academy, further enhancing overall capacity.

4. REVIEW OF EFFECTIVENESS

4.1 Each year, through the Audit committee, key Members and Officers the Council reviews the effectiveness of the annual governance framework. This review of the effectiveness of the system of internal control has been informed by:

- Internal Audit
- External Inspections
- Audit Committee
- Corporate Governance Group
- Core Management Team
- Service Management Team
- Members
- Partnership information
- Benchmarking with other Lincolnshire authorities
- The Audit Commission
- Risk Management

4.2 An external assessment undertaken in 2009/10 by the Audit Commission assessed the Council as having adequate internal control arrangements and concluded that the Council had made improvements in terms of Risk Management.

4.3 Work has already begun on implementing further improvements as detailed below. It is important that during the coming year relevant managers work together to achieve these improvements.

Assurance Framework

4.4 The Council has made significant progress in improving its assurance framework with the establishment of the full Audit Committee that complies with CIPFA Guidance, development of the Corporate Governance Group and reviewing the assurance framework.

Internal Audit

4.5 Core Management Team receives a copy of all finalised audit reports to monthly performance meetings. This is also picked up by the Corporate Governance Group. The Audit Committee receives quarterly reports on Internal Audit activity and outcomes from Audits. These reports detail, in full, all reports that have been issued in the previous quarter and update Members on the progress in relation to any outstanding audit recommendation. Hence Members, throughout the year have the opportunity to robustly challenge Service Managers and Directors on the outcomes of audits and progress with recommendations, particularly those that have identified key weaknesses.

4.6 The Internal Audit function is carried out by Lincolnshire County Council through a service level agreement. The service was reviewed by the Chief Executive, Director of Resources (Section 151 officer) and the Director of Strategy and Regeneration (Monitoring Officer).

4.7 The internal audit annual report has given an opinion on the adequacy and effectiveness of the Council's arrangements for governance, risk management and control.

4.8 The report states that there are good governance structures and processes in place, but that there are issues that will require clear leadership and action.

4.9 Internal audit acknowledged that we had faced challenges during the year, particularly in working relationships and referred to the independent Governance Review currently being undertaken by the Audit Commission.

Standards Committee

4.10 The Council's Standards Committee comprises three District Councillors; three Independent members, and three Parish Council Members. The terms of reference of the Committee provide for the promotion and maintenance of high standards of conduct by Councillors and co-opted Members.

4.11 Advice and awareness training is provided for all District and Parish Councillors.

4.12 The current objectives of the Standards Committee include raising the profile of the Committee with officers, Parish and Town Councils and members of the public so that all are aware of the high standards of conduct and ethical behaviour that the Committee is promoting.

Audit Committee

4.13 The Council has made the Former Audit Sub-Committee into a full Committee whose remit is to ensure that good governance arrangements are maintained.

4.14 The Audit Committee oversees the other aspects of governance including risk management, internal audit, fraud and complaints.

5. SIGNIFICANT GOVERNANCE ISSUES

5.1 Significant issues for the Council to address in 2008/09 were:

- Member Development
- Strategic Partnerships
- Outcome Management

- Value for Money
- Scrutiny and Housing Inspection.

  And these are continuing for 2009/10

5.2 **Member Development** was identified as an issue in the previous year, and whilst there has been some progress, further work is still needed to make sure that members are equipped to deal with some of the areas of scrutiny and partnership working as well as to meet the new demands placed upon members in a modern local government,

5.2.1 A new approach to member training has been applied, including mandatory training for members on regulatory committees such as planning.

5.2.2 Group leaders and groups are to receive peer mentoring support, developing political group management and leadership skills.

5.2.3 A programme of training from the IDeA has commenced and will give support to corporate governance by developing an understanding of members' and officers roles and responsibilities.

5.2.4 Training plans and competencies will continue to be developed to meet members' needs and a variety of training methods developed to encourage members to attend.

5.3 **Strategic partnerships** need a corporate approach and some areas are more developed than others. This year we have been undertaking a review of the way that we work in partnership to make sure that all partners get the most out of working together and achieving jointly agreed outcomes.

5.3.1 This will involve working with our County Council colleagues to apply a health check toolkit and working together to ensure a consistent approach to risk management in strategic partnerships through the Greater Lincolnshire Risk Management Group.

5.4 **Outcome Management** – increasingly we are asked to measure the difference that we have been able to make to outcomes that affect people's lives.

5.4.1 This is a change in approach as traditionally, performance management has focussed on outputs that are easier to measure.

