West Lindsey District Council
The Entrepreneurial Council

West Lindsey District Council

Statement of Accounts 2011/2012

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West Lindsey District Council Statement of Accounts 2011/12

Explanatory Foreword

1 Introduction

As the Council's Chief Finance Officer I am pleased to present the 2011/12 Statement of Accounts. The accounts provide information on how the Council has used the financial resources available to provide services and progress its local priorities. During the year the Council adopted a revised corporate plan explaining how the organisation's key priorities would be addressed. The full document is available on the Council's website http://www.west-lindsey.gov.uk/your-council/how-the-council-works/key-plans-policies-and-strategies/corporate-plan/105221.article?tab=downloads.

The Council is striving to promote five themes, as outlined in the corporate plan:

1: An accessible and connected district where all have the best opportunities in life to help themselves and others.
2: A green district where people want to work, live and visit.
3: A prosperous and enterprising district
4: Active, healthy and safe citizens and communities.
5: The Entrepreneurial Council.

The Council has had to adapt quickly to a much changed environment as the government has carried out plans for deficit reduction and, by the Localism Act, promoted further empowerment of communities. By adopting an entrepreneurial approach, which has facilitated innovation and efficiency improvements, the Council has been able to accommodate the significant reductions in central government funding whilst protecting services and jobs. To better meet community needs, a new officer structure has been developed with a focus on local communities and delivery. In addition new resources have been allocated to support activities and projects aiming to increase community participation and attract additional investment to the District.

The financial statements within this document help to demonstrate that, in a period of considerable uncertainty, the Council's finances are sound and sustainable. This position should support the Council in delivering the aims of the corporate plan, responding to the ongoing public sector reforms and reductions in central government funding and other income streams.

This Explanatory Foreword provides more detail about the purpose of each financial statement; summarises the material items within them and gives a financial overview of the year.

Explanatory Foreword

The Council's Statement of Accounts have been based on International Financial Reporting Standards (IFRS) and prepared in accordance with the Chartered Institute of Public Finance and Accountancy/ Local Authority (Scotland) Accounts Advisory Committee (CIPFA/LASAAC) code of practice on local authority accounting in Great Britain ("the code").

The Code for 2011/12 adopted the Financial Reporting Standard 30 Heritage Assets which allowed the Council to extend the measurement and disclosures required for heritage assets to community assets, a sub classification of Property, Plant and Equipment (PPE) in the Balance Sheet. Section 5 of this foreword outlines the changes to the accounts required by the application of FRS 30.

The accounts are produced for the Council as a single entity.

2 The Financial Statements

The code requires that the accounts contain the following statements listed below.

Comprehensive Income and Expenditure Statement (CIES)

This Statement records the day-to-day expenditure incurred in providing services and includes salaries and wages, other running costs and financing costs and income due from fees and charges and government grants. This statement also shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, but such "accounting costs" do not form part of the amount required to be raised through council tax.

Movement in Reserves Statement (MIRS)

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

Balance Sheet

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

Cash Flow Statement

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

Supplementary financial statements

The Collection Fund represents the council taxes and business rates collected by West Lindsey District Council on behalf of those authorities responsible for services within the district and the way in which these monies have been distributed among the authorities to finance their expenditure.

3 Summary of Financial Performance in 2011/12

Revenue Income and Expenditure

The Council approved a revenue budget, including Council Tax charges, for 2011/12 which planned for a surplus of £0.151m. Compared to the approved budget for 2011/12 and before allowing for in year decisions to support new initiatives or address budget pressures the Council’s revenue position was a surplus of £1.999m.

During the year £0.982m has been allocated through various budget and policy decisions to address financial pressures or reserve to fund schemes to advance the Council's priorities. Schemes supported include the community celebrations of the Queen's Diamond Jubilee and the Olympics and the investment in assets for delivering services. After these decisions £1.017m of the surplus has been transferred to General Balances.

The following table reports the revenue figures for 2011/12 before any adjustments required by accounting standards that are subsequently reversed under statute.

WLDC Revenue Budget Outturn 2011-12

	£000's
Income	
Government Grants	34,862
Other Grants & Receipts	454
Customer & Client Receipts	1,518
Other Income	800
Interest	379
Council Tax	7,342
Total Income	**45,355**
Expenditure	
Employees	8,345
Premises Related	1,097
Transport Related	1,308
Supplies & Services	2,813
Third Party Payments	1,536
Transfer Payments - Benefits	28,778
Impairments - Icelandic Banks & Uncollectable Debts	(336)
Total Expenditure	**43,541**
Surplus	**1,814**
Approved Budget - Contribution (to) General Fund	(151)
Transfer from / (to) specific reserves to support in year activity	336
Revenue Budget Variance	**1,999**
In year budget decisions	
Reserve Movement	
Earmarked Reserves approved	(1,080)
Earmarked Reserves to be released	229
Additional Funding Allocations in year	
Capital works funded from revenue under spends	(31)
Additional funding for Disabled Facilities Grants	(100)
Surplus - Contribution to General Fund Balance	**1,017**

Of the surplus of £1.999m, £527k relates to unbudgeted income from the Government in the form of New Homes Bonus, £445k relates to the early release of savings planned for the new financial year, the Council also generated significant mainly one off additional income of £470k and adjustments to impairment allowances increased the surplus by £216k. The remaining £341k relates to in year under spends netted against income and expenditure pressures.

The unbudgeted income of £527k relating to New Homes Bonus grants comprises £462k received through the 2011/12 grant allocation and an instalment of £65k from the 2012/13 grant allocation which was received in March 2012. The grant in respect of 2011/12 was not confirmed until after the budget for the financial year had been approved. The 2011/12 grant of £462k has been allocated in year to support Disabled Facilities Grants and Strategic Housing Schemes.

The accounts reflect a number of entries made in respect of the deposits in default with several Icelandic banks, as explained in section 5, and adjustments related to the impairment allowance for uncollectable debts, that overall increased the contribution to general balances by £216k.

The additional income relates in the main to the secondment of staff to other authorities, recovery of charges against previous housing grants, recovery of benefit over payments, additional grants, improved income performance in various services and additional investment income.

It should be noted that within the headline position significant pressures of £608k (income £346k and expenditure £262k) have been managed within the resources allocated. Where known and appropriate the on-going elements of these pressures have been factored into future budgets.

Considering the extension of existing austerity measures and the predicted future issues, a sustainable and well managed budget is essential as the next five years will see radical reforms to the national benefits system, local government funding and infrastructure financing.

Earmarked Reserves

Following approval of the Medium Term Financial Plan for 2011/12, £0.598m was transferred to earmarked reserves and £1.830m was returned to general fund balances at the beginning of the year. Revenue expenditure of £0.336m and capital programme expenditure of £0.379m was funded from earmarked reserves during the year. During the year, transfers to earmarked reserves of £1.545m were approved and £0.229m was returned to general fund balances leaving a total amount carried forward to 2012/13 in earmarked reserves of £6.206m.

The Capital Programme

The revised estimate for Capital Programme expenditure in 2011/12 amounted to £5.090m and actual expenditure of £2.973m was incurred. Additionally a finance lease to a value of £0.136m was arranged for a replacement waste freighter. An estimated £1.949m of capital programme budget will be carried forward to 2012/13.

The in-year expenditure was funded mainly from grants and contributions (£2.155m) and capital receipts (£0.433m) with £0.385m from revenue contributions.

At the beginning of the year, the Usable Capital Receipts Reserve balance was £3.711m and Unapplied Capital Grants and Contributions amounted to £0.984m. Usable receipts received during the year totalled £0.143m. Grants and Contributions of £1.513m were recognised in the CIES. At the end of the year the balances on the Usable reserves for Capital Receipts and Capital Grants and Contributions were £3.421m and £0.563m respectively.

The Balance Sheet valuation of non-current Property Plant and Equipment at the end of the year is £16.607m, a reduction of £0.268m on the previous year.

Debt and Investments

The Council had no long term debt during the year and did not borrow temporarily to meet cash flow requirements. At the end of the year the Council held £3.506m in short term investments, £1.945m in long term investments and £10.920m in cash equivalents. The comparative figures for the end of 2010/11 were £2.326m, £2.511m and £10.115m respectively.

The Council has no external borrowing but does acquire plant and equipment under Finance Leases which are classified as credit arrangements. At 31 March 2012, outstanding obligations in respect of Finance Leases amounted to £0.821m (£0.917m 31 March 2011).

Material assets acquired

No material assets were acquired during the year

Analysis of Capital Expenditure in year

	£m
Buildings	0.673
Vehicles, Plant & Equipment	0.055
Waste Freighter - Finance Lease	0.136
Intangible Assets	0.027
Revenue Expenditure Funded from Capital Under Statute (REFCUS)	2.218
Total	**3.109**

Significant elements of expenditure in the year related to;

Revenue Expenditure Funded from Capital Under Statute (REFCUS)

- Homes for all – Section 106 £ 0.826m
- Disabled Facilities Grants £ 0.533m

Material Liabilities incurred

No material liabilities were incurred in 2011/12.

Significant provisions, contingencies and material write-offs

No significant provisions, contingencies or material write offs were recognised in 2011/12.

4 Pensions Liability:

The majority of the employees of the Council are members of the Local Government Pension Scheme (LGPS). The liability for both statutory and discretionary pension benefits, measured on an IAS19 basis has increased over the year. At 31st March 2012 the Council's net liability reported by the Actuary to the LGPS was £21.5m (£16.7m in 10/11), an increase of £4.8m (29%). Fair value of LGPS assets were broadly unchanged over the year at £33.7m (increase of £46k) and the value of obligations to pay pension liabilities increased by 9.5% from £50.4m to £55.2m.

The increase in the net liability at 31 March 2012 is due to falling real yield bonds and reduced expected asset rates of return.

The revenue account does not include the full provision for pension costs of employees. The net liability to the Lincolnshire LGPS of £21.5m 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 the Pension Reserve, also shown in the Balance Sheet, and therefore has no impact on the Council's overall net worth as at 31 March 2012. The full triennial valuation of the Lincolnshire LGPS carried out by the Actuary, which determines the future contribution rates for employers, uses different assumptions to those required under IAS19.

The triennial valuation at 31 March 2010 certified a funding level of 69% for the Council and resulted in stabilised employer contributions of 14.1% of pensionable pay to apply from 1 April 2011 to 31 March 2014. In addition the Council will pay fixed monetary amounts towards the funding deficit of £505,000 in 2012/13 and £532,000 in 2013/14. The comparative figures for 2011/12 were 14.1% of pensionable pay and £480,000 paid towards the deficit.

More details of the IAS19 valuation are set out in Note 32 to the Financial Statements.

5 Material and Unusual charge or credit in the accounts

Icelandic Banks impairment – £0.466m reversal

The Council had deposited a total of £7m with three Icelandic Banks which failed during the 2008 financial crisis. The Local Government Association (LGA) and legal advisers have coordinated activity in respect of recovering the deposits in default. In 2011 the Icelandic Supreme Court confirmed that local authority deposits had priority status and that the Council's claims would be equal to the value of the original deposit plus interest accrued to the various maturity dates.

The carrying value of the deposits has been reviewed at the Balance Sheet date to reflect any repayments and changes in recovery assumptions, based on advice from the CIPFA Local Authority Accounting Panel. Following proper accounting practice, at 31 March 2011, the Council made an impairment charge of £1.152m in respect of the Icelandic deposits reflecting the then current estimates for recovery at that time. The experience in 2011/12 and revised recovery assumptions has resulted in a reversal of the impairment by £0.466m.

During this financial year £0.359m was recovered from the Heritable Bank, which is in administration in Scotland, bringing the total recovered to 31 March 2012 to £1.370m. A further £0.405m is anticipated to be repaid by April 2013 resulting in an eventual recovery of 88% of the original claim of £2.017m (85% 2010/11).

In respect of Glitnir, a recovery with a sterling value of £1.019m was paid in March 2012 reflecting 100% of the claim *(100% assumed 2010/11)*. Included in this recovery was a payment made in Icelandic Krona (sterling value of £191k) which is being held in an interest bearing escrow (independent third party) account in Iceland until existing currency controls in that country are lifted.

In respect of Landsbanki a recovery with a sterling value of £1.209m was paid in February 2012. Included in this recovery was a payment of Icelandic Krona (sterling value of £30k) which is being held in an interest bearing escrow (independent third party) account in Iceland until existing currency controls are lifted. An eventual recovery of 100% of the claim is now being anticipated *(95% assumed 2010/11).*

Prior Period Adjustment – Accounting Standard Adopted

As a consequence of the adoption of FRS 30 Heritage Assets in the code (see Section 1 above), local authorities had the option to extend the measurement and disclosures required for heritage assets to community assets, a sub classification of Property Plant and Equipment in the Balance Sheet. The Council has opted to change its accounting policy in relation to the measurement and disclosure of community assets in this financial year 2011/12 as it believes that a valuation is a better measurement of the economic benefits and service potential of these assets. Five areas of land used for recreation or amenity were classified as Community assets and disclosed at a depreciated historical cost of £17,500 in the 2010/11 financial statements.

As at 1 April 2010 the assets are now recognised in the Balance Sheet at an existing use valuation of £174,000, a revaluation gain of £156,500. As land assets with unlimited useful lives, depreciation is not charged in line with the Council's accounting policies, consequently there are no changes to the depreciation charges previously disclosed. The MIRS (see page 24), Balance Sheet and accompanying Notes (below) reflect the change in accounting policy.

Balance sheet restatements at 1st April 2010 - Community Assets

	31 March 2010 Accounts £000's	Change in Valuation Basis £000's	01 April 2010 Restated £000's
Balance Sheet			
Property Plant and Equipment	16,754	157	16,911
Long Term Assets	**21,297**	**157**	**21,454**
Net Assets	**(446)**	**157**	**(289)**
Unusable Reserves	16,292	(157)	16,135
Total Reserves	**446**	**(157)**	**289**

Notes to the main statements restated at 1st April 2010 - Community assets

	31 March 2010 Accounts £000's	Change in Valuation Basis £000's	01 April 2010 Restated £000's
Note 12 - Property, Plant and Equipment			
Movement in Community Assets:			
Community Assets	**18**	157	**174**
Movement in Total PPE:			
Total Property, Plant and Equipment	**20,039**	157	**20,195**
Note 22 - Unusable Reserves			
Movement in Capital Adjustment Account:			
Balance at 31st March 2011	**(14,699)**	(157)	**(14,856)**

Explanatory Foreword

In 2010/11, following transfer to another authority, a community asset was derecognised with the carrying amount of £5,000 being taken to the gain/loss on disposal within the CIES. As a result of the change in accounting policy the carrying amount derecognised has been restated to a valuation of £35,000 requiring the restatement of the MIRS, CIES, Balance Sheet, Cash Flow Statement and accompanying notes for 2010/11 comparatives as set out below and overleaf. There has been no effect on the General Fund Balance for these compensating adjustments.

Main statements restated at 1st April 2011 - Community assets

	31 March 2011 Accounts £000's	Change in Valuation Basis £000's	Change value on disposed assets £000's	01 April 2011 Restated £000's
Movement In Reserves				
Movement in General Fund Balance:				
(Surplus) or deficit on provision of services	(5,819)		30	(5,789)
Adjustments between accounting basis & funding basis under regulations (Note7)	5,784		(30)	5,754
Movement in Unusable Reserves:				
Balance at 1st April 2010	16,292	(157)		16,136
Adjustments between accounting basis & funding basis under regulations (Note7)	(6,101)		30	(6,071)
Net (Increase) / Decrease before Transfers to Earmarked Reserves	14,807		(30)	14,777
(Increase)/Decrease in Year	(14,807)		30	(14,777)
Balance at 31st March 2011 carried forward	**1,485**	**(157)**	**30**	**1,359**
Movement in Total Authority Reserves:				
Balance at 1st April 2010	446	(157)		290
(Surplus) or deficit on provision of services	(5,819)		30	(5,789)
Net (Increase) / Decrease before Transfers to Earmarked Reserves	14,525		(30)	14,495
(Increase)/Decrease in Year	(14,525)		30	(14,495)
Balance at 31st March 2011 carried forward	**(14,079)**	**(157)**	**30**	**(14,205)**
Comprehensive Income & Expenditure Statement				
Other Operating Expenditure	**1,743**		30	**1,773**
(Surplus) or deficit on provision of services	**(5,819)**		30	**(5,789)**
Total Comprehensive Income and Expenditure	**(14,525)**		30	**(14,495)**
Balance Sheet				
Property Plant and Equipment	16,748	126		16,874
Long Term Assets	**19,458**	126		**19,584**
Net Assets	**14,079**	126		**14,205**
Total Reserves	**(14,079)**	(126)		**(14,205)**

Notes to the main statements restated at 1st April 2011 - Community assets

	31 March 2011 Accounts £000's	Change in Valuation Basis £000's	Change value on disposed assets £000's	01 April 2011 Restated £000's
Note 7 - Adjustments between accounting basis and funding basis under regulations				
Movement in General Fund Balance:				
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	**(289)**		(30)	**(319)**
Movement in Unusable Reserves:				
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	**(289)**		(30)	**(319)**
Note 12 - Property, Plant and Equipment				
Movement in Community Assets:				
Derecognition - disposals	(5)		(30)	(35)
31st March 2011 - Commuity Assets	**13**	157	(30)	**139**
31st March 2011 - Net Book Value	**13**	157	(30)	**139**
Movement in Total PPE:				
31st March 2011 - Total Property, Plant and Equipment	**20,447**	157	(30)	**20,573**
31st March 2011 - Net Book Value	**16,749**	157	(30)	**16,875**
Note 22 - Unusable Reserves				
Movement in Capital Adjustment Account:				
Balance at 1st April 2011	**(14,360)**	(157)	30	**(14,487)**
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	289		30	319
Net written out amount of the cost of non-current assets consumed in the year	**5,034**		30	**5,064**
Summary at 31st March 2011	**(14,360)**	(157)	30	**(14,487)**
Movement in Total Unusable Reserves:				
Summary - Total Unusable Reserves	**1,486**	(157)	30	**1,359**
Note 23 - Amounts Reported for resource allocation decisions				
Movement in Corporate Amounts:				
Gain/loss on disposal of Fixed Assets - Corporate Amounts	**(114)**		30	**(84)**
Total Expenditure - Corporate Amounts	**2,795**		30	**2,825**
Surplus or Deficit on the provision of Services - Corporate Amounts	**(14,890)**		30	**(14,860)**
Movement in Totals:				
Gain/loss on disposal of Fixed Assets - Total	**(114)**		30	**(84)**
Total Expenditure - Total	**38,479**		30	**38,509**
Surplus or Deficit on the provision of Services - Total	**(5,819)**		30	**(5,789)**

6 Changes in presentation of comparative information

Comprehensive Income and Expenditure Statement – Service Expenditure Analysis

As a result of changes to the Service Expenditure Analysis introduced by the 2011/12 SeRCOP, the Culture, Environment, Regulatory and Planning Services has been split into three as follows:

- Cultural and Related Services,
- Environmental and Regulatory Services and
- Planning Services.

