Lincolnshire County Council
Statement of Accounts 2012-13

Note	Contents:	Page
	Explanatory Foreword	
	Introduction to the Accounts	3
	Review of 2012-13	5
	Statement of Responsibilities for the Statement of Accounts	11
	Financial Statements	
	Movement in Reserves Statement	12
	Comprehensive Income and Expenditure Statement	14
	Balance Sheet	15
	Cash Flow Statement	16
	Notes to the Financial Statements	
Note 1	Statement of Accounting Policies	17
Note 2	Accounting Standards that have been issued but have not yet been adopted	35
Note 3	Critical Judgements in Applying Accounting Policies	36
Note 4	Assumptions Made about the Future and Other Major Sources of Estimation and Uncertainty	37
Note 5	Exceptional Items	38
Note 6	Material Items of Income and Expenditure	39
Note 7	Events After the Balance Sheet Date	39
Note 8	Service Expenditure Analysis	40
Note 9	Adjustments between Accounting Basis and Funding Basis under Regulations	42
Note 10	Transfers to/from Earmarked Reserves	46
Note 11	Other Operating Expenditure	49
Note 12	Financing and Investment Income and Expenditure	49
Note 13	Taxation and Non-Specific Grant Income	49
Note 14	Property, Plant and Equipment	50
Note 15	Heritage Assets	55
Note 16	Investment Properties	57
Note 17	Intangible Assets	59
Note 18	Financial Instruments and Nature and Extent of Risks Arising from Financial Instruments	61
Note 19	Inventories	68
Note 20	Construction Contracts	68
Note 21	Debtors	68
Note 22	Cash and Cash Equivalents	69
Note 23	Assets Held for Sale	69
Note 24	Creditors	70
Note 25	Other Long Term Liabilities	70
Note 26	Provisions	71
Note 27	Usable Reserves	72
Note 28	Unusable Reserves	73
Note 29	Operating Activities	77
Note 30	Investing Activities	77
Note 31	Financing Activities	77
Note 32	Amounts Reported for Resource Allocation Decisions (Segmental Reporting)	78
Note 33	Acquired and Discontinued Operations	85
Note 34	Trading Activities	85
Note 35	Agency Services	86
Note 36	Road Charging Schemes Under the Transport Act 2000	87
Note 37	Pooled Budgets	87
Note 38	Members' Allowances	89
Note 39	Officers' Remuneration	90
Note 40	Exit Packages	92
Note 41	Termination Benefits	92
Note 42	External Audit Costs	93

Note 43	Expenditure on Publicity	93
Note 44	Landfill Allowances Trading Scheme (LATS)	94
Note 45	Dedicated Schools Grant	94
Note 46	Grant Income	95
Note 47	Related Parties	97
Note 48	Capital Expenditure and Capital Financing	99
Note 49	Leases	100
Note 50	Private Finance Initiatives (PFI) and Similar Contracts	103
Note 51	Impairment Losses	104
Note 52	Capitalisation of Borrowing Costs	104
Note 53	Pension Schemes Accounted for as Defined Contribution Schemes	105
Note 54	Defined Benefit Pension Schemes	106
Note 55	Contingent Liabilities	112
Note 56	Contingent Assets	113
Note 57	Group Relationships and Other Interests	114
Note 58	Trust Funds	115

Lincolnshire County Council Pension Fund 116
(including the Pension fund account, net assets statement (balance sheet) and notes).

Lincolnshire Fire and Rescue Pension Fund 145
(including the Pension fund account, net assets statement (balance sheet) and notes).

Audit Opinion 148

Annual Governance Statement 150

Appendix A - Officer Remuneration split between staff employed in schools and all other parts of the Council. 162

Glossary of Terms 163

Statement of Accounts 2012-13

Explanatory Foreword

Introduction to the Accounts

The Statement of Accounts for the year 2012-13 is set out on pages 12 to 16.

The purpose of the published Statement of Accounts is to give electors, local tax payers and service users, elected members, employees and other interested parties clear information about the Council's finances. It should answer such questions as:

- What did the Council's services cost in the year of account?
- Where did the money come from?
- What were the Council's assets and liabilities at the year-end?

Content

The Explanatory Foreword

This provides a general introduction to the Accounts, focusing on explaining the more significant features of the Council's financial activities during the period 1 April 2012 to 31 March 2013. It is based on the information contained in the Statement of Accounts and the Council's Financial Performance Report for 2012-13.

Movement in Reserves Statement for the period 1 April 2012 to 31 March 2013

This statement shows the movement in the year on the different reserves held by the Authority, 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 Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for Council Tax setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

Comprehensive Income and Expenditure Statement for the period 1 April 2012 to 31 March 2013

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

Balance Sheet as at 31 March 2013

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Authority 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 are those that the Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

Cash Flow Statement for the period 1 April 2012 to 31 March 2013

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The Statement shows how the Authority 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 Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority'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 Authority.

Notes to the Accounts

These comprise of a summary of significant accounting policies, further information and detail of entries in the prime Statements above and other explanatory information.

The Statement of Responsibilities for the Statement of Accounts

This details the financial responsibilities of the Council, the Chairman of the Council and the Executive Director - Resources and Community Safety.

The Governance Statement

This identifies the systems that the Council has in place to ensure that its business is conducted in accordance with the law and proper standards and that public money is safeguarded and properly accounted for.

Audit Opinion

This contains the External Auditor's report and opinion on the Accounts.

The Lincolnshire Pension Fund Account

This shows the operation of the Lincolnshire Pension Fund run by the Council for its own employees and employees of the seven District, City and Borough Councils in Lincolnshire along with other admitted bodies.

The Lincolnshire Fire and Rescue Pension Fund Account

This shows the operation of the Lincolnshire Fire and Rescue Pension Fund run by the Council for its own Fire-fighter employees.

A review of financial performance in 2012-13 by the Executive Director - Resources and Community Safety

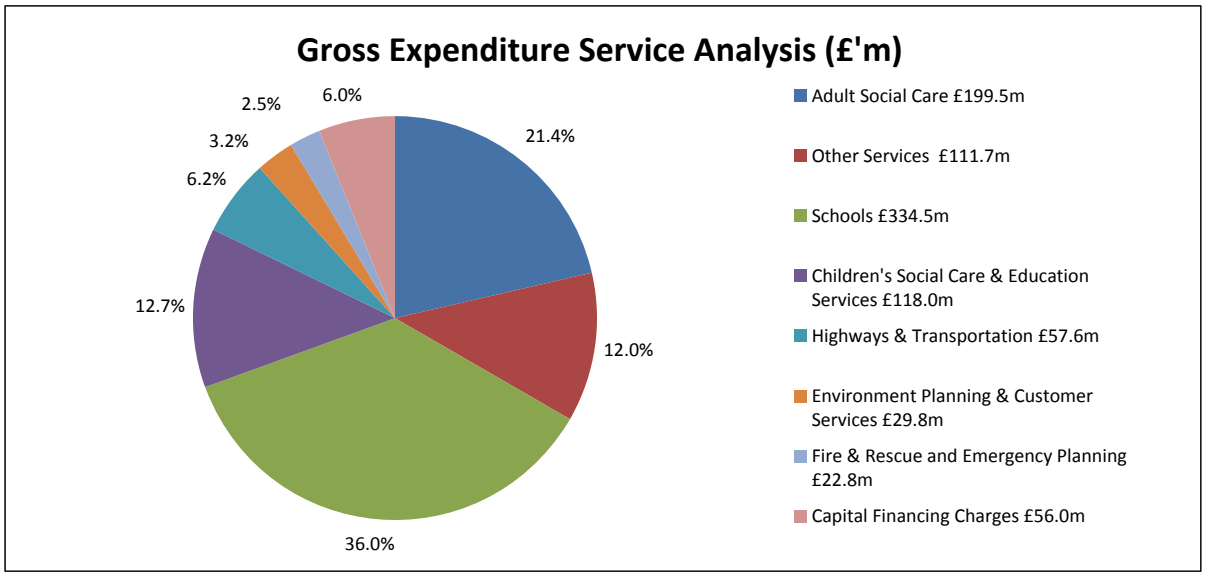
Review of the Year

The Council set its spending plans for 2012-13 against a backdrop of considerable national economic uncertainty, significantly reduced Government grant funding; the rising demand for services such as adults care and delivery of the second year of savings from the Council's core offer review of services. In setting the budget for 2012-13, the Council's aim was to set a balanced and deliverable budget that would effectively address spending pressures whilst protecting frontline services wherever possible, and deliver a continued freeze in Council Tax for the second year running.

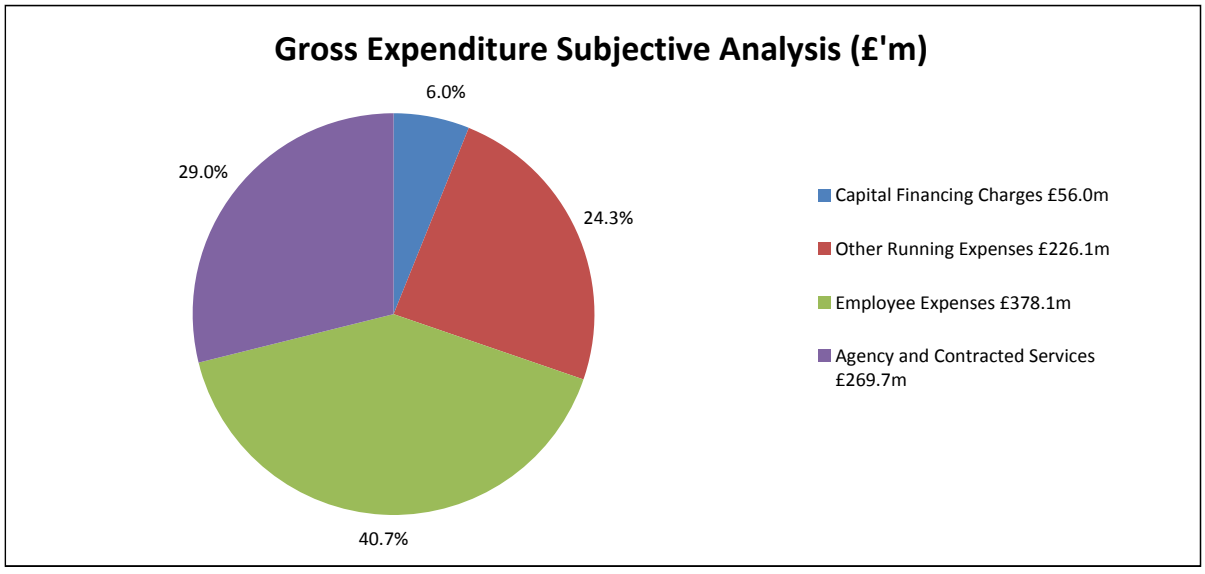
Annual Revenue Spending

The Council spent £929.9m in 2012-13 in providing public services, or £1,295 for every person in Lincolnshire.

The Council's annual spending on providing public services are set out in the charts below and show how this was used both by type of service provided and by type of expenditure.



Other services includes: Public Health, Economy & Culture, Fire & Rescue, Community Safety, Finance & Resources and Performance & Governance.

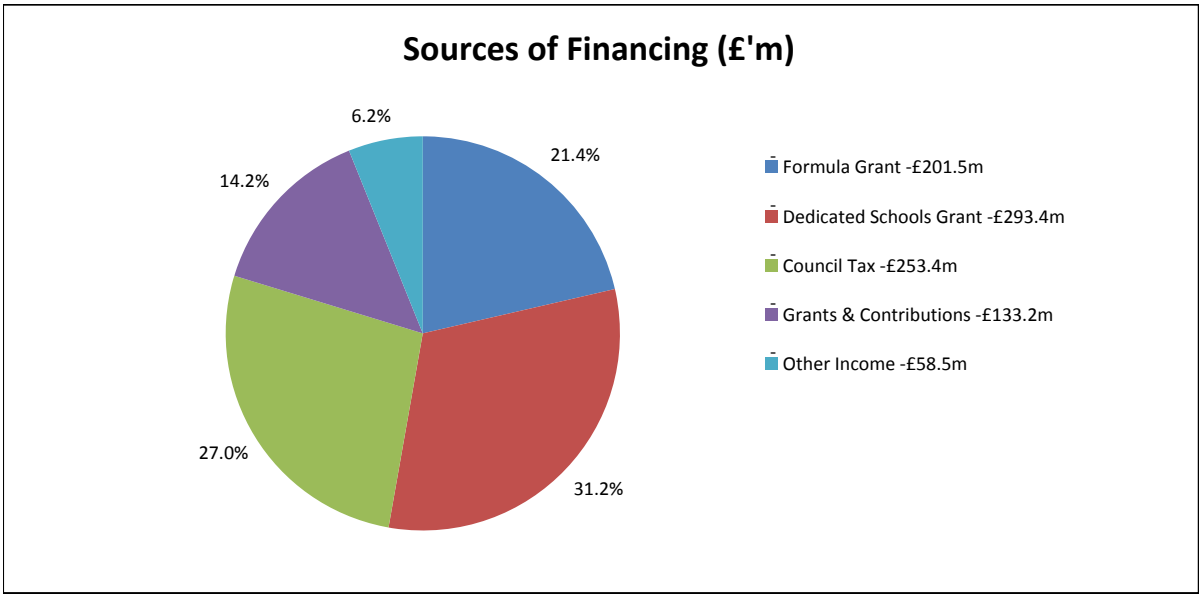


The distribution of expenditure by type differs significantly between different services. For example, salaries and wages comprises 67.4% of expenditure for schools. For services other than schools, salaries and wages comprises 28.3% of expenditure and contract payments comprises 45.9% of total expenditure. These differences reflect how Council services are provided.

Note 32 Amounts Reported for Resource Allocation Decisions provides further details on spending and the services which are provided to the public (page 78).

Annual income

The Council's revenue spending was funded by:



Government grants, the Council's main source of income; have been reduced substantially in increments from 2011-12 and these reductions are expected to continue into the foreseeable future. The Council received £201.5m formula grant for 2012-13 (including £6.3m for the 2011-12 Council Tax Freeze Grant). This represented a 7.6% reduction in formula grant from that received for 2011-12.

In addition to formula grant, the Council also receives specific government grants. The most significant of these was £293.4m of Dedicated Schools Grant which is used for funding education in Lincolnshire.

The Council's other main source of income – Council Tax – is set by the Council. In 2012-13 the Council chose not to increase Council Tax as it aims "to keep the level of Council Tax one of the lowest in the country". On the condition that Council Tax was not increased, central government provided a Freeze Grant equivalent to a 2.5% increase in Council Tax (£6.3m).

Revenue budget outturn 2012-13.

The revenue budget outturn for 2012-13 is summarised below:

- Total service revenue spending, excluding schools, was under spent by £7.465m or 1.9%.
- There was an underspend of £22.384m on other budgets, mainly reflecting a large underspend on capital financing charges during the year.
- Schools were underspent by £26.090m or 8.1% of the schools budget.

The table below shows the outturn of expenditure in 2012-13 compared with the budgets approved by the Council.

Service Revenue Outturn	Budget £'m	Outturn £'m	Over / Under Spend £'m	Percentage Under or Over Spend %
Children's Social Care	41.529	41.766	0.237	0.6%
Education Services	38.579	37.037	-1.542	-4.0%
Adult Social Care	133.999	132.803	-1.196	-0.9%
Public Health	17.707	17.146	-0.561	-3.2%
Highways & Transportation	48.615	49.966	1.351	2.8%
Environment Planning & Customer Services	28.698	28.249	-0.449	-1.6%
Economy & Culture	13.625	13.516	-0.109	-0.8%
Fire & Rescue	20.356	20.125	-0.231	-1.1%
Community Safety	18.800	16.937	-1.863	-9.9%
Finance & Resources	16.909	14.850	-2.059	-12.2%
Performance & Governance	22.875	21.832	-1.043	-4.6%
Total Service Budget	401.692	394.227	-7.465	-1.9%
Other Budgets	69.966	47.582	-22.384	-32.0%
Schools Budgets	29.087	2.997	-26.090	-89.7%
Revenue Budget Outturn	**500.745**	**444.806**	**-55.939**	**-11.2%**

Significant variances include:

- Highways and Transportation (£1.351m overspend). Winter maintenance overspend £2.0m due to the bad winter weather and need for the Council to grit the roads more often and purchase more salt than in an average year. This overspend was offset by minor underspends in other areas of the service.

- Finance and Resources (£2.059m underspend). This was primarily due to: the two shared services (Legal & Procurement) underspending by £1.581m collectively, and corporate property which underspent by £0.280m due to reduced accommodation costs.

- Schools Budgets (£26.090m underspend). Schools budgets are ring-fenced and carried into the next financial year for schools. This underspend represents a significant reduction on previously years underspend.

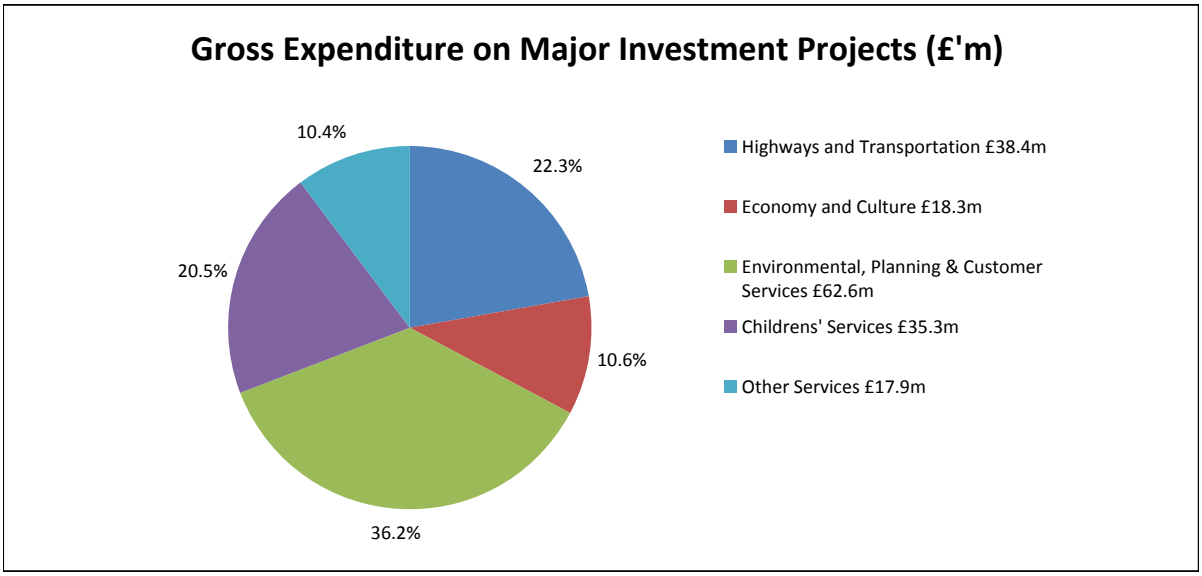
- Other Budgets (£22.384m underspend). Capital Financing Charges were underspent by £19.111m due to use of internal borrowing and slippage in the capital programme. At the end of the year, £3.879m of the Council's contingency remained unused.

Further information on revenue budget spending and outturns can be found in the Review of Financial Performance 2012-13, which is available on the Council's website.
(http://www.lincolnshire.gov.uk/local-democracy/how-the-council-works/finances/budgets-and-financial-strategy/).

Investment in major projects

The Council spent £172.563m on the County's assets, in particular on roads, the Energy from Waste plant, and schools. The net capital spend was £119.891m and there was an underspending of £15.047m or 11.2%. Explanations of the variances can be found in the Council's Review of Financial Performance Report for 2012-13.

The following chart sets out the spending on major investment projects by service area:



Other Services includes: Adults Social Care, Property, Fire and Rescue and IT Related.

In 2012-13 expenditure was incurred on the following schemes:

• Maintenance of roads, bridges, safety fencing, street lighting, signs and lines, and traffic signals;
• On-going development of the Energy from Waste scheme, which will divert waste from landfill;
• Programme of modernisation to meet the statutory responsibility for provision of educational places and a programme to improve the condition of school buildings;
• Academy Schools programme including: Skegness Academy and University Academy Holbeach; and
• Purchase of fire fleet vehicles previously leased to the Council, and purchases on the rolling programme of replacements for fire vehicles and associated equipment.

The Council has received grant from central government to fund: maintenance work on roads, the Council's programme of modernisation and improvement of condition of school buildings, provision of education places and the Academies building programme. £83.9m of funding of the capital programme came from borrowing, comprising of £71.9m from the use of temporary internal borrowing and a further £12.0m of external borrowing.

The Council sets itself a limit on its total borrowing to ensure that it remains prudent and affordable. The Council's target is to ensure that annual minimum revenue provision (MRP), plus interest are no more than 10.0% of the Council's annual income. The figure for 2012-13 was 6.39%. MRP is the amount required to be set aside as a provision for debt repayment, and in accordance with Regulation, this amount should be prudent to ensure debt is repaid over a period reasonably commensurate with the period over which the capital expenditure funded by borrowing provides benefits. The Council's current policy is to apply the average life method to calculate the MRP and use the MRP in full to repay debt annually.

Financial health and performance

The Council's revenue budget remains under pressure from reduced funding and service pressures. In 2011-12 the Council put in place a four year programme of savings originally worth £125m (locally termed "Core Offer") to reinvest in services to meet unavoidable cost pressures and the expected reductions in government support. In addition to these savings further funding pressures have arisen due to changes in funding mechanism for local Government up to 2014-15, with further uncertainty about future funding from 2015-16.

The "Core Offer" has ensured the Council is well placed to withstand the immediate uncertainty surrounding local Government funding in 2013-14. However, future challenges remain and additional resources or further savings will need to be identified to deliver a balanced budget in later years. It is therefore expected that the Council will have to undertake a second fundamental review of its service priorities and related spending needs prior to setting a 2015-16 budget.

To meet some of these financial pressures, at the end of 2011-12 the Council established a Financial Volatility Reserve to help smooth the effects of funding changes to Local Government. At the end of 2012-13 a further £17.8m has been transferred into these reserves. As within the Council's budget, set in February 2013, this reserve will be used for one off contributions to the revenue budget in 2013-14 (£11.2m) and 2014-15 (£12.0m), plus provide a further safety net for future funding uncertainties facing the Council (£13.048m). This will provide the Council with the time to develop a sustainable budget from 2015-16 onwards.

The Council also maintains a general reserve as a contingency against unexpected events or emergencies. The Council sets itself a target, based on a financial risk assessment; of maintaining these reserves within a range of 2.5% to 3.5% of its total budget. The Council's general reserves at 31 March 2013 as proposed in this report would be £15.9m or 3.5% of the total budget.

In addition to the general reserve and Financial Volatility Reserve, the Council maintains a number of other reserves earmarked for specific purposes (details of these are set out in Note 10).

The programme of savings together with a prudent level of reserves means that the Council has a sound financial base from which to manage the challenges of a difficult medium to longer term outlook for public sector finances.

Economic Climate and future revenue and capital budgets and future financing

The finance settlement from Government for 2013-14 places additional funding pressures on the Council when compared to 2012-13. A strategy of making further modest budget reductions, allied with the use of earmarked reserves, has been used to produce balanced budgets for the next two years. Thereafter, a further fundamental review of service priorities and related spending will be undertaken during 2013-14, to produce a sustainable budget for 2015-16 and beyond. Close monitoring of the delivery of savings will be undertaken and, if necessary; corrective action will be initiated to examine alternative options. The delivery of the detailed schedule of planned savings will be monitored and reported regularly to senior management teams and to Executive Councillors as part of the formal, published reports.

In relation to the 2013-14 budgets funding pressures will continue to exist in a number of service areas. The key pressures include:

(i) Adult Social Care – on-going demographic factors continue to place increasing pressure on service demand. These relate in particular to younger people with Learning Disabilities moving into adulthood, and Older People with high intensity homecare needs. Additional base budget funding has been allocated to the service next year in part recognition of these issues. A fundamental review of service provision is presently underway with the outcome due to be implemented from April 2014 onwards. Work is also on-going to ensure the Council maximises the amount of social care funding available from NHS sources.

(ii) Council Tax Support Schemes – new local schemes are to be established by all the District Councils from April 2013. The Council is, in effect, responsible for around 75% of the financial liability arising from these schemes. Whilst a great deal of work has been undertaken with the Districts to establish financially robust arrangements, there remains financial risks to the Council from their operation. The Council maintains a financial volatility reserve to mitigate the risks in this regard.

(iii) Public Health – the Council inherits a new range of functions from NHS Lincolnshire on 1 April 2013 for which a new ring-fenced grant of £27.5m will be received next year. The need to establish new contractual arrangements with providers presents a risk to the Council, as does the demand led nature of certain services (e.g. prescription costs).

(iv) Children's Services – this service has been impacted by significant grant reductions relating to early intervention and support services for Academies. These grant reductions impact on certain corporate services in addition to school and other support services delivered by the Directorate. Some action has been taken in 2013-14 to produce additional savings, but further savings will be required within the Directorate and corporately as part of the impending further review of service priorities to establish robust budgets from April 2015 onwards.

The Council's Pension Fund liability

The Local Government Pension Scheme and the Fire-fighters' Pension Scheme both have a liability balance at year end. That is, the present value of fund obligations exceeds the fair value of employer assets in the fund. The total reported pension liability of the two schemes (which is off set in the Balance Sheet by the Pensions Reserve) has increased over the past year from £545.371m to £641.730m.

Due to the nature of pension funds, the liability cannot occur immediately as it represents benefit payments to pensioners over their lifetime. A significant proportion of the membership is also still actively contributing to the fund. The Lincolnshire Pension Fund contribution rates have been set by the Actuary to target a funding level, for most employers, on an ongoing basis of 100% of the liabilities over a period of 20 years. The Council's contribution rate is consistent with the Actuary's advice. More information on the Council's pensions liabilities is contained in Note 54 Defined Benefit Pension Schemes.

Conversion of Schools into Academies

In 2012-13 a number of secondary and primary schools in the County converted to become Academies. These schools are independent of the Council. They receive funding from the Department of Education directly and incur their own expenditure. Before their conversion, these Schools' income and expenditure formed part of the Council's net expenditure on schools. The effect of these schools becoming Academies has reduced the Council's gross expenditure on Education Services by £75.335m and income in this area by £77.229m. Further information is contained within Note 5 Exceptional Items.

In addition to the loss of income and expenditure on these schools; where the assets of a school becoming an Academy were owned by the Council (i.e. Community and Voluntary Controlled Schools), the school's land and buildings are leased to the Academy Trust. During 2012-13, four secondary, twenty-three primary and one special school assets have been leased to Academy School Trustees on 125 year leases. The Council have assessed these leases to be finance leases for the buildings and operating leases for the land. These assets have been valued as such and this has led to £60.102m being removed from the value of the Council's assets held on Balance Sheet as at 31 March 2013. A further £0.647m has been removed from the Council's Balance Sheet for all Academy Schools equipment which was previously held by the Council.

During 2012-13, the Council incurred £21.284m of capital expenditure on schools which have become Academies. The Council has received funding through Framework Academy Grants from central government for the majority of this spend.

The property, plant and equipment line of the balance sheet includes valuations of £19.719m for seven schools which are due to become Academies by the end of September 2013. On conversion to Academies status, these assets will be transferred to the school on a 125 year lease and the assets will be written out of the County Council's balance sheet.

The Council also prepares an Annual Report. The Annual Report brings together our vision, achievements and accounts. It not only highlights some real achievements for the past year in the services we provide to residents but also summaries how we spent our annual budget (http://www.lincolnshire.gov.uk/local-democracy/how-the-council-works/key-plans-and-strategies/performance/lcc-annual-report/85079.article).

Statement of Responsibilities for the Statement of Accounts

The Council's Responsibilities

The Council is required to:

· Make arrangements for the proper administration of its financial affairs and to secure that one of its Officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Chief Financial Officer.

· Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

· Approve the Statement of Accounts.

The Chairman's Responsibilities

The Statement of Accounts was presented to Lincolnshire County Council Audit Committee and approved on 23 September 2013. The original documents were signed by Councillor Mrs Rawlins (Chairman Lincolnshire County Council Audit Committee) on 23 September 2013.

The Executive Director - Resources and Community Safety Responsibilities

The Executive Director - Resources and Community Safety is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing these Statement of Accounts, the Executive Director - Resources and Community Safety has:

· selected suitable accounting policies and then applied them consistently;
· made judgements and estimates that were reasonable and prudent; and
· complied with the Local Authority Code.

The Executive Director - Resources and Community Safety has also:

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

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Authority as at 31 March 2013 and of its expenditure and income for the year ended on that date.

The original documents were signed by Pete Moore, CPFA (Executive Director - Resources and Community Safety) on 23 September 2013.

Lincolnshire County Council: Movement in Reserves Statement for the period 1 April 2012 to 31 March 2013

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

	Note	General Fund Balance	Earmarked GF Reserves (Note 10)	Capital Receipts Reserve (*1)	Capital Grants Unapplied	Total Usable Reserves (Note 27)	Unusable Reserves (Note 28)	Total Council Reserves
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 01 April 2012		**15,900**	**132,849**	**0**	**42,283**	191,032	**312,248**	503,280
Movement in Reserves during 2012-13								
Surplus/(Deficit) on the provision of services		(51,585)	-	-	-	(51,585)	-	(51,585)
Other Comprehensive Income and Expenditure		-	-	-	-	-	(41,460)	(41,460)
Other Recognisable Gains			330			330		330
Total Comprehensive Income and Expenditure		(51,585)	330	-	-	(51,255)	(41,460)	(92,715)
Adjustments between accounting basis & funding basis under regulations	9	61,678	-	-	12,382	74,060	(74,060)	-
Net Increase/(Decrease) before Transfers to Earmarked Reserves		10,093	330	-	12,382	22,805	(115,520)	(92,715)
Transfers to/from Earmarked Reserves	10	(10,093)	8,516	-	1,577	-	-	-
Increase/(Decrease) in Year 2012-13		-	8,846		13,959	22,805	(115,520)	(92,715)
Balance as at 31 March 2013 Carried Forward		**15,900**	**141,695**	**-**	**56,242**	**213,837**	**196,728**	**410,565**

(*1) It is the Council's policy to fully utilise all capital receipts to finance capital expenditure in the year they are received.

Lincolnshire County Council: Movement in Reserves Statement for the period 1 April 2011 to 31 March 2012

	Note	General Fund Balance	Earmarked GF Reserves (Note 10)	Capital Receipts Reserve (*1)	Capital Grants Unapplied	Total Usable Reserves (Note 27)	Unusable Reserves (Note 28)	Total Council Reserves
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 01 April 2011		**16,645**	**109,257**	**0**	**37,648**	163,550	**422,833**	586,383
Movement in Reserves during 2011-12								
Surplus/(Deficit) on the provision of services		(46,289)	0	-	-	(46,289)	-	(46,289)
Other Comprehensive Income and Expenditure		-	-	-		0	(38,405)	(38,405)
Other Recognisable Gains			1,591			1,591		1,591
Total Comprehensive Income and Expenditure		**(46,289)**	**1,591**	**0**	**0**	**(44,698)**	**(38,405)**	**(83,103)**
Adjustments between accounting basis & funding basis under regulations	9	67,545	-	0	4,635	72,180	(72,180)	0
Net Increase/(Decrease) before Transfers to Earmarked Reserves		**21,256**	**1,591**	**0**	**4,635**	**27,482**	**(110,585)**	**(83,103)**
Transfers to/from Earmarked Reserves	10	(22,001)	22,001	-	-	0	-	0
Increase/(Decrease) in Year 2011-12		**(745)**	**23,592**	**0**	**4,635**	**27,482**	**(110,585)**	**(83,103)**
Balance as at 31 March 2012 Carried Forward		**15,900**	**132,849**	**0**	**42,283**	**191,032**	**312,248**	**503,280**

(*1) It is the Council's policy to fully utilise all capital receipts to finance capital expenditure in the year they are received.

Lincolnshire County Council: Comprehensive Income and Expenditure Statement for the period 1 April 2012 to 31 March 2013

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

(*1) Restated Year ended 31 March 2012					Year ended 31 March 2013		
Gross Expenditure £'000	Income £'000	Net Expenditure £'000		Note	Gross Expenditure £'000	Income £'000	Net Expenditure £'000
			Cost of Services				
576,914	(475,319)	101,595	Education Services	(5)	469,271	(382,979)	86,292
60,576	(11,170)	49,406	Children's Social Care		62,797	(12,646)	50,151
234,013	(71,559)	162,454	Adult Social Care		236,607	(71,994)	164,613
97,832	(7,691)	90,141	Highways, Roads and Transport Services		95,422	(10,745)	84,677
22,835	(3,076)	19,759	Cultural and Related Services		23,668	(2,694)	20,974
31,728	(1,590)	30,138	Environmental and Regulatory Services		32,015	(2,095)	29,920
14,809	(15,344)	(535)	Planning Services		14,858	(5,156)	9,702
28,489	(3,131)	25,358	Fire and Rescue Services		29,217	(2,985)	26,232
384	(61)	323	Housing Services - Travellers Sites		346	(83)	263
4,249	(1,246)	3,003	Central Services to the Public		4,212	(1,390)	2,822
3,807	(108)	3,699	Corporate and Democratic Core		3,732	(178)	3,554
(6,354)	0	(6,354)	Non Distributed Costs		(11,984)	0	(11,984)
1,069,282	**(590,295)**	**478,987**	**Cost of Services (excluding Acquired and Discontinued Operations)**	**(8)**	**960,161**	**(492,945)**	**467,216**
		0	Surplus or Deficit on Acquired and Discontinued Operations	(33)	302	(274)	28
1,069,282	**(590,295)**	**478,987**	**Cost of Services**		**960,463**	**(493,219)**	**467,244**
		88,081	Other Operating Expenditure	(11)			85,714
		14,871	Financing and Investment Income and Expenditure	(12)			22,091
		(535,650)	Taxation and Non-Specific Grant Income	(13,46(a & d))			(523,464)
		46,289	**(Surplus)/Deficit on Provision of Services**				**51,585**
		(52,141)	(Surplus)/Deficit on Revaluation of Non-Current Assets	(28)			(56,360)
			Impairment losses on Non-Current Assets charged to Revaluation Reserve				0
			(Surplus)/Deficit on Revaluation of Available for Sale Financial Assets				0
		90,546	Actuarial (Gains)/Losses on Pension Assets / Liabilities	(28, 54)			97,820
		(1,591)	Other Recognisable (Gains)/ Losses				(330)
		36,814	**Other Comprehensive Income and Expenditure**				**41,130**
		83,103	**Total Comprehensive Income and Expenditure**				**92,715**

(*1) Flood and Water Risk Management was a new Service undertaken by the Council from April 2011. Net expenditure of £200k was shown as an Acquired Operation in the 2011-12 Statement of Accounts. This expenditure is now included in the heading "Environmental and Regulatory Services".

Lincolnshire County Council: Balance Sheet as at 31 March 2013

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Authority 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 are those that the Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

31 March 2012 £'000		Note	31 March 2013 £'000
1,251,784	Property, Plant and Equipment	**(14)**	1,267,991
35,022	Heritage Assets	**(15)**	36,356
62,390	Investment Properties	**(16)**	72,620
3,242	Intangible Assets	**(17)**	7,204
214	Long Term Investments (including Net Pension Assets)	**(18)**	214
6,248	Long Term Debtors	**(21)**	6,316
1,358,900	**Long Term Assets**		**1,390,701**
237,296	Short Term Investments	**(18)**	193,081
2,239	Assets Held for Sale	**(23)**	3,660
820	Inventories	**(19)**	799
0	Intangible Current Assets - LATS	**(44)**	0
39,737	Short Term Debtors	**(21)**	48,133
280,092	**Current Assets**		**245,673**
(6,161)	Cash and Cash Equivalents	**(22)**	(8,356)
(582)	Short Term Borrowing	**(18)**	(413)
0	Intangible Current Liabilities - LATS	**(44)**	0
(102,355)	Short Term Creditors	**(24)**	(91,414)
(4,771)	Provisions	**(26)**	(3,784)
(113,869)	**Current Liabilities**		**(103,967)**
(4,623)	Long Term Creditors	**(18,24)**	(5,477)
(4,359)	Provisions	**(26)**	(4,944)
(446,272)	Long Term Borrowing	**(18)**	(454,787)
(566,591)	Other Long Term Liabilities	**(25)**	(656,635)
(1,021,845)	**Long Term Liabilities**		**(1,121,843)**
503,278	**Net Assets**		**410,564**
191,032	Usable Reserves	**(27)**	213,836
312,246	Unusable Reserves	**(28)**	196,728
503,278	**Total Reserves**		**410,564**

The original documents were signed by Pete Moore, CPFA (Executive Director - Resources and Community Safety) on 23 September 2013.

Lincolnshire County Council: Cashflow Statement as at 31 March 2013

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority 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 Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority'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.

31 March 2012 £'000	Direct Method	Note	31 March 2013 £'000
(38,766)	Operating Activities	**(29)**	(37,385)
27,755	Investing Activities	**(30)**	43,612
9,153	Financing Activities	**(31)**	(4,032)
(1,858)	**Net (Increase)/Decrease in cash and cash equivalents**		**2,195**
(8,019)	Cash and cash equivalents as at 1 April		(6,161)
(6,161)	Cash and cash equivalents as at 31 March		(8,356)

Note 1. Statement of Accounting Policies

1. General Principles and Concepts

The Statement of Accounts summarises the Council's transactions for the financial year 2012-13 and the position at the year-end 31 March 2013. The Statement of Accounts has been prepared in accordance with the Accounts and Audit Regulations 2011.

These regulations require the accounts to be prepared in accordance with proper accounting practice. These practices are set out in the Code of Practice on Local Authority Accounting in the United Kingdom 2012-13 and Service Reporting Code of Practice 2012-13, supported by International Financial Reporting Standards and statutory guidance.

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

2. Changes in Accounting Policies

Changes in accounting policy may arise through changes to the Code or changes instigated by the Council. For changes brought in through the Code, the Council will disclose the information required by the Code. For other changes we will disclose: the nature of the change; the reasons why; report the changes to the current period and each prior period presented and the amount of the adjustment relating to periods before those presented. If retrospective application is impracticable for a particular prior period, we will disclose the circumstances that led to the existence of that condition and a description of how and from when the change in accounting policy has been applied.

3. Prior period adjustments – estimates and errors

The Code requires prior period adjustments to be made when material omissions or misstatements are identified (by amending opening balances and comparative amounts for the prior period). Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

The following disclosures will be made:

- the nature of the prior period error;
- for each prior period presented, to the extent practicable, the amount of the correction for each Financial Statement line item affected; and
- the amount of the correction at the beginning of the earliest prior period presented.

Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change. They do not give rise to a prior period adjustment.

4. Non-Current Assets – Property, Plant and Equipment

Property, Plant and Equipment are assets that have a 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
- expected to be used during more than one period.

Classification

Property, Plant and Equipment is classified under the following headings in the Council's Balance Sheet:

Operational Assets:
- Land and Buildings;
- Vehicles, Plant, Furniture and Equipment;
- Infrastructure; and
- Community Assets.

Non-Operational Assets:
- Surplus Assets; and
- Assets Under Construction.

a) Initial Recognition

The cost of an item of Property, Plant and Equipment shall be recognised as an asset if, and only if:

- it is probable that future economic benefits associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

These costs include expenditure incurred to acquire or construct an item of Property, Plant and Equipment, costs associated with bringing an asset into use and costs incurred subsequently to add to, replace part of, or service it as long as the above criteria are met. All costs associated with a capital scheme will be settled on the asset created or enhanced. Initial recognition of Property, Plant and Equipment shall be at cost.

Further details relating to capital expenditure are set out in the Council's Capitalisation Policy.

De minimis level. The Council has set a de minimis level of £10k for recognising Property, Plant and Equipment. This means that any item or scheme costing more than £10k must be treated as capital if the above criteria are met. This relates to initial recognition and subsequent expenditure on assets.

De-recognition associated with asset enhancements When capital expenditure occurs on an existing asset the element of the asset being replaced must be derecognised. Where the original value of the asset being replaced is not known the value of the replacement will be used as a proxy, and indexed back to an original cost; with reference to the asset's remaining life. De-recognition costs will be charged to Other Operating Expenditure in the Comprehensive Income and Expenditure Statement (gain or loss on the disposal of non-current assets).

b) Measurement after Recognition – Valuation Approach

The Council value Property, Plant and Equipment using the basis recommended by CIPFA in the Code of Practice and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by The Royal Institution of Chartered Surveyors (RICS).

