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Report No GA.16 11/12
Governance & Audit Committee
26 September 2011

Subject: Statement of Accounts 2010/11

Report by:	Deputy Chief Executive and Director of Resources
Contact Officer:	Russell Stone Financial Services Manager 01427 676542 Russell.Stone@west-lindsey.gov.uk
Purpose / Summary:	The 2010/11 Statement of Accounts is presented for scrutiny and adoption.

RECOMMENDATION(S):

1) **That Members review the attached Statement of Accounts and confirm that there are no concerns arising from the Financial Statements that need to be brought to the attention of the Council.**
2) **That Members approve the Statement of Accounts for 2010/11.**
3) **That Governance & Audit Committee permit the Section 151 Officer and the Chair of this Committee to:**
   (i) approve any further changes to the Statement of Accounts identified on completion of the Audit Commission's work; and
   (ii) to certify the letter of representation to the District Auditor on completion of the audit.

IMPLICATIONS

Legal: None as a result of this report

Financial : Revenue balances have increased by £371k in year, to £4,031k as at 31st March 2011. These general balances are supplemented by specific earmarked reserves of £6.838m.

Staffing : None as a result of this report

Equality and Diversity including Human Rights : N/A

Risk Assessment : N/A

Climate Related Risks and Opportunities :

Title and Location of any Background Papers used in the preparation of this report:
Code of Practice on local authority accounting in the United Kingdom 2010/11 and 2011/12 Code of Practice on Local Authority Accounting in the United Kingdom – Guidance notes for practitioners 2010/11 Accounts The Accounts and Audit (England) Regulations 2011 – Statutory Instrument Number 817 All papers are located in the Financial Services section, Guildhall

Call in and Urgency:

Is the decision one which Rule 14 of the Scrutiny Procedure Rules apply?

Yes ☐ **No** ☐

Key Decision:

Yes ☐ **No** ☐

1 Introduction

1.1 The Statement of Accounts for 2010/11 has been prepared for the first time under the IFRS based Code of Practice on Local Authority Accounting (the Code). This is part of a wider public sector move to international accounting standards. The NHS and Central Government moved in 2009/10 and listed companies moved in 2005. Local authority accounts were previously prepared in accordance with UK accounting standards and the Statement of Recommended Practice (SORP) based on UK Generally Accepted Accounting Practices (GAAP).

1.2 The Accounts and Audit Regulations 2011 were amended in March and apply to the 2010/11 Statement of Accounts. The main change is the removal of the requirement for the Statement of Accounts to be formally approved by the Council before the end of June each year; they must still be signed by the Chief Finance Officer (Financial Services Manager) by that date. Formal approval must now be given by 30 September. The change has been introduced to align the approval process more closely with the procedures applying elsewhere in the public and private sectors. Members will now formally approve the accounts after, rather than before, the findings of the audit are known.

1.3 This Committee is responsible for the approval of the statement of accounts and any material amendments of the accounts recommended by the auditors.

1.4 Other changes in the updated regulations include a requirement for the Annual Governance Statement (AGS) to 'accompany' the Statement of Accounts, rather than to be included with the Statement of Accounts. This Committee on 27 June 2011 resolved to continue to publish one document, clearly identifying that these are separate statements.

1.5 As part of the external audit process the Chair of this Committee and the Chief Finance Officer have provided written assurance to the auditors on a number of matters relating to the processes in place to prevent, detect and report fraud. The responses were considered by this Committee on 27 June 2011.

1.6 Following the certification of the accounts, by the Chief Financial Officer, on 30 June 2011, the Audit Commission has carried out their final accounts audit. This has resulted in some further changes being made to the statement of accounts originally certified by the Chief Finance Officer. Work is continuing to allow the audit certificate to be issued by the end of September. The impact of the changes made on the Balance Sheets and Comprehensive Income and Expenditure Accounts are outlined in this report.

3 Amendments to the Statement of Accounts

3.1 The General Fund

3.1.1 The General Fund accounts for all revenue services and the Council's Budget Requirement is the sum to be met from Government Grant (Revenue Support Grant and the Council's share of National non-Domestic Rates) and Council Tax.

3.1.2 The surplus for the year, as certified by the Chief Finance Officer at June 2011, was £369k. Following the audit, this number has now increased to £371k. The General Fund Balance as at 31 March 2011 is £4,031k.

3.2 Balance Sheet

3.2.1 For the purposes of IFRS transition three Balance Sheets are reported as at 1 April 2009, 31 March 2010 and 31 March 2011. Changes affecting the Balance Sheets in earlier years will have an impact, on future Balance Sheets, as these balances are carried forward at year end. These movements are separately identified in the Appendices as – changes b/f.

3.2.2 The significant changes impacting on the Balance Sheet at 1 April 2009 are outlined below. Table 1, in Appendix A, shows these comparisons.

3.2.2.1 Property, Plant and Equipment has reduced by £13k due to derecognising an asset and the reversal of depreciation charged incorrectly.

3.2.2.2 Other Short Term Liabilities have increased by £241k due to Lease Liabilities having now been split accordingly between short-term and long-term liabilities.

3.2.2.3 Other Long Term Liabilities have decreased by £661k in total. Lease liabilities of £420k had been recognised incorrectly, whilst the remaining £241k is the movement relating to the short-term lease liability referred to above.

3.2.2.4 These changes have a net impact, increasing the balance of total reserves by £412k, primarily unusable (£406k).

3.2.3 The significant changes impacting on the Balance Sheet at 31 March 2010 are outlined below. Table 2, in Appendix A, shows these comparisons.

3.2.3.1 Property, Plant and Equipment has decreased by £10k due to a change in recognition value of a finance lease.

3.2.3.2 Other Short Term Liabilities have decreased by £20k due in part to the change in recognition value of a finance lease and also due to the early return of a vehicle on a finance lease.

3.2.3.3 Other Long Term Liabilities have reduced by £16k due in part to the change in recognition value of a finance lease and also due to the early return of a vehicle on a finance lease.

3.2.3.4 These changes have a net impact of increasing the balance of total reserves by £27k increasing unusable reserves by £29k and reducing usable reserves by £2k.

3.2.4 The significant changes impacting on the Balance Sheet at 31 March 2010 are outlined below. Table 3, in Appendix A, shows these comparisons.

3.2.4.1 Property, Plant and Equipment has increased by £937k due to the reversal of the incorrect recognition of the transfer of Marshalls Sports Ground as a disposal rather than an operating lease, and an upward change in the valuation of assets taken on finance leases.

3.2.4.2 Short Term Debtors has decreased by £274k due to the amalgamation of debtor and creditor balances relating to Housing Benefits.

3.2.4.3 Short Term Creditors have decreased by £295k being the amalgamation of debtor and creditor balances, relating to Housing Benefits, and the movement of some Grants received in year, which had been incorrectly carried forward.

3.2.4.4 Other Long Term Liabilities have reduced by £210k due to certain lease liabilities ending during the 2011/12 financial year.

3.2.4.5 These changes have a net impact of increasing the balance of total reserves by £1,040k, increasing unusable reserves by £1,040k and usable reserves by £16k.

3.3 Comprehensive Income and Expenditure Statement

3.3.1 The significant changes impacting on the Comprehensive Income and Expenditure Statement at 31 March 2010 are outlined below. Table 1, in Appendix B, shows these comparisons.

3.3.1.1 Culture, Environmental, Regulatory and Planning Services – the net expenditure in year has reduced by £28k. The expenditure reduction of £49k is due to the reclassification of net carrying amounts of disposed assets to Other Operating Expenditure, whilst the income adjustment of £21k relates primarily to the reversal of a revaluation gain on the Leisure Centre (£17k).

3.3.1.2 Corporate and Democratic Core has a £35k increase due to the reclassification of costs associated with writing off old debts from Non Distributed Costs.

3.3.1.3 Non Distributed Costs have decreased by £401k. This reduction is primarily due to the reclassification of the net carrying amounts of disposed assets to Other Operating Expenditure. In addition the reclassification of costs associated with writing off debts referred to above is offset by the operating costs of an ongoing contract being incorrectly coded as finance lease costs.

3.3.1.4 Other Operating Expenditure has increased by £457k, being the reclassification of the net carrying amount of assets from service revenue accounts.

3.3.1.5 Financing and Investment Income has been reduced by £73k, due to the reversal of an incorrect entry relating to finance lease payments.

3.3.1.6 Surplus or deficit on revaluation of Property, Plant and Equipment has increased by £17k, relating to the reclassification of a revaluation gain on the Leisure Centre.

3.3.1.7 Surplus on Total Comprehensive Income and Expenditure has increased by £27k and is transferred to total reserves.

3.3.2 The significant changes impacting on the Comprehensive Income and Expenditure Account at 31 March 2010 are outlined below. Table 2, in Appendix B, shows these comparisons.

3.3.2.1 Central Services to the Public net expenditure increased by £113k following the reclassification of both income and expenditure within revenue accounts.

3.3.2.2 Culture, Environmental, Regulatory and Planning Services net expenditure has reduced in total by £1,611k of which £175k relates to the reclassification of income and expenditure within revenue accounts. Of the remaining £1,436k, £928k relates to the reversal of the disposal of Marshalls Sports Ground, income of £420k relating to Public Realm works has been reclassified from Taxation and Non Specific Grant income and income of £55k has been recoded to service revenue from creditor balances.

3.3.2.3 Highways and Transport Services net expenditure has increased by £75k due to the reclassification of expenditure within revenue services.

3.3.2.4 Other Housing Services net expenditure has decreased by £50k primarily reflecting the recognition in revenue of a grant receipt of £45k from creditor balances.

3.3.2.5 Expenditure within Non Distributed Costs has increased by £5,705k. This is due to revising the statement to present the negative pension cost (£5,755k) as an exceptional item. This is offset by the operating costs of the ongoing contract being incorrectly coded as finance lease costs (£45k).

3.3.2.6 Other Operating Expenditure has increased by £124k. This is due to the reclassification of the net carrying amount of disposed of assets from service revenue and the reclassification of the deficit on Assets Held for Sale from Financing and Investment Income and Expenditure.

3.3.2.7 Financing and investment net expenditure has reduced by £65k following the reclassification of a valuation reduction on Assets Held for Sale from Financing and Investment Income and Expenditure.

3.3.2.8 Taxation and non specific grant income has reduced by £420k reflecting the reclassification of income of £420k for the Gainsborough Public Realm project to the service revenue account.

3.4 Other Changes

3.4.1 In addition to the changes mentioned above the Explanatory Forward and the Notes to the Accounts have also been updated where necessary.

4 Summary

4.1 The statement of accounts at Appendix C reflects all the alterations made as a result of the Audit Commission's audit to date. Whilst it is not anticipated that there will be any material adjustments before the Audit Commission's opinion by the end of September the audit is as not yet complete as the revised statement has to be reviewed. If the further work by the Audit Commission identifies any changes to be made before the end of September it is recommended that the Committee permit the Chief Finance Officer in consultation with the Chair of this Committee to:

(i) approve any further changes to the Statement of Accounts identified on completion of the Audit Commission's work; and

(ii) to certify the letter of representation to the District Auditor on completion of the audit.

Table 1: Balance Sheet at 1 April 2009

	figures certified by CFO	Revised following Audit	in year changes
	01 April 2009	01 April 2009	
	£000's	£000's	£000's
Property, Plant & Equipment	17,693	17,680	(13)
Intangible Assets	-	-	0
Long Term Investments	1	1	0
Long Term Debtors	18	18	0
Long Term Assets	**17,712**	**17,699**	**(13)**
Short Term Investments	8,390	8,389	(1)
Assets Held for Sale	325	325	0
Inventories	35	35	0
Short Term Debtors	3,434	3,439	5
Cash and Cash Equivalents	4,895	4,895	0
Current Assets	**17,079**	**17,083**	**4**
Short Term Creditors	(2,882)	(2,882)	0
Provisions	(73)	(72)	1
Other Current Liabilities	-	(241)	(241)
Current Liabilities	**(2,955)**	**(3,195)**	**(240)**
Net Pension Liability	(14,172)	(14,172)	0
Other Long Term Liabilities	(1,117)	(456)	661
Capital Grants Receipts in Advance	(643)	(643)	0
Long Term Liabilities	**(15,932)**	**(15,271)**	**661**
Net Assets	**15,904**	**16,316**	**412**
Usable Reserves	(15,361)	(15,367)	(6)
Unusable Reserves	(543)	(949)	(406)
Total Reserves	**(15,904)**	**(16,316)**	**(412)**

Table 2: Balance Sheet at 31 March 2010

	figures certified by CFO	Revised following Audit	cumulative changes	changes b/f	in year changes
	31 March 2010	31 March 2010			
	£000's	£000's	£000's	£000's	£000's
Property, Plant & Equipment	16,777	16,754	(23)	(13)	(10)
Intangible Assets	-	0	0	0	0
Long Term Investments	4,531	4,532	1	0	1
Long Term Debtors	11	11	0	0	0
Long Term Assets	**21,319**	**21,297**	**(22)**	**(13)**	**(9)**
					0
Short Term Investments	389	389	0	(1)	1
Assets Held for Sale	325	325	0	0	0
Inventories	28	28	0	0	0
Short Term Debtors	6,139	6,144	5	5	0
Cash and Cash Equivalents	6,031	6,031	0	0	0
Current Assets	**12,912**	**12,917**	**5**	**4**	**1**
					0
Short Term Creditors	(2,625)	(2,625)	0	0	0
Provisions	(66)	(66)	0	1	(1)
Other Current Liabilities	-	(221)	(221)	(241)	20
Current Liabilities	**(2,691)**	**(2,912)**	**(221)**	**(240)**	**19**
					0
Net Pension Liability	(30,431)	(30,431)	0	0	0
Other Long Term Liabilities	(973)	(296)	677	661	16
Capital Grants Receipts in Advance	(1,021)	(1,021)	0	0	0
Long Term Liabilities	**(32,425)**	**(31,748)**	**677**	**661**	**16**
					0
Net Assets	**(885)**	**(446)**	**439**	**412**	**27**
					0
Usable Reserves	(15,842)	(15,846)	(4)	(6)	2
Unusable Reserves	16,727	16,292	(435)	(406)	(29)
					0
Total Reserves	**885**	**446**	**(439)**	**(412)**	**(27)**

Table 3: Balance Sheet at 31 March 2011

	figures certified by CFO	Revised following Audit	cumulative changes	changes b/f	in year changes
	31 March 2011	31 March 2011			
	£000's	£000's	£000's	£000's	£000's
Property, Plant & Equipment	15,834	16,748	914	(23)	937
Intangible Assets	191	191	0	0	0
Long Term Investments	2,512	2,512	0	1	(1)
Long Term Debtors	7	7	0	0	0
Long Term Assets	**18,544**	**19,458**	**914**	**(22)**	**936**
					0
Short Term Investments	2,326	2,326	0	0	0
Assets Held for Sale	200	200	0	0	0
Inventories	40	40	0	0	0
Short Term Debtors	4,374	4,105	(269)	5	(274)
Cash and Cash Equivalents	10,115	10,115	0	0	0
Current Assets	**17,055**	**16,786**	**(269)**	**5**	**(274)**
					0
Short Term Creditors	(4,098)	(3,803)	295	0	295
Provisions	(78)	(79)	(1)	0	(1)
Other Current Liabilities	(215)	(215)	0	(221)	221
Current Liabilities	**(4,391)**	**(4,097)**	**294**	**(221)**	**515**
					0
Net Pension Liability	(16,707)	(16,707)	0	0	0
Other Long Term Liabilities	(1,169)	(702)	467	677	(210)
Capital Grants Receipts in Advance	(732)	(659)	73	0	73
Long Term Liabilities	**(18,608)**	**(18,068)**	**540**	**677**	**(137)**
					0
Net Assets	**12,600**	**14,079**	**1,479**	**439**	**1,040**
					0
Usable Reserves	(15,544)	(15,564)	(20)	(4)	(16)
Unusable Reserves	2,944	1,485	(1,459)	(435)	(1,024)
					0
Total Reserves	**(12,600)**	**(14,079)**	**(1,479)**	**(439)**	**(1,040)**

Table 1 Comprehensive Income and Expenditure Statement 2009/10

	Original			Revised			Changes		
	2009/10			2009/10					
	Gross Expenditur	Gross Income	Net Expenditure	Gross Expenditur	Gross Income	Net Expenditur	Gross Expenditure	Gross Income	Net Expenditur
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Central services to the public	7,132	(6,380)	752	7,132	(6,380)	752	0	0	0
Cultural, environmental, regulatory and planning services	11,998	(2,553)	9,445	11,949	(2,532)	9,417	(49)	21	(28)
Highways and transport services	1,070	(375)	695	1,070	(375)	695	0	0	0
Other housing services	20,791	(19,477)	1,314	20,791	(19,477)	1,314	0	0	0
Corporate and democratic core	1,888	(2)	1,886	1,923	(2)	1,921	35	0	35
Non distributed costs	1,111	(368)	743	710	(368)	342	(401)	0	(401)
Exceptional Item - Negative Past Service Pension Cost							0	0	0
Cost of Services	**43,990**	**(29,155)**	**14,835**	**43,575**	**(29,134)**	**14,441**	**(415)**	**21**	**(394)**
Other operating expenditure (Note 9)	-	-	1,564	2,021	-	2,021	2,021	0	457
Financing and investment income and expenditure (Note 10)	-	-	1,292	1,673	(454)	1,219	1,673	(454)	(73)
Surplus or deficit of discontinued operations	-	-	0	-	-	0	0	0	0
Taxation and non-specific grant income (Note 11)	-	-	(16,794)	-	(16,794)	(16,794)	0	(16,794)	0
(Surplus) or Deficit on Provision of Services			**897**			**887**			**(10)**
Surplus or deficit on revaluation of Property, Plant and Equipment assets			0			(17)			(17)
Surplus or deficit on revaluation of available for sale financial assets			0			0			0
Actuarial gains/losses on pension assets / liabilities (Note 22)			15,892			15,892			0
Other Comprehensive Income and Expenditure			**15,892**			**15,875**			**(17)**
Total Comprehensive Income and Expenditure			**16,789**			**16,762**			**(27)**

Table 2: Comprehensive Income and Expenditure Statement 2010/11

	Original			Revised			Changes		
	2010/11			2010/11					
	Gross Expenditur	Gross Income	Net Expenditur	Gross Expenditur	Gross Income	Net Expenditur	Gross Expenditure	Gross Income	Net Expenditur
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Central services to the public	7,530	(6,728)	802	7,683	(6,768)	915	153	(40)	113
Cultural, environmental, regulatory and planning services	14,084	(2,996)	11,088	13,489	(4,012)	9,477	(595)	(1,016)	(1,611)
Highways and transport services	1,054	(289)	765	1,130	(290)	840	76	(1)	75
Other housing services	22,095	(20,700)	1,395	22,895	(21,550)	1,345	800	(850)	(50)
Corporate and democratic core	1,755	2	1,757	1,759	(2)	1,757	4	(4)	0
Non distributed costs	(4,597)	(620)	(5,217)	1,110	(618)	492	5,707	2	5,709
Exceptional Item - Negative Past Service Pension Cost				(5,755)		(5,755)	(5,755)	0	(5,755)
Cost of Services	**41,921**	**(31,331)**	**10,590**	**48,066**	**(33,240)**	**9,071**	**6,145**	**(1,909)**	**(1,519)**
Other operating expenditure (Note 9)	-	-	1,619	1,857	(114)	1,743			124
Financing and investment income and expenditure (Note 10)	-	-	618	1,052	(499)	553			(65)
Surplus or deficit of discontinued operations	-	-	0	-	-	0			0
Taxation and non-specific grant income (Note 11)	-	-	(17,606)	-	(17,186)	(17,186)			420
(Surplus) or Deficit on Provision of Services			**(4,779)**			**(5,819)**			**(1,040)**
Surplus or deficit on revaluation of Property, Plant and Equipment assets			0			0			0
Surplus or deficit on revaluation of available for sale financial assets			0			0			0
Actuarial gains/losses on pension assets / liabilities (Note 22)			(8,706)			(8,706)			0
Other Comprehensive Income and Expenditure			**(8,706)**			**(8,706)**			**0**
Total Comprehensive Income and Expenditure			**(13,485)**			**(14,525)**			**(1,040)**

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West Lindsey District Council

Statement of Accounts

2010/2011

West Lindsey District Council Statement of Accounts 2010/11

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West Lindsey District Council Statement of Accounts 2010/11

Explanatory Foreword

1 Introduction

West Lindsey District Council provides a wide range of services within an overarching strategy to make the area a place where people want to live work and invest. The Statement of Accounts provides information on how the Council has used the financial resources available to it in 2010/11 (the period between 1st April 2010 and 31st March 2011). 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.