In compliance with the code the above services have been reported as separate line items in their 2011/12 CIES for the current and comparative year, in accordance with SeRCOP requirements.

	2010/11			2010/11 Restated		
	Gross Expenditure £000's	Gross Income £000's	Net Expenditure £000's	Gross Expenditure £000's	Gross Income £000's	Net Expenditure £000's
Cultural, environmental, regulatory and planning services	13,489	(4,012)	9,477			
Cultural Services				1,863	(435)	1,428
Environmental & Regulatory Services				5,951	(1,043)	4,908
Planning Services				5,675	(2,534)	3,141
Total	**13,489**	**(4,012)**	**9,477**	**13,489**	**(4,012)**	**9,477**

Cash Flow Statement – Change of method and associated presentation

Prior to 1 April 2011 the Council prepared its cash flow statement using the “direct method” showing gross cash flows.

For 2011/12 the cash flow has been prepared using the “indirect method”, whereby revenue cash flow is derived by adjusting the overall Income and Expenditure Account deficit to a cash basis. Gross cash flow categories are not presented in the cash flow statement and non cash items, changes in working capital and returns on investments and servicing of financing are removed from the deficit in order to calculate a single overall figure for revenue cash flow.

The code stipulates different presentations for the cash flow statement depending on which method has been used to prepare the statement. The presentation for the current year follows the indirect method and comparative figures have been restated accordingly.

Main Statement

Cashflow Statement	2010/11 £000's	2010/11 (Restated) £000's
Net Surplus or Deficit on the provision of Services		**(5,789)**
Depreciation		(933)
Impairment and Downward valuations		222
Amortisation		
Increase/Decrease in impairment for bad debts		(230)
Increase/Decrease in creditors		39
Increase/Decrease in debtors		(1,535)
Increase/Decrease in inventories (stock)		12
Movement in pension liability		5,018
carrying amount of NCA's sold or recognised		(319)
Other non cash items charged to the net surplus or deficit on the provision of services		(5,072)
Adjustments to net surplus or deficit on the provision of services for non-cash movements		**(2,798)**
proceeds from the sale of property plant and equipment, investment property and intangible assets		402
any other items for which the cash effects are investing or financing cash flows		3,397
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		**3,799**
Net cash flows from Operating Activities	**(4,788)**	**(4,788)**
Purchase of property, plant and equipment, investment property and intangible assets		1,477
Capital grants Received Govt		
proceeds from the sale of property plant and equipment, investment property and intangible assets		(235)
Other receipts from investing activities		(38)
Net cash flows from Investing Activities	**1,204**	**1,204**
Cash payments for the reduction of the outstanding liabilities relating to finance leases.		224
Repayments of short- and long-term borrowing		(305)
Other receipts from financing activities		(419)
Net cash flows from Financing Activities	**(500)**	**(500)**
Net increase or decrease in cash and cash equivalents	**(4,084)**	**(4,084)**
Cash and cash equivalents at the beginning of the reporting period	**(6,031)**	**(6,031)**
Cash and cash equivalents at the end of the reporting period (Note 17)	**(10,115)**	**(10,115)**

Explanatory Foreword

Notes to the cash flow statement previously disclosed with Statement of Accounts 2010/11 but not required for presentation with the indirect method:

23. Cash Flow Statement – Operating Activities

	2010/11 £000's
Taxation	(7,240)
Grants	(34,262)
Sale of goods and rendering of services	(2,958)
Interest Received	(220)
Other receipts from operating Activities	(709)
Cash inflows generated from Operating Activities	**(45,389)**
Cash paid to employees	7,447
Housing Benefit Paid out	19,323
Precepts Paid	899
Cash paid to suppliers of goods or services	7,062
Interest Paid	125
Other Payments for Operating Activities	5,745
Cash outflows generated from Operating Activities	**40,601**
Net cash flows from operating activites	**(4,788)**

24. Cash Flow Statement – Investing Activities

	2010/11 £000's
Purchase of PPE & intangible assets	1,477
Proceeds from the sale of PPE & intangible assets	(235)
Proceeds from short-term and long-term investments	0
Other receipts from investing activities	(38)
Net cash flows from investing activites	**1,204**

25. Cash Flow Statement – Financing Activities

	2010/11 £000's
Other payments for financing activities	(419)
Cash receipts of short and long-term borrowing	(305)
Cash payments for the reduction of the outstanding liabilities relating to finance leases	224
Net cash flows from financing activities	**(500)**

Note 23 – Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the CIES is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Council's Policy Committees on the basis of budget reports analysed across services. The purpose of this note is to present the financial information reported to the Council's decision making bodies reconciled to the statement of accounts income and expenditure.

At the Council's Annual Meeting in May 2011, the constitution was updated and the number of policy committees was reduced from four to two. The Council's budget reporting procedures were also amended to routinely report amounts for funding, levies and local precepts.

The comparative information for the previous year has been restated at Note 23 along side the original information disclosed in the previous year, (2010/11 statements, Note 26)

7 Service and Economic Outlook

Economic Background and Outlook

The UK economy has fallen back in to a double dip recession and the green shoots of recovery highlighted by some now appear to be no more than an economy 'bouncing along the bottom'. Whilst the Council remains cautiously optimistic about the outlook and the benefits this will bring to the value of assets and income the Council's plans are being based on an assumption of a low growth economy.

The coalition government is in its second year of a radical programme originally intended to eliminate the United Kingdom's structural budget deficit by 2014-15 and to reform the provision of public services and benefits. The severe problems being experienced by a number of countries within the Euro have contributed to the deterioration in the levels of global and UK economic activity. At the same time the rate of inflation, to which many social benefits are linked, has been significantly higher than the government's 2% target rate.

The Chancellor's Budget in 2012 recognised that the economy was unlikely to grow at the rate previously expected and the time to eliminate the structural deficit and associated austerity measures were extended for a further two years up to 2017. This is likely to have further implications for Council finances alongside radical changes to benefit arrangements and local government financing from 2013/14.

The Council has already seen significant reductions in financial support from the Government which, paid through formula grant, was £8.2m in 2010/11, compared to support from local council tax of £5.7m. The formula grant announced for 2012/13 is £5.7m, a reduction over two years of £2.5m or 24.7%, as illustrated in the table overleaf.

WLDC Main Annual Government Grant Reductions

	2010/11 £000's	2011/12 £000's	2012/13 £000's
Formula Grant	8,224	6,514	5,688
Grant reduction from 2010/11		1,710	2,536
Percentage change from 10/11		14.7%	24.7%

Note - The table above calculates percentage change after adjusting for the transfer of the concessionary fares scheme to the County Council.

As a consequence of the proposals to localise business rates, from 2013/14, changes in future distribution of funding will be dependent on changes to the Council's business rate base, not to its population growth or other needs factors, which breaks the current relationship between ability to raise finance locally, service need and central funding. This will also transfer, to a degree, the risk and reward associated with business rate fluctuations to Local Authorities.

It is currently unclear how this will work in practice with more information expected in the coming months to determine the impact this could have on the Council.

The Government's New Homes Bonus is an un-ring fenced grant with allocations for future years being funded from the total National Non-Domestic Rates (NNDR) 'pool' thus reducing the grant available to be utilised locally. It is therefore likely that competition will be heightened between business and domestic expansion, and between local authorities for growth.

The New Homes Bonus allocations for 2011/12 and 2012/13 have been earmarked for use on housing projects with £100k supporting Disabled Facilities Grants and the remaining £1.1m going towards other strategic housing schemes. Due to the uncertainty over future funding allocations no commitment has been made at this stage around the use of future receipts.

The New Homes Bonus and NNDR localisation also provides incentives for growth which, if they can be exploited, provide opportunities to increase revenue streams and deliver improved outcomes for the district.

Members approved a balanced budget for 2012/13 and the Medium Term Financial Plan to 2016 recognised the ongoing need to deliver further significant savings to address the planned reduction in government funding and to invest in priorities.

The capital programme for 2012 to 2016 was revised to support the Council's objectives with £1.1m allocated for strategic housing projects and £555k to improve local broadband. It is envisaged that this funding will assist with levering in additional investment to the area and enhancing the Council's assets.

Sources of funds - to meet capital expenditure plans and other financial commitments.

The capital programme is funded mainly from capital receipts, grants and contributions from revenue. Additional funding is provided by finance leases. The Council has approved the following capital programme funding plans for the period 31 March 2012 to 31 March 2016.

	2012/13	2013/14	2014/15	2015/16
Funding	**£m**	**£m**	**£m**	**£m**
Capital receipts	1.227	1.225	0.625	0.140
Grants and Contributions	0.637	0.246	0.246	1.246
Finance Leases	0.387	0.375	0	0
Revenue Contributions	0.612	0.650	0.250	0
	2.863	**2.496**	**1.121**	**1.386**

The Council has adequate revenue balances to provide financial security and a safety mechanism for unforeseen events. The General Revenue Account balances stood at £5.993m as at 31 March 2012 and £6.206m is held in earmarked reserves.

Service Changes – Council Tax Benefit localisation and Universal Credit

The Council is required to develop a local scheme for Council Tax Benefit and subsequently bear the risk and cost of that scheme. At present the scheme is funded 100% by the government. From 2013/14, the grant received is expected to be 10% lower than that currently received and this 'pressure' will fall on the Council and the precepting authorities (Lincolnshire County Council, Lincolnshire Police Authority & potentially Parish and Town Councils).

This is equivalent to circa £600k for all precepting authorities of which £80k relates to the Council. The risk associated with volatility and increases in claimant costs will also transfer to the local authorities. If actual benefit entitlement is lower than the central government funding the Council will retain any balance.

Although every effort is being made to have a revised scheme in place for 2013/14 due to the tight timescales set there is a significant risk that in the first year the Council may need to retain the existing scheme and bear the cost along with other precepting bodies.

From the financial year 2013/14, substantial changes are proposed to housing benefit administration and the financial responsibility for Council Tax Benefit. The Government is planning to implement the “Universal Credit” system for new housing benefit claimants from 1 April 2013. The financial impact on the Council who administer housing benefit on behalf of the Department of work and pensions (DWP) will become clearer as the detailed proposals are developed.

Events after the Reporting Period

The code requires disclosure of the date the financial statements were authorised for issue and therefore the date after which events will not have been recognised in the Statement of Accounts. This date is set at 20 September 2012 in respect of the approval of the Subject to Audit Statement of Accounts for 2011/12.

There are no events which took place after 31 March 2012 that require adjustment to these accounts. There are no events after 31 March 2012 to disclose that are relevant to an understanding of the Council’s financial position.

Russell Stone ACMA
Chief Finance Officer
20 September 2012

Statement of Responsibilities for the Statement of Accounts

The Council's Responsibilities

The council is required to:

i. 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 Chief Finance Officer
ii. manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets
iii. 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').

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

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

The Chief Finance Officer has also:

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

Signed S. RAWLINS .... 20 September 2012

Mrs S Rawlins Chairman of Governance and Audit Committee.

Signed .... 20 September 2012

Mr R Stone ACMA Chief Finance Officer.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WEST LINDSEY DISTRICT COUNCIL

Opinion on the Authority financial statements

I have audited the financial statements of West Lindsey District Council for the year ended 31 March 2012 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

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 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the *Chief Financial Officer* and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Financial Officer; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view of the financial position of West Lindsey District Council as at 31 March 2012 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WEST LINDSEY DISTRICT COUNCIL

Opinion on other matters

In my opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the accounting statements.

Matters on which I report by exception

I report to you if:

- in my opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- I issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- I designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- I exercise any other special powers of the auditor under the Audit Commission Act 1998.

I have nothing to report in these respects

Conclusion on Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Authority and the auditor

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

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

I report if significant matters have come to my attention which prevent me from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. 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.

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

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2011, as to whether the Authority has proper arrangements for:

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WEST LINDSEY DISTRICT COUNCIL

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

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

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

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2011, I am satisfied that, in all significant respects, West Lindsey District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

Certificate

I certify that I have completed the audit of the accounts of West Lindsey District Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Signature

Mr Tony Crawley District Auditor

Audit Commission, 4th Floor, Mill House, Brayford Wharf North, Lincoln, LN1 1YT

24 September 2012

Core Financial Statements

Movement in Reserves Statement

	General Fund Balance (Restated)	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves (Restated)	Total Council Reserves (Restated)
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Balance at 31st March 2010	**(3,660)**	**(7,174)**	**(4,516)**	**(496)**	**(15,846)**	**16,292**	**446**
Community Assets Adjustment 1st April 2010						**(157)**	**(157)**
Balance at 1st April 2010 (Restated)	**(3,660)**	**(7,174)**	**(4,516)**	**(496)**	**(15,846)**	**16,136**	**290**
Movement in Reserves during 2010/11							
Surplus on provision of services - accounting basis	(5,789)				(5,789)		(5,789)
Other Comprehensive Income and Expenditure						(8,706)	(8,706)
Total Comprehensive Income and Expenditure	**(5,789)**	**0**	**0**	**0**	**(5,789)**	**(8,706)**	**(14,495)**
Adjustments between accounting basis & funding basis under regulations (Note 7)	5,754		805	(488)	6,071	(6,071)	0
Net (Increase)/Decrease before Transfers to Earmarked Reserves	**(35)**	**0**	**805**	**(488)**	**282**	**(14,777)**	**(14,495)**
Transfers to/(from) Earmarked Reserves (Note 8)	(336)	336					
(Increase)/Decrease in Year	**(371)**	**336**	**805**	**(488)**	**282**	**(14,777)**	**(14,495)**
Balance at 31 March 2011 carried forward	**(4,031)**	**(6,838)**	**(3,711)**	**(984)**	**(15,564)**	**1,359**	**(14,205)**
Movement in Reserves during 2011/12							
Deficit on provision of services - accounting basis	224				224		224
Other Comprehensive Income and Expenditure	0				0	4,052	4,052
Total Comprehensive Income and Expenditure	**224**	**0**	**0**	**0**	**224**	**4,052**	**4,276**
Adjustments between accounting basis & funding basis under regulations (Note 7)	(1,554)		290	421	(843)	843	0
Net (Increase)/Decrease before Transfers to Earmarked Reserves	**(1,330)**	**0**	**290**	**421**	**(619)**	**4,895**	**4,276**
Transfers to/(from) Earmarked Reserves (Note 8)	(632)	632					
(Increase)/Decrease in Year	**(1,962)**	**632**	**290**	**421**	**(619)**	**4,895**	**4,276**
Balance at 31 March 2012 carried forward	**(5,993)**	**(6,206)**	**(3,421)**	**(563)**	**(16,183)**	**6,254**	**(9,929)**