The code requires the following valuation approaches to be adopted:

Operational Assets

- Land and property assets shall be measured at fair value, which is determined as the amount that would be paid for the asset in its existing use (EUV). For assets where there is no market-based evidence of fair value because of the specialist nature of the asset and the asset is rarely sold, a Depreciated Replacement Cost (DRC) approach will be used (such specialised assets include schools).
- Non-property assets (including: vehicles, plant and equipment) shall be measured at fair value. These are determined to have short asset lives and historic cost is used as a proxy for fair value.
- Infrastructure assets (such as roads and bridges) and community assets are measured at historic cost. NB: where historic cost information is not known for community assets these have been included within the Balance Sheet at a nominal value.

Non-Operational Assets

- Surplus assets (i.e. assets which the Council no longer operates/are no longer used for service delivery, but are not Investment Properties or meet the definition held for sale) are valued, measured and depreciated in line with the operational asset class; and
- Assets under Construction are held at cost. When these assets are operationally complete, they are reclassified into the appropriate asset class and valued under the adopted approach.

Valuation Programme

Assets are included within the Balance Sheet at fair value. The Council's land and property portfolio is revalued on a five year rolling programme. On an annual basis at year-end, all asset values are reviewed to ensure they are not carried at amounts materially different to fair value.

c) Revaluation Gains and Losses

Movements in asset value arising from revaluation are reflected in the value of these assets held on the Balance Sheet.

If a revaluation increases an asset's carrying amount then this increase will be credited directly to the revaluation reserve to recognise the unrealised gain. In exceptional circumstances, gains might reverse a previous impairment or revaluation decrease charged to the Surplus or Deficit on provision of service.

If a revaluation decreases an asset's carrying amount, the decrease shall be charged initially against any surplus balance in the revaluation reserve in respect of the individual asset. Any additional decrease is recognised in the relevant service revenue account in the Comprehensive Income and Expenditure Statement.

The revaluation reserve only contains revaluation gains recognised since 1 April 2007, the date of its formal implementation. Any movements on revaluation arising before this date have been consolidated into the Capital Adjustment Account (CAA).

d) Depreciation

Depreciation is charged on all Property, Plant and Equipment assets with a finite life and is the systematic allocation of its worth over its useful life. This charge is made in line with the following policy:

- Operational buildings are depreciated over their useful life. For buildings which are held at existing use value a useful life of 40 years has been assumed. Asset lives for buildings held on a depreciated replacement cost basis are reviewed as part of the rolling programme of revaluations and the Valuer estimates the useful life. Depreciation is charged on a straight line basis;

- Infrastructure assets, primarily roads, are depreciated over their estimated useful lives, varying from 1-3 years (for capital pothole filling) to 120 years (for bridge structures), on a straight line basis;

- Furniture and non specialist equipment is depreciated over a period of 5 years, on a straight line basis;

- Vehicles, plant and specialist equipment (including computing equipment) are depreciated over their estimated useful lives, varying between 3 and 15 years. For vehicles purchased after 1 April 2004, the reducing balance method of depreciation is used; and

- Surplus assets are depreciated in line with the operational asset class.

No depreciation is charged on: Heritage Assets, Investment Properties; land; assets under construction; and assets held for sale.

Depreciation of an asset begins when the asset becomes available for use and ceases when the asset has been derecognised.

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.

Component Accounting for Property, Plant and Equipment

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. The Council has identified the following significant components within the property portfolio:

- DRC assets (including fire stations, schools, libraries and museums where the building is of a specialised nature): land, structures, services, roof and externals;
- Office Accommodation / Admin Buildings: land; structures, services, roof and externals; and
- Other market value and existing use value assets (including economic regeneration units): land and buildings.

e) Disposal of Property, Plant and Equipment

An item of Property, Plant and Equipment shall be derecognised on disposal, or when no future economic benefits are expected from its use or disposal.

The gain or loss arising from disposals is shown in the Comprehensive Income and Expenditure Statement, on the Other Operating Expenditure line. Receipts from disposals are credited to the same line in the Comprehensive Income and Expenditure Statement, netted off against the carrying value of the asset at the time of disposal. Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts in excess of £10k are categorised as capital receipts and can then only be used for new capital investment or to repay the principal of any amounts borrowed. It is Council policy to fully utilise these receipts to fund the capital programme in the year they are received. These receipts are transferred from the General Fund Balance via the Movement in Reserves to be utilised to fund the capital programme. Sale proceeds below £10k are below the de-minimis and are credited to the Comprehensive Income and Expenditure Statement.

The written-off value of disposals is not charged against Council Tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund though the Movement in Reserves Statement.

f) Impairment of non-Current Assets

If an asset's carrying amount is more than its recoverable amount, the asset is described as impaired. Circumstances that indicate impairment may have occurred include:

- a significant decline in an asset's market value during the period;
- evidence of obsolescence or physical damage of an asset;
- a commitment by the Authority to undertake a significant reorganisation; or
- a significant change in the statutory environment in which the Authority operates.

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.

Impairment losses are initially recognised against any revaluation reserve for that asset up to the balance available. Any remaining loss is charged in the Surplus or Deficit on provision of services. This is then reversed through the Movement in Reserves Statement and charged to the Capital Adjustment Account.

5. Intangible Assets

Intangible assets are defined as identifiable non-financial (monetary) assets without physical substance, but are controllable by the Council and expected to provide future economic or service benefits. For the Council the most common classes of intangible assets are computer software and software licences.

a) Recognition and Measurement of assets that qualify as intangible assets, shall be measured and carried at cost, as a proxy for fair value, as these are short life assets.

The Council has a set a de minimis level of £10k for recognising intangible assets. This means that any item or scheme costing more than £10k would be treated as capital if the above criteria are met.

b) Subsequent Expenditure Costs associated with maintaining intangible assets are recognised as an expense when incurred in the Comprehensive Income and Expenditure Statement.

c) Amortisation The carrying value of intangible assets with a finite life is amortised on a straight line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. Amortisation is charged to the relevant service area in the Comprehensive Income and Expenditure Statement. The useful lives for intangible assets are between 3 and 7 years. Useful asset lives are determined by the ICT budget holder and reviewed and updated annually.

d) Impairment On an annual basis the ICT budget holder is asked to consider if any indicators of impairment exist for intangible assets held by the Council.

6. Investment Properties

An Investment Property is defined as a property that is solely held to earn rental income or for capital appreciation or both. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods, or is held for sale.

a) Initial Recognition As with Property, Plant and Equipment, initial recognition is at the costs associated with the purchase.

b) Measurement after Recognition Investment Properties will be measured at fair value, that is the amount that would be paid for the asset in its highest and best use, (e.g. market value). The fair value of Investment Property held under a lease, is the lease interest in the asset. Investment Properties are subject to annual revaluations.

c) Revaluation Gains and Losses A gain or loss arising from a change in the fair value of Investment Property shall be recognised in the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. These are not permitted by statute to impact on the General Fund Balance. Therefore these gains or losses are reversed out of the General Fund Balance in the Movement on Reserves and posted to the Capital Adjustment Account.

d) Depreciation is not charged on Investment Properties.

e) Disposal of Investment Properties Gains or losses arising from the disposal of an Investment Property shall be recognised in the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. As with revaluation gains or losses, these do not form part of the General Fund Balance and are transferred to fund the capital programme via the Movement in Reserves Statement.

f) Rental Income. Rentals received in relation to Investment Properties are credited to the Financing and Investment Income line and results in a gain for the General Fund Balance.

7. Heritage Assets

Heritage Assets are defined as assets that are held by the Council principally for their contribution to knowledge or culture. Heritage assets held by the Council include:

- Historic Buildings including: Lincoln Castle, Temple Bruer and four historic windmills in Lincolnshire; and
- Collections including: Fine Art Collection; The Tennyson Collection; Local Studies and Archive Collections; Lincolnshire Regiment, Militaria and Arms and Armour Collections; and Agriculture Collections.

Heritage assets are recognised and measured (including the treatment of revaluations gains and losses) in accordance with the Council's accounting policy on non current assets - Property, Plant and Equipment (accounting policy 4, above). However, some of the measurement rules are relaxed in relation to Heritage Assets. Details of this are set out below:

a) Initial Recognition

- Collections: The collections are relatively static, acquisitions and donations rare. Where they do occur acquisitions will be measured at cost and donations will be recognised at a valuation determined in-house.

b) Measurement after recognition:

- Historic Buildings – Windmills: will be valued at existing use value by the Council's Valuer. These valuations will be included on the Council's rolling programme and will be valued every 5 years.

- Historic Buildings – Lincoln Castle and Temple Bruer: will continue to be carried at historic cost as the Council does not consider that a reliable valuation can be obtained for these assets. This is because of the nature of the assets held and the lack of comparable market values.

- Collections: will be valued based on the insurance valuations held by the Council. Insurance valuations will be reviewed and updated on an annual basis.

c) Impairment and disposals are accounted for in line with the Council's policy on non current assets – Property, Plant and Equipment (accounting policy 4: e) Disposal of Property, Plant and Equipment and f.) Impairment of non-current assets).

d) Depreciation is not charged on Heritage Assets.

8. Non-Current Assets Held for Sale

These are assets held by the Council which are planned to be disposed of. They meet the following criteria:

- The asset must be available for immediate sale in its present condition subject to terms that are usual and customary for sales of such assets;

- The sale must be highly probable (with management commitment to sell and active marketing of the asset initiated);
- It must be actively marketed for a sale at a price that is reasonable in relation to its current fair value; and
- The sale should be expected to qualify for recognition as a completed sale within one year.

a) Measurement Non-Current Assets Held for Sale will be measured at the lower of carrying value and fair value less costs to sell (fair value here is the amount that would be paid for the asset in its highest and best use, e.g. market value).

b) Depreciation is not charged on non-current assets held for sale.

c) Disposal Receipts from disposals are recognised in the Surplus or Deficit on provision of services.

Amounts in excess of £10k are categorised as capital receipts and can then only be used for new capital investment or to repay the principal of any amounts borrowed. It is Council policy to fully utilise these receipts to fund the capital programme in the year they are received.

9. Donated Assets

Donated assets are non-current assets which are given to the Council at no cost or at below market value. These assets are initially recognised in the Balance Sheet at this value and then measured at fair value. The difference between the 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.

a) Where there are conditions associated with the asset which remain outstanding. The asset will be recognised in the Balance Sheet with a corresponding liability in the Donated Assets Accounts.

b) Where there are no conditions or the conditions have been met. The donated asset will be recognised in the Comprehensive Income and Expenditure Statement, then transferred to the Capital Adjustment Account through the Movement in Reserves Statement.

After initial recognition, donated assets are treated like all other non-current assets held by the Council and are subject to revaluation as part of the Council's rolling programme.

10. Charges to Revenue for the use of Non-Current Assets

Service accounts and central support services are charged with a capital charge for all non-current assets used in the provision of services to record the real cost of holding non-current assets during the year. The total charge covers:

- the annual provision for depreciation, attributed to the assets used by services;
- revaluation and impairment losses on assets used by services where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off; and
- amortisation of intangible assets attributable to services.

The Council is not required to raise Council Tax to cover depreciation, impairment losses or amortisation. However, it is required to make a prudent annual provision from revenue to contribute towards the reduction in its overall borrowing requirement. Depreciation, impairment losses and amortisation are therefore replaced by revenue provision in the Movement on Reserves Statement, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

11. Minimum Revenue Provision

The Council makes provision for the repayment of debt in accordance with the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008. This requires the Council to set a Minimum Revenue Provision (MRP) which it considers to be prudent. The approach adopted by the Council is to use the average life method (the average life of all the Council's assets) in calculating the MRP to be charged to revenue each year. MRP will be made in equal instalments over the estimated life of the assets acquired through borrowing.

12. Revenue Expenditure Financed through 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 in the Balance Sheet; has been charged as expenditure to the relevant service revenue account in the year.

Statutory provision reverses these charges from the Surplus or Deficit on provision of services by debiting the Capital Adjustment Account and crediting the General Fund Balance via the Movement in Reserves Statement.

13. Service Concession Agreements (including Private Finance Initiative (PFI) and similar contracts)

Service Concession Agreements are agreements to receive services, where the responsibility for making available the Property, Plant and Equipment needed to provide the services passes to the contractor. As the Council is deemed to control the services that are provided under such schemes and as ownership of the assets will pass to the Council at the end of the contract for no additional charge, the Council carries these assets used under the contracts on the Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets is balanced by the recognition of a liability for amounts due to the scheme operator to pay for the assets. Assets recognised on the Balance Sheet are revalued and depreciated in the same way as Property, Plant and Equipment owned by the Council.

The amounts payable to the contractors each year are analysed into five elements:

- fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement;
- finance cost – an interest charge of 7.20% on the outstanding Balance Sheet liability, debited to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement;
- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement;
- payment towards liability – applied to write down the Balance Sheet liability towards the contractor; and
- lifecycle replacement costs – recognised as additions to Property, Plant and Equipment on the Balance Sheet.

The Council has one PFI scheme for the provision of seven separate schools across the county, which is classified as a Service Concession Arrangement.

14. Borrowing Costs

The Council has adopted the accounting policy of expensing borrowing costs of qualifying assets to the Comprehensive Income and Expenditure Statement (disclosed within Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement) in the year in which they are incurred.

This is current practice based on the fact that borrowing undertaken is not attributed to individual schemes making capitalisation of costs complex with marginal benefit.

15. Classification of Leases

Leases are classified as a finance lease or an operating lease depending on the extent to which risks and rewards of ownership of a leased Property, Plant and Equipment lie with the lessor (landlord) or the lessee (tenant).

IAS 17 ‘Leases’ includes indicators for the classification of leases as a finance lease. Within these indicators the Council has set the following criteria: the ‘major part’ of the asset life is determined to be 75%; and ‘substantially all’ of the value is determined to be 75%.

Finance Lease

A lease is classified as a finance lease when the lease arrangement transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee.

Operating Lease

All other leases are determined to be operating leases.

Where a lease covers both land and buildings, these elements are considered separately.

This policy on accounting for leased assets also includes contractual arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment.

a) Finance Leases

i) Lessee – Vehicles, Plant & Equipment will be recognised on the Balance Sheet at cost and depreciated on a straight line basis over the term of the lease (in line with the Council’s capitalisation and depreciation policy for vehicles, plant and equipment).

ii) Lessee – Property will be recognised on the Balance Sheet at an amount equal to the fair value of the property, or if lower, the present value of the minimum lease payments, determined at the inception of the lease.

The asset recognised is matched by a liability representing the obligation to pay the lessor. This is reduced as lease payments are made. Minimum lease payments are to be apportioned between the finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement) and the reduction of the deferred liability in the Balance Sheet.

Statutory provision reverses the finance charge, depreciation and any impairment or revaluation from the Comprehensive Income and Expenditure Statement to the Capital Adjustment Account through the Movement in Reserves statement. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements.

iii) Lessor – Property. When a finance lease is granted on a property, the relevant assets are written out of the Balance Sheet to gain or loss on disposal of assets in the Other Operating Expenditure line of the Comprehensive Income and Expenditure Statement. A gain is also recognised on the same line in the Comprehensive Income and Expenditure Statement to represent the Council's net investment in the lease. This is matched by a lease asset set up in long term debtors in the Balance Sheet. The lease payments are apportioned between repayment of principal written down against the lease debtor and finance income (credited to the Finance and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Initial direct costs are included in the initial measurement of the debtor and recognised as an expense over the lease term on the same basis as the income.

Rental income from finance leases entered into after 1 April 2010, will be treated as a capital receipt and removed from the General Fund Balance to capital receipts via the Movement in Reserves Statement.

The write off value of disposals is not a charge against council tax as the cost of non-current 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 via the Movement in Reserves Statement.

b) Operating Leases

i) Lessee – Property, Vehicles, Plant & Equipment will be treated as revenue expenditure in the service revenue accounts in the Comprehensive Income and Expenditure Statement on a straight line basis over the term of the lease.

ii) Lessor – Property, Vehicles, Plant & Equipment shall be retained as an asset on the Balance Sheet. Rental income is recognised on a straight line, basis over the lease term, credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

c) Investment Property Leases (Lessee)

In line with IAS 49 ‘Investment Properties’, any lease which is assessed to be an Investment Property will be treated as if it was a finance lease. The fair value of the lease interest is used for the asset recognised. Separate measurement of land and buildings elements is not required when the leases are classified as an Investment Property.

16. Government Grants and Contributions

Government grants and contributions may be received on account, by instalments or in arrears. However, they should be recognised in the Comprehensive Income and Expenditure Statement, as due to the Council when there is reasonable assurance that:

- The Council will comply with the conditions attached to the payments. Conditions are stipulations that specify how the future economic benefits or service potential embodied in the grant or contribution must be consumed, otherwise the grant or contribution will have to be returned to the awarding body; and
- The grant or contribution will be received.

Grants and contributions received where the conditions have not yet been satisfied, are carried in the Balance Sheet as creditors and not credited to the Comprehensive Income and Expenditure Statement until the conditions are met.

Capital Grants and Contributions (non-current assets)

Capital grants and contributions are used for the acquisition of non-current assets. The treatment of these grants is as follows:

a) Capital grants where there are no conditions attached to the grant and the expenditure has been incurred. The income will be recognised immediately in Comprehensive Income and Expenditure Statement, in the taxation and non specific grant income line.

Capital grant income is not a proper charge to the General Fund. It is accounted for through the Capital Financing Requirement (set out in statue) and therefore it does not have an effect on council tax. To reflect this, the income is credited to the Capital Adjustment Account through the Movement in Reserves Statement.

b) Capital grants where the conditions have not been met at the Balance Sheet date. At the Balance Sheet date the grant will be recognised as a Capital Grant Receipt in Advance in the liabilities section of the Balance Sheet. When the conditions have been met, the grant will be recognised as income in the Comprehensive Income and Expenditure Statement and the appropriate statutory accounting requirements for capital grants applied.

c) Capital grants where no conditions remain outstanding at the Balance Sheet date, but expenditure has not been incurred. The income will be recognised immediately in the Taxation and Non Specific Grant Income line of the Comprehensive Income and Expenditure Statement. As the expenditure being financed from the grant has not been incurred at the Balance Sheet date, the grant will be transferred to the Capital Grants Unapplied Account (within usable reserves section of the Balance Sheet), through the Movement in Reserves Statement. When the expenditure is incurred, the grant shall be transferred from the Capital Grants Unapplied Account to the Capital Adjustment Account to reflect the application of capital resources to finance expenditure.

Revenue Government Grants and Contributions

Government grants and other contributions are accounted for on an accruals basis and recognised in the Comprehensive Income and Expenditure Statement when the conditions for their receipt have been complied with and there is reasonable assurance that the grant or contribution will be received. Where the conditions have not been met these grants will be held as creditors on the Balance Sheet.

Specific revenue grants are included in the specific service expenditure accounts together with the service expenditure to which they relate. Grants which cover general expenditure (e.g. Revenue Support Grant) are credited to the foot of the Comprehensive Income and Expenditure Statement after Net Cost of Services.

Community Infrastructure Levy (CIL)

Community Infrastructure Levy is a levy, as directed by the Planning Act 2008, charged on new developments over 100 m sq. The Council had no CIL in place in 2012-13.

17. Debtors

Debtors are recognised in the accounts when the ordered goods or services have been delivered or rendered by the Council in the financial year but the income has not yet been received. In particular:

- Revenue from the sale of goods is recognised when the Council transfers the significant risk 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; and

- 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.

Debtors are recognised and measured at fair value in the accounts. When considering the fair value of long term debtors, the Council has set a £50k de minimis limit. Below this amount, the carrying value of the long term debtor will be used as a proxy for fair value.

For estimated manual debtors, a de-minimis level of £1k for individual revenue items and £5k for capital items is set.

18. Creditors

Creditors are recorded where goods or services have been supplied to the Council by 31 March but payment is not made until the following financial year.

Creditors are recognised and measured at fair value in the accounts. When considering the fair value of long term creditors, the Council has set a £50k de minimis limit. Below this amount, the carrying value of the long term creditors will be used as a proxy for fair value.

For estimated manual creditors, a de-minimis level of £1k for individual revenue items and £5k for capital items is set.

19. Provision for Bad and Doubtful Debt

Where there is evidence that the Council may not be able to collect all amounts due to it, a provision for impairment is established. The provision made is the difference between the current carrying value of the debt and the amount likely to be collected. At the end of the financial year, bad debt provisions will be made for debts that have been outstanding for more than twelve months. The Council's policy is:

- Adult Social Care debtors are grouped by type and provided for on this basis plus the age of the debt;
- Other aged debtors over 12 months old. Significant debtors are reviewed on a case by case basis, all remaining debtors are 100% provided for.

The provision for impairment is recognised as a charge to the relevant revenue service account in the Comprehensive Income and Expenditure Statement for the income that might not be collected.

20. Inventories

Inventory assets include and will be carried at the following values:

- Materials or supplies to be consumed or distributed in the rendering of services (e.g. highways salt). These are carried at the lower of cost (calculated as an average price) or current replacement cost (at the Balance Sheet date for an equivalent quantity); and

- Held for sale or distribution in the ordinary course of operations, are carried at the lower of cost or net realisable value.

The Council has set a de-minimis level for recognising inventories of £100k. Inventory balances below this level are not recorded on the Balance Sheet.

21. Cash and Cash Equivalents

a) Cash:

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

b) Cash Equivalents:

Cash Equivalents are held for the purpose of meeting short term cash commitments rather than for investment or other purposes. The Council will classify these as follows:

- Instant Access Deposit Accounts or Overnight Bank Facilities set up for the purpose of meeting short term liquidity requirements and whose return (if any) does not make up the Average Yield Return on Investments, are to be classed as Cash Equivalents.

- Overnight Fixed Deposits, Deposit Based Bank Accounts and Net Asset Value Money Market Funds held for investment purposes for the returns offered, which make up the Councils Average Yield Return on its Investments, are to be classed as Short Term Investments.

c) Bank Overdrafts:

Bank Overdrafts are to be shown separately from Cash and Cash Equivalents where they are not an integral part of an Authority's cash management. They are to be shown net of Cash and Cash Equivalents where they are an integral part of an Authority's cash management.

22. Provisions

The Council sets aside provisions for future expenses where: a past event has created a current obligation (legal or constructive) to transfer economic benefit; it is probable that an outflow of economic benefits or service potential will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

Provisions are charged to relevant revenue service account in the Comprehensive Income and Expenditure Statement in the year the Council becomes aware of the obligation. When the obligation is settled, the costs are charged to the provision set up in the Balance Sheet. When payments are eventually made, they are charged against the provision carried in the Balance Sheet.

The Council has set a de-minimis level for recognising provisions of £100k.

Provisions contained within the Balance Sheet are split between current liabilities (those which are estimated to be settled within the next 12 months) and non-current liabilities (those which are estimated to be settled in a period greater than 12 months).

Provisions are recognised and measured at fair value in the accounts. When considering the fair value of long term provisions, the Council has set a £50k de minimis limit. Below this amount, the carrying value of the long term provisions will be used as a proxy for fair value.

23. Contingent Liabilities

A contingent liability is where there is a possible obligation to transfer economic benefit resulting from a past event, but the possible obligation will only be confirmed by the occurrence or non-occurrence of one or more events in the future. These events may not wholly be within the control of the Council. The Council discloses these obligations in the narrative notes to the accounts.

These amounts are not recorded in the Council's accounts because:

- it is not probable that an outflow of economic benefits or service potential will be required to settle the obligation; or
- the amount of the obligation cannot be measured with sufficient reliability at the year end.

The Council has set a de-minimis level for recognising Contingent Liabilities of £100k.

24. Contingent Assets

A contingent asset is where there is a possible transfer economic benefit to the Council from a past event, but the possible transfer will only be confirmed by the occurrence or non-occurrence of one or more events in the future. These events may not wholly be within the control of the Council. The Council discloses these rights in the narrative notes to the accounts.

The Council has set a de-minimis level for recognising Contingent Assets of £100k.

25. Events after the Reporting Date

These are events that occur between the end of the reporting period and the date when the Financial Statements are authorised for issue. The Council will report these in the following way if it is determined that the event has had a material effect on the Council's financial position.

- Events which provide evidence of conditions that existed at the end of the reporting period will be adjusted and included within the figures in the accounts; and

- Events that are indicative of conditions that arose after the reporting will be reported in the narrative notes to the accounts.

- Events which take place after the authorised for issue date are not reflected in the Statement of Accounts.

26. Recognition of Revenue (Income)

Revenue shall be measured at the fair value of the consideration received or receivable.

Revenue is recognised only when it is probable that the economic benefits or service potential associated with the transaction will flow to the Council, with the exception of non-exchange transactions (such as Council Tax and general rate) where it is assumed there is no difference between the delivery and payment date.

27. Exceptional Items

Exceptional items are material amounts of income or expenditure which occur infrequently in the course of the Council's normal business and are not expected to arise at regular intervals. When these items of income or expense are material, their nature and amount will be 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.

28. Costs of Support Services

The costs of overheads and support services are charged to services in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2012-13 (SeRCOP). The costs are recharged to services on the following basis:

Costs	Basis of apportionment
Accommodation	staff numbers
Accountancy services	estimated time
Business support	budget amount
Central support team	estimated time
Communications	gross expenditure and sales
Creditor payments	number of payments
Customer service centre	number and length of calls
Debtor services and income collection	number of debtor accounts and number of cash receipts
IT services	number of PC's
Payroll services	number of employees
Personnel services	number of employees
Programme Centre and Property Rationalisation Programme	gross expenditure and sales
Property services	number of properties
Adult Social Care (Assessments Team and associated Swift IT)	number of Adult Social Care clients

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; and

- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on non-operational properties.

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

29. Acquired and Discontinued Operations

Where the Council takes on new activities or ceases providing services, the costs relating to these activities will be identified in the Comprehensive Income and Expenditure Statement, on the surplus or deficit on discontinued operations line. These items will not form part of the net cost of services in the Comprehensive Income and Expenditure Statement in the year they occur.

30. Value Added Tax (VAT)

The Council's Comprehensive Income and Expenditure Statement excludes VAT. All VAT must be passed on (where output tax exceeds input tax) or repaid (where input tax exceeds output tax) to HM Revenue and Customs.

The net amount due to or from HM Revenue and Customs for VAT at the year end shall be included as part of creditors or debtors balance.

31. Council Tax Income

The collection of Council Tax is in substance an agency arrangement with the seven Lincolnshire District Councils (billing Authorities) collecting Council Tax on behalf of the Council.

The Council Tax income is included in the Comprehensive Income and Expenditure Statement on an accruals basis and includes the precept for the year plus the Council's share of Collection Fund surpluses and deficits from the billing Authorities.

The difference between the income reported in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund, shall be taken to the Collection Fund Adjustment Account through the Movement in Reserves Statement.

The year end Balance Sheet includes the Council's share of debtors (arrears and collection fund surpluses) and creditors (prepayments, overpayments and collection fund deficits).

32. 'Cap and Trade' Schemes

Landfill Allowance Trading Scheme – LATS (ceases 31 March 2013)

LATS is the only 'cap and trade' scheme that currently affects Lincolnshire County Council. The LATS scheme is recorded in our accounts as:

- an asset for allowances held;
- LATS grant income (treated as a revenue government grant); and
- a liability for actual biodegradable municipal waste landfill usage.

Allowances, whether allocated by DEFRA or purchased from another Waste Disposal Authority, shall be recognised as current assets. They shall be measured initially at their fair value. Landfill allowances allocated by DEFRA are accounted for as a government grant.

After initial measurement, Authorities shall re-measure the value of landfill allowances as the lower of cost or net realisable value.

As landfill is used, a liability shall be recognised for actual landfill usage. The liability is discharged by using allowances to meet the liability or paying a cash penalty to DEFRA. The liability is measured as the best estimate of the expenditure required to meet the obligation at the reporting date (this will be the present market price of LATS at the Balance Sheet date).

Carbon Reduction Commitment Scheme – CRC

The Council is required to participate in the CRC Energy Efficiency Scheme. This scheme is currently in its introductory phase which will last until 31 March 2014. The Council is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances.

The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the Authority is recognised and reported in the costs of the Authority's services and is apportioned to services on the basis of energy consumption.

33. Reserves

a) Useable Reserves

The Council's general revenue balances are held in the General Fund. The Council also maintains a number of specific 'earmarked' reserves for future expenditure on either policy purposes or to cover contingencies. When expenditure is financed from an earmarked reserve, it is charged to the relevant revenue service account in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back to the General Fund Balance via the Movement in Reserves Statement, so that there is no net charge against council tax.

b) Unusable Reserves

Certain reserves are kept to maintain the accounting processes for non-current assets, financial instruments and employee benefits. These accounts do not represent usable resources for the Council. These include:

- Capital Adjustment Account;
- Revaluation Reserve;
- Financial Instruments Adjustment Account;
- Pension Reserve;
- Collection Fund Adjustment Account; and
- Accumulated Absences Reserve.

34. Employee Benefits – Benefits Payable during Employment

a) Short Term Benefits

These are amounts expected to be paid within 12 months of the Balance Sheet date. These include:

- Salaries, wages and expenses accrued up to the Balance Sheet date. These items are charged as an expense to the relevant service revenue account in the year the employees' services are rendered; and

- Annual leave and flexi hours earned, but not yet taken at the Balance Sheet date. An accrual is made for items at the wage and salary rate payable. The accrual is charged to the relevant service revenue account, but then reversed out through the Movement in Reserves Statement to the Accumulated Absences Account, so this does not have an impact on council tax.

Teacher Leave Accrual

The accrual for short term benefits for teachers is calculated using a standard methodology, reflecting the fact that teachers across the Council are subject to standard terms and conditions of employment. This methodology is based on the number of days of the Spring Term (both term-time and holiday) that fall within the financial year and the leave entitlement of the teacher (which varies according to whether an individual has left the teaching profession at the end of the Spring term).

b) Long Term Benefits

These are amounts which are payable beyond 12 months. The Council does not have any material long term benefits to be declared within the Financial Statements.

35. Employee Benefits – Termination Benefits

Employee termination benefits arise from the Council's obligation to pay redundancy costs to employees. These costs will be recognised in the Council's Financial Statements when the obligation to pay these benefits arises. For example; when there is a formal plan for redundancies (including the location, function and approximate number of employees affected; the termination benefits offered, and the time of implementation).

These items will be accrued in the Balance Sheet at the year end and charged to the relevant service revenue account. If payments are likely to be payable in more than 12 months from the year end, then these costs will be discounted at the rate determined by reference to market yields.

36. Employee Benefits – Post Employment Benefits (Pensions)

Lincolnshire County Council participates in three different pension schemes which provide scheme members with defined benefits related to pay and service. The schemes are as follows:

- **Teachers Pension Scheme:** This is a notionally funded scheme administered nationally by Capita Teachers' Pensions on behalf of the Department for Education (DFE). The pension contributions to be paid by the Council are determined by the Government Actuary and reviewed periodically. The scheme is accounted for as if it were a defined contribution scheme. There is no liability for future payments of benefits recognised in the Balance Sheet. All employer's contributions payable to teachers' pensions in the year are treated as expenditure on the education service line in the Comprehensive Income and Expenditure Statement.

- **Uniformed Fire-fighters Pension Scheme (FPS):** From 1 April 2006, a new pension fund for Fire-fighters was set up. This scheme replaced the 1992 Fire-fighters scheme for new Fire-fighters. Both the 1992 and 2006 schemes remain unfunded but there are differences in the contributions payable into each scheme and the benefits paid to members. Both employee and employer contributions are paid into each fund, against which pension payments are made. Each fund is topped up by additional government funding if contributions are insufficient to meet the cost of the pension payments. Any surplus in each fund at the end of each year will be repaid back to the Department for Communities and Local Government (DCLG). Contributions in respect of ill health retirements are still the responsibility of the Council.

- **Local Government Pension Scheme (LGPS):** Other employees are eligible to join the LGPS. The Council pays contributions to a funded pension scheme from which employee pension benefits are paid out.

The pension costs included in the Statement of Accounts in respect of both the LGPS and the FPS have been prepared in accordance with IAS 19 Employee Benefits. The pension costs in respect of both the LGPS and FPS have been estimated by the Pension Fund actuary adviser and have incorporated an actual valuation of the accrued pension liabilities attributable to the Council as the scheme employer.

The LGPS is accounted for as a defined benefits scheme:

- The liabilities of the Lincolnshire Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of earnings for current employees.

- Liabilities are discounted to their value at current prices, using a discount rate of 4.5% (based on long term UK Government bonds greater than 15 years).

- The assets of Lincolnshire Pension Fund attributable to the Authority are included in the Balance Sheet at their fair value:

  - quoted securities – current bid or last traded price;
  - unquoted securities – professional estimates;
  - unitised securities – current bid price.

- 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 cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus of 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 assets – the annual investment return on the fund assets attributable to the Authority, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;

- gains or losses on settlements and curtailments – the result of actions to relieve the Authority 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 the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debit to the Pensions Reserve; and

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

The Council also pays any costs arising in relation to unfunded elements of pensions, paid to certain employees that have retired early and have been awarded discretionary compensation under the provisions of the Council's early retirement policy. These costs are charged to Non-Distributed Costs in the Comprehensive Income and Expenditure Statement.

37. Accounting for Schools Income, Expenditure, Assets, Liabilities and Reserves

In Lincolnshire, Local Authority education is provided in: Foundation, Voluntary Aided, Voluntary Controlled and Community Schools (all known as 'maintained schools').

Income and Expenditure

All income and expenditure relating to maintained schools in Lincolnshire is shown in the Council's Comprehensive Income and Expenditure Statement.

Non-Current Assets

Schools non-current assets will be accounted for by considering their substance and economic reality and not merely their legal form. The Code defines non-current assets as "a resource controlled by the Council as a result of a past event and from which future economic benefits or service potential are expected to flow".

If assets are owned by the Council, or the future economic benefits are identified to sit with the Council, then the non-current assets will be recorded in the Balance Sheet. Where the non-current assets and long term liabilities for a school are vested in the individual governing bodies, and it is assessed that the future economic benefits sit with the governing body of the school; no Property, Plant and Equipment is recorded in the Council's Balance Sheet.

The exception to this is for any finance leases for IT equipment taken out by the Council on behalf of a school; these remain within the Council's Balance Sheet as the Council retains the liability.

Assets and Liabilities

All assets and liabilities, excluding non-current assets which are covered above, relating to maintained schools are included within the Council's Balance Sheet.

Reserves

The Council maintains specific earmarked reserves for schools balances. At year end balances from dedicated schools budget including those held by schools under a scheme of delegation are transferred into the reserve to be carried forward for each school to use in the next financial year. This ensures that any unspent balances at the end of the financial year are earmarked for use by those schools as required by the Council's scheme for financing schools approved by the Secretary of State for Education.

38. Group Relationships

The Council assesses on an annual basis relationships with other bodies to identify the existence of any group relationships. A de-minimis level of £1.000m has been set for considering bodies to be included within group accounts.

The Council has not identified, and does not in aggregate have any material interests in subsidiaries, associated companies or joint ventures and therefore is not required to prepare group accounts.

39. Financial Instruments

a) Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing & 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. All the Council's borrowings are carried at amortised cost and the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and the interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

No repurchase has taken place as part of a restructuring of the loan portfolio that included the modification or exchange of existing instruments. Therefore gains and losses on the repurchase or early settlement of borrowing are credited and debited to Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement and spread over future years under statutory regulation.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain/loss over ten years or the term that was remaining on the loan if less than ten years. The reconciliation of premiums / discounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund is managed by a transfer to or from the Financial Instruments Adjustment Account through the Movement in Reserves Statement.

b) 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 – assets that have a quoted market price and/or do not have fixed or determinable payments.

i) Loans and Receivables

Loans and Receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual credits to the Financing & Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For the majority of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

However, the Council has a number of loans at less than market rates (soft loans) for the purpose of service objectives. When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be forgone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing & Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account through the Movement in Reserves Statement.

The Council has set a £50k de minimis limit to the value of soft loans or the discounting of interest rates. Below this amount the above accounting treatment for soft loans is not applied and the soft loans are shown in the accounts at their carrying value.

Where assets are identified as impaired, because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Financing & Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement or the relevant service (for receivables specific to that service). 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 the assets are credited/debited to the Financing & Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

ii) Available-for-sale Assets

Available-for-sale assets are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing & Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

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

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

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

The Council holds a small equity holding of 14,000 of shares at £1 par value, in a company called 'Investors for Lincoln Ltd'. These shares do not have a quoted market price in an active market and therefore their fair value cannot be measured reliably, consequently they are shown in the Balance Sheet at cost.

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

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

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

Note 2. Accounting Standards that have been issued but have not yet been adopted.

The Council is required to disclose information relating to the impact of changes in accounting standards on the Financial Statements as a result of new standards that have been issued, but are not yet required to be adopted.

In the 2012-13 accounts, the Council is required to disclose the following changes to Accounting Standards which will have an impact on the Council's accounts in 2013-14.

IAS 19 Retirement Benefits (Classification, Recognition, Measurement and Disclosure Requirements).

IAS 19 is changing for accounting periods starting on or after 1 January 2013. The key change affecting Local Government relates to the expected return on assets for the Local Government Pension Scheme. Advance credit for anticipated outperformance of return seeking assets (such as equities) will no longer be permitted. The expected return on assets is currently credited to profit and loss, however, from 2013 this is effectively replaced with an equivalent figure calculated using the discount rate (as opposed to that calculated using the expected return on assets assumption).

In accordance with IAS 8 the Council will be required to adopt these changes retrospectively for the year 2012-13 when this standard is adopted in the 2013-14 accounts.

The effect of this change has been estimated by the actuary as an increase of £6.627m on the income statement. This relates solely to the Local Government Pension Scheme, there is no impact on the Fire-fighters' Pension as this scheme is unfunded.

There are also changes to the components reported in the Comprehensive Income and Expenditure Statement for IAS 19. The new components will be used for reporting in the 2013-14 accounts with the 2012-13 figures being restated using these components too.

The following changes to Accounting Standards and the Code of Practice have been considered and are not expected to impact on the County Council's accounts in 2013-14:

• IAS 1 Presentation of Financial Statements;

• IAS 19 Retirement Benefits - Recognition of termination benefits;

• Clarifications for the recognition criteria for assets under construction or intangible assets for PFI schemes under construction;

• IAS 12 Income Taxes - Group Accounts; and

• IFRS 7 Financial Instruments: Disclosures (Offsetting Financial Assets and Liabilities).

Note 3. Critical judgements in applying accounting

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 include:

Government Support

- 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.

PFI Contract

-The Council entered into a PFI contract with Focus Education (Lincolnshire), for the construction and provision of seven fully serviced school premises. The Council is deemed to control the service provided in these schools and also control the residual value in the school buildings at the end of the agreement. The accounting policy for Service Concessions and Similar Arrangements (including PFI agreements) has been applied to account for this contract and the Property, Plant and Equipment assets associated with these schools, plus the outstanding liability for the PFI finance lease have been included within the Council's Balance Sheet. Details of the Council's PFI contract accounting are set out in Note 50 Private Finance Initiatives (PFI) and Similar Contracts.

On the 1st March 2013, one of the seven PFI schools - the Phoenix School in Grantham, converted to Academy status. A lease has been agreed between the Council and the Academy to reflect the effects of the conversion. This lease is accounted for in accordance with the Council's Accounting Policies on Leases.

Classification of Leases

-The Council has entered into numerous leases for property and equipment, both as lessee and lessor. All new arrangements are assessed on an annual basis using the Council's accounting policies on leasing. Details of all leases held by the Council are set out in Note 49 Leases.

Group Relationships

- The Council is one of seven Local Authority members of Eastern Shires Purchasing Organisation (ESPO). The relationship between the Council and ESPO has been assessed to be a jointly controlled entity. ESPO has not been consolidated into the Council's accounts as the relationship is not deemed to be material for the Council. This relationship has been disclosed as a narrative note within the Accounts. Full details of group relationships and other interests are detailed in Note 57.

School Assets

- The Council's accounting policies on accounting for schools assets states: ‘The Code defines non-current assets as “a resource controlled by the Council as a result of a past event and from which future economic benefit or service potential are expected to flow”. In applying this accounting policy, the following school assets have been included within the Balance Sheet as non-current assets: community school assets and voluntary controlled school assets. Voluntary aided and foundation school assets have not been included within the Council's Balance Sheet as ownership, economic benefit and future service potential of these assets is deemed to be vested in the school's governing body.

