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GA.15 13/14
Governance & Audit Committee
26 September 2013

Subject: Audited Statement of Accounts 2012/13

Report by:	Chief Executive and Chief Finance Officer
Contact Officer:	Russell Stone Financial Services Manager 01427 676542 Russell.Stone@west-lindsey.gov.uk
Purpose / Summary:	The 2012/13 Statement of Accounts is presented for scrutiny and adoption.

RECOMMENDATIONS:

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 2012/13.**
3) **That Governance & Audit Committee permit the Section 151 Officer and the Chair of this Committee to certify the letter of representation to the District Auditor on completion of the audit.**

IMPLICATIONS

Legal:
None arising from this report.

Financial: FIN16/14 The General fund balance Revenue balances have reduced by £3.666m in year, to £2.327m as at 31st March 2013. These general balances are supplemented by specific earmarked reserves of £10.550m.

Staffing :
None arising from this report.

Equality and Diversity including Human Rights :
*NB: A full impact assessment **HAS TO BE** attached if the report relates to any new or revised policy or revision to service delivery/introduction of new services.*

Risk Assessment :
None arising from this report.

Climate Related Risks and Opportunities :
None arising from this report.

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 2012/13. Code of Practice on Local Authority Accounting in the United Kingdom – Guidance notes for practitioners 2012/13 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**	**x**

Key Decision:

Yes		**No**	**x**

1 Introduction

1.1 The Statement of Accounts for 2012/13 has been prepared under the International Financial Reporting Standards based Code of Practice on Local Authority Accounting (the Code).

1.2 Following the Accounts and Audit Regulations 2011 the Council's Statement of Accounts, subject to audit, must be certified by the Chief Finance Officer and published before the 30th June. Following completion of the external audit the Council must formally approve the accounts before the end of September.

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 The Annual Governance Statement (AGS) can be published separately or can 'accompany' the Statement of Accounts in the same document. 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.

1.6 Following the certification of the accounts on 27th June 2013 by the Chief Financial Officer the Audit Commission has carried out their final accounts audit. This has resulted in some changes being made to the statement of accounts that were originally certified by the Chief Finance Officer and published. There have been no significant changes made to the main statements.

2 Amendments to the Statement of Accounts

2.1 The Cash Flow statement has been amended to classify provisions as other non-cash items and not within Movement on Debtors (£190k).

2.2 A new disclosure relating to the critical judgement applied in relation to the Community Asset Fund being treated as Revenue Expenditure Funded by Capital under Statute (Note 2), and the related Contingent Asset disclosure (Note 34) has been removed.

2.3 Note 23 Amounts reported for resource allocation decisions, was amend as an amount of £1.832m relating to Revenue Expenditure Funded from Capital under Statute was misrepresented as depreciation, amortisation and impairment, and is correct to be included within other service expenses.

2.4 Earmarked Reserves below £0.250m have been amalgamated with like reserves as these are not considered material.

3 Summary

3.1 The Statement of Accounts 2012/13 attached at Appendix A reflects all the alterations made as a result of the Audit Commission's audit. These have related to either rounding issues, or disclosure classifications. The audit findings reflected in this report will be used to inform the finance team's review of the final accounts process and the identification of improvements for 2013/14.

3.2 It is recommended that Members having considered the District Auditor's Annual Governance Report the Statement of Accounts and the Annual Governance Statement confirm that there are no concerns arising from the Financial Statements that need to be brought to the attention of the Council. Members are requested to approve the Statement of Accounts for 2012/13 and permit the Chief Finance Officer in consultation with the Chair of this Committee to certify the letter of representation to the District Auditor on completion of the audit.

West Lindsey District Council

Statement of Accounts

2012/2013

Contents

Explanatory Foreword

1 Introduction

As the Council's Chief Finance Officer I am pleased to present the 2012/13 Statement of Accounts. The accounts provide information on how the Council has used the financial resources available to provide services and progress its local priorities. The Council's Corporate Plan explains how the organisation's key priorities would be addressed. The full document is available on the Council's website www.west-lindsey.gov.uk/your-council/how-the-council-works/key-plans-policies-and-strategies/corporate-plan

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

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

The Council has had to adapt quickly to a much changed environment as the government has carried out plans for deficit reduction and, by the Localism Act, promoted further empowerment of communities. By adopting an entrepreneurial approach, which has facilitated innovation and efficiency improvements, the Council has been able to accommodate the significant reductions in central government funding whilst protecting services and jobs. The Council has focussed on developing and meeting the needs of the community through support activities and projects which have increased community participation and attracted additional investment to the District.

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

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

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

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

2 The Financial Statements

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

Comprehensive Income and Expenditure Statement (CIES)

This Statement records the day-to-day expenditure incurred in providing services and includes salaries and wages, other running costs and financing costs and income due from fees and charges and government grants. This statement also shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, but such "accounting costs" do not form part of the amount required to be raised through council tax. The surplus on the Provision of Services totalled £0.181m (£0.224m 2011/12),

Movement in Reserves Statement (MIRS)

This Statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the CIES. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council. The Councils useable reserves total £15.919m (£16.183m 2011/12)

Balance Sheet

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

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council. The movement in overall cash is £0.444m.

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 2012/13

Revenue Income and Expenditure

The Council approved a revenue budget, including Council Tax charges, for 2012/13 which planned for a surplus of £0.036m. Compared to the approved budget for 2012/13 and before allowing for in year decisions to support new initiatives or address budget pressures the Council's revenue position was a surplus of £0.610m.

After the utilisation of the surplus for carry forwards and contributions to earmarked reserves an additional £0.042m has been transferred to General Fund Balances

The following table reports the revenue figures for 2012/13 before any adjustments required by accounting standards that are subsequently reversed under statute.

WLDC Revenue Budget Outturn 2012-13

	£000's
Income	
Government Grants	-30,894
Other Grants & Receipts	-369
Customer & Client Receipts	-1,883
Other Income	-1,218
Interest	-321
Council Tax	-13,302
Total Income	**-47,987**
Expenditure	
Employees	8,799
Premises Related	1,011
Transport Related	1,281
Supplies & Services	2,771
Third Party Payments	1,841
Transfer Payments - Benefits	30,981
Impairments - Icelandic Banks	30
Total Expenditure	**46,714**
Approved Budget - Contribution (to) General Fund	31
Transfer from / (to) specific reserves	4,422
Earmarked Reserves to be returned to GF	-3,790
Budget Variance	**-610**
In year budget decisions	
Reserve Movement	
Requests for utilisation of in Year Surplus	568
Surplus - Contribution to General Fund Balance	**-42**

The accounts reflect a number of entries made in respect of the deposits in default with several Icelandic banks resulting in a £0.030m gain. Adjustments in relation to the impairment allowance for uncollectable debts resulted in an increased the contribution to the impairment allowances of £0.267m.

It should be noted that within the headline position significant pressures relate to underachieved income targets for Building Control and Local Land Charges, which have been managed from additional income for Planning fees. Where known, and if appropriate, the on-going elements of these pressures have been factored into future budgets.

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

Earmarked Reserves

Following approval of the Medium Term Financial Plan for 2013/14 £5.205m of earmarked reserves were created in 2012/13; Dragons Den Fund to support business growth, Property Assets Fund to support strategic property/housing policies and Waste Services Fund for strategic service development. £1.415m of Earmarked Reserves were transferred to the General Fund Balance to enable resources for corporate priorities. This resulted in a net contribution to Earmarked Reserves of £3.790m. The balance of Earmarked Reserves as at 31 March 2013 total £10.550m.

The Capital Programme

The revised Capital Programme 2012/13 was budgeted to spend £3.169m and actual expenditure of £2.447m was incurred, schemes which are not yet complete, totalling, £0.749m, will be carried forward and added to the 2013/14 Capital Programme.

The in-year expenditure was funded mainly from capital receipts £1.104m, grants and contributions of £0.634m, revenue contributions of £0.505m and £0.215m from finance leases.

At the beginning of the year, the Usable Capital Receipts Reserve balance was £3.421m new receipts during the year totalled £0.172m due to the sale of property and £1.109m was used to finance capital expenditure, the balance of £2.485m is available for future financing. Unapplied Capital Grants and Contributions had movements of £0.009m relating to additional grant less £0.016m for financing capital schemes, resulting in a balance of £0.557m.

The Balance Sheet movement of non-current Property Plant and Equipment relates to, acquisitions and enhancements, changes in valuations, and disposals. These events have resulted in overall value of £16.570m, a reduction of £0.037m from 2011/12. Details are contained within Note 12 to the Statement of Accounts.

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 £4.785m in short term investments, £1.373m in long term investments and £10.476m in cash and cash equivalents. The comparative figures for the end of 2011/12 were £3.778m, £1.673m and £10.920m 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 2013, outstanding obligations in respect of Finance Leases amounted to £0.782m (£0.821m 31 March 2012).

Material assets acquired

No material assets were acquired during the year

Analysis of Capital Expenditure in year

	£m
Buildings	0.098
Vehicles, Plant & Equipment	0.311
Waste Freighter - Finance Lease	0.215
Intangible Assets	0.000
Revenue Expenditure Funded from Capital Under Statute (REFCUS)	1.823
Total	**2.447**

Significant elements of expenditure in the year related to;

Revenue Expenditure Funded from Capital Under Statute (REFCUS)

- Community Asset Fund £ 1.050m
- Disabled Facilities Grants £ 0.387m

Material Liabilities incurred

No material liabilities were incurred in 2012/13.

Significant provisions, contingencies and material write-offs

No significant provisions, contingencies or material write offs were recognised in 2012/13.

Pensions Liability:

The majority of the employees of the Council are members of the Local Government Pension Scheme (LGPS). The liability for both statutory and discretionary pension benefits, measured on an IAS19 basis has increased over the year. At 31st March 2013 the Council's net liability reported by the Actuary to the LGPS was £25.3m (£21.5m in 11/12), an increase of £3.8m (18%). Fair value of LGPS assets was £38.3m (£33.7m in 11/12), an increase of £4.6m and the value of obligations to pay pension liabilities increased by 15.2% from £55.2m to £63.6m.