Core Financial Statements

Comprehensive Income and Expenditure Statement

2010/11 (Restated)				2011/12		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000's	£000's	£000's		£000's	£000's	£000's
7,683	(6,768)	915	Central services to the public	7,718	(6,846)	872
1,863	(435)	1,428	Cultural Services	1,914	(135)	1,779
5,951	(1,043)	4,908	Environmental & Regulatory Services	5,304	(577)	4,727
5,675	(2,534)	3,141	Planning Services	2,848	(1,124)	1,724
1,130	(290)	840	Highways and transport services	482	(221)	261
22,895	(21,550)	1,345	Other housing services	24,478	(22,523)	1,955
1,759	(2)	1,757	Corporate and democratic core	1,196	(1)	1,195
1,110	(618)	492	Non distributed costs	1,297	(642)	655
(5,755)		(5,755)	Exceptional Item - Negative Past Service Pension Cost			0
42,311	**(33,240)**	**9,071**	**Cost of Services**	**45,237**	**(32,069)**	**13,168**
1,857	(84)	1,773	Other operating expenditure (Note 9)	1,846	(107)	1,739
1,052	(499)	553	Financing and investment income and expenditure (Note 10)	339	(379)	(40)
	(17,186)	(17,186)	Taxation and non-specific grant income (Note 11)		(14,643)	(14,643)
		(5,789)	**(Surplus) or Deficit on Provision of Services**			**224**
		0	Surplus or deficit on revaluation of Property, Plant and Equipment assets			(500)
		(8,706)	Actuarial gains/losses on pension assets / liabilities (Note 32)			4,552
		(8,706)	**Other Comprehensive Income and Expenditure**			**4,052**
		(14,495)	**Total Comprehensive Income and Expenditure**			**4,276**

Core Financial Statements

Balance Sheet

1 April 2010 (Restated) £000's	31 March 2011 (Restated) £000's		Notes	31 March 2012 £000's
16,911	16,874	Property, Plant & Equipment	12	16,607
	191	Intangible Assets	13	190
4,532	2,512	Long Term Investments	14	1,673
11	7	Long Term Debtors	14	1
21,454	**19,584**	**Long Term Assets**		**18,471**
389	2,326	Short Term Investments	14	3,778
325	200	Assets Held for Sale	18	200
28	40	Inventories	15	59
6,144	4,105	Short Term Debtors	16	2,515
6,031	10,115	Cash and Cash Equivalents	17	10,920
12,917	**16,786**	**Current Assets**		**17,472**
(2,625)	(3,803)	Short Term Creditors	19	(3,460)
(66)	(79)	Provisions	20	(71)
(221)	(215)	Other Current Liabilities	14/30	(234)
(2,912)	**(4,097)**	**Current Liabilities**		**(3,765)**
(30,431)	(16,707)	Net Pension Liability	32	(21,469)
(296)	(702)	Other Long Term Liabilities	30	(587)
(1,021)	(659)	Capital Grants Receipts in Advance	27	(193)
(31,748)	**(18,068)**	**Long Term Liabilities**		**(22,249)**
(289)	**14,205**	**Net Assets**		**9,929**
(15,846)	(15,564)	Usable Reserves	21	(16,183)
16,135	1,359	Unusable Reserves	22	6,254
289	**(14,205)**	**Total Reserves**		**(9,929)**

Core Financial Statements

Cash Flow Statement

2010/11 (Restated) £000's		2011/12 £000's	
(5,789)	**Net Surplus or Deficit on the provision of Services**		**224**
(933)	Depreciation	(908)	
222	Impairment and Downward valuations	(471)	
	Amortisation	(28)	
(230)	Increase/Decrease in impairment for bad debts	170	
39	Increase/Decrease in creditors	350	
(1,535)	Increase/Decrease in debtors	(452)	
12	Increase/Decrease in inventories (stock)	19	
5,018	Movement in pension liability	(210)	
(319)	Carrying amount of Non Current Assets sold or derecognised	(31)	
(5,072)	Other non cash items charged to the net surplus or deficit on the provision of services	2	
(2,798)	**Adjustments to net surplus or deficit on the provision of services for non-cash movements**		**(1,559)**
402	Proceeds from the sale of property, plant and equipment	137	
3,397	Other items for which the cash effects are investing or financing cash flows	1,777	
3,799	**Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities**		**1,914**
(4,788)	**Net cash flows from Operating Activities (Note 36)**		**579**
1,477	Purchase of property, plant and equipment, investment property and intangible assets	755	
	Purchase of short-term (not considered to be cash equivalents) and long-term investments	7,221	
(235)	Proceeds from the sale of non current assets held for sale		
	Proceeds from short-term (not considered to be cash equivalents) and long-term investments	(7,092)	
(38)	Other receipts from investing activities	(324)	
1,204	**Net cash flows from Investing Activities**		**560**
(419)	Other receipts from financing activities	(2,175)	
224	Cash payments for the reduction of the outstanding liabilities relating to finance leases.	231	
(305)	Repayments of short and long-term borrowing		
(500)	**Net cash flows from Financing Activities**		**(1,944)**

(4,084)	**Net increase or decrease in cash and cash equivalents**		**(805)**
(6,031)	**Cash and cash equivalents at the beginning of the reporting period**		**(10,115)**
(10,115)	**Cash and cash equivalents at the end of the reporting period (Note 17)**		**(10,920)**

Core Financial Statements

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Explanatory Notes to the Core Financial Statements

1 ACCOUNTING POLICIES

i General Principles

The Statement of Accounts summarises the Council's transactions for the 20011/12 financial year and its position at the year-end of 31 March 2012. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (The Code) and the *Service Reporting Code of Practice 2011/12*, supported by the International Financial Reporting Standards (IFRS).

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

ii Accruals of Income and Expenditure

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

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

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

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

- Expenses in relation to services received, (excluding services provided by employees) are recorded as expenditure when the services are received rather than when payments are made. Expenses incurred, which relate to employees, are not accrued for as they are considered to be relatively stable year on year and omitting them would not result in a material error.

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

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

iii Cash and Cash Equivalents

Cash is represented by notes and coins held by the Council and deposits available on demand. Cash Equivalents are short-term (available in less than 90 days), highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. All the Council's bank accounts are an integral part of the Council's cash management arrangements and are included, even if overdrawn, within the Cash and Cash Equivalents line in the Balance Sheet.

iv Exceptional Items

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

v Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

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

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

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

vi Charges to Revenues for Non-Current Assets

Services and support services are debited with the following amounts to record the cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- amortisation of intangible fixed assets attributable to the service

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement.

The Council has assessed the Minimum Revenue Provision (MRP) in accordance with the guidance issued by the Secretary of State under section 21(1A) of the Local Government Act 2003. Any charge in 2011/12 is based on 4% of the adjusted Capital Financing Requirement in accordance with option 1 of the guidance or for new borrowing under the prudential system the charge is based on option 3; the assets life method. The Council's only credit arrangements relate to Finance Leases for which the outstanding liabilities are repaid over the term of the agreement.

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

Explanatory Notes to the Core Financial Statements

vii Employee Benefits

The Council accounts for employment and post employment benefits when employees earn them and the Council is committed to providing them, even if the actual provision might be many years into the future. Employee benefits are accounted for in the following four categories:

Short-term

Short-term employee benefits are payable within twelve months of the Balance Sheet date and include, wages, salaries and social security contributions, short-term compensated absences, non-monetary benefits, bonuses and similar payments.

Short term compensated absences are periods during which an employee does not provide services to the Council, but employee benefits continue to be paid. Typical employee benefits include annual leave, sick leave, maternity leave, jury service and military service.

Provisions have been introduced that require the Council to accrue for the cost of holiday entitlements (or any form of leave, eg time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Long-term

Long-term employee benefits are payable more than 12 months after the balance sheet date and include long-service awards and bonuses payable, such as long-service leave and long-term disability benefits. The Council has no material liabilities for long term benefits.

Provisions have been introduced for other long-term employee benefits, such as long-term disability benefits, to be treated in the same way as retirement benefits: i.e. the impact on the General Fund must be the benefit payments or contributions to pension funds that are payable for that financial year, rather than any amounts accrued under proper accounting practices.

Explanatory Notes to the Core Financial Statements

Termination

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the relevant service line (or in discontinued operations) in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

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

Post – Employment Benefits

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

The Council accounts for the LGPS as a defined benefit plan and identifies the following elements in recognising the net pensions asset/liability

- **Liabilities** (or obligations) – the post-employment/retirement benefits that have been promised under the formal terms of a pension scheme (plus any constructive obligation for further benefits where the Council has given employees valid expectations that such benefits will be granted). Liabilities are measured on an actuarial basis, estimating the future cash flows that will arise from the obligations (based on such things as mortality rates, employee turnover rates, salary growth and expected early retirement rates under the scheme rules), discounted to present values (using the projected unit credit method). The discount rate used is determined by reference to market yields at the Balance Sheet date of high quality corporate bonds.

- **Assets** – the Council's attributable share of the investments held in the pension scheme to cover the liabilities, measured at fair value at the Balance Sheet date.

The assessment process takes the most recent triennial actuarial valuation and updates it to reflect current conditions.

The movement on the pension's asset/liability is analysed and accounted for in the following manner:

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

The interest cost - – the expected increase in the present value of liabilities during the year as they move one year closer to being paid Charged to financing and investment income in the Comprehensive Income and Expenditure Statement.

Contributions by scheme participants – the increase in scheme liabilities and assets due to payments made into the scheme by employees. Employee contributions for the period are set off against current service cost.

Contributions by the employer – the increase in scheme assets due to payments made into the scheme by the employer. Not charged to the Comprehensive Income and Expenditure Statement. Appropriated via the Movement in Reserves Statement to replace all the IAS 19 related debits and credits as a charge against the General Fund Balance.

The expected return on scheme assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return Charged to financing and investment income in the Comprehensive Income and Expenditure Statement.

Actuarial gains and losses - changes in net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions. Actuarial Gains and Losses are charged to the Actuarial Gains and Losses line in the Comprehensive Income and Expenditure Statement.

Past service costs – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years. Past service cost may be either positive (where benefits are introduced or improved) or negative (where existing benefits are removed or reduced). Charged to the Cost of Services section of the CIES as Non Distributed Costs.

Explanatory Notes to the Core Financial Statements

Settlements and curtailments – changes in liabilities relating respectively to actions that relieve the employer of primary responsibility for a pension obligation (e.g. a group of employees being transferred to another scheme) or events that reduce the expected years of future service of employees or reduce the accrual of defined benefits over their future service for some employees (e.g. closing a business unit). Charged to the Cost of Services section of the Comprehensive Income and Expenditure Statement as Non Distributed Costs.

Benefits paid – payments to discharge liabilities directly to pensioners. The cash amount appears in the Cash Flow Statement. Appropriated via the Movement in Reserves Statement to replace all the IAS 19 related debits and credits as the charge against the General Fund Balance.

Where charges are made to the Surplus or Deficit on the Provision of Services, these are reconciled to the pension costs required to be made for council tax purposes by appropriations to or from the Pensions Reserve.

Where amounts are payable at the year-end to the pension fund or pensioners, these do not reduce the pensions liability. This is because the Code excludes unpaid contributions from being plan assets. They are accounted for by debiting the General Fund balance and crediting the Pensions Reserve to finance the amounts payable

Discretionary Benefits

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

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

viii Events after the Balance Sheet date

Events after the balance sheet date are those events, favourable and unfavourable, that occur between the balance sheet date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events,

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

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

ix Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

The Council has no borrowings.
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 Assets

Financial assets are classified into two types;

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market; 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 are initially measured at fair value and carried at their amortised cost. Annual credits to the Comprehensive 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 Comprehensive Income and Expenditure Account is the amount receivable for the year in the loan agreement.

x Foreign Currency Translation

Where the Council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

xi Government Grants and Contributions

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

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

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants or contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

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

xii Intangible Fixed Assets

Expenditure on non-monetary assets without physical substance that are controlled by the Council as a result of past events, and future economic benefits or service potential is expected to flow to the Council. The most common item posted to this line will be software, but might also cover such things as rights to use land. All such expenditure is accounted for on an accruals basis and capitalised as a non-current asset.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and

Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

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

xiii Inventories and long-term contracts

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

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

xiv Jointly Controlled Operations and Jointly Controlled Assets

Jointly controlled operations are activities undertaken by the Council in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the CIES with the expenditure it incurs and the share of income it earns from the activity of the operation.

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Council and other venturers, with the assets being used to obtain benefits for the venturers. The joint venture does not involve the establishment of a separate entity. The Council accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

xv Leases

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

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

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

The Council as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Explanatory Notes to the Core Financial Statements

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

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The Council as Lessor

Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debt) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element of the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

Explanatory Notes to the Core Financial Statements

xvi 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 *Service Reporting Code of Practice 2011/12* (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

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

xvii Property Plant and Equipment

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

Recognition

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

Assets valued at less than £10,000 are not normally recognised in the Balance Sheet

Measurement

Assets are initially measured at cost, comprising;

- The purchase price

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

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

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

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

- infrastructure assets and assets under construction – depreciated historical cost

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

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

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

Assets included in the Balance Sheet at fair value are re valued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the CIES where they arise from the reversal of a loss previously charged to a service.

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

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

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

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

Impairment

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

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

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

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

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

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives commencing in the first full year that the asset is included in the Council's accounts. An exception is made for assets without a determinable useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- dwellings and other buildings– straight line allocation over the life of the property as estimated by the valuer with the exception of a number of leased shops, where the remaining term of the lease has been used
- Vehicles, plant and equipment – straight line allocation over the life of the asset, as advised by a suitably qualified officer
- Infrastructure – straight line allocation.

Asset Useful Economic Lives assumed

Assets	**Useful life Range (years)**
Offices/Leisure Centre	23 to 48
Depots & Stores	18
Shops	114
Public Conveniences	11 to 38
CCTV Systems/IT Equipment/ Wheeled Bins/Office equipment	2 to 17
Vehicles / Bin Lifters	1 to 6
Infrastructure Assets	26 to 30

Where an item PPE asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. Materiality levels have been assessed and a materiality level of £0.5m for major components has been applied.

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

Disposals and Non-current Assets Held for Sale

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

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

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the CIES also as part of the gain or loss on disposal (i.e.

netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts and credited to the Capital Receipts Reserve. The balance on the Capital Receipts Reserve 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 General Fund Balance in the Movement in Reserves Statement.

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

xviii Provisions

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

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

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

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

Explanatory Notes to the Core Financial Statements

xix Contingent liabilities

A contingent liability is:

(a) A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Council; or

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

(i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

(ii) The amount of the obligation cannot be measured with sufficient reliability.

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

xx Contingent assets

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events, not wholly within the control of the Council.

The Council will not recognise a contingent asset in the accounts until the realisation of income is virtually certain. If material, contingent assets will be disclosed as a note to the statements.

xxi Reserves

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

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

xxii Revenue Expenditure Funded From Capital under Statute

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

xxiii Value Added Tax (VAT)

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

2. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED

The adoption of amendments to IFRS 7 Financial Instruments: Disclosures (issued October) 2010 by the code will result in a change in accounting policy that requires disclosure.

The amendments are intended to allow users of financial statements to improve their understanding of transfer transactions of financial assets, including the possible effects of any risks that may remain with the entity that transferred the assets. It also includes additional disclosure requirements where there is a disproportionate amount of transfer transactions around the end of the reporting period. The effective date of the standard was 1 July 2011 but the Council is not required by the Code to implement this amended disclosure requirement until 1 April 2012.

Following a review of the Authority's financial assets and liabilities at 31 March 2012, it is considered unlikely that the IFRS 7 accounting standard will have a material impact on the financial statements of the Council.

Explanatory Notes to the Core Financial Statements

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

Future Government Funding

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

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

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

This note does not include any assets and liabilities that are carried at fair value based on a recently observed market price.

The item in the Council’s Balance Sheet at 31 March 2012 for which there is a significant risk of material adjustment in the forthcoming financial year relates to pension costs. The estimation of the net liability to pay pensions depends on a number of judgements relating to the discounts used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged by Lincolnshire County Council, the administering authority for the Local Government Pension Scheme, to provide expert advice about the assumptions to be applied. During 2011/12 the Council’s actuaries advised that the net pension liability had increased by £4.8m. The table overleaf illustrates the financial impact of changes in the specific assumptions applied by the Actuary.

Pensions Liability Sensitivity to changes in assumptions

Change in assumptions at year ended 31 March 2012	Approximate increase in monetary cost £m
0.5% decrease in Real Discount Rate	£5.152m
1 year increase in member life expectancy	£1.656m
0.5% increase in Salary increase rate	£1.322m
0.5% increase in pension increase rate	£3.806m

5. MATERIAL ITEMS OF INCOME AND EXPENSE

There were no material items of income or expense in the year ended 31 March 2012.

6. EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts were approved by the Council's Governance and Audit Committee on 20th September 2012. Events taking place after this date will not be reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2012, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

7. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS.