There has been a significant change in accounting policies in 2010/11, with a move from the UK Generally Accepted Accounting Practices (GAAP) standards applied through the Statement of Recommended Practice (SORP) to new International Financial Reporting Standards (IFRS). Adoption of the IFRS based Code (the Code) has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the financial statements are different from the equivalent figures presented in the Statement of Accounts for 2009/10. There has been no impact on reported balances or outturn performance. An explanation of the changes made under IFRS is provided in part 6 of this Explanatory Foreword. The accounts are produced for the Council as a single entity.

2 The Financial Statements

The major financial statements of the Council comprise the

Comprehensive Income and Expenditure Statement (CIE)

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

This statement shows the movement in the year on the different reserves held by the Council, analysed into ‘usable reserves’ (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council’s services, more details of which are shown in the Comprehensive Income and Expenditure Statement. 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 Movement in Reserves 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 2010/11

The General Fund

The General Fund accounts for all revenue (day to day) services and the Council's Budget Requirement is the sum to be met from Government Grant (Revenue Support Grant and the Council's share of National Non-Domestic Rates) and Council Tax.

Explanatory Foreword

The Council set its Budget Requirement for 2010/11 allowing for an increase in the General Fund balance of £0.135m and before allowing for any charge for the impairment of the Council deposits with the Landsbanki, Heritable and Glitnir Banks. Actual net expenditure on the General Fund was £1.523m less than originally budgeted. The charge to the General Fund for the impairment of money market deposits with the three Icelandic banks was £1,152m after which General Balances at 31 March 2011 increased by £0.371m.

The following table compares the final figures for 2010/11 with the original budget before any adjustment required by accounting standards that are subsequently reversed under statute.

	Original Budget	Outturn	Variance
	£ 000	**£ 000**	**£ 000**
Net operating expenditure	14,958	14,266	(692)
Transfers from earmarked reserves	0	(637)	(637)
Movement in impairment of debts	0	(94)	(94)
Net Revenue Expenditure	**14,958**	**13,535**	**(1,423)**
Funding			
General Government Grants	(1,043)	(1,143)	(100)
Redistributed Business Rates	(7,182)	(7,182)	0
Council Tax	(7,173)	(7,173)	0
Total Funding	**(15,398)**	**(15,498)**	**(100)**
Budgeted Transfer to Earmarked reserves	305	305	0
Budgeted Transfer to General Fund	135	135	0
Impairment of Money Market Deposits – transferred from the Financial Instruments Adjustment Account		1,152	1,152
Deficit / (Surplus) for the year		**(371)**	**(371)**

The actual net revenue expenditure position primarily reflected in year vacancy and other budget management in addition to a VAT refund of £0.275m, and various efficiency improvements such as those arising from the Joint Planning Unit (£0.096m).

Earmarked Reserves

Following approval of the Medium Term Financial Plan for 2010/11, £0.305m was transferred to earmarked reserves at the beginning of the year. Revenue expenditure of £0.771m and capital expenditure of £0.100m was funded from earmarked reserves and £0.173m was used from the Grants received for REFCUS (Revenue Expenditure Funded from Capital Under Statute) reserve during the year.

Amounts appropriated back into the Invest to Save reserve amounted to £0.134m. Transfers to earmarked reserves of £0.268m were approved during the year leaving a total amount carried forward to 2011/12 in earmarked reserves of £6.838m.

The Capital Programme

The revised estimate for Capital Programme expenditure in 2010/11 amounted to £7.574m and actual expenditure of £4.448m was incurred. Additionally finance leases to a value of £0.651m were arranged for replacement waste freighters and fuel tanks. After adjustments for abortive capital expenditure (£0.100m) and other costs (£0.002m) project estimates of £3.005m will be carried forward to 2011/12.

This expenditure was funded mainly from grants and contributions (£2.908m) and capital receipts (£1.211m) with £0.329m from revenue contributions. At the end of the year capital commitments amounted to £0.391m.

At the beginning of the year, the Usable Capital Receipts Reserve balance was £4.516m and Unapplied Capital Grants and Contributions amounted to £0.496m. Usable receipts received during the year totalled £0.406m and previous financing of £0.98m was reversed. Grants and Contributions of £3.320m were recognised in the Comprehensive Income and Expenditure Statement. At the end of the year the balances on the Usable reserves for Capital Receipts and Capital Grants and Contributions were £3.714m and £0.984m respectively.

The Balance Sheet valuation of non-current property, plant and equipment at the end of the year is £16.755m, a reduction of £0.925m 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 £2.326m in short term investments, £2.511m in long term investments and £10.115m in cash equivalents. The comparative figures for the end of 2009/10 were £0.389m, £4.531m and £6.031m 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 2011, outstanding obligations in respect of Finance Leases amounted to £0.917m. (£0.517m 31 March 2010).

Material assets acquired

Capital Programme expenditure of £4.448m was incurred in 2010/11 and two material assets were developed, specifically the Young and Safe in Gainsborough facility (total project cost £0.944m) and facilities at Marshall’s Sports Gainsborough (total project cost £0.878m).

Analysis of Capital Expenditure in year

	£000's
Buildings	1,137
Vehicles, Plant & Equipment	121
Infrastructure	11
Intangible Assets	109
REFCUS	3,070
Total	**4,448**

Significant elements of expenditure in the year related to;

Revenue Expenditure Funded from Capital Under Statute (REFCUS)

- Gainsborough Public Realm works £ 1.420m
- Disabled Facilities Grants £ 0.589m

Capital Assets

- Marshalls Sports Facility, Gainsborough £ 0.629m
- Yong and Safe in Gainsborough facility £ 0.520m

Material Liabilities incurred

No material liabilities were incurred in 2010/11.

Significant provisions, contingencies and material write-offs

No significant provisions, contingencies or material write offs were recognised in 2010/11.

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 reduced over the year. At 31st March 2011 the Council's net liability reported by the Actuary to the LGPS was £16.7m (£30.4 in 09/10 on an FRS17 basis), a reduction of £13.7m (45%). The fair value of LGPS assets increased by 3.2% (£1.1m) to £33.7m and there was a 20.1% reduction from £63.1m to £50.4m in the value of obligations to pay pension liabilities.

The reduction in the net liability at 31 March 2011 reflects more favourable financial assumptions than at 31 March 2010 and the fact that future pension increases have been linked to the lower Consumer Prices Index (CPI) rather than Retail Prices Index (RPI) from June 2010.

The revenue account does not include the full provision for pension costs of employees. The net liability to the Lincolnshire LGPS of £16.7m 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 2011. 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 £480,000 in 2011/12, £505,000 in 2012/13 and £532,000 in 2013/14. The comparative figures for 2010/11 were 14.1% of pensionable pay and £479,000 paid towards the deficit.

More details of the IAS19 valuation are set out in Note 35 to the Financial Statements.

5 Material and Unusual charge or credit in the accounts

Icelandic Banks impairment - £1.152m charge

The Council had deposited £7m with a number of the Icelandic Banks which failed during the 2008 financial crisis. To date £1.137m has been repaid from the Heritable Bank, out of a total claim of £2.017m, by October 2012 it is estimated that a further £0.578m will be repaid resulting in an eventual recovery of approximately 85% of this claim. The Icelandic District Court confirmed on 1 April 2011 priority status for local authority deposits and this support estimated recoveries of 95% of the Landsbanki claim (£4m deposited and £4.558m claimed) and 100% of the Glitnir claim (£1m deposited and £1.110m claimed). The Icelandic District Court decisions have been appealed to the Supreme Court in that country and a decision is expected during 2011.

Where there is evidence that a financial instrument has been impaired the recoverable amount is calculated as the present value of the expected future cash flows discounted at the asset's original effective interest rate. The carrying amount of the financial instrument is reduced to its recoverable amount either directly or through the use of an allowance account. The amount of the loss is included in the Comprehensive Income and Expenditure Account and would fall as a charge on the General Fund at the point the impairment is recognised. Interest continues to be credited to the Comprehensive Income and Expenditure Account until the financial instrument has been derecognised, being the point at which the final payment in respect of the instrument is received.

There was considerable uncertainty about the prospects for recovery of the deposits at the time of the 2008 crisis and regulations were issued in February

2009 to allow local authorities, in England, to defer the impact of any impairment charges relating to impaired investments (specifically the Icelandic Banks) on the General Fund until 31 March 2011. The regulations did not allow the impact of interest losses to be deferred. When the impairment was recognised in 2008/09, the Council applied the regulation to adjust the General Fund to negate the impact of the impairment charge of £1.481m by transferring the charge to the Financial Instruments Adjustment Account (FIAA).

Interest is credited annually to the Income and Expenditure Account in accordance with proper accounting practice. Where the impairment charge has been transferred out of the General Fund in accordance with the regulations, interest credited to the Income and Expenditure Account is also reversed out of the General Fund and credited to the FIAA. Under the regulations the Council must credit the FIAA with interest earned until such time as the balance on that account has been transferred to the General Fund.

The carrying value of the Icelandic deposits is reviewed at the Balance Sheet date and at 31 March 2011 the balance on the FIAA was £1.152m which has been charged to the General Fund Balance at that date in accordance with proper accounting practice and statutory provisions.

Pensions - change in indexation from Retail Prices Index to Consumer Prices Index – negative past service cost of £5.755m

As outlined in section 4 above the majority of the Council's employees participate in the Local Government Pension Scheme, a final salary defined benefit scheme with index linked benefits. The Chancellor announced in his UK budget statement on 22 June 2010 that, with effect from 1 April 2011, public service pensions would be up-rated in line the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI). This change has the effect of reducing the liabilities of the pension scheme. Having considered relevant advice, the Chief Finance Officer determined that on balance there was sufficient cause to conclude that there was a presumption that a constructive obligation to increase benefits by RPI would have arisen and the impact of the change to CPI should be accounted for as a change in benefit.

As a change in benefit a one off past service gain of £5.755m has been recognised in the Comprehensive Income and Expenditure Statement. Through the application of statutory provisions this credit is not reflected in the General Fund Balance.

Young and Safe in Gainsborough (YaSiG) facility– Valuation reduction £0.679m

The Council is the accountable body for the construction of a grant funded facility in Gainsborough which will be used by a registered charity YaSiG. The charity operates as a social enterprise focused on providing and improving positive opportunities for young people aged 13 – 24 years. The Council is in the process of assigning a long term lease for the facility to YaSiG. Following completion of the facility its valuation in the Council's accounts has been reduced by £0.679m to £0.250m to reflect its value in existing use.

UK GAAP Errors

The Statement of Accounts at 31 March 2011 and comparative amounts for 2009/10 reflect a number of amendments in respect of past errors in the application of UK GAAP accounting policies. Under the new Code any material errors are recognised as prior period adjustments, the previous SORP required that only fundamental errors should be recognised as such. The errors that relate to periods before 1 April 2009 have been reflected as prior period adjustments (PPA) at that date as considered by the Chief Finance Officer to be, in combination, material errors in respect of the financial statements. The adjustments relate to three areas which impact particularly on the Council's reported assets for Property, Plant and Equipment (PPE) namely Finance Leases, land and buildings for a project known as Young and Safe in Gainsborough (YaSig) and the Bus station with adjacent land at Heaton Street Gainsborough. These items have been separately identified from any amendments arising from the implementation of IFRS with the adjustments detailed below.

Movement in Reserves Statement PPA 31 March 2009

		£m
	Balance at 31 March 2009 – UK GAAP – published	**(16.598)**
(i)	Finance Lease Vehicles - UK GAAP errors previously recognised in the 2009/10 published accounts – now recognised as a PPA	0.065
(ii)	Vehicles held under finance lease – depreciation and prepayments	(0.144)
(iii)	YaSiG facility recognised as Asset Under Construction	(0.049)
(iv)	Bus Station and land at Heaton Street, Gainsborough assets previously understated in accounts	(0.058)
	Balance at 31 March 2009 – UK GAAP (adjusted for all GAAP errors)	**(16.784)**

(i) Finance leases vehicles previously recognised in 2009/10 accounts

The 2009/10 published accounts under SORP disclosed a number of non fundamental errors in the recognition of finance leases. The values involved are material and under IFRS have been recognised as prior period adjustments.

(ii) Vehicles held under Finance lease

A review of the accounting treatment of vehicle assets identified inconsistent treatment of depreciation and rental payments in advance in respect of a number of vehicles. Balances at 1 April 2009 have been amended to reflect a consistent application of the Council's policies on depreciation and prepayments.

(iii) YaSiG Facility

In 2008/09 the Council, as the accountable body, began the construction of a grant funded building for the benefit of the YaSiG social enterprise. The construction costs were incorrectly recognised as Revenue Expenditure Funded from Capital under Statute (REFCUS) and no asset under construction was recognised. Whilst expenditure was not material in 2008/09 the same treatment was applied to further expenditure in 2009/10 and as a material amount in total, the element relating to the period before 1 April 2009 has been recognised as a PPA.

(iv) Gainsborough bus station and adjacent land

In 2005/06 the Council redeveloped Gainsborough bus station and adjacent land in a project funded by the County Council. The value of the asset donated to the Council was not recognised at the time. The land adjacent to the bus station was leased to the County Council as the site for a Sure Start building at which point the valuation of the lease to the Council was based on an incorrect rental value and therefore understated.

Adjusted Comprehensive Income and Expenditure Account 2009/10

		(i)	*(ii)*	
	2009/10 Published Accounts	**Re-classification of Trading Activities**	**UK GAAP Error Movement**	**2009/10 Adjusted Published Accounts**
	£m	**£m**	**£m**	**£m**
Cultural, Environmental, Regulatory & Planning	9.144	(0.051)	0.474	9.567
Highways & Transport Services	0.557	0.130		0.687
Net Cost of Services	**14.469**	**0.079**	**0.474**	**15.022**
Interest Payable and Similar Charges	0.594		(0.525)	0.068
(Gain)/Loss on Trading Activities	0.079	-0.079		0.000
Net Operating Expenditure	**17.818**		**(0.052)**	**17.766**
Deficit on the Provision of Services	**1.971**		**(0.052)**	**1.919**
Adjustments required by statute and non statutory proper practices	(3.090)			(3.090)
General fund balance brought forward	**2.485**		**0.005**	**2.490**
Increase in year	1.118		0.052	1.170
General fund balance carried forward	**3.603**		**0.057**	**3.660**

(i) Re-classification of Trading Activities

The 2009/10 published accounts disclosed a number of activities as trading specifically Gainsborough Market, Industrial Estates and Shops. For 2009/10 and future years, the income and expenditure will be included within the respective Service Revenue Accounts. The table above discloses the changes made to the Service Revenue Accounts.

(ii) Finance leases vehicles and property previously recognised in 2009/10 accounts

The 2009/10 published accounts under SORP disclosed a number of non fundamental errors in the recognition of finance leases for vehicles and properties. The values involved are material and under IFRS have been recognised as PPA's at 1 April 2009. The table above identifies the impact on the Comprehensive Income and Expenditure Account of reversing the entries previously reflected in 2009/10 in year movement for both vehicle and property leases.

Balance Sheet UK GAAP PPA as at 31 March 2009

			(a)	(b)	
		As at 31/03/09 Published Accounts	**GAAP errors recognised in 09/10 published accounts relating to prior periods**	**Initial recognition GAAP errors for periods prior to 2009/10**	**As at 31/03/09. Adjusted for all recognised GAAP errors**
		£m	**£m**	**£m**	**£m**
(i)	PPE Land and Buildings	10.453		0.058	10.510
(ii)	PPE Vehicles, Plant, Furniture & Equipment	2.407	0.510	0.261	3.178
(iii)	PPE Infrastructure Assets	0.637		0.280	0.917
(iv)	PPE Assets under Construction	0.142		0.076	0.218
	Long Term Assets	**18.468**	**0.510**	**0.675**	**19.652**
(ii)	Short Term Debtors	3.434		0.005	3.439
	Current Assets	**16.753**		**0.005**	**16.758**
	Current Liabilities	**(3.321)**			**(3.321)**
(v)	Government Grants Deferred Account	(0.637)		(0.307)	(0.944)
(vi)	Other Long Term Liabilities	0	(0.967)	0.270	(0.697)
	Long Term Liabilities	**(15.301)**	**(0.967)**	**(0.037)**	**(16.306)**
	Net Assets	**16.598**	**(0.457)**	**0.643**	**16.784**
(vii)	Revaluation Reserve	(1.551)		(0.058)	(1.609)
(viii)	Capital Adjustment Account	(15.196)	0.405	(0.528)	(15.319)
(ix)	General Fund Balance	(2.485)	0.052	(0.057)	(2.490)
	Total Reserves	**(16.598)**	**0.457**	**(0.643)**	**(16.784)**

(a)- Finance leases vehicles and property previously recognised in 2009/10 accounts

Column (a) in the table above identifies the impact on the previously published 2009/10 Balance Sheet of now accounting for, as a PPA, the recognition of both the vehicle and property leases that were originally disclosed under SORP as an in year movement for 2009/10.

(b)- Initial recognition GAAP errors PPA

Column (b) in the Balance Sheet table reflects the following items:

(i) **PPE Land and Buildings** – correction to valuations for land adjacent to Gainsborough bus station.
(ii) **PPE Vehicles** - corrections to depreciation charges and rental prepayments for leased vehicles.
(iii) **PPE Infrastructure assets** - recognition of the value of the donated asset, Gainsborough bus station.