The increase in the net liability at 31 March 2013 is due to falling real yield bonds.

The revenue account does not include the full provision for pension costs of employees. The net liability to the Lincolnshire LGPS of £25.3m 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. 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 £0.532m in 2013/14. The comparative figures for 2012/13 were 14.1% of pensionable pay and £0.505m paid towards the deficit. A further £0.611m was paid towards the deficit in 12/13.

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

5 Material and Unusual charge or credit in the accounts

Icelandic Banks impairment – £0.046m

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

Based on latest guidance on the calculation of the recoverable amount a small impairment of £0.046m has been charged to Interest payable and other similar charges within the CIES. Further information is contained within Note 14 of the Notes to the Statement of Accounts.

7 Service and Economic Outlook

Economic Background and Outlook

Economic growth in the UK was disappointing during the year due to the UK austerity programme, and weak consumer confidence and spending, a lack of rebalancing of the UK economy to exporting and weak growth in our biggest export market - the European Union (EU). The UK lost its AAA credit rating (with some agencies) after the Budget statement in March. The bank rate remained unchanged at 0.5% resulting in low returns on investments. The UK economy recently showed signs of a small recovery, the focus on jobs, growth and the financing of the economy remaining key priorities. Whilst the Council remains cautiously optimistic about the outlook and the benefits this will bring to the value of assets and income the Council's plans are being based on an assumption of a low growth economy.

The Council has in place a genuinely balanced budget for the financial year 2013/14, however, the reductions in central government support are expected to result in a saving requirement of circa £1m for the following year (2014/15) and an additional £2m estimated as being required in the next two years (a total saving of £3m required by 2017/18).

The Chancellors, budget announcements and recent June spending review identified further reductions for Local Government funding in 2014/15 and 2015/16. These issues combine with low economic growth and increases in projected benefit claimant numbers to paint a bleak picture for Local Government finances.

This is clearly a significant challenge and work is continuing to deliver saving / income proposals that will bridge this gap. A major contract review is delivering significant savings, the in depth business reviews are identifying significant opportunities and mechanisms around business rates retention and new homes bonus also provide access to significant funding sources.

As a Council we are well placed to meet this challenge and are making good progress. It is however, crucial that we continue to recognise the significance of the funding reductions and ensure our efforts meet this challenge.
The Council has already seen significant reductions in financial support from the Government which, paid through formula grant, was £8.2m in 2010/11, compared to support from local council tax of £5.7m. The formula grant announced for 2012/13 was £5.7m, a reduction over two years of £2.5m or 24.7%, with further reductions anticipated, as illustrated below;

WLDC Main Annual Government Grant Reductions

	2011/12 £000's	2012/13 £000's	2013/14 £000's	2014/15 £000's
Formula Grant	6,514	5,688	5,513	4,482
Other grants rolled in.	0	0	1,145	1,097
Grant reduction year on year	N/A	826	175	1,079
Percentage change year on year	N/A	12.67%	3%	16.2%

Significant reforms are also taking place across Local Government with many of the changes coming in to force on the 1st April 2013. These reforms not only place additional burdens on Local Government, but also significantly transfer risk and responsibilities to Local Government which have previously sat with Central Government.

One such change is the basis of the Settlement for 2012-13 and 2013-14. For 2012-13 the main components were a top-up grant called Revenue Support Grant (RSG), and a share of funding from the Business Rate Pool were distributed on a four needs model – Relevant Needs Amount, Relevant Resource Amount, Central Allocation and Floor Dampening.

The principal change for 2013-14 and future years is that there will no longer be a share from the National Pool. Instead the estimated yield from Business Rates will be shared between the Billing Authority (West Lindsey District Council 40%), the Precepting Authority (Lincolnshire County Council 10%) and the Government 50%. Growth in Business Rates can result in increased funding for the local authorities concerned. However, they will share any reduction in Business Rate yield. Such losses and gains will be subject to separate "Safety Net and Levy" arrangements to reduce potential volatility of local authority funding under the new system, effectively limiting the potential gain or loss in any one year.

Under the Business Rates Retention element of local government funding the provisional settlement figures published will no longer provide guaranteed funding levels, but rather the starting point within the scheme. Ultimately, the level of business rates collected in 2013/14 will determine the funding received for this element of their funding.

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

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

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

Members approved a balanced budget for 2013/14 and the Medium Term Financial Plan to 2018 recognised the on-going need to deliver further significant savings to address the planned reduction in government funding and to invest in priorities.

The capital programme for 2012/13 was revised to support the Council's objectives with £1.2m allocated for strategic housing projects. It is envisaged that this funding will assist with levering in additional investment to the area and enhancing the Council's assets.

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

The capital programme is funded mainly from capital receipts, grants and contributions from revenue. Additional funding is provided by finance leases. The Council has approved the following capital programme funding plans for the period 1 April 2013 to 31 March 2018

	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
Funding	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Capital receipts	1.104	1.255	0.704	0.704	0.104	0.104
Grants and Contributions	0.505	1.408	0.246	1.246	0.246	0.246
Finance Leases	0.215	0.065	0	0	.065	0
Revenue Contributions	0.634	0.805	0.800	0.544	0.236	0.136
	2.458	**3.533**	**1.750**	**2.494**	**0.651**	**0.486**

The Council has adequate revenue balances to provide financial security and a safety mechanism for unforeseen events. The General Fund Revenue Account balances stood at £2.327m as at 31 March 2013 after the Medium Term Financial Plan approved new earmarked reserves to support business growth (£2m), strategic housing projects (£1m) and waste management service delivery (£2m). A total of £10.550m is held in earmarked reserves at 31 March 2013.

Service Changes – Council Tax Benefit localisation and Universal Credit

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

This is equivalent to circa £1m for all precepting authorities of which £0.145m relates to the Council. The risk associated with volatility and increases in claimant costs will also transfer to the local authorities. If actual benefit entitlement is lower than the central government funding the Council will retain any balance.

Universal Credit – is one of the key benefit changes introduced by the Welfare Reform Act 2012, this will see the introduction of a single benefit to replace six benefits currently paid by the Department of Works and Pensions (DWP) and Her Majesty's Revenue and Customs (HMRC) and local authorities. This includes Housing Benefit currently paid by West Lindsey District Council. The introduction of Universal Credit will have a significant impact on the residents of the district as they will need to adjust to receiving a single monthly benefit payment which will include an element to cover their housing costs. They will need to manage their finances on a monthly basis, pay their rent to their landlord and apply and manage their benefit claim online.

The Council will no longer be responsible for the payment of Housing Benefit. The Council has been selected to work with DWP as a pilot to ensure residents can access support to apply and manage their online claims and their finances.

Events after the Reporting Period

The code requires disclosure of the date the financial statements were authorised for issue and therefore the date after which events will not have been recognised in the Statement of Accounts, this date was set as the 26th September 2013.

There are no events which have taken place before this date where conditions existed at 31 March 2013. There are no events after 31 March 2013 to disclose that are relevant to an understanding of the Council's financial position.

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 Council'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.
iv. Kept proper accounting records which were up to date.
v. Taken reasonable steps for the prevention and detection of fraud and other irregularities.

Certification of the Accounts

I certify that the Statement of Accounts gives a true and fair view of the financial position of West Lindsey District Council at 31 March 2013 and its income and expenditure for the year then ended.

Signed Russell Stone ACMA 27th June 2013
Chief Finance Officer.

Approval of the Accounts

In accordance with the Accounts and Audit Regulations 2012, I certify that the Statement of Accounts was approved by the Governance and Audit Committee on 26 September 2013.

Signed: 26th September 2013
Chairman of Governance and Audit Committee.

The following pages are left blank for the Auditors Statement and Opinion

Movement in Reserves Statement

	General Fund Balance (Restated)	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Balance at 31st March 2011	**(4,031)**	**(6,838)**	**(3,711)**	**(984)**	**(15,564)**	**1,359**	**(14,205)**
Movement in Reserves during 2011/12							
(Surplus)/Deficit on provision of services	224	0	0	0	224	0	224
Other Comprehensive Income and Expenditure	0	0	0	0	0	4,052	4,052
Total Comprehensive Income and Expenditure	**224**	**0**	**0**	**0**	**224**	**4,052**	**4,276**
Adjustments between accounting basis & funding basis under regulations (Note 7)	(1,554)	0	290	421	(843)	843	0
Net (Increase)/Decrease before Transfers to Earmarked Reserves	**(1,330)**	**0**	**290**	**421**	**(619)**	**4,895**	**4,276**
Transfers to/(from) Earmarked Reserves (Note 8)	(632)	632	0	0	0	0	0
(Increase)/Decrease in Year	**(1,962)**	**632**	**290**	**421**	**(619)**	**4,895**	**4,276**
Balance at 31 March 2012 carried forward	**(5,993)**	**(6,206)**	**(3,421)**	**(563)**	**(16,183)**	**6,254**	**(9,929)**
Movement in Reserves during 2012/13							
(Surplus)/Deficit on provision of services	181	0	0	0	181	0	181
Other Comprehensive Income and Expenditure	0	0	0	0	0	4,119	4,119
Total Comprehensive Income and Expenditure	**181**	**0**	**0**	**0**	**181**	**4,119**	**4,300**
Adjustments between accounting basis & funding basis under regulations (Note 7)	(859)	0	936	7	84	(84)	0
Net (Increase)/Decrease before Transfers to Earmarked Reserves	**(678)**	**0**	**936**	**7**	**265**	**4,035**	**4,300**
Transfers to/(from) Earmarked Reserves (Note 8)	4,344	(4,344)	0	0	0	0	0
(Increase)/Decrease in Year	**3,666**	**(4,344)**	**936**	**7**	**265**	**4,035**	**4,300**
Balance at 31 March 2013 carried forward	**(2,327)**	**(10,550)**	**(2,485)**	**(556)**	**(15,918)**	**10,289**	**(5,629)**