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

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

General Fund Balance

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

Capital Receipts Reserve

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

Capital Grants Unapplied

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

Explanatory Notes to the Core Financial Statements

2010/11	Usable Reserves			
	General Fund Balance (Restated)	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves (Restated)
	£000's	£000's	£000's	£000's
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	(933)			933
Revaluation losses on Property Plant and Equipment	(679)			679
Revaluation losses on Assets Held for Sale	(65)			65
Movements in the market value of Investment Properties	0			0
Amortisation of intangible assets	0			
Capital grants and contributions applied	2,878			(2,878)
Movement in the Donated Assets Account	0			0
Revenue expenditure funded from capital under statute	(3,070)			3,070
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES - (Restated)	(319)			319
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	247			(247)
Capital expenditure charged against the General Fund	329			(329)
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the CIES	518		(518)	
Application of grants to capital financing transferred to the CAA			30	(30)
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	402	(402)		
Use of the Capital Receipts Reserve to finance new capital		1,211		(1,211)
Transfer from Deferred Capital Receipts Reserve upon receipt of cash		(4)		4
Adjustment primarily involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements.	222			(222)
Amount charged to General Fund under statutory requirements in respect of the impairment of Money Market Deposits	1,153			(1,153)
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the CIES (Note 35)	3,646			(3,646)
Employer's pensions contributions and direct payments to pensioners payable in the year	1,372			(1,372)
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	66			(66)
Adjustment primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.	(13)			13
Total Adjustments	**5,754**	**805**	**(488)**	**(6,071)**

Explanatory Notes to the Core Financial Statements

2011/12	Usable Reserves: General Fund Balance £000's	Usable Reserves: Capital Receipts Reserve £000's	Usable Reserves: Capital Grants Unapplied £000's	Movement in Unusable Reserves £000's
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	(1,023)			1,023
Revaluation losses on Property Plant and Equipment	(577)			577
Amortisation of intangible assets	(28)			28
Capital grants and contributions applied	1,734			(1,734)
Revenue expenditure funded from capital under statute	(2,218)			2,218
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES.	(31)			31
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	231			(231)
Capital expenditure charged against the General Fund	385			(385)
Adjustments primarily involving the Capital Grants Unapplied Account:				
Application of grants to capital financing transferred to the Capital Adjustment Account			421	(421)
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES.	137	(137)		
Use of the Capital Receipts Reserve to finance new capital expenditure		433		(433)
Transfer from Deferred Capital Receipts Reserve upon receipt of cash.		(6)		6
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the CIES (Note 35)	(1,577)			1,577
Employer's pensions contributions and direct payments to pensioners payable in the year.	1,367			(1,367)
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	38			(38)
Adjustment primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.	8			(8)
Total Adjustments	**(1,554)**	**290**	**421**	**843**

8. TRANSFERS TO/FROM EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund balance in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2011/12

		Transfers 2010/11			Transfers 2011/12		
General Fund:	**Balance at 31/03/10**	**Out**	**In**	**Balance at 31/03/11**	**Out**	**In**	**Balance at 31/03/12**
	£000's	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**
Audit Programme	8	(8)		0			0
Big Society Initiative	0			0		150	150
Business Growth Initiatives	1162			1,162		188	1,350
Business Improvement & Transformation	0		50	50		200	250
Capital Programme Financing	438	(172)		265	(221)	892	936
Carbon Reduction	0	(41)	200	159	(129)		30
CCTV Service	11	(11)		0			0
Celebration Fund	0			0		46	46
Civic	3			3		14	17
Civilian Parking Enforcement	49			49			49
Community Action & Volunteering Fund	0			0	(10)	250	240
Community Safety	0			0		5	5
Concessionary Fares	50			50	(50)		0
CRM Implementation	40			40	(40)		0
Customer Access Strategy	0		30	30			30
Dangerous Structures	0			0		10	10
Development Control Improvements	340	(188)		152	(35)		117
Diversionary Activities	0	(40)	50	10			10
Enforcement	0			0		40	40
Finance	0		20	20			20
Flooding - Data Collection	75	(2)	50	124	(49)	50	125
Football Co-ordinator	0		8	8		8	15
Gainsborough Strategic Coordinator	32	(8)		24	(24)		0
Generic Equalities	60	(5)		56	(11)		45
Green Waste Initiatives/Depot Move	100			100	(100)		0
Growth Point Status	449	(82)		367	(61)		306
Guildhall Demolition	42			42	(5)		37
Housing Benefit Administration	54			54	(54)		0
Housing Regeneration	0			0		26	26
Housing Services	0		10	10			10
Human Resources – Corporate Development	27			27			27
Insurance Fund	90	(18)	18	90	(22)	22	90
Invest To Save	373	(12)	134	495	(52)	7	450
Investment in Gainsborough South West Ward	81	(14)		67			67
Investment in Skills	215	(89)		127	(60)		66
IT Upgrades	250			250			250
Joint Planning Unit	25	(25)		0			0
Local Development Framework	163			163			163

Explanatory Notes to the Core Financial Statements

General Fund:	Balance at 31/03/10	Transfers 2010/11 Out	Transfers 2010/11 In	Balance at 31/03/11	Transfers 2011/12 Out	Transfers 2011/12 In	Balance at 31/03/12
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Maintenance of Facilities	40		109	149	(51)	30	128
Market Maintenance	0			0		2	2
Market Rasen Pool (Contribution to capital costs)	561			561	(561)		0
Market Rasen Pool Revenue Costs	1250	(106)		1,144	(1,144)		0
Marshalls Sports Ground	100	(100)		0			0
Member Training	18	(10)		8			8
Member's Initiative - Local Needs	37	(29)		8	(20)	148	136
New Burdens	0		34	34			34
Outcomes & Outputs of Gainsborough Masterplan	184	(35)		149	(25)		124
Parish Lighting	0			0		10	10
Pension Reserve	497			497			497
Performance Management Software	5			5			5
Property Services Costs	20			20			20
Recycling Service Improvements	4			4	(4)		0
Review of Refuse and Recycling Rounds	54			54	(54)		0
S106 Monitoring Agreement	0			0		12	12
Severe Weather	0		10	10		10	20
Shared Services Programme	30			30			30
Sporting Initiatives	0		2	2			2
Support for Monitoring Officer	67	(53)		14	(14)	20	20
Tourism	0		3	3	(3)		0
Town Centre Manager	4			4			4
VAT & NNDR Refunds	36	(23)		14			14
Vehicle Replacement	50		5	55	(34)	50	71
Watercourse Maintenance Commuted Sum	10			10			10
Wheeled Bin Replacement	70			70			70
YaSiG	0			0		10	10
Total	**7173**	**(1,068)**	**732**	**6,838**	**(2,832)**	**2,200**	**6,206**

Audit Programme – to meet any additional costs resulting from works within the audit programme.
Big Society Initiative – to act as Loan finance to Parishes and other social bodies with a view to making a commercial return.
Business Growth Initiative – funds set aside to support future revenue and capital projects.
Business Improvement &Transformation – to assist with costs associated with Business Case Development.
Capital Programme Financing – grants and contributions received in advance for financing of revenue expenditure funded by capital under statute and funding set aside to finance the capital programme.
Carbon Reduction – established to support the commitment towards a reduced carbon footprint.
CCTV Service – to replace monitors and bring back on line the Riverside cameras.

Explanatory Notes to the Core Financial Statements

Celebration Fund - to fund grants to assist with Olympic and Golden Jubilee Events.
Civic - To allow funds approved in specific financial years to be aligned to Civic years.
Civilian Parking Enforcement – to support the setup costs associated with the transfer of responsibility for civilian parking enforcement.
Community Action & Volunteering - to support area management and community engagement.
Community Safety - to assist with costs incurred regarding noise monitoring.
Concessionary Fares – to meet any additional costs that the Council may incur in respect of this service.
Customer Relationship Management Implementation – to support the future development of this project.
Customer Access Strategy – to support access to services.
Dangerous Structures - to support any costs incurred relating to the building control service for dangerous structure work.
Development Control Improvements - set aside from Housing Planning Delivery Grant to support improvements in Development Control.
Diversionary Activities – to create an intergenerational programme of activity to increase inclusion amongst young people.
Enforcement - to assist with costs incurred in carrying out enforcement works across the Housing and Planning service.
Finance - to meet the legal costs associated with recovering the impaired money market deposits with Icelandic banks.
Flood Data Collection – to support the delivery of practical flood alleviation measures.
Football Co-ordinator – contribution to the costs associated with a Football Foundation Grant.
Gainsborough Strategic Co-ordinator – to meet the costs of this post over two years.
Generic Equalities – to meet the ongoing costs of Generic Equalities work.
Green Waste initiatives and costs associated with moving to one depot site – to develop waste services.
Growth Point Status – to support Gainsborough Growth Point projects.
Guildhall Demolition – for demolition of the old Guildhall.
Housing Benefit Administration – the balance of Government Grant received.
Housing Regeneration – Income recovered through charges on properties to be used to support ongoing work surrounding regeneration of housing.
Housing Services – to meet the costs of the setup of the Choice Based Lettings scheme.
Human Resources – Corporate Development –to complete the policy development programme.
Insurance Fund – to meet any excess on insurance claims.
Invest to Save Reserve – to support efficiency projects to provide a positive net payback over the Medium Term Financial Strategy.
Investment in Gainsborough South West Ward – to support the regeneration activity.

Explanatory Notes to the Core Financial Statements

Investment in Skills – funding towards the development of projects to increase skills education and training of West Lindsey residents for three years.
Information & Communications Technology Upgrades –to meet the costs of IT upgrades.
Joint Planning Unit – contribution to the Joint Planning Unit from Housing Planning Development grant.
Local Development Framework – set up to manage the impact on revenue budgets of reviews of the Local Development Framework.
Maintenance of Facilities - to meet future property maintenance requirements.
Market Maintenance – to assist with market stall maintenance costs.
Market Rasen Pool (contribution to capital costs) - to fund a capital scheme to provide a leisure facility.
Revenue funding for swimming pool at Market Rasen - to fund the revenue costs of a potential pool at Market Rasen.
Marshalls Sports Ground –allocation for the cost of providing changing facilities.
Member Training – to support programmes for Member Development.
Members Initiative Fund – to meet costs of the scheme for ward members to support local projects and activities.
New Burdens – following revocation of the personal search fee a grant paid to meet the cost of potential restitution claims and the impact of reduced fee income.
Outcomes and Outputs of Gainsborough Master Plan – to fund the delivery of the requirements of this strategic document.
Parish Lighting – to support the ongoing SLA agreement for maintenance costs.
Pension Reserve –to offset future potential pension cost increases and any additional early retirement costs.
Performance Management Software - to upgrade performance management software.
Property Service Costs – to meet any additional costs pending the completion of sales of surplus office accommodation.
Recycling Service Improvements – to develop the recycling service.
Review of Refuse and Recycling – to meet costs of amending collection rounds.
S106 Monitoring Agreements – Surplus income generated to be carried forward to support potential shortfalls in future years.
Severe Weather - to meet costs incurred in the event of severe weather conditions.
Shared Services Programme – to meet any residual costs that may fall on the Council that are not covered by any new arrangements and to contribute to the ongoing project costs.
Sporting Initiatives - to meet costs of the West Lindsey 'Run' Series.
Support for Monitoring Officer – to support the role and duties of the Council’s Monitoring Officer.
Tourism – to promote quality accommodation across the district.
Town Centre Manager – to continue the post and project.

Explanatory Notes to the Core Financial Statements

VAT & NNDR Refunds Reserve – to meet refunds relating to previous year's income.
Vehicle Replacement - to meet the cost of purchase of waste collection vehicles.
Watercourse Maintenance Commuted Sum - set aside for the maintenance of watercourses.
Wheeled Bin Replacement – to cushion the impact of the replacement of wheeled bins as they begin to come to the end of their useful life.
YaSiG (Young & Safe in Gainsborough) - to support costs incurred regarding Social Enterprises.

9. OTHER OPERATING EXPENDITURE

2010/11 £000's	Other Operating Expenditure	2011/12 £000's
1,418	Parish council precepts	1,532
297	Levies	306
77	Contribution to Parish Councils	8
65	Deficit on valuation of Held for Sale Assets	
(84)	Gains/losses on the disposal of non-current assets	(107)
1,773	**Total**	**1,739**

10. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2010/11 £000's	Financing and Investment Income and Expenditure	2011/12 £000's
60	Interest payable and similar charges	111
935	Pensions interest cost and expected return on pensions	444
(499)	Interest receivable and similar income	(379)
57	Impairment of Icelandic Bank deposits (reversal)	(220)
0	Exchange Rate Losses on foreign currency deposits	4
553	**Total**	**(40)**

11. TAXATION AND NON SPECIFIC GRANT INCOMES

2010/11 £000's	Taxation and Non-specific Grant Income	2011/12 £000's
(7,240)	Council Tax Income	(7,380)
(7,182)	Non Domestic Rates	(4,976)
(1,143)	Non-ringfenced Government Grants	(2,209)
(1,621)	Capital Grants and Contributions	(78)
(17,186)	**Total**	**(14,643)**

Explanatory Notes to the Core Financial Statements

12. PROPERTY, PLANT AND EQUIPMENT

	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Cost or Valuation							
At 1 April 2011	13,204	4,814	354	139	1,114	21	19,646
Additions	673	191					864
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(248)						(248)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(664)						(664)
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services		(28)					(28)
Derecognition – disposals	(19)	(52)					(71)
Derecognition – other		(667)					(667)
Assets reclassified (to)/from Held for Sale							0
Other movements in cost or valuation	(58)				77	(19)	0
At 31 March 2012	**12,888**	**4,258**	**354**	**139**	**1,191**	**2**	**18,832**
Accumulated Depreciation and Impairment							
At 1 April 2011	(572)	(2,134)	(44)		(21)		(2,771)
Depreciation charge	(336)	(639)	(9)		(11)		(995)
Depreciation written out to the Revaluation Reserve	711	37					748
Depreciation written out to the Surplus/Deficit on the Provision of Services	87						87
Impairment losses/(reversals)recognised in the Revaluation Reserve							0
Derecognition – disposals	4	35					39
Derecognition – other		667					667
Other movements in depreciation and impairment	8				(8)		0
At 31 March 2012	**(98)**	**(2,034)**	**(53)**	**0**	**(40)**	**0**	**(2,225)**
Net Book Value							
At 31 March 2012	**12,790**	**2,224**	**301**	**139**	**1,151**	**2**	**16,607**
At 31 March 2011	**12,632**	**2,680**	**310**	**139**	**1,093**	**21**	**16,875**

	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets (Restated)	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment (Restated)
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Cost or Valuation							
At 1 April 2010	11,999	4,632	1,266	174	1,289	835	20,195
Additions	77	737			2	1,123	1,939
Revaluation increases/(decreases) recognised in the Revaluation Reserve					(5)		(5)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(678)						(678)
Derecognition – disposals		(91)		(35)			(126)
Derecognition – other		(478)					(478)
Assets reclassified (to)/from Held for Sale					(172)		(172)
Other movements in cost or valuation	1,806	16	13			(1,937)	(102)
At 31 March 2011	**13,204**	**4,816**	**1,279**	**139**	**1,114**	**21**	**20,573**
Accumulated Depreciation and Impairment							
At 1 April 2010	(286)	(2,024)	(961)		(13)		(3,284)
Depreciation charge	(286)	(625)	(9)		(13)		(933)
Depreciation written out to the Revaluation Reserve					5		5
Derecognition – disposals		36					36
Derecognition – other		478					478
At 31 March 2011	**(572)**	**(2,135)**	**(970)**	**0**	**(21)**	**0**	**(3,698)**
Net Book Value							
At 31 March 2011	**12,632**	**2,681**	**309**	**139**	**1,093**	**21**	**16,875**
At 31 March 2010	**11,713**	**2,608**	**305**	**174**	**1,276**	**835**	**16,911**

Explanatory Notes to the Core Financial Statements

Depreciation

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

- Other Land and Buildings – dependent on the asset ranging from 12 years to 115 years
- Vehicles, Plant, Furniture & Equipment – from 1 to 18 years
- Infrastructure – From 37 to 38 years
- Surplus Assets – From 4 to 49 years

Capital Commitments

At 31 March 2012, the Council had no outstanding commitments for capital schemes in 2012/13. (31st March 2011 £0.391m)

Effects of Changes in Estimates

In 2011/12 the Council made no material changes to its accounting estimates for Property, Plant and Equipment.

Revaluations

The Council carries out a full revaluation of its property portfolio every five years. As the latest valuation was undertaken as at 1 April 2009 the next revaluation is due on 1 April 2014. All valuations were carried out by J. Butcher, BSc (Hons) M.R.I.C.S. of Banks, Long and Co in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on depreciated replacement cost with an annual impairment review.

A desktop review is carried out annually for material changes and additions by the appointed Valuer in conjunction with the chief finance officer.

The significant assumptions applied in estimating the fair values are:

a. that good title can be shown and all valid planning permissions and statutory approvals are in place;

b. that the property is connected and has a right to use mains services and that sewers, main services and roads giving access to it have been adopted;

c. that an inspection of those parts not inspected would not reveal defects that would affect the valuation

d. that the testing of electrical or other services would not reveal defects that would cause the valuation to alter;

Explanatory Notes to the Core Financial Statements

e. that there are no deleterious or hazardous materials or existing or potential environmental factors that would affect the valuation.

	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infra-structure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Carried at historical cost		2,187	301	139	175	2	2,804
Valued at fair value as at:							
31 March 2012	9,302	37					9,339
31 March 2011							0
31 March 2010							0
31 March 2009	3,488				976		4,464
Total Cost or Valuation	**12,790**	**2,224**	**301**	**139**	**1,151**	**2**	**16,607**

13. INTANGIBLE ASSETS

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include purchased licenses and there is no internally generated software.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The useful life assigned to the major software suites used by the Council is five years.