Investment Properties

- The Council has assessed its portfolio of property assets and has identified a small number of assets held for investment purposes (including the Council's County Farms Estate). These assets are held purely for the purposes of capital appreciation or income generation, or both, and have been accounted for under the Council's policy on Investment Properties. Further details are contained in Note 16.

Note 4. Assumptions made about the future and other major sources of estimation uncertainty

The Statement of Accounts contain a number of estimated figures that are based on assumptions made by the Council, about the future or where there is a degree of uncertainty about outcomes. Estimates made take into account: historical experience, current trends and relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates included in the Statement of Accounts.

The Council's Balance Sheet as at 31 March 2013 contains the following entries for which there is a significant risk of material adjustments in the forthcoming financial year:

Item	Uncertainties	Effect if actual results differ from assumptions
Property, Plant and Equipment (Valuations and Asset Lives)	- Land and building assets carrying value and remaining useful life are assessed by the Council's Valuers. These valuations include an assessment of the condition and use of assets. Changes in local government funding and current restructuring of services by the Council may affect the use of existing assets and levels of spending to maintain these assets. This may lead to changes in asset values and asset lives in the future.	Changes to asset value and lives, will have an effect on the annual depreciation charge for use of assets charged to services in the CI&ES. The annual depreciation charge for PP&E in 2012-13 was £75.855m (2011-12 £59.423m) and the gross book value of these assets was £1,720.155m (2011-12 £1,646.852m). Note 1 on accounting policies and Note 14 Property, Plant and Equipment, details the current policy on valuation methods, asset lives and depreciation applied by the Council.
Pensions	- The Council's Accounts contain an estimate of the future liability to pay pensions on the retirement of employees. This liability is estimated by the Council's actuary who applies a number of assumptions relating to: salary projections, retirement ages, changes in mortality rates and expected rates of return on pension assets and the discount rates used.	Changes to the actuaries assumptions may materially affect the value of the pension fund liability, however, these changes are difficult to predict as the assumptions interact in complex ways. During 2012-13 the Council's actuaries advised that the net pension liability had increased by £96.359m (£87.485m increase in 2011-12). Details of the pension fund liabilities are set out in Note 54 Defined Benefit Pension Schemes.
Accruals	- Debtor and creditor accruals are measured at the best estimate of the income / expenditure expected at the Balance Sheet Date. Details of debtor and creditor balances are set out in Note 21 (debtors) and Note 24 (creditors).	The most significant accrual as at 31 March 2013, is for pay which totals £9.038m (£6.744m of which is for employee leave earned but not taken).

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

Note 5. Exceptional Items

The Council is required to disclose separately within the Financial Statements any exceptional items which are material and are not expected to recur frequently in the Council's normal operations.

In 2012-13, an exceptional item has arisen due to the number of schools converting to Academy status.

Academies are independent of the Council. They receive funding from the Department for Education directly and incur their own expenditure. Prior to becoming Academy Schools, this income and expenditure formed part of the Council's net expenditure on schools.

The effect of schools converting to Academies in 2012-13 on the Comprehensive Income and Expenditure Statement is:

	Reduction to Gross Expenditure £'000	Reduction to Income £'000	Effect on Net Expenditure £'000
Primary Schools	(24,382)	24,995	613
Secondary Schools	(50,774)	52,050	1,276
Special Schools	(179)	184	5
Total Effect on Comprehensive Income & Expenditure Statement	**(75,335)**	**77,229**	**1,894**

These amounts have not been shown separately on the face of the Comprehensive Income and Expenditure Statement.

In addition to the loss of income and expenditure on these schools, where the assets of a school becoming an Academy were owned by the Council (i.e. Community and Voluntary Controlled Schools), the school's land and buildings are leased to the Academy Trust.

During 2012-13, four secondary, twenty three primary and one special school assets have been leased to Academy School Trustees on 125 year leases.

The Council have assessed these leases to be finance leases for the buildings and operating leases for the land. These assets have been valued as such and this has led to £86.077m being removed from the value of Council's assets held on Balance Sheet as at 31 March 2013. A further £0.647m has been removed from the Council's Balance Sheet for all Academy schools equipment which was previously held by the Council.

In 2011-12 a similar reduction occurred due to schools becoming Academies. The effect on the CI&ES was to reduce gross expenditure by £71.478m and income by £73.882m, giving a net effect of £2.404m. The effect on the Council's Balance Sheet as at 31 March 2012 was a reduction of £75.454m due to assets being leased to Academies Trusts and removal of schools equipment from the Balance Sheet of £0.600m.

Note 6. Material items of income and expenditure

The Council is required to disclose any material amounts of income or expenditure which are not disclosed on the face of the Comprehensive Income and Expenditure Statement or in other supporting notes to the Accounts. Material items over £10m have been reviewed, no items have been identified which are not reported on the face of the Comprehensive Income and Expenditure Statement or in the supporting notes.

Note 7. Events after the balance sheet date

a) Authorisation of Accounts for Issue

The Statement of Accounts were authorised for issue by Pete Moore, CPFA (Executive Director - Resources and Community Safety) in accordance with the Accounts and Audit Regulations 2011 (England).

b) Post Balance Sheet Events

In accordance with IAS 10 'Events after the Reporting Period' have been considered on the following basis:

- Events taking place after the date the Accounts were authorised for issue (27 September 2013) are not reflected in the Financial Statements or the notes.

- Events that provide evidence of conditions that existed at the end of the reporting period 31 March 2013 are reflected in the figures in the Financial Statements and the notes, where the information has a material impact.

- Events that arose after the reporting period have not been reflected in the figures in the Accounts. A note of material events which took place after 31 March 2013 is set out here to provide information that is relevant to an understanding of the Council's financial position, but do relate to conditions at this date.

The Financial Statements and notes have not been adjusted for the following events which took place after 31 March 2013. The note below provides information that is relevant to an understanding of the Council's financial position but do not relate to conditions at that date.

Schools becoming Academies

The property, plant and equipment line of the balance sheet includes valuations of £19.719m for seven schools which are due to become Academies by the end of September 2013. On conversion to Academies status, these assets will be transferred to the school on a 125 year lease and the assets will be written out of the County Council's balance sheet.

Note 8. Service Expenditure Analysis

The net cost of services is presented according to the service expenditure analysis detailed in the Service Reporting Code of Practice (SeRCOP) as issued by CIPFA. A further breakdown of the figures shown in the Comprehensive Income and Expenditure Statement is provided below:

2011-12				2012-13		
Gross Expenditure £'000	Income £'000	(*1) Restated Net Expenditure £'000		Gross Expenditure £'000	Income £'000	Net Expenditure £'000
			CHILDREN'S AND EDUCATION SERVICES - EDUCATION SERVICES			
38,801	(17,784)	21,017	Early Years	40,651	(30,657)	9,994
244,957	(236,651)	8,306	Primary Schools	217,606	(176,520)	41,086
219,395	(169,596)	49,799	Secondary Schools	131,703	(124,300)	7,403
41,000	(39,203)	1,797	Special Schools	42,597	(36,513)	6,084
14,139	(5,985)	8,154	Services to Young People and Other Community Learners	15,510	(5,180)	10,330
18,622	(6,100)	12,522	Other Strategic Functions	21,204	(9,809)	11,395
576,914	**(475,319)**	**101,595**	**TOTAL**	**469,271**	**(382,979)**	**86,292**
			CHILDREN'S AND EDUCATION SERVICES - CHILDREN'S SOCIAL CARE			
1,360	(116)	1,244	Service Strategy	1,620	(60)	1,560
17,279	(2,264)	15,015	Commissioning and Social Work	15,650	(2,258)	13,392
19,785	(1,038)	18,747	Children Looked After	20,911	(1,044)	19,867
10,487	(2,875)	7,612	Family Support Services	14,056	(4,600)	9,456
5,429	(3,654)	1,775	Youth Justice	4,524	(3,579)	945
487	(157)	330	Children's & Young People's Safety	413	(173)	240
649	(825)	(176)	Asylum Seekers	525	(545)	(20)
5,100	(241)	4,859	Other Children's and Families' Services	5,098	(387)	4,711
60,576	**(11,170)**	**49,406**	**TOTAL**	**62,797**	**(12,646)**	**50,151**
			ADULT SOCIAL CARE			
2,138	(27)	2,111	Service Strategy	1,460	(13)	1,447
130,652	(39,197)	91,455	Older People (Aged 65 or Over) Including Older Mentally Ill	131,575	(40,445)	91,130
18,390	(2,460)	15,930	Adults Aged Under 65 with a Physical Disability or Sensory Impairment	18,993	(3,235)	15,758
58,993	(24,261)	34,732	Adults Aged Under 65 with Learning Disabilities	61,263	(19,616)	41,647
14,617	(4,621)	9,996	Adults Aged Under 65 with Mental Health Needs	13,770	(5,627)	8,143
9,223	(993)	8,230	Other Adult Services	9,546	(3,058)	6,488
234,013	**(71,559)**	**162,454**	**TOTAL**	**236,607**	**(71,994)**	**164,613**
			HIGHWAYS AND TRANSPORT SERVICES			
9,011	(1,470)	7,541	Transport Planning, Policy & Strategy	7,567	(1,450)	6,117
17,453	(1,007)	16,446	Structural Maintenance	11,140	(741)	10,399
25,618	(48)	25,570	Capital Charges Relating to Construction Projects	29,055	(3,075)	25,980
10,904	(851)	10,053	Environment, Safety & Routine Maintenance	10,776	(994)	9,782
5,764	(413)	5,351	Street Lighting (including energy costs)	5,637	(564)	5,073
5,861	(195)	5,666	Winter Service	7,634	(198)	7,436
6,296	(1,913)	4,383	Traffic Management and Road Safety	5,711	(1,766)	3,945
16,925	(1,794)	15,131	Public Transport	17,902	(1,957)	15,945
97,832	**(7,691)**	**90,141**	**TOTAL**	**95,422**	**(10,745)**	**84,677**
			CULTURAL AND RELATED SERVICES			
7,223	(1,749)	5,474	Culture and Heritage	6,513	(1,382)	5,131
1,703	(107)	1,596	Recreation and Sport	1,612	(103)	1,509
472	(21)	451	Open Spaces	892	(26)	866
953	(256)	697	Tourism	1,295	(392)	903
12,484	(943)	11,541	Library Services	13,356	(791)	12,565
22,835	**(3,076)**	**19,759**	**TOTAL**	**23,668**	**(2,694)**	**20,974**
			ENVIRONMENTAL AND REGULATORY SERVICES			
1	0	1	Coast Protection	0	0	0
3,132	(140)	2,992	Community Safety (Crime Reduction)	2,828	(137)	2,691
250	(5)	245	Flood Defence and Land Drainage	912	(215)	697
4,576	(835)	3,741	Regulatory Services	3,263	(828)	2,435
18,777	(420)	18,357	Waste Disposal	19,999	(202)	19,797
139	(131)	8	Trade Waste	119	(115)	4
4,817	(43)	4,774	Recycling	4,867	(597)	4,270
36	(16)	20	Waste Minimisation	27	(1)	26
31,728	**(1,590)**	**30,138**	**TOTAL**	**32,015**	**(2,095)**	**29,920**

2011-12				2012-13		
Gross Expenditure £'000	Income £'000	Restated * Net Expenditure £'000		Gross Expenditure £'000	Income £'000	Net Expenditure £'000
			PLANNING SERVICES			
945	(312)	633	Development Control	901	(345)	556
534	(78)	456	Planning Policy	612	(32)	580
2,853	(497)	2,356	Environmental Initiatives	1,434	(467)	967
593	(60)	533	Economic Research	578	(8)	570
2,657	(1,018)	1,639	Business Support	3,383	(1,025)	2,358
5,318	(12,924)	(7,606)	Economic Development	5,379	(2,506)	2,873
1,909	(455)	1,454	Community Development	2,571	(773)	1,798
14,809	**(15,344)**	**(535)**	**TOTAL**	**14,858**	**(5,156)**	**9,702**
			FIRE & RESCUE SERVICES			
2,206	(523)	1,683	Community Safety	1,475	(376)	1,099
26,283	(2,608)	23,675	Fire Fighting and Rescue Operations	27,742	(2,609)	25,133
28,489	**(3,131)**	**25,358**	**TOTAL**	**29,217**	**(2,985)**	**26,232**
			HOUSING SERVICES			
384	(61)	323	Other Council Property: Travellers' Sites	346	(83)	263
384	**(61)**	**323**	**TOTAL**	**346**	**(83)**	**263**
			CENTRAL SERVICES TO THE PUBLIC			
2,336	(1,093)	1,243	Registration of Births, Deaths and Marriages	1,930	(1,187)	743
10	0	10	Elections	18	0	18
639	(133)	506	Emergency Planning	837	(164)	673
1,264	(20)	1,244	Coroners' Court Services	1,427	(39)	1,388
4,249	**(1,246)**	**3,003**	**TOTAL**	**4,212**	**(1,390)**	**2,822**
			CORPORATE & DEMOCRATIC CORE			
2,489	(7)	2,482	Democratic Representation and Management	2,342	(32)	2,310
1,318	(101)	1,217	Corporate Management	1,390	(146)	1,244
3,807	**(108)**	**3,699**	**TOTAL**	**3,732**	**(178)**	**3,554**
			NON DISTRIBUTED COSTS			
(6,354)	0	(6,354)	Non distributed costs	(11,984)	0	(11,984)
0	0	0	Exceptional Items	0	0	0
(6,354)	**0**	**(6,354)**	**TOTAL**	**(11,984)**	**0**	**(11,984)**
1,069,282	**(590,295)**	**478,987**	**COST OF SERVICES (EXCLUDING ACQUIRED AND DISCONTINUED OPERATION)**	**960,161**	**(492,945)**	**467,216**

(*1)The presentation of the Service Expenditure Analysis has changed from the 2011-12 Statement of Accounts.Flood and Water Risk Management was a new service undertaken by the Council from April 2011. As an Acquired Operation, net expenditure of £200k was excluded from the SEA in the 2011-12 Statement of Accounts. For comparability, this expenditure is now included in the heading "Flood Defence and Land Drainage".

Changes within Children's And Education Services:

- Within Children's Social Care a new 'Commissioning and Social Work' service division has been created. Last year's Service Expenditure Analysis included this within Children's Social Care 'Service Strategy' service division.
- Services to Young People' has been renamed 'Services to Young People and Other Community Learners'.
- Other School Related Education Functions' has been renamed 'Other Strategic Functions

Note 9. Adjustments between accounting basis and funding basis under regulations.

This Note details the adjustments that are made to total Comprehensive Income and Expenditure Statement to adjust proper accounting practice for statutory provisions to meet future capital and revenue expenditure.

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

General Fund Balance

The General Fund is the statutory fund into which all the receipts of the Council are required to be paid and out of which all liabilities of the Council are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on 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 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 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.

2011-12 Usable Reserves General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movements in Unusable Reserves £'000		2012-13 Usable Reserves General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movements in Unusable Reserves £'000
				Adjustments primarily involving the Capital Adjustment Account:				
				Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
(59,125)	0	0	59,125	Charges for depreciation and impairment of non-current assets	(75,802)	0	0	75,802
(19,934)	0	0	19,934	Revaluation losses on Property Plant and Equipment	(14,846)	0	0	14,846
(77)	0	0	77	Revaluation losses on Heritage Assets	0	0	0	0
(710)	0	0	710	Revaluation losses on Held for Sale Assets	(402)	0	0	402
16,482	0	0	(16,482)	Movements in the market value of Investment Properties	12,957	0	0	(12,957)
(2,188)	0	0	2,188	Amortisation of intangible assets	(2,491)	0	0	2,491
33,623	0	0	(33,623)	Capital grants and contributions applied	29,296	0	0	(29,296)
0	0	0	0	Movement in the Donated Assets Account	1,063	0	0	(1,063)
(22,327)	0	0	22,327	Revenue expenditure funded from capital under statute (net of Grants and Contributions)	(6,074)	0	0	6,074
(90,215)	0	0	90,215	Amounts of Property, Plant & Equipment written off on disposal or sale as part of the gain/loss on disposal to the CI&ES	(86,122)	0	0	86,122
(590)	0	0	590	Amounts of assets held for sale written off on disposal or sale as part of the gain/loss on disposal to the CI&ES	(656)	0	0	656
(5,289)	0	0	5,289	Amounts of investment properties written off on disposal or sale as part of the gain/loss on disposal to the CI&ES	(3,521)	0	0	3,521

2011-12					2012-13			
	Usable Reserves					Usable Reserves		
General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movements in Unusable Reserves £'000		General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movements in Unusable Reserves £'000
				Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
24,678	0	0	(24,678)	Statutory provision for the financing of capital investment	29,682	0	0	(29,682)
13,939	0	0	(13,939)	Capital expenditure charged against the General Fund	17,255	0	0	(17,255)
				Adjustments primarily involving the Capital Grants Unapplied Account:				
31,146	0	(31,146)	0	Capital grants and contributions unapplied credited to the CI&ES	28,207	0	(28,207)	0
0	0	26,511	(26,511)	Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	15,825	(15,825)
				Adjustments primarily involving the Capital Receipts Reserve:				
9,424	(9,424)	0	0	Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CI&ES	6,049	(6,049)	0	0
0	9,424	0	(9,424)	Use of the Capital Receipts Reserve to finance new capital expenditure	0	6,049	0	(6,049)
0	0	0	0	Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals	0	0	0	0
0	0	0	0	Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	0	0
				Adjustments primarily involving the Deferred Capital Receipts Reserve				
0	0	0	0	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the CI&ES	0	0	0	0

2011-12 Usable Reserves General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movements in Unusable Reserves £'000		2012-13 Usable Reserves General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movements in Unusable Reserves £'000
				Adjustment primarily involving the Financial Instruments Adjustment Account:				
30	0	0	(30)	Amount by which finance costs charged to the CI&ES are different from finance costs chargeable in the year in accordance with statutory requirements	15	0	0	(15)
				Adjustments primarily involving the Pensions Reserve:				
(39,609)	0	0	39,609	Reversal of items relating to retirement benefits debited or credited to the CI&ES (see Note 52)	(34,573)	0	0	34,573
42,670	0	0	(42,670)	Employer's pensions contributions and direct payments to pensioners payable in the year	36,034	0	0	(36,034)
				Adjustments primarily involving the Collection Fund Adjustment Account:				
(292)	0	0	292	Amount by which council tax income credited to the CI&ES is different from council tax income calculated for the year in accordance with statutory requirements	290	0	0	(290)
				Adjustment primarily involving the Accumulated Absences Account:				
819	0	0	(819)	Amount by which officer remuneration charged to the CI&ES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	1,961	0	0	(1,961)
(67,545)	**0**	**(4,635)**	**72,180**	**Total Adjustments**	**(61,678)**	**0**	**(12,382)**	**74,060**

Note 10. Transfer to/from earmarked reserves.

The note below sets out the amounts set aside from the General Fund into 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.

Balance at 01 April 2011 £'000	Additions in Year £'000	Used in Year £'000	Balance at 31 March 2012 £'000		Balance at 01 April 2012 £'000	Additions in Year £'000	Used in Year £'000	Balance at 31 March 2013 £'000
21,909	36,988	(12,192)	46,705	**Balances from dedicated schools budget including those held by schools under a scheme of delegation**	46,705	27,371	(36,158)	37,918
				Other Earmarked Reserves:				
560	2,232	(560)	2,232	Other Services	2,232	3,965	(2,232)	3,965
16	0	(16)	0	Children's Fund	0	0	0	0
1,053	0	0	1,053	Adverse Weather	1,053	1,000	(1,053)	1,000
438	0	(438)	0	Other Economic Regeneration	0	0	0	0
2,023	1,000	0	3,023	Insurance	3,023	1,035	0	4,058
185	0	(71)	114	Invest to Save	114	0	0	114
687	256	0	943	School's Sickness Insurance Scheme	943	0	(266)	677
145	0	(6)	139	Purchase of Museums Exhibits	139	10	0	149
25,445	0	(13,700)	11,745	Waste Disposal	11,745	0	(11,745)	0
49	0	(49)	0	Carbon Management	0	0	0	0
3,364	0	(2,801)	563	Development - Economic Development Reserve	563	0	(30)	533
0	126	0	126	Development - Migrant Workers Reserve	126	0	(61)	65
0	771	0	771	Development - SCS Reserve	771	143	(359)	555
194	0	(194)	0	Landfill Allowance Credits'	0	0	0	0
6,430	161	(1,279)	5,312	Health and Well Being	5,312	54	(1,382)	3,984
350	832	(350)	832	Legal Services	832	851	(543)	1,140
0	0	0	0	Procurement	0	730	0	730
322	35	(154)	203	Salix Carbon Management	203	219	(128)	294
1,643	0	(475)	1,168	Safer Communities Development Fund	1,168	315	(150)	1,333
685	0	0	685	Community Safety Development Fund	685	140	0	825
0	0	0	0	Co-Responder Services	0	0	150	150
0	0	0	0	Financial Volatility Reserve - Budget Shortfall	0	23,200	0	23,200
0	4,356	0	4,356	Financial volatility	4,356	9,948	(1,256)	13,048
50	0	0	50	Teal Park	50	0	0	50
0	400	0	400	Youth Service Positive Activities Developtment Fund	400	0	0	400
0	171	0	171	Corby Glen/South Lincolnshire Sports fund	171	0	0	171
0	9,000	0	9,000	Fire Fleet	9,000	0	(9,000)	0
0	2,000	0	2,000	Roads Maintenance - Drought Damage	2,000	0	(2,000)	0
0	0	0	0	Roads Maintenance	0	2,000	0	2,000
0	0	0	0	Responders to Warmth	0	500	0	500
0	500	0	500	Support Services contract	500	4,000	(307)	4,193
0	0	0	0	Civil Parking Enforcement	0	156	0	156
0	0	0	0	Youth Offending Service	0	363	0	363
0	0	0	0	Domestic Homicide Reviews	0	50	0	50
0	3,634	0	3,634	Temporary Service Reserve	3,634	1,099	(1,831)	2,902
				Revenue Grants and Contributions Unapplied Reserves				
7,320	0	(274)	7,046	Growth Points - Lincoln	7,046	0	(906)	6,140
5,289	0	(1,500)	3,789	Growth Points - Grantham	3,789	0	(1,631)	2,158
16,863	1,952	(16,456)	2,359	Children Services	2,359	2,069	(460)	3,968
6,844	360	(6,469)	735	Highways and Transport	735	163	(45)	853
900	7,015	(900)	7,015	Adult Social Care	7,015	3,721	(1,596)	9,140
0	9,801	0	9,801	Growing Places	9,801	4	(10)	9,795
6,493	1,430	(1,545)	6,378	Other Grants and Contributions	6,378	2,592	(3,852)	5,118
109,257	**83,020**	**(59,429)**	**132,848**	**Total**	**132,848**	**85,698**	**(76,851)**	**141,695**

The balance held by schools under the scheme of delegation, represents the net underspending of school budget shares in 2012-13. It is earmarked for use by those schools as required by the Lincolnshire County Council Scheme for financing Schools approved by the Secretary of State for Education.

The **Other Services Reserve** represents net under and overspendings in 2012-13 on services other than schools (i.e. Children's Services, Adult Care, Public Health, Communities, Corporate Services) which will be carried forward for use in 2013-14.

The reserve for the **Children's Fund** (CF) represents the amount of interest that has accrued in relation to grant income paid in advance by the Children and Young Person's Unit (CYPU). This fund ceased at the end of 2011-12.

The **Adverse Weather** reserve is used to fund any overspend of the council's Winter Maintenance budget caused by the weather being particularly severe.

The reserve for **Other Economic Regeneration** was established to provide match funding for projects attracting objective 2 grant. This reserve has now ceased.

The reserve for **Insurance** is earmarked for potential future claims under the excess clauses of the Council's external insurance policies. Separate provision is made within Provisions for all claims currently outstanding.

The **Invest to Save** reserve provides funding for the implementation costs of initiatives which will produce future savings and pay back the initial investment over a period of years.

The reserve for **Schools Sickness Insurance Scheme** represents the unspent balance of amounts set aside by schools to provide cover for staff absences.

The reserve for the **Purchase of Museum Exhibits** is earmarked for this purpose in future years. This also includes the reserve for the Tennyson Collection, which is earmarked for the preservation and expansion of the collection of Tennyson's works held at Lincoln's central library.

The specific need for a **Waste Disposal** reserve is no longer applicable. This has been transferred into the Financial Volatility Reserve.

The **Carbon Management** reserve is to provide funding for non Salix carbon management projects.

The **Development** reserve will be used to fund one off service developments and improvements.

The **Landfill Allowance 'Credits'** reserve was set up to meet future liabilities of the Landfill Allowance Trading Scheme (LAT's). LAT's ended on the 31 March 2013.

The **Health and Wellbeing** reserve has been set up with contributions from both Lincolnshire County Council and Lincolnshire Primary Care Trust. It will be used to fund future initiatives which will help to achieve the objectives and aspirations of both parties.

The reserve for **Legal Services** represents what the Practice carried forward from 2012-13. The Legal Services Management Board will agree on what proportion of the surplus should be distributed to the shared service partners in 2013-14.

The **Procurement Reserve** represents Procurement Lincolnshire's underspend at the end of 2012-13. The underspend relates to both Council money and partners money. This amount will be carried into 2013-14 for schemes for mutual benefit to all the partners.

Salix Carbon Management is a reserve to provide the Council match funding for Salix compliant carbon management projects.

The **Safer Communities Development Fund** was set up from a planned underspend of Area Based Grant in 2008-09. The reserve will enable the commissioning process to continue as the Government grant reduces.

Community Safety Development Fund was set up from an underspend of development funding in 2008-09 to be used for the implementation of the Positive Futures and Neighbourhood Management Projects.

The **Co-responder Services** Reserve has been set up to provide financial support to Lincolnshire Fire and Rescue co-responder scheme. The scheme is based at twenty-one stations and operates in partnership with LIVES and EMAS. The scheme provides a vital first response to medical emergencies within Lincolnshire and helps maintain the health and wellbeing of our communities.

The **Financial Volatility** and the **Financial Volatility - Budget Shortfall** reserves have been established to help the Council deal with the future uncertainties around Local Government funding. The Financial Volatility - Budget Shortfall Reserve contains £23.2m which the Council has budgeted as contributions to the revenue budget in 2013-14 and 2014-15.

The **Teal Park** reserve was created for a bond that has been put in place for the development of this site.

The **Youth Service Positive Activities Development** reserve has been established to support a small grants scheme to transform the traditional Youth Services to a community delivery model.

Corby Glen South Lincolnshire Sports Fund has been established to recycle a capital receipt from the sale of playing field land in Corby Glen back into sports facilities in the Corby Glen area of the county.

The **Fire Fleet reserve** was used to fund the purchase of the fire and rescue vehicles when the Council took on ownership of the fleet during 2012-13.

The **Roads Maintenance - Drought Damage reserve** was used for key road maintenance schemes including that relating to drought damage to the highways during 2012-13.

The **Roads Maintenance reserve** has been established to provide for additional highways maintenance schemes to be undertaken in 2013-14.

The **Reponders to Warmth reserve** has been established to continue the Council's contribution to this voluntary sector organisation who assist people with diabilities and long term conditions which are worsened by living in cold conditions.

The **Support Services Contract reserve** will be used to fund the specialist services required to enable the support service contract to be re-let.

The **Civil Parking Enforcement Reserve** has been set up to carry forward annual surpluses/deficits in this area, due to the volatility of income in this service.

The **Youth Offending Service reserve** has been set up to deal with changes in funding for the service area.

The **Domestic Homicide Reviews Reserve** has been established to fund the Council's costs for the statutory responsibility under section 9 of the Domestic Violence, Crime and Victim's Act (2004).

The **Temporary Service** reserve will be used to fund a number of service projects to be undertaken in 2013-14.

The **Revenue Grants and Contributions Unapplied** reserve is used where the Council has received funding but the expenditure has not yet taken place. The funding will be used for the schemes that it was awarded for in future accounting periods.

Note 11. Other operating expenditure.

Other operating expenditure in the Comprehensive Income and Expenditure Statement is made up of:

2011-12 £'000		2012-13 £'000
1,108	- Precepts paid to non-principal authorities and levies	1,062
86,263	- Gain or Loss on the disposal of non-current assets	84,250
710	- Revaluation losses on assets held for sale	402
88,081	**TOTAL**	**85,714**

Note 12. Financing and Investment Income and Expenditure.

Financing and investment income and expenditure included in the Comprehensive Income and Expenditure Statement is made up of:

2011-12 £'000		2012-13 £'000
20,298	- Interest payable and similar charges	19,713
14,052	- Pensions Interest Cost and Expected Return on Pensions Assets	18,818
(2,291)	- Interest receivable and similar income	(2,302)
(17,188)	- Income, expenditure and changes in the fair values of investment properties	(14,138)
14,871	**TOTAL**	**22,091**

Note 13. Taxation and Non Specific Grant Income.

Taxation and Non Specific Grant Income in the Comprehensive Income and Expenditure Statement is made up of:

2011-12 £'000		2012-13 £'000
(251,648)	Council tax income	(253,680)
(161,438)	Contribution from National Non-Domestic Rates	(197,680)
	Non-ringfenced government grants	
(49,901)	- Revenue Support Grant	(3,832)
(6,293)	- Council Tax freeze Grant	(6,332)
(1,601)	- Local Services Support Grant	(2,000)
(906)	- New Homes Bonus Grant	(1,374)
(64,769)	- Capital grants and contributions	(58,566)
(536,556)	**TOTAL**	**(523,464)**

Note 14. Property, Plant and Equipment.

a) Movement on Non-Current Assets

Movement in Property, Plant & Equipment As at 31 March 2013	Land & Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infra-structure £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total £'000	PFI Assets Included in Property, Plant & Equipment £'000
Cost or Valuation								
At 1 April 2012	730,875	183,202	614,222	563	34,183	83,806	**1,646,851**	32,767
Additions	15,590	11,082	44,477	0	0	74,972	**146,121**	64
Donations	0	1,063	0	0	0	0	**1,063**	0
Revaluation Increase to RR	66,637	0	0	0	2,332	0	**68,969**	0
Revaluation Decrease to RR	(18,917)	0	0	0	(4,066)	0	**(22,983)**	(1,804)
Revaluation Increase/(Decrease) to SDPS	(11,758)	0	0	(675)	(2,413)	0	**(14,846)**	0
Derecognition - Disposals	(85,965)	(1,654)	0	0	(1,260)	0	**(88,879)**	(4,448)
Derecognition to RR	(605)	0	0	0	0	0	**(605)**	0
Derecognition to SDPS	(4,159)	0	0	0	0	0	**(4,159)**	0
Reclassified to/from Heritage Property	0	0	0	0	0	(1,324)	**(1,324)**	0
Reclassified to/from Held for Sale	(1,140)	0	0	0	(1,836)	0	**(2,976)**	0
Reclassified to/from Investment Property	(542)	0	0	0	0	(122)	**(664)**	0
Reclassifications - Other	5,913	(756)	14,529	134	(642)	(25,591)	**(6,413)**	0
At 31 March 2013	**695,929**	**192,937**	**673,228**	**22**	**26,298**	**131,741**	**1,720,155**	**26,579**
Depreciation and Impairment								
At 1 April 2012	(47,097)	(150,343)	(194,154)	0	(3,474)	0	**(395,068)**	(2,032)
Depreciation Charge for 2012-13	(22,623)	(22,032)	(30,741)	0	(459)	0	**(75,855)**	(534)
Depreciation written out on upward revaluation	9,080	0	0	0	39	0	**9,119**	0
Depreciation written out on downward revaluation	1,654	0	0	0	509	0	**2,163**	152
Depreciation written out to the SDPS	0	0	0	0	0	0	**0**	0
Impairment losses/(reversals) recognised in the RR	0	0	0	0	0	0	**0**	0
Impairment losses/(reversals) recognised in the SDPS	0	0	0	0	0	0	**0**	0
Derecognition - Disposals	5,604	963	0	0	138	0	**6,705**	314
Derecognition to RR	30	0	0	0	0	0	**30**	0
Derecognition - SDPS	391	0	0	0	0	0	**391**	0
Reclassified to/from Heritage Property	0	0	0	0	0	0	**0**	0
Reclassifications to Asset Held for Sale	(8)	0	0	0	0	0	**(8)**	0
Reclassifications to/from Investment Property	0	0	0	0	0	0	**0**	0
Reclassifications - Other	103	359	0	0	(103)	0	**359**	0
At 31 March 2013	**(52,866)**	**(171,053)**	**(224,895)**	**0**	**(3,350)**	**0**	**(452,164)**	**(2,100)**
Net Book Value								
At 31 March 2013	**643,063**	**21,884**	**448,333**	**22**	**22,948**	**131,741**	**1,267,991**	**24,479**
At 01 April 2012	683,778	32,859	420,068	563	30,709	83,806	**1,251,783**	30,735

Movement in Property, Plant & Equipment As at 31 March 2012	Land & Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infra-structure £'000	Restated Community Assets (*1) '£'000	Surplus Assets £'000	Assets Under Construction £'000	Total (*1) £'000	PFI Assets Included in Property, Plant & Equipment £'000
Cost or Valuation								
At 1 April 2011	792,805	173,589	568,683	688	31,042	55,646	**1,622,453**	32,741
Additions	14,000	7,138	37,796	0	8	49,947	**108,889**	52
Revaluation Increase to RR	48,460	0	0	0	423	0	**48,883**	0
Revaluation Decrease to RR	(6,047)	0	0	0	(297)	0	**(6,344)**	0
Revaluation Increase/(Decrease) to SDPS	(19,466)	0	0	0	(314)	0	**(19,780)**	0
Derecognition - Disposals	(79,400)	(2,252)	0	(124)	(8,091)	0	**(89,867)**	0
Derecognition to RR	(1,159)	0	0	0	0	0	**(1,159)**	(2)
Derecognition to SDPS	(10,639)	0	0	0	0	0	**(10,639)**	(24)
Reclassified to/from Heritage Property	0	0	0	0	0	(152)	**(152)**	0
Reclassified to/from Held for Sale	(1,858)	0	0	0	(739)	0	**(2,597)**	0
Reclassified to/from Investment Property	0	0	0	0	(14)	(1)	**(15)**	0
Reclassifications - Other	(5,821)	4,727	7,743	0	12,165	(21,634)	**(2,820)**	0
At 31 March 2012	**730,875**	**183,202**	**614,222**	**564**	**34,183**	**83,806**	**1,646,852**	**32,767**
Depreciation and Impairment								
At 1 April 2011	(44,886)	(137,540)	(167,360)	0	(3,471)	0	**(353,257)**	(1,500)
Depreciation Charge for 2011-12	(17,628)	(14,425)	(26,794)	0	(576)	0	**(59,423)**	(533)
Depreciation written out on upward revaluation	4,880	0	0	0	114	0	**4,994**	0
Depreciation written out on downward revaluation	2,716	0	0	0	30	0	**2,746**	0
Depreciation written out to the SDPS	0	0	0	0	0	0	**0**	0
Derecognition - Disposals	5,642	1,622	0	0	2,009	0	**9,273**	0
Derecognition to RR	58	0	0	0	0	0	**58**	0
Derecognition - SDPS	541	0	0	0	0	0	**541**	1
Reclassifications to Asset Held for Sale	0	0	0	0	0	0	**0**	0
Reclassifications to/from Investment Property	0	0	0	0	2	0	**2**	0
Reclassifications - Other	1,578	0	0	0	(1,582)	0	**(4)**	0
At 31 March 2012	**(47,099)**	**(150,343)**	**(194,154)**	**0**	**(3,474)**	**0**	**(395,070)**	**(2,032)**
Net Book Value								
At 31 March 2012	**683,776**	**32,859**	**420,068**	**564**	**30,709**	**83,806**	**1,251,782**	**30,735**
At 1 April 2011	747,920	36,049	401,322	688	27,570	55,647	**1,269,196**	31,241

RR - Revaluation Reserve

SDPS - Surplus or Deficit on the Provision of Services

b) Depreciation and Asset Lives

The Council's depreciation policies are set out in Note 1 Statement of Accounting Policies. All non-current assets that are subject to depreciation are dealt with in accordance with these policies. All assets are assigned a useful economic life over which they are depreciated. For assets subject to revaluation, this life is reviewed whenever an asset is revalued. For assets carried at cost, this is considered on an annual basis.

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

	Useful Economic Life (Years)
Land	999
Buildings	
Specialist Buildings, including Schools, Youth Centres, Residential Homes, Day Centres, Family Centres, Libraries, Museums, Highways Maintenance Depots	15 to 70
Non-Specialist Buildings	40
Siteworks, including playground, hardstanding, car parks etc	
- associated with specialist buildings	5 to 55
- associated with non-specialist buildings	20
Infrastructure	
Structures (Bridges)	120
Major Road Construction	60
Street Lighting, Kerbing	40
Drainage	40
Safety Fencing	25
Traffic Signals, Other Street Furniture (Signs, Ornamental structures), Junction Improvements, Bus Stop Infrastructure, Carriageway Works, Footways, Materials Testing, Verges, Rights of Way	20
Reactive Signs	15
Carriageway Surfacing - Non-Principal Roads	12
Patching, Footway Slurry Sealing	10
Carriageway Surfacing - Principal Roads	8
Carriageway Slurry Sealing	6
Potholes - Non-Principal Roads	3
Potholes - Principal Roads	1
Vehicles, Furniture & Equipment	
IT Equipment	4
Furniture and Equipment	5
Vehicles	3 to 18

c) Capital Commitments

At 31 March 2013, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2013-14 and future years budgeted to cost £50.6m.

	Detail	Gross £'000
Children's Services		
University Academy Holbeach	Major extensions/rebuildings	5,700
Ruskin Academy Grantham	Major extensions/rebuildings	9,800
Skegness Academy	Major extensions/rebuildings	1,300
Lincoln Carlton Boulevard New Primary School	Construction of New Primary School	3,000
Deepings Academy	Construct New 6th Form Block	1,200
Gainsborough Queen Elizabeth High School	Construct New 8 Classroom Block and New Sports Hall	1,300
Communities		
Boston Waste Transfer	Construct a Waste Tranfer Station to send waste to the new energy from waste facility	1,000
Energy from Waste Facility	Construct an energy from waste facility in North Hykeham	23,000
St. Botolph's Footbridge	Replace Footbridge	0.800
Fire & Rescue		
Aerial Appliances	To provide 2 new Aerial Ladder Platforms (special fire engines)	1,100
Fire Engines	To provide 23 new Fire Appliances	3,200

d) Valuations

The Council undertakes a five year rolling programme of revaluations to ensure that land and buildings are measured at fair value. All valuations are carried out by the Council's appointed Valuers - Mouchel Ltd. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations are carried out as at 1st April.

The significant assumptions applied in estimating the fair values are:

- Existing Use Value (EUV) has been used where there was sufficient evidence of market transactions for that use (e.g. office accommodation).

- Depreciated Replacement Cost (DRC) has been used where the asset is of a specialised nature, of where there is no evidence of market value or suitably comparable properties (e.g. schools).

The following table shows a breakdown of fixed asset values, and the year in which they were last valued.

Non-Current Assets carried at current cost	**Land and Buildings £'000**	**Surplus Assets £'000**
Valued at fair value as at:		
1 April 2012	169,867	5,013
1 April 2011	115,274	1,141
1 April 2010	123,323	10,282
1 April 2009	117,776	3,519
1 April 2008	116,823	2,994
Total Cost of Valuation	**643,063**	**22,949**

Vehicles, Furniture and Equipment, Specialist Equipment, Infrastructure and Community Assets are not subject to revaluation. They are reported at the cost of construction or purchase price, where this information is not available the assets are carried at a nominal amount (e.g. for some Community Assets).

Non-Current Assets carried at historic cost	**2011-12 £'000**	**2012-13 £'000**
Vehicles, Plant, Furniture and Equipment	32,859	21,884
Infrastructure	420,068	448,333
Community Assets	563	22
Assets Under Construction	83,806	131,741
Total Cost of Valuation	**537,296**	**601,980**

Note 15. Heritage Assets.

Heritage assets are assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture.

The assets held by the Council, which have been classed as Heritage Assets fall into three categories:

1) Windmills
The Council is responsible for four windmills:
- Alford five sail windmill
- Burgh le Marsh windmill
- Ellis Mill in Lincoln
- Heckington Windmill

All four windmills are operational, open to the public on a managed basis and usually staffed by volunteers. Each windmill provides value to the cultural heritage of the County, preserving unusual or even unique features such as Heckington Mill which is the only surviving eight sailed mill in the country.