Comprehensive Income and Expenditure Statement

2011/12				2012/13		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000's	£000's	£000's		£000's	£000's	£000's
7,718	(6,846)	872	Central services to the public	7,648	(6,899)	749
1,914	(135)	1,779	Cultural and Related Services	2,694	(87)	2,607
5,304	(577)	4,727	Environmental & Regulatory Services	4,788	(505)	4,283
2,848	(1,124)	1,724	Planning Services	2,458	(1,562)	896
482	(221)	261	Highways and transport services	494	(334)	160
24,478	(22,523)	1,955	Other housing services	25,660	(24,159)	1,501
1,196	(1)	1,195	Corporate and democratic core	1,770	(25)	1,745
1,297	(642)	655	Non distributed costs	144	(14)	130
45,237	**(32,069)**	**13,168**	**Cost of Services**	**45,656**	**(33,585)**	**12,071**
1,739	0	1,739	Other operating expenditure (Note 9)	1,962	0	1,962
339	(379)	(40)	Financing and investment income and expenditure (Note 10)	834	(321)	513
0	(14,643)	(14,643)	Taxation and non-specific grant income (Note 11)	0	(14,365)	(14,365)
		224	**(Surplus) or Deficit on Provision of Services**			**181**
		(500)	(Surplus) or deficit on revaluation of Property, Plant and Equipment assets (Note 12)			121
		4,552	Actuarial (gains)/losses on pension assets / liabilities (Note 32)			3,998
		4,052	**Other Comprehensive Income and Expenditure**			**4,119**
		4,276	**Total Comprehensive Income and Expenditure**			**4,300**

Balance Sheet

31 March 2012 £000's		Notes	31 March 2013 £000's
16,607	Property, Plant & Equipment	12	16,570
190	Intangible Assets	13	156
1,673	Long Term Investments	14	1,373
1	Long Term Debtors	14	0
18,471	**Long Term Assets**		**18,099**
3,778	Short Term Investments	14	4,785
200	Assets Held for Sale	18	0
59	Inventories	15	34
2,515	Short Term Debtors	16	1,989
10,920	Cash and Cash Equivalents	17	10,476
17,472	**Current Assets**		**17,284**
(3,460)	Short Term Creditors	19	(3,349)
(71)	Provisions	20	(95)
(234)	Other Current Liabilities	14/30	(190)
(3,765)	**Current Liabilities**		**(3,634)**
(21,469)	Net Pension Liability	32	(25,291)
0	Provisions	20	(90)
(587)	Other Long Term Liabilities	30	(592)
(193)	Capital Grants Receipts in Advance	27	(147)
(22,249)	**Long Term Liabilities**		**(26,120)**
9,929	**Net Assets**		**5,629**
(16,183)	Usable Reserves	21	(15,918)
6,254	Unusable Reserves	22	10,289
(9,929)	**Total Reserves**		**(5,629)**

West Lindsey District Council Statement of Accounts 2012/13

Cash Flow Statement

2011/12		2012/13	
£000's		£000's	
224	**Net (Surplus) or Deficit on the provision of Services**	**0**	**181**
(908)	Depreciation	(970)	
(471)	Impairment and Downward valuations	452	
(28)	Amortisation	(34)	
170	Increase/Decrease in impairment provision for bad debts	(190)	
350	(Increase)/Decrease in creditors	143	
(452)	Increase/(Decrease) in debtors	(345)	
19	Increase/(Decrease) in inventories (stock)	(25)	
(210)	Movement in pension liability	176	
(31)	Carrying amount of Non Current Assets sold or derecognised	(214)	
2	Other non cash items charged to the net surplus or deficit on the provision of services	(115)	
(1,559)	**Adjustments to net surplus or deficit on the provision of services for non-cash movements**		**(1,122)**
137	Proceeds from the sale of property, plant and equipment	0	
1,777	Other items for which the cash effects are investing or financing cash flows	787	
1,914	**Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities**		**787**
579	**Net cash flows from Operating Activities**		**(154)**
755	Purchase of property, plant and equipment, investment property and intangible assets	381	
7,221	Purchase of short-term (not considered to be cash equivalents) and long-term investments	4,300	
0	Proceeds from the sale of non current assets held for sale	(172)	
(7,092)	Proceeds from short-term (not considered to be cash equivalents) and long-term investments	(3,593)	
(324)	Other receipts from investing activities	(629)	
560	**Net cash flows from Investing Activities**		**287**
(2,175)	Other receipts from financing activities	63	
231	Cash payments for the reduction of the outstanding liabilities relating to finance leases.	248	
(1,944)	**Net cash flows from Financing Activities**		**311**
(805)	**Net (increase) or decrease in cash and cash equivalents**		**444**
10,115	**Cash and cash equivalents at the beginning of the reporting period**		**10,920**
10,920	**Cash and cash equivalents at the end of the reporting period (Note 17)**		**10,476**

See also Note 36 - items included in Operating Activities relating to interest.

Notes to the Accounts

1 ACCOUNTING POLICIES

i General Principles

The Statement of Accounts summarises the Council's transactions for the 2012/13 financial year and its position at the year-end of 31 March 2013. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011, which require them to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 (The Code) and the *Service Reporting Code of Practice 2012/13*, supported by the International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 12 of the 2003 Act.

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

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

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

- Expenses in relation to services received, (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, 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 and Cash Flow Statement.

iv Exceptional Items

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

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

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

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

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

vi Charges to Revenues for Non-Current Assets

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

- depreciation attributable to the assets used by the relevant service

- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off

- amortisation of intangible fixed assets attributable to the service

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

The Council has assessed the Minimum Revenue Provision (MRP) in accordance with the guidance issued by the Secretary of State under section 21(1A) of the Local Government Act 2003. Any charge in 2012/13 is for either new borrowing under the prudential system, based on the asset life method, or relates to the Council's current credit arrangements for 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:

Benefits Payable During Employment

Short-term employee benefits are payable within twelve months of the Balance Sheet date and include, wages, salaries, social security contributions, paid annual leave and paid sick leave, bonuses and non-monetary benefits, and similar payments and are recognised as an expense for services in the year in which employees render service to the Council.

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.

An accrual is made for the 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.

Termination

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

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

Post – Employment Benefits

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

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

- **Liabilities** (or obligations) – the post-employment/retirement benefits that have been promised under the formal terms of a pension scheme (plus any constructive obligation for further benefits where the Council has given employees valid expectations that such benefits will be granted). Liabilities are measured on an actuarial basis using the projected unit method – ie an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, and projections of projected earnings for current employees.

- Liabilities are discounted to their value at current prices, using a discount rate of 4.1% (based on the indicative rate of return on high quality corporate bond (iBoxx Sterling Corporates AA over 15 year Index).

- **Assets** – the Council's attributable share of the investments held in the pension scheme are included in the Balance Sheet at fair value:
  - quoted securities – current bid price
  - unquoted securities – professional estimate
  - unitised securities – current bid price
  - property – market value

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

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

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

Past Service Costs – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.

Interest cost - the expected increase in the present value of liabilities during the year as they move one year closer to being paid –debited to the Financing and Investment income and Expenditure line in the Comprehensive Income and Expenditure Statement.

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 – credited to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement.

Gains or losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs

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 – charged to the Pension Reserve.

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

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

Discretionary Benefits

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

Further information can be found in the Lincolnshire Local Government Pension Fund Annual Report

Which is available from:

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

viii Events after the Balance Sheet date

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

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

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

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

ix Financial Instruments

Financial Liabilities

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

The Council has no borrowing.

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 relating to Finance Leases, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the lease agreement.

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 Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Account is the amount receivable for the year in the loan agreement.

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

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

x Foreign Currency Translation

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

xi Government Grants and Contributions

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

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

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

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

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

xii Intangible Fixed Assets

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

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

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

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

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

xiii Inventories and long-term contracts

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

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

xiv Jointly Controlled Operations and Jointly Controlled Assets

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

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

xv Leases

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

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

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

The Council as Lessee

Finance Leases

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

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and

- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

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. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

xvi Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Service Reporting Code of Practice 2012/13* (S*e*RCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

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

xvii Property Plant and Equipment

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

Recognition

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

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

Measurement

Assets are initially measured at cost, comprising;

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

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

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

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

- infrastructure assets and assets under construction – depreciated historical cost
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV)

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

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

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

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

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

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

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

Impairment

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

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

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

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

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

Depreciation

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

Depreciation is calculated on the following bases:

- dwellings and other buildings– straight line allocation over the life of the property as estimated by the valuer with the exception of a number of leased shops, where the remaining term of the lease has been used

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

- Infrastructure – straight line allocation.

Asset Useful Economic Lives assumed

Assets	**Useful life Range (years)**
Offices/Leisure Centre	12 to 47
Depots & Stores	17
Shops	113
Public Conveniences	17 to 37
CCTV Systems/IT Equipment/ Wheeled Bins/Office equipment	1 to 16
Vehicles / Bin Lifters	1 to 6
Infrastructure Assets	25 to 36

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

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

Disposals and Non-current Assets Held for Sale

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

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

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

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

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

xviii Provisions

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

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

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

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

xix Contingent liabilities

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

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

xx Contingent assets

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

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

xxi Reserves

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

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

xxii Revenue Expenditure Funded From Capital under Statute

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

xxiii Value Added Tax (VAT)

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

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

The Code of Practice on Local Council Accounting in the United Kingdom (the Code) requires the Council to identify any accounting standards that have been issued but have yet to be adopted and could have a material impact on the accounts. The following standards apply:

IAS1 Presentation of Financial Statements - This standard was amended in 2011 and will be adopted on 1 April 2013, the changes which relate to the presentation of gains and losses on revaluations currently shown within Other Comprehensive Income and Expenditure. As these changes are presentational there is no impact on the reported amounts.