(iv) **PPE Assets under construction** - recognition of the YaSiG facility as an asset under construction.
(v) **Government Grants Deferred Account** – recognising the grant funding of the YaSiG facility and the donation of the Gainsborough bus station.
(vi) **Other Long Term Liabilities** - correcting liabilities for vehicle lease rental prepayments.
(vii) **Revaluation Reserve** - revaluations in respect of land adjacent to Gainsborough bus station.
(viii) **Capital Adjustment Account** - various entries reflecting the recognition of assets, valuation and depreciation changes as outlined above.
(ix) **General Fund Balance** – a correction to the original finance lease recognition for a number of shops which incorrectly impacted on the General Fund and the impact of rental prepayments for leased vehicles.

6 International Financial Reporting Standards

Significant changes in Accounting Policies – International Financial Reporting Standards (IFRS)

The financial statements including the restated figures, have been prepared in accordance with IFRS, as adopted by the European Union's International Financial Reporting Interpretations Committee (IFRIC). International Accounting Standard 1 (IAS1) 'Presentation of Financial Statements' is effective for the year ended 31 March 2011 and this standard required a change in the format and presentation of the Council's primary statements but has had no impact on reported balances or outturn performance.

The accounts have been prepared with regard to IAS 1 exemptions for "First-Time Adoption of International Financial Reporting Standards" which permits those adopting IFRS for the first time to take advantage of regulations to mitigate the impact on the general fund balance and therefore not affect Council Tax levels.

The date of transition to IFRS for the Council is the first day of the comparative financial period, i.e. 1 April 2009 and in order to fully explain how the financial position is affected by the transition from UK GAAP to IFRS, the following narrative and supporting tables explain the changes in accounting policies and associated changes in the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet and Cash Flow Statements.

Significant changes in Accounting Policies under IFRS

Changes in accounting policy

Under IAS 8 Accounting policies, changes in accounting estimates and errors a company can only change its accounting policies if it results in the financial statements giving more 'relevant and reliable' information. Under FRS 18 Accounting policies (UK GAAP) management must review their accounting policies to ensure they remain the most appropriate to its particular circumstances for the purposes of giving a ‘true and fair’ view.

Non-current assets (Previously Fixed Assets)

Under IAS 16 Property plant and equipment, assets ‘held for sale’, are specifically excluded from IAS 16. They are, instead, covered under IFRS 5 Non-current assets held for sale and discontinued operations.

Such assets identified above which are not covered by IAS 16 do, however, fall under the scope in UK GAAP of FRS 15 Tangible fixed assets.

It is to be noted that ‘investment properties’ are excluded specifically from both standards (IAS 16 and FRS 15), being dealt with under the provisions of IAS 40 Investment properties and SSAP 19 Accounting for investment properties respectively.

Investment properties

Under IAS 40 Investment properties, an entity can choose between the fair value model and depreciated cost model for valuation of its investment properties. SSAP 19 Investment properties does not allow the depreciated cost model for such properties. Whilst the Council classified a number of properties as investment under SORP none met the criteria for the IFRS classification and have been reclassified to either PPE or Held for Sale.

Non current assets held for sale

There is no ‘specific’ standard which deals with assets held for sale or discontinued operations. In UK GAAP, these are dealt with under FRS 3 Reporting financial performance. However, the international regime deals with these under separate accounting standard, IFRS 5 Non-current assets held for sale and discontinued operations.

Employee benefits

Under IAS 19 outstanding accumulated leave entitlement at the Balance Sheet date is recognised in the accounts. Statutory provisions are applied to ensure that there is no impact on the council tax payer.

Actuarial gains and losses in respect of the pension scheme are recognised in the Statement of Recognised Gains and Losses (STRGL) in the UK under FRS 17 Retirement benefits. IAS 19 Employee benefits offers a choice. These can either be recognised in the statement of comprehensive income (income statement); usually over a period representing the average working lives of the employees participating in the defined benefit scheme. Alternatively, an entity can recognise actuarial gains and losses in full as and when they arise, outside profit or loss, in a Statement of Comprehensive Income and Expenditure (CIE). This is very similar to the provisions of FRS 17 Retirement Benefits mentioned above and this is the option applied by the Council.

Government Grants

Grants and contributions are now recognised in accordance with IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*, except where interpretations or adaptations reflected in IPSAS 23 *Revenue from Non-Exchange Transactions (Taxes and Transfers)* to fit the public sector are detailed in the Code

Grants and contributions for capital purposes are now recognised as income immediately, unless conditions apply, rather than being deferred and released to revenue to match depreciation. Conditions attached to grants are reviewed and the treatment in the accounts varies as to whether the conditions have been met so that:

- If the conditions of grants received in advance have been met then the grant has been recognised in the CIE
- If the conditions are met but no expenditure has taken place the grant has been included in reserves
- If the grant has been received and the conditions not met the grant has been treated as a creditor
- grants and contributions have not been recognised until there is reasonable assurance that the Council will comply with the conditions attached to them and,
- when grants have been awarded and the conditions of grant relate to performance criteria, it is the conditions giving rise to costs and expenses which have determined the periods over which the grant is earned.

Leases

Under IAS 17 (Leases) a lease can be split into a finance lease or an operating lease. The classification of finance and operating leases has changed under IFRS so that where a lease effectively gives the user of the assets most of the 'risks and rewards' of the asset, the capital value of the asset and associated debt has to be calculated and included on the Council's Balance Sheet.

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Council's investment in the leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Assets held under finance leases are recognised as assets of the Council at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the Balance Sheet as a finance lease obligation. Lease payments are apportioned between finance charges and the reduction of the lease obligation in order to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the CIES.

Explanatory Foreword

Arrangements which contain a Lease

Under IFRIC 4 (Arrangements which Contain a Lease) where the Council pays an external contractor for services which involve use of a contractor's assets (for example, computer or leisure services), the contract has to be assessed to determine whether the contractor's assets and associated debt may have to be included on the Council's Balance Sheet.

All of the significant contracts which the Council operates were reviewed to assess whether any contain elements that should be classed as 'implied leases'. One implied finance lease was identified at IFRS transition for printers with a commencement date of 1 April 2009. An implied operating lease was identified in respect of the licence agreement under which the Council operates the Beaumont Street car park in Gainsborough.

Service Concessions

Under IFRIC 12 (Service Concessions), the Council has to review all its private sector contracts for the provision of services to identify if a service concession exists and recognise any related assets on the Balance Sheet. All the Council's contracts were reviewed and no service concessions under IFRIC 12 were identified.

Cash flow statements

Under FRS 1 Cash flow statements, cash flows of an entity prepared under UK GAAP are prepared under eight headings – operating activities, returns on investments and servicing of finance etc. IAS 7 Cash flow statements require cash flows to be reported under four headings: operating activities, investing activities, financing activities and cash and cash equivalents.

Another notable feature under IAS 7 is that the 'reconciliation of movements in cash flows to movements in net debt' is not required.

The cash flow statement under IFRS is a mandatory primary financial statement, whereas in UK GAAP most 'small' companies are exempt under FRS 1 from the requirement to prepare a cash flow statement.

Related party transactions

Under IAS 24 *Related party disclosures* there is no exemption to report related parties if this conflicts with the entity's 'duties of confidentiality'. There is an exemption under FRS 8 where such disclosure would conflict with the reporting entity's duties of confidentiality arising by operation of law.

Explanation of changes on transition to IFRS from 1 April 2009

The tables below illustrate the changes to the SORP core financial statements (as amended for UK GAAP errors) made at 1 April 2009 on transition to IFRS.

Movement in Reserves Statement at 1 April 2009 - IFRS transition

		£m
	Balance at 31 March 2009 – UK GAAP (adjusted for GAAP errors – part 5 of Explanatory Foreword)	**(16.784)**
(i)	Transfer of balance on Government Grants Deferred Account to Capital Adjustment Account	(0.944)
(i)	New reserve – Capital Grants Unapplied	(0.159)
(i)	Balances moved to earmarked reserves for revenue grants received in advance	(0.130)
(ii)	Non-current assets - Investment Properties & Surplus Assets re-classified with associated change in valuation basis	0.504
(ii)	Non-current assets re-valued at Depreciated Replacement Cost	0.968
(ii)	Community Assets recognised at Historic Cost	0.156
(iii)	New reserve - Accumulated Absences Account	0.073
	Balance at 1 April 2009 - IFRS	**(16.316)**

(i) **Accounting treatment for grants and contributions** – required adjustments to transfer balances from accounts defunct under IFRS i.e. the Government Grants Deferred Account and the liability account for Capital Grants unapplied. Capital grants unapplied are now recognised in a new reserve and revenue grants received but not applied, with no outstanding conditions, are recognised in an earmarked reserve.

(ii) **Non Current assets classifications and valuation changes** – where assets have been reclassified under IFRS the application of the required valuation basis has resulted in changes to disclosed values.

(iii) **Employee Benefits** – a new reserve has been created under statute to ensure the accrual of employees accumulated leave entitlement does not impact on the General Fund.

Balance Sheet at 1 April 2009 IFRS Transition

		As at 31 March 2009 under UKGAAP	Transition to IFRS at 1st April 2009	As at 1 April 2009 under IFRS
		£m	**£m**	**£m**
(i)	PPE Land and Buildings	10.510	1.520	12.30
(i)	PPE Community Assets	0	0.018	0.018
(i)	PPE Surplus Asset not held for Sale	0	1.319	1.319
(i)	Investment Property	4.810	(4.810)	0
	Long Term Assets	**19.652**	**(1.953)**	**17.699**
(i)	Assets Held for Sale	0	0.325	0.325
(ii)	Short Term Investments	13.549	(5.160)	8.390
(ii)	Cash and cash equivalents	(0.265)	5.160	4.895
	Current Assets	**16.758**	**0.325**	**17.083**
(iii)	Short Term Creditors	(3.321)	0.440	(2.882)
(iv)	Provisions – Accumulated Absence	0	(0.073)	(0.073)
	Current Liabilities	**(3.321)**	**0.367**	**(2.954)**
(iii)	Government Grants Deferred Account	(0.944)	0.944	0
(iii)	Capital Grants Receipts in advance	0	(0.643)	(0.643)
(iii)	Unapplied Capital Grants and Contributions	(0.492)	0.492	0
	Long Term Liabilities	**(16.306)**	**0.763**	**(15.513)**
	Net Assets	**16.784**	**(0.501)**	**16.316**
(iii)	Capital Grants and Contributions	0	(0.159)	(0.159)
(i)	Revaluation Reserve	(1.609)	0.812	(0.797)
(i)	Capital Adjustment Account	(15.319)	(0.128)	(15.446)
(iii)	Earmarked Revenue Reserves	(6.960)	(0.130)	(7.090)
(iv)	Accumulated Absences Account	0	0.073	0.073
	Total Reserves	**(16.784)**	**0.468**	**(16.316)**

(i) **Non Current assets classifications and valuation reviews** – where assets have been reclassified under IFRS there have been movements between the broadly equivalent categories under the SORP and changes in valuations where a different valuation basis has been required under IFRS for the revised classification.

(ii) **Cash and Cash equivalents** – under the SORP, Short Term Investments disclosed all deposits available at less than 365 days notice. Under IFRS any deposits available at less than 90 days notice are classified as Cash Equivalents.

(iii) **Accounting treatment for grants and contributions** – the significant changes in accounting for capital and revenue grants and contributions involves balance transfers from accounts defunct under IFRS i.e. the Government Grants Deferred Account and the liability account for Capital Grants unapplied. Capital grants unapplied are now recognised in a new reserve and revenue grants unapplied, with no outstanding conditions are recognised in an earmarked reserve. Capital grants received with conditions, where conditions have not yet been met, are recognised in a new Capital Grants Receipts in advance account to which balances have been moved from both the liability account under SORP for Capital Grants unapplied and any creditor balances relating to section 106 developers' contributions.

(iv) **Employee Benefits** – The cost of short term accumulated absences (leave) is now charged to the CIE and recognised as a provision on the Balance Sheet. A new reserve has been created under statute to ensure the accrual does not impact on the General Fund.

Transition to IFRS - Restatement of movements reported for the year ended 31st March 2010

The commentary below explains the impact of the restatement of the movements reported in the Statement of Accounts previously published for 2009/10, analysed between those adjustments reflecting errors under UK GAAP and the required restatements under IFRS.

Movement in Reserves Statement UK GAAP errors and IFRS restatements at 31 March 2010

		£m
	Balance at 1 April 2009 - IFRS	**(16.316)**
	Movements published under SORP	18.086
	UK GAAP errors in 2009-10	
(i)	Finance Lease Adjustment	(0.458)
(ii)	Vehicle Finance Lease Adjustment	0.054
(iii)	Government Grants Deferred Account restatement for YaSiG	(0.354)
(iv)	Bus Station depreciation	0.007
	IFRS Transition Adjustments 2009-10	
(v)	Restatement of GGDA movements to CAA	0.088
(v)	Capital grants Unapplied under IFRS	(0.645)
(vi)	Accumulated Absences Account	(0.006)
(vii)	IFRS Depreciation adjustments	0.021
(viii)	Finance Lease - Recognition	(0.031)
	Balance at 31 March 2010 – IFRS	**0.446**

(i) **Finance leases - vehicles and property previously recognised in 2009/10 accounts -** Reflecting the reversal of previously recognised finance leases now treated as a PPA.

(ii) **Vehicles held under Finance lease -** An adjustment to ensure a consistent application of the Council's policies on depreciation and prepayments.

(iii) **YaSiG Facility -** Capital expenditure on the YaSiG facility incorrectly recognised as Revenue Expenditure Funded from Capital under Statute (REFCUS) in the 2009/10 published accounts.

(iv) **Gainsborough bus station -** The depreciation charge for this newly recognised infrastructure asset.

(v) **Accounting treatment for grants and contributions -** Applying IFRS accounting policies for grants and contributions.

(vi) **Employee Benefits** – The movement in reserve on the accrual of employees' accumulated leave entitlement.

(vii) **Non Current assets classifications and valuation reviews** – where assets have been reclassified and revalued under IFRS where applicable the depreciation charges have been restated.

(viii) **Finance Lease** – initial recognition of three properties held on finance leases

Comprehensive Income and Expenditure Statement - IFRS restatements for year ended 31 March 2010

		(i)	(ii)	
	2009/10 Published Accounts adjusted for UKGAAP errors	**GAAP adjustments**	**IFRS transition adjustment**	**2009/10 restated under IFRS**
	£m	**£m**	**£m**	**£m**
Central Services to the Public	0.752		0.001	0.753
Cultural, Environmental, Regulatory & Planning	9.567	0.022	(0.172)	9.417
Highways & Transport Services	0.687	0.007		0.694
Other Housing Services	1.486		(0.173)	1.313
Non Distributed Costs	0.644		(0.267)	0.377
Net Cost of Services	**15.022**	**0.029**	**(0.611)**	**14.440**
Gain/Loss on sale of fixed Assets	(0.091)	0.024	0.457	0.390
Interest Payable and Similar Charges	0.068	0.012	0.003	0.083
Net Operating Expenditure	**17.766**	**0.066**	**(0.151)**	**17.681**
Non ring-fenced Government Grants	(2.434)		(0.946)	(3.381)
Deficit on the Provision of Services	**1.919**	**0.066**	**(1.097)**	**0.887**
Adjustments required by statute and non statutory proper practices	(3.090)	(0.066)	1.097	(2.059)
General fund balance brought forward	**2.490**		**-**	**2.490**
Increase in year	1.170		-	1.170
General fund balance carried forward	**3.660**		**-**	**3.660**

There is no impact on the General Fund Balance but various lines of the CIES have been restated for IFRS and GAAP errors.

(i) GAAP Error – Adjustments reflect corrections to finance lease entries and £7k in respect of depreciation following the recognition of the donated Bus Station Asset.
(ii) IFRS Transition - Specific changes relate to income for grants and contributions, accruals for accumulated absences, recognised leases and the impact on depreciation charges of revised asset valuations.

Explanatory Foreword

Balance Sheet IFRS Restatement at 31 March 2010

				(a)	(b)	
IFRS		**As at 1st April 2009 - IFRS**	**Published SORP Movement**	**UK GAAP errors 2009-10**	**IFRS Transition 2009-10**	**As at 31st March 2010 - IFRS**
		£m	**£m**	**£m**	**£m**	**£m**
(i)	PPE Land and Buildings	12.030	(0.313)	0.004	(0.009)	11.713
	PPE Community Assets	0.018				0.018
(i)	PPE Vehicle. Plant, Furniture & Equipment	3.178	(0.126)	(0.100)	(0.345)	2.607
(i)	PPE Infrastructure Assets	0.917	(0.604)	(0.007)		0.306
(i)	PPE Assets Under Construction	0.218	0.262	0.354		0.834
	Surplus Assets not held for Sale	1.319			(0.043)	1.276
(i)	Investment Property	0	(0.031)		0.031	
	Long Term Investments	0.001	4.531			4.532
	Long Term Debtors	0.018	(0.007)			0.011
	Long Term Assets	**17.699**	**3.712**	**0.251**	**(0.366)**	**21.297**
	Assets Held for Sale	0.325				0.325
	Inventories	0.035	(0.007)			0.028
	Short Term Debtors	3.439	2.705			6.144
(ii)	Short Term Investments	8.389	(6.055)		(1.945)	0.389
(ii)	Cash and cash equivalents	4.895	(0.809)		1.945	6.031
	Current Assets	**17.083**	**(4.166)**	**0.000**	**0.000**	**12.917**
(iii)	Short Term Creditors	(2.882)	0.506		(0.249)	(2.625)
(iv)	Provisions – Accumulated Absence	(0.072)			0.006	(0.066)
	Current Liabilities	**(2.954)**	**0.506**	**0.000**	**(0.243)**	**(2.691)**
(iii)	Government Grants Deferred Account		0.088		(0.088)	0.000
(v)	Other Long Term Liabilities	(0.697)	(0.695)	0.043	0.832	(0.517)
(iii)	Capital Grants Receipts in advance	(0.643)			(0.377)	(1.021)
	Net pension liability	(14.172)	(16.259)			(30.431)
(iii)	Unapplied Capital Grants and Contributions		(1.272)		1.272	0.000
	Long Term Liabilities	**(15.512)**	**(18.138)**	**0.043**	**1.639**	**(31.969)**
	Net Assets	**16.316**	**(18.086)**	**0.294**	**1.030**	**(0.446)**
(iii)	Capital Grants and Contributions	(0.159)			(0.337)	(0.496)
(i)	Revaluation Reserve	(0.797)	0.031		(0.037)	(0.803)
(i)	Capital Adjustment Account	(15.446)	1.331	(0.294)	(0.290)	(14.699)
	Financial Instruments Adjustment Account	1.191	0.184			1.375
	Pension Reserve	14.172	16.259			30.431
	Useable Capital Receipts	(5.628)	1.112			(4.516)
	Deferred Capital Receipts	(0.015)	0.009			(0.006)
	General Fund Balance	(2.490)	(1.118)		(0.052)	(3.660)
(iii)	Earmarked Revenue Reserves	(7.090)	0.224		(0.308)	(7.174)
	Collection Fund Adjustment Account	(0.126)	0.055			(0.071)
(iv)	Accumulated Absences Account	0.072			(0.006)	0.066
	Total Reserves	**(16.316)**	**18.086**	**(0.294)**	**(1.030)**	**0.446**

Explanatory Foreword

(a)- UK GAAP Errors previously recognised in the 2009/10 published accounts

Column (a) in the Balance Sheet table identifies the impact on the previously published 2009/10 Balance Sheet of any adjustments required for the UK GAAP errors explained earlier.