The carrying amount of intangible assets is amortised on a straight-line basis. Amortisation has been charged on those items acquired in 2010/11 but not on items acquired during 2011/12. The movement on Intangible Asset balances during the year is as follows:

	2011/12			2010/11		
	Internally Generated Assets	Other Assets	Total	Internally Generated Assets	Other Assets	Total
	£000's	£000's	£000's	£000's	£000's	£000's
Balance at start of year:						
Gross carrying amounts		191	191			0
Accumulated amortisation			0			0
Net carrying amount at start of year	**0**	**191**	**191**	**0**	**0**	**0**
Additions:						
Purchases		27	27		90	90
Amortisation for the period		(28)	(28)			0
Other changes			0		101	101
Net carrying amount at end of year	**0**	**190**	**190**	**0**	**191**	**191**
Comprising:						
Gross carrying amounts			0		191	191
Accumulated amortisation			0			0
Total	**0**	**0**	**0**	**0**	**191**	**191**

There are no items of capitalised software that are individually material to the financial statements.

14. FINANCIAL INSTRUMENTS

Categories of Financial Instruments

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

	Long-term		Current	
	31 March 2012	31 March 2011	31 March 2012	31 March 2011
	£000's	£000's	£000's	£000's
Financial Assets				
Investments				
Loans and receivables	1,673	2,511	3,778	2,326
Total investments	**1,673**	**2,511**	**3,778**	**2,326**
Debtors				
Loans and receivables	1	0	1,263	1,352
Cash at bank			10,920	10,115
Total Debtors	**1**	**0**	**12,183**	**11,467**
Total Financial Assets	**1,674**	**2,511**	**15,961**	**13,793**
Financial Liabilities				
Financial liabilities at amortised cost	0	0	893	1,754
Total Financial Liabilities	**0**	**0**	**893**	**1,754**

Reclassifications in 2011/12 -

There were no reclassifications of Financial Instruments in 2011/12

Income, Expense, Gains and Losses

	2011/12			2010/11		
	Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables	Total	Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables	Total
	£000's	£000's	£000's	£000's	£000's	£000's
Interest expense	111		**111**			**0**
Impairment loss / (reversal)		4	**4**		(57)	**(57)**
Total expense in Surplus or Deficit on the Provision of Services	**111**	**4**	**115**	**0**	**(57)**	**(57)**
Interest income		132	**132**		82	**82**
Interest income accrued on impaired financial assets		247	**247**		280	**280**
Total income in Surplus or Deficit on the Provision of Services	**0**	**379**	**379**	**0**	**362**	**362**
Net gain/(loss) for the year	**(111)**	**375**	**264**	**0**	**419**	**419**

Fair Values of Assets and Liabilities

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

for loans receivable prevailing benchmark market rates,

no early repayment or impairment is recognised,

where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value,

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

On the basis outlined above there are no differences between the carrying amounts and fair values of the financial assets and liabilities:

	31 March 2012		31 March 2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000's	£000's	£000's	£000's
Loans and Receivables	3,778	3,778	2,326	2,326
Long-term debtors	1	1		

Available for sale assets and assets and liabilities at fair value through profit or loss are carried in the Balance Sheet at their fair value. These fair values are based on public price quotations where there is an active market for the instrument.

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

15. INVENTORIES

2010/11		2011/12
£000's		£000's
28	**Balance outstanding at start of year**	**40**
179	Purchases	507
(167)	Recognised as an expense in the year	(488)
	Written off balances	
	Reversals of write-offs in previous years	
40	**Balance outstanding at year-end**	**59**

16. DEBTORS

2010/11 £000's		2011/12 £000's
2,026	Central government bodies	1,038
109	Other local authorities	70
11	NHS bodies	39
1,363	Other entities and individuals	852
595	Prepayments	516
4,104	**Total**	**2,515**

17. CASH AND CASH EQUIVALENTS

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

2010/11 £000's		2011/12 £000's
1	Cash held by the Council	1
404	Bank current accounts	516
9,710	Short-term deposits	10,403
10,115	**Total Cash and Cash Equivalents**	**10,920**

18. ASSETS HELD FOR SALE

	Current		Non Current	
	2011/12 £000's	2010/11 £000's	2011/12 £000's	2010/11 £000's
Balance outstanding at start of year	**200**	**325**	**0**	**0**
Assets newly classified as held for sale:				
Property, Plant and Equipment		172		
Impairment losses		(65)		
Assets declassified as held for sale:				
Assets sold		(232)		
Balance outstanding at year-end	**200**	**200**	**0**	**0**

19. CREDITORS

2010/11 £000's		2011/12 £000's
277	Central government bodies	862
803	Other local authorities	861
201	NHS bodies	
2,522	Other entities and individuals	1,737
3,803	**Total**	**3,460**

20. PROVISIONS

Provisions represent amounts set aside to meet future liabilities.

	Outstanding Legal Cases	Injury and Damage Compensation Claims	Other Provisions	Total
	£000's	£000's	£000's	£000's
Balance at 1 April 2011	**0**	**0**	**(79)**	**(79)**
Additional provisions made in 2011/12			(71)	(71)
Amounts used in 2011/12			79	79
Balance at 1 April 2012	**0**	**0**	**(71)**	**(71)**

Outstanding Legal Cases

The Council has no substantial legal cases in progress requiring provisions to be established.

Injury Compensation Claims

All injury compensation claims are individually insignificant and are met through charges to revenue with any value above the insurance excess being met by the Council's insurers.

Other Provisions

The Council has recognised one short term provision in respect of the cost of employee's accrued leave.

21. USABLE RESERVES

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and Note 8.

SUMMARY

31 March 2011 £000's		31 March 2012 £000's
(4,031)	General Fund Balance	(5,993)
(6,838)	Earmarked Reserves	(6,206)
(3,711)	Capital Receipts Reserve	(3,421)
(984)	Capital Grants Unapplied Reserve	(563)
(15,564)	**Total Usable Reserves**	**(16,183)**

Capital Receipts Reserve

31 March 2011		31 March 2012	
£000's		£000's	£000's
(4,516)	**Balance at 1 April**		**(3,711)**
(406)	Capital Receipts received	(143)	
1,211	Capital Receipts applied	433	
(3,711)	**Balance at 31 March**		**(3,421)**

Capital Grants Unapplied

31 March 2011		31 March 2012	
£000's		£000's	£000's
(496)	**Balance at 1 April**		**(984)**
(518)	Capital Grants Received		
30	Capital Grants applied	421	
(984)	**Balance at 31 March**		**(563)**

22. UNUSABLE RESERVES

SUMMARY

31 March 2011	31 March 2011 (Restated)	Summary	31 March 2012
£000's	£000's		£000's
(800)	(800)	Revaluation Reserve	(1,260)
(14,360)	(14,487)	Capital Adjustment Account	(13,855)
(3)	(3)	Deferred Capital Receipts Reserve	3
16,707	16,707	Pensions Reserve	21,469
(137)	(137)	Collection Fund Adjustment Account	(175)
79	79	Accumulated Absences Account	71
1,485	**1,359**	**Total Unusable Reserves**	**6,254**

Revaluation Reserve

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

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

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

31 March 2011	Revaluation Reserve	31 March 2012	
£000's		£000's	£000's
(802)	**Balance at 1 April**		**(800)**
	Upward revaluation of assets	(500)	
	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services.	0	
0	**Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services.**		**(500)**
2	Difference between fair value depreciation and historical cost depreciation	35	
0	Accumulated gains on assets sold or scrapped	5	
2	**Amount written off to the Capital Adjustment Account**		**40**
(800)	**Balance at 31 March**		**(1,260)**

Capital Adjustment Account

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

31 March 2011	31 March 2011 (Restated)	Capital Adjustment Account	31 March 2012	
£000's	£000's		£000's	£000's
(14,699)	**(14,856)**	**Balance at 1st April**		**(14,487)**
		Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
933	933	Charges for depreciation and impairment of non-current assets	1,023	
679	679	Revaluation losses on Property, Plant and Equipment	577	
65	65	Revaluation losses on Assets held for Sale		
		Amortisation of intangible assets	28	
3,070	3,070	Revenue expenditure funded from capital under statute	2,218	
289	319	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES.	31	
(2)	(2)	Adjusting amounts written out of the Revaluation Reserve	(41)	
5,034	**5,064**	**Net written out amount of the cost of non-current assets consumed in the year**		**3,836**
		Capital financing applied in the year:		
(1,211)	(1,211)	Use of the Capital Receipts Reserve to finance new capital expenditure	(433)	
(2,878)	(2,878)	Capital grants and contributions credited to the CIES that have been applied to capital financing	(1,734)	
(30)	(30)	Application of grants to capital financing from the Capital Grants Unapplied Account	(421)	
(247)	(247)	Statutory provision for the financing of capital investment charged against the General Fund balance	(231)	
(329)	(329)	Capital expenditure charged against the General Fund balance	(385)	
(4,695)	**(4,695)**			**(3,204)**
		Other movements		
(14,360)	**(14,487)**	**Balance at 31 March**		**(13,855)**

The Account contains gains recognised on donated assets that have yet to be consumed by the Council.

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

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

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

31 March 2011	Financial Instruments Adjustment Account	31 March 2012	
£000's		£000's	£000's
1,375	**Balance at 1 April**		**0**
(222)	Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements		
(1,153)	Amount charged to General Fund under statutory requirements in respect of the impairment of Money Market Deposits		
0	**Balance at 31 March**		**0**

Pensions Reserve

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

31 March 2011 £000's	Pension Reserve	31 March 2012 £000's
30,431	**Balance at 1 April**	**16,707**
(8,706)	Actuarial gains or losses on pensions assets and liabilities.	4,552
(3,646)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	1,577
(1,372)	Employer's pensions contributions and direct payments to pensioners payable in the year	(1,367)
16,707	**Balance at 31 March**	**21,469**

Deferred Capital Receipts Reserve (England and Wales)

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

31 March 2011 £000's	Deferred Capital Receipts Reserve	31 March 2012 £000's
(7)	**Balance at 1 April**	**(3)**
4	Transfer to the Capital Receipts Reserve upon receipt of cash	6
(3)	**Balance at 31 March**	**3**

Collection Fund Adjustment Account

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

31 March 2011 £000's	Collection Fund Adjustment Account	31 March 2012 £000's
(71)	**Balance at 1 April**	**(137)**
(66)	Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements.	(38)
(137)	**Balance at 31 March**	**(175)**

Accumulated Absences Account

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

31 March 2010	Accumulated Absences Account	31 March 2011	
£000's		£000's	£000's
66	**Balance at 1 April**		**79**
(66)	Settlement or cancellation of accrual made at the end of the preceding year	(79)	
79	Amounts accrued at the end of the current year	71	
13	Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.		**(8)**
79	**Balance at 31 March**		**71**

23. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

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

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year
- Expenditure on support services is budgeted for centrally and not reflected in policy committee monitoring reports
- Rentals in respect of finance leases are reported as revenue items in year for budget monitoring purposes

At the Council's Annual Meeting in May 2011, the constitution was updated. This resulted in changing the number of policy committees from four to two. Organisation and Resources became Policy and Resources, whilst Prosperous Communities was an amalgamation of the Community and Waste, Economic Development and Regeneration and Planning Committees.

Explanatory Notes to the Core Financial Statements

The income and expenditure of the Council's policy committees recorded in the budget reports for the year is set out in the tables below:

Committee Income and Expenditure	**Policy and Resources**	**Prosperous Communities**	**Total**
2011/12	**£000's**	**£000's**	**£000's**
Fees, charges and other service income	(1,033)	(2,103)	(3,136)
Income from Council Tax	(7,342)	0	(7,342)
Government Grants	(34,773)	(225)	(34,998)
Total Income	**(43,148)**	**(2,328)**	**(45,476)**
Employee expenses	4,170	4,175	8,345
Other service expenses	31,626	3,906	35,532
Support service recharges			0
Total Expenditure	**35,796**	**8,081**	**43,877**
Net Expenditure	**(7,352)**	**5,753**	**(1,599)**

Committee Income and Expenditure	**Policy and Resources (Restated)**	**Prosperous Communities (Restated)**	**Total**
2010/11		**£000's**	**£000's**
Fees, charges and other service income	(1,808)	(2,744)	(4,552)
Income from Council Tax	(7,173)		(7,173)
Government Grants	(34,497)	(858)	(35,355)
Total Income	**(43,478)**	**(3,602)**	**(47,080)**
Employee expenses	4,292	4,997	9,289
Other service expenses	30,694	5,765	36,459
Support service recharges			0
Total Expenditure	**34,986**	**10,762**	**45,748**
Net Expenditure	**(8,492)**	**7,160**	**(1,332)**

During the financial year the Council introduced routine reporting to the Policy and Resources Committee of a number of income and expenditure items that had not previously been reported with income and expenditure for services. The income items now reported are central government grants, redistributed business rates (NNDR) and council tax. The expenditure items are local precepts, drainage board levies and parish council contributions. For comparative purposes, the table above for 2010/11 has been restated to reflect the change in reporting.

Explanatory Notes to the Core Financial Statements

The table below presents income and expenditure for the previous four policy committees of the Council as presented in the 2010/11 published statement of accounts.

Committee Income and Expenditure	Community and Waste	Economic Development and Regeneration	Organisation and Resources	Planning	Total
2010/11	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**
Fees, charges & other service income	(1,110)	(833)	(1,588)	(801)	(4,332)
Income from Council Tax					
Government grants	(149)	(675)	(26,172)	(34)	(27,030)
Total Income	**(1,259)**	**(1,508)**	**(27,760)**	**(835)**	**(31,362)**
Employee expenses	3,014	990	4,292	993	9,289
Other service expenses	3,626	1,745	28,902	394	34,667
Support service recharges					0
Total Expenditure	**6,640**	**2,735**	**33,194**	**1,387**	**43,956**
Net Expenditure	**5,381**	**1,227**	**5,434**	**552**	**12,594**

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

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

	2010/11	2010/11 (Restated)	2011/12
	£000's	£000's	£000's
Net expenditure in the Committee Analysis	12,594	(1,332)	(1,599)
Net expenditure of services and support services	0	0	0
Amounts in the CIES not reported to management in the Analysis	(1,778)	(1,778)	2,295
Amounts included in the Analysis not included in the CIES	(1,745)	12,181	12,472
Cost of Services in Comprehensive Income and Expenditure	**9,071**	**9,071**	**13,168**

Reconciliation to Subjective Analysis

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

2011/12	Committee Analysis	Services and Support Services not in Analysis	Amounts not reported to management for decision making	Amounts not included in the CIES	Allocation of Recharges	Cost of Services	Corporate Amounts	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Fees, charges & other service income	(3,136)		265	133	6,147	3,409		3,409
Interest and investment income							(379)	(379)
Income from council tax	(7,342)			7,342		0	(7,380)	(7,380)
Government grants and contributions	(34,998)		(1,435)	7,185		(29,248)	(7,264)	(36,512)
Total Income	**(45,476)**	**0**	**(1,170)**	**14,660**	**6,147**	**(25,839)**	**(15,023)**	**(40,862)**
Employee expenses	8,345		(242)			8,103	444	8,547
Other service expenses	35,532		(139)	(2,188)	(6,147)	27,058		27,058
Depreciation, amortisation and impairment			3,846			3,846	(216)	3,630
Interest Payments							111	111
Precepts & Levies							1,846	1,846
Gain or Loss on Disposal of Fixed Assets							(106)	(106)
Total expenditure	**43,877**	**0**	**3,465**	**(2,188)**	**(6,147)**	**39,007**	**2,079**	**41,086**
(Surplus) or deficit on the provision of services	**(1,599)**	**0**	**2,295**	**12,472**	**0**	**13,168**	**(12,944)**	**224**

2010/11 (Restated)	Committee Analysis (Restated)	Services and Support Services not in Analysis	Amounts not reported to management for decision making	Amounts not included in the CIES (Restated)	Allocation of Recharges	Cost of Services	Corporate Amounts	Total (Restated)
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Fees, charges & other service income	(4,552)		104	220	6,627	2,399		2,399
Interest and investment income							(499)	(499)
Income from council tax	(7,173)			7,173			(6,819)	(6,819)
Government grants and contributions	(35,355)		(1,982)	8,325		(29,012)	(10,367)	(39,379)
Total Income	**(47,080)**	**0**	**(1,878)**	**15,718**	**6,627**	**(26,613)**	**(17,685)**	**(44,298)**
Employee expenses	9,289		(4,569)	(1,371)		3,349	935	4,284
Other service expenses	36,459		340	(1,792)	(6,627)	28,380	65	28,445
Depreciation, amortisation and impairment			4,329			4,329	57	4,386
Interest Payments							60	60
Precepts & Levies				(374)		(374)	1,792	1,418
Gain or Loss on Disposal of Fixed Assets							(84)	(84)
Total expenditure	**45,748**	**0**	**100**	**(3,537)**	**(6,627)**	**35,684**	**2,825**	**38,509**
Surplus or deficit on the provision of services	**(1,332)**	**0**	**(1,778)**	**12,181**	**0**	**9,071**	**(14,860)**	**(5,789)**