IFRS7 Financial Instruments: Disclosures (issued December 2011) relating to the treatment of transfers of financial assets. It is likely that this standard will not have a material impact on the financial statements of the Council, but will need to be adopted fully by the Council in the 2013/14 financial statements.

IAS 19 Employee Benefits (June 2011 Amendments) for accounting years beginning on or after 1 January 2013. The changes, which relate to the creation of some new classes of components of defined benefit costs and the re-measurement of the net defined benefit liability, are likely to have an impact on the accounts. The pension actuaries have calculated that if the revised standard, which will effectively set the expected return equal to the IAS19 discount rate, is in place the capitalised cost of the additional benefits relative to those reserved for under IAS19 is calculated at £0.304m.

IAS12 – Income Taxes disclosures are unlikely to have any impact on the accounts.

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, nor that there is a risk to the Council being a going concern.

Revenue Expenditure Funded from Capital under Statute

The Capital Programme included a contribution of £1.050m to the Bright Red Dot Foundation to be held in trust as a Community Asset Fund. This fund will be managed and administered by them with the purpose of supporting communities within the district of West Lindsey by issuing grants and loans (as approved by the appointed board) to facilitate the purchase and/or enhancements of community assets. The Council has made the judgment, by considering the purpose, procedures, and contractual agreement, that this transaction be treated as Revenue Expenditure Funded by Capital under Statute.

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.

Items in the Council's Balances Sheet at 31 March 2013 for which there is a significant risk of material adjustment in the forthcoming financial year are:

Property Plant and Equipment.

Property assets are included on the basis of valuations and assessed useful lives undertaken on 1 April 2009. Since that date an annual desktop review and consideration of impairment has been carried out by Banks Long, the Council's Valuer. A full revaluation of the Council's property assets is to be undertaken at 31 March 2014. The assessment of useful lives is subject to revision and the valuation would therefore be expected to change accordingly.

The carrying value of property, plant and equipment at the end of the reporting period was £16.570m.

The impact of a change in valuation or useful life as at 31 March 2014 would affect the carrying value of the asset in the balance sheet and the subsequent charge for depreciation or impairment in the CIES.

Pensions Liability

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 2012/13 the Council's actuaries advised that the net pension liability had increased by £3.8m. 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 2013	**Approximate increase in monetary cost £m**
0.5% decrease in Real Discount Rate	£6.200m
1 year increase in member life expectancy	£1.909m
0.5% increase in Salary increase rate	£1.700m
0.5% increase in pension increase rate	£4.425m

The next full valuation of the Pension Scheme will be undertaken during 2013/14.

Icelandic Bank Investments

The Council has applied guidance issued by CIPFA in May 2013 to calculate the estimated recoverable amount of £1.873m at the balance sheet date. Further information can be found at Note 35.

5. MATERIAL ITEMS OF INCOME AND EXPENSE

For the purpose of this note the Council considers material items to be those greater than £1.0m.

The Council contributed £1.117m towards the Pension deficit (an agreed amount of £0.505m was increased by a further £0.611m).

The Council made a £1.050m capital investment to the Community Assets Fund, which is being held, managed and administered by the Bright Red Dot Foundation. This is represented as Revenue Expenditure financed by Capital under Statute within Net Operating Expenditure.

6. EVENTS AFTER THE BALANCE SHEET DATE

The final audited Statement of Accounts was authorised for issue by the Chief Finance Officer on 26th September 2013. Events taking place after this date will not be reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2013, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

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

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

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

General Fund Balance

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

Capital Receipts Reserve

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

Capital Grants Unapplied

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

2012/13	Usable Reserves General Fund Balance	Usable Reserves Capital Receipts Reserve	Usable Reserves 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	(970)			970
Revaluation gain/(loss) on Property Plant and Equipment	452			(452)
Amortisation of intangible assets	(34)			34
Capital grants and contributions applied	615		(9)	(606)
Revenue expenditure funded from capital under statute	(1,823)			1,823
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES.	(214)			214
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	248			(248)
Capital expenditure charged against the General Fund	505			(505)
Adjustments primarily involving the Capital Grants Unapplied Account:				
Application of grants to capital financing transferred to the Capital Adjustment Account			16	(16)
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES.	172	(172)		0
Use of the Capital Receipts Reserve to finance new capital expenditure		1,104		(1,104)
Transfer from Deferred Capital Receipts Reserve upon receipt of cash.		4		(4)
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the CIES (Note 32)	(1,637)			1,637
Employer’s pensions contributions and direct payments to pensioners payable in the year.	1,813			(1,813)
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	36			(36)
Adjustment primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.	(22)			22
Total Adjustments	**(859)**	**936**	**7**	**(84)**

2011/12	Usable Reserves General Fund Balance	Usable Reserves Capital Receipts Reserve	Usable Reserves 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	(1,023)			1,023
Revaluation (gain)/loss on Property Plant and Equipment	(577)			577
Revaluation losses on Assets Held for Sale				
Movements in the market value of Investment Properties				
Amortisation of intangible assets	(28)			28
Capital grants and contributions applied	1,734			(1,734)
Movement in the Donated Assets Account				0
Revenue expenditure funded from capital under statute	(2,218)			2,218
Amounts of non-current assets written off on disposal or sale as part of the (gain)/loss on disposal to the CIES.	(31)			31
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	231			(231)
Capital expenditure charged against the General Fund	385			(385)
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the CIES.				
Application of grants to capital financing transferred to the Capital Adjustment Account			421	(421)
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES.	137	(137)		
Use of the Capital Receipts Reserve to finance new capital		433		(433)
Transfer from Deferred Capital Receipts Reserve upon receipt of		(6)		6
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the CIES (Note 35)	(1,577)			1,577
Employer's pensions contributions and direct payments to pensioners payable in the year.	1,367			(1,367)
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	38			(38)
Adjustment primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.	8			(8)
Total Adjustments	**(1,554)**	**290**	**421**	**843**

8. TRANSFERS TO/FROM EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund balance in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2012/13

		Transfers 2011/12			Transfers 2012/13		
General Fund:	**Balance at 31/03/11**	**Out**	**In**	**Balance at 31/03/12**	**Out**	**In**	**Balance at 31/03/13**
	£000's	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**
Business Growth Initiatives	**1,162**	0	188	**1,350**	(1,350)	0	**0**
Business Improvement & Transformation	**50**	0	200	**250**	0	0	**250**
Budget Smoothing	**221**	(34)	66	**253**	(137)	60	**176**
Capital Programme Financing	**265**	(221)	892	**936**	(80)	1,075	**1,931**
Capital Financing - Growth Point Status	**367**	(61)	0	**306**	(47)	0	**259**
Community Action & Volunteering Fund	**0**	(10)	250	**240**	(116)	82	**206**
Contigencies Fund	**254**	(41)	92	**305**	(58)	53	**300**
Dragons Den Fund	**0**	0	0	**0**	0	2,000	**2,000**
Economic Regeneration Initiatives	**384**	(112)	26	**298**	(73)	0	**225**
Invest To Save	**727**	(225)	157	**659**	(81)	67	**645**
IT Upgrades	**250**	0	0	**250**	(182)	46	**114**
Maintenance of Facilities	**149**	(51)	30	**128**	0	354	**482**
Market Rasen Pool	**1,705**	(1,705)	0	**0**	0	0	**0**
Pension Reserve	**497**	0	0	**497**	(497)	0	**0**
Property Asset Fund	**0**	0	0	**0**	0	1,200	**1,200**
Revenue Grants Unapplied	**0**	0	0	**0**	0	113	**113**
Service Investment	**807**	(372)	299	**734**	(201)	111	**644**
Waste Management Fund	**0**	0	0	**0**	0	2,005	**2,005**
Total	**6,838**	**-2,832**	**2,200**	**6,206**	**-2,822**	**7,166**	**10,550**

Business Growth Initiative – funds set aside to support future revenue and capital projects realigned to new earmarked reserves.
Business Improvement &Transformation – to assist with costs associated with Business Case Development.
Budget Smoothing – to effectively manage cyclical budget issues ie Elections, Local development framework etc.
Capital Programme Financing – grants and contributions received in advance for financing of revenue expenditure funded by capital under statute and funding set aside to finance the capital programme.
Capital Financing – Growth Point Status – to finance the Gainsborough growth point government grant funded scheme.
Community Action & Volunteering - to support area management and community engagement.
Contingencies Fund – to support areas of volatility i.e. insurance, flooding, etc.
Dragons Den Fund – to support local business growth
Economic Regeneration Initiatives – to support regeneration schemes
Invest to Save Reserve – to support efficiency projects to provide a positive net payback over the Medium Term Financial Strategy.