(b)- IFRS Restatements

Column (b) in the Balance Sheet table reflects the following items:

(i) Non Current assets classifications and valuation changes – where assets were reclassified under IFRS the impact of any valuation changes requires the restatement of depreciation charges and any additions or disposals in the year.

(ii) Cash and Cash equivalents – under the SORP Short Term Investments disclosed all deposits available at less than 365 days notice under IFRS any deposits available at less than 90 days are classified as Cash Equivalents.

(iii) Accounting treatment for grants and contributions – grants and contribution movements in year have been restated to reflect the IFRS accounting policy outlined earlier.

(iv) Employee Benefits – the restatement follows the requirement to account for short term accumulated absences (leave).

(v) Long Term Liabilities – lease liabilities have been restated to ensure a consistent application of accounting policies.

Cash flow

The cash flow is split into four sections under IFRS: operating activities investing activities; financing activities and cash and cash equivalents. The direct method has been used to compile the cash flow statement. The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period whereas under UK GAAP this statement did not include movements in cash equivalents. The 2009/10 Cash Flow Statement under UK GAAP was based on a decrease of £0.808m from a net overdrawn position of £0.264m to £1.073m. The inclusion of cash equivalents changed the opening and closing positions by £5.159m to £4.895m and by £7.104m to £6.031m respectively. The restated 2009/10 Cash Flow Statement now sets out the movements underlying a £1.136m increase in cash and cash equivalents.

Cash Flow 2009-10 IFRS Restatement

	Published SORP Accounts	IFRS Transition 2009-10	IFRS Cashflow 2009-10
	£m	**£m**	**£m**
Other receipts from Operating Activities	(1.492)	(1.944)	(3.436)
Net Cash Flows from Operating Activities	**(0.277)**	**(1.944)**	**(2.221)**
Net (Increase) or Decrease in cash and cash equivalents	0.808	(1.944)	(1.136)
Cash and Cash equivalents at the beginning of the reporting period	0.264	(5.159)	(4.895)
Cash and Cash equivalents at the end of the reporting period	1.072	(7.103)	(6.031)

7 Service and Economic Outlook

Economic Background and Outlook

The Medium Term Financial Plan for 2010/14 was formulated within the context of a weak national economy, high levels of national debt and low interest rates, with the UK and international economies struggling to come out of recession. It was anticipated that general economic recovery would be slow and that public sector financing would be reduced. There was continuing uncertainty in respect of the deposits with Icelandic banks and an investment loss of around £1.5m was estimated.

Following the General Election the coalition Government set future national policy for local government in three ways:

- Greater freedoms and flexibilities to set priorities and deliver services.
- Reduced Government grants.
- More devolution and involvement of communities (the “Big Society”).

In a context of continued weak economic recovery, government funding over the three years from 3 April 2011 for the Council was reduced by 25% of which 15%, equating to £1.7m, impacted in the 2011/12 financial year.

The Council responded to these challenges with a plan to deliver:

- Greater efficiencies and productivity
- Greater community action and volunteering
- More income

Explanatory Foreword

Members approved a balanced budget for 2011/12 and the Medium Term Financial Plan to 2015 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 2011 to 2015 was revised to support the objectives outlined above. Responding to the reductions in funding and in support of the entrepreneurial approach being adopted by the Council an allocation of £3m was approved for future capital investments. The allocation will be funded with £1m from existing capital receipts, £200k from revenue and the remaining £1.8m will be dependant upon realising the ‘Old Guildhall’ site to this value. It is envisaged that this funding will assist with levering in additional investment to the area whilst also generating a market return or creating an asset and thereby further support the delivery of corporate priorities.

A Community Asset allocation of £1.25m was approved to support the Big Society initiatives.

The Council’s programmed works budget was increased by £0.187m to support improvements at the Leisure Centre (£0.036m), facilitate the adoption of Heapham Road pumping station (£0.65m) and the transfer of infrastructure (£0.046m) on the Heapham Road industrial estate.

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

The capital programme is funded mainly from capital receipts, grants and contributions. Additional funding is provided by finance leases and contributions from revenue. The Council has approved the following funding plans for the capital programme for the period 31 March 2011 to 31 March 2015.

	2011/12	2012/13	2013/14	2014/15
Funding	**£m**	**£m**	**£m**	**£m**
Capital receipts	0.777	1.447	1.190	1.490
Grants and Contributions	0.210	1.210	0.210	0.210
Finance Leases	0.165	0.404	0.296	0
Revenue Contributions	0.350	0.100	0.100	0.100
	1.502	**3.161**	**1.796**	**1.800**

The Council has adequate revenue balances to provide financial security and a safety mechanism for unforeseen events. The General Revenue Account balances stood at £4.031m as at 31 March 2011 and £6.838m is held in earmarked reserves.

Service Changes – Concessionary Fares, Housing Benefit and Council Tax Benefit

From 1 April 2011 responsibility and funding for the administration of the concessionary fares service transferred to the County Council. The estimated financial impact on the Council of the transfer is to reduce expenditure and grant funding by approximately £0.649m and £0.670m respectively.

The government has announced its intention to create a single investigation service for all welfare benefits and tax credits. The timetable is for implementation on 1st April 2012. There may be a subsidy reduction of up to a third of the total administration subsidy currently received which would amount to approximately £0.167m based on current grant levels.

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.

From 1 April 2013, financial responsibility for Council Tax benefit will be transferred from the DWP to the Council. The level of funding transferred to the Council will be 90% of the present level which is reimbursed by the DWP. If Council Tax Benefit remains at its present level then from 1 April 2013 the estimated cost to the Council will be in excess of £0.600m.

<u>Events after the Reporting Period</u>

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 26 September 2011 in respect of the approval of the Subject to Audit Statement of Accounts for 2010/11.

There are no events which took place after 31 March 2011 that require adjustment to these accounts. There are no events after 31 March 2011 to disclose that are relevant to an understanding of the Council’s financial position.

Russell Stone ACMA
Chief Finance Officer
26 September 2011

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 ………………………………26th September 2011

Chief Finance Officer.

Auditor's Statement

The independent Auditor's report to West Lindsey District Council.

Content to be added following audit opinion.

Core Financial Statements

Movement in Reserves Statement

	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Balance at 31 March 2009 UK GAAP	**(2,490)**	**(6,960)**	**(5,628)**	**0**	**(15,078)**	**(1,706)**	**(16,784)**
IFRS Adjustments 1 April 2009		**(130)**	**0**	**(159)**	**(289)**	**757**	**468**
Balance at 1 April 2009 IFRS	**(2,490)**	**(7,090)**	**(5,628)**	**(159)**	**(15,367)**	**(949)**	**(16,316)**
Movement in reserves during 2009/10							
(Surplus) or deficit on the provision of services	887	-	-	-	887	-	887
Other Comprehensive Income and Expenditure	-	-	-	-	0	15,875	15,875
Total Comprehensive Income and Expenditure	**887**	**0**	**0**	**0**	**887**	**15,875**	**16,762**
Adjustments between accounting basis & funding basis under regulations (Note 7)	(2,141)	-	1,112	(337)	(1,366)	1,366	0
Net (Increase)/Decrease before Transfers to Earmarked Reserves	**(1,254)**	**0**	**1,112**	**(337)**	**(479)**	**17,241**	**16,762**
Transfers to/(from) Earmarked Reserves (Note 8)	84	(84)	-	-	0	-	0
(Increase)/Decrease in 2009/10	**(1,170)**	**(84)**	**1,112**	**(337)**	**(479)**	**17,241**	**16,762**
Balance at 31 March 2010 carried forward	**(3,660)**	**(7,174)**	**(4,516)**	**(496)**	**(15,846)**	**16,292**	**446**
Movement in Reserves during 2010/11							
(Surplus) or deficit on provision of services	(5,819)	-	-	-	(5,819)	-	(5,819)
Other Comprehensive Income and Expenditure	-	-	-	-	0	(8,706)	(8,706)
Total Comprehensive Income and Expenditure	**(5,819)**	**0**	**0**	**0**	**(5,819)**	**(8,706)**	**(14,525)**
Adjustments between accounting basis & funding basis under regulations (Note 7)	5,784	-	805	(488)	6,101	(6,101)	0
Net (Increase)/Decrease before Transfers to Earmarked Reserves	**(35)**	**0**	**805**	**(488)**	**282**	**(14,807)**	**(14,525)**
Transfers to/(from) Earmarked Reserves (Note 8)	(336)	336	-	-	0		0
(Increase)/Decrease in Year	**(371)**	**336**	**805**	**(488)**	**282**	**(14,807)**	**(14,525)**
Balance at 31 March 2011 carried forward	**(4,031)**	**(6,838)**	**(3,711)**	**(984)**	**(15,564)**	**1,485**	**(14,079)**

Core Financial Statements

Comprehensive Income and Expenditure Statement

2009/10				2010/11		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000's	£000's	£000's		£000's	£000's	£000's
7,132	(6,380)	752	Central services to the public	7,683	(6,768)	915
11,949	(2,532)	9,417	Cultural, environmental, regulatory and planning services	13,489	(4,012)	9,477
1,070	(375)	695	Highways and transport services	1,130	(290)	840
20,791	(19,477)	1,314	Other housing services	22,895	(21,550)	1,345
1,923	(2)	1,921	Corporate and democratic core	1,759	(2)	1,757
710	(368)	342	Non distributed costs	1,110	(618)	492
-	-	0	Exceptional Item - Negative Past Service Pension Cost	(5,755)	-	(5,755)
43,575	**(29,134)**	**14,441**	**Cost of Services**	**42,311**	**(33,240)**	**9,071**
2,021	-	2,021	Other operating expenditure (Note 9)	1,857	(114)	1,743
1,673	(454)	1,219	Financing and investment income and expenditure (Note 10)	1,052	(499)	553
-	-	0	Surplus or deficit of discontinued operations	-	-	0
-	(16,794)	(16,794)	Taxation and non-specific grant income (Note 11)	-	(17,186)	(17,186)
		887	**(Surplus) or Deficit on Provision of Services**			**(5,819)**
		(17)	Surplus or deficit on revaluation of Property, Plant and Equipment assets			0
		0	Surplus or deficit on revaluation of available for sale financial assets			0
		15,892	Actuarial gains/losses on pension assets / liabilities (Note 22)			(8,706)
		15,875	**Other Comprehensive Income and Expenditure**			**(8,706)**
		16,762	**Total Comprehensive Income and Expenditure**			**(14,525)**

Core Financial Statements

Balance Sheet

01 April 2009 £000's	31 March 2010 £000's		Notes	31 March 2011 £000's
17,680	16,754	Property, Plant & Equipment	12	16,748
-	0	Intangible Assets	13	191
1	4,532	Long Term Investments	14	2,512
18	11	Long Term Debtors	14	7
17,699	**21,297**	**Long Term Assets**		**19,458**
8,389	389	Short Term Investments	14	2,326
325	325	Assets Held for Sale	19	200
35	28	Inventories	15	40
3,439	6,144	Short Term Debtors	16	4,105
4,895	6,031	Cash and Cash Equivalents	17	10,115
17,083	**12,917**	**Current Assets**		**16,786**
(2,882)	(2,625)	Short Term Creditors	18	(3,803)
(72)	(66)	Provisions	20	(79)
(241)	(221)	Other Current Liabilities	14/33	(215)
(3,195)	**(2,912)**	**Current Liabilities**		**(4,097)**
(14,172)	(30,431)	Net Pension Liability	35	(16,707)
(456)	(296)	Other Long Term Liabilities	33	(702)
(643)	(1,021)	Capital Grants Receipts in Advance	30	(659)
(15,271)	**(31,748)**	**Long Term Liabilities**		**(18,068)**
16,316	**(446)**	**Net Assets**		**14,079**
(15,367)	(15,846)	Usable Reserves	21	(15,564)
(949)	16,292	Unusable Reserves	22	1,485
(16,316)	**446**	**Total Reserves**		**(14,079)**

Core Financial Statements

Cash Flow Statement

2009/10 £000's		Note	2010/11 £000's
(2,221)	Operating Activities	23	(5,201)
(1,708)	Investing Activities	24	1,204
2,793	Financing Activities	25	(87)
(1,136)	**Net (increase) or decrease in cash and cash equivalents**		**(4,084)**
(4,895)	**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**	17	**(10,115)**

Explanatory Notes to the Core Financial Statements

1 ACCOUNTING POLICIES

i General Principles

The Statement of Accounts summarises the Council's transactions for the 20010/11 financial year and its position at the year-end of 31 March 2011 and has been prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 (The Code) and the Best Value Accounting Code of Practice 2010/11, 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.

Explanatory Notes to the Core Financial Statements

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 2010/11 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.

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:

Explanatory Notes to the Core Financial Statements

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.

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.

Explanatory Notes to the Core Financial Statements

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 Comprehensive Income and Expenditure Statement as Non Distributed Costs.

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

Explanatory Notes to the Core Financial Statements

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 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.

Area Based Grant

Area Based Grant (ABG) is a general grant allocated by central government directly to local authorities as additional revenue funding. ABG is non-ringfenced and is credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

xi 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.

xii 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.

xiii 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 Comprehensive Income and Expenditure Statement with the expenditure its 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.

Explanatory Notes to the Core Financial Statements

xiv 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).

Property, Plant and Equipment 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. Credit 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.

xv Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2010/11 (BVACOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early, costs associated with unused IT facilities and long term unrealisable assets, any impairment losses chargeable on assets under construction, non current assets held for sale or surplus assets and the depreciation on the latter category of assets.

Explanatory Notes to the Core Financial Statements

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

xvi 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, community assets and assets under construction – depreciated historical cost

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

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

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

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

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

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

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

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

Impairment

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

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

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

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

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

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives 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	Ranges of useful lives Years
Offices/Leisure Centre	24 to 49
Depots & Stores	19
Shops	15 to 115
Public Conveniences	12 to 39
CCTV Systems/IT Equipment/ Wheeled Bins/Office equipment	2 to 10
Vehicles / Bin Lifters	2 to 8
Infrastructure Assets	37

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

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

Disposals and Non-current Assets Held for Sale

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

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the 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 Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts 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.

xvii 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

Explanatory Notes to the Core Financial Statements

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.

xviii 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.

xix 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.

Explanatory Notes to the Core Financial Statements

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.

xx 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.

xxi 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 Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

xxii 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.

Explanatory Notes to the Core Financial Statements

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

The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (the Code) has introduced a change in accounting policy relating to FRS 30 (Heritage Assets). Whilst the Council holds no assets that would be classified as Heritage assets the change in the Code added an option to extend the measurement and disclosures required for Heritage assets to Community assets. Note 39 outlines the impact of the change in accounting policy on the 2011/12 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.

Impaired money market deposits

The Council is seeking to recover deposits in total of £5m plus interest and costs from Lansdbanki islands hf (£4m) and Glitnir bank hf (£1m) that are subject to administration in Iceland. Judgements by the Reykjavik District Court that allow the status of a priority creditor for the Councils' claims are being appealed to the Supreme Court in Iceland. Legal advice has been obtained to support a judgement that this priority status will be secured and the estimated recoverable values within the statement of accounts are based on this advice.

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.

Explanatory Notes to the Core Financial Statements

The item in the Council's Balance Sheet at 31 March 2011 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 2010/11 the Council's actuaries advised that the net pension liability had reduced by £13.7m. The table below 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 2011	Approximate increase in monetary cost £m
0.5% decrease in Real Discount Rate	£4.501m
1 year increase in member life expectancy	£1.512m
0.5% increase in Salary increase rate	£1.020m
0.5% increase in pension increase rate	£3.491m

5. MATERIAL ITEMS OF INCOME AND EXPENSE

In the UK budget statement on 22 June 2010 the Chancellor announced that with effect from 1 April 2011 public service pensions would be up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI).

This has the effect of reducing Council's liabilities in Lincolnshire County Council Pension Fund by £5.755m and has been recognised as a past service gain in accordance with guidance set down in Urgent Issues Task Force (UITF) Abstract 48, since the change is considered to be a change in benefit entitlement. This is shown as an exceptional item within the Comprehensive Income & Expenditure Statement

6. EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was authorised for issue by the Chief Finance Officer on 30 June 2011. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2011, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Explanatory Notes to the Core Financial Statements

7. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

	Usable Reserves			
2009/10	**General Fund Balance**	**Capital Receipts Reserve**	**Capital Grants Unapplied**	**Movement in Unusable Reserves**
	£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	(1,666)			1,666
Revaluation losses on Property Plant and Equipment	0			0
Amortisation of intangible assets	0			0
Capital grants and contributions applied	1,195			(1,195)
Movement in the Donated Assets Account				0
Revenue expenditure funded from capital under statute	(1,590)			1,590
Amounts of non-current assets written off on disposal or sale as part of the gain/loss im the Comprehensive Income and Expenditure Statement	(545)			545
Finance Lease Liabilities written out on early termination of agreements.	73			(73)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	272			(272)
Capital expenditure charged against the General Fund balance	131			(131)
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	500		(500)	
Application of grants to capital financing transferred to the Capital Adjustment Account			163	(163)
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	82	(82)		
Other movements	6	(6)		
Use of the Capital Receipts Reserve to finance new capital expenditure		1,204		(1,204)
Transfer from Deferred Capital Receipts Reserve upon receipt of cash		(4)		4
Adjustments primarily involving the Deferred Capital Receipts Reserve (England and Wales):				
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0			0
Adjustment primarily involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(184)			184
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 35)	(1,817)			1,817

Explanatory Notes to the Core Financial Statements

2009/10	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
Employer's pensions contributions and direct payments to pensioners payable in the year	1,450			(1,450)
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(55)			55
Adjustment primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	6			(6)
Total Adjustments	**(2,141)**	**1,112**	**(337)**	**1,366**

2010/11	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	(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 Comprehensive Income and Expenditure Statement	(289)			289
Finance Lease Liabilities written out on early termination of agreements.				
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 Comprehensive Income and Expenditure Statement	518		(518)	
Application of grants to capital financing transferred to the Capital Adjustment Account			30	(30)

Explanatory Notes to the Core Financial Statements

2010/11	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 Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	402	(402)		
Use of the Capital Receipts Reserve to finance new capital expenditure		1,211		(1,211)
Transfer from Deferred Capital Receipts Reserve upon receipt of cash		(4)		4
Adjustments primarily involving the Deferred Capital Receipts Reserve (England and Wales):				
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement				
Adjustment primarily involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	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 Comprehensive Income and Expenditure Statement (see 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 Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(13)			13
Total Adjustments	**5,784**	**805**	**(488)**	**(6,101)**

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.

Explanatory Notes to the Core Financial Statements

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 2010/11.