2) Historic Buildings
The Council owns various historic buildings, the most famous of which is Lincoln Castle. The Castle was constructed by William the Conqueror on the site of a pre-existing Roman fortress. The Castle is open to the public and guided tours are available to give an insight into the history of Lincoln and Lincolnshire. Various cultural and entertainment events are also held at the Castle each year.

Also, the 12th century Temple Bruer Preceptory Tower, which was built to house the military order formed to guard the shrines of the Holy Land and protect pilgrims on the road. This site is managed by Heritage Lincolnshire on behalf of the Council.

3) Collections
The Council owns and is responsible for more than three million items in its collections (held across libraries, museums and archives). These include physical and digital collections from all periods of Lincolnshire's history.

Many items are unique and of high cultural significance on a national or international scale (for example the Tennyson collection, Bishops Rolls and Registers). Others are of local interest for Lincolnshire.

The County's collections bring a wealth of enjoyment and education to those living in Lincolnshire and beyond. The County is legally obliged to protect significant elements of these collections but, importantly, their management and development ensures that the cultural heritage and life of the County are preserved for future generations and are available to the current generation.

The management and development of the collections is governed by the Council's Policy on Collection Management, which can be found on the Council's website in the resident's area, under Leisure, Culture and Heritage. (http://www.lincolnshire.gov.uk/residents-culture-and-heritage/heritage/)

a) Reconciliation of the carrying value of Heritage Assets held

	Windmills	Other Historic Buildings	Collections	Total
	£'000	£'000	£'000	£'000
Cost or Valuation				
At 1 April 2012	4,599	2,696	27,727	35,022
Additions - In House construction/Improvement	10	4	0	14
Revaluations recognised in the Revaluation Reserve	(4)	0	0	(4)
Revaluations recognised in the CI&ES	0	0	0	0
Disposals	0	0	0	0
Reclassifications	0	1,324	0	1,324
At 31 March 2013	**4,605**	**4,024**	**27,727**	**36,356**

	Windmills	Other Historic Buildings	Collections	Total
	£'000	£'000	£'000	£'000
Cost or Valuation				
At 1 April 2011	4,367	2,566	24,224	31,157
Additions - In House construction/Improvement	52	57	0	109
Revaluations recognised in the Revaluation Reserve	215	0	3,580	3,795
Revaluations recognised in the CI&ES	0	0	(77)	(77)
Disposals	(114)	0	0	(114)
Reclassifications	79	73	0	152
At 31 March 2012	**4,599**	**2,696**	**27,727**	**35,022**

b) Valuation

The Heritage Assets held by the Council are valued using an appropriate basis:
- Windmills are valued on an 5 year rolling programme. These valuations are carried out by the Council's appointed Valuers (Mouchel Ltd).
- Historic Buildings are carried at historic cost. No current cost valuation is applied to these properties.
- The Collections are valued at their insurance valuation as at 31 March each year. These valuations are provided by the Council's insurers. Valuations for the Collections are reviewed and updated annually.

c) Depreciation

Depreciation is not charged on Heritage Assets

d) Additions to Heritage Assets

There have been no new material Heritage assets purchased during 2012-13. The £1.329m addition to Other Historic Buildings is the Castle Revealed project at Lincoln Castle.

e) Disposals

There have been no material disposals of Heritage Assets during 2012-13.

f) Heritage Assets Five Year Summary of Transactions

The Local Authority Accounting Code of Practice stipulates that a five year summary of transactions on Heritage Assets should be included here, if such information is available.
The Council hold this information available from 2010-11 onwards. This is set out in the tables below. It is intended that such information will be built up over the next two years, to complete a five year analysis by 2014-15.

	2010-11 Total Heritage Assets	2011-12 Total Heritage Assets	2012-13 Total Heritage Assets
	£000	£000	£000
Balance at Start of the Year	26,935	31,157	35,022
Cost of Acquisitions	315	109	14
Donated Assets	0	0	0
Revaluations	3,907	0	(4)
Carrying Amount of Disposals/Proceeds	0	(114)	0
Impairment	0	3,718	0
Reclassifications	0	152	1,324
Total at Year End	**31,157**	**35,022**	**36,356**

Note 16. Investment Properties.

Investment Properties are assets held for either capital appreciation or income generation, or both. For these purposes the Council holds the County Farms estates and a small number of other general fund properties. The County Farms estate includes both freehold (owned by the Council) and leasehold (rented by the Council) properties.

a) Investment Properties Income and Expenditure

The following items of income and expenditure have been accounted for in the financing and investment income and expenditure in the Comprehensive Income and Expenditure Statement:

County Farm Estates	**2011-12 £'000**	**2012-13 £'000**
Rental Income from Investment Property	(1,777)	(1,940)
Direct Operating Expenses arising from Investment Property	1,098	805
Net (Income)/Expenditure	**(679)**	**(1,135)**

Other General Fund Properties	**2011-12 £'000**	**2012-13 £'000**
Rental Income from Investment Property	(43)	(65)
Direct Operating Expenses arising from Investment Property	16	18
Net (Income)/Expenditure	**(27)**	**(47)**

There are no restrictions on the Council's ability to realise the value inherent in its Investment Property, or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

b) Movement on Investment Properties

The following table summarises the movement in the fair value of investment properties over the year:

	County Farm Estates £'000	**Other General Fund Properties £'000**
Balance at 1 April 2012	61,776	614
Additions - Acquisitions (Purchase and Construction)	0	0
Additions - Subsequent expenditure	130	0
Disposals	(3,521)	0
Net Gains/(Losses) from fair value adjustments	13,412	(455)
Transfers to/from Property, Plant and Equipment	122	542
Balance at 31 March 2013	**71,919**	**701**
Nature of asset holding		
Owned	71,819	701
Leased	100	0
Balance at 31 March 2013	**71,919**	**701**

	County Farm Estates £'000	Other General Fund Properties £'000
Balance at 1 April 2011	50,246	662
Additions - Acquisitions (Purchase and Construction)	0	0
Additions - Subsequent expenditure	235	0
Disposals	(5,288)	0
Net Gains/(Losses) from fair value adjustments	16,582	(60)
Transfers to/from Property, Plant and Equipment	1	12
Balance at 31 March 2012	**61,776**	**614**
Nature of asset holding		
Owned	61,728	614
Leased	48	0
Balance at 31 March 2012	**61,776**	**614**

c) Revaluations

The Council revalues investment properties annually to ensure that they are carried at fair value. All valuations are carried out by the Council's appointed Valuers - Savils (L&P Ltd) for the County Farms Estate and Mouchel Ltd for other general fund Investment Properties. Valuations were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations are carried out as at 31 March each year to ensure all Investment Properties are carried at fair value at the Balance Sheet date.

Note 17. Intangible Assets.

The Council accounts for its software and licences as intangible assets. The IT systems are accounted for as part of Property, Plant and Equipment, under the heading Vehicles, Plant, Furniture and Equipment. Intangible assets recognised by the Council include both purchased software, licenses and internally generated software.

a. Movement on intangible assets :

	Software	Software Licenses	Other Intangibles	Total
	£'000	£'000	£'000	£'000
Balance at 1 April 2012				
- Gross carrying amount	9,616	3,895	41	13,552
- Accumulated amortisation	(6,746)	(3,522)	(41)	(10,309)
Net carrying amount at 1 April 2012	**2,870**	**373**	**0**	**3,243**
Additions:				
- Purchases	1,073	2	0	1,075
Asset classified as held for sale	0	0	0	0
Other disposals	(3)	0	0	(3)
Amortisation for the period	(2,281)	(210)	0	(2,491)
Other changes - reclassifications	5,351	29	0	5,380
Net carrying amount at 31 March 2013	**7,010**	**194**	**0**	**7,204**
Comprising:				
- Gross carrying amounts	16,037	3,926	41	20,004
- Accumulated amortisation	(9,027)	(3,732)	(41)	(12,800)
Balance Sheet amount at 31 March 2013	**7,010**	**194**	**0**	**7,204**

b. Depreciation and Asset Lives

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 lives assigned to the major classes of intangible assets used by the Council are:

	Useful Economic Life (Years)	
	From	To
- Software	3	7
- Software Licenses	4	7
- Other Intangibles	4	4

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £2.490m (£2.187m in 2011-12) charged to revenue in 2012-13 was charged to the IT cost centre and then absorbed as an overhead across all the service headings in the Net Expenditure on Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

c. Significant Capitalised Software

At 31 March 2013, the Council has capitalised material items of software (with a value over £1m).

Detail	Gross £'000
Electronic Records and Data Management System	4,254
Virtual Learning Environment for Schools	2,464

d. Capital Commitments

At 1 April 2013, the Council has entered into a number of contracts for the purchase of intangible assets for 1 April 2013 to 31 March 2014 and for future years budgeted to cost £28.300m. The major commitments are:

Detail	Gross £'000
Superfast Broadband - A programme to trigger the installation of digital infrastructure in communities and businesses	28,300

e. Revaluation

The Council does not revalue its intangible assets; all assets are carried at cost. Annually, an impairment review is undertaken to ensure that all intangible assets have an appropriate asset life and carrying value as at 31 March each year.

Note 18. Financial Instruments and the Nature and Extent of Risks Arising from Financial Instruments

a. Financial Instruments Balance

The following categories of financial instruments are disclosed in the Balance Sheet:

	Long-Term		Current	
	31 March 2012 £'000	31 March 2013 £'000	31 March 2012 £'000	31 March 2013 £'000
Borrowings				
Financial Liabilities At Amortised Cost	446,272	454,787	582	413
Financial Liabilities at Fair Value Through Profit and Loss	0	0	0	0
Total Borrowings	**446,272**	**454,787**	**582**	**413**
PFI & Finance Lease Liabilities				
PFI and Finance Lease Liabilities	21,220	14,905	0	0
Total PFI & Finance Lease Liabilities	**21,220**	**14,905**	**0**	**0**
Creditors				
Financial Liabilities at Amortised Cost	0	0	10,443	7,487
Financial Liabilities Carried at Contract Amount	4,623	5,477	86,447	78,541
Total Creditors	**4,623**	**5,477**	**96,890**	**86,028**
Investments				
Loans and Receivables	200	200	159,546	157,056
Available for Sale Financial Assets (*1)	0	0	77,750	36,025
Unquoted Equity Investments At Cost	14	14	0	0
Financial Assets at Fair Value Through Profit and Loss	0	0	0	0
Total Investments	**214**	**214**	**237,296**	**193,081**
Debtors				
Loans and Receivables	6,248	6,316	0	0
Financial Assets Carried at Contract Amount	0	0	23,486	31,744
Total Debtors	**6,248**	**6,316**	**23,486**	**31,744**

(*1) The Available for Sale Financial Assets for 31 March 2013 are investments held in Stable Net Asset Value Money Market Funds.

b. Financial Instruments Income, Expense, Gains or Losses

The Council's Financial Liabilities are all valued at amortised cost. There have been no gains or losses on derecognition or impairment losses during the year on the financial liabilities held by the Council.

The Council's Financial Assets are predominantly loans and receivables valued at amortised cost; although its investments held in Stable Net Asset Value Money Market Funds are classed as Available for Sale Financial Assets which are valued at fair value that equates to the carrying value, as 1 unit held in these funds = £1 fair value. The Council has a small share holding in Investors In Lincoln Ltd, a company established to promote economic regeneration and the development and expansion of industry, commerce and enterprise in and around the city of Lincoln. Shares are held to the nominal value of £14,000. These are classed as Unquoted Equity Investments and are valued at cost. No income is received from this investment.

There have been no gains or losses on derecognition or impairment losses during the year on the financial assets held by the Council. No revaluation of assets has taken place and hence no gains or losses on revaluation have occurred.

The interest received or incurred in relation to the financial instruments held by the Council is shown in the following table:

	2011-12 £'000	2012-13 £'000
Financial Liabilities At Amortised Cost (*2)	20,377	19,922
Financial Liabilities at Fair Value Through Profit and Loss	0	0
Total Interest Expense	**20,377**	**19,922**
Total Fee Expense	1	5
Total Expense in Surplus or Deficit on the Provision of Services	**20,378**	**19,927**
Loans and Receivables at Amortised Cost (*3)	(1,784)	(1,950)
Available for Sale Financial Assets	(516)	(360)
Unquoted Equity Investments At Cost	0	0
Financial Assets at Fair Value Through Profit and Loss	0	0
Total Interest Income	**(2,300)**	**(2,310)**
Total Fee Income	0	0
Interest Received	**(2,300)**	**(2,310)**

(*2) The 2011-12 figure has been restated to include interest paid on finance leases and PFI agreements.
(*3) The 2011-12 balance has been restated to include interest received from instalment agreements.

c. Fair Value of Assets and Liabilities Carried at Amortised Cost

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

- For loans from the PWLB, equivalent borrowing rates available from the PWLB at 31 March 2013 have been applied to provide the fair value under the PWLB debt redemption procedures.

- For non PWLB loans and loans receivable prevailing benchmark market rates have been used to provide the fair value.
- No early repayment or impairment is recognised.
- Where an instrument has a maturity of less than 12 months (other than PWLB debt), or is a trade or other payable or receivable, the fair value is taken to be the principal outstanding or the billed amount.
- The fair value of trade and other payables and receivables, taken to be the invoiced or billed amount, are not shown in the table below.

The fair values calculated are as follows:

	31 March 2012		31 March 2013	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
PWLB Debt (Long Term > 12 Months)	436,207	453,732	444,765	486,714
Non PWLB Debt (Long Term > 12 Months)	10,065	9,010	10,022	9,410
PWLB Debt (Short Term < 12 Months)	6,531	6,802	3,537	3,797
Non PWLB Debt (Short Term < 12 Months)	625	624	456	455
Long-Term Creditors	4,623	4,623	5,477	5,477
Total Financial Liabilities at Amortised Cost	**458,051**	**474,791**	**464,257**	**505,853**

Where the fair value is less than the carrying amount, this is due to the Council's portfolio of loans including a number of fixed rate loans where the interest rate payable is lower than the rates available for similar loans in the market at the Balance Sheet date. This shows a notional future gain based on economic conditions at the Balance Sheet date arising from a commitment to pay interest to lenders below current market rates.

Where the fair value is more than the carrying amount, the opposite is true, i.e. a number of fixed rate loans held in the Council's portfolio have interest rates payable above current market rates for similar loans. The change in fair value from 31 March 2012 to 31 March 2013, highlights the reduction or increase in market rates over this period.

	31 March 2012		31 March 2013	
Loans and Receivables	**Carrying Amount £'000**	**Fair Value £'000**	**Carrying Amount £'000**	**Fair Value £'000**
Loans and Receivables (Long Term > 12 Months)	200	200	200	200
Loans and Receivables (Short Term < 12 Months)	159,220	159,220	156,145	156,145
Long-Term Debtors	6,248	6,418	6,316	6,574
Financial Assets at Amortised Cost	**165,668**	**165,838**	**162,661**	**162,919**

The fair value is greater than the carrying amount, because the Council's portfolio of long term investments includes a number of fixed rate loans where the interest rate receivable is higher than the estimated rates available for similar loans at the Balance Sheet date. This guarantee to receive interest above the current market rate increases the amount that the Council would receive if it agreed to early repayment of the loans and hence shows a notional future gain.

d. Nature and Extent of Risks Arising From Financial Instruments and How the Authority Manages Those Risks

(i) Key Risks

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

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

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

- Re-financing risk – the possibility that the Council might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms;

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

(ii) Overall Procedures for Managing Risk

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

- by formally adopting the requirements of the Code of Practice;

- by approving annually in advance prudential indicators for the following three years limiting:

  - maximum and minimum exposures to fixed and variable rates;
  - maximum and minimum exposures to the maturity structure of its debt;
  - maximum annual exposures to investments maturing beyond one 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 items are required to be reported and approved at or before the Council's Annual Council Tax setting budget; and are also reported as part of the Council's annual treasury management strategy and investment strategy, which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported quarterly to Councillors.

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

(iii) Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. To minimise this risk, deposits are not made with banks and financial institutions unless they meet the minimum requirements of the Council's investment criteria (based on independent credit rating assessments of institutions and countries, their credit watches and outlooks from credit rating agencies and their credit default spreads), as outlined in its investment strategy. A summary of the minimum requirements are outlined below:

Minimum Acceptable Long-Term Credit Rating:	Bank or Building Society: AA- Money Market Fund: AAA UK Government: Not Applicable
Minimum Acceptable Sovereign (Country) Credit Rating: (UK excepted).	AAA

The following analysis summarises the Council's investments at the reporting date by the long-term credit rating, (using Fitch IBCA's scoring criteria), of the counterparties with whom its investments are made and hence shows its potential exposure to credit risk at the reporting date.

	Amount at 31 March 2012		Amount at 31 March 2013	
Deposits With Banks and Financial Institutions	**£'000**	**%**	**£'000**	**%**
AAA Rated Counterparties	77,750	32.78%	36,025	18.73%
AA Rated Counterparties	79,220	33.40%	66,145	34.38%
A Rated Counterparties	80,000	33.73%	80,000	41.58%
Other Counterparties (*4)	214	0.09%	10,214	5.31%
Total Investments	**237,184**	**100.00%**	**192,384**	**100.00%**

(*4) Other Counterparties are predominantly investments with other Local Authorities (UK Government), who are not credit rated in their own right, however represent low credit risk to the Council.

At the time of making the investment, the financial institutions fully met the Council's minimum investment criteria and all the total outstanding investments at the reporting date still meet this minimum investment criteria.

No breaches of the Council's counterparty criteria occurred during the reporting period and the Council has not received nor expects any losses/defaults from the non-performance by any of its counterparties in relation to its investments.

Collateral – During the reporting period the Council held no collateral as security for its investments.

The Council does not generally allow credit for its customers. However, there is one exception to this where there is an agreed policy in relation to care home fees to allow credit with an attachment over property.

The overdue, but not impaired, amounts of the Council's customers at 31 March 2013 can be analysed by age as follows:

Analysis of Debts by Age	Amount at 31 March 2012		Amount at 31 March 2013	
	£'000	**%**	**£'000**	**%**
Less than 3 months	2,802	39.13%	1,800	28.26%
3 to 6 months	864	12.07%	966	15.17%
6 months to 1 year	1,133	15.83%	1,567	24.60%
More then 1 year	2,360	32.97%	2,036	31.97%
Total Outstanding Debt	**7,159**	**100.00%**	**6,369**	**100.00%**

(iv) Liquidity Risk

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

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

(v) Refinancing and Maturity Risk

The Council maintains a significant debt and investment portfolio. Long term risk to the Council relates to managing the exposure to replacing longer term financial instruments (debt and investments) as they mature.

The approved prudential indicator limits for the maturity structure of debt and the limits for investments placed for greater than one year in duration are the key parameters used to address this risk. The Council's approved treasury and investment strategists address the main risks and the central treasury team address the operational risks within the approved parameters. These include:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and

- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs and that the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of the Council's debt and investments at the reporting date are shown in the table below:

Debt Outstanding- Financial Liabilities	**31 March 2012 £'000**	**31 March 2013 £'000**
Less than one year	11,025	7,900
Between one and two years	3,593	11,565
Between two and five years	48,607	52,624
Between five and ten years	91,295	84,264
Between ten and fifteen years	40,010	42,941
Between fifteen and twenty-five years	40,218	45,845
Between twenty-five and thirty-five years	34,439	29,439
Between thirty-five and forty-five years	138,110	146,109
Maturing in more than forty-five years	50,000	42,000
Total	**457,297**	**462,687**

Investments Outstanding - Financial Assets	**31 March 2012 £'000**	**31 March 2013 £'000**
Less than one year	237,296	193,081
Between one and two years	0	0
Between two and three years	0	0
Maturing in more than three years	214	214
Total	**237,510**	**193,295**

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

(vi) Market Risk

Interest Rate Risk

The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Surplus or Deficit on Provision of Services Account will rise;
- borrowings at fixed rates – the fair value of the borrowing liability will fall (no impact on revenue balances);
- investments at variable rates – the interest income credited to the Surplus or Deficit on Provision of Services Account will rise; and
- investments at fixed rates – the fair value of the assets will fall.

Borrowings or Loan and Receivables are not carried at fair value on the Balance Sheet, so nominal gains and losses on fixed rate borrowings or fixed rate loans and receivables would not impact on the Surplus or Deficit on 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 Provision of Services and affect the General Fund Balance.

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

Based on the financial liabilities and assets as at the Balance Sheet date a one percent point movement in average interest rates would be equivalent to a £1.601m change in the Council's net interest charge in the Comprehensive Income and Expenditure Account. This calculation is based on a full year interest effect at a constant level of borrowing and investments as at the reporting date, a further breakdown is shown in the table below:

Financial Impact of the Interest Rate Risk	**Amount at 31 March 2013 £'000**
Increase in interest payable on variable rate borrowings	(4)
Increase in interest receivable on variable rate investments	1,605
Impact on Income and Expenditure Account	**1,601**

The impact on the fair value of the Council's long term fixed borrowings and long term fixed investments from a one percentage point movement in average rates is shown below:

	Fair Value 31 March 2013 £'000	**Fair Value at 1% Higher £'000**	**Fair Value at 1% Lower £'000**
County Council	497,468	438,574	573,019
Schools	2,432	2,296	2,582
Long Term Fixed Borrowing:	**499,900**	**440,870**	**575,601**

There is no impact on the Surplus or Deficit on Provision of Services or the Other Comprehensive Income and Expenditure account from the movement in fair value. Fair values have been calculated using the same methodology and assumptions as outlined on page 62 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 and is therefore not exposed to losses arising from movements in the price of shares.

The Council has a small equity holding of 14,000 shares (£1 par value) in a company called Investors in Lincoln Ltd, received in connection with the Council's economic regeneration policies.

These shares are classed as 'Unquoted Equity Investments' valued at cost and do not represent a price risk for the Council.

Foreign Exchange Risk

The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

Note 19. Inventories.

The Council held the following inventory items at 31 March 2013:

	Balance outstanding at 1 April 2012 £'000	Purchases £'000	Recognised as an expense in the year £'000	Written off balances £'000	Reversals of write-off in previous years £'000	Balance outstanding at 31 March 2013 £'000
Highways and Transportation	820	2,399	(2,420)	0	0	799
Total Inventories	**820**	**2,399**	**(2,420)**	**0**	**0**	**799**

The Highways and Transportation stock comprises salt stores for winter maintenance.

The Council's accounting policies on inventories includes a de-minimus of £100k for inventories.

Note 20. Construction Contracts.

The Council does not undertake construction contracts.

Note 21. Debtors.

The Council held the following debtors at 31 March 2013:

31 March 2012 £'000	Amounts falling due in one year:	31 March 2013 £'000
10,298	Central government bodies	13,964
3,354	Other local authorities	4,373
3,766	NHS bodies	3,303
0	Public corporations and trading funds	0
7,754	Bodies external to general government	11,602
9,817	Council tax agency arrangements	10,002
4,748	Payments in advance	4,889
39,737	**Total Short Term Debtors**	**48,133**

31 March 2012 £'000	Amounts falling due after one year:	31 March 2013 £'000
1,719	Central government bodies	2,248
530	Other local authorities	460
6	NHS bodies	10
3,993	Bodies external to general government	3,598
6,248	**Total Long Term Debtors**	**6,316**

All figures included in the table above are shown net of impairment for doubtful debt.

The Council Tax Agency Arrangements figure represents the Council's share of council tax arrears (net of impairment for doubtful debts) and any surpluses on the Collection Funds held by the District Councils in Lincolnshire.

Note 22. Cash and Cash Equivalents.

The Council balance of cash and cash equivalents is made up of the following elements:

31 March 2012 £'000		31 March 2013 £'000
(6,161)	Cash & Cash Equivalents held by the County Council	(8,356)
(6,161)		**(8,356)**

Note 23. Assets Held for Sale.

The Council held the following assets for sale at 31 March 2013:

	Current		Non-Current	
	2011-12 £'000	2012-13 £'000	2011-12 £'000	2012-13 £'000
Balance outstanding at 1 April	1,177	2,239	0	0
Assets newly classified as held for sale:				
- Property, Plant and Equipment	2,739	2,985	0	0
- Intangible Assets	0	0	0	0
- Other assets/liabilities in disposal groups	0	0	0	0
Revaluation Increase to RR	135			
Revaluation Decrease to RR	(739)	(328)	0	0
Revaluation Increase/(Decrease) to SDPS	(714)	(402)		
Assets declassified as held for sale:				
- Property, Plant and Equipment	0	0	0	0
- Intangible Assets	0	0	0	0
- Other assets/liabilities in disposal groups	0	0	0	0
Assets Sold	(359)	(834)	0	0
Transfers from non-current to current				
Balance Outstanding at 31 March	**2,239**	**3,660**	**0**	**0**

Note 24. Creditors.

The Council had the following creditors at 31 March 2013:

31 March 2012 £'000	Amounts falling due in one year:	31 March 2013 £'000
(20,515)	Central government bodies	(17,008)
(3,090)	Other local authorities	(3,191)
(3,572)	NHS bodies	(409)
(74)	Public corporations and trading funds	(2)
(49,491)	Other entities and individuals	(53,874)
(5,434)	Council tax agency arrangements	(5,328)
(6,962)	Receipts in advance	(2,577)
(13,217)	Employee benefits accrual	(9,025)
(102,355)	**Total Short Term Creditors**	**(91,414)**

31 March 2012 £'000	Amounts falling due after one year:	31 March 2013 £'000
(1,815)	Central government bodies	(1,815)
(2)	Other local authorities	(725)
(2,806)	Other entities and individuals	(2,937)
(4,623)	**Total Long Term Creditors**	**(5,477)**

The Council Tax Agency Arrangements figure represents the Council's share of council tax prepayments, overpayments and our share of any deficit owed to the Collection Funds held by the District Council's in Lincolnshire.

Note 25. Other Long Term Liabilities.

The Council had the following long term liabilities at 31 March 2013:

31 March 2012 £'000		31 March 2013 £'000
(21,220)	Outstanding Liabilities on PFI and Finance Leases	(14,905)
(545,371)	Pension Reserve	(641,730)
(566,591)		**(656,635)**

Note 26. Provisions.

The Council made the following provisions during 2012-13:

Summary of Provisions	Balance at 1 April 2012 £'000	Additional Provisions made in 2012-13 £'000	Amounts Used in 2012-13 £'000	Unused amounts reversed in 2012-13 £'000	Unwinding of discounting in 2012-13 £'000	Balance at 31 March 2013 £'000
Social Services - Section 117	(307)	0	0	0	0	(307)
Waste Disposal Claims	(832)	(29)	28	29	0	(804)
Insurance Claims	(6,284)	(378)	0	0	(139)	(6,801)
Carbon Reduction Scheme	(931)	(452)	649	136	0	(598)
Property Dilapidation Costs	(220)	0	220	0	0	0
Voluntary Aided Schools VAT	(99)	0	99	0	0	0
Onerous Contracts Property Leases	(457)	0	239	0	0	(218)
TOTAL	**(9,130)**	**(859)**	**1,235**	**165**	**(139)**	**(8,728)**

Short Term Provisions	Balance at 1 April 2012 £'000	Additional Provisions made in 2012-13 £'000	Amounts Used in 2012-13 £'000	Unused amounts reversed in 2012-13 £'000	Unwinding of discounting in 2012-13 £'000	Balance at 31 March 2013 £'000
Waste Disposal Claims	(25)	(29)	28	0	0	(26)
Insurance Claims	(3,039)	97	0	0	0	(2,942)
Carbon Reduction Scheme	(931)	(452)	649	136	0	(598)
Property Dilapidation Costs	(220)	0	220	0	0	0
Voluntary Aided Schools VAT	(99)	0	99	0	0	0
Onerous Contracts Property Leases	(457)	0	239	0	0	(218)
TOTAL	**(4,771)**	**(384)**	**1,235**	**136**	**0**	**(3,784)**

Long Term Provisions	Balance at 1 April 2012 £'000	Additional Provisions made in 2012-13 £'000	Amounts Used in 2012-13 £'000	Unused amounts reversed in 2012-13 £'000	Unwinding of discounting in 2012-13 £'000	Balance at 31 March 2013 £'000
Social Services - Section 117	(307)	0	0	0	0	(307)
Waste Disposal Claims	(807)	0	0	29	0	(778)
Insurance Claims	(3,245)	(475)	0	0	(139)	(3,859)
TOTAL	**(4,359)**	**(475)**	**0**	**29**	**(139)**	**(4,944)**

The Council's accounting policy on provisions includes a de-minimis of £100k.

Social Services - Section 117 of the Mental Health Act 1983, prescribes that Service Users who have been placed in care under Section 3 of the same Act do not have to pay for aftercare services. Where they have been charged for such services, they are entitled to reimbursement of the charges, plus interest. This provision was made to pay Service Users who are assessed as falling into this category.

The **Waste Disposal** provision has been established for claims against Lincolnshire County Council for necessary remedial work on waste disposal sites sold by the Council.

The **Insurance provision** represents all estimated outstanding claims under the excess clauses of the Council's external insurance polices. Material risks which are met by the Council under current insurance policies are shown below:

Type of Insurance	Met by the County Council	
	Each Claim £'000	Maximum for all such claims £'000
Public & employer's liability	150	3,000
School property	150	500
Other property	10	100

The provision for **Carbon Reduction Scheme** has been set up because, although the energy data relating to carbon emissions during 2012-13 has been collated, the details of the amount will not be available until 2013-14.

Property Dilapidation costs - moving out of various premises - utilised in year

The **Voluntary Aided Schools VAT** provision related to an investigation by HM Revenue and Customs into the reclaiming of VAT by Voluntary Aided schools relating to capital expenditure. Notification was subsequently received confirming that the provision is no longer required.

The Council have and will continue to vacate properties as part of the reductions to funding and services. The lease costs and costs associated with leaving these properties will be provided for as an **onerous contract**.

Note 27. Usable Reserves.

The Council's usable reserves include: the General Fund, Earmarked Reserves (including revenue grants and contributions unapplied), Capital Receipts Reserve and Capital Grants Unapplied.

Reserve	Balance at 31 March 2012 £'000	Balance at 31 March 2013 £'000
Capital Grants Unapplied	(42,283)	(56,241)
Usable Capital Receipts	0	0
Earmarked Reserves	(132,849)	(141,695)
General Fund	(15,900)	(15,900)
Total	**(191,032)**	**(213,836)**

Please refer to the Movement on General Reserves Statement, Note 9 Adjustments Between Accounting Basis and Funding Basis Under Regulations and Note 10 Transfer To/From Earmarked Reserves for further details.

The County Council have a policy to full utilise Usable Capital Receipts in the year they are received.

Note 28. Unusable Reserves.

Balance at 31 March 2012 £'000		Note	Balance at 31 March 2013 £'000
(240,194)	Revaluation Reserve	(28a)	(272,346)
(621,730)	Capital Adjustment Account	(28b)	(568,151)
(16)	Financial Instruments Adjustment Account	(28c)	(31)
545,371	Pension Reserve	(28d)	641,730
(4,383)	Collection Fund Adjustment Account	(28e)	(4,674)
8,705	Accumulated Absences Account	(28 f)	6,744
(312,247)	**Total**		**(196,728)**

a. Revaluation Reserve.

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment and Intangible Assets. The balance is reduced when assets with accumulated gains are:
- revalued downwards or impaired and the gains are lost;
- used in the provision of services and the gains are consumed through depreciation; or
- disposed of and the gains are realised.

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.

2011-12 £'000		£'000	2012-13 £'000
(210,557)	**Balance at 1 April**		**(240,194)**
(58,455)	Upward revaluation of assets	(78,087)	
6,314	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	21,727	
(52,141)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(56,360)	
4,131	Difference between fair value depreciation and historical cost depreciation	6,335	
18,373	Accumulated gains on assets sold or scrapped	17,873	
22,504	Amount written off to the Capital Adjustment Account	24,208	
(240,194)	**Balance at 31 March**		**(272,346)**

b. 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 Authority as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council.

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

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

2011-12 £'000		2012-13 £'000
(675,025)	**Balance at 1 April**	**(621,730)**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
59,125	- Charges for depreciation and impairment of non-current assets	75,802
20,721	- Revaluation losses on Property, Plant and Equipment	15,248
2,188	- Amortisation of intangible assets	2,491
22,327	- Revenue expenditure funded from capital under statute (net of Grants and Contributions)	6,074
96,095	- Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	90,299
(22,504)	Adjusting amounts written out of the Revaluation Reserve	(24,208)
177,952	Net written out amount of the cost of non-current assets consumed in the year	**165,706**
	Capital financing applied in the year:	
(9,424)	- Use of the Capital Receipts Reserve to finance new capital expenditure	(6,049)
(33,623)	- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(29,296)
(26,511)	- Application of grants to capital financing from the Capital Grants Unapplied Account	(15,825)
(24,678)	- Statutory provision for the financing of capital investment charged against the General Fund	(29,682)
(13,939)	- Capital expenditure charged against the General Fund	(17,255)
(108,175)		**(98,107)**
(16,482)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(12,957)
0	Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement	(1,063)
(16,482)		**(14,020)**
(621,730)	**Balance at 31 March**	**(568,151)**

c. Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Council uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax.

2011-12 £'000		2012-13 £'000
14	**Balance at 1 April**	**(16)**
0	Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	0
15	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	15
(45)	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(30)
(16)	**Balance at 31 March**	**(31)**

d. Pensions Reserve

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

2011-12 £'000		2012-13 £'000
457,886	**Balance at 1 April**	**545,371**
90,546	Actuarial gains or losses on pensions assets and liabilities	97,820
39,609	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CI&ES	34,573
(42,670)	Employer's pensions contributions and direct payments to pensioners payable in the year	(36,034)
545,371	**Balance at 31 March**	**641,730**

e. 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.

2011-12 £'000		2012-13 £'000
(4,675)	**Balance at 1 April**	**(4,383)**
292	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(291)
(4,383)	**Balance at 31 March**	**(4,674)**

f. 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.

2011-12 £'000		2012-13 £'000	2012-13 £'000
9,524	**Balance at 1 April**		**8,705**
(9,524)	Settlement or cancellation of accrual made at the end of the preceding year	(8,705)	
8,705	Amounts accrued at the end of the current year	6,744	
(819)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		(1,961)
8,705	**Balance at 31 March**		**6,744**

Note 29. Operating Activities.

The cashflows from operating activities include the following items:

2011-12 £'000		2012-13 £'000
	Taxation	
(251,939)	- Council Tax	(253,390)
(161,438)	- National Non-Domestic Rates	(197,680)
(544,616)	Grants	(392,537)
(132,484)	Sale of Goods and Rendering of Services	(120,164)
(2,475)	Interest Received	(1,717)
0	Other Receipts from Operating Activities	0
(1,092,952)	**Cash Inflows generated from Operating Activities**	**(965,488)**
374,709	Cash paid to and on behalf of employees	297,687
574,876	Cash paid to Suppliers of Goods and Services	539,115
20,363	Interest Paid	19,739
84,238	Other Payments for Operating Activities	71,562
1,054,186	**Cash Outflows generated from Operating Activities**	**928,103**
(38,766)	**Net Cash Flows from Operating Activities**	**(37,385)**

Note 30. Investing Activities.

The cashflows from investing activities include the following items:

2011-12 £'000		2012-13 £'000
108,250	Purchase of Property, Plant & Equipment, Investment Property and Intangible Assets	146,921
1,103,775	Purchase of Short-term and Long-term investments	972,068
1,113	Other Payments for Investing Activities	823
(9,424)	Proceeds from the sale of Property, Plant & Equipment, Investment Property and Intangible Assets	(6,049)
(1,113,667)	Proceeds from Short-term and Long-term investments	(1,016,868)
(62,292)	Other Receipts from Investing Activities	(53,283)
27,755	**Net Cash Flows from Investing Activities**	**43,612**

Note 31. Financing Activities.

The cashflows from financing activities include the following items:

2011-12 £'000		2012-13 £'000
(82)	Cash Receipts of Short- and Long-Term Borrowing	(12,100)
0	Other Receipts from Financing Activities	0
2,512	Cash Payments for the Reduction of the Outstanding Liability relating to finance leases and on-Balance Sheet PFI Contracts	1,318
6,723	Repayments of Short- and Long-Term Borrowing	6,750
0	Other Payments for Financing Activities	0
9,153	**Net Cash Flows from Financing Activities**	**(4,032)**

Note 32. Amounts reported for Resource Allocation Decisions (Segmental Reporting)

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 set out by CIPFA. However, decisions about resource allocation are taken by the Council's Executive on the basis of budget reports analysed across Directorates, and service areas.

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 (where as depreciation and amortisation; and revaluation/impairment losses in excess of the balance on the Revaluation Reserve are charged to services in the Comprehensive Income and Expenditure Statement);
- the cost of retirement benefits is based on cash flows (payment of employer's pension contributions) rather than current service cost of benefits accrued in the year; and

- expenditure on support services forms part of the Resources and Chief Executive Offices' budgets and expenditure. However, within the Comprehensive Income and Expenditure Statement these are allocated to front line services based on their usage. Methods of allocation for these services are set out in the Council's accounting policies (Note 1).

a. Income and Expenditure analysed over the Council's directorates and reported in the Council's Outturn Report.

This analysis may include items that do not form part of the Comprehensive Income and Expenditure Statement, hence the need for the Reconciliation from the Segmental Reporting Analysis to the Net Cost of Services in the Comprehensive Income and Expenditure Statement.