Information & Communications Technology Upgrades –to meet the costs of IT upgrades.
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.
Pension Reserve –to offset future potential pension cost increases and any additional early retirement costs.
Performance Management Software - to upgrade performance management software.
Property Assets Fund – to support strategic property/housing policies
Revenue Grants Unapplied – revenue grants which have yet to be expended.
Service Improvement – to support service development initiatives
Waste Management Fund - to support strategic service development
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.
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9. OTHER OPERATING EXPENDITURE

2011/12 £000's	Other Operating Expenditure	2012/13 £000's
1,532	Parish council precepts	1,550
306	Levies	314
8	Contribution to Parish Councils	8
(107)	(Gains)/losses on the disposal of non-current assets	90
1,739	**Total**	**1,962**

10. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2011/12 £000's	Financing and Investment Income and Expenditure	2012/13 £000's
111	Interest payable and similar charges	98
444	Pensions interest cost and expected return on pensions	706
(375)	Interest receivable and similar income	(321)
(220)	Impairment of Icelandic Bank deposits (reversal)	30
(40)	**Total**	**513**

11. TAXATION AND NON SPECIFIC GRANT INCOMES

2011/12 £000's	Taxation and Non-specific Grant Income	2012/13 £000's
(7,380)	Council Tax Income	(7,470)
(4,976)	Non Domestic Rates	(5,721)
(2,209)	Non-ringfenced Government Grants	(1,174)
(78)	Capital Grants and Contributions	0
(14,643)	**Total**	**(14,365)**

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 2012	12,888	4,258	354	139	1,191	2	18,832
Additions	98	525	0	0	0	0	623
Revaluation increases/(decreases) recognised in the Revaluation Reserve	40	0	0	0	0	0	40
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(156)	0	0	0	(50)	0	(206)
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0
Derecognition – disposals	(11)	(10)	0	0	0	0	(21)
Derecognition – other	0	0	0	0	0	0	0
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	0
At 31 March 2013	**12,859**	**4,773**	**354**	**139**	**1,141**	**2**	**19,268**
Accumulated Depreciation and Impairment							
At 1 April 2012	(98)	(2,034)	(53)	0	(40)	0	(2,225)
Depreciation charge	(348)	(600)	(8)	0	(13)	0	(969)
Depreciation written out to the Revaluation Reserve	(190)	0	0	0	28	0	(162)
Depreciation written out to the Surplus/Deficit on the Provision of Services	636	0	0	0	22	0	658
Impairment losses/(reversals)recognised in the Revaluation Reserve	0	0	0	0	0	0	0
Derecognition – disposals	0	0	0	0	0	0	0
Derecognition – other	0	0	0	0	0	0	0
Other movements in depreciation and impairment	0	0	0	0	0	0	0
At 31 March 2013	**0**	**(2,634)**	**(61)**	**0**	**(3)**	**0**	**(2,698)**
Net Book Value							
At 31 March 2013	**12,859**	**2,139**	**293**	**139**	**1,138**	**2**	**16,570**
At 31 March 2012	**12,790**	**2,224**	**301**	**139**	**1,151**	**2**	**16,607**

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

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 113 years
- Vehicles, Plant, Furniture & Equipment – from 1 to 16 years
- Infrastructure – From 25 to 36 years
- Surplus Assets – From 2 to 47 years

Capital Commitments

At 31 March 2013, the Council had outstanding commitments for capital schemes of £89k in relation to Market Street Improvements under the Gainsborough Regained project. (31st March 2012 £0)

Effects of Changes in Estimates

In 2012/13 the Council made no material changes to its accounting estimates for Property, Plant and Equipment.

Revaluations

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

A desktop review is carried out annually for material changes and additions by the appointed Valuer in conjunction with the Chief Finance Officer.

The significant assumptions applied in estimating the fair values are:

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

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

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

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

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		1,577	293	139	175	2	2,186
Valued at fair value as at:							0
31 March 2013	11,239	525			827		12,591
31 March 2012		37					37
31 March 2011							0
31 March 2010							0
31 March 2009	1,620				136		1,756
Total Cost or Valuation	**12,859**	**2,139**	**293**	**139**	**1,138**	**2**	**16,570**

13. INTANGIBLE ASSETS

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

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

The carrying amount of intangible assets is amortised on a straight-line basis. Amortisation has been charged on Intangible Assets in both 2011/12 and 2012/13. The movement on Intangible Asset balances during the year is as follows:

	2012/13			2011/12		
	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	218	218	0	191	191
Accumulated amortisation	0	(28)	(28)	0		0
Net carrying amount at start of year	**0**	**190**	**190**	**0**	**191**	**191**
Additions:						
Purchases	0	0	0	0	27	27
Amortisation for the period	0	(34)	(34)	0	(28)	(28)
Other changes	0	0	0	0	0	0
Net carrying amount at end of year	**0**	**156**	**156**	**0**	**190**	**190**
Comprising:						
Gross carrying amounts	0	218	218	0	218	218
Accumulated amortisation	0	(62)	(62)	0	(28)	(28)
Total	**0**	**156**	**156**	**0**	**190**	**190**

There are no items of capitalised software that are individually material to the financial statements. Amortisation is charged directly to services, however for general software, charges are made to the IT Department and are then absorbed as an overhead across all service headings in the Cost of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

14. FINANCIAL INSTRUMENTS

Categories of Financial Instruments

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

	Long-term		Current	
	31 March 2013	31 March 2012	31 March 2013	31 March 2012
	£000's	£000's	£000's	£000's
Financial Assets classified as Loans and Receiveables				
Investments	1,373	1,673	4,785	3,778
Short-term deposits with Money Market Funds	0	0	9,909	10,403
Operational Debtors	0	0	17	1,263
Loans and receivables	0	1	0	0
Cash at bank	0	0	566	517
Total Financial Assets classified as Loans and Receiveables	**1,373**	**1,674**	**15,277**	**15,961**
Financial Liabilities classified at amortised cost				
Finance lease liabilities	592	587	190	234
Operational Creditors	0	0	153	893
Provisions	91	0	95	71
Total Financial Liabilities classified at amortised cost	**683**	**587**	**438**	**1,198**

Reclassifications in 2012/13 -

There were no reclassifications of Financial Instruments in 2012/13

Income, Expense, Gains and Losses

	2012/13			2011/12		
	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	98	0	**98**	111	0	**0**
Impairment loss / (reversal)		30	**30**	0	4	**4**
Total expense in Surplus or Deficit on the Provision of Services	**98**	**30**	**128**	**111**	**4**	**115**
Interest income	0	(188)	**(188)**	0	(132)	**(132)**
Interest income accrued on impaired financial assets	0	(133)	**(133)**	0	(247)	**(247)**
Total income in Surplus or Deficit on the Provision of Services	**0**	**(321)**	**(321)**	**0**	**(379)**	**(379)**
Net (gain)/loss for the year	**98**	**(291)**	**(193)**	**111**	**(375)**	**(264)**

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.

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

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

15. INVENTORIES

2011/12 £000's		2012/13 £000's
40	**Balance outstanding at start of year**	**59**
507	Purchases	439
(488)	Recognised as an expense in the year	(464)
59	**Balance outstanding at year-end**	**34**

16. DEBTORS

2011/12 £000's		2012/13 £000's
1,038	Central government bodies	619
70	Other local authorities	182
39	NHS bodies	37
852	Other entities and individuals	660
516	Prepayments	491
2,515	**Total**	**1,989**

17. CASH AND CASH EQUIVALENTS

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

2011/12 £000's		2012/13 £000's
1	Cash held by the Council	1
516	Bank current accounts	566
10,403	Short-term deposits	9,909
10,920	**Total Cash and Cash Equivalents**	**10,476**

18. ASSETS HELD FOR SALE

	Current		Non Current	
	2012/13 £000's	2011/12 £000's	2012/13 £000's	2011/12 £000's
Balance outstanding at start of year	**200**	**200**	**0**	**0**
Assets newly classified as held for sale:				
Property, Plant and Equipment	0	0	0	0
Impairment losses	0	0	0	0
Assets declassified as held for sale:				
Assets sold	(200)	0	0	0
Balance outstanding at year-end	**0**	**200**	**0**	**0**

19. CREDITORS

2011/12 £000's		2012/13 £000's
862	Central government bodies	568
861	Other local authorities	1,234
1,737	Other entities and individuals	1,547
3,460	**Total**	**3,349**

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 2012	**0**	**0**	**(71)**	**(71)**
Additional provisions made in 2012/13	0	(93)	(21)	(114)
Amounts used in 2012/13	0	0	0	0
Balance at 1 April 2013	**0**	**(93)**	**(92)**	**(185)**

Long term provisions total £0.090m (injury and damage compensation claims) and Short term provisions total £0.095m

Outstanding Legal Cases

The Council is not required to make a provision unless it can be reasonably estimate or it is probable that economic benefit will flow. The Council at this time has not reflected a provision for the legal case relating to Local Land Charges.

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. Notes 7 and 8 show the movements in the General Fund Balance and Earmarked Reserves.

SUMMARY

31 March 2012 £000's		31 March 2013 £000's
(5,993)	General Fund Balance	(2,327)
(6,206)	Earmarked Reserves	(10,550)
(3,421)	Capital Receipts Reserve	(2,485)
(563)	Capital Grants Unapplied Reserve	(556)
(16,183)	**Total Usable Reserves**	**(15,918)**

Capital Receipts Reserve

31 March 2012		31 March 2013	
£000's		£000's	£000's
(3,711)	**Balance at 1 April**		**(3,421)**
(143)	Capital Receipts received	(168)	
433	Capital Receipts applied	1,104	
(3,421)	**Balance at 31 March**		**(2,485)**

Capital Grants Unapplied

31 March 2012		31 March 2013	
£000's		£000's	£000's
(984)	**Balance at 1 April**		**(563)**
0	Capital Grants Received	(9)	
421	Capital Grants applied	16	
(563)	**Balance at 31 March**		**(556)**

22. UNUSABLE RESERVES

SUMMARY

31 March 2012 £000's	Summary	31 March 2013 £000's
(1,260)	Revaluation Reserve	(941)
(13,855)	Capital Adjustment Account	(13,942)
3	Deferred Capital Receipts Reserve	(1)
21,469	Pensions Reserve	25,291
(175)	Collection Fund Adjustment Account	(211)
71	Accumulated Absences Account	93
6,254	**Total Unusable Reserves**	**10,289**

Revaluation Reserve

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

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

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

31 March 2012	Revaluation Reserve	31 March 2013	
£000's		£000's	£000's
(800)	**Balance at 1 April**		**(1,260)**
(500)	Revaluation of assets	(184)	
0	Amount written off to the Comprehensive Income and Expenditure Statement.	306	
(500)	**Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services.**		**122**
35	Difference between fair value depreciation and historical cost depreciation	18	
5	Accumulated gains on assets sold or scrapped	179	
40	**Amount written off to the Capital Adjustment Account**		**197**
(1,260)	**Balance at 31 March**		**(941)**