2010/11	Committee Analysis	Services and Support Services not in Analysis	Amounts not reported to management for decision making	Amounts not included in the CIES	Allocation of Recharges	Cost of Services	Corporate Amounts	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Fees, charges & other service income	(4,332)		104		6,627	2,399		2,399
Interest and investment income							(499)	(499)
Income from council tax							(6,819)	(6,819)
Government grants and contributions	(27,030)		(1,982)			(29,012)	(10,367)	(39,379)
Total Income	**(31,362)**	**0**	**(1,878)**	**0**	**6,627**	**(26,613)**	**(17,685)**	**(44,298)**
Employee expenses	9,289		(4,569)	(1,371)		3,349	935	4,284
Other service expenses	34,667		340		(6,627)	28,380	65	28,445
Depreciation, amortisation and impairment			4,329			4,329	57	4,386
Interest Payments							60	60
Precepts & Levies				(374)		(374)	1,792	1,418
Gain or Loss on Disposal of Fixed Assets							(114)	(114)
Total expenditure	**43,956**	**0**	**100**	**(1,745)**	**(6,627)**	**35,684**	**2,795**	**38,479**
(Surplus) or deficit on the provision of services	**12,594**	**0**	**(1,778)**	**(1,745)**	**0**	**9,071**	**(14,890)**	**(5,819)**

24. MEMBERS' ALLOWANCES

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

	2010/11	2011/12
	£000's	£000's
Basic Allowances	189	188
Special Responsibility Allowance	52	53
Expenses	27	26
Total	**268**	**267**

25. OFFICERS' REMUNERATION

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

		Salary, Fees and Allowances	Taxable Expenses Allowances	Other Payments	Pension Contribution	Total
		£	£	£	£	£
Chief Executive	2011/12	105,000	0		24,571	**129,571**
	2010/11	103,542	1,524		22,402	**127,468**
Director of Resources and Deputy Chief Executive from 04/01/2011 to 31/03/2012	2011/12	80,000	0	27,525	18,720	**126,246**
	2010/11	19,355	195		4,188	**23,738**
Director of Resources and Deputy Chief Executive to 06/09/2010	2011/12	0	0		0	**0**
	2010/11	35,576	131		7,552	**43,259**
Director of Communities & Localism (Monitoring Officer) *	2011/12	71,446	0		16,691	**88,137**
	2010/11	72,005	774		15,492	**88,271**
Director of Neighbourhoods and Health to 31/12/2011	2011/12	53,623	0		12,558	**66,181**
	2010/11	71,473	433		15,463	**87,369**
Director of Regeneration and Planning from 08/12/2011	2011/12	22,521	0		5,270	**27,791**
	2010/11	0	0		0	**0**
Financial Services Manager (Chief Finance Officer) from 06/09/2010	2011/12	55,000	0		12,367	**67,367**
	2010/11	52,655	452		11,161	**64,268**

No Bonus payments were made for senior members of staff in 2010/11 or 2011/12

* Previously Director of Strategy & Regeneration to 08/12/11

The Council's employees (including senior officers) receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts in 2011/12.

Remuneration band	Number of Employees	
	2010/11	2011/12
£50,000 – £54,999	4	2
£55,000 – £59,999	2	0
£60,000 – £64,999	0	0
£65,000 – £69,999	0	0
£70,000 – £74,999	2	3
£75,000 – £79,999	0	0
£80,000 - £84,999	0	1
£85,000 - £89,999	0	0
£90,000 - £94,999	0	0
£95,000 - £99,999	0	0
£100,000 – £104,999	0	0
£105,000 – £109,999	1	1

The number of exit packages with total cost per band, and total cost of other compulsory and other redundancies for the Council in 2011/12 are set out in the table below. Two exit packages relate to senior managers and none to other officers.

Exit Package Cost Band (including special payments)	Number of Compulsary Redundancies		Number of other Departures Agreed		Total Number of Exit Packages by Cost Band		Total Cost of Exit Packages in Each Band	
	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12
							£	£
£0 - £20,000	0	0	0	0	0	0	0	0
£20,001 - £80,000	0	0	0	2	0	2	0	98,962
Total	**0**	**0**	**0**	**2**	**0**	**2**	**0**	**98,962**

26. EXTERNAL AUDIT COSTS

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

	2010/11	2011/12
	£000's	£000's
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor for the year	105*	95**
Fees payable to the Audit Commission in respect of statutory inspections	17	0
Fees payable to the Audit Commission for the certification of grant claims and returns for the year	15	15
Fees payable in respect of other services provided by the Audit Commission during the year	0	0
Total	**137**	**110**

* A rebate of £8k was provided on the 2010/11 audit fee by the Audit Commission, making the net payable with regard to external audit services carried out by the appointed auditor £97k

** A rebate of £8k was provided on the 2011/12 audit fee by the Audit Commission, making the net payable with regard to external audit services carried out by the appointed auditor £87k

27. GRANT INCOME

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2011/12

	2010/11	2011/12
	£000's	£000's
Credited to Taxation and Non Specific Grant Income		
Department of Communities & Local Government - Revenue Support Grant	1,043	1,682
Homes & Communities Agency - Growth Point	481	0
Big Lottery Funding - Young and Safe in Gainsborough	393	79
Department of Communities & Local Government - New Homes Bonus	0	527
Other Grants and Contributions	848	0
Total - Non Specific Grant Income	**2,765**	**2,288**
Credited to Services		
Department of Work & Pensions - Housing Benefits Allowance	19,277	20,552
Department of Work & Pensions - Council Tax Benefits Grant	6,128	6,262
Homes & Communities Agency - Homes For All	0	827
Communities & Local Government - Decent Homes	426	0
Communities & Local Government - Disabled Facilities Grants	217	294
Department of Work & Pensions - Housing Benefits Administration Grant	515	499
Lincolnshire Enterprise - Gainsborough Public Realm	419	0
Lincolnshire County Council - Gainsborough Public Realm	365	0
Primary Care Trust Lincolnshire - Drugs Action Team	0	200
Homes & Communities Agency - Growth Point	124	0
Department of Work & Pensions - Council Tax Administration Grant	163	158
Department for Transport - Concessionary Fares	70	0
Department of Work & Pensions - Future Jobs Fund	515	116
DCSF & Community Safety Partnership via LCC - Family Intervention Project	370	0
Communities & Local Government - NNDR costs for collection	108	0
Other Grants & Contributions	995	616
Total Credited to Services	**29,692**	**29,524**

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at the year-end are as follows:

2010/11 £000's		2011/12 £000's
	Capital Grants Receipts in Advance	
375	Growth Point Eco Town	0
197	S106 agreements	166
87	Other Grants	27
659	**Total**	**193**

28. RELATED PARTIES

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

Central Government

The UK government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework, within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 23 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2012 are shown in Note 27.

Members

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2011/12 is shown in Note 24.

During 2011/12, no material transactions occurred between the council and organisations (companies or other bodies) in which members had an interest. The Council paid levies of £305k to five Internal Drainage Boards where Councillors represented the Council, specifically; Witham 3rd IDB (3 members, £161k), Scunthorpe and Gainsborough Water Management Board (2 members, £56k), Upper Witham IDB (1 member, £39k), Newark Area IDB (1 member, £32k), Ancholme IDB (1 member, £17k). In addition, the Council paid grants totalling £68k to two voluntary organisations in which one member had a position on the governing body. The relevant members did not take part in any discussion or decision relating to the grants. The Register of Members' Interest is available to be viewed on the Council's website.

Officers

During 2011/12, no transactions occurred between the council and organisations (companies or other bodies) in which officers had an interest.

Other Public Bodies [subject to common control by central government]

The Council has representation on the Central Lincolnshire Joint Strategic Planning Committee. Voting rights on the committee are shared equally with the Council holding a 25% share. During 2011/12, the Council contributed £115,700 (2010/11 £114,400) towards the running costs of the unit.

Entities Controlled or Significantly Influenced by the Council

The Council does not control, or significantly influence any other entities.

29. CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

	2011/12	2010/11
	£000's	£000's
Opening Capital Financing Requirement	1,982	1,582
Capital investment		
Property, Plant and Equipment	864	1,940
Intangible Assets	27	89
Revenue Expenditure Funded from Capital under Statute	2,218	3,070
Sources of finance		
Capital receipts	(433)	(1,211)
Government grants and other contributions	(2,155)	(2,908)
Sums set aside from revenue:		
Direct revenue contributions	(385)	(329)
Minimum Revenue Provision	(231)	(251)
Closing Capital Financing Requirement	1,887	1,982
Explanation of movements in year		
Increase in underlying need to borrowing (supported by government financial assistance)	0	0
Increase in underlying need to borrowing (unsupported by government financial assistance)	(231)	(251)
Assets acquired under finance leases	136	651
Assets acquired under PFI/PPP contracts		0
Increase/(decrease) in Capital Financing Requirement	(95)	400

30. LEASES

Council as Lessee

Finance Leases

The Council acquired ten shops, in 1989 on long term leases (125 years) with all rents at payable at peppercorn. In addition, vehicles and other plant and equipment have been acquired under finance leases.

The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

31 March 2011		31 March 2012
£000's		£000's
490	Other Land and Buildings	486
1,036	Vehicles, Plant, Furniture and Equipment	879
1,526		**1,365**

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Council and finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

31 March 2011		31 March 2012
£000's		£000's
	Finance lease liabilities (net present value of minimum lease payments):	
215	current (capital)	234
702	non-current (capital)	587
283	Finance costs payable in future years	202
1,200	**Minimum lease payments**	**1,023**

The minimum lease payments will be payable over the following periods:

31 March 2011			31 March 2012	
Minimum Lease Payments	Finance Lease Liabilities		Minimum Lease Payments	Finance Lease Liabilities
£000's	£000's		£000's	£000's
215	102	Not later than one year	234	80
596	181	Later than one year and not later than five years	584	122
106	0	Later than five years	3	0
917	**283**		**821**	**202**

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2011/12 no contingent rents were payable by the Council (2010/11 £0).

The Council has sub-let the properties held under these finance leases. At 31 March 2012 the minimum payments expected to be received under non-cancellable sub-leases was £94k (£96k at 31 March 2011).

Operating Leases

The Council has entered into operating leases for two vehicles, a multi-storey car park (life expectancy in excess of 25 years) and a depot. The agreement in respect of the multi-storey car park is treated as an embedded lease and the payments associated with this are linked to RPI.

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

31 March 2011		31 March 2012
£000's		£000's
168	Not later than one year	164
530	Later than one year and not later than five	365
0	Later than five years	0
698		**530**

The expenditure charged to the Cultural, Environmental, Regulatory and Planning Services line in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

31 March 2011		31 March 2012
£000's		£000's
168	Minimum lease payments	168
102	Contingent rents	116
0	[Sublease payments receivable]	0
270		**284**

Council as Lessor

Finance Leases

The Council leased out three properties on finance leases in the 1980's with remaining terms in excess of 70 years. A premium was paid on commencement of the lease term, for each property with annual rents payable on a peppercorn basis. The total existing use value of the three properties at 31 March 2012 was £30k. The properties are themselves held by the Council on long leases. Based on the materiality of the values, the peppercorn rents and the length of the lease terms the Council has not assessed any gross investment in the leases.

Operating Leases

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

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

The net book value of these assets is £7,240k.

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

31 March 2011 £000's		31 March 2012 £000's
258	Not later than one year	241
682	Later than one year and not later than five years	606
495	Later than five years	414
1,435		**1,261**

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2011/12 £0.6k contingent rents were receivable by the Council (2010/11 £1k).

31. IMPAIRMENT LOSSES

The Code requires disclosure by class of assets of the amounts for impairment losses and impairment reversals charged to the Surplus or Deficit on the Provision of Services and to Other Comprehensive Income and Expenditure. These disclosures are consolidated in Notes 12 and 13 reconciling the movement over the year in the Property, Plant and Equipment and Intangible Asset balances.

During 2011/12, the Council had no material impairment losses.

32. DEFINED BENEFIT PENSION SCHEMES

Participation in Pension Schemes

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

> *The Local Government Pension Scheme*, administered locally by Lincolnshire County Council – this is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.
>
> *Arrangements for the award of discretionary post retirement benefits upon early retirement* – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, no investment assets are built up to meet these pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

Transactions Relating to Post-employment Benefits

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Council is required to make against Council Tax is based on the cash payable in the year, so the real cost of post employment / retirement benefits is reversed out of the General Fund via the MIRS. The following transactions (overleaf) have been made in the CIES and the General Fund Balance via the MIRS during the year:

Explanatory Notes to the Core Financial Statements

	Local Government Pension Scheme £000's	
	2011/12	**2010/11**
Comprehensive Income and Expenditure Statement		
Cost of Services:		
Current service cost	977	1,174
Past service cost / (Gain)	156	(5,755)
Financing and Investment Income and Expenditure		
Interest cost	2,753	3,210
Expected return on scheme assets	(2,309)	(2,275)
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**1,577**	**(3,646)**
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
Actuarial gains and losses	(4,552)	8,706
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**(2,975)**	**5,060**
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(210)	5,018
Actual amount charged against the General Fund Balance for pensions in the year:		
Employers' contributions payable to the scheme	(1,283)	(1,290)
Retirement benefits payable to pensioners	(84)	(82)

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement was at 31 March 2011/12 a loss of £18.425m and at 31 March 2010/11 was a loss of £13.873m.

Assets and Liabilities in Relation to Post-employment Benefits

Reconciliation of present value of the scheme liabilities	Funded liabilities: Local Government £000's	
	2011/12	2010/11
Opening balance at 1 April	**50,390**	**63,058**
Current service cost	977	1,174
Interest cost	2,753	3,210
Contributions by scheme participants	342	377
Actuarial Losses / (Gains)	2,732	(9,711)
Benefits paid	(2,152)	(1,963)
Past service Costs / (Gains)	156	(5,755)
Entity combinations	0	0
Losses / (Gains) on Curtailments	0	0
Liabilities Extinguished on Settlements	0	0
Closing balance at 31 March	**55,198**	**50,390**

Reconciliation of fair value of scheme assets	Local Government Pension Scheme £000's	
	2011/12	2010/11
Opening balance at 1 April	**33,683**	**32,627**
Expected rate of return	2,309	2,275
Actuarial Gains / Losses	(1,820)	(1,005)
Employer contributions	1,283	1,290
Contributions by scheme participants	342	377
Benefits paid	(2,068)	(1,881)
Entity combinations	0	0
Assets Distributed on Settlements	0	0
Closing balance at 31 March	**33,729**	**33,683**

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns 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 £0.497m (2010/11: £2.441m).

Scheme History

	2007/08	2008/09	2009/10	2010/11	2011/12
	£000's	£000's	£000's	£000's	£000's
Present value of liabilities:					
Local Government Pension Scheme	(39,277)	(38,097)	(61,441)	(49,017)	(53,768)
Discretionary Benefits	(1,266)	(1,318)	(1,617)	(1,373)	(1,430)
Fair value of assets in the Local Government Pension Scheme					
Surplus/(deficit) in the scheme:					
Local Government Pension Scheme	31,345	25,243	32,627	33,683	33,729
Surplus/(deficit) in the scheme:	**(9,198)**	**(14,172)**	**(30,431)**	**(16,707)**	**(21,469)**

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £21.5m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in an overall balance of £9.929m. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

- the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary
- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the council in the year to 31 March 2013 is £1.204m. Expected contributions for the Discretionary Benefits scheme in the year to 31 March 2013 are £86k.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been provided by Hymans Robertson LLP, an independent firm of actuaries, estimates for the County Council Fund being based on the last formal valuation of the scheme as at 31 March 2010.

Principal assumptions used by the actuary

	Local Government Pension Scheme	
	2011/12	**2010/11**
Long-term expected rate of return on assets in the scheme:		
Equity investments	6.20%	7.50%
Bonds	4.40%	4.90%
Property	4.40%	5.50%
Cash	3.50%	4.60%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	21.2	21.2
Women	23.4	23.4
Longevity at 65 for future pensioners:		
Men	23.7	23.7
Women	25.7	25.7
Rate of inflation	2.50%	2.80%
Rate of increase in salaries	4.8% *	5.1% **
Rate of increase in pensions	2.50%	2.80%
Rate for discounting scheme liabilities	4.80%	5.50%
Take-up of option to convert annual pension into maximum retirement lump sum - within HMRC limits		
pre April 2008 service - maximum additional-tax free cash	25.00%	25.00%
post April 2008 service - maximum tax-free cash	63.00%	63.00%

The Discretionary Benefits arrangements have no assets to cover the liabilities. The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

LGPS Asset Categories	31 March 2012	31 March 2011
	%	%
Equity investments	74	76
Debt Instruments	13	12
Property	12	11
Cash	1	1
Total	**100**	**100**

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2011/12 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2012:

	2007/08	2008/09	2009/10	2010/11	2011/12
	%	%	%	%	%
Differences between the expected and actual return on assets	(19.5)	(39.6)	11.4	(10.0)	(12.3)
Experience gains and losses on liabilities	(6.4)	0.0	0.0	4.9	1.5

33. CONTINGENT LIABILITIES

At 31 March 2012 the Council had the following material contingent liabilities:

Grant Claims

The Council submits grant claims for substantial amounts each year. From time to time interpretation of legislation may be a matter of professional and technical judgement. In this context it may lead to possible grant qualifications by the external auditors. It is not possible to produce a reliable forecast for the cost of any grant qualifications.