Service Analysis 2012-13	Employee Expenses £'000	Agency and Contract Payments £'000	Other Running Expenses £'000	Gross Expenditure £'000	Specific Grants and Contributions £'000	Other Income (inc. Fees and Charges) £'000	Total Income £'000	Cost of Services £'000
Children's Social Care	27,372	7,835	12,848	48,055	(5,958)	(331)	(6,289)	41,766
Education Services	24,665	3,924	41,360	69,949	(30,108)	(2,805)	(32,913)	37,036
Adult Social Care	27,707	144,083	27,759	199,549	(31,255)	(35,491)	(66,746)	132,803
Public Health	2,184	14,619	5,350	22,153	(4,941)	(66)	(5,007)	17,146
Highways & Transportation	10,196	34,947	12,468	57,611	(4,874)	(2,770)	(7,644)	49,967
Environment Planning & Customer Services	5,496	21,849	2,431	29,776	(618)	(908)	(1,526)	28,250
Economy & Culture	9,629	1,564	9,475	20,668	(4,683)	(2,469)	(7,152)	13,516
Fire & Rescue	17,674	26	5,146	22,846	(2,210)	(511)	(2,721)	20,125
Community Safety	14,674	35	5,995	20,704	(2,387)	(1,380)	(3,767)	16,937
Finance & Resources	2,609	10,590	8,999	22,198	(2,970)	(4,379)	(7,349)	14,849
Performance & Governance	7,460	8,008	6,829	22,297	(295)	(169)	(464)	21,833
TOTAL SERVICE BUDGETS	**149,666**	**247,480**	**138,660**	**535,806**	**(90,299)**	**(51,279)**	**(141,578)**	**394,228**
OTHER BUDGETS								
Capital Financing Charges	0	0	55,985	55,985	0	(2,302)	(2,302)	53,683
Contingency	0	0	0	0	0	0	0	0
Council Tax Freeze Grant	0	0	0	0	(6,332)	0	(6,332)	(6,332)
Other Budgets	3,040	0	579	3,619	(3,387)	0	(3,387)	232
TPA Recovery	0	0	0	0	0	0	0	0
TOTAL OTHER BUDGETS	**3,040**	**0**	**56,564**	**59,604**	**(9,719)**	**(2,302)**	**(12,021)**	**47,583**
SCHOOLS BUDGETS								
Delegated School Budgets	217,175	1,175	74,440	292,790	(28,913)	(4,860)	(33,773)	259,017
Central Services within the DSB	8,206	21,078	12,443	41,727	(4,293)	(87)	(4,380)	37,347
Dedicated Schools Grant	0	0	0	0	(293,367)	0	(293,367)	(293,367)
TOTAL SCHOOLS BUDGETS	**225,381**	**22,253**	**86,883**	**334,517**	**(326,573)**	**(4,947)**	**(331,520)**	**2,997**
TOTAL EXPENDITURE	**378,087**	**269,733**	**282,107**	**929,927**	**(426,591)**	**(58,528)**	**(485,119)**	**444,808**
INCOME								
Formula Grant	0	0	0	0	(201,512)	0	(201,512)	(201,512)
Council Tax	0	0	0	0	0	(253,389)	(253,389)	(253,389)
TOTAL INCOME	**0**	**0**	**0**	**0**	**(201,512)**	**(253,389)**	**(454,901)**	**(454,901)**
Use/(Contribution) to Reserves								(10,093)

Service Analysis 2011-12 (*1)	Employee Expenses £'000	Agency and Contract Payments £'000	Other Running Expenses £'000	Gross Expenditure £'000	Specific Grants and Contributions £'000	Other Income (inc. Fees and Charges) £'000	Total Income £'000	Cost of Services £'000
Children's Social Care	25,613	8,536	11,621	45,770	(4,930)	(271)	(5,201)	40,569
Education Services	35,117	8,591	43,455	87,163	(28,423)	(2,188)	(30,611)	56,552
Adult Social Care	35,856	134,710	26,614	197,180	(33,577)	(34,467)	(68,044)	129,136
Public Health	2,303	17,099	3,182	22,584	(1,910)	(309)	(2,219)	20,365
Highways & Transportation	11,195	42,882	7,610	61,687	(4,197)	(2,611)	(6,808)	54,879
Environment Planning & Customer Services	6,069	20,902	2,514	29,485	(964)	(380)	(1,344)	28,141
Economy & Culture	10,958	1,752	10,201	22,911	(15,856)	(2,364)	(18,220)	4,691
Fire & Rescue	18,013	34	6,850	24,897	(2,222)	(553)	(2,775)	22,122
Community Safety	11,717	27	6,094	17,838	(2,344)	(1,120)	(3,464)	14,374
Finance & Resources	3,562	5,575	15,973	25,110	(2,299)	(5,437)	(7,736)	17,374
Performance & Governance	7,246	10,346	6,612	24,204	(364)	(171)	(535)	23,669
TOTAL SERVICE BUDGETS	**167,649**	**250,454**	**140,726**	**558,829**	**(97,086)**	**(49,871)**	**(146,957)**	**411,872**
OTHER BUDGETS								
Capital Financing Charges	0	0	53,285	53,285	0	(2,291)	(2,291)	50,994
Contingency	0	0	0	0	0	0	0	0
Council Tax Freeze Grant	0	0	0	0	(6,293)	0	(6,293)	(6,293)
Other Budgets	4,078	(751)	3,202	6,529	(2,267)	0	(2,267)	4,262
TPA Recovery	0	0	0	0	0	0	0	0
TOTAL OTHER BUDGETS	**4,078**	**(751)**	**56,487**	**59,814**	**(8,560)**	**(2,291)**	**(10,851)**	**48,963**
SCHOOLS BUDGETS								
Delegated School Budgets	271,600	1,116	77,966	350,682	(37,472)	(6,923)	(44,395)	306,287
Central Services within the DSB	6,595	21,699	13,296	41,590	(3,888)	(172)	(4,060)	37,531
Dedicated Schools Grant	0	0	0	0	(362,630)	0	(362,630)	(362,630)
TOTAL SCHOOLS BUDGETS	**278,195**	**22,815**	**91,262**	**392,272**	**(403,990)**	**(7,095)**	**(411,085)**	**(18,812)**
TOTAL EXPENDITURE	**449,922**	**272,518**	**288,475**	**1,010,916**	**(509,636)**	**(59,257)**	**(568,893)**	**442,023**
INCOME								
Formula Grant	0	0	0	0	(211,339)	0	(211,339)	(211,339)
Council Tax	0	0	0	0	0	(251,939)	(251,939)	(251,939)
TOTAL INCOME	**0**	**0**	**0**	**0**	**(211,339)**	**(251,939)**	**(463,278)**	**(463,278)**
Use/(Contribution) to Reserves								(21,255)

(*1) Service analysis for 2011-12 has been restated to the 2012-13 reporting structure

A description of the services provided and the sources of funding for these areas is set out below:

Children's Social Care provides services such as child protection and looked after services (including: frontline social workers and adoption/fostering services). Funding comes from LCC contributions and specific grants. This also includes **Home to School Transport.**

Education Services includes school improvement, youth services, targeted early intervention services and career guidance. Funding comes from LCC contributions and specific grants.

Early Intervention Grant - This is the early intervention grant income which replaced a number of specific grants such as Sure Start and this income is ringfenced.

Adult Social Care includes**:**

Older People & Physical Disabilities These two services are managed through one management structure focussing on 18-64 year olds with Physical Disabilities and over 65s with a variety of social care needs. Team members offer support, advice, information and guidance to enable these groups of people in Lincolnshire to live more independently. This is increasingly through Personal Budgets either by Direct Payment or by LCC commissioning services on behalf of the people assessed as needing support. Funding comes from LCC contributions, specific grants from government departments, funding from LPCT for specific work or projects and fees and charges for services.

Learning Disabilities This is a joint funded service in conjunction with LPCT under a Section 75 agreement. Additional funding comes from LCC contributions and joint partnership funding with the Department of Health, plus specific grants from government departments, fees and charges for services (including: Fairer Charging Policy and Charges for Residential Accommodation Guidance). It offers support, advice, information and guidance to enable people in Lincolnshire, over the age of 18 with learning disabilities to live more independently providing services such as Residential and Day Care, Home Support, Supported Living, equipment and telecare services. This is provided through personalisation of direct payments and direct provision.

Mental Health The service is provided by Lincolnshire Partnership Foundation Trust (LPFT) under a Section 75 agreement on behalf of the Council. It offers support, advice, information and guidance to enable people over the age of 18 in Lincolnshire with Mental Health difficulties to live more independently. This is provided mostly through the provision of direct payments via a personal budget but also via a direct provision of home care and residential services.

Adult Social Care Operations offers support, advice, information and guidance to enable people in Lincolnshire, over the age of 18, to live more independently providing services such as Residential and Day Care, Home Support, Extra Care Housing, equipment and telecare services. Funding comes from LCC contributions and joint partnership funding with the Department of Health, plus specific grants from government departments, and fees and charges for services (including: Fairer Charging Policy and Charges for Residential Accommodation Guidance).

Public Health provide information and services to enable people to live independently in their own homes providing services such as Supporting People Housing Related Support, Supported Employment Services and Local Involvement Networks (LINKs). Funding comes from LCC contributions, specific grants (including Supporting People) and joint partnership funding with the Department of Health.

Highways and transportation are responsible for maintaining Lincolnshire's road network (including winter maintenance), bus subsidies and transport planning. Funding comes from LCC contributions, plus smaller amounts from government grants and developer contributions.

Environment, Planning and Customer services includes waste disposal, spatial and environmental planning and the Council's Customer Service Centre. Funding comes primarily from LCC contributions.

Economy is responsible for investing to create regeneration opportunities in Lincolnshire. Funding comes from regional, national and European funding, in addition to LCC contributions. **Culture** maintains a network of static and mobile libraries services across the County. It, also provides care and access to Lincolnshire’s archives, museum objects, historic buildings and other sites. Funding comes from LCC contributions, government grants and fees and charges.

Fire & Rescue including: fire prevention, protection and emergency response, as well as leading on the County's emergency planning. Funding comes from LCC contributions plus some specific grants (including: urban search and rescue grant) and from other Local Authority contributions.

Community Safety provides the following services to the public; Trading Standards, Registration & Coroners, Youth Offending and Rehabilitation Programmes. In addition, it provides the central Business Support function to the Council.

Finance & Resources provide the following functions for the Authority: Legal, Audit, Procurement, Corporate Property and Treasury & Financial Strategy.

Performance & Governance provides support services including: HR, ICT, communications and scrutiny functions and support for Councillors and the democratic process. Funding comes from LCC contributions.

Other budgets include: expenditure of capital financing charges which include the annual revenue costs of funding the Council's capital programme e.g. payment of principal and interest on amounts borrowed; insurance and county wide joint projects including council tax second homes and the sustainable community strategy expenditure. Income here is non-ring fenced government grants, Non Domestic Rates and the Council Tax. Other budgets also contains a contingency budget which is set aside to pay for unforeseen events that occur during the year.

b. Reconciliation of Directorate Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement.

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

	2011-12 £'000	2012-13 £'000
Net Expenditure in the Directorate analysis (Use of Reserves)	(21,256)	(10,093)
Add: Net expenditure on services and support services not included in main analysis	0	0
Add: Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the analysis (Note 32c)	128,751	112,976
Less: amounts reported to management in the analysis not included in the Comprehensive Income and Expenditure Account (Note 32c)	371,492	364,361
Net Cost of Services in the Comprehensive Income and Expenditure Statement	**478,987**	**467,244**

c. Reconciliation to Subjective Analysis

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

Reconciliation to Subjective Analysis 2012-13	Service Analysis Cost of Service £'000	Amounts not reported to Management £'000	Amounts not included in CI&ES £'000	Net Cost of Services £'000	Corporate Amounts £'000	(Surplus)/Deficit on Provision of Services £'000
Other income (including fees and charges)	(58,528)	(22,113)	2,302	(78,339)	0	(78,339)
Income from Council Tax	(253,389)	0	253,389	0	(253,681)	(253,681)
Specific Grants and Contributions	(628,103)		211,218	(416,885)	(211,218)	(628,103)
Interest and Investment Income Receivable	0	0	2,005	2,005	(17,232)	(15,227)
TOTAL Income	**(940,020)**	**(22,113)**	**468,914**	**(493,219)**	**(482,131)**	**(975,350)**
Employee Expenses	378,087	13,794	(36,033)	355,848	0	355,848
Agency and Contract Expenditure	269,733	0	0	269,733	0	269,733
Other Running Expenses	282,107	(31)	(66,670)	215,406	(64)	215,342
Support Service Recharges	0	0	0	0	0	0
Depreciation, Amortisation and Impairment	0	121,326	0	121,326	(58,565)	62,761
Interest Payable and Similar Charges	0	0	(1,850)	(1,850)	20,569	18,719
Precepts and Levies	0	0	0	0	1,062	1,062
Gain or Loss on Disposal of Non-Current Assets	0	0	0	0	84,652	84,652
Pension Interest Cost	0	0	0	0	18,818	18,818
TOTAL Expenditure	**929,927**	**135,089**	**(104,553)**	**960,463**	**66,472**	**1,026,935**
Surplus/ Deficit on the Provision of Services	**(10,093)**	**112,976**	**364,361**	**467,244**	**(415,659)**	**51,585**

Reconciliation to Subjective Analysis 2011-12	Service Analysis Cost of Service £'000	Amounts not reported to Management £'000	Amounts not included in CI&ES £'000	Net Cost of Services £'000	Corporate Amounts £'000	(Surplus)/Deficit on Provision of Services £'000
Other income (including fees and charges)	(59,257)	(35,909)	2,291	(92,875)	0	(92,875)
Income from Council Tax	(251,939)	0	251,939	0	(251,647)	(251,647)
Government Grants and Contributions	(720,975)	(2,307)	219,234	(504,048)	(219,234)	(723,282)
Interest and Investment Income Receivable	0	0	1,819	1,819	(20,593)	(18,774)
TOTAL Income	**(1,032,171)**	**(38,216)**	**475,283**	**(595,104)**	**(491,474)**	**(1,086,578)**
Employee Expenses	449,922	29,545	(42,670)	436,797	0	436,797
Agency and Contract Expenditure	272,518	0	0	272,518	0	272,518
Other Running Expenses	288,475	(46)	(58,937)	229,492	21	229,513
Support Service Recharges	0	0	0	0	0	0
Depreciation, Amortisation and Impairment	0	137,467	0	137,467	(64,769)	72,698
Interest Payable and Similar Charges	0	0	(2,184)	(2,184)	21,391	19,207
Precepts and Levies	0	0	0	0	1,108	1,108
Gain or Loss on Disposal of Non-Current Assets	0	0	0	0	86,973	86,973
Pension Interest Cost	0	0	0	0	14,052	14,052
TOTAL Expenditure	**1,010,915**	**166,966**	**(103,791)**	**1,074,090**	**58,776**	**1,132,866**
Surplus/ Deficit on the Provision of Services	**(21,256)**	**128,750**	**371,492**	**478,986**	**(432,698)**	**46,288**

Note 33. Acquired and Discontinued Operations.

The following table shows the amount of income and expenditure within the Council's accounts which relates to its acquired and discontinued operations:

	Year ended 31 March 2013		
	Gross Expenditure £'000	Income £'000	Net Expenditure £'000
Civil Parking Enforcement	302	(274)	28
Surplus or Deficit on Acquired and Discontinued Operations	**302**	**(274)**	**28**

Civil Parking Enforcement

Lincolnshire County Council (LCC) was granted Civil Parking Enforcement powers by Central Government on 30 November 2012. The powers were transferred to the Council from Lincolnshire Police. The powers are derived from the Traffic Management Act 2004 and cover all on street parking locations in Lincolnshire. At the same time and as part of the same process, the District Councils were granted civil enforcement powers in their off street car parks. The Council has no financial responsibilities in these District Council car park operations.

The Council and the District Councils work together in a partnership to deliver Civil Parking Enforcement services in Lincolnshire. All District Councils have agreed to contribute to any operational deficit costs incurred by the Council, up to a limit of £87,000 per annum as the total of all District Council contributions.

The Council has entered into a contract for on street parking enforcement with APCOA Parking (UK) Ltd and has an agreement with Nottinghamshire County Council to process Penalty Charge Notices and related administrative services. West Lindsey District Council, North Kesteven District Council and South Kesteven District Council have decided to use these enforcement and ticket processing services for their off street car parks. All other District Councils have made their own separate arrangements for enforcement and administration in their off street car parks.

The above Council contracts and agreements have a duration of four years.

The Council agreed to fund the set up costs for on street civil parking enforcement from its own resources with £177,000 revenue funding and £23,000 capital funding being provided in 2012-13. All future funding is expected to be sourced through Penalty Charge Notice income. Current financial projections for Civil Parking Enforcement have been prepared on a break even basis.

Public Health

The Health and Social Care Act 2012 received royal assent in March 2012. The Act will reform the current NHS structures and responsibilities, with a number of Public Health responsibilities transferring from the NHS to the control of Local Authorities from April 2013.

Public Health is about helping people to stay healthy and avoid illness, so this includes work on a range of policy areas such as immunisation, nutrition, tobacco and alcohol, drugs recovery, sexual health, pregnancy and children's health.

The Council will become responsible for commissioning services for many of these policy areas which will be funded by a specific government grant of £27.5m for 2013-14, which will be reflected in the 2013-14 accounts.

Note 34. Trading Activities.

The Council has no trading activities to report for 2012-13.

Note 35. Agency Services.

a. Nursing Care

The Council makes payments to independent sector nursing homes for both the nursing care element and the personal care element of the accommodation charges. The nursing care element is the financial responsibility of Primary Care Trusts.

The Council paid £5.534m (£5.142m in 2011-12) acting as an agent of the Primary Care Trusts in order to simplify the payment arrangements to the homes. The total amount paid is recovered from the Primary Care Trusts.

b. Street Lighting

The Council makes payments on behalf of the District Councils to electricity companies for street lighting. These amounts are then recovered as these charges are the responsibility of the District Councils.

During 2012-13 the Council paid £0.015m acting as an agent for West Lindsey District Council. £0.010m was recovered.

c. NHS Procurement

From 1 April 2013 Public Health services that were historically the responsibility of NHS Lincolnshire transferred to become the responsibility of the Council. 2012-13 was classed as a transition year and during this time, staff were based in Council buildings, however they were still employed by NHS until 1 April 2013.

During this transition year NHS staff purchased goods using the Council's purchasing system and using the accounts for the Council. However, these purchases were NHS purchases and did not relate to the Council's expenditure. The expenditure for these purchases was fully recovered from NHS Lincolnshire.

During 2012-13 the Council paid £0.175m whilst acting as an agent for the NHS. This amount was fully recovered.

Note 36. Road Charging Schemes Under the Transport Act 2000.

The Council has no road charging schemes under the Transport Act 2000.

Note 37. Pooled Budgets

Under Section 31 of the Health Act 1999 (superseded by Section 75 of the Health Act 2006), Lincolnshire County Council has entered into pooled budget arrangements.

The Council is the host Authority for the pooled budgets relating to Learning Disabilities, Integrated Community Equipment Service and Child & Adolescent Mental Health Services, and is responsible for their financial administration.

The NHS Trust is the host Authority for the pooled budgets relating to Mental Health services and Substance Misuse and is responsible for their financial administration.

a. Learning Disability

In 2001/02 Lincolnshire County Council and Lincolnshire Primary Care Trusts established a pooled budget Partnership Arrangement for the provision of Learning Disability services.

2011-12 £'000		2012-13 £'000
51,711	Gross Partnership Expenditure	55,176
(47,263)	Gross Partnership Income	(48,580)
4,448	**Surplus(-)/Deficit**	**6,596**
25,583	**Contribution from Lincolnshire County Council**	**29,335**

The Overspend for 2012-13 is £6.596m. This overspend occurred due to a number of reasons. These included the

Demographic pressures resulting from increased life expectancy of both Service Users and carers (large number of elderly carers to LD clients, whom are currently providing informal care, which when it breaks down increases service provision costs), the increasing needs of Service Users, and the additional cost borne as transition cases transfer from Children's Services.

The general economic climate has also seen an increase in people accessing services (whom have been assessed for services but in previous years have chosen not to access those services). The Legislative changes around Ordinary Residence also lead to additional cost pressures.

b. Integrated Community Equipment Service (ICES)

In 2004/05 Lincolnshire County Council and Lincolnshire Primary Care Trust established a pooled budget Partnership Arrangement for the provision of the Integrated Community Equipment Service.

From 1 November 2013 a new section 75 agreement was put in place between Lincolnshire County Council and Lincolnshire Community Health Services NHS trust, United Lincolnshire Hospitals NHS Trust and Lincolnshire Partnership Foundation NHS Trust

2011-12 £'000		2012-13 £'000
1,736	Gross Partnership Expenditure	3,791
(1,730)	Gross Partnership Income	(3,791)
6	**Surplus(-)/Deficit**	**0**
871	**Contribution from Lincolnshire County Council**	**1,940**

This is a 50:50 shared responsibility budget between the Council and the Primary Care Trust and any overspend is shared.

c. Mental Health

In 2002/03 Lincolnshire County Council and Lincolnshire Partnership NHS Foundation Trust established a pooled budget Partnership Arrangement for the provision of Mental Health Services. This pooled budget arrangement ended in March 2012

2011-12 £'000		2012-13 £'000
41,400	Gross Partnership Expenditure	0
(41,400)	Gross Partnership Income	0
0	**Surplus(-)/Deficit**	**0**
7,092	**Contribution from Lincolnshire County Council**	**0**

The pooled budget arrangement for Mental Health Services between the Council and LPFT ended on 31st March 2012. The arrangement moved to a contractual basis for 2012-13 and is not a pooled budget for 2012-13.

d. Substance Misuse

Lincolnshire Primary Care Trust hosts the budget for substance misuse on behalf of the Lincolnshire Drug and Alcohol Action Team (DAAT) which is now under a Memorandum of Understanding across the DAAT Partnership. The budget for substance misuse is termed a virtual pooled fund arrangement but is not operated under Section 75 of the National Health Service Act 2006.

The 2011-12 figures are restated. The Gross Partnership Expenditure and Income figures used for the 2011-12 Financial Statements did not fully reflect the total pooled budget.

The 2012-13 Gross Partnership Expenditure and Income shows an increase of £1.986m when compared to the 2011-12 totals. This is because the 2012-13 totals include the expenditure relating to alcohol services for the first time.

2011-12 £'000		2012-13 £'000
4,948	Gross Partnership Expenditure	6,934
(4,948)	Gross Partnership Income	(6,934)
0	**Surplus(-)/Deficit**	**0**
194	**Contribution from Lincolnshire County Council**	**(147)**

There is a risk sharing agreement in place between the parties interested in the DAAT budget. The agreement states that under or overspending on the DAAT budget will be shared between these parties at year end. The Council's share of the risk is 51%.

Lincolnshire received a refund of £0.380m in 2012-13. No refund was made in 2011-12 which accounts for the movement in Lincolnshire's contribution from 2011-12 to 2012-13.

e. Child & Adolescent Mental Health Services

In 2012-13 Lincolnshire County Council and Lincolnshire Primary Care Trusts established a pooled budget Partnership Arrangement for the provision of Child & Adolescent Mental Health Service.

2011-12 £'000		2012-13 £'000
0	Gross Partnership Expenditure	1,001
0	Gross Partnership Income	(1,001)
0	**Surplus(-)/Deficit**	**0**
0	**Contribution from Lincolnshire County Council**	**495**

Note 38. Members Allowances

The Council paid the following amounts to Members of the Council during the year:

2011-12 £'000		2012-13 £'000
	Members Allowances:	
632	Basic Allowances	629
365	Special Responsibility Allowances	356
997		985
114	Expenses	102
1,111	**TOTAL**	**1,087**

The figures above will always be different to the figures that are disclosed on the Lincolnshire County Council Website as the figures above have been produced on an Accruals basis, where as the figures disclosed on the website are produced on a Cash basis

Note 39. Officers' Remuneration

a. Officers' remuneration bandings

The table below shows the total number of staff employed by the Council whose actual remuneration exceeded £50,000 per annum, shown in £5,000 bands. Remuneration includes gross salary, expenses, the money value of benefits in kind and termination payments for staff leaving during the year. In addition, the table also identifies the number of staff that left the Council receiving termination payments in the respective year:

2011-12 Number of Staff			2012-13 Number of Staff	
Remuneration received (excl those receiving termination payments)	Staff who received termination payments	Pay Band	Remuneration received (excl those receiving termination payments)	Staff who received termination payments
		TOTAL		
0	1	£150,000- £154,999	0	0
0	1	£145,000- £149,999	0	0
0	0	£140,000- £144,999	0	0
0	4	£135,000- £139,999	0	0
0	0	£130,000- £134,999	0	0
1	0	£125,000- £129,999	1	0
0	1	£120,000- £124,999	0	0
0	3	£115,000- £119,999	0	0
0	0	£110,000- £114,999	0	1
0	5	£105,000- £109,999	0	0
0	2	£100,000- £104,999	0	0
2	3	£95,000- £ 99,999	0	0
4	2	£90,000- £94,999	3	1
8	6	£85,000- £89,999	7	3
10	6	£80,000- £84,999	5	1
3	6	£75,000- £79,999	6	0
21	13	£70,000- £74,999	8	2
31	16	£65,000- £69,999	24	1
47	16	£60,000- £64,999	47	0
115	26	£55,000- £59,999	95	1
138	21	£50,000- £54,999	106	6
380	**132**	**Total**	**302**	**16**

A breakdown of the numbers between schools and other services can be found at Appendix A at the back of this document.

Note the above table excludes all employees who are included within the Senior Officer remuneration table on the next page.

b. Senior Officers' Remuneration

The Accounts and Audit (England) Regulations 2011 requires Local Authorities to disclose individual remuneration details for senior employees (determined as those who have responsibility for the management of the organisation and who direct or control the major activities of the Council).

Job Title	Year	Salary £	Employer's Pension Contribution £	Other Emoluments £	Total £
Senior Officers with a salary over £150,000					
Tony McArdle - Chief Executive	2012-13	173,226	32,740	696	206,662
	2011-12	*173,226*	*32,740*	*1,412*	*207,378*
Senior Officers with a salary over £50,000 and less than £150,000					
Director of Adult Social Services (*1)	2012-13	91,059	17,210	0	108,269
	2011-12	*0*	*0*	*0*	*0*
Executive Director - Adults & Children's	2012-13	120,981	22,734	0	143,715
	2011-12	*135,400*	*25,417*	*581*	*161,398*
Executive Director - Resources & Community Safety	2012-13	125,983	23,957	980	150,920
	2011-12	*125,983*	*23,957*	*595*	*150,535*
Executive Director - Communities	2012-13	126,678	23,811	0	150,489
	2011-12	*125,983*	*23,811*	*1,528*	*151,322*
Executive Director - Performance & Governance	2012-13	125,983	23,811	1,194	150,988
	2011-12	*133,983*	*25,323*	*943*	*160,249*
Chief Fire Officer	2012-13	111,100	23,664	123	134,887
	2011-12	*108,173*	*20,320*	*0*	*128,493*

Job Title	Year	Salary £	Employer's Pension Contribution £	Other Emoluments £	Total £
Head teachers with a salary over £150,000					
Adrian Reed - Executive Head Teacher (*2)	2012-13	77,465	10,923	0	88,388
	2011-12	*185,950*	*26,219*	*0*	*212,169*

(*1) Director of Adult Social Services was appointed from 1 February 2013. (Assistant Director prior to this date). Therefore salary less than other equivalent Senior Officers.

(*2) Adrian Reed is the Executive Head Teacher for Boston Haven High, Boston Staniland and Boston Carlton Road Schools which converted to Academy status from 1 September 2012 therefore only 5 months salary is included above.

Other Emoluments include the profit element of car hire and medical insurance.

Note 40. Exit Packages

The numbers of exit packages with total cost (redundancy and pension strain) per band and total cost of the compulsory and other redundancies are set out in the table below:

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2011-12	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12 £	2012-13 £
£0 - £20,000	454	103	305	78	759	181	£6,069,038	£1,443,821
£20,001 - £40,000	87	28	141	32	228	60	£6,421,668	£1,648,122
£40,001 - £60,000	27	9	73	6	100	15	£4,854,793	£739,301
£60,001 - £80,000	12	7	17	1	29	8	£1,935,540	£540,958
£80,001 - £100,000	8	2	7	0	15	2	£1,267,452	£180,659
£100,001 - £150,000	3	0	6	0	9	0	£1,074,773	£0
Total	**591**	**149**	**549**	**117**	**1,140**	**266**	**£21,623,264**	**£4,552,861**

Redundancy and pension strain payments are presented in this note in the year that payment is made or accrued (at the point in time when an individual employee is committed to leave the Council). Provisions for redundancy and pension strain costs are not included within this note as they represent costs which are committed, but where specific individuals have not yet been indentified.

Details of the actual costs included within the Council's Income and Expenditure for redundancy and pension strain are set out below in Note 41 Termination Benefits. The difference between the values reported in this note and Note 41 Termination Benefits arise due to provisions and any variances between year end accruals and the actual payments made in the next financial year.

Note 41. Termination Benefits.

As a result of the central government cuts, the Council has been through a process of reshaping services during the past two financial years. In 2012-13 the Council has incurred liabilities of £4.604m (£23.281m in 2011-12) in relation to termination benefits:

- £3.931m for redundancy payments (£5.523m in 2011-12); and
- £0.673m for pension strain (£1.197m in 2011-12).

Further information on termination benefits can be found in Note 40 on Exit Packages, Note 55 Contingent Liabilities provides details of the Community Supported Living review underway at the end of 2011-12, and Note 41 on Retirement Benefits details the effect termination benefits have had on pensions in 2012-13.

Note 42. External Audit Costs.

The Council incurred the following fees in relation to external audit and inspection work:

2011-12 £'000		2012-13 £'000
219	Fees payable to the Council's external auditors with regard to external audit services carried out by the appointed auditor for the year	143
0	Fees payable to the Council's external auditors in respect of statutory inspections	0
4	Fees payable to the Council's external auditors for the certification of grant claims and returns for the year	7
2	Fees payable in respect of other services provided by the Council's external auditors during the year	28
225	**Total**	**178**

Note 43. Expenditure on Publicity

The Council's expenditure on publicity includes: staff advertising, including advertising for teaching and other staff in schools; advertising of statutory notices in relation to highways work and publicity for services such as museums and libraries.

2011-12 £'000		2012-13 £'000
1,205	Other Advertising	1,357
486	Staff Advertising	601
201	County News	185
136	Other Publicity	174
29	Lincolnshire Show	29
9	Public Relations	13
2,066		**2,359**

Other Advertising includes promotional advertising and merchandise (£0.686m) and Highways statutory notices (£0.275m).

Note 44. Landfill Allowances Trading Scheme (LATS).

The Financial year 2012-13 is the final year of the scheme and therefore a £nil value per tonne has been applied to all transactions in respect of allowances.

The Council had a total of 111,506 landfill allowances available for the year. The estimated liability (tonnes landfilled) for the year is 96,323. As previously stated remaining allowances (15,183) have no value and have therefore been written off.

Note 45. Dedicated Schools Grant.

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). An element of DSG is recouped by the Department to fund Academy schools in the Council's area. DSG is ringfenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2011. The Schools Budget includes elements for a range of educational services provided on an Authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2012-13 are as follows:

Schools Budget Funded by Dedicated Schools Grant	**Central Expenditure £'000**	**Individual Schools Budget £'000**	**Total £'000**
Final DSG for 2012-13 before Academy recoupment	0	0	466,790
Academy Figure Recouped for 2012-13	0	0	(173,422)
Total DSG after Academy Recoupment for 2012-13	0	0	293,367
Brought Forward from 2011-12	0	0	25,945
Carry forward to 2013-14 agreed in advance	0	0	0
Agreed Initial Budgeted Distribution in 2012-13	47,503	271,810	319,313
In Year Adjustments	(52)	(202)	(254)
Final Budget Distribution for 2012-13	**47,451**	**271,608**	**319,059**
less Actual central expenditure	(43,260)	0	(43,260)
less Actual ISB deployed to schools	0	(259,167)	(259,167)
Total actual expenditure in 2012-13	**(43,260)**	**(259,167)**	**(302,427)**
Local Authority Contribution 2012-13	**7**	**49**	**56**
Carry forward to 2013-14	**4,198**	**12,490**	**16,688**

The Individual Schools Budget includes schools contingency. For the purposes of the deployment of the grant, Individual School Budgets are deemed to be spent once allocated. School balances can be seen elsewhere in the Financial Statements in Note 10 Earmarked Reserves.

Note 46. Grant Income

The Council credited the following grants and contributions and donations to the Comprehensive Income and Expenditure Statement in 2012-13; for grants & contributions where the conditions have been met, or no conditions existed:

2011-12 £'000	a) Credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement	2012-13 £'000
161,438	Contribution from National Non-Domestic Rates	197,680
6,293	Council Tax Freeze Grant	6,332
49,901	Revenue Support Grant	3,832
1,602	Local Services Support Grant	2,000
906	New Homes Bonus Grant	1,374
	Capital Grants and Contributions	
25,067	DFT Asset Protection Grant	24,038
13,095	DfE Capital Maintenance Grant	9,650
9,352	DfE Basic Need Grant	6,233
4,523	DFT Integrated Transport Grant	4,136
1,099	ERDF Grant	2,717
2,320	Devolved Formula Grant	1,875
1,745	ASC Social Care Capital Grant	1,778
0	Heritage Lottery Fund	1,709
1,139	CLG Fire Capital Grant	1,138
2,357	Other Capital Grants and Contributions	1,092
0	2 Year Old Entitlement Grant	887
0	16-19 Demographic Growth Capital Grant	500
394	DfE Short Breaks for Disabled Children Grant	394
154	DfE Secure Unit Grant	378
0	Arts Council	302
0	Sustrans Grant	260
0	Environment Agency Flood Grant	181
0	Local Sustainable Transport Fund	127
0	S106 Agreements	108
1,523	Partnership for Schools: Food Technology Grant	0
570	EMDA Grant	0
426	Extra Care Housing (PCT LD Grant)	0
258	Museums, Libraries & Archives	0
235	DEFRA Flood and Water Risk	0
224	Targeted Capital Fund Kitchen Grant	0
148	YPLA 16-18 Learner Responsive Grant	0
140	DfE Environmental Improvements Grant	0
284,909	**Total**	**268,721**

Details of capital grants unapplied during the financial year and transferred to reserves can be found in the Movement on Reserves Statement and Note 27 Usable Reserves.

2011-12 £'000	b) Credited to Revenue Service Accounts in the Comprehensive Income and Expenditure Statement	2012-13 £'000
362,630	Dedicated Schools Grant	293,367
24,330	Early Intervention Grant Income	26,506
0	Final Business Case Approval Funding	18,530
16,863	Other Revenue Grants	13,854
0	YPLA (EFA) 16-19 Funding	10,199
4,449	Pupil Premium	7,563
5,755	LD Health Reform Grant	5,931
0	SEN & Teacher's Pay Grant (EFA)	2,935
314	Young People Learning Agency 16-18 Learner Responsive Funding (YPLA)	659
32,265	DfE Framework Academies Grants	0
21,620	Sixth Form Funding	0
9,801	Department for Communities and Local Government - Growing Places Fund (DCLG)	0
1,104	East Midland Development Agency (SRP Grant)	0
400	Social Care Reform Grant	0
8	Department For Education Devolved Formula Grant	0
(2)	Learner Support Fund	0
(36)	General Sure Start	0
479,501	**Total**	**379,544**

Details of Revenue Grants unutilised during the financial year and transferred to Earmarked Reserves are set out in Note 10.

In addition to these grants, contributions and donations, the Council has received grants, contributions and donations which have not been recognised as income as they have conditions attached to them that have not been met and monies or property may have to be returned to the giver. The balances at the year-end are as follows:

2011-12 £'000	c) Capital Grants and Contributions Receipts in Advance	2012-13 £'000
45	Salix Energy Conservation Grant	0
6	Other	0
51	**Total**	**0**

2011-12 £'000	d) Revenue Grants and Contributions Receipts in Advance	2012-13 £'000
110	Adult Safeguarding Grant	359
69	Leaving Care Grant	83
215	Pupil Premium	46
0	Grant for AHL Museums & Schools Programme	40
248	Other Revenue Receipts in Advance	32
20	Adult Social Care Efficiency Programme Grant	20
257	Department of Health Warm Homes	0
18	Learning Skills Council Adult Learning Grant	0
937	**Total**	**580**

2011-12 £'000	e) Donated Assets Receipts in Kind	2012-13 £'000
0	Fire - New Dimensions Assets Transfer	1,063
0	**Total**	**1,063**

Note 47. 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.

a. Central Government

Central Government has effective control over the general operations of the Council – it is responsible for providing the statutory framework; within which the Council operates; provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills).

The Council receives general revenue grants from Central Government (including: formula grant and contributions from NNDR), these are credited to taxation and non-specific grant income line in the Comprehensive Income and Expenditure Statement. Specific revenue grants are included in the income figures within the net cost of services in the Comprehensive Income and Expenditure Statement. Further details of the grants received by the Council in 2012-13 are set out in Note 13 Taxation and Non Specific Grant Income and Note 46 Grant Income.

Capital grants of £58.566m have also been received by the Council in 2012-13, these are recorded in Note 13 Taxation and Non Specific Grant Income and Note 46 Grant Income.

b. Councillors and Senior Officers

Members of the Council have direct control over the Council's financial and operating policies. The total members' allowances paid in 2012-13 is shown in Note 38.

The Chief Executive and those reporting directly to him may also be able to influence Council policy. Therefore accounting standards require the Council to disclose certain 'related party transactions' between County Councillors, Chief Officers and the Council. This information comes from the statutory registers of interest (maintained for members) and declarations of pecuniary interests (for Officers). Details of all transactions are recorded in the Register of Members' Interest, which are available for public inspection at County Offices on Newland, Lincoln, during normal office hours. Also, all Council members and Chief Officers have been written to, advising them of their obligations and asking for any declarations of related party transactions to be disclosed within the Statement of Accounts.

Three Councillors have not submitted the declaration of interest form this year. Relevant information relating to these Councillors have been used from other sources to compile the information below.

During 2012-13 the following have been declared:

Councillors

- Twenty Councillors have disclosed that they have control or significant influence over a private organisation;
- Three Councillors have provided services to the Council to the value of £0.028m;
- Five Councillors are members of voluntary organisations which received grants to the value of £0.009m;
- A number of Councillors are members of other organisations such as District/Parish Councils, school governors, other public bodies and charities who have provided services for, or received services from the Council;
- One Councillor is a Director of Investors in Lincoln Ltd;
- Two Councillors are on the Management Board of ESPO;
- One Councillor is a Non-Executive for Lincolnshire Home Improvement Agency;
- One Councillor is the Chairman and on the Board of Urban Challenge;
- One Councillor is on the Board of Lincolnshire Economic Action Partnership, and
- One Councillor is a Reserved Member of SPARSE, which is a grouping of the most rural Local Authorities in Lincolnshire. Lincolnshire.

Senior Officers

- One Chief Officer is on the Board of Lincolnshire Economic Action Partnership;

- One Chief Officer is a member of the Chief Officers Group of ESPO; and

- The Director of Public Health is a jointly funded position and is shared with NHS Lincolnshire. On the 1 April 2013 Public Health will become the responsibility of the Council and the shared arrangement with NHS Lincolnshire will cease.

c. Other Public Bodies

The Council has entered into Pooled Budget arrangements with NHS Lincolnshire for Learning Disabilities and Integrated Community Equipment, and Lincolnshire Primary Care Trust for Substance Misuse. The pooled budget arrangement for Mental Health Services between the County Council and Lincolnshire Partnership Foundation Trust ended on 31st March 2012. The arrangement moved to a contractual basis for 2012-13 and is no longer a pooled budget.

The Council is the administrator of the Lincolnshire Pension Fund and has control of the fund within the overall statutory framework. During the financial year £1.024m was recharged from the County Council to the pension fund for scheme administration and management. The pension fund earned a total for interest of £0.046m on deposits managed within the Council's own cash, which the Council paid over to the pension fund.

d. Entities Controlled or Significantly Influenced by the Council

The Council does not aggregate any subsidiaries, associated companies or joint ventures and therefore is not required to prepare group accounts. However, the Council has disclosed under the group account note our interest in Eastern Shires Purchasing Organisation (ESPO) in Note 57 Group Relationships and Other Interests

Note 48. Capital Expenditure and Capital Financing.

The table below shows the financing of the £175.9m capital expenditure (including revenue expenditure financed from capital under statute and finance leases), together with the resources that have been used to finance it. The explanation of movement in year shows the change in the underlying need to borrow to finance capital expenditure.

Further information on the 2012-13 expenditure is provided in the Explanatory Foreword, with details of the asset acquired.

2011-12 £'000		2012-13 £'000
469,331	**Opening Capital Financing Requirement**	**492,754**
	Capital Investment:	
109,000	Property, Plant and Equipment	147,198
235	Investment Property	130
1,263	Intangible Assets	1,075
54,630	Revenue Expenditure Funded from Capital Under Statute (REFCUS)	27,513
	Sources of Finance:	
(9,424)	Capital Receipts	(6,049)
(60,133)	Government Grants and Contributions	(46,185)
(33,531)	Government Grants and Contributions funding REFCUS	(22,113)
	Sums set aside from Revenue:	
(13,939)	Direct Revenue Contributions	(17,255)
(24,678)	Minimum Revenue Provision/Loans fund principal	(29,682)
492,754	**Closing Capital Financing Requirement**	**547,386**
23,423	**Movement in Year:**	**54,632**
	Explanation of movement in year:	
0	Increase in underlying need to borrow (supported by government financial assistance)	0
22,823	Increase in underlying need to borrow (unsupported by government financial assistance)	54,170
600	Assets acquired under finance leases	462
0	Assets acquired under PFI/PPP contracts	0
23,423	**Increase/(Decrease) in Capital Financing Requirement**	**54,632**

Note 49 Leases.

a. Lincolnshire County Council as Lessee

i) Finance Leases

The Council has acquired the following assets under finance leases:

Land and Buildings:

Voluntary Controlled Schools are held as long term leases. The buildings element of the lease is classed as a finance lease and has been included in the Balance Sheet.

County Farms - the Council hold a small number of holdings under lease which are then sub-let as part of the County Farms estate.

Other Land and Buildings – the Council has a small number of leases which it has classified as finance leases.

Vehicles, Plant, Furniture and Equipment - finance lease payments of £0.973m (£1.240m in 2011-12) were made during the year. £0.228m was charged to the Comprehensive Income and Expenditure Statement as interest payable and £0.745m written down to deferred liabilities.

The following amounts are included within tangible fixed assets Note 14 for the Property, Plant and Equipment held under finance leases:

	Land and Buildings £'000	Vehicles, Plant & Equipment £'000
Valuation at 01 April 2012	16,369	5,339
Additions	96	463
Revaluations	(127)	0
Depreciation	(372)	(4,915)
Disposals	(15)	0
Derecognition	(2)	0
Reclassifications	(545)	0
Net Book Value at 31 March 2013	**15,404**	**887**
Valuation at 01 April 2011	14,648	6,671
Additions	468	606
Revaluations	3,224	0
Depreciation	(455)	(1,938)
Disposals	(1,162)	0
Derecognition	(416)	0
Reclassifications	62	0
Net Book value as at 31 March 2012	**16,369**	**5,339**

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

Land and Buildings:	2011-12		2012-13	
	Minimum Lease Payments £'000	Finance Lease Liabilities £'000	Minimum Lease Payments £'000	Finance Lease Liabilities £'000
Not later than one year	1	13	6	13
Between one year and not later than five years	3	51	26	51
Later than five years	95	366	213	353
Total Committed Liabilities as at 31 March	**99**	**430**	**245**	**417**

Vehicles, Plant & Equipment:	2011-12		2012-13	
	Minimum Lease Payments £'000	Finance Lease Liabilities £'000	Minimum Lease Payments £'000	Finance Lease Liabilities £'000
Not later than one year	1,225	448	367	98
Between one year and not later than five years	2,433	973	334	99
Later than five years	3,087	744	0	0
Total Committed Liabilities as at 31 March	**6,745**	**2,165**	**701**	**197**

The Council sub-lets County Farm holdings held under finance leases. At 31 March 2013 the minimum payments expected to be received under non-cancellable sub-leases was £0.306m.

i) Operating Leases

The Council has acquired the following assets under operating leases:

Land and Buildings - the Council leases various properties for use in delivering services. The rentals paid during 2012-13 amounted to £1.928m (£2.347m in 2011-12). This includes £1.280m for central office accommodation which is managed by Mouchel and charged to the Council as part of a monthly service charge.