		Transfers 2009/10			Transfers 2010/11		
General Fund:	**Balance at 01/04/09**	**Out**	**In**	**Balance at 31/03/10**	**Out**	**In**	**Balance at 31/03/11**
	£000's	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**
Asset Valuations	**10**	(10)	-	**0**	-	-	**0**
Audit Programme	**8**	-	-	**8**	(8)	-	**0**
Capacity Planning & Scheduling Analyst	**73**	(73)	-	**0**	-	-	**0**
Carbon Reduction	**0**	-	-	**0**	(41)	200	**159**
CCTV Service	**16**	(5)	-	**11**	(11)	-	**0**
Civic	**0**	-	3	**3**	-	-	**3**
Civilian Parking Enforcement	**0**	-	49	**49**	-	-	**49**
Concessionary Fares	**50**	-	-	**50**	-	-	**50**
CRM Implementation	**40**	-	-	**40**	-	-	**40**
Customer Access Strategy	**0**	-	-	**0**	-	30	**30**
Development Control Improvements	**0**	-	340	**340**	(188)	-	**152**
Development Plans Staffing	**45**	(45)	-	**0**	-	-	**0**
Diversionary Activities	**0**	-	-	**0**	(40)	50	**10**
Enveloping Machine	**13**	(13)	-	**0**	-	-	**0**
Finance				**0**	-	20	**20**
Flooding - Data Collection	**25**	-	50	**75**	(2)	50	**124**
Football Co-ordinator				**0**	-	8	**8**
Gainsborough Strategic Coordinator	**66**	(34)	-	**32**	(8)	-	**24**
Generic Equalities	**40**	(10)	30	**60**	(5)	-	**56**
Grants Received for REFCUS	**130**	(578)	886	**438**	(173)	0	**265**
Green Waste Initiatives/Depot Move	**100**	-	-	**100**	-	-	**100**
Growth Point Status	**500**	(51)	-	**449**	(82)	-	**367**
Guildhall Demolition	**57**	(15)	-	**42**	-	-	**42**
Historic Buildings Grants	**11**	(11)	-	**0**	-	-	**0**
Housing Benefit Administration	**59**	(5)	-	**54**	-	-	**54**
Housing Priority Needs Order	**9**	(9)	-	**0**	-	-	**0**
Housing Services Development	**46**	(46)	-	**0**	-	-	**0**
Housing Services				**0**		10	**10**
Human Resources – Corporate Development	**17**	-	10	**27**	-	-	**27**
Human Resources/Payroll Set Up Costs	**35**	(35)	-	**0**	-	-	**0**
Insurance Fund	**90**	(13)	13	**90**	(18)	18	**90**
Invest To Save	**484**	(130)	19	**373**	(12)	134	**495**
Investment in Gainsborough South West Ward	**99**	(18)	-	**81**	(14)	-	**67**
Investment in Skills	**272**	(57)	-	**215**	(89)	-	**127**
IT Upgrades	**325**	(75)	-	**250**	-	-	**250**
Joint Planning Unit	**0**	-	25	**25**	(25)	-	**0**
LABGI Reserve	**1,162**	-	-	**1,162**	-	-	**1,162**
Local Development Framework	**163**	-	-	**163**	-	-	**163**

Explanatory Notes to the Core Financial Statements

General Fund:	Balance at 01/04/09	Transfers 2009/10 Out	Transfers 2009/10 In	Balance at 31/03/10	Transfers 2010/11 Out	Transfers 2010/11 In	Balance at 31/03/11
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Maintenance of Facilities	**40**	-	-	**40**	-	109	**149**
Market Rasen Pool (Contribution to capital costs)	**561**	-	-	**561**	-	-	**561**
Market Rasen Pool Revenue Costs	**1,250**	-	-	**1,250**	(106)	-	**1,144**
Marshalls Sports Ground	**200**	(100)	-	**100**	(100)	-	**(0)**
Member Training	**0**	-	18	**18**	(10)	-	**8**
Member's Initiative - Local Needs	**15**	-	22	**37**	(29)	-	**8**
New Burdens				**0**		34	**34**
Operational Services Restructure Costs	**89**	(89)	-	**0**	-	-	**0**
Outcomes & Outputs of Gainsborough Masterplan	**216**	(32)	-	**184**	(35)	-	**149**
Pension Reserve	**497**	-	-	**497**	-	-	**497**
Performance Management Software	**10**	(5)	-	**5**	-	-	**5**
Project Management	**5**	(5)	-	**0**	-	-	**0**
Property Services Costs	**20**	-	-	**20**	-	-	**20**
Recycling Service Improvements	**14**	(10)	-	**4**	-	-	**4**
Review of Refuse and Recycling Rounds	**0**	-	54	**54**	-	-	**54**
Severe Weather				**0**		10	**10**
Shared Services Programme	**50**	(20)	-	**30**	-	-	**30**
Sporting Initiatives	**0**			**0**	-	2	**2**
Strategic Objectives/Service	**3**	(3)	-	**0**	-	-	**0**
Superloo – Termination of Contract	**35**	(35)	-	**0**	-	-	**0**
Support for Monitoring Officer	**27**	(10)	50	**67**	(53)	-	**14**
Tourism				**0**	-	3	**3**
Town Centre Manager	**4**	-	-	**4**	-	-	**4**
Transformation	**0**			**0**	-	50	**50**
VAT & NNDR Refunds	**45**	(9)	-	**36**	(23)	-	**14**
Vehicle Replacement	**0**	-	50	**50**	-	5	**55**
Village Halls	**4**	(4)	-	**0**	-	-	**0**
Watercourse Maintenance Commuted	**10**		-	**10**	-	-	**10**
Wheeled Bin Replacement	**40**	-	30	**70**	-	-	**70**
Wheels to Work	**12**	(12)	-	**0**	-	-	**0**
Total	**7,090**	**(1,565)**	**1,649**	**7,174**	**(1,069)**	**732**	**6,837**

Asset Valuation – set aside to meet the costs of reviewing the Council's assets and property terrier.
Audit Programme – to meet any additional costs resulting from works within the audit programme.
Capacity Planning & Scheduling Analyst – set up in 2007/08 to meet the costs of this post.
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.
Civic - To allow funds approved in specific financial years to be aligned to Civic years.

Explanatory Notes to the Core Financial Statements

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

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.
Development Control Improvements - set aside from Housing Planning Delivery Grant to support improvements in Development Control.
Development Plans Staffing – Set up to support additional employment costs over a number of years, now fully utilised.
Diversionary Activities – to create an intergenerational programme of activity to increase inclusion amongst young people.
Enveloping Machine – Slippage from earlier years modify the machine.
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 Coordinator – to meet the costs of this post over two years.
Generic Equalities – to meet the ongoing costs of Generic Equalities work.
Grants received for REFCUS – grants and contributions received in advance for financing of revenue expenditure funded by capital under statute.
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.
Historic Buildings Grant – to fund historic commitments under the scheme.
Housing Benefit Administration – the balance of Government Grant received.
Housing Priority Needs Order – the balance of Grant received in 2008/09 applied in 2009/10.
Housing Services Development – to support the transfer of the Home Options team.
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.
Human Resources/ Payroll set up costs –to meet ongoing implementation costs of payroll service and now fully utilised.
Insurance Reserve – 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.
Investment in Skills – funding towards the development of projects to increase skills education and training of West Lindsey residents for three years.

Explanatory Notes to the Core Financial Statements

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 Authority Business Growth Initiative (LABGI) – funds received under the scheme set aside to support future revenue and capital projects.
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 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.
Operational Services Restructure Costs – to contribute towards one-off costs of restructuring the Operational Services Team.
Outcomes and Outputs of Gainsborough Master Plan – to fund the delivery of the requirements of this strategic document.
Pension Reserve –to offset future potential pension cost increases and any additional early retirement costs.
Performance Management Software - to upgrade performance management software.
Project Management - to meet the costs of Project Management training.
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.
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.
Strategic Objectives and Service Improvements - to support member and service improvement.
Superloo – to meet contract termination costs.
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

Transformation – to assist with costs associated with Business Case Development.

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.
Village Halls - to manage the revenue budget impact of supporting village halls.
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.
Wheels to Work – unspent funds in 2008/09 used to support continuation of project.

9. OTHER OPERATING EXPENDITURE

2009/10 £000's	Other Operating Expenditure	2010/11 £000's
1,153	Parish council precepts	1,418
287	Levies	297
191	Contribution to Parish Councils	77
0	Deficit on valuation of Held for Sale Assets	65
390	Gains/losses on the disposal of non-current assets	(114)
2,021	**Total**	**1,743**

10. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2009/10 £000's	Financing and Investment Income and Expenditure	2010/11 £000's
83	Interest payable and similar charges	60
1,080	Pensions interest cost and expected return on pensions assets	935
(454)	Interest receivable and similar income	(499)
510	Impairment of Icelandic Bank deposits	57
1,219	**Total**	**553**

11. TAXATION AND NON SPECIFIC GRANT INCOMES

2009/10 £000's	Taxation and Non-specific Grant Income	2010/11 £000's
(6,869)	Council Tax Income	(7,240)
(6,544)	Non Domestic Rates	(7,182)
(2,435)	Non-ringfenced Government Grants	(1,143)
(946)	Capital Grants and Contributions	(1,621)
(16,794)	**Total**	**(17,186)**

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 2010	11,999	4,632	1,266	18	1,289	835	20,039
Additions	77	737	0	0	2	1,123	1,939
Revaluation increases/(decreases) recognised in the Revaluation Reserve	0	0	0	0	(5)	0	(5)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(678)	0	0	0	0	0	(678)
Derecognition – disposals	0	(91)	0	(5)	0	0	(96)
Derecognition – other	0	(478)	0	0	0	0	(478)
Assets reclassified (to)/from Held for Sale	0	0	0	0	(172)	0	(172)
Other movements in cost or valuation	1,806	16	13	0	0	(1,937)	(102)
At 31 March 2011	**13,204**	**4,816**	**1,279**	**13**	**1,114**	**21**	**20,447**
Accumulated Depreciation and Impairment							
At 1 April 2010	(286)	(2,024)	(961)	0	(13)	0	(3,284)
Depreciation charge	(286)	(625)	(9)	0	(13)	0	(933)
Depreciation written out to the Revaluation Reserve	0	0	0	0	5	0	5
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0
Impairment losses/(reversals)recognised in the Revaluation Reserve	0	0	0	0	0	0	0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0
Derecognition – disposals	0	36	0	0	0	0	36
Derecognition – other	0	478	0	0	0	0	478
Other movements in depreciation and impairment	0	0	0	0	0	0	0
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**	**13**	**1,093**	**21**	**16,749**
At 31 March 2010	**11,713**	**2,608**	**305**	**18**	**1,276**	**835**	**16,755**

Explanatory Notes to the Core Financial Statements

	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 2009	12,030	5,537	1,266	18	1,319	218	20,388
Additions	(13)	665	0	0	0	617	1,269
Donations	0	0	0	0	0	0	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	17		0	0	0	0	17
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0
Derecognition – disposals	(35)	(1,197)	0	0	(30)	0	(1,262)
Derecognition – other	0	(373)	0	0	0	0	(373)
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	0	0
Other movements in cost or valuation		0	0	0	0	0	0
At 31 March 2010	**11,999**	**4,632**	**1,266**	**18**	**1,289**	**835**	**20,039**
Accumulated Depreciation and Impairment							
At 1 April 2009	0	(2,359)	(349)	0	0	0	(2,708)
Depreciation charge	(287)	(753)	(612)	0	(14)	0	(1,666)
Depreciation written out to the Revaluation Reserve		0	0	0	0	0	0
Depreciation written out to the Surplus/Deficit on the Provision of Services		0	0	0	0	0	0
Impairment losses/(reversals)recognised in the Revaluation Reserve	0		0	0	0	0	0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0		0	0	0	0	0
Derecognition – disposals	1	715	0	0	1	0	717
Derecognition – other	0	373	0	0	0	0	373
Other movements in depreciation and impairment	0	0	0	0	0	0	0
At 31 March 2010	**(286)**	**(2,024)**	**(961)**	**0**	**(13)**	**0**	**(3,284)**
Net Book Value							
At 31 March 2010	**11,713**	**2,608**	**305**	**18**	**1,276**	**835**	**16,755**
At 31 March 2009	**12,030**	**3,178**	**917**	**18**	**1,319**	**218**	**17,680**

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 2011, the Council is committed to spending on capital schemes in 2011/12 budgeted to cost £0.391m. Similar commitments at 31 March 2010 were £2.529m. The major commitments are:

Project	2011/12	2012/13
	£000's	£000's
Marshalls Sports Pavillion	20	-
Drugs Action Team Property	54	-
Financial Ledger Suite	10	-
Young & Safe in Gainsborough	107	-
Growth Point	23	-
Surface Water Schemes	85	-
Office Accomodation	48	-
Gainsborough Public Realm	44	-
Total	**391**	**0**

Effects of Changes in Estimates

In 2010/11 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 Technical and Contract Service Manager.

Explanatory Notes to the Core Financial Statements

For the purposes of transition to IFRS, valuations were prepared for a number of assets which had been reclassified.

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;

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	0	2,681	309	12		21	3,023
Valued at fair value as at:							
31 March 2011	300	0	0	0	0	0	300
31 March 2010	0	0	0	0	0	0	0
31 March 2009	11,417	0	0	0	1,093	0	12,510
Total Cost or Valuation	**11,717**	**2,681**	**309**	**12**	**1,093**	**21**	**15,833**

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. No amortisation has been charged to revenue in 2010/11, due to the costs being incurred during the year.

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

	2010/11			2009/10		
	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	-	0	0	-	-	0
Accumulated amortisation	-	0	0	-	-	0
Net carrying amount at start of year	**0**	**0**	**0**	**0**	**0**	**0**
Additions:						
Internal development	-	-	0	-	-	0
Purchases	-	90	90	-	-	0
Acquired through business combinations	-	-	0	-	-	0
Assets reclassified as held for sale	-	-	0	-	-	0
Other disposals	-	-	0	-	-	0
Revaluations increases or decreases	-	-	0	-	-	0
Impairment losses recognised or reversed directly in the Revaluation Reserve	-	-	0	-	-	0
Impairment losses recognised in the Surplus/Deficit on the Provision of Services	-	-	0	-	-	0
Reversals of past impairment losses written back to the Surplus/Deficit on the Provision of Services	-					
Amortisation for the period	-	-	0	-	-	0
Other changes	-	101	101	-	-	0
Net carrying amount at end of year	**0**	**191**	**191**	**0**	**0**	**0**
Comprising:						
Gross carrying amounts	-	191	191	-	-	0
Accumulated amortisation	-	0	0	-	-	0
Total	**0**	**191**	**191**	**0**	**0**	**0**

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 2011	31 March 2010	31 March 2011	31 March 2010
	£000's	£000's	£000's	£000's
Financial Assets				
Investments				
Loans and receivables	2,511	4,532	2,326	389
Total investments	**2,511**	**4,532**	**2,326**	**389**
Debtors				
Loans and receivables	0	11	1,352	1,862
Cash at bank	0	0	10,115	7,572
Total investments	**0**	**11**	**11,467**	**9,434**
Total Financial Assets	**2,511**	**4,543**	**13,793**	**9,823**
Financial Liabilities				
Finance lease liabilities	0	296	0	221
Financial liabilities at amortised cost	0	0	1,754	8,404
Total Financial Liabilities	**0**	**296**	**1,754**	**8,625**

Reclassifications in 2010/11 -

There were no reclassifications of Financial Instruments in 2010/11

Income, Expense, Gains and Losses

	2010/11			2009/10		
	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			**0**	118		**118**
Impairment loss / (reversal)		(57)	**(57)**		510	**510**
Total expense in Surplus or Deficit on the Provision of Services	**0**	**(57)**	**(57)**	**118**	**510**	**628**
Interest income		82	**82**		128	**128**
Interest income accrued on impaired financial assets		280	**280**		326	**326**
Total income in Surplus or Deficit on the Provision of Services	**0**	**362**	**362**	**0**	**454**	**454**
Net gain/(loss) for the year	**0**	**419**	**419**	**(118)**	**(56)**	**(174)**

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 2011		31 March 2010	
	Carrying amount £000's	Fair value £000's	Carrying amount £000's	Fair value £000's
Financial liabilities	731	731	289	289
Long-term creditors	0	0	0	0

	31 March 2011		31 March 2010	
	Carrying amount £000's	Fair value £000's	Carrying amount £000's	Fair value £000's
Loans and Receivables	2,326	2,326	389	389
Long-term debtors	7	7	11	11

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

2008/09	2009/10	Inventories	2010/11
£000's	£000's		£000's
36	**35**	**Balance outstanding at start of year**	**28**
23	137	Purchases	179
(24)	(144)	Recognised as an expense in the year	(167)
0	0	Written off balances	0
0	0	Reversals of write-offs in previous years	0
35	**28**	**Balance outstanding at year-end**	**40**

16. DEBTORS

1st April 2009	31 March 2010		31 March 2011
£000's	£000's		£000's
1,148	2,729	Central government bodies	2,026
348	135	Other local authorities	109
0	0	NHS bodies	11
0	0	Public corporations and trading funds	0
1,484	1,957	Other entities and individuals	1,363
454	1,317	Prepayments	595
3,434	**6,138**	**Total**	**4,104**

17. CASH AND CASH EQUIVALENTS

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

1st April 2009	31 March 2010		31 March 2011
£000's	£000's		£000's
2	1	Cash held by the Council	1
(267)	(1,075)	Bank current accounts	404
5,160	7,105	Short-term deposits	9,710
4,895	**6,031**	**Total Cash and Cash Equivalents**	**10,115**

18. ASSETS HELD FOR SALE

	Current		Non Current	
	2010/11	2009/10	2010/11	2009/10
	£000's	£000's	£000's	£000's
Balance outstanding at start of year	**325**	**325**	**0**	**0**
Assets newly classified as held for sale:				
Property, Plant and Equipment	172	-	-	-
Intangible Assets	0	-	-	-
Other assets/liabilities in disposal groups	0	-	-	-
Revaluation losses	-	-	-	-
Revaluation gains		-	-	-
Impairment losses	(65)	-	-	-
Assets declassified as held for sale:		-	-	-
Property, Plant and Equipment	0	-	-	-
Intangible Assets	0	-	-	-
Other assets/liabilities in disposal groups	0	-	-	-
Assets sold	(232)	-	-	-
Transfers from non-current to current	0	-	-	-
[Other movements]	0	-	-	-
Balance outstanding at year-end	**200**	**325**	**0**	**0**

19. CREDITORS

1st April 2009	31 March 2010		31 March 2011
£000's	£000's		£000's
854	543	Central government bodies	277
373	71	Other local authorities	803
0	133	NHS bodies	201
0	0	Public corporations and trading funds	0
2,094	1,878	Other entities and individuals	2,522
3,321	**2,625**	**Total**	**3,803**

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 2009			**(72)**	**72**
Balance at 1 April 2010	**0**	**0**	**(66)**	**(66)**
Additional provisions made in 2010/11	-	-	(79)	(79)
Amounts used in 2010/11	-	-	66	66
Unused amounts reversed in 2010/11	-	-	-	0
Unwinding of discounting in 2010/11	-	-	-	0
Balance at 31 March 2011	**0**	**0**	**(79)**	**(79)**

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.