5.4.2 We are developing a way of linking both ours and partner activities to specified outcomes.

5.5 Value for Money – Increasingly the delivery of value for money is the focus of local authority services and this will be more so as the focus increases on reducing public sector spending.

5.5.1 We have developed our approach to this by applying LEAN principles to remove processes that do not add any value. We are also working with the other councils in the County to develop benchmarking for value for money by working together.

5.5.2 Further work is needed to make sure that this is part of everyday working, service reviews and the appraisal process.

5.6 Scrutiny - Allows members who have not been part of the decision making process to scrutinise the decisions that have been taken and their effect on local people.

5.6.1 Developing the scrutiny role in a fourth option organisation is challenging as the committee system reduces the opportunities for members to scrutinise decisions effectively.

5.6.2 The key activities identified in last year's Statement of Internal Control have all commenced and progress has been made. The Audit Committee received regular monitoring reports on progress against the improvement plan and there has been satisfactory progress.

5.6.3 There are however, more opportunities to develop the role of scrutiny and this will continue, particularly if the Council decides to move towards a cabinet style of government.

5.7 Housing Inspection – areas for improvement on the Audit Commission report of June 2009 are being developed through an action plan, specifically focussing on:

- Accessibility and customer focus
- Equality and diversity
- Poor practices for homelessness
- Improving a strategic approach for housing issues
- Value for money and the use of resources
- Improvements to performance management.

5.7.1 Governance arrangements across the County have been strengthened with the establishment of a Housing Improvement Board and a Strategic Housing Board.

5.7.2 There has been a lot of work to develop a quality housing service and there will be another inspection in September 2010.

5.7.3 The responsibility for delivering the improvement plan targets rests with managers within the Council. Upon approval of the assurance framework by Members, mechanisms need to be put in place to ensure managers meet their responsibilities in relation to internal control, and undertake continuous review throughout the year.

5.8 The additional significant issue for 09/10 is:

5.8.1 **Officer/Leader Relationships**
In 2009/10, the Corporate Management Team identified that a strained working relationship between the then Leader of the Council and the then Chief Executive was having an adverse effect on a key aspect of governance for the Authority.

This was affecting public and partner levels of confidence and the reputation of the Authority as a whole.

This has also been referred to in the internal audit annual report and will be referred to in the Audit Commission Governance Review

The findings of the Audit Commission report will be incorporated into an action plan and will be monitored by the Audit Committee and reported in the next Annual Governance Statement.

5.8.2 General Governance issues will continue to be referred to by both internal and external audit until issues that will be identified in the Audit Commission report are addressed.

5.9 Internal Audit Findings

5.9.1 Work by internal audit during the year gave limited or no assurance on:

- Income collection
- Recruitment and selection of staff
- Arrangements for Health and Safety
- Planning and
- Enforcement arrangements

Action plans were agreed and have been worked through and in the internal audit annual report it was acknowledged that work on the recommendations had improved the areas of concern and that there were no significant issues outstanding.

We continue to work through action plans to make sure that all issues are addressed so that the services improve to a level of full assurance.

- **Accruals**
  Sums included in the final accounts of the Council to cover income or expenditure attributable to the accounting period for which payment has not been received / made in the financial year.
  Local authorities accrue for both revenue and capital expenditure.

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

- **Capital Charges**
  A charge representing the cost of using an asset i.e. depreciation.

- **Capital Expenditure**
  Spending that produces or enhances an asset, like land, buildings, vehicles, plant and machinery.
  Definitions are set out in Section 40 of the Local Government and Housing Act 1989. Any expenditure which does not fall within the definition must be charged to a revenue account.

- **Capital Receipts**
  The proceeds from the sale of fixed assets such as land and buildings.
  Capital receipts cannot be used to finance revenue expenditure.

- **Chartered Institute of Public Finance and Accountancy (CIPFA)**
  The professional accountancy body concerned with local authorities and the public sector.

- **Collection Fund**
  The Collection Fund is a statutory fund set up under the provisions of the Local Government Finance Act 1988. It includes the transactions of the charging Authority in relation to Non-Domestic Rates and Council Tax and illustrates the way in which the fund balance is distributed to preceptors and the General Fund.

- **Contingent Liabilities**
  Potential losses for which a future event will establish whether a liability exists and for which it is inappropriate to set up a provision in the accounts.

- **Deferred Charges**
  Expenditure of a capital nature where no tangible asset is created such as housing renovation grants.

- **Deferred Credits**
  This is the term applied to deferred capital receipts.

These transactions arise when fixed assets are sold and the amounts owed by the purchasers are repaid over a number of years, such as mortgages. The balance is reduced by the principal amount repayable in any financial year.