Vehicles, Plant, Furniture and Equipment - the Council makes operating lease payments for equipment, contract car hire vehicles and fleet hire. The amount paid under these arrangements was £1.993m in 2012-13 (£1.594m in 2011-12).

As at 31 March 2013, the Council is committed to making payments of £18.233m under operating leases, comprising the following elements:

	2011-12 £'000	2012-13 £'000
Not later than one year	3,289	3,415
Between one year and not later than five years	8,104	7,412
Later than five years	7,612	7,406
Total Committed Liabilities as at 31 March	**19,005**	**18,233**

b. Lincolnshire County Council as Lessor

i) Finance Leases

The Council has granted a small number of long-term leases for office accommodation, Adult Social Care properties and Children's Services properties to charities and other Local Authorities, which are accounted for as finance leases. There are no significant lease payments and no debtors accrued.

The Council does not acquire assets specifically for the purpose of letting under finance leases.

ii) Operating Leases

The Council acts as lessor (landlord), mainly for the County Farms estate and received income from tenants of £1.941m in 2012-13 (£1.804m in 2011-12). The Council also received rental income from other properties; where the value of the lease is material, the income amounted to £1.049m in 2012-13 (£1.151m in 2011-12).

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

	2011-12 £'000	2012-13 £'000
Not later than one year	603	566
Between one year and not later than five years	1,269	1,297
Later than five years	1,796	1,670
Total future minimum lease payments receivable as at 31 March	**3,668**	**3,533**

Note 50. Private Finance Initiatives (PFI) and Similar Contracts

Lincolnshire - Schools PFI Arrangement

a. Background

On 27 September 2001 the Council entered into a 31 year PFI contract with Focus Education (Lincolnshire), for the construction and provision of seven fully serviced school premises across the County. The school sites were completed and became operational, on a phased basis, as shown in the following table:

Buildings: Description	Occupied from
Sleaford St Botolph's County Primary	Sep 2002
Sleaford Church Lane Primary	Jan 2003
Claypole CE County Primary	Mar 2003
The Fortuna Primary, Lincoln	Sep 2003
The Sincil School, Lincoln	Mar 2006
The Phoenix School, Grantham	Sep 2003
The Lady Jane Franklin School, Spilsby	Sep 2003

The contractor is required to provide the school facilities to the specified standard (including school buildings and educational equipment). The school must operate within the policies of the Local Education Authority. The school facilities must be available and ready for use as a school during term time and the school day is specified as 8am to 7pm.

The contract specifies minimum standards for the services to be provided by the contractor, with deductions from the fee payable being made if facilities are unavailable or performance is below the minimum standards.

The Council is required to pay compensation to the contractor if the contract is terminated early to cover: the senior debt, any redundancy costs incurred by the provider, and any future profit elements set out in the contractor's financial model.

The contract ends in 2032, at which time the school premises will transfer to the ownership of the Council at no further cost. The contract specifies the physical condition in which the premises must be transferred.

b. Property, Plant and Equipment Held Under the PFI Contract

The table below shows the fixed assets held by the Council, and the movement in their values during 2012-13. These assets are included in the fixed assets shown in Note 14 Property, Plant and Equipment.

	Land & Buildings £'000	Furniture & Equipment £'000
Valuation at 01 April 2012	30,578	157
Additions	16	48
Revaluations	(1,651)	0
Depreciation	(462)	(73)
Disposals	(4,094)	(41)
Reclassifications	0	0
De-recognition	0	0
Net Book Value at 31 March 2013	**24,387**	**91**

	Land & Buildings £'000	Furniture & Equipment £'000
Valuation at 1 April 2011	31,021	220
Additions	38	14
Revaluations	0	0
Depreciation	(455)	(77)
Disposals	0	0
Reclassifications	0	0
De-recognition	(26)	0
Net Book Value at 31 March 2012	**30,578**	**157**

c. Liabilities Outstanding under the PFI Contract – Finance Lease Element

The following table shows the outstanding liability on the PFI Finance Lease, and the movement during 2012-13:

	PFI Lease Liability 2011-12 £'000	PFI Lease Liability 2012-13 £'000
Liability as at 1 April	15,166	14,505
Principal Repayments	(661)	(567)
Liability as at 31 March	**14,505**	**13,938**

d. PFI Contract Liabilities

The following table shows a breakdown of the estimated contract costs over the remaining life of the PFI contract, split into the different elements of the total cost.

	Principal Lease Repayments £'000	Financing Costs (Interest) £'000	Service Charges £'000	Total Estimated Payments £'000
Payable in 2013-14	694	981	1,654	**3,329**
Payable between 2014-15 and 2017-18	2,473	3,446	7,426	**13,345**
Payable between 2018-19 and 2022-23	4,017	3,196	10,252	**17,465**
Payable between 2023-24 and 2027-28	4,081	1,780	11,452	**17,313**
Payable between 2028-29 and 2032-33	2,672	320	8,512	**11,504**
Total Committed Liabilities as at 31 March 2013	**13,937**	**9,723**	**39,296**	**62,956**

e. Conversion to Academy Status

On 1st March 2013, the Phoenix School in Grantham converted to Academy status. A lease has been agreed between the Council and the Academy to reflect the effects of conversion. This lease is accounted for in accordance with the Authority's Accounting Policies on Leases and Accounting for Schools.

The figures shown for 2012-13 in Sections c and d above, include £2.1m of principal lease liability and £1.5m of interest liability that relate to the Phoenix School.

Note 51. Impairment Losses.

The Council has not recognised any material impairments in the 2012-13 accounts.

Note 52. Capitalisation of Borrowing Costs.

The Council does not capitalise any borrowing costs.

Note 53. Pension Schemes Accounted for as Defined Contribution Schemes.

Teachers' Pension Scheme

Teachers employed by the Council are members of the Teachers' Pension Scheme (TPS), administered by the Department for Education. The Scheme provides teachers with specified benefits upon their retirement and the Council makes contributions towards the costs based on a percentage of members' pensionable salaries.

The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by Local Authorities. The Council is not able to identify its share of underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purpose of these Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2012-13 the Council paid £16.153m to the administrators of the TPS in respect of employer's pension contributions. The Council contribution rate to the teacher's pension fund is 14.1% in 2012-13. The Council is responsible for all pension payments relating to compensatory added years under the Council's early retirement policy.

This includes payments for associated pension increases and mandatory compensation payments to fund the early release of benefits from the scheme. These unfunded benefits amounted to £3.749m in 2012-13 and have an ongoing liability to the Council.

Note 54. Defined Benefit Pensions 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 need to be disclosed at the time that employees earn their future entitlement.

The Council participates in two post employment schemes:

i. Local Government Pension Scheme (LGPS)

The Local Government Pension Scheme is a funded defined benefits final salary scheme. This means that the Council and employees pay contributions into the fund, calculated at a level intended to balance the pensions liabilities with investment assets.

The Council paid employer's contributions of £25,896m into the Lincolnshire Pension Fund in 2012-13, based on 18.9% of scheme employees' pensionable pay.

Under the Council's early retirement policy, additional contributions of £0.673m were made to the Pension Fund for the pre-funding of early retirements and unfunded benefits in respect of compensatory added years and associated pension increases amounted to £1.925m. Further information can be found on pages 116 to 144 and in the Council's Pension Fund Annual Report which is available on request.

ii. Fire-fighters' (Uniformed) Pension Scheme (FPS)

In 2012-13 the Council paid employer's contributions of £4.1m to the Lincolnshire Fire and Rescue Pension Fund.
There are currently two schemes: the 1992 scheme, where the contribution rate is 21.3% and a new scheme established in 2006, where the contribution rate is 11%. A further £0.8m was paid in respect of ill health retirements and £0.24m in respect of injury benefits. Further information on the Lincolnshire Fire and Rescue Pension fund can be found on page 145 to page 147.

Transactions Relating to Post Employment Benefits (IAS 19 Retirement Benefits accounting entries).

We recognise the cost of retirement benefits in the reported cost of services, when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement.

The unfunded FPS employer's contributions have been defined by the actuary as benefits expenditure reduced by employee contributions. These are gross contributions and have been adjusted by the DCLG government grant. The following transactions have been made in the Comprehensive Income and Expenditure Statement and as movements to the General Fund.

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

a. Recognition in the Comprehensive Income and Expenditure Statement

Comprehensive Income and Expenditure Statement	2011-12 Local Government Pension Scheme £'000	2011-12 Fire-fighters' Pension Scheme £'000	2012-13 Local Government Pension Scheme £'000	2012-13 Fire-fighters' Pension Scheme £'000
Cost of Services				
- Current Service Cost	28,779	3,900	26,688	4,000
- Past Service Cost / (Gain)	0	1,500	6	0
- Past Service Cost / (Gain) Injury Benefits	0	0	0	0
- Losses / (Gains) on Curtailments and Settlements	(8,622)	0	(14,939)	0
Financing and Investment Income and Expenditure				
- Interest	58,051	7,300	54,712	6,800
- Expected Return on Employer Assets	(51,299)	0	(42,694)	0
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**26,909**	**12,700**	**23,773**	**10,800**
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement				
- Actuarial gains and losses	87,946	2,600	79,620	18,200
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**114,855**	**15,300**	**103,393**	**29,000**

Movement in Reserves Statement	2011-12 Local Government Pension Scheme £'000	2011-12 Fire-fighters' Pension Scheme £'000	2012-13 Local Government Pension Scheme £'000	2012-13 Fire-fighters' Pension Scheme £'000
- Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(26,909)	(12,700)	(23,773)	(10,800)

Actual amount charged against the General Fund Balance for pensions in the year:	2011-12 Local Government Pension Scheme £'000	2011-12 Fire-fighters' Pension Scheme £'000	2012-13 Local Government Pension Scheme £'000	2012-13 Fire-fighters' Pension Scheme £'000
- Employer's Contributions payable to the Pension Scheme	38,770	3,900	31,634	4,400

The above figures are based on the current version of IAS 19. Changes to IAS 19 come into effect in the financial year 2013-14, when the changes are taken into account it will increase the income statement by £6.6m on the Local Government scheme. There will be no impact on the Fire-fighters' scheme because it is unfunded.

b. Assets and Liabilities in relation to post-employment benefits (Reconciliation of the present value of the scheme liabilities - defined benefit obligation).

	2011-12 Local Government Pension Scheme £'000	2011-12 Fire-fighters' Pension Scheme £'000	2012-13 Local Government Pension Scheme £'000	2012-13 Fire-fighters' Pension Scheme £'000
Opening Defined Benefit Obligation (1 April)	**1,078,590**	**132,200**	**1,157,489**	**143,600**
- Current Service Cost	28,779	3,900	26,688	4,000
- Interest Cost	58,051	7,300	54,712	6,800
- Contributions by Members	9,746	900	8,737	1,000
- Actuarial Losses / (Gains)	46,814	2,600	137,376	18,200
- Past Service Cost / (Gain)	0	1,500	6	0
- Past Service Cost / (Gain) Injury Benefits	0	0	0	0
- Losses / (Gains) on Curtailments	6,446	0	1,049	0
- Unfunded Benefits Paid	(5,433)	0	(5,668)	0
- Benefits Paid	(36,308)	0	(36,042)	0
- Liabilities Extinguished on Settlement	(29,196)	0	(27,322)	0
- Pensions and Lump Sum Expenditure	0	(4,800)	0	(5,400)
- Transfers in from/out to other Authorities	0	0	0	0
Closing Defined Benefit Obligation (31 March)	**1,157,489**	**143,600**	**1,317,025**	**168,200**

c. Reconciliation of fair value of employer assets.

	2011-12 Local Government Pension Scheme £'000	2011-12 Fire-fighters' Pension Scheme £'000	2012-13 Local Government Pension Scheme £'000	2012-13 Fire-fighters' Pension Scheme £'000
Opening Fair Value of Employer Assets (1 April)	**752,904**	**0**	**755,718**	**0**
- Expected Return on Assets	51,299	0	42,694	0
- Contributions by Members	9,746	900	8,737	1,000
- Contributions by the Employer	33,337	3,900	25,966	4,400
- Contributions in respect of Unfunded Benefits	5,433	0	5,668	0
- Actuarial Gains / (Losses)	(41,132)	0	57,756	0
- Unfunded Benefits Paid	(5,433)	0	(5,668)	0
- Benefits Paid	(36,308)	0	(36,042)	0
- Assets Distributed on Settlement	(14,128)	0	(11,334)	0
- Transfers in from/out to other Authorities	0	0	0	0
- Pensions and Lump Sum Expenditure	0	(4,800)	0	(5,400)
Closing Fair Value of Employer Assets (31 March)	**755,718**	**0**	**843,495**	**0**

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 estimated return on scheme assets in the year was 13.5% (2012-13).

d. Pension Fund Assets and Liabilities (Scheme History)

The table below shows the estimated assets and liabilities for retirement benefits attributable to the Council as at 01 April 2012.

	2008-09 £'000	2009-10 £'000	2010-11 £'000	2011-12 £'000	2012-13 £'000
Present Value of Liabilities:					
- Local Government Pension Scheme	(771,449)	(1,255,124)	(1,078,590)	(1,157,489)	(1,317,025)
Fair Value of assets in the Local Government Pension Scheme	481,488	648,334	752,904	755,718	843,495
Surplus/(deficit) in the schemes					
- Local Government Pension Scheme	(289,961)	(606,790)	(325,686)	(401,771)	(473,530)
- Fire-fighters' Pension Scheme	(99,300)	(141,000)	(132,200)	(143,600)	(168,200)
Total Surplus/(deficit) in the schemes	**(389,261)**	**(747,790)**	**(457,886)**	**(545,371)**	**(641,730)**

The liabilities show the underlying commitments that the Council has to pay retirement benefits in the future. The total liability of £641.730m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet.

The liability comprises of approximately £29.1m of LPGS unfunded benefits and £71m of Teachers unfunded benefits.

Statutory arrangements for funding the LGPS deficit mean that the financial position of the Council remains relatively healthy. Under the LGPS regulations, the contribution rates for 2012-13 were set at 18.9% of employees pensionable pay/over time, to meet in full the estimated liabilities of the fund. The triennial LGPS actuarial valuation at 2012-13 following an improvement in world equity markets, identified that assets held at that date were sufficient to cover 64% of accrued liabilities.

In assessing liabilities for retirement benefits at 31 March 2013 for the 2012-13 Statement of Accounts, the actuary assumed a discount rate of 1.7% real (4.5% actual) a rate based on the current rate of return on a high quality corporate bond of equivalent currency and term to scheme liabilities is to be used.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 2012-13 are £26.6 million. Expected contributions for the Fire-fighters' scheme in the year to 31 March 2013 are £4.9 million.

e. 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 assessed by Hymans Robertson, an independent firm of actuaries; estimates for the Council Fund being based on the latest full valuation of the scheme as at 1 April

The principal assumptions used by the actuary have been:

	2011-12 Local Government Pension Scheme %	2011-12 Fire-fighters' Pension Scheme %	2012-13 Local Government Pension Scheme %	2012-13 Fire-fighters' Pension Scheme %
Price Increases	3.3	3.3	3.6	3.6
Salary Increases (*1)	4.8	3.5	5.1	3.8
Pension Increases (CPI)	2.5	2.5	2.8	2.8
Discount Rate	4.8	4.8	4.5	4.5
Take up of option to convert annual pension to lump sum prior to 1 April 2008	25	N/A	25	N/A
Take up of option to convert annual pension to lump sum post 1 April 2008	63	N/A	63	N/A

(*1) Salary increases are 1% p.a. nominal for the year to 31 March 2015 reverting to the long term assumption thereafter.

The table below shows the expected returns on the assets in the Council LGPS Fund and the allocation of investments valued at fair value. The Fire-fighters' scheme is an unfunded scheme and as a result has no assets.

Asset Class	2011-12 £'000	2011-12 %	2012-13 £'000	2012-13 %
Equities	559,232	74.0	649,491	77.0
Bonds	98,243	13.0	109,654	13.0
Property	90,686	12.0	84,350	10.0
Cash	7,557	1.0	0	0.0
Total	**755,718**	**100**	**843,495**	**100**

The table below shows the life expectancy of future and current pensioners and is based on the PFA92 and PMA92 tables; this is projected to the calendar year 2033 for non pensioners and 2017 for pensioners. Life expectancy is based on pensioners of 65 in the LGPS and 60 in the Fire-fighters' scheme.

	Local Government Pension Scheme Male	Local Government Pension Scheme Female	Fire-fighters' Pension Scheme Male	Fire-fighters' Pension Scheme Female
Current Pensioners	21.2	23.4	28.1	31
Future Pensioners	23.7	25.7	29.7	32.5

The discretionary Benefits arrangements have no assets to cover its liabilities.

f. Actuarial Gains and Losses (Scheme History)

The actuarial gains and losses, identified as movements on the Pension Reserve in 2012-13, can be analysed into the following categories, measured as a percentage of assets or liabilities as at 01 April 2012.

Local Government Pension Scheme	2008-09 %	2009-10 %	2010-11 %	2011-12 %	2012-13 %
Difference between the expected and actual return on assets	-31.81%	17.41%	5.42%	-5.44%	6.85%
Experience Gains / Losses on Liabilities	0.00%	-0.12%	-2.33%	-4.04%	-10.43%

Fire-fighters' Pension Scheme	2008-09 %	2009-10 %	2010-11 %	2011-12 %	2012-13 %
Experience Gains / Losses on Liabilities	9.30%	-24.60%	0.60%	-1.80%	-10.80%

g. Projected Pension expense for the year to 31 March 2014

Year Ended:	31 March 2014 Local Government Pension Scheme £'000	%	31 March 2014 Fire-fighters' Pension Scheme £'000
Projected Current Service Cost (*2)	32,033	24.3%	5,000
Interest on Obligation	59,180	44.8%	7,600
Expected Return on Plan assets (*3)	(37,842)	-28.7%	0
Past Service Costs	0	0.0%	0
Losses / (Gains) on Curtailments and Settlements	0	0.0%	0
Total	**53,371**	**40.4%**	**12,600**

Employer's contributions for the year to 31 March 2014 for the LGPS will be approximately £24.9 million and for net cash flow on the Fire-fighters' scheme is £4.3m

(*2) The service cost figures include an allowance for administration expenses of 0.4% of payroll

(*3) The Expected Return on Employer Assets is based on the discount rate, as per the forthcoming revised version of IAS19.

h. Sensitivity Analysis

Change in assumptions in year ended 31 March 2013	Local Government Pension Scheme		Fire Fighters' Pension Scheme	
	Approximate % Change to Employer Liability	Approximate monetary Amount £000	Approximate % Change to Employer Liability	Approximate monetary Amount £000
0.5% decrease in Real Discount rate	10.0%	126,271	10.0%	16,500
1 year increase in member life expectancy	3.0%	39,511	3.0%	5,000
0.5% increase in the Salary Increase Rate	3.0%	36,081	2.0%	3,100
0.5% increase in the Pension Increase Rate	7.0%	88,524	9.0%	13,700

Note 55. Contingent Liabilities.

At 31 March 2013 the Council has the following material contingent liabilities:

a. Insurance

The Council obtained public and employer's liability insurance cover from the Independent Insurance Company between 1995 and 1998. The company went into liquidation to the extent that it will not be able to meet any current or future liabilities, meaning the Council is effectively not insured for this period. It is expected that only the liabilities for employers liability remain, as we would have expected all public liability claims for this period to have been submitted. The position is independently reviewed bi-annually by the insurance reserve actuary to ensure that reserves are sufficient to cover the total liability.

Municipal Mutual Insurance Limited (MMI), the Council's former insurer, ceased writing insurance business in September 1992 and entered a Scheme of Arrangement for an expectation of a solvent run off. This has not occurred and the Scheme of Arrangement has been invoked with a 15% clawback of claim payments being requested (the Council's liability is £155,637). However it is unclear if this is a one off request, or if MMI can come back over the period of its liabilities, continually requesting money to ensure assets exceed liabilities.

b. Expansion of Eastern Shires Purchasing Organisation (ESPO)

Lincolnshire County Council is one of seven Authorities that comprise the purchasing consortium known as ESPO. The consortium has no separate legal identity and Leicestershire County Council, as the servicing Authority for ESPO, takes on this role in terms of all ESPO's contractual obligations.

ESPO relocated to a new custom built store in Leicester on February 2006. The new store has been financed by a £12.6m PWLB loan taken out by Leicestershire County Council on behalf of the ESPO consortium. Leicestershire has obtained an indemnity from all six other consortium member Authorities to meet the conditions of the loan should ESPO ever fail to make payments. The potential maximum liability is £2.000m.

A financial provision has not been raised in the accounts to cover any future payments under these indemnities as the risk is considered minimal.

c. Lincoln Southern Bypass Blight Payments

The preferred route for the Lincoln Southern bypass was adopted during 2007-08. It is at this time of adoption that legal blight will apply on any land or property sited on this route. In addition, other nearby properties may not trigger blight but may be accepted for purchase under the Council's discretionary powers held under Section 246(2) of the Highways Act 1980.

However, it is unlikely that the road will be constructed within the near future. Potentially, other owners of land and property affected by the road can claim blight at any stage between now and construction. If these claims are upheld then the Council will have to purchase the properties or land in advance of construction. This could, excluding any discretionary purchases, amount to approximately £1.000m.

d. Extra Contractual Referrals

In Lincolnshire, there are a small number of people with Learning Disabilities who were placed in Health accommodation by other Health Authorities. Due to these establishments closing in recent years, Service Users have been moved into places within the community or in some cases their prior accommodation has become their community provision. A part of the pooled arrangements with Lincolnshire Health, we have hitherto paid for the care of these individuals and invoiced the other Local Authorities with the cost.

There are now a number of Authorities who are challenging this process on the basis that those Service Users are now deemed as an ordinary resident of the County and as such, funding responsibility lies with the Council.

Any liability is likely to be in the range of nil to £0.360m.

e. Ordinary Residency

In recent years there has been an increase in incidents of Local Authorities exercising "Ordinary Residents Rights" in relation to people who have received services in Lincolnshire and as a result, have resided within the County over a number of years but whose normal residency is outside of the County.

These Local Authorities have become active in claiming that the liability for ongoing support costs lies with the Council and in some cases retrospective charges have been levied.

Where cases have been quantified and verified, these have been included within the Accounts. However where discussions are on-going it is difficult to establish an accurate cost until an agreement is reached.

There are a range of financial outcomes depending on the eventual conclusion of discussions between Lincolnshire and the Authorities in question. Any liability is likely to be in the range of nil to £0.175k.

f. Service User Contributions

The Council are currently investigating the possibility that a small number of Service Users have been assessed for charges towards the cost of their care on an incorrect basis. This may have resulted in Service Users historically paying more towards their service than would otherwise be required. Work is on-going to confirm whether the charges that have been made are appropriate and if not, what the potential liability is to the Council.

Early analysis of the impact of a move to Fairer Charging from the CRAG residential charging model on a sample of 12 Service Users indicates a worse case of an average weekly overcharge of £120 per person; a worse case annual figure of approximately £275,000 for the 44 service uses, amounting to a possible overcharge by the Council of £2.200m over eight years.

g. Land and Compensation Claims

Claims for land compensation in relation to the A1073 Spalding to Eye Road Improvement Scheme can be submitted a year after the road opening, with part one claims up to seven years. Those received to date are for a significantly higher value than anticipated. The Highways and Transportation service has also received a challenge over the valuation used for land taken by the scheme which is being dealt with through the Lands Tribunal.

There is the potential for the costs associated with land purchase and compensation claims to amount £4.614m.

Note 56. Contingent Assets.

There are no Contingent Assets to report.

Note 57. Group Relationships and Other Interests.

Local Authorities may decide for a variety of legal, regulatory and other reasons to conduct their activities with other organisations. For this reason, the Financial Statement of Lincolnshire County Council alone may not give a full picture of the economic activity and financial position.

On an annual basis, the Council is required to consider all activities which it has undertaken with other bodies to assess whether these should be included within the Council's Financial Statements. This exercise has been completed for the Council for 2012-13 and no group relationships have been identified to be consolidated into the Council's Statement of Accounts.
However, in the interests of transparency and accountability, the Council has chosen to disclose its interest in the purchasing consortia Eastern Shires Purchasing Organisation (ESPO).

Interests in Joint Ventures - Eastern Shires Purchasing Organisation - (ESPO)

ESPO is a purchasing consortium established in 1988 for the purchase of goods and supplies and the provision of agreed services to their mutual benefit in accordance with Section 1 of the Local Authorities (Goods and Services) Act 1970. ESPO is constituted as a Joint Committee and Lincolnshire County Council is one of seven constituted members.

ESPO's accounting year end is 31st March and the latest (unaudited) accounts are for the year ended 31 March 2013.

These showed net assets of £9.546m in 2012-13 (£8.499m in 2011-12) and a surplus of £1.046m in 2012-13 (a surplus of £1.101m in 2011-12).

Under the terms of the ESPO agreement, if the operations of ESPO were discontinued then the distribution of surplus or deficits will be divided amongst the Member Authorities in direct proportion to the use made of ESPO facilities. Under these arrangements the Council would be entitled to approximately 15.30% of ESPO's assets and liabilities.

In 2005-06 a PWLB loan was taken out by Leicestershire County Council acting on behalf of ESPO. The six other consortium member Authorities, including the Council; have provided an indemnity to meet the conditions of this loan should ESPO ever fail to make payments. A contingent liability has been declared within the Financial Statements for this.

A copy of ESPO's Statement of Accounts and Annual Report is available from: ESPO, Barnsdale Way, Grove Park, Enderby, Leicester. LE19 1ES. Telephone 0116 265 7878.

Note 58. Trust Funds

The Council acts as sole administrator for 50 trust funds related to specific services, principally Education and Social Services. Funds are invested either in external marketable securities or held on deposit. They are not included in the Balance Sheet.

The principal trusts are as follows:

	Balance at 31 March 2012 £'000	Income £'000	Expenditure £'000	Balance at 31 March 2013 £'000
Education Trusts	(238)	(15)	9	(244)
Children's Social Care Trusts	(265)	(1)	245	(21)
Adult Social Care Trusts	(232)	(192)	0	(424)
Other Trusts	(103)	(1)	0	(104)
Total	**(838)**	**(209)**	**254**	**(793)**

The Education funds relate principally to legacies left by individuals over a period of years in order to provide annual prizes at specified schools or colleges.

The Social Care funds represent monies held in trust either for children in care until such time as they are required or funds for the benefit of the elderly in Council homes.

Lincolnshire County Council's Pension Fund

Pension Fund Account - For the year ended 31 March 2013.

	See Note	2011-12 £000	2012-13 £000
Contributions and Benefits			
Contributions Receivable	8	78,564	74,559
Transfers in	9	8,231	5,674
		86,795	**80,233**
Benefits Payable	10	77,744	73,235
Leavers	11	5,666	6,900
Administrative expenses	12	997	1,167
		84,407	**81,302**
Net additions from dealings with fund members		**2,388**	**(1,069)**
Returns on Investments			
Investment Income	13	21,806	25,002
Profit (Loss) on Forward Deals & Currency Deals	17	(3,275)	(1,426)
Change in Market Value of Investments	15	831	141,590
Investment management expenses	12	(4,012)	(5,092)
Net returns on investments		**15,350**	**160,074**
Net increase in the Fund during the year		17,738	159,005
Opening net assets of the Fund		1,318,302	1,336,040
Closing net assets of the Fund		**1,336,040**	**1,495,045**
Net Assets statement as at 31 March 2013			
Investments	15		
Equities		779,938	842,804
Pooled Investments:			
Property		152,538	155,117
Private Equity		90,949	95,595
Fixed Interest		143,166	155,540
Index Linked Bonds		26,895	29,525
Equities		0	74,037
Alternatives		96,798	113,613
Cash Deposits		28,409	14,696
Other Investment Balances	18	3,279	5,242
		1,321,972	**1,486,169**
Current Assets and Liabilities			
Cash Balances		5,752	3,954
Debtors	19	7,617	7,035
Long Term Debtors	19	3,410	2,558
Creditors	19	(2,711)	(4,671)
		14,068	**8,876**
Net Assets of the Fund at 31st March		**1,336,040**	**1,495,045**

1 Pension Fund Account

The Lincolnshire County Council Pension Fund (the Fund) is part of the Local Government Pension Scheme and is administered by the Council.

The following information is a summary only, and further detail can be found in the Lincolnshire County Council Pension Fund Annual Report 2012-13 (available on the Fund's website at www.lincolnshire.gov.uk/pensions), and in the underlying statutory powers underpinning the scheme, namely the Superannuation Act 1972 and the Local Government Pension Scheme Regulations.

General

The Fund is governed by the Superannuation Act 1972. The Fund is administered in accordance with the following secondary legislation:

- the LGPS (Benefits, Membership and Contributions) Regulations 2007 (as amended)
- the LGPS (Administration) Regulations 2008 (as amended)
- the LGPS (Management and Investment of Funds) Regulations 2009.

It is a contributory defined pension scheme to provide pensions and other benefits for pensionable employees of Lincolnshire County Council, the District Councils in Lincolnshire and a range of other scheduled and admitted bodies within the County. Teachers, Police Officers and Fire-fighters' are not included as they come within other national pension schemes.

The Fund is overseen by the Lincolnshire County Council Pensions Committee.

Membership

Membership of the LGPS is automatic for eligible employees, but they are able to opt out of the scheme.

Organisations participating in the Fund include:

- Scheduled bodies, which are Local Authorities and similar bodies whose staff are automatically entitled to be members.

- Admitted bodies, which are other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admitted bodies include charitable organisations and similar bodies or private contractors undertaking a Local Authority function following outsourcing to the private sector.

There are 171 employer organisations in the Fund including the Council (a list of scheduled employers is shown in Note 28) and the membership numbers are shown below:

	31 March 2012	31 March 2013
Number of employers with active members	138	171
Number of employees in the scheme:		
Lincolnshire County Council	9,479	9,949
Other employers	9,048	9,153
Total	**18,527**	**19,102**
Number of pensioners:		
Lincolnshire County Council	9,352	9,684
Other employers	5,791	6,018
Total	**15,143**	**15,702**
Number of deferred pensioners:		
Lincolnshire County Council	17,443	18,146
Other employers	7,177	7,653
Total	**24,620**	**25,799**

Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with LGPS (Benefits, Membership and Contributions) Regulations 2007 and range from 5.5% to 7.5% of pensionable pay. Employer contributions are set based on triennial actuarial funding valuations. The last valuation was 31 March 2010, and employer contribution rates were set ranging from 11.9% to 30.5% of pensionable pay.

Benefits

Pensions benefits under the LGPS are based on final pensionable pay and length of pensionable service, summarised below:

	Service pre 1 April 2008	**Service post 31 March 2008**
Pension	Each year is worth 1/80 x final pensionable salary.	Each year is worth 1/60 x final pensionable salary.
Lump Sum	Automatic lump sum of 3/80 x salary. In addition, part of the annual pension can be exchanged for a one-off tax free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

There are a range of other benefits provided under the scheme including early retirement, disability pensions and death benefits.

Benefits are index-linked in order to keep pace with inflation. In June 2010, the Government announced the method of indexation would change from the retail prices index to the consumer prices index. This change took effect from 01 April 2011.

LGPS 2014

The new LGPS 2014 comes into effect from April 2014. The table below shows the key benefit changes between the current scheme and the new scheme.

	Service pre 1 April 2014	**Service post 31 March 2014**
Scheme	Final salary scheme, with pension based upon the salary at retirement.	CARE scheme (career average revalued earnings) where each year builds up a pension pot that is revalued in line with inflation.
Pension	Each year is worth 1/60 x final pensionable salary.	Each year is worth 1/49 x salary earned in that year, revalued in line with inflation.
Lump Sum	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.
50/50 Option	Not available	Option for employees to pay half the contributions to accrue half of the pension.

2 Basis of Preparation

Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2012-13, based on International Financial Reporting Standards (the Code), and relevant statute, and the 2007 Statement of Recommended Practice (Financial Reports of Pension Schemes).

The Code includes guidance on how to apply International Financial Reporting Standards (IFRS's) and International Accounting Standards (IAS's) to Local Authority Accounts.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits due. The accounts do not take into account liabilities to pay pensions and other benefits after the period end. These liabilities are dealt with through the periodic actuarial valuations of the Fund and are reflected in the levels of employers' contributions determined by these valuations.

The accounting policies set out below have been applied consistently to all periods presented within these Financial Statements.

3 Significant Accounting Policies

Fund account - revenue recognition

Contributions income

Contributions receivable are included in the accounts in the year to which they relate. Employers' augmentation contributions and pensions strain contributions are accounted for in the period in which the liability arises. Any amount due in the year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long term financial assets.

Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the relevant regulations. Transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged.

Investment Income

Dividends, interest, stock lending and other investment income have been accrued for in the accounts where amounts were known to be due at the end of the accounting period.

Fund account - expense items

Benefits payable

Pensions and lump sum benefits payable are included in the accounts at the time of payment.

Taxation

The Fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a Fund expense as it arises.

Administrative expenses

These are accrued appropriately to ensure charges are incurred within the relevant accounting period. The costs of the Pensions Administration team are charged to the Fund.

Investment expenses

These are accrued appropriately to ensure charges are incurred within the relevant accounting period.

Fees for the external investment managers and custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase and decrease as the as the value of the investments change.

In addition, the Fund has negotiated with the following managers that an element of their fee be performance related:

- Invesco Asset Management - Global Equities (ex UK)
- Schroder Investment Management - Global Equities
- Neptune Investment Management - Global Equities
- Morgan Stanley Investment Management Ltd - Alternative Investments

Where an investment manager's fee invoice has not been received by the financial year end, an estimate based upon the market value of their mandate is used for inclusion in the Fund accounts.

The cost of obtaining investment advice from external consultants is included in the investment management charges.

The costs of the Council's in-house fund management team are charged to the Pension Fund and a proportion of the Council's costs representing management time spent by Officers on investment management are also charged to the Fund.

Net assets statement

Financial assets

Financial assets are included in the net assets statement on a fair value basis as at the reporting date. A financial asset is recognised in the net asset statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date, any gains or losses arising from changes in the fair value of the asset are recognised by the Fund.

The values of investments have been determined as follows:

- UK listed securities are stated at bid price.
- Overseas listed securities are stated at bid price.
- Unit Trusts are stated at bid price from the most recent official valuation.

Other investments are stated at fair value, as estimated by the manager of the particular investment. These valuations adhere to industry guidelines or to standards set by the constituent documents of the fund or within the management agreement.

Transaction costs are included in the purchase and sale costs of investments and are identified in the notes to the accounts.

Derivatives

The Fund uses derivative financial instruments to manage its exposure to certain risks arising from its investment activities. The Fund does not hold derivatives for speculative purposes.

Derivative contracts are priced at fair value and open contracts are included within the other investment balances.

Cash and cash equivalents

Cash comprise cash in hand and deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to minimum risk of changes in value.

Foreign currency transactions

Dividend, interest, purchases and sales of investments in foreign currencies have been accounted for at the spot rates at the date of the transaction. End of year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period.

The exchange rates used at 31 March 2013
are shown in Note 29.

Financial liabilities

Financial liabilities are included in the net assets statement on a fair value basis as at the reporting date. A financial liability is recognised in the net asset statement on the date the Fund becomes party to the liability. From this date, any gains or losses arising from changes in the fair value of the liability are recognised by the Fund.

Prior Period Adjustments

The Code requires prior period adjustments to be made when material omissions or misstatements are identified (by amending opening balances and comparative amounts for the prior period). Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

The following disclosures will be made:

• the nature of the prior period error;

• for each prior period presented, to the extent practicable, the amount of the correction for each financial statement line item affected, and

• the amount of the correction at the beginning of the earliest prior period presented.

Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change. They do not give rise to a prior period adjustment.

Changes in Accounting Policies

Changes in accounting policy may arise through changes to the Code or changes instigated by the Council. For changes brought in through the Code, the Pension Fund will disclose the information required by the Code. For other changes we will disclose: the nature of the change; the reasons why; report the changes to the current period and each prior period presented and the amount of the adjustment relating to periods before those presented. If retrospective application is impracticable for a particular prior period, we will disclose the circumstances that led to the existence of that condition and a description of how and from when the change in accounting policy has been applied.

4 Actuarial Valuation

An actuarial valuation of the Fund undertaken as at 31 March 2010 indicated that the Fund's assets were £1,203.4m and covered 76% of the Funds liabilities. This compared with assets of £1,145.5m at the valuation as at 31 March 2007, which covered 86% of the Fund's liabilities. The main actuarial assumptions for the 2010 valuation were as follows:

	Nominal per annum %	Real per annum %
Investment Return		
- Equities	6.1	2.8
- Bonds	4.5	1.2
Rate of Pensionable pay inflation	5.3	2.0
Rate of Price inflation	3.3	

The Fund is valued using the projected unit method, which is consistent with the aim of achieving a 100% funding level. The changes in contribution rates resulting from the actuarial valuation as at 31 March 2010 were effective from April 2011. The contribution rates have been set by the Actuary to target a funding level, for most employers, on an ongoing basis of 100% over a period of 20 years.

The next actuarial valuation will be undertaken as at 31 March 2013. A copy of the Fund Valuation report can be obtained from the Council's website.

5 Actuarial Present Value of Promised Retirement Benefits

Below is the note provided by the Fund's Actuary, Hymans Robertson, to provide the Actuarial present value of the promised retirement benefits, as required under the Code. The report titled 'Actuarial Valuation as at 31 March 2013 for IAS19 purposes' referred to in the note can be obtained from the Pensions and Treasury Management section at the Council.

Pension Fund Accounts Reporting Requirement

Introduction

CIPFA's Code of Practice on Local Authority Accounting 2012-13 requires Administering Authorities of LGPS funds that prepare Pension Fund accounts to disclose what IAS26 refers to as the actuarial present value of promised retirement benefits.

The actuarial present value of promised retirement benefits is to be calculated similarly to the defined benefit obligation under IAS19. There are three options for its disclosure in Pension Fund accounts:

- showing the figure in the Net Assets Statement, in which case it requires the statement to disclose the resulting surplus or deficit;
- as a note to the accounts; or
- by reference to this information in an accompanying actuarial report.

If an actuarial valuation has not been prepared at the date of the Financial Statements, IAS26 requires the most recent valuation to be used as a base and the date of the valuation disclosed. The valuation should be carried out using assumptions in line with IAS19 and not the Pension Fund's funding assumptions.

I have been instructed by the Administering Authority to provide the necessary information for Lincolnshire Pension Fund, which is in the remainder of this note.

Balance sheet

Year ended	31 March 2012 £m	31 March 2013 £m
Present value of Promised retirement benefits	1,942	2,266

Liabilities have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2010. I estimate this liability at 31 March 2013 comprises £1,213m in respect of employee members, £374m in respect of deferred pensioners and £679m in respect of pensioners.

The approximation involved in the roll forward model means that the split of scheme liabilities between the three classes of member may not be reliable. However, I am satisfied the aggregate liability is a reasonable estimate of the actuarial present value of benefit promises. I have not made any allowance for unfunded benefits.

The above figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value.

It should be noted the above figures are appropriate for the Administering Authority only for preparation of the accounts of the Pension Fund. They should not be used for any other purpose (i.e. comparing against liability measures on a funding basis or a cessation basis).

Assumptions

The assumptions used are those adopted for the Administering Authority's IAS19 report as required by the Code of Practice. These are given below. I estimate the impact of the change of assumptions to 31 March 2013 is to increase the actuarial present value by £190m.