The Council also acts as the Accountable Body for a range of grant funding that is or has been paid for the benefit of third parties. In the role of Accountable Body, the Council has to agree to the repayment of grant should there be a breach of the terms and conditions of the grant. Whilst every effort is taken to administer the grants to minimise any risk of financial loss to the Council, this risk cannot be eliminated. However, it is not possible to make a reliable forecast of any grant claw back arising from Accountable Body status.

34. CONTINGENT ASSETS

At 31 March 2012 the Council had no material contingent assets.

35. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

Credit risk – the possibility that other parties might fail to pay amounts due to the Council,

Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments,

Market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates.

Explanatory Notes to the Core Financial Statements

Overall procedures for managing risk

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

- by formally adopting the requirements of the CIPFA Treasury Management Code of Practice;
- by the adoption of a Treasury Policy Statement and treasury management clauses within the Council's Constitution;
- by approving annually in advance prudential and treasury indicators for the following three years limiting:
    - The Council's overall borrowing;
    - Its maximum and minimum exposures to fixed and variable rates of interest;
    - 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 or before the start of the year to which they relate. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported after each year, as is a mid-year update.

The annual treasury management strategy which incorporates the prudential indicators was approved by Council on 07/03/11 and is available on the Council website. The key issues within the strategy were:

- The Authorised Limit for 2011/12 was set at £6.600m. This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary is the expected level of debt and other long term liabilities during the year and was approved at £1.357m nil. Periods where the actual position is above the Operational Boundary is acceptable subject to the Authorised Limit not being breached
- The maximum amounts of fixed and variable interest rate exposure were set at 100% and 25% based on the Council's net debt.

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

Credit Risk

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

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poors Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above. Additional selection criteria can be applied after the initial criteria is applied at times of enhanced investment market volatility. The key areas of the Investment Strategy are that the minimum criteria for investment counterparties include:

- being domiciled in a country which has a minimum sovereign long term rating of AAA.
- Credit ratings of Short Term of F1, Long Term A, Support C and Individual 2 (Fitch or equivalent rating), with the lowest available rating being applied to the criteria.
- UK institutions provided with support from the UK Government;

The full Investment Strategy for 2010/11 was approved by the Council on 07/3/11 and is available on the Council's website.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £13.138m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2012 that this was likely to crystallise.

Impaired Money Market Deposits

Investments included in current and non current assets in the Balance Sheet include the money market deposits that have been impaired. In October 2008, the Icelandic banks Landsbanki, Kaupthing and Glitnir collapsed and two UK subsidiaries, 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.

Impaired Money Market Deposits at 31 March 2012

Bank	Date Invested	Maturity Date	Amount Invested £000s	Interest Rate %	Carrying Amount £000s	Impairment £000s
Glitnir	07/02/2008	06/02/2009	1,000	5.45	0	(19)
Heritable Bank	15/07/2008	17/10/2008	1,000	5.88	196	119
Landsbanki	15/07/2008	17/10/2008	1,000	5.88	581	116
Landsbanki	30/07/2008	17/10/2008	1,500	5.8	872	176
Landsbanki	15/08/2008	21/11/2008	1,500	5.89	872	174
Heritable Bank	17/09/2008	08/10/2008	1,000	5.55	195	120
					2,717	**686**

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. Adjustments to the assumptions will be made in future accounts as more information becomes available.

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.

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. As at 31 March 2012 £1,369,692.44 (67.9%) has been repaid and the revised impairment is based on the assumption that a further 20.1% will be received by April 2013, taking the total dividends expected to be paid to 88%. In calculating the impairment the Council has made the following assumptions re timing of recoveries:

Date	Repayment	Date	Repayment
Received to date	67.90%	October 2012	3.50%
April 2012	3.79%	January 2013	3.50%
July 2012	3.50%	April 2013	5.81%

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

Landsbanki hf

Landsbanki Islands hf is an Icelandic entity. Following steps taken by the Icelandic Government in early October 2008 its domestic assets and liabilities were transferred to a new bank (new Landsbanki) with the management of the affairs of Old Landsbanki being placed in the hands of a resolution committee. Following the Icelandic Supreme Court decision to grant UK local authorities priority status, the winding up board made a distribution to creditors in a basket of currencies in February 2012.

An element of the distribution is in Icelandic Krona which has been placed in an escrow account in Iceland and is earning interest of 3.35%. This element of the distribution has been retained in Iceland due to currency controls currently operating in Iceland and as a result is subject to exchange rate risk, over which the Council has no control.

The current position on estimated future payouts is as shown in the table below and this council has used these estimates to calculate the impairment based on recovering 100% of the Council's claims.

Landsbanki:

Date	Repayment	Date	Repayment
Received to date	30.00%	December 2015	7.00%
May 2012	12.20%	December 2016	7.00%
December 2012	7.00%	December 2017	7.00%
December 2013	7.00%	December 2018	7.00%
December 2014	7.00%	December 2019	8.80%

Recovery is subject to the following uncertainties and risks:

- The impact of exchange rate fluctuations on the value of assets recovered by the resolution committee and on the settlement of the Council's claim, which may be denominated wholly or partly in currencies other than sterling.

Recoveries are expressed as a percentage of the authority's claim in the administration, which it is expected may validly include interest accrued up to the respective maturity dates of the Council's original deposits.

Glitnir hf

Glitnir Bank hf is an Icelandic entity. Following steps taken by the Icelandic Government in early October 2008 its domestic assets and liabilities were transferred to a new bank (new Glitnir) with the management of the affairs of Old Glitnir being placed in the hands of a resolution committee. Following the Icelandic Supreme Court decision to grant UK local authorities priority status, the winding up board made a distribution to creditors in a basket of currencies in March 2012.

An element of the distribution is in Icelandic Krona which has been placed in an escrow account in Iceland and is earning interest of 3.4%. This element of the distribution has been retained in Iceland due to currency controls currently operating in Iceland and as a result is subject to exchange rate risk, over which the Council has no control.

The distribution has been made in full settlement, representing 100% of the claim.

Foreign exchange risk in Relation to Icelandic Deposits - The Council has foreign exchange exposure resulting from an element of the settlement received from Glitnir/Landsbanki. This is being held in Icelandic Krona in an escrow account due to the current imposition of currency controls.

Accounting for Impairment

The cumulative impairment (principal plus interest not received) that has been recognised in the CIES as at 31 March 2012 is £0.686m (£1,152m at 31/3/11) as calculated by discounting the assumed cash flows at the effective interest rate of the original deposits in order to recognise the anticipated loss of interest to the Council until monies are recovered. In 2011/12 the impairment was reversed by £0.466m as explained in section 4 of the Explanatory Foreword.

Adjustments to the assumptions will be made in future accounts as more information becomes available.

Liquidity Risk

The Council manages its liquidity position through the risk management procedures outlined above, as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed.

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

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

Market Risk

Interest Rate Risk

The Council has no long term debt but may borrow for short term cash flow purposes. The Council is exposed to risk in terms of its exposure to interest rate movements on mainly its investments and potentially any borrowings. Movements in interest rates have a complex impact on the Council. For instance, a rise in interest rates would have the following effects:

Borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise,

Borrowings at fixed rates – the fair value of the liabilities borrowings will fall,

Investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise,

Investments at fixed rates – the fair value of the assets will fall.

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

The Council has a number of strategies for managing interest rate risk. The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether any new borrowing taken out is fixed or variable.

According to this assessment strategy, at 31 March 2012, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£000's
Increase in interest payable on variable rate borrowings	0
Increase in interest receivable on variable rate investments	145
Increase in government grant receivable for financing costs	0
Impact on Surplus or Deficit on the Provision of Services	**145**
Decrease in fair value of fixed rate investment assets	0
Impact on Other Comprehensive Income and Expenditure	0
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	0

The impact of a 1% fall in interest rates would be to reduce forecast income for 2012/13 from £135k to £91k.

Price Risk

The Council holds no quoted instruments and is therefore not exposed to price risk.

Foreign Exchange Risk

Foreign exchange risk in Relation to Icelandic Deposits - The Council has foreign exchange exposure resulting from an element of the settlement received from Glitnir and Landsbanki. This is being held in Icelandic Krona in an escrow account due to the current imposition of currency controls.

As outlined above, under credit risk, repayments of the deposits with the Icelandic-domiciled banks will be based on the value of the deposits in Icelandic Krona.

36. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

2010/11		2011/12
£000's		£000's
(220)	Interest received	(113)
125	Interest paid	111
(95)		**(2)**

Collection Fund

Introduction

The Collection Fund is a statutory account introduced under the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992). The fund records the collection and distribution of amounts due in respect of Council Tax and National Non-Domestic Rates (NNDR). A separate balance sheet is not required as collection fund balances are consolidated into the Council's Balance Sheet.

The year-end surplus or deficit, on the Collection Fund is distributed between billing and precepting authorities in a future financial year.

2010/11 £000's		Notes	2011/12 £000's
	Income		
39,376	Net Council Tax Receivable	1	39,652
6,061	Council Tax Benefit		6,204
14,984	Income collectable form Business Ratepayers	2	14,405
60,421	**Total Income**		**60,261**
	Expenditure		
	West Lindsey District Council		
7,151	Precept		7,294
22	Distributed Surplus		48
	Lincolnshire County Council		
32,290	Precept		32,565
104	Distributed Surplus		218
	Lincolnshire Police Authority		
5,432	Precept		5,478
17	Distributed Surplus		37
14,860	Payment to NNDR Pool		14,246
108	Cost of Collection Allowance		107
79	Bad & Doubtful debts written off		50
(50)	Increase/(Decrease) in Impairment Allowance		(19)
60,013	**Total Expenditure**		**60,024**
408	Surplus/ (Deficit) for the year		237
447	Opening Surplus / (Deficit)		854
855	**Carry forward Surplus / (Deficit)**	**3**	**1,091**

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 £1,483.66 (2010/11 £1,480.98) 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
Disabled	0	28.75	5/9	15.97
A	15,175	12,626.05	6/9	8,417.37
B	7,570	6,672.95	7/9	5,190.07
C	7,256	6,546.45	8/9	5,819.07
D	5,424	5,033.50	9/9	5,033.50
E	3,253	3,069.30	11/9	3,751.37
F	1,342	1,262.20	13/9	1,823.18
G	503	468.60	15/9	781.00
H	60	37.50	18/9	75.00
				30,906.53
Band D Equivalent for Council Tax Base				**30,442.93**
Band D Equivalent of Contributions in Lieu				**114.94**
Total Council Tax base				**30,557.87**

The band D equivalent dwellings is multiplied by the estimated collection rate of 98.5% to arrive at a base figure of 30,442.93 and then the contributions in lieu are added to this to arrive at a base figure of 30,557.87.

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 43.3p in 2011/12 (41.4p in 2010/11). The non-domestic rate multiplier for small businesses is 42.6p in 2011/12 (40.7p in 2010/11). Subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by this multiplier. Local rateable values were £42.268m in 2011/12 (£42.156m in 2010/11).

3. Surplus on the Collection Fund

The surplus of £1,090,816 at the 31 March 2012, which related to Council Tax, 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.

2010/11 £000's	Share of Collection Fund Balance	2011/12 £000's
137	West Lindsey District Council	175
615	Lincolnshire County Council	784
103	Lincolnshire Police Authority	132
855	**Total Income**	**1,091**

Glossary of Terms

- **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, an example being 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.

- **Community Assets**
  Fixed Assets that the Council intends to hold in perpetuity which have no determinable finite useful life and, in addition, may have restrictions on their disposal. Examples include parks and churchyards.

Glossary of Terms

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

- **Fair value**
  Fair value is the price at which an asset could be exchanged in an arm's length transaction, less any grants receivable towards the purchase of the asset.

- **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.

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

- **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 Council 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.

- **Main Account Statements**
  - **Comprehensive Income and Expenditure Statement (CIES)**
    A financial statement which records the day to day activity of the Council

  - **Movement in Reserves Statement (MIRS)**
    This statement shows the movement in the year on the different reserves held by the Council

  - **The Balance Sheet**
    This statement shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council

  - **Cash Flow Statement**
    This statement shows the changes in cash and cash equivalents of the Council during the reporting period.

- **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.

- **Reporting Standards**
  The Code of Practice prescribes the accounting treatment and disclosures for all normal transactions of a local authority. It is based on International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), International Public Sector Accounting Standards (IPSAS) and International Financial Reporting Interpretations Committee (IFRIC) plus UK Generally Accepted Accounting Practice (GAAP) and Financial Reporting Standards (FRS) including Statements of Standard Accounting Practice (SSAP).

  IFRS is applicable to all Local Authorities from 1 April 2011.

- **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 Expenditure Funded From Capital under Statute (REFCUS)**
  Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non-current 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.

ANNUAL GOVERNANCE STATEMENT 2011/12

1. Introduction

1.1. This Statement follows the best practice guidance for local authorities on the preparation and drafting of an Annual Governance Statement (AGS).

1.2. The Governance Framework to which this statement applies was in place from 1st April 2011 to the date of the approval of the statement of Accounts in September 2012.

2. Scope of Responsibility

2.1. 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.

2.2 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.

2.3 In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

2.4 To do this, the Council has adopted a governance and assurance framework which is consistent with the principles of the Chartered Institute of Public Finance Accountancy (CIPFA)/Society of Local Authority Chief Executives (SOLACE) Framework 'Delivering Good Governance in Local Government'[1]. This is an inter-related system that brings together an underlying set of legislative requirements, governance principles and management processes that relate to the Council.

2.5 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.

3. The purpose of the Annual Governance Statement

3.1. This statement explains how the Council has complied with national good practice guidance and meets the requirements of the Accounts and Audit (England) Regulations 2011[1] in relation to the publication of a statement on internal control.

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[1] Delivering Good Governance in Local Government

3.2. Under the six principles in the governance framework, the statement:

1. Identifies changes introduced during the year to improve governance,
2. Takes into account some of the activity that has taken place to support the principles,
3. Makes a declaration of any governance issues identified through our assurance framework.
4. Identifies improvements planned to improve governance under the principle.

3.3. An action plan will be monitored by the Corporate Governance and Strategy Group and the Governance and Audit Committee to address those areas of Governance identified in this statement.

4. The Governance Framework

4.1. The Council has developed effective governance arrangements as set out in our governance framework. We gain assurance by testing the framework and processes within it, to have confidence that the governance framework is operating as intended and that we are:

"Delivering outcomes to the place and community ensuring value for money and probity in decisions made"

4.2. The framework focuses on the systems and processes for the direction and control of the Council in accounting to, engaging with and leading the community, under the six core principles of good governance:

1. Engaging with local people and stakeholders to ensure robust public accountability
2. Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area.
3. Members and Officers working together to achieve a common purpose with clearly defined functions and roles (Member/Officer Relationships and roles)
4. Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour
5. Taking informed, transparent decisions which are subject to effective scrutiny and managing risk.
6. Developing the Capacity and capability of Members and Officers to be effective

Each of these core principles are shown on the diagram on the next page, detailing the aspects of the internal control for each theme, and forms the framework for this Annual Governance Statement.

4.3. The system of risk management is a significant part of the framework, designed to manage risks to an acceptable level. Risk Management aims to:

1. Identify risks to the delivery of our priorities,
2. Evaluate the likelihood of the of those risks being realised,
3. Evaluate the impacts, should the risks materialise,

4. Identify the control method for risks including any necessary actions.
5. Ensure that risks are managed efficiently, effectively and economically.

4.4. It should be noted that the system is designed to manage risk to a level that is considered to be acceptable by the Council, rather than to eliminate the risk. This can only therefore provide reasonable and not absolute assurance of effectiveness.

4.5. Risk Management supports the role and work plan of the Governance and Audit Committee and Corporate Governance and Strategy Group by advising on risks to achieving the strategic objectives of the Council and statutory requirements, as set out in corporate and service risk registers.