Capital Adjustment Account

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

31 March 2012	Capital Adjustment Account	31 March 2013	
£000's		£000's	£000's
(14,487)	**Balance at 1st April**		**(13,855)**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
1,023	Charges for depreciation and impairment of non-current assets	970	
577	Revaluation losses on Property, Plant and Equipment	(452)	
0	Revaluation losses on Assets held for Sale	0	
28	Amortisation of intangible assets	34	
2,218	Revenue expenditure funded from capital under statute	1,823	
31	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES.	214	
(41)	Adjusting amounts written out of the Revaluation Reserve	(197)	
3,836	**Net written out amount of the cost of non-current assets consumed in the year**		**2,392**
	Capital financing applied in the year:		
(433)	Use of the Capital Receipts Reserve to finance new capital expenditure	(1,104)	
(1,734)	Capital grants and contributions credited to the CIES that have been applied to capital financing	(606)	
(421)	Application of grants to capital financing from the Capital Grants Unapplied Account	(16)	
(231)	Statutory provision for the financing of capital investment charged against the General Fund balance	(248)	
(385)	Capital expenditure charged against the General Fund balance	(505)	
(3,204)			**(2,479)**
(13,855)	**Balance at 31 March**		**(13,942)**

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

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

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 2012 £000's	Pension Reserve	31 March 2013 £000's
16,707	**Balance at 1 April**	**21,469**
4,552	Actuarial gains or losses on pensions assets and liabilities.	3,998
1,577	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	1,637
(1,367)	Employer's pensions contributions and direct payments to pensioners payable in the year	(1,813)
21,469	**Balance at 31 March**	**25,291**

Deferred Capital Receipts Reserve

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

31 March 2012 £000's	Deferred Capital Receipts Reserve	31 March 2013 £000's
(3)	**Balance at 1 April**	**3**
6	Transfer to the Capital Receipts Reserve upon receipt of cash	(4)
3	**Balance at 31 March**	**(1)**

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 2012 £000's	Collection Fund Adjustment Account	31 March 2013 £000's
(137)	**Balance at 1 April**	**(175)**
(38)	Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements.	(36)
(175)	**Balance at 31 March**	**(211)**

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 2012	Accumulated Absences Account	31 March 2013	
£000's		£000's	£000's
79	**Balance at 1 April**		**71**
(79)	Settlement or cancellation of accrual made at the end of the preceding year	(71)	
71	Amounts accrued at the end of the current year	93	
(8)	Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.		22
71	**Balance at 31 March**		**93**

23. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

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

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

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

Committee Income and Expenditure	**Policy and Resources**	**Prosperous Communities**	**Total**
2012/13	**£000's**	**£000's**	**£000's**
Fees, charges and other service income	(1,064)	(2,422)	(3,486)
Income from Council Tax	(7,433)	0	(7,433)
Government Grants	(36,576)	(150)	(36,726)
Total Income	**(45,073)**	**(2,572)**	**(47,645)**
Employee expenses	4,647	4,151	8,798
Other service expenses	33,770	4,116	37,886
Support service recharges	0	0	0
Total Expenditure	**38,417**	**8,267**	**46,684**
Net Expenditure	**(6,656)**	**5,695**	**(961)**

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

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.

2011/12		2012/13
£000's		£000's
(1,599)	Net expenditure in the Committee Analysis	(961)
0	Net expenditure of services and support services	0
2,295	Amounts in the CIES not reported to management in the Analysis	734
12,472	Amounts included in the Analysis not included in the CIES	12,298
13,168	**Cost of Services in Comprehensive Income and Expenditure**	**12,071**

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.

2012/13	Committee Analysis	Services and Support Services not in Analysis	Amounts not reported to management for decision making	Amounts not included in the CIES	Allocation of Recharges	Cost of Services	Corporate Amounts	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Fees, charges & other service income	(3,486)		(172)	188	332	(3,138)		(3,138)
Interest and investment income							(321)	(321)
Income from council tax	(7,433)			7,433			(7,470)	(7,470)
Government grants and contributions	(36,726)		(616)	6,895		(30,447)	(6,895)	(37,342)
Total Income	**(47,645)**	**0**	**(788)**	**14,516**	**332**	**(33,585)**	**(14,686)**	**(48,271)**
Employee expenses	8,798		(860)			7,938	706	8,644
Other service expenses	37,886		1,840	(2,218)	(332)	37,176		37,176
Depreciation, amortisation and impairment			542			542	30	572
Interest Payments							98	98
Precepts & Levies							1,872	1,872
Gain or Loss on Disposal of Fixed Assets							90	90
Total expenditure	**46,684**	**0**	**1,522**	**(2,218)**	**(332)**	**45,656**	**2,796**	**48,452**
(Surplus) or deficit on the provision of services	**(961)**	**0**	**734**	**12,298**	**0**	**12,071**	**(11,890)**	**181**

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

24. MEMBERS' ALLOWANCES

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

2011/12 £000's		2012/13 £000's
188	Basic Allowances	186
53	Special Responsibility Allowance	55
26	Expenses	27
267	**Total**	**268**

25. OFFICERS' REMUNERATION

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

		Salary, Fees and Allowances	Taxable Expenses Allowances	Other Payments	Pension Contribution	Total
		£	£	£	£	£
Chief Executive	2012/13	105,000	0	0	39,903	**144,903**
	2011/12	105,000	0	0	24,571	**129,571**
Director of Resources and Deputy Chief Executive from 04/01/2011 to 31/03/2012	2012/13	0	0	0	0	**0**
	2011/12	80,000	0	27,525	18,720	**126,245**
Director of Communities & Localism (Monitoring Officer) *	2012/13	71,721	0	0	27,211	**98,932**
	2011/12	71,446	0	0	16,691	**88,137**
Director of Neighbourhoods and Health to 31/12/2011	2012/13	0	0	0	0	**0**
	2011/12	53,623	0	0	12,558	**66,181**
Director of Regeneration and Planning from 08/12/2011	2012/13	71,604	0	0	27,211	**98,815**
	2011/12	22,521	0	0	5,270	**27,791**
Financial Services Manager (Chief Finance Officer) from 06/09/2010	2012/13	57,000	0	0	19,529	**76,529**
	2011/12	55,000	0	0	12,367	**67,367**

No Bonus payments were made for senior members of staff in 2011/12 or 2012/13

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

A further £611,500 was paid towards the pension deficit in 12/13 which has caused the increase in pension contributions from 11/12.

The pension scheme is a defined benefit scheme and pension contributions / pension costs shown in the table above are not directly linked to individuals, but contribute towards the overall cost of the scheme. Further information is contained within note 32.

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 2012/13

Remuneration band	Number of Employees	
	2011/12	2012/13
£50,000 – £54,999	2	4
£55,000 – £59,999	0	1
£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	1	0
£85,000 - £89,999	0	0
£90,000 - £94,999	0	0
£95,000 - £99,999	0	0
£100,000 – £104,999	0	0
£105,000 – £109,999	1	1

The number of exit packages with total cost per band, and total cost of other compulsory and other redundancies for the Council in 2012/13 are set out in the table below. Three exit packages relate to senior managers and none to other officers.

Exit Package Cost Band (including special payments)	Number of Compulsary Redundancies		Number of other Departures Agreed		Total Number of Exit Packages by Cost Band		Total Cost of Exit Packages in Each Band	
	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13
							£	£
£0 - £20,000	0	0	0	0	0	0	0	0
£20,001 - £80,000	0	0	2	1	2	1	98,962	38,042
Total	**0**	**0**	**2**	**1**	**2**	**1**	**98,962**	**38,042**

26. EXTERNAL AUDIT COSTS

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

2011/12 £000's		2012/13 £000's
95**	Fees payable to the External audit with regard to external audit services carried out by the appointed auditor for the year	57
15	Fees payable to the External Audit for the certification of grant claims and returns for the year	9
110	**Total**	**66**

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

27. GRANT INCOME

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2012/13.

2011/12 £000's		2012/13 £000's
	Credited to Taxation and Non Specific Grant Income	
1,682	Department of Communities & Local Government - Revenue Support Grant	111
4,976	Department of Communities & Local Government - NNDR Entitlement	5,721
79	Big Lottery Funding - Young and Safe in Gainsborough	0
0	Department of Communities & Local Government - High Street Innovation Fund	100
0	Department of Communities & Local Government - Ctax Freeze Grant	145
0	Department of Communities & Local Government - Local Services Support Grant	64
527	Department of Communities & Local Government - New Homes Bonus	735
0	Other Grants and Contributions	19
7,264	**Total - Non Specific Grant Income**	**6,895**
	Credited to Services	
20,552	Department of Work & Pensions - Housing Benefits Allowance	22,400
6,262	Department of Work & Pensions - Council Tax Benefits Grant	6,358
827	Homes & Communities Agency - Homes For All	0
0	Department of Work & Pensions - Council Tax Reform	107
294	Communities & Local Government - Disabled Facilities Grants	332
499	Department of Work & Pensions - Housing Benefits Administration Grant	484
200	Primary Care Trust Lincolnshire - Drugs Action Team	0
158	Department of Work & Pensions - Council Tax Administration Grant	157
116	Department of Work & Pensions - Future Jobs Fund	0
0	Department of Communities and Local Government - Growth Point	238
	Department of Work & Pensions - HCA Cluster Funding	298
616	Other Grants & Contributions	620
29,524	**Total Credited to Services**	**30,994**

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:

2011/12 £000's		2012/13 £000's
	Capital Grants Receipts in Advance	
166	S106 agreements	120
27	Other Grants	27

28. RELATED PARTIES

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

Note: any related party relationship where control exists has to be disclosed irrespective of whether there have been transactions between the related parties. Previously disclosures have only been necessary if any transactions have occurred.

All members and senior officers have been required to complete a related party declaration identifying the organisations with which they (and/or their closest family members) have influence and/or control, and which may have a related party interest with the Council

Central Government

The UK Government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework, within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 27 Grant Income. Grant receipts outstanding at 31 March 2013 are also shown in Note 27.

Members

Members of the Council, and potentially the closest members of their family, have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2012/13 is shown in Note 24.