1 April 2009	31 March 2010		31 March 2011
£000's	£000's		£000's
(2,490)	(3,660)	General Fund Balance	(4,031)
(7,090)	(7,174)	Earmarked Reserves	(6,838)
(5,628)	(4,516)	Capital Receipts Reserve	(3,711)
(159)	(496)	Capital Grants Unapplied Reserve	(984)
(15,367)	**(15,846)**	**Total Usable Reserves**	**(15,565)**

Capital Receipts Reserve

31 March 2010		31 March 2011	
£000's		£000's	£000's
(5,628)	**Balance at 1 April**		**(4,516)**
(92)	Capital Receipts received	(406)	
1,204	Capital Receipts applied	1,211	
(4,516)	**Balance at 31 March**		**(3,711)**

Capital Grants Unapplied

31 March 2010		31 March 2011	
£000's		£000's	£000's
(159)	**Balance at 1 April**		**(496)**
(500)	Capital Grants Received	(518)	
163	Capital Grants applied	30	
(496)	**Balance at 31 March**		**(984)**

22. UNUSABLE RESERVES

SUMMARY

31 March 2010		31 March 2011
£000's		£000's
(802)	Revaluation Reserve	(800)
(14,699)	Capital Adjustment Account	(14,360)
1,375	Financial Instruments Adjustment Account	(0)
(7)	Deferred Capital Receipts Reserve	(3)
30,431	Pensions Reserve	16,707
(71)	Collection Fund Adjustment Account	(137)
66	Accumulated Absences Account	79
16,293	**Total Unusable Reserves**	**1,486**

Revaluation Reserve

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

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

Explanatory Notes to the Core Financial Statements

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 2010		31 March 2011	
£000's		£000's	£000's
(797)	**Balance at 1 April**		**(802)**
0	Upward revaluation of assets	0	
(17)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services.	0	
(17)	**Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services.**		**0**
2	Difference between fair value depreciation and historical cost depreciation	2	
10	Accumulated gains on assets sold or scrapped	0	
12	**Amount written off to the Capital Adjustment Account**		**2**
(802)	**Balance at 31 March**		**(800)**

Capital Adjustment Account

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

The Account contains 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.

Explanatory Notes to the Core Financial Statements

31 March 2010		31 March 2011	
£000's		£000's	£000's
(15,446)	**Balance at 1 April**		**(14,699)**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
1,666	Charges for depreciation and impairment of non-current assets	933	
(11)	Revaluation losses on Property, Plant and Equipment	679	
	Revaluation losses on Assets held for Sale	65	
0	Amortisation of intangible assets	0	
1,590	Revenue expenditure funded from capital under statute	3,070	
472	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	
3,717			**5,036**
0	Adjusting amounts written out of the Revaluation Reserve		(2)
3,717	**Net written out amount of the cost of non-current assets consumed in the year**		**5,034**
	Capital financing applied in the year:		
(1,204)	Use of the Capital Receipts Reserve to finance new capital expenditure	(1,211)	
(1,195)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(2,878)	
(163)	Application of grants to capital financing from the Capital Grants Unapplied Account	(30)	
(272)	Statutory provision for the financing of capital investment charged against the General Fund balance	(247)	
(131)	Capital expenditure charged against the General Fund balance	(329)	
(2,965)			**(4,695)**
(5)	Other movements		
(14,699)	**Balance at 31 March**		**(14,360)**

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 2010		31 March 2011	
£000's		£000's	£000's
1,191	**Balance at 1 April**		**1,375**
184	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(222)	
	Amount charged to General Fund under statutory requirements in respect of the impairment of Money Market Deposits	(1,153)	
1,375	**Balance at 31 March**		**(0)**

Regulations issued in February 2009 allowed the Council to defer the impact of an impairment loss in respect of the Money market deposits with Icelandic Banks on the General Fund by transferring such amounts to the Financial Instruments Adjustment Account. The Council has taken advantage of the regulations, and has transferred the amounts shown in the following table to the Financial Instruments Adjustment Account.

Bank	Amount Transferred to Financial Instruments Adjustment Account £
Heritable Bank	(45,582)
Landsbanki	(149,268)
Glitnir Bank	(27,442)
	(222,292)

Under the regulations, the Council has to transfer the balance on the Financial Instruments Adjustment Account to the General Fund no later than 31 March 2011, and must also credit the Financial Instruments Adjustment Account with interest earned until such time as the balance has been transferred to the General Fund. The credit movement of £222,292 on the FIAA in 2010/11 reflects an increase in impairment of £56,809 for the year reduced by the interest borne in full by the General Fund of £279,101. The balance of £1,152,395 has been charged to the General Fund through the Movement in Reserves at 31 March 2011.

The Council has made the following entries to the Financial Instruments Adjustment Account (FIAA) during 2010/11.

Bank	Balance on FIAA at 31/3/10 £ 000's	Change in Impairment 2010/11 £ 000's	Interest during 2010/11 £ 000's	Transferred to General Fund £ 000's	Balance on FIAA at 31/3/11 £ 000's
Heritable Bank	362	0	(46)	(316)	0
Landsbanki	1,009	29	(178)	(859)	0
Glitnir Bank	4	28	(55)	23	0
	1,375	**57**	**(279)**	**(1,152)**	**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 2010 £000's		31 March 2011 £000's
14,172	**Balance at 1 April**	**30,431**
15,892	Actuarial gains or losses on pensions assets and liabilities	(8,706)
1,817	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(3,646)
(1,450)	Employer's pensions contributions and direct payments to pensioners payable in the year	(1,372)
30,431	**Balance at 31 March**	**16,707**

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 2010 £000's		31 March 2011 £000's
(16)	**Balance at 1 April**	**(7)**
0	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0
9	Transfer to the Capital Receipts Reserve upon receipt of cash	4
(7)	**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 2010 £000's		31 March 2011 £000's
(126)	**Balance at 1 April**	**(71)**
55	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(66)
(71)	**Balance at 31 March**	**(137)**

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		31 March 2011	
£000's		£000's	£000's
73	**Balance at 1 April**		**66**
(73)	Settlement or cancellation of accrual made at the end of the preceding year	(66)	
66	Amounts accrued at the end of the current year	79	
(6)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		13
66	**Balance at 31 March**		**79**

23. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

2009/10		2010/11
£000's		£000's
(13,413)	Taxation	(7,240)
(23,135)	Grants	(34,262)
(1,354)	Sale of goods and rendering of services	(2,958)
(232)	Interest Received	(220)
(3,436)	Other receipts from operating Activities	(709)
(41,570)	**Cash inflows generated from Operating Activities**	**(45,389)**
9,091	Cash paid to employees	7,447
17,830	Housing Benefit Paid out	19,323
1,631	Precepts Paid	899
0	Cash paid to suppliers of goods or services	7,062
68	Interest Paid	125
10,729	Other Payments for Operating Activities	5,332
39,349	**Cash outflows generated from Operating Activities**	**40,188**
(2,221)	**Net cash flows from operating activites**	**(5,201)**

24. CASH FLOW STATEMENT – INVESTING ACTIVITIES

The cash flows for investing activities include the following items:

2009/10 £000's		2010/11 £000's
755	Purchase of PPE & intangible assets	1,477
(504)	Proceeds from the sale of PPE & intangible assets	(235)
(705)	Proceeds from short-term and long-term investments	0
(1,254)	Other receipts from investing activities	(38)
(1,708)	**Net cash flows from investing activites**	**1,204**

25. CASH FLOW STATEMENT – FINANCING ACTIVITIES

The cash flows for financing activities include the following items:

2009/10 £000's		2010/11 £000's
	Cash receipts of short and long-term borrowing	(305)
196	Cash payments for the reduction of the outstanding liabilities relating to finance leases	224
2,597	Other payments for financing activities	(6)
2,793	**Net cash flows from financing activities**	**(87)**

26. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the *Best Value Accounting 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

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

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)
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	0	0	0	0
Total Expenditure	**6,640**	**2,735**	**33,194**	**1,387**	**43,956**
Net Expenditure	**5,381**	**1,227**	**5,434**	**552**	**12,594**

Committee Income and Expenditure	Community and Waste	Economic Development and Regeneration	Organisation and Resources	Planning	Total
2009/10 Comparative Figures	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**
Fees, charges & other service income	(843)	(880)	(929)	(1,021)	(3,673)
Government grants	(187)	(31)	(25,178)	0	(25,396)
Total Income	**(1,030)**	**(911)**	**(26,107)**	**(1,021)**	**(29,069)**
Employee expenses	3,063	967	4,365	1,228	9,623
Other service expenses	3,211	1,338	26,910	460	31,919
Support service recharges	0	0	0	0	0
Total Expenditure	**6,274**	**2,305**	**31,275**	**1,688**	**41,542**
Net Expenditure	**5,244**	**1,394**	**5,168**	**667**	**12,473**

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.

	2009/10	2010/11
	£000's	£000's
Net expenditure in the Committee Analysis	12,473	12,594
Net expenditure of services and support services not included in the Analysis	0	0
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	1,545	(3,149)
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	423	(374)
Cost of Services in Comprehensive Income and Expenditure Statement	**14,441**	**9,071**

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.

2010/11	Committee Analysis	Services and Support Services not in Analysis	Amounts not reported to management for decision making	Amounts not included in I&E	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)	0	104	0	6,627	2,399	0	2,399
Surplus or deficit on associates and joint ventures	0	0	0	0	0	0	0	0
Interest and investment income	0	0	0	0	0	0	(499)	(499)
Income from council tax	0	0	0	0	0	0	(6,819)	(6,819)
Government grants and contributions	(27,030)	0	(1,982)	0	0	(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	0	(5,940)	0	0	3,349	935	4,284
Other service expenses	34,667	0	340	0	(6,627)	28,380	65	28,445
Support Service recharges	0	0	0	0	0	0	0	0
Depreciation, amortisation and impairment	0	0	4,329	0	0	4,329	57	4,386
Interest Payments	0	0	0	0	0	0	60	60
Precepts & Levies	0	0	0	(374)	0	(374)	1,792	1,418
Payments to Housing Capital Receipts Pool	0	0	0	0	0	0	0	0
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	0	0	(114)	(114)
Total expenditure	**43,956**	**0**	**(1,271)**	**(374)**	**(6,627)**	**35,684**	**2,795**	**38,479**
Surplus or deficit on the provision of services	**12,594**	**0**	**(3,149)**	**(374)**	**0**	**9,071**	**(14,890)**	**(5,819)**

2009/10 comparative figures	Committee Analysis	Services and Support Services not in Analysis	Amounts not reported to management for decision making	Amounts not included in I&E	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	(3,673)	0	0	0	7,048	3,375	0	3,375
Surplus or deficit on associates and joint ventures	0	0	0	0	0	0	0	0
Interest and investment income	0	0	0	0	0	0	(454)	(454)
Income from council tax	0	0	0	0	0	0	(6,869)	(6,869)
Government grants and contributions	(25,396)	0	(1,029)	901	0	(25,524)	(9,925)	(35,449)
Total Income	**(29,069)**	**0**	**(1,029)**	**901**	**7,048**	**(22,149)**	**(17,248)**	**(39,397)**
Employee expenses	9,623	0	(727)	0	0	8,896	1,080	9,976
Other service expenses	31,919	0	263	0	(7,048)	25,134	0	25,134
Support Service recharges	0	0	0	0	0	0	0	0
Depreciation, amortisation and impairment	0	0	3,037	0	0	3,037	510	3,547
Interest Payments	0	0	0	0	0	0	84	84
Precepts & Levies	0	0	0	(478)	0	(478)	1,631	1,153
Payments to Housing Capital Receipts Pool	0	0	0	0	0	0	0	0
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	0	0	390	390
Total expenditure	**41,542**	**0**	**2,573**	**(478)**	**(7,048)**	**36,589**	**3,695**	**40,284**
Surplus or deficit on the provision of services	**12,473**	**0**	**1,544**	**423**	**0**	**14,440**	**(13,553)**	**887**

27. MEMBERS' ALLOWANCES

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

	2009/10	2010/11
	£000's	£000's
Basic Allowances	186	189
Special Responsibility Allowance	43	52
Expenses	28	27
Total	257	268

Allowances for Standards Committee members have now been added for 2009/10 (£5k) and 2010/11 (£5k).

28. OFFICERS' REMUNERATION

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

		Salary, Fees and Allowances	Expenses Allowances	Pension Contribution	Total
		£	£	£	£
Chief Executive from 06/04/2010	2010/11	103,542	1,524	22,402	**127,468**
Chief Executive to 07/03/2010*	2009/10	97,039	0	19,688	**116,727**
Director of Resources and Deputy Chief Executive to 06/09/2010**	2010/11	35,576	131	7,552	**43,259**
	2009/10	82,623	343	17,429	**100,395**
Director of Resources and Deputy Chief Executive from 04/01/2011	2010/11	19,355	195	4,188	**23,738**
Director of Strategy and Regeneration (Monitoring Officer)	2010/11	72,005	774	15,492	**88,271**
	2009/10	72,616	574	15,492	**88,682**
Director of Neighbourhoods and Health	2010/11	71,473	433	15,463	**87,369**
	2009/10	72,169	269	15,492	**87,930**
Financial Services Manager (Chief Finance Officer)***	2010/11	52,655	452	11,161	**64,268**

* The Chief Executive Mr D Sharkey left the Council on 07/03/2010 and Mrs M Gill was appointed to the position on 06/04/2010 at an annualised salary of £105,000.

** The Director of Resources and Deputy Chief Executive Mr D Turner left the Council on 06/09/2010 and Mr A McCormick was appointed to the position on 04/01/2011 at an annualised salary of £80,000.

*** The Financial Services Manager was appointed Chief Finance Officer from 06/09/2010

No bonus or compensation for loss of office payments were made for senior members of staff in 2009/10 or 2010/11.

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 2009/10.

Remuneration band	2009/10	2010/11
	Number of employees	Number of employees
£50,000 – £54,999	4	4
£55,000 – £59,999	0	2
£60,000 – £64,999	0	0
£65,000 – £69,999	0	0
£70,000 – £74,999	3	2
£75,000 – £79,999	0	0
£80,000 - £84,999	0	0
£85,000 - £89,999	1	0
£90,000 - £94,999	0	0
£95,000 - £99,999	1	0
£100,000 – £104,999	0	0
£105,000 – £109,999	0	1

29. 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:

	2009/10	2010/11
	£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	176	93
Fees payable to the audit Commission in respect of statutory inspections	8	17
Fees payable to the Audit Commission for the certification of grant claims and returns for the year	13	15
Total	**197**	**125**

The final audit fee for external audit services in 2009/10 was £176k (£149k – being the amount disclosed in published accounts). The additional £27k was in respect of work required to establish the necessary assurance for an unqualified audit opinion and further work to complete the Governance Report. The reasons for the additional work are set out in the Audit Commission's Annual Governance Report which was issued in two stages in September and October 2010.

30. GRANT INCOME

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2010/11

	2009/10	2010/11
	£000's	£000's
Credited to Taxation and Non Specific Grant Income		
Communities & Local Government - Revenue Support Grant	1,511	1,043
Communities & Local Government - Planning Delivery Grant	901	0
Homes & Communities Agency - Growth Point	500	481
Big Lottery Funding - Young and Safe in Gainsborough	0	393
Other Grants and Contributions	469	848
Total - Non Specific Grant Income	**3,381**	**2,765**
Credited to Services		
Department of Work & Pensions - Housing Benefits Allowance	17,736	19,277
Department of Work & Pensions - Council Tax Benefits Grant	5,730	6,128
Communities & Local Government - Decent Homes	550	426
Communities & Local Government - Disbaled Facilities Grants	225	217
Department of Work & Pensions - Housing Benefits Administration Grant	508	515
Lincolnshire Enterprise - Gainsborough Public Realm	149	419
Lincolnshire County Council - Gainsborough Public Realm	135	365
Homes & Communities Agency - Growth Point	183	124
Department of Work & Pensions - Council Tax Administration Grant	173	163
Department for Transport - Concessionary Fares	146	70
Department of Work & Pensions - Future Jobs Fund	140	515
DCSF & Community Safety Partnership via LCC - Family Intervention Project	0	370
Communities & Local Government - NNDR costs for collection	108	108
Other Grants & Contributions	640	995
Total Credited to Services	**26,423**	**29,692**

Explanatory Notes to the Core Financial Statements

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:

	31-Mar-11
	£000's
Capital Grants Receipts in Advance	
Growth Point Eco Town	375
S106 agreements	197
Other Grants	87
Total	**659**

31. RELATED PARTIES

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

Central Government

Central government has effective control over the general operations of the Council – it is responsible for providing the statutory framework, within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 26 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2011 are shown in Note 30.

Members

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2010/11 is shown in Note 27. During 2010/11, no material transactions occurred between the council and organisations (companies or other bodies) in which members had an interest. In addition, the Council paid grants totalling £158k to four voluntary organisations in which three members had positions 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 2010/11, no transactions occurred between the council and organisations (companies or other bodies) in which officers had an interest.

Explanatory Notes to the Core Financial Statements

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 2010/11, the Council contributed £114,400 towards the running costs of the unit and three staff posts were transferred to the unit.

Entities Controlled or Significantly Influenced by the Council

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

32. 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.

	2010/11	2009/10
	£000's	£000's
Opening Capital Financing Requirement	1,582	1,762
Capital investment		
Property, Plant and Equipment	1,940	1,268
Investment Properties	0	0
Intangible Assets	89	0
Revenue Expenditure Funded from Capital under Statute	3,070	1,590
Sources of finance		
Capital receipts	(1,211)	(1,204)
Government grants and other contributions	(2,908)	(1,358)
Sums set aside from revenue:		
Direct revenue contributions	(329)	(131)
Minimum Revenue Provision	(251)	(345)
Closing Capital Financing Requirement	1,982	1,582
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)	(251)	(345)
Assets acquired under finance leases	651	165
Assets acquired under PFI/PPP contracts	0	0
Increase/(decrease) in Capital Financing Requirement	400	(180)

Explanatory Notes to the Core Financial Statements

33. 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 2010		31 March 2011
£000's		£000's
494	Other Land and Buildings	490
585	Vehicles, Plant, Furniture and Equipment	1,036
1,079		**1,526**

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 2010		31 March 2011
£000's		£000's
	Finance lease liabilities (net present value of minimum lease payments):	
221	current (capital)	215
296	non-current (capital)	702
56	Finance costs payable in future years	283
573	**Minimum lease payments**	**1,200**

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

31 March 2010			31 March 2011	
Minimum Lease Payments	Finance Lease Liabilities		Minimum Lease Payments	Finance Lease Liabilities
£000's	£000's		£000's	£000's
221	36	Not later than one year	215	102
296	20	Later than one year and not later than five years	596	181
0	0	Later than five years	106	0
517	**56**		**917**	**283**

Explanatory Notes to the Core Financial Statements

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 2010/11 no contingent rents were payable by the Council (2009/10 £0).

The Council has sub-let the properties held under these finance leases. At 31 March 2011 the minimum payments expected to be received under non-cancellable sub-leases was £96k (£104k at 31 March 2010).

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 2010		31 March 2011
£000's		£000's
168	Not later than one year	168
659	Later than one year and not later than five years	530
38	Later than five years	0
865		**698**

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 2010		31 March 2011
£000's		£000's
168	Minimum lease payments	168
94	Contingent rents	102
0	[Sublease payments receivable]	0
262		**270**

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 2011 was £28k. 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 £7,230k.