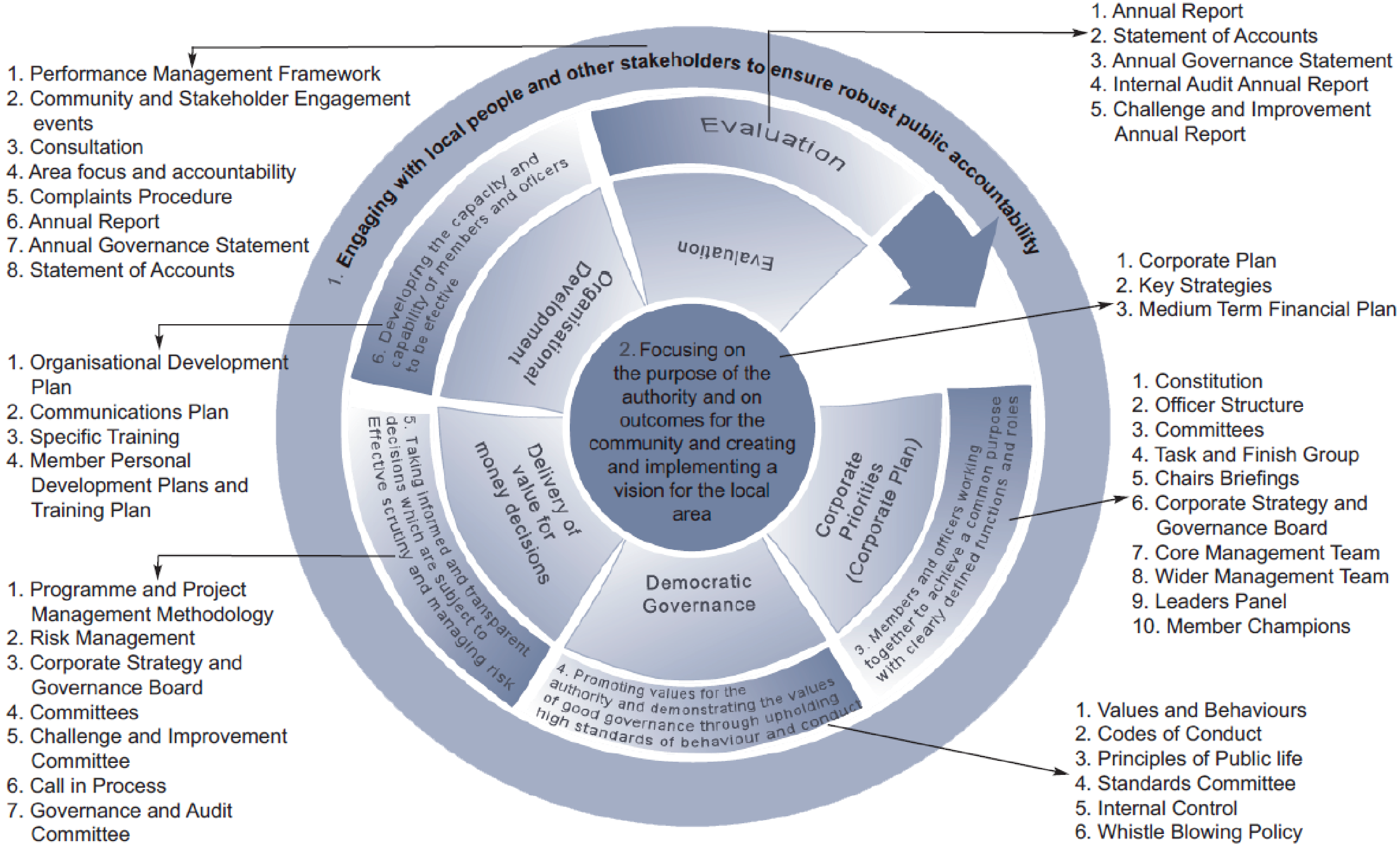
4.6 The review of governance arrangements has included the view of members of Wider Management Team, the Governance and Audit Committee and the Corporate Strategy and Governance Board and Internal Audit on the issues and developments under each of the framework areas and an assessment based on the CIPFA/Solace framework, Delivering Good Governance in Local Government.

4.7 The Internal Audit Annual report has given an opinion on the effectiveness of the Council's arrangements for governance, risk management and control arrangements as follows:

- Governance - performing adequately, some improvements required
- Risk Management – performing adequately, some improvements required.
- Internal Control - performing adequately, some improvements required
- Financial Control – performing well

Corporate Governance

Delivering outcomes to the place and community, ensuring value for money and probity in decisions made



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

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

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

Improvement made last year to support this principle:

- Staff reorganisation to give teams more of a place focus.
- Divided our district into six smaller areas to be able to focus our resources on meeting the needs of local communities.
- Area summits have been held in each area, where local representatives, business people and community groups have got together to define priorities for the area.
- Progress and Delivery Report introduced to improve reporting on the delivery of the Corporate Plan and service performance.
- Developed relationships with key partners, including regular joint corporate management and political leadership meetings with organisations such as East Lindsey District Council, Lincolnshire County Council and North East Lincolnshire Council.

General activity to support this principle:

- Our Citizen's Panel of over 1,200 people in West Lindsey, helps us to develop and improve our services by taking into account the views and opinions of local people.
- Consultations on service changes such as winter green waste collections.
- Regular local Business Forum meetings have been attended by training providers, employers, and support agencies.
- Reviewed all customer comments and complaints to identify opportunities to learn from the experience that local people have of the services that we provide.
- Staff surveys this year looked at terms and conditions, flexible working and an evaluation of training as well as developing our new values and behaviours.
- Any spending over £500 and senior officer pay is published for local people to see, as well as our pay policy statement.

Significant issues related to this principle:

No issues to report. There were no cases of maladministration determined by the Local Government Ombudsman.

Next steps to improve this principle:

- Realign the Progress and Delivery Reports to match the New Corporate Plan measures
- Further develop the role of the Localism teams
- Review the effectiveness of the Area Summits
- We must be assured that the 6 principles are reflected in the way that we work with partners and that we have confidence that their governance arrangements reflect ours.
- Undertake In Depth Business Reviews to ensure value for money in service delivery

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

This involves applying strategic leadership by developing a vision for the district; being clear about the outcomes for local people and making the best sue of resources to achieve those outcomes.

Improvement made last year to support this principle:

- We launched a new Corporate Plan, to 2014 focusing on the needs of local communities to be able to achieve:
  1. Active, Healthy and Safe Communities
  2. A Green District
  3. A Prosperous District and
  4. An Entrepreneurial Council
  5. Accessible and Connected communities.
- The Corporate Plan includes a range of priorities under these themes.

General activity to support this principle:

By focusing on the needs of the District and the priorities for each of our six areas, we can allocate our resources and work with local partners to be able to make the greatest difference.

Continue to challenge service delivery through the redesign project to clearly define the purpose of the service.

Issues related to this principle:

None identified.

Next steps to improve this principle:

- Refresh the Corporate Plan based on an improved evidence base and feedback from the Area Summits.
- Strengthen the accountability for delivery in the Corporate Plan.

- Improve the Corporate Plan Consultation approach.
- Deliver the In Depth Business Review project to challenge current service provision against the purpose of the Council.

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

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.

The Council Constitution sets out how the Council operates; how decisions are made and challenged, procedures to be followed to ensure that these are efficient, transparent and accountable to local people.

Improvement made last year to support this principle:

- In 2011, we revised our constitution to make sure that the way we are organised and do business reflects the current needs of the organisation.
- We have reorganised the workforce to be more aligned to deliver the Corporate Plan.
- Monthly Committee Chairs briefings have been introduced to involve members early on in policy development
- Members have volunteered to become member champions – sharing their expertise and information to help us to meet the current challenging needs.
- We have developed a protocol to make clear the different roles of members and officers and so that relationships are built on mutual respect.
- We have set up projects to look at the support that members get, to be able to meet their community leadership role and to be confident in their capacity as members on outside bodies.

General activity to support this principle:

- We have a Member forum that gives members the opportunity to develop a support network where they can learn from each other and help to develop their own training development plans.
- We have held Leader's panel meetings monthly, with senior members to discuss key issues and give guidance to the Management Team.
- Members have been involved in a number of projects and programme boards.

Issues related to this principle:

The Annual Council meeting each year considers a report from the Monitoring Officer which reviews the Constitution to ensure that it remains robust and effective.

Next steps to improve this principle:

- Continue to develop the Task and Finish groups to work on specific policy areas.
- Review the effectiveness of the monthly briefings and implement any improvements identified.

5.4 **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)**

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

Improvement made last year to support this principle:

- We have further developed our standards by introducing our values and behaviours for all staff through staff and member champions.
- The procedure for registering interests, gifts and hospitality by staff and members has been given a higher profile. Checks and new forms have been introduced with accompanying guidance.

General activity to support this principle:

- The standards regime is changing, but during the period of this statement, there was a Standards Committee whose key objective was to raise the profile of good governance with officers, parish and town councils, members and the public.
- The Standards Committee has also promoted the codes of conduct and ethical governance, making training and guidance available to all members. The Audit Commission report into Governance confirmed that the Standards Committee and processes relating to it are good, as are training opportunities.
- Any issues that could not be resolved here were dealt with by the Standards Board for England.

Issues related to this principle:

There were no issues identified

Next steps to improve this principle:

The Local Government Association has issued a recommended code for members. We have developed our own code to meet these new guidelines and will work with members to make sure that this meets the governance needs of the Council.

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

The Council has recognised the importance of an informed, transparent decision making process that has the confidence of local people and partners.

Improvement made last year to support this principle:

- We have developed the project approval and management approach which requires a thorough consideration to be given to key areas such as the evidence of need for the project, stakeholders and their expectations and outcomes prior to approval to progress.
- We have developed a corporate system that allows us to identify service, corporate and fraud risks and to share information across the organisation.
- We have introduced Corporate Plan delivery boards to govern the delivery of key projects in line with our methodology.
- To make sure that the scrutiny function adds value to the decision making process, the review of the constitution has established a Challenge and Improvement Committee to undertake the overview and scrutiny function. It will work through time limited Task and Finish groups carrying out in depth reviews of topics, focusing on the outcomes of decisions to people in the District. This provides opportunities for all members, particularly those not in a formal role, to be involved in significant work of value to the whole community.
- Together with our County Council colleagues we have carried out exercises to identify our risk appetite in different circumstances. We need to make sure that we take well measured risks which improve overall performance and decision making.

General activity to support this principle:

- Our committee meetings and full Council are held in the evening and are open to the public, who have the right to raise questions. Meetings are also broadcast on our website for people to be able to watch the proceedings. The changes to the Council's constitution strengthen this further, making it explicit that we will facilitate and welcome involvement and input from partners and local people.
- The fraud risk register reflects the Fraud, Corruption and Money Laundering strategy which strengthened consideration of council tax and employment fraud. The strategy also includes a work plan and increased joint working with the Lincolnshire Fraud Group so that we can gain from best practice and allow a County view to be taken of the threats and opportunities that are facing local authorities in Lincolnshire.
- 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.
- Each policy committee receives monitoring information on their respective budgets on a quarterly basis and the Policy and Resources Committee

receives a full review of the Council's budgetary position. As part of the capital monitoring process this report gives members an update on the progress of the capital programme.

- A risk management strategy was in place during the period of this statement and will be revised to take account of the changes that have taken place in the organisation.
- New officers and members of the Governance and Audit Committee, as part of their induction training also receive training and awareness raising on the management of risk and their responsibility to identify the risks and opportunities in achieving the Council's strategic aims.

Issues related to this principle:

- Internal Auditors have given limited assurance to the way that project and budget management has been applied and we will be working through an action plan to ensure that the methodology is applied consistently.
- There have been two breaches of the Council's policy on investment counterparty limits and action has been taken to prevent this from happening again.
- An Internal Audit review of our risk management arrangements has given limited assurance as at the time of the audit, it was noted that we were going through a restructure which included changes to the governance arrangements of key groups and senior management. This affected the consistency of the way risk management was conducted.
- Internal audit have raised issues about the achievements and resources of the Joint Planning Unit, of which we are partners.
- Limited assurance has also been given in relation to the Council's partnership arrangements for the operation of financial management systems.

Next steps to improve this principle:

- We will be revising our risk management strategy to take account of changes to the organisation and the work that we have done on defining our appetite for risk.
- Further work is needed to embed the system throughout the organisation and to make sure that risk is taken into account in planning, projects and performance management.
- As a member of the Governance Board for Central Lincolnshire, we will ensure that there is a project and action plan to take the Core Strategy through to adoption.
- We will take the learning from audits related to partnership working this year and review governance in key partnerships.

5.6 **Developing the Capacity and capability of Members and Officers to be effective**

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.

Improvement made last year to support this principle:

- We have introduced a new appraisal process and a set of management standards to help identify training and development needs to ensure that we have a workforce capable of delivering the Corporate Plan in line with our approach, values and behaviours.
- 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.
- As part of the work to improve the governance arrangements in relation to the roles of officers and members and quality working relationships, we have taken part in member and officer development sessions.
- A Member Forum has been set up with the aim to improve the Member development process and to help establish Member Development Plans. This will help us to meet the future needs of leadership and ensure that members are fully prepared for their roles.
- Induction training is provided for new members and peer mentoring for the group leaders who recognise the importance of supporting group development. A number of members have successfully completed the Leadership Academy, further enhancing overall capability.

Activity undertaken last year to support this principle:

- The Council has a wide range of policies and strategies that help us to make sure that we are complying with agreed processes. This gives assurance that risks are being managed and that we are doing the right things in the right way

Issues related to this principle:

- Our Internal Auditors have identified occasions where there has been non-compliance with policies in relation to project and budget management. Systems have been tightened to strengthen assurance and this is included in the action plan.

Next steps to improve this principle:

- Senior managers are currently working to ensure the roll out of relevant, effective training for members with a flexible approach to meet individual members' needs.
- We will ensure that our policies and procedures are adhered to by raising awareness and checking through the appraisal system.

6. **Review of Effectiveness**

6.1 The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework, including the system of internal control.

6.2 The review of effectiveness is informed by the work of the Chief Officers within the Council who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

6.3 This review has informed the issues and actions that are being taken forward in this approved Annual Governance Statement following agreement by the Governance and Audit Committee in June 2012.

7. Key roles in maintaining and reviewing the effectiveness are performed by:

The Council	The Council has responsibility for the Budgetary and Policy Framework
Corporate Governance and Strategy Board	The group includes the statutory officers of the Council – the Head of Paid Service (Chief Executive), the Monitoring Officer and the Section 151 Officer (the Financial Services Manager), and is responsible for overseeing the Governance Framework, for making decisions around its review and monitoring its effectiveness.
Governance and Audit Committee	Oversees the financial processes, audit and risk management, the corporate governance framework and the Annual Governance Statement and action plan. As part of the Governance Framework, each year, in compliance with Regulation 6 of the Accounts and Audit (Amendment) (England) Regulations 2011, the Governance and Audit Committee carries out a review of the effectiveness of the system of internal audit.
Challenge and Improvement Committee	The Challenge and Improvement Committee is responsible for exercising the powers of call in and scrutiny and to challenge decisions taken by policy committees.
Internal Auditors, Audit Lincolnshire	A major part of the governance process, drawing the attention of the Corporate Governance and Strategy Group and the Governance and Audit Committee to any governance issues or risks that they identify.
Audit Commission	Determine whether we have adequate arrangements to promote and demonstrate the principles and values of good governance.

8 Control

8.1 In undertaking this review, the Chief Financial Officer took into account the internal audit plan and its delivery as well as feedback and engagement through the audits.

8.2 The Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the role of the Chief Financial Officer in Local Government (2010) as set out in the application note to Delivering Good Governance in Local Government: Framework.

9. Issues identified for 2011/12

9.1 Issues identified during 2011/12 or carried forward now deemed resolved

1. **Member training and development** – an approach has been approved in year and is on track to be delivered. The effectiveness of this approach will be considered by the Governance and Audit committee to provide assurance on its effectiveness by way of 6 monthly progress reports to the committee.
2. **Treasury Management** – received limited assurance during the year from Internal Audit. All actions agreed have been delivered.
3. **Use of consultants and ICT access for starters and leavers** – received limited assurance during the year from Internal Audit. All actions agreed have been delivered.
4. **Value for Money** – ensuring that we deliver efficient and effective services that meet the needs of our communities, we have developed a programme of service reviews to make sure that all of our services compare well with best practice, are efficient and represent value for money.
5. **Transformation** – The changes to project approval and our governance arrangements during 2012 ensure that the 6 principles of good governance are including in the decision making process.

9.2 Issues that continue to be of a concern with regards to good governance to be carried forward to be resolved during 2012/13

1. **Outcomes performance management** – to be assured that performance management is delivering up to date and relevant information that is informing members and managers of the outcomes that are being delivered.
2. **Partnerships** – to be assured of the governance, in particular risk and performance management of our partnership working and the partners that we work with.
3. **Risk Management –** ensuring that risk management is embedded within the organisation and improves and informs performance, decision making and resource allocation. This needs to take into account the changes to the organisation. Management of corporate risks should focus on what is of corporate importance to the Council.
4. **Project management** – to be assured that projects are managed in accordance with our project management principles and that these are embedded and integral to how projects are successfully managed and

delivered, and that risk and resources are fully taken account of. Robust governance, project management and budget management practices should be applied.

5. **Joint Planning Unit** – to be assured that an action plan is being followed to take the Core Strategy through to adoption and that an amendment to the Local development Scheme is approved by the Lincolnshire Joint Strategic Planning Committee.

The issues identified above will be developed and managed quarterly as part of an action plan overseen by the Governance and Audit Committee.

Signed

Burt Keimach
Leader of the Council

Signed

Manjeet Gill,
Chief Executive

West Lindsey District Council

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West Lindsey District Council
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September 2012