- **Deferred Grants**
  Amounts received or receivable that have been used to finance capital expenditure. Under the capital accounting arrangements these amounts will be released to offset depreciation in respect of the fixed assets to which they relate.

- **Depreciation**
  The measure of the wearing out, consumption or other reduction in the useful life of a fixed asset.

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

- **Finance Leases**
  Arrangement whereby the lessee is treated as owner of the leased asset and is required to include such assets within fixed assets on the balance sheet.

- **Financial Reporting Standards (FRS)**
  A statement of accounting practice issued by the Accounting Standards Board.

- **Fixed Assets**
  Tangible asset that yields benefits to the Council and the services it provides for a period of more than one year.

- **Infrastructure Assets**
  Expenditure on works of construction or improvement but which have no tangible value, such as construction of, or improvement to highways.

- **Intangible Assets**
  Capital expenditure which does not result in the creation of a tangible fixed asset but which gives the Authority a controllable access to future economic benefits, e.g. software licences.

- **Investments**
  Cash deposits with approved institutions.

- **Long Term Debtors**
  Amounts due to the Council more than one year after the balance sheet date.

- **National Non-Domestic Rate (NNDR)**
  Under the revised arrangements for uniform business rates, which came into effect on 1 April 1990, the Council collect Non-Domestic Rates for its area based on local rateable values, multiplied by a national uniform rate.

  The total amount, less certain reliefs and deductions, is paid to a central pool managed by the Government, that in turn, pays back to Authorities their share of the pool based on a standard amount per head of the local adult population.

- **Non-Operational Assets**
  Fixed assets held by the Council but not directly used or consumed in the delivery of its services. This would include surplus properties awaiting disposal.

- **Operational Assets**
  Fixed assets held by the Council and used or consumed in the delivery of its services.

- **Operational Leases**
  An arrangement whereby the risks and rewards of ownership of the leased asset remain with the leasing company.

- **Pension Fund**
  An employees' pension fund maintained by an authority, or a group of authorities, in order primarily to make pension payments on retirement of participants. It is financed from contributions from the employing authority, the employee and investment income.

- **Precepting Authorities**
  Those authorities that are not billing authorities (i.e. do not collect Council Tax) precept upon the billing authority, who then collect on their behalf. Lincolnshire County Council, Lincolnshire Police Authority and the Parishes precept upon West Lindsey District Council.

- **Provisions**
  Sums set aside to meet future expenditure where a specific liability is known to exist but that cannot be measured accurately.

- **Revaluation Reserve**
  The Revaluation Reserve records the accumulated gains from increases in the revaluation of assets. It also records any reductions in the value of assets subject to the limit of any previous increases in the value of the same asset.

- **Revenue Support Grant**

This funding is the Government Grant provided by the Department of Communities and Local Government (DCLG) that is based on the Government assessment as to what should be spent on local services. The amount provided by the DCLG is fixed at the beginning of each financial year.

- **Statement of Standard Accounting Practice (SSAP)**
  A statement of accounting practice issued by the Accounting Standards Board.

Independent auditor's report to Members of West Lindsey District Council

Opinion on the accounting statements

I have audited the Authority accounting statements and related notes of West Lindsey District Council for the year ended 31 March 2010 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, the Statement of Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of West Lindsey District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in April 2008.

Respective responsibilities of the Director of Resources and auditor

The Director of Resources' responsibilities for preparing the accounting statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the accounting statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Authority and its income and expenditure for the year.

I review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the accounting statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

I read other information published with the accounting statements, and consider whether it is consistent with the audited accounting statements. This other information comprises the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the accounting statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the accounting statements and related notes.

Opinion

In my opinion the Authority accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Authority as at 31 March 2010 and its income and expenditure for the year then ended.

Conclusion on 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 regularly to review the adequacy and effectiveness of these arrangements.

Auditor's Responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice. In doing so, I have identified the following:

- The accounts prepared for audit required significant amendment before I was able to issue my audit opinion above and the working papers to support them were poor; and

- Significant governance matters have come to my attention which have led me to conclude that the Council's governance arrangements in 2009/10 were not adequate. These matters will be reported separately as the report is currently subject to due process.

Having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009 and the supporting guidance, I am satisfied, that in all significant respects, West Lindsey District Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2010, except for:

- Timely and reliable financial reporting that meets the needs of internal users, stakeholders and local people; and

- Promoting and demonstrating the principles and values of good governance.