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

31 March 2010 £000's		31 March 2011 £000's
205	Not later than one year	258
553	Later than one year and not later than five years	682
575	Later than five years	495
1,333		**1,435**

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 2010/11 £1k contingent rents were receivable by the Council (2009/10 £1k).

34. 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 2010/11, the Council had no material impairment losses.

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

	Local Government Pension Scheme £000's	
	2010/11	**2009/10**
Comprehensive Income and Expenditure Statement		
Cost of Services:		
Current service cost	1,174	597
Past service cost / (Gain)	(5,755)	31
Losses / (Gains) on settlements and curtailments	0	109
Financing and Investment Income and Expenditure		
Interest cost	3,210	2,695
Expected return on scheme assets	(2,275)	(1,615)
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**(3,646)**	**1,817**
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
Actuarial gains and losses	8,706	(15,892)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**5,060**	**(14,075)**
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	5,018	(367)
Actual amount charged against the General Fund Balance for pensions in the year:		
Employers’ contributions payable to the scheme	(1,290)	(1,367)
Retirement benefits payable to pensioners	(82)	(83)

Explanatory Notes to the Core Financial Statements

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2010/11 is 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 Pension Scheme £000's	
	2010/11	2009/10
Opening balance at 1 April	**63,058**	**39,415**
Current service cost	1,174	597
Interest cost	3,210	2,695
Contributions by scheme participants	377	368
Actuarial Losses / (Gains)	(9,711)	21,684
Benefits paid	(1,963)	(1,841)
Past service Costs / (Gains)	(5,755)	31
Entity combinations	0	0
Losses / (Gains) on Curtailments	0	109
Liabilities Extinguished on Settlements	0	0
Closing balance at 31 March	**50,390**	**63,058**

In the UK budget statement on 22 June 2010 the Chancellor announced that with effect from 1 April 2011 public service pensions would be up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI).

This has the effect of reducing Council's liabilities in Lincolnshire County Council Pension Fund by £5.755m and has been recognised as a past service gain in accordance with guidance set down in Urgent Issues Task Force (UITF) Abstract 48, since the change is considered to be a change in benefit entitlement. There is no impact upon the General Fund.

Reconciliation of fair value of the scheme assets

	Local Government Pension Scheme £000's	
	2010/11	2009/10
Opening balance at 1 April	**32,627**	**25,243**
Expected rate of return	2,275	1,615
Actuarial Gains / Losses	(1,005)	5,792
Employer contributions	1,290	1,367
Contributions by scheme participants	377	368
Benefits paid	(1,881)	(1,758)
Entity combinations	0	0
Assets Distributed on Settlements	0	0
Closing balance at 31 March	**33,683**	**32,627**

Explanatory Notes to the Core Financial Statements

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 £2.441m (2009/10: £7.406m).

Scheme History

	2006/07 £000's	2007/08 £000's	2008/09 £000's	2009/10 £000's	2010/11 £000's
Present value of liabilities:					
Local Government Pension Scheme	(41,132)	(39,277)	(38,097)	(61,441)	(49,017)
Discretionary Benefits	(1,426)	(1,266)	(1,318)	(1,617)	(1,373)
Fair value of assets in the Local Government Pension Scheme					
Present value of liabilities:					
Local Government Pension Scheme	33,052	31,345	25,243	32,627	33,683
Surplus/(deficit) in the scheme:	**(9,506)**	**(9,198)**	**(14,172)**	**(30,431)**	**(16,707)**

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £16.7m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in an overall balance of £14.079m. 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 2012 is £1.270m. Expected contributions for the Discretionary Benefits scheme in the year to 31 March 2012 are £84k.

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.

Explanatory Notes to the Core Financial Statements

Principal assumptions used by the actuary

	Local Government Pension Scheme	
	2010/11	2009/10
Long-term expected rate of return on assets in the scheme:		
Equity investments	7.50%	7.80%
Bonds	4.90%	5.00%
Property	5.50%	5.80%
Cash	4.60%	4.80%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	21.2	20.8
Women	23.4	24.1
Longevity at 65 for future pensioners:		
Men	23.7	22.3
Women	25.7	25.7
Rate of inflation	2.80%	3.80%
Rate of increase in salaries*	5.10%	5.30%
Rate of increase in pensions	2.80%	3.80%
Rate for discounting scheme liabilities	5.50%	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%	63%

* Salary increases are 1% p.a. nominal for the year to 31 March 2011 and the year to 31 March 2012 reverting to 5.1% thereafter.

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:

The Local Government Pension Scheme's asset categories

	31 March 2011	31 March 2010
	%	%
Equity investments	76	70
Debt Instruments	12	18
Property	11	11
Cash	1	1
	100	100

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2010/11 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2011:

	2006/07	2007/08	2008/09	2009/10	2010/11
	%	%	%	%	%
Differences between the expected and actual return on assets	0.3	(12.4)	(32.48)	(7.9)	(2.98)
Experience gains and losses on liabilities	0.0	(6.4)	0.0	0.0	4.91

36. CONTINGENT LIABILITIES

At 31 March 2011 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 clawback arising from Accountable Body status.

Legal costs

A former leader of the Council has requested that the Council provide an indemnity for personal legal costs incurred as a result of an investigation carried out by the Council during 2010. The request is being considered by the Council and its legal advisers. It is not possible to provide an assessment of costs, at this time.

37. CONTINGENT ASSETS

At 31 March 2011 the Council had no material contingent assets.

38. 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.

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 1/03/10 and is available on the Council website. The key issues within the strategy were:

- The Authorised Limit for 2010/11 was set at £5m. 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 £ nil. Periods where the actual position is above the Operational Boundary is acceptable subject to the Authorised Limit not being breached. In the preparation of the Council's final accounts for the year ended 31 March 2010, which took place after the approval of the limits for the financial year ended 31 March 2011, a number Finance Leases in respect of PPE were recognised for the first time. Finance Lease long term liabilities count as credit arrangements (borrowing) and the value of Other Long Term and Current Liabilities in respect of Finance Leases at 31 March 2011 was £1.384m (£0.973m at 31 March 2010). These figures exceeded the approved Operational Boundary but were within the Authorised Limit.
- 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 1/3/10 and is available on the Council's website.

Explanatory Notes to the Core Financial Statements

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £9.710m 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 2011 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 2011

Bank	Date Invested	Maturity Date	Amount Invested £000s	Interest Rate %	Carrying Amount £000s	Impairment £000s
Glitnir	07/02/08	06/02/09	1,000	5.45	1,023	(23)
Heritable Bank	15/07/08	17/10/08	1,000	5.88	338	157
Landsbanki	15/07/08	17/10/08	1,000	5.88	787	213
Landsbanki	30/07/08	17/10/08	1,500	5.8	1,180	320
Landsbanki	15/08/08	21/11/08	1,500	5.89	1,174	326
Heritable Bank	17/09/08	08/10/08	1,000	5.55	335	159
					4,837	**1,152**

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

The Balance Sheet shows the net impact of the impairment of the Icelandic Banks investment in the Financial Instruments Adjustment Account. All monies within these institutions are currently subject to the respective administration and receivership processes. The amounts and timing of payments to depositors such as the Council will be determined by the administrators / receivers.

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

Heritable Bank

Heritable bank is a UK registered bank under English law. The company was placed in administration on 7 October 2008. As at 31 March 2011 £1,010,451.14 (50.1%) has been repaid and the revised impairment is based on the assumption that a further 34.9% will be received by October 2012, taking the total dividends expected to be paid to 85%. In calculating the impairment the Council has made the following assumptions re timing of recoveries:

Date	Repayment	Date	Repayment
April 2011	6.25%	April 2012	5%
July 2011	5%	July 2012	5%
October 2011	5%	October 2012	3.65%
January 2012	5%		

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

Glitnir Bank hf & Landsbanki

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

Subsequently the Glitnir Winding-Up Board decided that local Council deposits did not have priority status. The Landsbanki Winding-Up Board confirmed the priority status for UK local Council deposits. The Reykjavik District Court issued judgements on 1 April 2011 that confirmed that the local authorities' claims qualified for priority under Article 112 of the Icelandic Bankruptcy legislation. This related to both Glitnir and Landsbanki and also confirmed the position in relation to interest. The District Court decisions are being appealed to the Icelandic Supreme Court. However, the current District Court ruling confirms the priority stance adopted for estimating the recoverable amounts.

The District Court decisions confirmed the position in relation to interest in the authorities' favour. In the case of the Council's deposits which matured between 6 October 2008 and 22 April 2009, claims will be on the value of the matured deposit plus interest of at least the contractual rate on the maturity value for the period from maturity to 22 April 2009 (the decisions are contractual interest for Glitnir and 8% interest for Landsbanki). For interest post maturity and up to 22 April 2009, CIPFA recommend that the contractual rate of interest should be used.

The impairment for 2010/11 has been calculated on the basis of priority status and that for Glitnir, 100% of the claim will be recovered in December 2011 and for Landsbanki 94.85% will be repaid between December 2011 and December 2018.

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

In calculating the impairment the Council has made the following assumptions regarding the timing of recoveries:

Glitnir: 100% recoverable in December 2011.

Landsbanki:

Date	Repayment	Date	Repayment
December 2011	22.17%	December 2015	8.87%
December 2012	8.87%	December 2016	8.87%
December 2013	8.87%	December 2017	8.87%
December 2014	8.87%	December 2018	19.46%

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 2011, 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	113
Increase in government grant receivable for financing costs	0
Impact on Surplus or Deficit on the Provision of Services	**113**
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 by £85k as at 31/3/11 the interest yield on the Council's deposits was less than 1%.

Price Risk

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

Foreign Exchange Risk

The Council has no financial assets or liabilities that are denominated in foreign currencies and thus has no direct exposure to loss arising from movements in exchange rates. However, as outlined above under credit risk repayments of the deposits with the Icelandic-domiciled banks will be based on the value of the deposits Icelandic Krona.

39. COMMUNITY ASSETS MEASUREMENT: IMPACT ON THE FINANCIAL STATEMENTS OF THE CHANGE IN ACCOUNTING POLICY - EFFECTIVE FOR THE 2011/12 FINANCIAL YEAR

As a consequence of the adoption of FRS 30 in the Code (see Note 2 above), local authorities have 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 the financial year 2011/12 as it believes that valuation is a better measurement of the economic benefits and service potential of these assets.

The Council is required to disclose information relating to the impact of this change in accounting policy in the 2011/12 financial statements in a disclosure note to the 2010/11 financial statements.

Community assets are currently held at depreciated historical cost in the financial statements. The carrying amount for community assets at the 1 April 2010 is £17,500 relating to five areas of land used for recreation or amenity.

The Code will permit a move to a valuation basis for community assets in 2011/12. The Council plans to recognise the remaining community assets in the balance sheet at existing use value in Property, Plant and Equipment. This valuation has been provided by the Council's external valuers and it is estimated that the valuation of the Council's community assets as at 1 April 2010 is £139,000 (a revaluation gain of £121,500). 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 charged.

West Lindsey District Council Statement of Accounts 2010/11
Supplementary Financial Statements and Explanatory Notes
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.

In 2009/10 the SORP introduced a change in the accounting for Council Tax and NNDR. The change in accounting guidance means that the Council Tax contained within the accounts for the year should be the accrued income for the year. Previously the amounts recorded would represent the precept amount adjusted for any surplus or deficit on the Collection Fund. In the case of NNDR the Council needs to recognise the debtor/creditor that needs to be included in the balance sheet, which represents the amount of cash collected from NNDR taxpayers (less costs of collection) that has not yet been paid or has been overpaid to the Government.

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

2009/10 £000's		Notes	2010/11 £000's
	Income		
38,121	Net Council Tax Receivable	1	39,376
5,656	Council Tax Benefit		6,061
16,221	Income collectable form Business Ratepayers	2	14,984
59,998	**Total Income**		**60,421**
	Expenditure		
	West Lindsey District Council		
6,820	Precept		7,151
103	Distributed Surplus		22
	Lincolnshire County Council		
31,398	Precept		32,290
483	Distributed Surplus		104
	Lincolnshire Police Authority		
5,257	Precept		5,432
78	Distributed Surplus		17
15,936	Payment to NNDR Pool		14,860
108	Cost of Collection Allowance		108
236	Bad & Doubtful debts written off		79
(61)	Increase/(Decrease) in Impairment Allowance		(50)
60,358	**Total Expenditure**		**60,013**
(360)	Surplus/ (Deficit) for the year		408
807	Opening Surplus / (Deficit)		447
447	**Carry forward Surplus / (Deficit)**	**3**	**855**

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 £1,480.98 (2009/10 £1,439.57) 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 41.4p in 2010/11 (48.5p in 2009/10). The non-domestic rate multiplier for small businesses is 40.7p in 2010/11 (48.1 in 2009/10). Subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by this multiplier. Local rateable values were £42.156m in 2010/11 (£36.074m in 2009/10).

3. Surplus on the Collection Fund

The surplus £854,266 at the 31 March 2011, 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.

2009/10 £000's	Share of Collection Fund Balance	2010/11 £000's
71	West Lindsey District Council	137
322	Lincolnshire County Council	615
54	Lincolnshire Police Authority	103
447	**Total Income**	**855**

Annual Governance Statement 2010/11

West Lindsey District Council 2010/11

Annual Governance Statement

Annual Governance Statement 2010/11

1. Introduction

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

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

1.3 To do this, we have adopted a governance and assurance framework which is consistent with the principles of the Chartered Institute of Public Finance Accountants (CIPFA)/Society of Local Authority Chief Executives (SOLACE) Framework *Delivering Good Governance in Local Government.* This statement explains how we have complied with the code and meet the requirements of the Accounts and Audit (England) Regulations 2011 in relation to the publication of a statement on internal control.

1.4 The Statement has been established in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

1.5 During the period of this statement, the Council carried out a review of the constitution and the committee structure to ensure that we are able to meet the needs of a modern local authority.

1.6 The Governance and Audit Committee was established in May 2011 to build on the Audit Committee's responsibility for audit, regulatory framework and accounts matters, by adding responsibility for governance, ethics and standards. This addresses a gap where no member level body other than full Council dealt with constitutional and governance issues. This Committee will be the `guardian' of the constitution and has the duty to consider and make recommendations to the Council on any proposed changes.

2. The Purpose of The Annual Governance Statement

2.1 The Annual Governance Statement (AGS) is the formal statement that reviews, records and publishes the Council's governance arrangements as defined in a governance framework.

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

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

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

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

2.6 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.

2.6 Sections 5 – 10 of this Statement set out, in more detail, how we comply with the six principles. Section 4 sets out our assurance framework and Sections 12 and 13 set out areas for improvement. An action plan will be developed and monitored by the Audit Committee to address those areas.

3. The Governance Framework

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

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

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

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

3.4 To this end, the Council had, in 2010/11 a well established and effective internal Corporate Governance Group which included the Leader of the Council, the Chairman of the Audit Committee and the three statutory officers of the Authority – the Chief Executive, the Monitoring Officer and the Financial Services Manager, as well as Audit Lincs, our Internal Auditors. This Group was responsible for overseeing the Governance framework, for making decisions around its review and monitoring its effectiveness.

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

3.6 The Audit Committee was made a full Committee at the Annual Meeting of Council on 24 May 2010, and Members decided to increase the frequency of meetings in line with that of the Council's other Committees i.e. six times per annum, as opposed to four, not only so the agenda could be better managed, but also to ensure items of business got due consideration. The Audit Committee is now the Governance and Audit Committee following the review of the constitution.

3.7 Our Internal Auditors, Lincolnshire County Council, are also a major part of the governance process, drawing the attention of the Corporate Governance Group to any governance issues or risks that they identify.

3.8 As part of the Governance Framework, each year, in compliance with Regulation 6 of the Accounts and Audit (Amendment) (England) Regulations 2011, the Audit Committee carries out a review of the effectiveness of the system of internal audit.

3.9 For 2010/11, the review was undertaken by the Chief Financial Officer, using information from internal and external audit, member comments and audit feedback to reflect the CIPFA Good Practice Guide issued November 2010.

3.10 As part of the Governance Framework, the Audit Commission also determines whether we have adequate arrangements to promote and demonstrate the principles and values of good governance. Recommendations from the Audit Commission report on a Review of Governance Arrangements are managed as part of the Annual Governance Statement Action plan, by the Audit Committee.

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

3.12 The Governance Framework was in place up to and including the approval of the statement of accounts which are required to be approved by the end of September 2011.

4.0 The Assurance Process

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

4.2 To enable the signatories to ensure that the AGS accurately reflects the governance framework for which they are responsible, they have to rely on many sources of assurance, such as:

- Directors and managers;
- The responsible Financial Officer;
- The Monitoring Officer;
- Members;
- The Head of Internal Audit;
- Performance and risk management;
- Third-parties, e.g. partnerships;
- External Audit
- Standards for England and other review agencies

4.3 At the centre of the review process has been the Audit Committee. The Committee has been involved throughout the year in reviewing the key issues of the statement and monitoring the achievement of the action plan.

4.4 Risk management has featured strongly in the AGS process. It has supported the role and work plan of the Audit Committee and Corporate Governance Team by advising on risks to achieving the strategic objectives of the Council and statutory requirements, as set out in corporate and service risk registers.

4.5 The review of governance arrangements has included comment from the Wider Management Team 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.

4.6 The Performance Management and Scrutiny Committee have also looked at the arrangements for risk management, in particular in relation to the risks and opportunities as a result of the Comprehensive Spending Review.

4.7 Significant issues are developed through an action plan, managed by the Corporate Governance Group and the Audit Committee.

The Elements of the Governance Framework

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

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

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

5.3 Our Citizen's Panel of over 1, 200 people in West Lindsey, established in 2007, helps us to develop and improve our services by taking into account the views and opinions of local people.

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

5.5 Regular local Business Forum meetings have been held looking at where we can help with links to local education providers, planning policy, utilities and local purchasing.

5.6 Staff surveys examine a range of issues and have specifically this year looked at terms and conditions, flexible working and evaluation of training as well as developing our new values and behaviours.

5.7 We view all customer comments and complaints as an opportunity to learn from the experience that local people have of the services that we provide.

5.8 Examples of changes that we have made, following customer comments include amending the wording on leaflets, reviewing information on our building control website and improved note taking at site visits.

5.9 There were no cases of maladministration from the Local Government Ombudsman.

5.10 Focus groups have been held with local people to consult on future savings to help develop the budget.

5.11 The Government's Transparency Agenda means that any spending over £500 and senior officer pay is made available for local people to see.

5.12 One of our key partners is the voluntary sector, as we appreciate the value of these services, both to those who receive their services and to those who volunteer themselves. The Council contributes to the West Area Advisory Partnership to provide a wide range of support services to voluntary and community groups in West Lindsey.

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

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

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

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

6.3 The West Lindsey outcomes framework in 2010/11 was designed around `Making a Difference', concentrating the two themes of:

- **Developing a prosperous District** by regenerating and growing our communities and helping people to improve their opportunities of finding a job.
- **Being an efficient Council** by putting customers first, setting a fair Council tax and lowering the carbon footprint.

6.4 The Corporate Plan for 2010/2014 was built around the Lincolnshire Sustainable Communities Strategy, setting out the long term vision for the County. This was centred on the West Lindsey Chapter of the County document, focussing on five key areas of:

- Health
- Housing
- Gainsborough Growth
- Economy and Skills and
- Accessibility.