During 2012/13, 6 members and one spouse declared a related party interest with regard to being either a director or partner in organisations. However, no transactions occurred between the council and these organisations (companies or other bodies) in which members had control/influence. The Council paid levies of £314k to five Internal Drainage Boards where Councillors represented the Council, specifically; Witham 3rd IDB (4 members, £170k), Scunthorpe and Gainsborough Water Management Board (2 members, £56k), Upper Witham IDB (1 member, £40k), Newark Area IDB (1 member, £30k), Ancholme IDB (1 member, £17k). In addition, the Council paid grants to voluntary organisations in which members have a position on the governing body. The relevant members did not take part in any discussion or decision relating to the grants. The Register of Members' Interest is available to be viewed on the Council's website.

Officers

All senior officers of the Council and the closest members of their families have the potential to significantly influence the policies of the Council although this is limited by the Council's scheme of delegation. There were no declarations made by Senior Officers.

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

The Council has determined that material transactions have occurred with the following parties;

Lincolnshire County Council

Pension Fund as disclosed in Note 32

Preceptor as disclosed in the Collection Fund

A number of members of the Council are also elected members of Lincolnshire County Council.

Lincolnshire Police Authority - Preceptor as disclosed in the Collection Fund Note

Parish Councils - a number of members of the Council have been elected as Parish Councillors – Precepts as disclosed in Note 9

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 2012/13, the Council contributed £171,400 (2011/12 £115,700) towards the running costs of the unit

Entities Controlled or Significantly Influenced by the Council

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

29. CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

	2012/13 £000's	2011/12 £000's
Opening Capital Financing Requirement	**1,887**	**1,982**
Capital investment		
Property, Plant and Equipment	623	864
Intangible Assets	0	27
Revenue Expenditure Funded from Capital under Statute	1,823	2,218
Sources of finance		
Capital receipts	(1,104)	(433)
Government grants and other contributions	(634)	(2,155)
Sums set aside from revenue:	0	
Direct revenue contributions	(505)	(385)
Minimum Revenue Provision	(248)	(231)
Closing Capital Financing Requirement	**1,842**	**1,887**
Explanation of movements in year		
Decrease in underlying need to borrowing (supported by government financial assistance)	(248)	0
Increase in underlying need to borrowing (unsupported by government financial assistance)		(231)
Assets acquired under finance leases	215	136
Increase/(decrease) in Capital Financing Requirement	(33)	(95)

30. LEASES

Council as Lessee

Finance Leases

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

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

31 March 2012 £000's		31 March 2013 £000's
486	Other Land and Buildings	498
879	Vehicles, Plant, Furniture and Equipment	843
1,365		**1,341**

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 2012		31 March 2013
£000's		£000's
	Finance lease liabilities (net present value of minimum lease payments):	
234	current (capital)	190
587	non-current (capital)	592
202	Finance costs payable in future years	188
1,023	**Minimum lease payments**	**970**

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

31 March 2012			31 March 2013	
Minimum Lease Payments	Finance Lease Liabilities		Minimum Lease Payments	Finance Lease Liabilities
£000's	£000's		£000's	£000's
234	80	Not later than one year	190	84
584	122	Later than one year and not later than five years	577	104
3	0	Later than five years	15	0
821	**202**		**782**	**188**

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 2012/13 no contingent rents were payable by the Council (2011/12 £0).

The Council has sub-let the properties held under these finance leases. At 31 March 2013 the minimum payments expected to be received under non-cancellable sub-leases was £154k (£94k at 31 March 2012).

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 2012		31 March 2013
£000's		£000's
164	Not later than one year	164
365	Later than one year and not later than five years	202
0	Later than five years	0
530		**366**

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

31 March 2012		31 March 2013
£000's		£000's
168	Minimum lease payments	164
116	Contingent rents	120
284		**284**

Council as Lessor

Finance Leases

The Council leased out three properties on finance leases in the 1980’s with remaining terms in excess of 70 years. A premium was paid on commencement of the lease term, for each property with annual rents payable on a peppercorn basis. The total existing use value of the three properties at 31 March 2013 was £30k. The properties are themselves held by the Council on long leases. Based on the materiality of the values, the peppercorn rents and the length of the lease terms the Council has not assessed any gross investment in the leases.

Operating Leases

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

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

The net book value of these assets is £7,297k (11/12 £7,240k).

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

31 March 2012		31 March 2013
£000's		£000's
241	Not later than one year	245
606	Later than one year and not later than five years	688
414	Later than five years	261
1,261		**1,194**

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 2012/13 £3.9k contingent rents were receivable by the Council (2011/12 £0.6k).

31. IMPAIRMENT LOSSES

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

During 2012/13, the Council had no material impairment losses.

32. DEFINED BENEFIT PENSION SCHEMES

Participation in Pension Schemes

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

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

Arrangements for the award of discretionary post retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, no investment assets are built up to meet these pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

Transactions Relating to Post-employment Benefits

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

Local Government Pension Scheme		
2011/12 £000's		**2012/13 £000's**
	Comprehensive Income and Expenditure Statement	
	Cost of Services:	
977	Current service cost	931
156	Past service cost / (Gain)	0
	Financing and Investment Income and Expenditure	
2,753	Interest cost	2,630
(2,309)	Expected return on scheme assets	(1,924)
1,577	***Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services***	**1,637**
	Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	
(4,552)	Actuarial gains and losses	(3,998)
(2,975)	***Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement***	**(2,361)**
	Movement in Reserves Statement	
(210)	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	176
	Actual amount charged against the General Fund Balance for pensions in the year:	
(1,283)	Employers' contributions payable to the scheme	(1,728)
(84)	Retirement benefits payable to pensioners	(85)

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement was at 31 March 2013 a loss of £22.423m and at 31 March 2012 was a loss of £18.425m.

Assets and Liabilities in Relation to Post-employment Benefits

Funded Liabilities: Reconciliation of present value of the scheme liabilities (defined benefit obligation)		
2011/12 £000's		2012/13 £000's
50,390	**Opening balance at 1 April**	**55,198**
977	Current service cost	931
2,753	Interest cost	2,630
342	Contributions by scheme participants	316
2,732	Actuarial Losses / (Gains)	6,628
(2,152)	Benefits paid	(2,065)
156	Past service Costs	0
0	Entity combinations	0
0	Losses / (Gains) on Curtailments	0
0	Liabilities Extinguished on Settlements	0
55,198	**Closing balance at 31 March**	**63,638**

Reconciliation of fair value of scheme (plan) assets		
2011/12 £000's		2012/13 £000's
33,683	**Opening balance at 1 April**	**33,729**
2,309	Expected rate of return	1,924
(1,820)	Actuarial Gains / (Losses)	2,630
1,283	Employer contributions	1,728
342	Contributions by scheme participants	316
(2,068)	Benefits paid	(1,980)
0	Entity combinations	0
0	Assets Distributed on Settlements	0
33,729	**Closing balance at 31 March**	**38,347**

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 £4.554m. (2011/12 £0.497m).

Scheme History

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

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability of £25.3m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in an overall balance of £5.629m (£9.929m 2011/12). 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 2014 is £1.221m. Expected contributions for the Discretionary Benefits scheme in the year to 31 March 2014 are £86k.

Basis for Estimating Assets and Liabilities

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

Principal assumptions used by the actuary

Local Government Pension Scheme		
2011/12		**2012/13**
	Long-term expected rate of return on assets in the scheme:	
6.20%	Equity investments	4.50%
4.40%	Bonds	4.50%
4.40%	Property	4.50%
3.50%	Cash	4.50%
	Mortality assumptions:	
	Longevity at 65 for current pensioners:	
21.2	Men	21.2
23.4	Women	23.4
	Longevity at 65 for future pensioners:	
23.7	Men	23.7
25.7	Women	25.7
	Inflation assumptions:	
2.50%	Rate of Inflation	2.80%
4.8% *	Rate of increase in salaries*	5.1% *
2.50%	Rate of increase in pensions	2.80%
4.80%	Rate for discounting scheme liabilities	4.50%
	Take-up of option to convert annual pension into maximum retirement lump sum - within HMRC limits	
25.00%	pre April 2008 service - maximum additional-tax free cash	25.00%
63.00%	post April 2008 service - maximum tax-free cash	63.00%

* Salary increases are assumed to be 1% p.a. until 31 March 2015 reverting to the long term assumption shown 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:

31 March 2012	LGPS Asset Categories	31 March 2013
%		%
74	Equity investments	77
13	Debt Instruments	13
12	Property	10
1	Cash	0
100	**Total**	**100**

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2012/13 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2013:

	2008/09	2009/10	2010/11	2011/12	2012/13
	%	%	%	%	%
Differences between the expected and actual return on assets	(39.6)	11.4	(10.0)	(12.3)	(1.8)
Experience gains and losses on liabilities	0.0	0.0	4.9	1.5	0.0

33. CONTINGENT LIABILITIES

The Council is a defendant in proceedings brought by a group of Property Search Companies for refunds of fees paid to the Council to access Local Land Charges data, this case is being defended. In the current litigation the Council faces a claim of £27,983 plus interest and costs. A second group of Property Search Companies are also seeking to claim refunds although no proceedings have yet been issued. The Council has been informed that the value of those claims at present is £104,048.88 plus interest and costs. The second group of Property Search Companies have also intimated that they may bring a claim against all English and Welsh local authorities for alleged anti-competitive behaviour. It is not clear what the value of any such claim would be as against the Council. It is possible that additional claimants may come forward to submit claims for refunds, but none have been intimated at present.

Grant Claims

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

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

34. CONTINGENT ASSETS

None.

35. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

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

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

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

Overall procedures for managing risk

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

- by formally adopting the requirements of the CIPFA Treasury Management Code of Practice;
- by the adoption of a Treasury Policy Statement and treasury management clauses within 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 05/03/12 and is available on the Council website. The key issues within the strategy were:

- The Authorised Limit for 2012/13 was set at £6.25m. 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 £0.821m. Periods where the actual position is above the Operational Boundary is acceptable subject to the Authorised Limit not being breached
- The maximum amounts of fixed and variable interest rate exposure were set at 100% and 25% based on the Council's net debt.