Financial Assumptions

My recommended financial assumptions are summarised below:

Year ended	31 March 2012 % p.a.	31 March 2013 % p.a.
Inflation/Pension Increase rate	2.5%	2.8%
Salary Increase Rate*	4.8%	5.1%
Discount Rate	4.8%	4.5%

* Salary increases are 1% p.a. nominal for the three years to 31 March 2015 reverting to the long term rate thereafter.

Longevity assumption

As discussed in the accompanying report, the life expectancy assumption is based on the Fund's VitaCurves with improvements in line with the Medium Cohort and a 1% p.a. underpin from 2007. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	females
Current Pensioners	21.2 years	23.4 years
Future Pensioners*	23.7 years	25.7 years

*Future pensioners are assumed to be aged 45 at the last formal valuation date.

This assumption is the same as at 31 March 2012

Commutation assumption

An allowance is included for future retirements to elect to take 25% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 63% of the maximum tax-free cash for post-2008 service.

Professional notes

This paper accompanies my covering report titled 'Actuarial Valuation as at 31 March 2013 for IAS19 purposes' dated 29 April 2013. The covering report identifies the appropriate reliance's and limitations for the use of the figures in this paper, together with further details regarding the professional requirements and assumptions.

Anne Cranston AFA
14 May 2013
For and on behalf of Hymans Robertson LLP

6 Assumptions Made and Major Sources of Uncertainly

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

The items in the accounts for the year ended 31 March 2013 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

	Uncertainties	Effect if actual results differ from assumptions
Actual present value of promised retirement benefits	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on investments. A firm of consulting actuaries are engaged to provide expert advice about the assumptions to be applied.	The effects of changes in the individual assumptions can be measured. For example: 1) a 0.5% increase in the discount rate assumption would result in a decrease of the pension liability of £226m. 2) a 0.25% increase in assumed earnings inflation would increase the value of liabilities by approximately £41m. 3) a 0.5% increase in the pension increase rate would increase the value of liabilities by approximately £166m. 4) a one-year increase in assumed life expectancy would increase the liability by approximately £68m.
Private Equity	Private Equity investments are valued at fair value in accordance with British Venture Capital Association guidelines. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total private equity investments in the Fund are £95.6m. There is a risk that these may be over- or understated in the accounts.

7 Pension Fund Investments 2012-13

The strategic asset allocation for the investment of the Fund, as agreed by the Pensions Committee, is detailed below.

Asset allocation	
UK Equities	20.0%
Global Equities	40.0%
Property	11.5%
Fixed Interest	13.5%
Alternative Investments (incl. Private Equity)	15.0%
	100.0%

Surplus funds are invested in a wide variety of UK and overseas companies, Government Securities, property and other investments, in line with a Statement of Investment Principles. The assets are managed in a number of active and passive investment portfolios. Investment performance is monitored by the Pensions Committee of the Council.

Fund manager	31 March 2012 £m	%	31 March 2013 £m	%
EXTERNALLY MANAGED				
Invesco	271	21	318	21
Neptune	75	6	72	5
Schroders	85	6	79	5
Threadneedle	93	7	81	5
Morgan Stanley (Global Brands)	0	0	74	5
Morgan Stanley (Alternatives)	107	8	117	8
Morgan Stanley (Private Equity)	93	7	99	7
Blackrock	88	7	97	7
Goodhart	82	6	88	6
INTERNALLY MANAGED				
Pooled Investments:				
Property	153	11	157	11
UK Equity	273	21	299	20

The Pension Fund Statement of Recommended Practice was amended with effect from 2008-09 to require that managers report valuations at closing prices (either bid or last traded), rather than mid prices that had previously been used. The managers within the Pension Fund have reported their year end valuations at either bid or fair value, as detailed in the table below.

Fund Manager	Valuation Pricing
EXTERNALLY MANAGED	
Invesco	Bid
Neptune	Bid
Schroders	Bid
Threadneedle	Bid
Morgan Stanley	Bid/Fair Value
Blackrock	Bid
Goodhart	Bid
INTERNALLY MANAGED	
Property	Bid/Fair Value
UK Equity	Bid

The Fund lends stock to third parties under a stock lending agreement with the Fund's custodian, JP Morgan. The total amount of stock on loan at the year-end was £21,083m and this value is included in the net assets statement to reflect the Funds continuing economic interest in the securities on loan. As security for the stocks on loan, the Fund was in receipt of collateral at the year end valued of £23,756m which represented 112.7% of the value of securities on loan.

Income received from stock lending activities, before costs, was £223,334 for the year ending 31 March 2013 and is included within the 'Investment Income' figure detailed on the Pension Fund Account.

8 Contributions Receivable

Contributions receivable are analysed below:

	2011-12 £000	2012-13 £000
Employers		
Normal	46,735	46,033
Deficit Funding	8,413	9,370
Additional - Augmentation	5,292	1,588
Members		
Normal	17,918	17,387
Additional years	206	181
	78,564	**74,559**

These contributions are analysed by type of Member Body as follows:

	2011-12 £000	2012-13 £000
Lincolnshire County Council	43,817	35,464
Scheduled Bodies	31,534	33,404
Admitted Bodies	3,213	5,691
	78,564	**74,559**

9 Transfers In

During the year individual transfers in from other schemes amounted to £5.7m (£8.231m in 2011-12).

There were no material outstanding transfers due to or from the Pension Fund as at 31 March 2013.

10 Benefits Payable

	2011-12 £000	2012-13 £000
Pensions	52,619	57,730
Commutations & Lump Sum Retirement Benefits	23,877	13,455
Lump Sum Death Benefits	1,248	2,050
	77,744	**73,235**

These benefits are analysed by type of Member Body as follows:

	2011-12 £000	2012-13 £000
Lincolnshire County Council	45,987	40,589
Scheduled Bodies	29,550	30,519
Admitted Bodies	2,207	2,127
	77,744	**73,235**

11 Payments to and on account leavers

	2011-12 £000	2012-13 £000
Individual transfers to other schemes	5,662	6,894
Refunds to members leaving service	4	6
	5,666	**6,900**

12 Administrative and Investment Management Expenses

The Local Government Pension Scheme Regulations permit costs incurred in connection with the management of the investments and benefit administration to be charged against the Fund. Breakdowns of these costs are set out below. The external Audit fee for the year was £24,885 and is included within the administrative expenses below.

	2011-12 £000	2012-13 £000
Benefit Administration Expenses	947	1,123
Actuarial & other Professional Charges	50	44
Administrative expenses	**997**	**1,167**
Investment, Management & Custody	3,906	4,921
Performance Measurement and	106	171
Other advisory charges		
Investment Management expenses	**4,012**	**5,092**

13 Investment Income

		2011-12 £000	2012-13 £000
Equities		20,959	23,673
Pooled Investments:			
	Property	616	955
	Private Equity	(10)	54
	Alternatives	(116)	0
Cash deposits		124	47
Stock Lending		233	273
		21,806	**25,002**

14 Taxes on Income

	2011-12 £000	2012-13 £000
Withholding tax - Equities	823	1,188
	823	**1,188**

15 Investments

		Value at 31 March 2012 £000	Purchases at Cost £000	Sales Proceeds £000	Change in Market Value £000	Value at 31 March 2013 £000
Equities		779,938	247,249	285,247	100,865	842,804
Pooled Investments:						
	Property	152,538	10,274	6,623	(1,072)	155,117
	Private Equity	90,949	6,566	12,972	11,052	95,595
	Fixed Interest	143,166	4,922	2,923	10,374	155,540
	Index Linked Bonds	26,895	0	0	2,630	29,525
	Equities	0	67,500	0	6,537	74,037
	Alternatives	96,798	28,090	22,480	11,204	113,613
		1,290,284	**364,601**	**330,245**	**141,590**	**1,466,231**
Cash Deposits		28,409				14,696
Other Investment Balances		3,279				5,242
Current Assets & Liabilities		14,068				8,876
		1,336,040	**364,601**	**330,245**	**141,590**	**1,495,045**

		Value at 31 March 2011 £000	Purchases at Cost £000	Sales Proceeds £000	Change in Market Value £000	Value at 31 March 2012 £000
Equities		781,950	272,076	255,361	(18,727)	779,938
Pooled Investments:						
	Property	145,272	4,940	2,032	4,358	152,538
	Private Equity	95,206	9,518	17,434	3,659	90,949
	Fixed Interest	136,352	4,286	4,286	6,814	143,166
	Index Linked Bonds	23,621	0	0	3,274	26,895
	Alternatives	92,064	31,324	28,043	1,453	96,798
		1,274,465	**322,144**	**307,156**	**831**	**1,290,284**
Cash Deposits		20,190				28,409
Other Investment Balances		969				3,279
Current Assets & Liabilities		22,678				14,068
		1,318,302	**322,144**	**307,156**	**831**	**1,336,040**

Transaction costs are included in the cost of purchases and sales proceeds. Transaction costs include costs charged directly Transaction costs incurred during the year amounted to £504,194 (£498,793 in 2011-12).

In addition to the transaction costs disclosed above, indirect costs are incurred through the bid-offer spread on investments. The amount of indirect costs is not separately provided to the scheme.

A further analysis of the market value of investments is given below:

	31 March 2012 £000	%	31 March 2013 £000	%
Equities				
UK Quoted	294,868	22	319,114	22
Overseas Quoted	485,070	37	523,690	35
Total Equities	**779,938**	**59**	**842,804**	**57**
Pooled Investments:				
Property	124,819	10	127,499	9
Private Equity	2,061	0	2,032	0
Fixed Interest	60,918	5	67,577	5
Index Linked Bonds	26,895	2	29,525	2
Equities	0	0	74,037	5
Alternatives	96,798	7	113,613	8
Total UK Pooled	**311,491**	**24**	**414,283**	**29**
Property	27,719	2	27,618	2
Private Equity	88,888	7	93,564	6
Fixed Interest	82,248	6	87,962	6
Total Overseas Pooled	**198,855**	**15**	**209,144**	**14**
Total Pooled Investments	**510,346**	**39**	**623,427**	**43**
Cash				
Short Term Loans/External Deposits	28,409	2	14,696	1
Total	**1,318,693**	**100**	**1,480,927**	**100**

An analysis of the type of pooled investment vehicles is given below:

		2011-12 £000	2012-13 £000
Property			
	Unit Trusts	100,953	97,359
	Other managed funds (LLP's)	51,585	57,758
Private Equity			
	Other managed funds (LLP's)	90,949	95,595
Fixed Interest			
	Other managed funds	143,166	155,540
Index linked gilts			
	Other managed funds	26,895	29,525
Equities			
	Other Managed funds	0	74,037
Alternatives			
	Other managed funds	96,798	113,613
Total Pooled Vehicles		**510,346**	**623,427**

It is required to disclose where there is a concentration of investment (other than in UK Government Securities) which exceeds 5% of the total value of the net assets of the scheme. The three investments that fall into this category as follows:

Investment	**2011-12**		**2012-13**	
	Value (£000)	**% of net assets**	**Value (£000)**	**% of net assets**
Goodhart Absolute Return Bond Fund	82,248	6.2	87,962	5.9
Morgan Stanley Alternative Investments	96,798	7.2	113,613	7.9
Morgan Stanley Global Brands	0	0	74,037	5.0

16 Analysis of Derivatives

The holding in derivatives is used to hedge exposures to reduce risk in the fund. The use of any derivatives is managed in line with the investment management agreements of the various investment managers.

The only direct derivative exposure that the Fund has is in forward foreign currency contracts. In order to maintain appropriate diversification and to take advantage of overseas investment returns, a significant proportion of the Fund's quoted equity portfolio is in overseas stock markets. To reduce the volatility associated with fluctuating currency rates, the Fund has appointed two active currency overlay managers. Record Currency Management and HSBC Trinkaus & Burkhardt each overlay half of the value of the Global Equity ex UK portfolio managed by Invesco.

Settlement	Currency Bought	Local Value 000	Currency Sold	Local Value 000	Asset Value £000	Liability Value £000
Over one month						
	GBP	14,480	CHF	(21,300)	0	(382)
	GBP	48,343	EUR	(59,100)	0	(1,702)
	GBP	95,075	JPY	(13,206,000)	2,435	0
	GBP	145,464	USD	(236,823)	0	(6,832)
	GBP	0	HKD	(19,580)	0	(2)
Over one month	CHF	19,800	GBP	(13,500)	312	0
	EUR	53,600	GBP	(42,865)	1,413	0
	JPY	12,154,197	GBP	(84,433)	0	(1,827)
	USD	220,620	GBP	(137,896)	5,818	0
Total					**9,978**	**(10,745)**
Net forward currency contracts at 31 March 2013						**(767)**
Prior year comparative						
Open forward currency contracts at 31 March 2012					**6,804**	**(6,926)**
Net forward currency contracts at 31 March 2012						**(122)**

17 Profit (Loss) on Forward Deals and Currency Exchange

The profit or loss from any forward deals and from currency exchange is a result of the normal trading of the Fund's managers who manage multi-currency portfolios. It also includes the unrealised loss of £0.8m (loss of £0.1m in 2011-12) from the Fund's two Currency Overlay Managers.

18 Other Investment Balances

		2011-12 £000	2012-13 £000
Dividends Receivable		2,833	2,868
Recoverable Tax		634	691
Outstanding Foreign Exchange		(122)	(767)
Unsettled Trades	Purchases	(1,256)	0
	Sales	1,190	2,450
		3,279	**5,242**

19 Current Assets and Liabilities

Debtors are recorded in the accounts when income due to the Pension Fund, for example from sales of investments or dividend payments, has not actually been received.

Debtors include a figure of £3,488m for contributions due from employers (2011-12 £3,773m). Long term debtors are amounts due to the Pension Fund that will not be received within 12 months.

The Pension fund only has one long term debtor, the Magistrates Court, who are funding the cost of their pensioner and deferred member liabilities over a 10 year period. Similarly, creditors are recorded where services supplied to the Pension Fund, or purchases of investments have been made by 31 March, but payment is not made until the following financial year.

As required by the Code, creditors and debtors are split by type as below:

	2011-12 £000	2012-13 £000
Debtors		
Central Government Bodies	878	1,341
Other Local Authorities	5,951	4,503
NHS Bodies	0	0
Public Corporations and Trading Funds	200	46
Other Entities and individuals	588	1,144
	7,617	**7,034**
Long Term Debtors		
Central Government Bodies	3,410	2,558
Other Local Authorities	0	0
NHS Bodies	0	0
Public Corporations and Trading Funds	0	0
Other Entities and individuals	0	0
	3,410	**2,558**
Creditors		
Central Government Bodies	(1,164)	(1,153)
Other Local Authorities	(200)	(256)
NHS Bodies	0	0
Public Corporations and Trading Funds	(1,308)	(3,118)
Other Entities and individuals	(39)	(144)
	(2,711)	**(4,671)**

20 Contingent Liabilities and Contractual Commitments

Investment commitments have been made to a number of pooled vehicles that make private equity or property investments. At the year end, the value of outstanding commitments to the 25 investment vehicles amounted to £38,672m.

21 Contingent Assets

Three admitted body employers in the Fund hold insurance bonds or equivalent cover to guard against the possibility of being unable to meet their pension obligations. These arrangements are drawn in favour of the Pension Fund and payment will only be triggered in the event of employer default.

22 Impairment Losses

The Fund has recognised an impairment loss of £400,000 for possible non-payment of a cessation value where the employer was not backed by a guarantee.

23 Additional Voluntary Contributions

Scheme members may make additional contributions to enhance their pension benefits. All Additional Voluntary Contributions (AVC) are invested in a range of investment funds managed by the Prudential plc.

At the year end, the value of AVC investments amounted to £8,285m (£8,523m in 2011-12) and member contributions of £1,020m (£1,081m in 2011-12) were received by the Prudential in the year to 31st March. The value of AVC funds and contributions received in the year are not included in the Fund Account and Net Assets Statement.

24 Dividend Tax Claims

During the financial year 2006-07, the Council lodged a number of claims with HM Revenue and Customs for the recovery of dividend tax credits relating to earlier years. The total value of the claims is £793,497 and relates to both Foreign Income Dividends paid by UK companies and certain dividends paid by overseas companies. The claims are based on interpretations of European Union law and a number of recent relevant judgements. The Council is participating with other pension funds in progressing a legal test case to support the claims.

During the financial year 2009-10, the Council lodged a claim with HM Revenue and Customs for the recovery of withholding tax suffered on manufactured overseas dividends. This is a tax imposed on overseas dividends due to the Pension Fund when the stock is on loan to another party, through the stock lending service provided by the Fund's custodian, JP Morgan. The value of the claim is approximately £714,000 and relates to the periods from 2004-05 to 2008-09. In 2010-11 a top up claim was submitted for the year 2009-10, for approximately £278,000. No additional claims were made in this area in 2012-13, however top up claims for the period from 1st April 2011 to 31st March 2013 will be made in 2013 . As with the tax claim detailed in the paragraph above, the Council is participating with other pension funds in progressing a legal test case to support the claims.

During the financial year 2011-12, the Council lodged a claim with the relevant Tax Authorities for the recovery of withholding tax suffered on overseas dividends from Spain (approx. £101,000) and Germany (approx. £165,000), covering the periods from 2007-2010.

During the financial year 2012-13 the Spanish tax Authorities rejected elements of the claim, reducing the value to approximately £70,000. As with the tax claim detailed in the paragraphs above, the Council is participating with other pension funds in progressing a legal test case to support the claims.

It is expected that resolution of these claims will take a number of years and, if unsuccessful, the Fund could incur a share of the costs of the Commissioners of the Inland Revenue.

During the financial year 2012-13 the Council successfully lodged a claim with the Austrian Tax Authorities for the recovery of withholding tax suffered on overseas dividends and received €26,129.62 (approx. £22k) in March 2013.

25 Related Party Transactions

In accordance with Financial Reporting Standard 8 'Related Party Disclosures' material transactions with related parties not disclosed elsewhere are detailed below:-

Under legislation introduced in 2003-04, Councillors are entitled to join the Scheme. No Members of the Pensions Committee currently receive pension benefits from the Fund. Committee members P Watson, P Przyszlak, M Leaning and A Antcliff are contributing members of the Pension Fund.

No senior Officers responsible for the administration of the Fund have entered into any contract, other than their contract of employment with the Council, for the supply of goods or services to the Fund.

The Treasury Management section of the Council acts on behalf of the Pension Fund to manage the cash position held in the Pension Fund bank account. This is amalgamated with the Council's cash and lent out in accordance with the Council's Treasury Management policies. During the year, the average balance in the Pension Fund bank account was £4.014m and interest of £46.3k was earned over the year.

Lincolnshire County Council paid contributions of £26.5m into the Pension Fund during the year and all payments were received within agreed timescales.

Paragraph 3.9.4.2 of the Code exempts Local Authorities from the key management personnel disclosure requirements of IAS24, on the basis that the disclosure requirements for Officer Remuneration and Members' Allowances detailed in section 3.4 of the Code (which are derived from the requirements of Regulations 7(2)-(4) of the Accounts and Audit (England) Regulations 2011 and Regulation 7A of the Accounts and Audit Regulations 2005) satisfy the key management and personnel disclosure requirements of paragraph 16 of IAS24. This applies in equal measure to the accounts of Lincolnshire Pension Fund.

The disclosures required by Regulation 7(2)-(4) of the Accounts and Audit (England) Regulations can be found in the Council's main accounts in Note 47. This can be found on the Council's website at www.lincolnshire.gov.uk.

26 Financial Instruments

Classification of financial instruments

Accounting policies describe how different asset classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of financial assets and liabilities (excluding cash) by category and net asset statement heading. No financial assets were reclassified during the accounting period.

	2011-12			2012-13		
	Designated as fair value through profit & loss £000	Loans & receivables £000	Financial liabilities at amortised cost £000	Designated as fair value through profit & loss £000	Loans & receivables £000	Financial liabilities at amortised cost £000
Financial Assets						
Equities	779,938			842,804		
Pooled Investments:						
Property	152,538			155,116		
Private Equity	90,949			95,595		
Fixed Interest	143,166			155,540		
Indexed Linked Bonds	26,895			29,525		
Equities	-			74,037		
Alternatives	96,798			113,613		
Cash		34,161			18,651	
Other Investment Balances	11,461			15,987		
Debtors		11,027			9,593	
	1,301,745	**45,188**	**-**	**1,482,217**	**28,244**	**-**
Financial Liabilities						
Other Investment Balances	(8,182)			(10,745)		
Creditors			(2,711)			(4,671)
	(8,182)	**-**	**(2,711)**	**(10,745)**	**-**	**(4,671)**
	1,293,563	**45,188**	**(2,711)**	**1,471,472**	**28,244**	**(4,671)**

Net gains and losses on financial instruments

	2011-12 £000	2012-13 £000
Financial Assets		
Fair value through profit & loss	831	141,590
Loans and receivables		
Financial liabilities measured at amortised cost		
Financial Liabilities		
Fair value through profit & loss	(122)	(767)
Loans and receivables		
Financial liabilities measured at amortised cost		
	709	**140,823**

Valuation of financial instruments carried at fair value

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level 1

Financial instruments at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed interest, quoted index linked securities and unit trusts.

Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level 2

Financial instruments at Level 2 are those where quoted prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

Level 3

Financial instruments at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

Such instruments would include unquoted equity investments, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The values of the investment in private equity are based on valuations provided by the managers to the private equity funds in which the Lincolnshire Fund has invested.

These valuations are prepared in accordance with the Private Equity and Venture Capital Valuation Guidelines (US investments), and the International Private Equity and Venture Capital Valuation Guidelines (non US investments) which follow the valuation principles of IFRS and US GAAP.

Valuations are shown to the latest valuation date available and adjusted for cash flow where required to 31 March 2013.

The value for the alternatives investments with Morgan Stanley are provided by the underlying managers within the pool of investments and assurance is provided by Morgan Stanley on the quality of the valuations.

The following table provides an analysis of the financial assets and liabilities grouped into Level 1 to 3, based on the level at which fair value is observable.

Values at 31 March 2013	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial Assets				
Fair value through profit & loss	1,117,893	155,117	209,208	1,482,218
Loans and receivables	28,243			28,243
Financial liabilities measured at amortised cost				-
Total Financial Assets	**1,146,136**	**155,117**	**209,208**	**1,510,461**
Financial Liabilities				
Fair value through profit & loss		(10,745)		(10,745)
Loans and receivables				-
Financial liabilities measured at amortised cost	(4,671)			(4,671)
Total Financial Liabilities	**(4,671)**	**(10,745)**	**-**	**(15,416)**
Net Financial Assets	**1,141,465**	**144,372**	**209,208**	**1,495,045**

Values at 31 March 2012	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial Assets				
Fair value through profit & loss	961,460	152,538	187,747	1,301,745
Loans and receivables	45,188			45,188
Financial liabilities measured at amortised cost				-
Total Financial Assets	**1,006,648**	**152,538**	**187,747**	**1,346,933**
Financial Liabilities				
Fair value through profit & loss		(8,182)		(8,182)
Loans and receivables				-
Financial liabilities measured at amortised cost	(2,711)			(2,711)
Total Financial Liabilities	**(2,711)**	**(8,182)**	**-**	**(10,893)**
Net Financial Assets	**1,003,937**	**144,356**	**187,747**	**1,336,040**

27 Nature and Extent of Risks Arising from Financial Instruments

The Fund's primary long-term risk is that its assets will fall short of its liabilities (i.e. the promised benefits payable to members). Therefore, the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the Fund. This is achieved through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cashflows.

Market Risk

Market risk is the loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future prices and yield movements and the asset mix.

To mitigate market risk, the Pension Fund invests in a diversified pool of assets to ensure a reasonable balance between different categories, having taken advice from the Fund's Investment Consultant. The management of the assets is split between a number of managers with different performance targets and investment strategies. Risks associated with the strategy and investment returns are included as part of the quarterly reporting to the Pensions Committee where they are monitored and reviewed.

Price risk

Price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The Fund is exposed to share price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital. The maximum risk resulting from financial instruments is determined by the fair value of the financial instrument. To mitigate this price risk, each manager is expected to maintain a diversified portfolio within their allocation.

Price risk - sensitivity analysis

Following analysis of historical data and expected investment return during the financial year, in consultation with a Fund Manager, the Fund has determined that the following movements in market price are reasonably possible for the 2013-14 reporting period.

Asset Type	Potential market movements (+/-)
UK Equities	15.2%
Overseas Equities	12.7%
UK Bonds	5.8%
UK Index Linked	7.0%
Overseas Bonds	7.2%
Private Equity	14.6%
Alternative Investments	10.0%
Property	5.8%

The potential price changes disclosed above are broadly consistent with a one standard deviation movement in the value of assets. The analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same.

Had the market price of the Fund's investments increased/decreased in line with the above, the change in net assets available to pay benefits would have been as follows (the prior year comparative is shown below):

Asset Type	Value at 31 March 2013 £000	Percentage Change %	Value on Increase £000	Value on Decrease £000
Cash deposits	14,696	0.0	14,696	14,696
UK Equities	393,151	15.2	452,910	333,392
Overseas Equities	523,690	12.7	590,199	457,181
UK Bonds	67,587	5.8	71,507	63,667
UK Index Linked	29,525	7.0	31,592	27,458
Overseas Bonds	87,962	7.2	94,295	81,629
Private Equity	95,596	14.6	109,553	81,639
Alternative Investments	113,613	10.0	124,974	102,252
Property	155,117	5.8	164,114	146,120
Dividends Accrued	2,868	0.0	2,868	2,868
Recoverable Tax	691	0.0	691	691
Outstanding FX	(767)	0.0	(767)	(767)
Unsettled Purchases		0.0	-	-
Unsettled Sales	2,450	0.0	2,450	2,450
Total assets available to pay benefits	**1,486,179**		**1,659,082**	**1,313,276**

Asset Type	Value at 31 March 2012 £000	Percentage Change %	Value on Increase £000	Value on Decrease £000
Cash deposits	28,409	0.0	28,409	28,409
UK Equities	294,868	14.7	338,214	251,522
Overseas Equities	485,070	14.6	555,890	414,250
UK Bonds	60,918	5.5	64,268	57,568
UK Index Linked	26,895	6.4	28,616	25,174
Overseas Bonds	82,248	7.7	88,581	75,915
Private Equity	90,949	14.6	104,228	77,670
Alternative Investments	96,798	10.0	106,478	87,118
Property	152,538	5.8	161,385	143,691
Dividends Accrued	2,833	0.0	2,833	2,833
Recoverable Tax	634	0.0	634	634
Outstanding FX	(122)	0.0	(122)	(122)
Unsettled Purchases	(1,256)	0.0	(1,256)	(1,256)
Unsettled Sales	1,190	0.0	1,190	1,190
Total assets available to pay benefits	**1,321,972**		**1,479,348**	**1,164,596**

Interest rate risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cashflows of a financial instrument will fluctuate because of changes to market interest rates.

The Fund's direct exposure to interest rate movements as at 31 March 2012 and 31 March 2013 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair values.

Asset Type	31 March 2012 £000	31 March 2013 £000
Cash deposits	28,409	14,696
Cash balances	5,752	3,954
Pooled Fixed Interest Securities	170,061	185,065
Total	**204,222**	**203,715**

Interest rate risk - sensitivity analysis

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 1% change in interest rates.

Asset Type	Value at 31 March 2013 £000	Change in Year +1% £000	Change in Year -1% £000
Cash deposits	14,696	147	(147)
Cash balances	3,954	40	(40)
Pooled Fixed Interest Securities	185,065	1,851	(1,851)
Total	**203,715**	**2,037**	**(2,037)**

Asset Type	Value at 31 March 2012 £000	Change in Year +1% £000	Change in Year -1% £000
Cash deposits	28,409	284	(284)
Cash balances	5,752	58	(58)
Pooled Fixed Interest Securities	170,061	1,701	(1,701)
Total	**204,222**	**2,042**	**(2,042)**

Currency risk

Currency risk represents the risk that the fair value of future cashflows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than sterling.

To assist in managing this risk and to reduce the volatility associated with fluctuating currency rates, the Fund has appointed two active currency overlay managers. Record Currency Management and HSBC Trinkaus & Burkhardt each overlay half of the value of the Global Equity ex UK portfolio managed by Invesco.

The following table summarises the Fund's currency exposure at 31 March 2013 and 31 March 2012.

Currency Exposure - Asset Type	31 March 2012 £000	31 March 2013 £000
Overseas Equities (quoted)	485,070	523,690
Pooled Investments:		
Overseas Property	27,719	27,618
Overseas Private Equity	88,888	93,564
Overseas Fixed Interest	82,248	87,962
Total	**683,925**	**732,834**

Currency risk - sensitivity analysis

Following analysis of historical data, the Fund considers the likely volatility associated with foreign exchange rate movements to be 10% (as measured by one standard deviation).

A 10% fluctuation in the currency is considered reasonable based on WM's analysis of long term historical movements in month-end exchange rates. This analysis assumes that all other variables, in particular interest rates, remain constant.

A 10% strengthening/weakening of the pound against various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Currency Exposure - Asset Type	Value at 31 March 2013 £000	Change in Year +10% £000	Change in Year -10% £000
Overseas Equities (quoted)	523,690	576,059	471,321
Pooled Investments:			
Overseas Property	27,618	30,380	24,856
Overseas Private Equity	93,564	102,920	84,208
Overseas Fixed Interest	87,962	96,758	79,166
Total	**732,834**	**806,117**	**659,551**

Currency Exposure - Asset Type	Value at 31 March 2012 £000	Change in Year +10% £000	Change in Year -10% £000
Overseas Equities (quoted)	485,070	533,577	436,563
Pooled Investments:			
Overseas Property	27,719	30,491	24,947
Overseas Private Equity	88,888	97,777	79,999
Overseas Fixed Interest	82,248	90,473	74,023
Total	**683,925**	**752,318**	**615,533**

Credit Risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss.

The Fund is exposed to credit risk through securities lending, forward currency contracts and its daily treasury activities.

The securities lending programme is run by the Fund's custodian, JPMorgan, who manage and monitor the counterparty risk, collateral risk and the overall lending programme. The minimum level of collateral for securities on loan is 102%, however more collateral may be required depending upon type of transaction. This level is assessed daily to ensure it takes account of market movements. To further mitigate risk, JPMorgan provide an indemnity to cover borrower default, overnight market risks, fails on return of loaned securities and entitlements to securities on loan. Securities lending is capped by investment regulations and statutory limits are in place to ensure that no more than 25% of eligible assets can be on loan at any one time.

Forward currency contracts are undertaken by the Fund's two currency overlay managers - Record and HSBC Trinkaus & Burkhardt. The responsibility for these deals therefore rests with the appointed managers. Full due diligence was undertaken prior to the appointment of these managers and they are regularly monitored and reviewed. Both managers are FSA regulated and meet the requirements set out in the LGPS (Management and Investment of Funds) Regulations 2009.

The Pension Fund's bank account is held at Barclays, which holds an A long term credit rating (or equivalent) across three ratings agencies and it maintains its status as a well capitalised and strong financial organisation. The management of the cash held in this account is carried out by the Council's Treasury Manager, in accordance with an agreement signed by the Pensions Committee and the Council. The agreement stipulates that the cash is pooled with the Council's cash and managed in line with the policies and practices followed by the Council, as outlined in the CIPFA Code of Practice for Treasury Management in the Public Services and detailed in its Treasury Management Practices.

Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Council takes steps to ensure that the Fund has adequate cash resources to meet its commitments.

The Fund holds a working cash balance in its own bank account to cover the payment of benefits and other lump sum payments. At an investment level, the Fund holds a large proportion of assets in listed equities - instruments that can be liquidated at short notice, normally three working days. As at 31st March 2013 , these assets totalled £1,466.2m, with a further £14.7m held in cash. Currently, the Fund is cash flow positive each month (i.e. the contributions received exceed the pensions paid). This position is monitored regularly and reviewed at least every three years alongside the Triennial Valuation.

An additional area of risk is in the outsourcing of services to third party service organisations.

The main service areas that the Pension Fund outsources, and the controls in place to monitor them, are:

Pensions Administration

This service is performed by Mouchel, alongside a Council wide contract. In addition to the contract management that the Council undertakes, regular meetings are held between Fund Officers and the Pensions Manager at Mouchel. The Pension Fund is also a member of the CIPFA benchmarking club for Pensions Administration, to allow service comparisons to be made with other Funds.

Custody, Accounting and Performance Measurement

JPMorgan are the Pension Fund's appointed Custodian, with responsibility for safeguarding the assets of the Fund. JPMorgan are a global industry leader, with more than $18.8 trillion in assets under custody. They have been the Fund's Custodian since 2004, and were reappointed at the end of their seven year contract in March 2011. Monthly reconciliations of holdings are performed to ensure that the Custodians records match those of the Managers. Regular meetings and conference calls are held to discuss performance, and quarterly key performance indicators are produced.

Fund Management

The Fund appoints a number of segregated and pooled fund managers to manage portions of the Pension Fund. All appointments meet the requirements set out in the LGPS (Management and Investment of Funds) Regulations 2009. Managers report performance on a monthly basis to Officers and performance is reported to the Pensions Committee on a quarterly basis. All segregated managers present in person to the Committee at least once a year. Regular meetings and discussions are held between Officers and managers.

28 Scheduled & Admitted Bodies Contributing to the Fund

County and District Councils
Lincolnshire County Council
(incl. LCC schools)
Boston Borough Council
East Lindsey District Council
City of Lincoln Council
North Kesteven District Council
South Holland District Council
South Kesteven District Council
West Lindsey District Council

Internal Drainage Boards
Black sluice
Lindsey Marsh
North East Lindsey
South Holland
Upper Witham
Welland and Deeping
Witham First
Witham Fourth
Witham Third

Parish and Town Councils
Aubourn & Haddington TC
Bourne TC
Crowland PC
Deeping St James PC
Gainsborough TC
Greetwell PC
Heighington PC
Horncastle TC
Ingoldmells PC
Langworth PC
Louth TC
Mablethorpe and Sutton TC
Market Deeping TC
Metheringham PC
Nettleham PC
North Hykeham TC
Skegness TC
Skellingthorpe PC
Sleaford TC
Stamford TC
Sudbrooke PC
Washingborough PC
Woodhall Spa PC

Further Education Establishments
Bishop Grosseteste College
Boston College
Grantham College
Lincoln College
Stamford College

Academies
Alford Queen Elizabeth
Boston Grammar
Boston High School
Boston West Academy
Boston Witham Federation
Bourne Abbey C of E
Bourne Academy
Bourne Grammar
Bourne Westfield Primary
Bracebridge Infant and Nursery
Branston Community
Branston Junior Academy
Caistor Grammar
Caistor Yarborough
Cordeaux Academy
Ellison Boulters Academy
Ermine Primary
Fosse Way
Gainsborough Benjamin Adlard
Gainsborough Parish Church
Giles Academy
Grantham Kings School
Grantham Walton Girls
Gypsey Bridge Academy
Harrowby C of E Infants
Hartsholme Academy
Heighington Millfield Academy
Hillcrest EY Academy
Hogsthorpe Primary Academy
Horncastle QE Grammar
Huttoft Primary Academy
Ingoldmells Academy
John Spendluffe Tech. College
Kesteven & Sleaford High
Kesteven and Grantham Academy
Kidgate Primary Academy
Lincoln Castle Academy
Lincoln Christs Hospital School
Lincoln Westgate Academy
Ling Moor Academy
Little Gonerby C of E
Long Bennington C of E
Mablethorpe Primary Academy
Manor Leas Infant School
Market Rasen De Aston School
Mercer's Wood Academy
Mount Street Academy
National C of E Juniors
Nettleham Infants Academy
North Kesteven School
Phoenix Family Academy
Priory Federation of Academies
Rauceby C of E
Ruskington Academy
Sir John Gleed
Sir Robert Pattinson Academy
Sir William Robertson
Skegness Academy
Skegness Grammar
Skegness Infant Academy
Skegness Junior Academy
Sleaford Carres Grammar
Sleaford St Georges Academy
Sleaford William Alvey
Spalding Grammar
Spilsby King Edward Academy
St John's Primary Academy
Stamford Malcolm Sargent
Stamford Queen Eleanor
Stamford St Gilberts
The Deepings Academy
The Phoenix School
Thomas Cowley Academy
Tower Road Academy
Trent Valley Academy
University Academy Holbeach
Washingborough Academy
Welton C of E St Mary
Welton William Farr CE
West Grantham Federation
White's Wood Academy
William Lovell Academy
Witham St Hughs Academy
Woodhall Spa Academy

Other Scheduled Bodies
Compass Point
Lincolnshire Police Authority
Lincolnshire Probation Service

Admitted Bodies
Acis Group
ACPOA
Active Nation
Adults Supporting Adult
Boston Mayflower
CfBT
Edwards & Blake
G4S
Heritage Trust for Lincs
Lincoln Arts Trust
Lincoln BIG
Lincs HIA
Lincs Sports Partnership
May Gurney
Mouchel Connextions
National Child Minding Assoc.
New Linx Housing
Rentokil Initial
Sports & Leisure Management

29 Exchange Rates Applied

The exchange rates used at 31 March 2013 per £1 sterling were:

Australian Dollar	1.4565
Brazilian Real	3.0617
Canadian Dollar	1.5427
Swiss Franc	1.4379
Danish Krone	8.8154
Euro	1.1825
Hong Kong Dollar	11.7872
Indonesian Rupiah	14,755.5377
Israeli Shekel	5.5184
Japanese Yen	142.7647
Korean Won	1,689.4274
Norwegian Krone	8.8564
New Zealand Dollar	1.8120
Swedish Krona	9.8730
Singapore Dollar	1.8838
Thai Baht	44.4678
Taiwan Dollar	45.4055
US Dollar	1.5184

Lincolnshire Fire & Rescue Pensions Fund for the year ended 31 March 2013

2011-12 £'000	Fund Account	Note	2012-13 £'000
	Contributions Receivable		
	From employer:		
(1,600)	Contributions in relation to pensionable pay	4	(1,591)
(148)	Early Retirements - Ill Health	4	(229)
	From members		
(929)	Fire-fighters' contributions	4	(969)
0	From CLG (commutations special income)		0
	Transfers in:		
0	Individual transfers from other schemes from Local Authorities	7	(5)
(2)	Individual transfers from other schemes other than Local Authorities	7	(23)
	Benefits payable:		
3,870	Pensions	5	4,128
957	Commutations and lump sum retirement benefits	5	835
	Payments to and on account of leavers:		
0	Individual transfer out to other schemes	7	0
0	Refunds of contributions	7	1
2,148	**Sub Total Net amount payable for the year before top up grant receivable**		**2,147**
(2,148)	Top up grant receivable from sponsoring department	6	(2,147)
0	**net amount payable/receivable**		**0**

31 March 2012 £'000	Net Asset Statement as at:	31 March 2013 £'000
	Current Assets	
328	Pensions paid in Advance	346
0	Amounts due from LCC	0
548	Pensions top up grant due	740
876	**Total Current Assets**	**1,086**
	Current Liabilities	
(876)	Amounts payable to LCC	(1,086)
0	Pension payable to central government	0
(876)	**Total Current Liabilities**	**(1,086)**
0	**Total**	**0**

Notes to the Fire & Rescue Pension Fund Account

1 Basis of Preparation

The Financial Statements have been prepared in accordance with the main recommendations of the code of practice on Local Authority Accounting issued by the Chartered Institute of Finance & Accountancy.

There is no separate bank account for the Pension Fund, therefore the Council's General Fund is shown as a debtor/creditor in the Net Asset Statement.

The Net Asset Statement does not take account of liabilities to pay pensions and other benefits after the period end.

Note 54 to the Council's Financial Statements shows the Council's long term pension obligations in accordance with International Accounting Standards (IAS19).

2 Lincolnshire Fire and Rescue Pension Fund Account

The Fund was established at 1 April 2006 and covers both the 1992 and 2006 Fire-fighters' Pension Schemes. It was established by the Fire-fighters' Pension Scheme (Amendment) (England) Order 2006 (SI2006 No1810) and is administered by Lincolnshire County Council. Employee and employer contributions are paid into the fund, from which payments to pensioners are made with any difference being met by top up grant from Central Government.

3 Accounting Policies

The Principal Accounting Policies are as follows:

Contributions

For employees who are members of the pension schemes contributions are receivable from the employer (Council) and the members (employees) throughout the year based on a percentage of pensionable pay. The rates are set nationally by the DCLG/Government Actuary Department and subject to triennial revaluation by the Government Actuary's Department.

If ill health retirements are granted the Council is required to make a contribution to the pension fund in accordance with the regulations. This contribution is spread over a 3 year period to deal with financial volatility as the number of Fire-fighters' who retire on grounds of ill health varies from year to year.

No provision is made in the accounts for contributions on pay awards not yet settled .