6.5 Partners from the public, private and voluntary sectors agreed to focus on these key areas through the Local Strategic Partnership and to incorporate issues from the West Lincolnshire Community Safety Partnership.

6.6 The plan identified the cultural competencies that were required from staff and members in order to be able to deliver the strategic objectives.

6.7 Five guiding principles were established as follows:

- **Community Leadership –** developing communities, making effective connections with partners and representing the interest of local people.
- **Striving for Excellence –** to make sure that services meet the needs of our customers for standards, quality, access and efficiency.
- **Engagement and transparency** – making sure that decisions are based on needs and desires with improved transparency, performance and democracy.
- **Focussed on Making a Difference –** ensuring that performance management monitors outcomes for local people.
- **Commitment to Partnership Working and the Voluntary Sector** - to remove duplication, reduce costs and achieve better outcomes.

Performance Management

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

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

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

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

6.12 The Lean Systems Thinking methodology for service reviews has introduced measures and an analysis of key processes that affect customer expectations and experiences. Actions have been taken to improve performance from the customer's perspective.

6.13 In particular, this has been applied to the Planning systems in developing a consistent process for enforcement and responding to customers.

6.14 The Audit Commission has identified in their Annual Governance report, which related to the 2009/10 audit, that we do take care to check that we give value for money, in planning for financial health, in understanding costs, achieving efficiencies and in consulting with local people when planning services, in performing above minimum standards on the use of information and data standards, in risk management and internal control, managing the use of natural resources and maintaining a productive and skilled workforce. However, we did not meet the value for money criteria for financial reporting and for good governance.

6.15 The 2009/10 financial statements did not meet the standards for financial reporting and the Audit Commission report identified the need for improved supporting papers and arrangements for financial reporting.

6.16 Under the Good Governance part of the report, the Audit Commission acknowledged that we have a commitment to training and that we have recognised that member training needs to be strengthened, as identified in the last Annual Governance Statement; however there was a separate report that reviewed overall governance arrangements.

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

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

7.2 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. Full Council sets the overall budget and policy framework, the policy committees made decisions within this framework and were held to account by the Performance Management and Scrutiny and the Audit Committees.

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

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

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

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

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

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

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

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

7.10 A Members Forum has been established to help develop the training and development for members, to help communication, understanding and discussion of the issues.

7.11 In September 2009, The Audit Commission informed the Council that they would be undertaking a review of the Authority's Governance Arrangements and this report was received in December 2010.

7.12 The Commission reported that although there have been sound governance frameworks in place; poor relationships caused strain to the governance framework, although there was no failure in the Governance of the Authority.

7.13 The effect of this was that changes to and disregard for the constitution affected the quality of some decisions that were taken.

7.14 The Commission stressed the need for clarity in the role of officers and members in decision making and day to day management.

7.15 Over the last year, the Authority has been reviewing its constitution, together with specialist help from the Society of Local Authority Chief Executives to ensure that such issues that could affect the Governance of the Authority would not be able to reoccur.

7.16 A Members task group was established to take the review forward and aimed to ensure:

- Less duplication between committees and departments;
- More delegation to committees and officers;
- More scrutiny of budgets and performance, particularly in relation to effective business cases and the delivery of programmes;
- That the Constitution ensures that future changes to the governance arrangements of the Council take place in a considered and objective environment;
- That personnel procedures for statutory and senior officers including appointment, remuneration and conduct are in line with legal requirements;

- A clear definition of the relative roles and responsibilities of members and senior officers of the authority;
- A scheme of delegated or reserved powers which should include a formal schedule of those matters reserved for the collective decision of the authority;
- Members meeting on a formal basis regularly to set the strategic direction of the authority and to monitor service delivery;
- Clearly documented and understood management processes for policy development, implementation and review and for decision making, monitoring and control and reporting and formal procedural and financial regulations to govern the conduct of the authority's business;

7.17 In this period, the Council also carried out a review of the Committee structure to ensure that we are able to meet the needs of a modern local authority and be fit for purpose.

7.18 Extensive member and officer development sessions have also been held with the Improvement and Development Agency for Local Government to improve working relationships.

7.19 The Audit Commission in their December 2010 report on Governance said that there had been a considerable amount of change within the Council since their draft report and that significant steps had been made to improve the governance arrangements at the Council.

7.20 Their recommendations were included in the Annual Governance Statement Action plan. The Audit Committee played a key role in maintaining good governance arrangements in response to the review findings and oversaw the management and achievement of the recommendations of the report.

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

8. 0 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)

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

8.2 The Standards Committee key objectives are to raise the profile with officers, Parish and Town Councils, members and the public to support adherence to codes of conduct and ethical behaviour. The Audit Commission have identified that this is appropriate, with an experienced chairman who is independent of the Council. The Committee has taken a proactive approach to promoting codes of conduct and ethical governance, including attendance at committee meetings and advice and training to councillors.

8.3 The 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 detailed below:

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

8.4 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.

8.5 Specific ethics training has taken place with Local Government Improvement and Development and we are looking at applying an ethical governance toolkit.

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

8.7 As part of the investigation into governance arrangements, the Audit Commission examined the accuracy of recording of key dates within the planning system.

8.8 Officers had identified issues in the quality of performance information in dealing with planning applications and the recording of housing completions. Reliable information is vital in these areas as the amount of Government grant received is determined based upon these figures.

8.9 Improvements have been built into the system to strengthen legal support to the planning function and a significant enhancement to the level of quality assurance.

8.10 Other major improvements to this service have been:

- Appointment of new senior head of Service with considerable professional experience;
- Increased value for money by reducing costs and increasing productivity using a ‘Systems’ approach focusing on the customer;
- Creation of the Central Lincolnshire Joint Planning Unit to maximise planning policy resources making significant savings;
- Improved internal processes. This has been verified by Internal Audit who have given the service ‘Substantial Assurance’ and have reported vastly improved confidence in the leadership and management of the service;
- A major reduction of the level of formal and informal complaints made about the Planning Service;
- An increase in positive comments from partners, particularly the Parish Councils who are an important consultee in planning matters; and
- Effective introduction of staff management evaluation, professional development and monitoring processes.

8.11 Throughout this period we have been developing `Values and Behaviours’ to establish shared values for the Council and for staff that reflect the standards that local people should be able to expect from us, this will also be extended to our partnership working.

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

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

9.2 All of our committee meetings and full Council are open to the public, who have the right to raise questions for the Committee. Meetings are also broadcast on our website, for people to be able to watch the proceedings.

9.3 The changes to the Council’s constitution that have been agreed will strengthen this further, making it explicit that we will facilitate and welcome involvement and input from partners and local people.

9.4 In response to a motion passed at Council, the Audit Committee agreed to carry out a review of planning decisions in order to demonstrate the probity, transparency and fairness of the planning system.

9.5 The overall objective as set out in the motion was to restore public faith in the governance of the planning process.

9.6 The review concluded, through analysis of the decision making process, any member involvement, and reference to national, regional and local planning policies, that there had been no lack of probity or honesty in the way that the planning applications were determined, or in any of the considerations that were taken into account.

9.7 In cases where development did not comply with the planning policy and members’ decisions went against officer recommendations, the correct procedure was followed with referral to the Secretary of State where appropriate.

9.8 The review group found that the decisions had been taken in the proper manner and taking material considerations into account.

Overview and Scrutiny

9.9 In 4th option authorities such as West Lindsey, where members make decisions through a committee structure, rather than an executive arrangement it is recognised that opportunities for scrutiny of decisions in which all members have taken part, can be a challenge.

9.10 Authorities are required to have at least one committee with responsibility for overview and scrutiny and the Performance Management & Scrutiny Committee has fulfilled that obligation.

9.11 The Committee has been central to the review and management of the action plan to improve the planning services under the five themes of systems and processes; developing staff; customer care; improving outcomes for the customer and financial.

9.12 However, there has been a wide perception amongst both members and officers that the operation of this function in West Lindsey has not achieved its potential to add value to the authority's work.

9.13 A peer review was therefore commissioned from a neighbouring authority, Bassetlaw DC, whose overview and scrutiny work had been recognised as effective. The review identified best practice and the circumstances in which overview and scrutiny took place.

9.14 Through the review of the constitution, formal arrangements have been established to support the changes that will be needed to develop an effective scrutiny function that will add value and help the Authority to achieve its strategic objectives.

9.15 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 groups carrying out in depth reviews of topics focussing on the outcomes of decisions to people in the District and will m provide opportunities for all members, particularly those not in a formal role to be involved in significant work of value to the whole community.

Financial Management and Control

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

9.17 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.

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

9.19 Each policy committee received monitoring information on their respective budgets on a quarterly basis. The Organisation and

Resources and Performance Management and Scrutiny Committees received a full review of the Council's budgetary position again on a quarterly basis. As part of the capital monitoring process this report gives members an update on the progress of the 2010/11 capital programme.

9.20 Officers from External Audit had advised the Audit Committee that during their audit of the statement of accounts, a number of issues had been identified and they were therefore not in position to sign off the accounts for 2009/2010.

9.21 Members received a summary of the most significant queries which remained outstanding and it was noted that the deadline of 30 September 2010 would not be achievable. Members noted the significant additional work which had had to be undertaken by the auditors and the additional costs which would be incurred as a result.

9.22 However, the Audit Commission commented on the positive attitude which had been demonstrated by the financial services team in trying to rectify the situation and acknowledged the difficulties which had presented themselves throughout the year. It was stressed that the errors were technical accounting ones by nature and had no impact on the bottom line revenue figure.

9.23 The implementation of the new financial management system had put pressure on capacity within the team but Members have been assured that this has now been addressed.

9.24 The re-stated statement of accounts was presented to a special meeting of the Audit Committee for scrutiny and adoption.

Performance Management

9.25 The Performance Management and Scrutiny Committee received quarterly reports from the Business Improvement Manager summarising performance information and highlighting those indicators that are shown as being off target for each of the Committees together with Managers' comments for each.

Risk Management

9.26 A new risk management strategy has been adopted to link the actions needed to manage risk with service reviews and performance management.

9.27 The fraud risk register reflects the new Fraud, Corruption and Money Laundering strategy to strengthen consideration of council tax and employment fraud. The new fraud strategy also includes a work plan and increased joint working with the Lincolnshire Fraud Group to gain from best practice and allow a County view to be taken of the threats and opportunities that are facing local authorities in Lincolnshire to achieving their strategic objectives.

9.28 The strategy outlines the process for corporate and service risk registers to be updated quarterly and management actions included within performance reviews.

9.29 The Audit Committee also received regular reports to give assurance that the Council has adequate risk management arrangements in place and the Performance Management and Scrutiny Committee examined the way that national issues such as the Comprehensive Spending Review have been taken into account in the risk management process.

9.30 New officers, 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.

9.31 An Internal Audit review of risk management arrangements in the Authority gave a `substantial assurance' opinion.

9.32 There are some good practice aspects to the system, but further work is needed to embed the system throughout the organisation and to make sure that risk is taken into account as the new corporate plan and strategy develops.

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

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

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

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

10.4 As we develop new ways of working, there will be new skills to be learnt and it is vital that these are identified and developed through the personal development and appraisal process.

10.5 Member training and development was identified as a weakness in previous Annual Governance Statements and it is vital that this is addressed.

10.6 As part of the work to improve the governance arrangements in relation to the roles of officers and Members and working relationships, we have taken part in extensive member and officer development sessions with the Improvement and Development Agency for Local Government.

10.7 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. One aspect of this will be in training to enable the scrutiny process to be developed.

10.8 This forum has also discussed how the needs of members can be met by new technology whilst reducing the costs of paper and postage.

10.9 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.

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

10.11 Induction training is provided for new Councillors 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.

11.0 Review of Effectiveness

11.1 Each year, the Council reviews the effectiveness of the annual governance framework. This review of the effectiveness of internal control has been informed by:

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

11.2 Work has already begun on implementing further improvements from the review of the constitution and addressing issues identified in the Audit Commission's Review of Governance Arrangements and it is important that during the coming year, managers and Members work together to achieve these improvements.

Assurance Framework

11.3 The Council made significant progress in improving its assurance framework with the establishment of the full Audit Committee and an independent member, complying with CIPFA Guidance as well as the development of the Corporate Governance Group and a constant review of the assurance framework through the Annual Governance Statement action plan.

Internal Audit

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

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

11.6 Each year, in compliance with Regulation 6 of the Accounts and Audit (Amendment) (England) Regulations 2011, the Audit Committee carries out a review of the effectiveness of the system of internal audit.

11.7 The Chief Financial Officer carried out the review, reflecting the CIPFA Good Practice Guide issued in November 2010, focussing on the role of the Head of Internal Audit, and concluded that the Council has an effective internal audit in place.

11.8 The Governance and Audit Committee have considered the report by the Chief Financial Officer on the effectiveness of internal audit arrangements and concluded that the Council has effective internal audit in place.

11.9 Internal Audit delivers an annual report to the Audit Committee, taking account of structures and processes to promote good governance. Based on the outcome of their audit work and assessment of other corporate governance issues, internal audit were satisfied that the overall standard of internal control was satisfactory.

Standards Committee

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

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

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

Members have considered the implications of the loss of the Standards Commission for England and will take these on board to ensure that high standards are maintained for the confidence of the public and partners.

Audit Committee

11.13 Development of the role of the Audit Committee continues and will be further enhanced under the new constitution as the Governance and Audit Committee with responsibility for:

- Corporate Governance
- Accounts and Audit
- The Assurance framework and
- Ethics and Standards

12.0 Significant Governance Issues

12.1 Significant issues for the Council to address from the 2009/10 Annual Governance Statement were:

- Member Development
- Strategic Partnerships
- Outcome Management
- Value for Money
- Scrutiny and
- Housing Inspection.

Member Development

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

12.3 The groundwork for member training and development has been established but this still needs to be fully adopted and so continues as an issue for the current year.

12.4 The Audit Committee expressed their concern about the take-up of member training and asked that these be reported to the Governance Task and Finish group as part of the review of the Constitution.

12.5 Details of the new approach to member training are outlined in Section 10 of this statement and the subject of member training will continue to be detailed as an issue to be overseen by the Governance and Audit Committee as part of the Annual Governance Statement action plan.

Strategic Partnerships

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

12.7 Through 2010/11 the Performance Management and Scrutiny Committee received six monthly updates on the work of the Local Strategic

Partnership, looking at the theme board activities and also summarised the implications of the Government Agenda in terms of Localism, Big Society and Place Based Budgets.

12.8 The Council is currently developing a corporate plan that will see us working in a different way, with even more emphasis on working in partnership. The Strategic Partnership approach will be even more important to ensuring the success of achieving our strategic objectives and making the most of the resources that are available to making a difference in our communities.

Outcome Performance Management

12.9 The development of the new corporate plan and loss of statutory performance indicators means that there are good opportunities to develop a performance framework that measures the effect of the activities of the Council and partners.

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

12.11 Through the Corporate Planning process we are looking at the outcomes that we want to achieve and the best way of achieving them. This will form the base of the performance management framework so that we can measure the effect that we, and our partners, are having in achieving our agreed aims.

12.12 Such performance management is new and developing and so continues to be an issue.

Value for Money

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

12.14 We have developed our approach to this by applying LEAN principles to remove processes that do not add any value.

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

12.16 The Audit Commission value for money conclusion in their Annual Governance report concluded that The Council's governance arrangements for 2009/10 were not adequate.

12.17 Their subsequent report on the Review of Governance Arrangements made recommendations that have been managed as part of the Annual Governance Statement Action plan and overseen by the Audit Committee.

12.18 The Audit Commission will carry out an ongoing risk assessment for their current Value for Money conclusion based on implementation of the recommendations from the report on the review of Governance Arrangements. This therefore remains a significant issue.

Scrutiny

12.19 Details of the development of an effective scrutiny role are outlined in Section 9.

12.20 The opportunities to develop the role of scrutiny are being taken as a result of the constitution review and the establishment of the Challenge and Improvement Committee.

12.21 As this is a developing area, the effectiveness of the scrutiny role should continue to be overseen as part of the Governance action plan.

Housing Inspection

12.22 Areas for improvement in the Audit Commission report of June 2009 were developed through an action plan, specifically focussing on:

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

12.23 The Commission have reassessed the service provided by the Council as being a “fair, one-star service with promising prospects for improvement.”

12.24 They stated that good progress had been made in improving the service although there was still work to do in to ensure that the planning service is able to fully support the Council's ambitions for housing.

12.25 In view of the Audit Commission assessment, it is considered that there are no longer any issues for the Annual Governance Statement.

Officer/Leader Relationships

12.26 In 2009/10, the Corporate Management Team identified that a strained working relationship between the then Leader of the Council and the then Chief Executive was having an adverse effect on a key aspect of governance for the Authority and this was added as a significant issue to the AGS action plan.

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

12.28 This was confirmed in the internal audit annual report and in the Audit Commission Governance Review (see Value for Money)

12.29 The findings of the Audit Commission report were incorporated into the action plan, monitored by the Audit Committee.

12.30 The Audit Committee determined that all of the actions identified by the Audit Commission and recommendation made had been completed with the adoption of the new constitution and the improvement plan for the planning services.

13. Other Significant Issues for 2010/11

13.1 Financial Statements

A substantial amount of additional work had to be carried out by the Audit Commission on the Statement of Accounts for 2009/10 to be able to achieve an unqualified audit opinion.

Concerns were expressed over the quality of the supporting papers and application of the Statement of Recommended Practice (SoRP) changes that were to be applied.

Although, due to implementing agreed changes, this did not have a material impact on the financial statements, lessons have been learnt and additional resources applied, this aspect of annual governance is included to ensure that SoRP practices are applied.

13.2 Risk Management

Although the process and practice of risk management in the Authority has been given substantial assurance by Internal Audit, the development of the link with the performance management system has not yet fully developed and achieved a fully embedded risk management ethos in the Council,

It is essential that as we move to a new approach to service delivery, that risk management is embedded in the themed outcome plans that are developing as part of the corporate plan and that ownership of their management is agreed.

13.3 New ways of delivering services

The Council is currently undergoing a significant change to the way that we deliver services locally. The development of a new corporate plan will mean challenges in developing skills and sharing information that should be included as a significant issue to ensure that governance arrangements are included so that we are able to achieve our aims.

It is vital that the elements of the Governance Framework described in chapters 5 - 10 are developed and appropriate to meet the changing needs of the Council.

These challenges and opportunities are identified in our risk register and will be overseen by the Governance and Audit Committee.

14. Next Stages for 2011/12

14.1 The following are considered to be significant issues that will have an effect on the governance of the authority.

- Member training and development
- Scrutiny
- Financial Statements
- Outcomes performance management
- Partnerships
- Risk Management
- Value for Money
- Transformation

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

Signed ……………………………………………….

Manjeet Gill,

Chief Executive

Signed……………………………………………….

Burt Keimach

Leader of the Council

26th September 2011

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.

Glossary of Terms

- **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.

- **National Non-Domestic Rate (NNDR)**
  Under the revised arrangements for uniform business rates, that 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.

Glossary of Terms

- **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 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.