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

Credit Risk

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

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poors Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above. Additional selection criteria can be applied after the initial criteria is applied. 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 2012/13 was approved by the Council on 05/3/12 and is available on the Council's website.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £16.067m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2013 that this was likely to crystallise.

Liquidity Risk

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

The Council has ready access to borrowings from the money markets to cover any day to day cash flow 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.

The maturity analysis of financial investments excluding sums due from customers, is as follows:

31 March 2012	Investments	31 March 2013
£000's		£000's
14,181	Less than 1 year	14,694
367	Between 1 and 2 years	275
242	Between 2 and 3 years	259
1,065	More than 3 years	839
15,855	**Total**	**16,067**

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

Borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise,

Borrowings at fixed rates – the fair value of the liabilities borrowings will fall (no impact on revenue balances),

Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise,

Investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

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

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

If all 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	(187)
Increase in government grant receivable for financing costs	(69)
Impact on Surplus or Deficit on the Provision of Services	**(256)**

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed. These assumptions are based on the same methodology as used in the Note – Fair value of Assets and Liabilities carried at Amortised Cost.

Price Risk

The Council, excluding the pension fund, does not generally invest in equity shares or marketable bonds.

Foreign Exchange Risk

Foreign exchange risk in Relation to Icelandic Deposits - The Council has foreign exchange exposure resulting from an element of the settlement received from Glitnir and Landsbanki. This is being held in Icelandic Krona in an escrow account due to the current imposition of currency controls. The value of these deposits at 31 March 2013:

Glitnir	£0.190M
Landsbanki	£0.031M

For 2012/13 a small gain of £0.016m (loss £0.004m 2011/12) has been reflected in the CIES (Financing and investment income and expenditure)

Icelandic Bank Defaults

In October 2008, the Icelandic banks Landsbanki, Kaupthing and Glitnir collapsed and two UK subsidiaries of the banks, Heritable and Kaupthing Singer and Friedlander went into administration. The Council had £7m deposited across three of these institutions, with varying maturity dates and interest rates as follows:

Bank	Date Invested	Maturity Date	Amount Invested £000s	Interest Rate %	Carrying Amount £000s	Impairment £000s
Glitnir	07/02/2008	06/02/2009	1,000	5.45	0	0
Heritable Bank	15/07/2008	17/10/2008	1,000	5.88	105	116
Landsbanki	15/07/2008	17/10/2008	1,000	5.88	416	98
Landsbanki	30/07/2008	17/10/2008	1,500	5.80	624	150
Landsbanki	15/08/2008	21/11/2008	1,500	5.89	624	146
Heritable Bank	17/09/2008	08/10/2008	1,000	5.55	104	117
					1,873	**627**

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 and is covered by guidance issued by CIPFA (LAAP Bulletin 82 Update 7) on 17th May 2013, further amended on 28th May 2013. 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.

The Council continues to adopt a prudent approach and as the available information from administrators/receivers is not definitive as to the amounts and timings of future payments, and are based on estimates, further adjustments will be made in 2013/14 if required, once more detail has been made available on the final recovery amounts.

Heritable Bank

Heritable bank is a UK registered bank under Scottish law. The company was placed in administration on 7 October 2008. The current position on actual payments received and estimated future payouts is as shown in the table below and this council has used these estimates to calculate the impairment based on recovering 88p in the £.

Date	Repayment	Date	Repayment
Received to date	77.20%	January 2014	8.80%
July 2013	2.00%		

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

Landsbanki

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

An element of the distribution is in Icelandic Krona which has been placed in an escrow account in Iceland and is earning interest of 4.17% as at 31st March 2013. This element of the distribution has been retained in Iceland due to currency controls currently operating in Iceland and as a result is subject to exchange rate risk, over which the Council has no control. The Council has recognised a gain in 2012/13 due to currency fluctuations.

The current position on estimated future payouts is as shown in the table below and this council has used these estimates to calculate the impairment based on recovering 100p in the £.

Landsbanki:

Date	Repayment	Date	Repayment
Received to date	49.65%	December 2016	7.50%
December 2013	7.50%	December 2017	7.50%
December 2014	7.50%	December 2018	7.50%
December 2015	7.50%	December 2019	5.35%

Recovery is subject to the following uncertainties and risks:

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

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

Glitnir Bank hf

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

An element of the distribution is in Icelandic Krona which has been placed in an escrow account in Iceland and is earning interest of 4.2% as at 31st March 2013. This element of the distribution has been retained in Iceland due to currency controls currently operating in Iceland and as a result is subject to exchange rate risk, over which the Council has no control. The Council has recognised a gain in 2012/13 due to currency fluctuations.

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

Foreign exchange risk in Relation to Icelandic Deposits - The Council has foreign exchange exposure resulting from an element of the settlement received from Glitnir/Landsbanki. This is being held in Icelandic Krona in an escrow account due to the current imposition of currency controls resulting in a gain of £16k 2012/13 (loss £4k 2011/12)

Accounting for Impairment

The total impairment (principal plus interest not received) recognised in the Income and Expenditure Account in 2012/13, £46k, has been calculated by discounting the assumed cash flows at the effective interest rate of the original deposits in order to recognise the anticipated loss of interest to the Council until monies are recovered.

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

36. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

2011/12		2012/13
£000's		£000's
(113)	Interest received	(166)
111	Interest paid	98
(2)		**(68)**

THE COLLECTION FUND

Introduction

The Collection Fund is an agents statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates (NNDR). A separate balance sheet is not required as collection fund balances are consolidated into the Council's Balance Sheet.

Precepts are monies paid from the Collection Fund to finance a proportion of expenditure of each of the precepting authorities, these being West Lindsey District Council, Lincolnshire County Council and Lincolnshire Police Authority. Precepts are also paid via the Council to Parish and Town Councils.

The year-end surplus or deficit, on the Collection Fund is distributed between billing and precepting authorities based on the estimates made on the year end balance and calculated on the 15th January each year in advance of the financial year. Distributed surpluses for 2012/13 are illustrated below.

2011/12 £000's		Notes	2012/13 £000's
	Income		
39,652	Net Council Tax Receivable	1	40,190
6,204	Council Tax Benefit		6,292
14,405	Income collectable from Business Ratepayers	3	15,618
60,261	**Total Income**		**62,100**
	Expenditure		
	West Lindsey District Council		
7,294	Precept		7,344
48	Distributed Surplus		89
	Lincolnshire County Council		
32,565	Precept		32,752
218	Distributed Surplus		396
	Lincolnshire Police Authority		
5,478	Precept		5,728
37	Distributed Surplus		67
14,246	Payment to NNDR Pool		15,343
107	Cost of Collection Allowance		106
50	Write-offs of uncollectable amounts		87
(19)	Increase/(Decrease) in Impairment Allowance		(39)
60,024	**Total Expenditure**		**61,873**
237	Surplus/ (Deficit) for the year		227
854	Opening Surplus / (Deficit)		1,091
1,091	**Carry forward Surplus / (Deficit)**		**1,318**

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 £1,491.06 (2011/12 £1,483.66) 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	
	2011/12	2012/13	2011/12	2012/13		2011/12	2012/13
Disabled	0	0	28.75	24.25	5/9	15.97	13.47
A	15,175	15,314	12,626.05	12,694.55	6/9	8,417.37	8,463.03
B	7,570	7,655	6,672.95	6,728.95	7/9	5,190.07	5,233.63
C	7,256	7,299	6,546.45	6,579.65	8/9	5,819.07	5,848.58
D	5,424	5,477	5,033.50	5,080.80	9/9	5,033.50	5,080.80
E	3,253	3,266	3,069.30	3,074.40	11/9	3,751.37	3,757.60
F	1,342	1,354	1,262.20	1,263.75	13/9	1,823.18	1,825.42
G	503	504	468.60	465.85	15/9	781.00	776.42
H	60	62	37.50	38.65	18/9	75.00	77.30
						30,906.53	**31,076.25**
Band D Equivalent for Council Tax Base						**30,442.93**	**30,610.11**
Band D Equivalent of Contributions in Lieu						**114.94**	**122.66**
Total Council Tax base						**30,557.87**	**30,732.77**

The band D equivalent dwellings is multiplied by the estimated collection rate of 98.5% to arrive at a base figure of 30,610.11 and then the contributions in lieu are added to this to arrive at a base figure of 30,732.77.

2 . Surplus on the Collection Fund

The year-end surplus or deficit on the Collection Fund is to be shared between billing and precepting authorities on the basis of estimates made on the year end balance. The calculation has to be made on the 15th January each year.

The cumulative surplus of £1,317,958 at the 31 March 2013 has been disaggregated for the purpose of these accounts to attribute relevant amounts to the precepting Council's debtor account and the billing authority as follows:

2011/12 £000's	Share of Collection Fund Balance	2012/13 £000's
175	West Lindsey District Council	211
784	Lincolnshire County Council	944
132	Lincolnshire Police Authority	163
1,091	**Total Income**	**1,318**

3. Income from Business Rate Payers

Non-Domestic Rates are determined on a national basis by Central Government which sets an annual non-domestic rating multiplier amounting to 45.8p in 2012/13 (43.3p in 2011/12). The non-domestic rate multiplier for small businesses is 45.0p in 2012/13 (42.6p in 2011/12). Subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by this multiplier. Local rateable values were £42.828m in 2012/13 (£42.268m in 2011/12).

- **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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- **National Non-Domestic Rate (NNDR)**
  Under the revised arrangements for uniform business rates, which came into effect on 1 April 1990, the Council collect Non-Domestic Rates for its area based on local rateable values, multiplied by a national uniform rate.
  The total amount, less certain reliefs and deductions, is paid to a central pool managed by the Government, that in turn, pays back to Authorities their share of the pool based on a standard amount per head of the local adult population.

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

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

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

- **Pension Fund**

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

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

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

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

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

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

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

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