Certificate

The audit cannot be formally concluded and an audit certificate issued until I have completed my consideration of matters brought to my attention. I am satisfied that these matters do not have a material effect on the financial statements.

Tony Crawley,

District Auditor, Rivermead House, 7 Lewis Court, Grove Park, Enderby,

Leicestershire, LE19 1SU 28 October 2010

If you would like a copy of this document in large, clear print, audio, Braille or in another language, please telephone

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Balance Sheet at 31 March 2010

Details of the 2008/09 restatements are outlined in pages 16 and 19 of the Explanatory Foreword.

31 March 2009 Restated £000's	Balance Sheet	Notes	31 March 2010 £000's	
	Fixed Assets Intangible	16		
	Fixed Assets Tangible	14/15		
	Operational Assets:			
10,453	Land and Buildings		10,144	
2,407	Vehicles, Plant, Furniture & Equipment		2,282	
637	Infrastructure Assets		32	
0	**Non-Operational Assets:**			
3,351	Investment Properties		3,316	
142	Assets under Construction		404	
1,459	Surplus Assets held for Disposal		1,458	
18,449	**Total Fixed Assets**			**17,636**
	Long Term Assets			
1	Investments	43	4,531	
19	Long Term Debtors	22	11	
20	**Total Long Term Assets**			**4,542**
	Current Assets			
35	Stocks	21	28	
3,434	Debtors	22	6,138	
13,549	Short Term Investments	40/43	7,494	
216	Cash in Hand		467	
17,234	**Total Current Assets**			**14,127**
35,703	**Total Assets**			**36,305**
	Current Liabilities			
(3,323)	Creditors	24	(2,815)	
(480)	Bank Overdraft		(1,540)	
(3,803)	**Total Current Liabilities**			**(4,355)**
31,900	**Total Assets Less Current Liabilities**			**31,950**
	Long Term Liabilities			
(637)	Government Grants Deferred Account	24	(549)	
0	Deferred Liabilities		(696)	
(492)	Unapplied Capital Grants and Contributions		(1,764)	
(14,172)	Liability Related to Deferred Benefit Pension Scheme	36	(30,431)	
(15,301)	**Total Long Term Liabilities**			**(33,440)**
16,599	**Total Assets – Less Liabilities**			**(1,490)**
	Finance by	30		
(1,551)	Revaluation Reserve		(1,520)	
(15,196)	Capital Adjustment Account		(13,863)	
1,191	Financial Instruments Adjustment A/C		1,375	
14,172	Pension Reserve	36	30,431	
(5,628)	Useable Capital Receipts		(4,516)	
(16)	Deferred Capital Receipts		(7)	
(2,485)	General Fund		(3,603)	
(6,960)	Earmarked Revenue Reserves		(6,736)	
(126)	Collection Fund Adjustment Account		(71)	
(16,599)	**Total Equity**			**1,490**

These financial statements replace the unaudited financial statements authorised at the meeting of the Audit Committee on 28th June 2010.

R STONE

26/10/10

estimated time it will take to recover deposits from both Landsbanki and Glitnir, an additional impairment of £0.510m has been charged as an exceptional item. Note 2 to the Core Financial Statements sets out further detail on the valuation of the deposits with the Icelandic banks.

Further information about these accounts is available from the Financial Services Manager, Guildhall Marshalls Yard, Gainsborough, Lincolnshire, DN21 2NA (01427 676542).

Interested members of the public have a statutory right to inspect the accounts. The availability of the accounts for inspection was advertised in the local press at the appropriate time.

Opinion

In my opinion the Statement of Accounts give a true and fair view of the financial position of West Lindsey District Council at 31 March 2010 and its income and expenditure for the year then ended.

Signed.. 26th October 2010

Russell Stone - Financial Services Manager and Chief Finance Officer

Approval by the Audit Committee

I confirm that these accounts were approved by the Audit Committee at the meeting held on 26th October 2010.

Signed.. 26th October 2010

Councillor Sue Rawlins - Chairman

Statement of Responsibilities for the Statement of Accounts

The Council's Responsibilities

The Council is required to:

a) Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the designated Chief Finance Officer

b) manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets

c) approve the Statement of Accounts

The Chief Finance Officer's Responsibilities

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

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

a) selected suitable accounting policies and then applied them consistently

b) made judgements and estimates that were reasonable and prudent

c) complied with the Code of Practice.

The Chief Finance Officer has also:-

a) kept proper accounting records which were up to date;

b) taken reasonable steps for the prevention and detection of fraud and other irregularities.

Signed .... 26 October 2010

Chief Finance Officer.