Benefits

Benefits include recurring payments that are paid in advance of the month for which they relate. An accrual is made at year end so that the payments are accounted for in the year to which they relate and this is shown in the net asset statement. Lump Sum payments are paid as they become due.

The accounts do not take account of liabilities to pay pensions and other benefits after the year end.

Transfer Values

The value of accrued benefits transferred from or to another pension arrangement, including Fire-fighters' pension schemes outside England, are recorded in the accounts on a receipts and payments basis.

Top up Grant

Central Government pay an instalment of top up grant during the year based on estimated activity. The balance is included within the amount of grant receivable and identified in the Net asset statement under current assets or liabilities.

The accounts do not take account of liabilities to pay pensions and other benefits after the year end.

4 Contribution Rates

Under the Fire-fighters' pension regulations the contribution rates are set nationally and are subject to triennial revaluation by the Governments Actuary's Department. During 2012-13 the contribution rates for the 2006 scheme were a minimum of 22% of pensionable pay (11% employers and tiered contribution of 11% to 13% based employees' pensionable pay banding) and the contribution rates for the 1992 scheme were 29.8% of pensionable pay (21.3% employers and tiered contribution of 8.5% to 9.7% based on employees' pensionable pay banding). Contribution tiers for part time and retained Fire-fighters' to be based on whole time equivalent pay for their role. Contributions, by the employer for Fire-fighters' who retire due to ill health are also paid into the Pension Fund in accordance with the regulations.

5 Benefits paid

Lump sum and ongoing pensions are paid to retired officers, their survivors and others who are eligible for benefits under pension schemes. The recurring payments are usually paid monthly in advance at the beginning of the period for which they relate.

6 Central Government pension top up grant

This is an unfunded scheme and consequently there are no investment assets. The fund is balanced to zero each year by receipt of a top up grant from the Central Government Department for Communities and Local Government (DCLG) if contributions are insufficient to meet the cost of benefits payable, or by paying over any surplus to the DCLG. The difference between grant received during the year and grant required to balance to zero is set up as an accrual and shown in the Net Asset Statement.

7 Transfers in and out

The value of accrued benefits of members that are transferred from or to another pension arrangement, if a member joins or leaves the scheme.

Audit Opinion

Independent auditor's report to the members of Lincolnshire County Council

We have audited the financial statements of Lincolnshire County Council for the year ended 31 March 2013 on pages 3 to 162. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

This report is made solely to the members of the Authority, as a body, in accordance with Part II of the Audit Commission Act 1998. Our audit work has been undertaken so that we might state to the members of the Authority, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Executive Director (Resources and Community Safety) and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Authority's and the Pension Fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Executive Director (Resources and Community Safety); and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Explanatory Foreword to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

· give a true and fair view of the financial position of the Authority as at 31 March 2013 and of the Authority's expenditure and income for the year then ended;

· give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2013 and the amount and disposition of the fund's assets and liabilities as at 31 March 2013 other than liabilities to pay pensions and other benefits after the end of the scheme year; and

· have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

Matters on which we are required to report by exception

The Code of Audit Practice 2010 for Local Government Bodies requires us to report to you if:

· the annual governance statement set out on pages 150 to 161 does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or

· the information given in the explanatory foreword for the financial year for which the financial statements are prepared is not consistent with the financial statements; or

· any matters have been reported in the public interest under section 8 of Audit Commission Act 1998 in the course of, or at the conclusion of, the audit; or

· any recommendations have been made under section 11 of the Audit Commission Act 1998; or

· any other special powers of the auditor have been exercised under the Audit Commission Act 1998.

We have nothing to report in respect of these matters

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

Authority's responsibilities

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

Auditor's responsibilities

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

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

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

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in November 2012, as to whether the Authority has proper arrangements for:
securing financial resilience; and
challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in November 2012, we are satisfied that, in all significant respects, Lincolnshire County Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2013.

Certificate

We certify that we have completed the audit of the financial statements of Lincolnshire County Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice 2010 for Local Government Bodies issued by the Audit Commission.

Mr Tony Crawley
for and on behalf of KPMG LLP, Appointed Auditor
Chartered Accountants
1 Waterloo Way
Leicester
LE1 6LP

27 September 2013

Annual Governance Statement for Lincolnshire County Council 2013

Scope of Responsibility

1.1 Lincolnshire County Council is responsible for making sure that its business is conducted in a lawful and proper way. Public money needs to be protected and used economically, efficiently and effectively. We therefore have a duty under the Local Government Act 1999 to secure continuous improvement in the way our role is carried out, having regard to economy, efficiency and the effectiveness of what we do.

1.2 As we carry out this overall responsibility, we need to put in place good arrangements to manage our business to effectively deliver services to the people of Lincolnshire. This includes arrangements for the management of any risks we may face.

1.3 To help with these responsibilities we have adopted a governance and assurance structure which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. This statement explains how we have followed the code and also meets the requirements of the latest Accounts and Audit Regulations on the publication of a statement of internal control.

2 The purpose of the governance framework

2.1 Each local government body operates through a Governance Framework which brings together a set of legislative requirements. Following the framework helps us to ensure accountability for the proper conduct of our business, through the publication of an annual governance statement.

2.2 The Framework consists of the systems and processes, cultures and values by which the Council is directed and controlled. It sets out how we account to and engage with the people of Lincolnshire. It's about **Community Leadership**. It helps us monitor our progress in achieving our goals and whether or not those goals are leading to effective and top quality services.

2.3 For more information go to: Audit Committee Records

3 The governance framework

3.1 We have put in place assurance arrangements that help us test and gain confidence that the governance framework is operating as intended and that we are:

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

3.2 The Executive and senior managers have approved the governance framework and they have accepted responsibility for its implementation.

3.3 A governance group is in place that is responsible for monitoring the framework's effectiveness and to make sure that any concerns raised during the year are acted upon.

3.4 Through the Audit Committee, elected Members oversee our financial processes, audit and risk management including the effectiveness of the corporate governance framework.

3.5 Our Governance Framework is defined by the six principles of good governance as shown below:

3.6 **Engaging with local people to raise the profile of the Council and demonstrate public accountability**.

- We continue to put the public first in how we work, looking and seeking their views to help determine decisions on how we use public money, demonstrating clear accountability to the public. The Constitution gives clarity to all staff and the community to whom we are accountable and what for.

- Clear communication and consultation is in place with all sections of the community and operates effectively. The outcomes of inspections are published on our website http://www.lincolnshire.gov.uk/
- We have responded to the requirements to deliver significant funding reductions and continue to deliver a high quality of service by reviewing how we manage ourselves and provide services to the citizens of Lincolnshire.

- We comply with the transparency initiative promoted by Government and publish details of relevant salaries and expenses together with all payments of £500 or more.

3.7 **Focusing on the purpose of the Council and improving future outcomes for the whole county.**

- Our Organisational Strategy sets out the principles upon which our future development of services and operations should be based.

- We communicate the vision and purpose of the authority to the public by setting out our objectives and priorities for the year within our Business Plan**.**

- We make sure the public receive high quality services by measuring our success and publically reporting our overall financial position in our Statement of Accounts. We continually seek to provide world class customer service learning from what our customers tell us as shown by our Community Engagement Strategy and our Customer Service Charter.

- We will continue to make sure the Council delivers excellent value for money as we review our Financial Strategy, setting out how we will respond to the economic challenges we are facing whilst ensuring top rate services.

3.8 **Members and officers working together to achieve a shared purpose and being clear about roles and responsibilities**

- We make roles and responsibilities within the Council clear to ensure effective leadership by showing how the Council operates and how decisions are made to make sure we are accountable to local people. The following all help us to achieve this:
    - The Constitution
    - Code of Conduct
    - Codes and Protocols

- Roles of staff are set out in our Employment manual along with conditions of employment including Members Allowance in order to make sure that strong working relationships exist between elected Members and Officers.

- Ensuring that relationships between the authority and the public are clear is vital to us and helps us to establish what to expect from each other. In order to do this we open Council Meetings to the public and effectively monitor the way services are delivered as shown in the Role of Monitoring Officer. The Council also has a Consultation Strategy which we use to ensure that the Council's vision, aims and priorities are carried out in consultation with the public.

3.9 **Demonstrating the values of the Council through excellent standards of conduct and behaviour**

- We have a commitment to making sure that both our Members and officers display the highest possible standards or behaviour and conduct. A Code of Conduct has been adopted for Members and officers to ensure and promote good conduct.

- We are dedicated to promoting a strong culture to prevent and detect fraud. This is supported by our Counter Fraud Policy and our Whistleblowing Policy.

- If for any reason someone feels that the Council has failed to do something that should have been done or has done something badly or feel that they have been treated unfairly we have a Complaints Policy to proactively deal with complaints and learn from our mistakes.

3.10 **Taking informed transparent decisions and demonstrating clear accountability**

- As a local authority we must be clear about how decisions are taken and also listen and act upon constructive scrutiny. The Audit Committee was established in 2006. It promotes and maintains high standards of good governance including making sure an adequate risk management and control environment exist and that financial performance and accounting is properly and lawfully monitored. Reports and minutes of the Audit Committee meetings are available on Audit Committee Records

- Our Overview and Scrutiny Management Committee exists to review and scrutinise any decision made by the Executive, Executive Councillor or key decision made by an officer. It examines the County Council's overall performance and advises our Overview and Scrutiny Committees of any areas of performance requiring detailed consideration.

- The Executive Director – Performance and Governance is the designated Monitoring Officer with responsibility for ensuring the lawfulness of decisions taken by us as detailed in the Constitution Part 3,

- The Executive Director – Resources and Community Safety leads and directs the Financial Strategy of the Council. They are a member of the Councils' Management Board and have a key responsibility to ensure that the Council controls and manages its money well. They are able to operate effectively and perform their core duties - complying with the CIPFA Statement on the role of the Chief Financial Officer.

- Risk Management is about taking measured risks when making decisions or where we need to encourage innovation in times of major change. This will put us in a stronger position to deliver our goals and provide excellent services. Our risk management process is well established in the way we work. The Audit Committee is responsible for reviewing how effective our risk management procedures are. Our Strategic Risk Register is regularly reviewed and more details can be found in our Risk Management Strategy

3.11 **Developing the capability of members and officers to be effective in their work**

- Making sure that members and officers have the skills, training, experience and support to perform well is one of our key priorities. Our People Strategy helps us to achieve this. The People Strategy is one of our most important strategies as it helps us to effectively engage with our staff and ensure their commitment to achieving our vision, aims and values.

- We ensure that the skills required by Members and staff are assessed and developed to enable roles to be carried out more effectively through our Appraisal Process and our Learning and Development Framework.

- The Councillor Learning and Development Group co-ordinates activities and training for our members to ensure they are effective in their roles.

- In recognition of our commitment as an employer that achieves the most by getting the best from its people we attained the Investors in People bronze award

- The Council regularly reviews its constitution and financial regulations to ensue members and staff are aware of what is expected of them and that they remain fit for purpose.

4 Review of Effectiveness

4.1 The County Council[1] undertakes an annual review of how effective its governance framework is. This is informed by:

- Executive managers
- Head of Internal Audit's annual report
- Strategic Risk Management arrangements
- Combined Assurance Model and status reports
- Comments made by external auditors and other agencies.

5 Our Assurance Arrangements

There are a number of ways we assess if our governance arrangements are working. These are:

[1] Includes the Fire and Rescue function and Local Government Pension Arrangements administered by the Council

5.1 Corporate Governance Group

The Corporate Governance Officer group was set up to help ensure the Council adopts good governance in running its business and making sure we are:

'*doing the right things, in the right way, for the right people, in an open, honest, inclusive and timely manner*'.

5.2 Internal Audit

Internal Audit provides independent assurance designed to add value and improve how the Council operates. It helps the Council achieve its priorities and objectives by bringing a systematic and disciplined approach to evaluate and improve the management of risk, control and governance processes. It provides constructive and independent challenge to management on the way things are done.

We undertake an annual review of the effectiveness of our Internal Audit service ensuring it is compliant with the appropriate professional standards and CIPFA's statement on the role of the Head of Internal Audit in public service organisations.

5.3 External Audit

The Councils financial statements and annual governance statement are an important way we account for our stewardship of Public funds.

KPMG, our External Auditors, audit our financial statements and provide an opinion on these.

They also assess how well we manage our resources and deliver value for money to the people of Lincolnshire.

For more information go to: Performance

5.4 Audit Committee

The Audit Committee is a vital group that oversees and promotes good governance, ensures accountability and reviews the way things are done. The Audit Committee examines areas such as audit, risk management, counter fraud and financial accountability. The Committee exists to challenge the way things are being done, making sure the right processes are in place. It works closely with our Internal Audit team.

Our External Auditors attend Audit Committee meetings. At least once a year a private meeting is held with them to help provide the Audit Committee with independent insight on key issues facing the Council and how well its governance arrangements are working.

We have appointed a non-elected member to the Committee. The ability of an independent member to offer different perspectives and constructive suggestions will improve the way we work. For more information go to: Audit Committee Records

5.5 Risk Management

Good risk management is part of the way we work. Our strategic risk management team supports management to help them take measured risks and create an environment of 'no surprises'.

For more information go to: Risk Management Strategy

5.6 Performance Management and Data Quality

The Council is committed to continuously improving the way we work and the services we provide for the people of Lincolnshire. Each year we set out plans for improvement in the Council's Business Plan, Statement of Accounts and Annual Report.

6 Governance Issues

The following areas have been identified where further work is required to improve systems or monitor how the key risks facing the Council are being managed:

Governance Issue	Lead Officer(s)	Key Delivery Milestones	Implementation Date
Maintaining Good Governance			
The May 2013 county council election has returned a council with very different makeup to recent years with just over half new to the county council (many with no experience as a councillor) and a change of more than half in the membership of the Executive. This could bring positives in terms of new insights but also has the potential for negatives as those councillors may not fully understand the council's governance arrangements. The changed political landscape will require more support from senior managers in terms of briefings etc. Many senior managers are relatively new in post following the Managing Workforce Change programme.	David O'Connor	Extensive induction programme for new councillors after the election with good feedback but will need to continue. Most committees have additional training identified. New Executive and Management Board have spent several informal sessions together reviewing and confirming current direction. Combined impact of the reducing government grant is being addressed by our budget and focus on commissioning which will result in confirmed or altered council priorities. Senior Leadership Programme as part of Workforce and Management Capacity (below) with initial very positive feedback	Completed In progress as needed Completed See Commissioning below See below
Workforce and Management Capacity			
Rapidly changing environment will require a more agile workforce. Reduced workforce means we must focus on value adding activity.	David O'Connor	New People Strategy designed and approved last year with detailed implementation plan is a council priority programme Many Human Resources processes have been reviewed. Future Delivery of Support Services programme will deliver new Enterprise Resource Planning (ERP) tools that will make financial and people management processes more efficient.	Strategy 2012-2015 (currently on track) Tied in with Future Delivery of Support Services. Current ERP replacement estimated to take place 04/14 to 03/15
Public Health			
New public health functions became the responsibility of the Council from April 2013.	Tony Hill	Implement extended induction programmes for all incoming staff.	August 2013 completion

Governance Issue	Lead Officer(s)	Key Delivery Milestones	Implementation Date
Services, staff and contracts transferred from local and national NHS bodies. The transition plan has been successfully delivered but the Council must integrate these new functions at both a strategic and delivery level. The change will inevitably mean cultural change for staff and service redesign.	PHDMT	Agree 'Unwritten Ground Rules' Frameworks for the integrated team.	June 2013
	Tony McGinty	Transition project close down, including staff engagement representatives.	July 2013
	Isabel Perez	Develop integrated continuing professional development programme.	June 2013
	Teresa Roche Tony McGinty	Induction programmes for new members and scrutiny committees.	June and July 2013
	Tony McGinty	Agree programme of Public Health Service Reviews with Executive and Corporate Management Board.	July 2013
	Tony McGinty	Review clusters of service users with full involvement of internal stakeholders.	July 2013
	Tony Hill	Present recommendations for service change and integration to Corporate Management Board and Executive.	September 2013 onwards
Adult Care			
Change of pace and scale The scale and pace of change in Adult Care is pronounced and unlikely to change in the medium term. Notwithstanding the transformation required our primary purpose is to work with the most vulnerable adults in our communities, to help them achieve more, stay at home and keep them safe from abuse. We understand the value of working together with the people who need our advice and support, their families, their wider community, statutory partners and organisations providing support. The resources we have including our people and money will be directed to achieving this.	Glen Garrod/Senior Management Team	Adult Care continues to face a substantial change programme grouped here into 3 headings. Each has relevance to the 5 priorities identified. 1. A Transformation Programme for all major projects. This programme is developing a new blueprint for the department. 2. Integration with Health – reflecting the national policy context for Adult Care with NHS partners in Lincolnshire. 3. Adult Care performance and quality improvement.	October 2013 October 2013 March 2014 (mid-year review September 2013)

Governance Issue	Lead Officer(s)	Key Delivery Milestones	Implementation Date
Our 5 priorities for 2013/14 are: **1. A balanced budget out-turn** **2. Improved performance** **3. Integration with Health** **4. Established plans for the delivery of key elements of Adult Care transformation** **5. A set of quality indicators** We have also strengthened our programme management arrangements to help ensure all developments and changes are successfully managed.			
Adult Care			
Safeguarding Vulnerable Adults Safeguarding Adults is being placed on a similar statutory footing to that which exists for Children. The work to safeguard vulnerable adults is evolving quickly and is expected to be given more policy direction once the Care and Support Bill becomes enacted (currently before Parliament). The pre-existing Safeguarding Adult Board is chaired by an independent person and has commenced a programme to strengthen its assurance and governance framework.	Glen Garrod/ Elaine Baylis (Independent Chairperson)	Several developments are taking place to enhance the safeguarding work for adults (examples are): 1. A dedicated training plan for improving practice across all agencies is being organised for 2013/14 and 2014/15. 2. Improved assurance and governance framework.	September 2013 To be agreed
Children Services			
Safeguarding Children • Keeping children safe and protected. • Responding to the family Justice reforms and meeting new timescales regarding adoption. • Transforming early intervention services to prevent raising demand in specialist services.	Debbie Barnes	Adopt Signs of Safety as risk identification and management tool. Establish a MASH (Multi agency information sharing hub). Programme to recruit, assess and support potential adopters and foster carers.	Dec 13 Business case Dec 13 Dec 13

Governance Issue	Lead Officer(s)	Key Delivery Milestones	Implementation Date
		Integrated working with Health through "Making it happen for every family" project. Families Working Together Programme to turn around the lives of families in crisis Pilot Authority for Public Law Proceedings to assist with family Justice Reforms	Phase 1 to be implemented Sept 13 / Phase 2 Dec 13 Phase 1 July 13 with expansion in line with Government guidance Dec 14 Start Date Sept 13
Education and Skills • Responding to school funding reforms whilst supporting small schools to be sustainable. • Responding to the new legislative framework which will govern support for children with additional needs. • Transforming school support services due to academy changes. • Sufficiency of places. • Driving school improvement for academies.	Debbie Barnes	Support Primary Collaborations project to encourage schools to work together. Project Board established and project plan completed to enable services to respond to "Support and Aspiration. Education Support Services transformed to enable a commercial offering for schools. Capital programme to meet sufficiency of school places. Replacement guidance for schools causing concern which is applicable to Academies to be developed and agreed with schools.	Project ongoing – full evaluation to be completed Sept 13 Compliance with new guidance March 14 March 14 services to be self sustaining Review Dec 13 Sept 13
Maintaining Financial Resilience			
Overall services showed an under-spending which will allow some carry forward flexibility into the current year, together with an increase in reserves to meet pressures in 2014/15. Against the current core offer savings target of £146m by March 2015, £102m has already be	Pete Moore	The financial outturn for 2012/13 was considered by the Council's Executive and the VFM Scrutiny Committee during July. Carry forward budget proposals will be confirmed at the full Council meeting in September. The Council's medium term financial strategy will be	Outturn considered by Executive and Scrutiny in July 2013. Carry forwards to be confirmed in September 2013.

Governance Issue	Lead Officer(s)	Key Delivery Milestones	Implementation Date
achieved and a further £20m is already being actioned and classified predominantly as lower risk. A further £24m is classified as higher risk either because action has only just started or plans or still in formulation. The key higher risk areas are around: • waste management (the energy from waste plant has still to come on-stream to reduce waste to landfill and reduction in associated taxes) • adult social care where work on reablement, joint commissioning, learning disabilities and the social care blueprint have still to be actioned to reduce costs in 2014/15. These programmes of work will need careful management and monitoring. A one year Comprehensive Spending Review for 2015/16 was published on 26 June 2013 and it implies reductions in Government support to local authorities of close to 15% in 2015/16.		updated following that announcement and this will feed into future budget processes. It is expected that a further 3 or 4 year Comprehensive Spending Review will follow the next general election and that the reductions in local government funding will continue possibly until 2020. The Council will be planning for this scenario and the work on a 'Commissioning Council' will assist in determining the desired outcomes and priorities within the likely financial resources available. Consideration of council priorities and budgets as part of the annual budget processes for March 2014 and March 2015. A fundamental budget review will be undertaken over the next 12 months to cover the period from 2015/16 to 2018/19. Monitoring and management of remaining core offer savings through to March 2014.	Update of medium term financial model following Comprehensive Spending Review announcement on 26 June 2013.
Procurement and Contract Management			
The Council recognises that it needs to manage its procurement and contracts better if we are to deliver effective services for the future within significant funding constraints. Work is underway to strengthen our management oversight and rigour over our commercial relationships. Our commissioning strategy aims to influence and support sustainability and resilience of our providers – suppliers, partnerships and voluntary sector.	Pete Moore / David O'Connor	Significant work has been done to strengthen contract compliance in Adult Social Care. Contract officers have worked with the Quality and Safeguarding teams to develop more robust contract management protocol which sets out roles and responsibilities for staff in Adult Social Care. Adult Social Care contract officers are going through a comprehensive training programme and this should be complete by the end of June 2013. To support the contract compliance for all Council contracts a contract management toolkit is being piloted in two areas and if successful will be rolled out to all areas of the Council over the next 12 months.	Some actions already complete and others will be ongoing over the next 12 months. Periodic updates on progress and feedback on effectiveness will be brought to the Audit Committee.

Governance Issue	Lead Officer(s)	Key Delivery Milestones	Implementation Date
		A new Contract Assurance Board will meet for the first time on the 26 June 2013. The role of the Board is to provide assurance that proposed contracts are consistent with the direction, aims and priorities of the Council and are properly resourced and managed. Contracts with a total value of over £500k or over a 2 year duration will be initially reviewed. All contracts above a value of £25k are recorded on a single electronic platform, Firefly. The only exception to this is that home to school transport contracts are managed via a separate system (SEATS). Training has been undertaken by staff in the operation of the procurement and contract systems to ensure they are used effectively.	
Becoming a Commissioning Organisation			
The Council has expressed an intention to 'become a commissioning council'. As a Commissioning Council we will achieve desired balance of **quality**, **cost** and **risk** by: • Consistently making decisions based on evidence of needs and political priorities. • Working with partners to get the best results. • Focusing on outcomes for people and places. • Using the best means of delivering those outcomes, whether that is inside or outside the Council. • Holding all service providers to account with appropriate rigour. This will help us maximise the benefits from available resources through joint commissioning with partners in a context of reduced resources.	Pete Moore / David O'Connor	The 'Commissioning Council' approach will be progressed during the latter half of 2013 and the first half of 2014. This will enable the Council to focus more readily on its key outcomes and priorities for the future and to ensure that the Council has the key skills to commission and procure its services as effectively as possible, whether that be internally or externally via the private sector, voluntary sector or jointly with key partners such as Health. This will be linked to the update of the Council's financial model following the expected Comprehensive Spending Review announcement on 26 June 2013.	Linked to business plan and budget process for 2014/15 i.e. March 2014, although some commissioning policies may follow to fit into joint commissioning with other organisations and contract renewal dates.

Governance Issue	Lead Officer(s)	Key Delivery Milestones	Implementation Date
Maintaining ICT Resilience			
Whilst Council systems are more resilient than ever before they are delivered from a single data centre.	David O'Connor	Capital funding provided for new centre but could be overtaken by Future Delivery of Support Services (FDSS) with all current bidders having multiple suitable data centres.	Decision on direction during late 2013-14 as part of FDSS.
Where possible new applications are hosted remotely or provided via software as a service.		Continue this approach where effective.	As opportunities arise.
Improved network security as a result of Public Service Network (PSN) introduction.		Achieve PSN Code of Connection compliance	September 2013

Conclusion

We are satisfied that plans are in place that will address the areas identified above and will monitor their implementation and operation as part of performance management. The Audit Committee will help provide us with independent assurance during the year.

The original documents were signed on 23 September 2013 by Pete Moore, CPFA (Executive Director - Resources and Community Safety), Tony McArdle (Chief Executive) and Councillor M Hill OBE (Leader, Lincolnshire County Council).

Appendix A - Officer Remuneration split between staff employed in Schools and All Other Parts of the County Council.

SCHOOLS	2011-12 Number of Staff		2012-13 Number of Staff	
Pay Band	Remuneration received (excl those receiving termination payments)	Staff who received termination payments	Remuneration received (excl those receiving termination payments)	Staff who received termination payments
£150,000- £154,999	0	1	0	0
£145,000- £149,999	0	0	0	0
£140,000- £144,999	0	0	0	0
£135,000- £139,999	0	0	0	0
£130,000- £134,999	0	0	0	0
£125,000- £129,999	0	0	0	0
£120,000- £124,999	0	0	0	0
£115,000- £119,999	0	0	0	0
£110,000- £114,999	0	0	0	0
£105,000- £109,999	0	1	0	0
£100,000- £104,999	0	1	0	0
£95,000- £99,999	2	0	0	0
£90,000- £94,999	2	0	2	0
£85,000- £89,999	4	3	3	2
£80,000- £84,999	6	1	1	0
£75,000- £79,999	2	1	3	0
£70,000- £74,999	15	2	5	1
£65,000- £69,999	13	0	7	1
£60,000- £64,999	25	1	20	0
£55,000- £59,999	78	0	55	1
£50,000- £54,999	97	2	62	1
Total	**244**	**13**	**158**	**6**

OTHER SERVICES	2011-12 Number of Staff		2012-13 Number of Staff	
Pay Band	Remuneration received (excl those receiving termination payments)	Staff who received termination payments	Remuneration received (excl those receiving termination payments)	Staff who received termination payments
£150,000- £154,999	0	0	0	0
£145,000- £149,999	0	1	0	0
£140,000- £144,999	0	0	0	0
£135,000- £139,999	0	4	0	0
£130,000- £134,999	0	0	0	0
£125,000- £129,999	1	0	1	0
£120,000- £124,999	0	1	0	0
£115,000- £119,999	0	3	0	0
£110,000- £114,999	0	0	0	1
£105,000- £109,999	0	4	0	0
£100,000- £104,999	0	1	0	0
£95,000- £ 99,999	0	3	0	0
£90,000- £94,999	2	2	1	1
£85,000- £89,999	4	3	4	1
£80,000- £84,999	4	5	4	1
£75,000- £79,999	1	5	3	0
£70,000- £74,999	6	11	3	1
£65,000- £69,999	18	16	17	0
£60,000- £64,999	22	15	27	0
£55,000- £59,999	37	26	40	0
£50,000- £54,999	41	19	44	5
Total	**136**	**119**	**144**	**10**

STATEMENT OF ACCOUNTS GLOSSARY OF TERMS

Academy Schools
Academy schools are directly funded by central government (the Department for Education) and are independent of local Council control.

Accounting Period
The period of time covered by the accounts, normally a period of twelve months commencing on 1 April. The end of the accounting period is the Balance Sheet date.

Accounting Policies
The principles, bases, conventions, rules and practices applied by an organisation that specify how the effects of transactions and other events are to be reflected in its Financial Statements.

Accruals
Sums included in the final accounts to recognise revenue and capital income and expenditure attributable to the accounting period, but for which payment has not been received or made by 31 March.

Acquired Operations
Operations comprise services and division of service as defined in SERCOP. Acquired operations are those operations of the local Council that are acquired in the period.

Amortisation
The term used to describe the charge made for the cost of using intangible fixed assets. The charge for the year will represent the amount of economic benefits consumed (e.g. wear and tear).

Appropriation
The transfer of sums to and from reserves, provisions and balances.

Assets
An item having value to the Council in monetary terms, categorised as:

· Current assets are assets that are intended to be sold within the normal operating cycle; the assets are held primarily for the purpose of trading or the Council expects to realise the assets within 12 months after the reporting date.

· Non–current assets are assets that do not meet the definition of a current asset and can be tangible (e.g. school buildings) or intangible (e.g. computer software licences).

Audit of Accounts
An independent examination of the Council's financial affairs.

Balances
The total revenue reserves required to provide a working balance during the financial year, for example in periods when expenditure exceeds income.

Balance Sheet
Shows all balances including reserves, long-term debt, fixed and net current assets, together with summarised information on the fixed assets held.

Borrowing costs
Are interest and other costs that an entity incurs in connection with the borrowing of funds.

Budget
The forecast of net revenue and capital expenditure over the accounting period.

Capital Adjustment Account
Capital reserve largely consisting of resources applied to capital financing and not available to the Council to support new investment.

Capital Charges
This is a general term used for the notional charges made to service expenditure accounts for the use of fixed assets. The term covers depreciation and impairment charges (included in gross expenditure).

Capital Grants Unapplied Account
Grants that have been recognised as income in the Comprehensive Income and Expenditure Statement but where the expenditure has not yet been incurred.

Capital Expenditure
Expenditure on assets which have a long term value. Includes the purchase of land, purchase or cost of construction of buildings and the acquisition of plant, equipment and vehicles.

Capital Financing Costs
These are the revenue costs of financing the capital programme and include the repayment of loan principal, loan interest charges, loan fees and revenue funding for capital.

Capital Financing Requirement

Statutory requirement to ensure that over the medium term the net borrowing by the Council will only be for capital purposes.

Capital Receipts
Proceeds received from the sale of property and other fixed assets.

Carrying Amount
The amount of an asset that is recognised on the Balance Sheet after all costs have been charged for the accounting period (e.g. accumulated depreciation and impairment losses).

Cash equivalents
Are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value (e.g. bank balances).

Cash Flow Statement
This consolidated statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes

CIPFA
The Chartered Institute of Public Finance and Accountancy.

Comprehensive Income and Expenditure Statement (CI&ES)
This statement reports the net cost of all the services which the Council is responsible for, and demonstrates how that cost has been financed.

Contingent Liability
Potential costs that the Council may incur in the future because of something that happened in the past, but there is no certainty that a cost will occur.

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

Corporate Democratic Core
The corporate and democratic management costs are the costs of activities which Local Authorities undertake specifically because they are elected multi-purpose Authorities. They cover corporate policy making, representing local interests, services to elected members as local representatives and duties arising from public accountability.

Creditors
Amounts owed by the Council for work done, goods received or services rendered but for which payment has not been made at 31 March.

Debtors
Sums of money owed to the Council but unpaid at 31 March.

Defined Benefit Scheme
Also known as a final salary scheme. Pension scheme arrangement where the benefits payable to the members are determined by the scheme rules. In most cases there is a compulsory member's contribution but over and above this all costs of meeting the quoted benefits are the responsibility of the employer.

Depreciation
The allocation of the cost of the useful economic life of the Council's non-current assets for the accounting period through general wear and tear, consumption or obsolescence.

Depreciated replacement cost (DRC)
Is a method of valuation which provides the current cost of replacing an asset with its modern equivalent asset less deductions for all physical deterioration and all relevant forms of obsolescence and optimisation.

Discontinued Operations
Operations comprise services and division of service as defined in SERCOP. Discontinued operations are those operations of the Council that are discontinued in the period. Responsibilities that are transferred from one part of the public sector to another are not discontinued operations.

Donated assets
These are assets which are transferred to the Council at nil value or acquired at less than fair value.

Earmarked Reserves
Those elements of total Lincolnshire County Council reserves which are retained for specific purposes.

Employee benefits
Are all forms of consideration (both monetary and in-kind) given by the Council in exchange for service rendered by employees.

Exceptional Items

Events which are material in terms of the County's overall expenditure and are not expected to recur frequently or regularly.

Fair Value
The amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's-length deal.

Finance Costs

Reflects the element of annual payment for PFI or Leased assets which is in relation to interest payable on the loan liability.

Financial Assets
A right to future economic benefits controlled by the Council.

Financial Instrument
A contract that gives rise to a financial asset of one entity and a financial liability of another entity; for example, at its simplest, a contractual right to receive money (debtor) and a contractual obligation to pay money (creditor).

Financial Liability
An obligation to transfer economic benefits controlled by the Council.

Foundation Schools
Schools run by their own governing body, which employs the staff and sets the administrations criteria. Land and buildings are usually owned by the governing body or a charitable foundation.

General Fund
The main revenue fund of the Council. Income from the council tax precept and government grants is paid into the fund, from which the costs of providing services are met.

Going Concern
The going concern accounting concept assumes that the organisation will not significantly curtail the scale of its operation in the foreseeable future.

Government Grants
Payments by central government towards Council expenditure. They are receivable in respect of both revenue and capital expenditure.

Grants and Contributions
Assistance in the form of transfers of resources to the Council in return for past or future compliance with certain conditions relating to the operation of activities.

Heritage Assets
Assets that are held by the Council which are of historic nature including buildings and collections.

Impairment
A reduction in the value of a fixed asset to below its carrying amount on the Balance Sheet, due to damage, obsolescence or a general decrease in market value.

Intangible Asset
Is an asset without physical substance examples include: computer software and licences.

International Accounting Standard (IAS)
Regulations outlining the method of accounting for activities, IASs are currently being replaced with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board.

International Financial Reporting Standards (IFRS)
Regulations outlining the method of accounting for activities, issued by the International Accounting Standards Board.

Inventories
Items of raw materials, work in progress or finished goods held at the financial year end, valued at the lower of cost or net realisable value.

Landfill Allowance Trading Scheme (LATS)

Cap and trade scheme aimed at reducing the level of waste taken to landfill and encouraging alternative refuse processes.

Leases
A lease is an agreement whereby the lessor conveys to the lessee, in return for a payment, the right to use an asset for an agreed period of time.

· Finance Lease – a lease whereby all the risks and rewards of ownership of an asset are with the lessee. In substance the asset belongs to the lessee.

· Operating Lease – a lease where the risks and rewards, and therefore ownership, of the asset remains with the lessor.

Lessee
The person or organisation that is using or occupying an asset under lease (tenant).

Lessor
The person or organisation that owns an asset under lease (landlord).

Liabilities
A present obligation to transfer economic benefits. Current liabilities are payable within one year.

Liquid Resources
Cash and current asset investments that can be easily converted to known amounts of cash without penalty, or can be traded in an active market.

Long-Term Contract
A contract entered into for the design, manufacture or construction of a single substantial asset, or the provision of a service (or a combination of assets and services which together constitute a single project), where the project life falls into more than one accounting period.

Long Term Debtors
Sums of money due to the Council originally repayable within a period in excess of twelve months but where payment is not due until future years.

Materiality

Materiality is an expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the item, or a combination of both, could be the determining factor.

Minimum Revenue Provision (MRP)
A minimum amount, set by law, which the Council must charge to the income & expenditure account, for debt redemption or for the discharge of other credit liabilities (e.g. finance lease).

Net Book Value
The value of fixed assets included on the Balance Sheet, being the historical cost or a current revaluation less the cumulative amounts provided for depreciation.

Net Debt
The Council's borrowings less liquid resources.

Non Distributed Costs
These are overhead costs from which no user now benefits. They include the costs associated with unused assets and certain pension costs.

Off Balance Sheet
Accounting category not shown or recorded on a Balance Sheet, such as an operating lease or a deferred or contingent asset or liability which is shown only when it becomes 'actual.'

Pension fund accounts
This covers accounting and reporting by pension funds to all fund participants as a group rather than being concerned with determination of the cost of retirement benefits in the Financial Statements of employers.

Precept
The amount levied by one Authority which is collected by another e.g. Lincolnshire County Council is the precepting Authority and the District Councils are the collecting Authorities. Water Authorities also precept on the Council for land drainage purposes.

Previous Year Adjustments
These are material adjustments relating to prior year accounts that are reported in subsequent years and arise from changes in accounting policies or from the correction of fundamental errors.

Principal
The amount of repayment to a lender which relates to the reduction in the loan, rather than the interest paid on the loan.

Private Finance Initiative (PFI)
A government initiative that enables Authorities to carry out capital projects, in partnership with the private sector, through the provision of financial support.

Projected Unit Method
An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:

· the benefits for pensioners and deferred pensioners and their dependants, allowing where appropriate for future increases, and
· the accrued benefits for members in service on the valuation date.

Property, Plant & Equipment
Are tangible assets (i.e. assets with physical substance) that are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes, and expected to be used during more than one period.

· Land and buildings.
· Vehicles, plant, furniture and equipment.
· Infrastructure assets that form part of the economic or social framework of the area and whose function is not transferable (e.g. highways, bridges and footpaths).
· Community assets are assets that the Council intends to hold in perpetuity, that have no determinable useful life and may have restrictions on their disposal (e.g. works of art, windmills and picnic sites).
· Surplus assets are non-current assets held by the Council but not directly occupied, used or consumed in the delivery of services.
· Investment properties are properties (land or buildings) held to earn rentals or for capital appreciation or both.
· Assets under construction are non-current assets which include expenditure capitalised for work in progress in respect of activities to develop, expand or enhance items of property, plant and equipment, intangible assets and exploration assets.
· Non-current assets held for sale and discontinued operations. These are non-current assets that are either going to be sold or disposed of within the next twelve months.

Provision
This is an amount which is put aside to cover future liabilities or losses which are considered to be certain or very likely to occur, but the amounts and timing are uncertain.

Prudential Indicators

Prudential indicators are a set of financial indicators and limits that are calculated in order to demonstrate that Councils' capital investment plans are affordable, prudent and sustainable. They are outlined in the CIPFA Prudential Code of Practice. The code was introduced in 2004, to underpin the system of capital finance in local government. All Councils must adhere to this.

There are 11 prudential indicators that must be used to cover the categories of affordability, prudence, capital spending, external debt/borrowing and treasury management. They take the form of limits, ratios or targets which are approved by Council before 1 April each year and are monitored throughout the year on an on-going basis. A Council may also choose to use additional voluntary indicators.

Public Works Loan Board (PWLB)
A central government agency, which provides loans for one year and above to Authorities at favourable rates which are only slightly higher than the Government can borrow itself.

Recognition
The process upon which assets are deemed to belong to the Council either by purchase, construction or other forms of acquisition.

Related party

These are parties which are considered to be related if one party has the ability to control the other party, or exercise significant influence over the other party in making financial and operating decisions, or if the related party entity and another entity are subject to common control. Related party transactions are transfers of resources or obligations between related parties, regardless of whether a price is charged. Related party transactions exclude transactions with any other entity that is a related party solely because of its economic dependence on the Council or the Government of which it forms part.

Reserves
The accumulation of surpluses, deficits and appropriations over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Council. Some capital reserves such as the fixed asset restatement account cannot be used to meet current expenditure.

Retirement Benefits
· Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.
· Actuarial basis is the estimation technique applied when estimating the liabilities to be recognised for defined benefit pension schemes in the Financial Statements of an organisation.
· Actuarial gains and losses for a defined benefit pension scheme are the changes in actuarial deficits or surpluses that arise because:

· Events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or

· The actuarial assumptions have changed.
· Current service cost is the increase in the present value of a defined benefit obligation resulting from employee service in the current period.
· Defined benefit plans are post-employment benefit plans other than defined contribution plans.

· Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

· Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.
· Past service cost is the increase in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (where benefits are introduced or improved) or negative (where existing benefits are reduced).

Retrospective application

This is applying a new accounting policy to transactions, other events and conditions as if that policy had always been applied.

Revaluation Gain
The increase to the fair value of an asset following a valuation.

Revaluation Reserve

This reserve contains revaluation gains on assets recognised since 1 April 2007 only, the date of its formal implementation.

Revenue Contributions
This refers to the financing of capital expenditure directly from revenue rather than from loans or other sources.

Revenue Expenditure
The day to day expenditure of the Council on such items as employees and equipment.

Revenue Expenditure Funded from Capital under Statute (REFCUS)
Expenditure which may be funded from capital, but which does not result in fixed assets owned by the Council. These costs are included in the net cost of services shown in the Income and Expenditure Account.

Revenue Support Grant (RSG)
Grant paid by central government to Local Authorities in aid of service provision.

Service Reporting Code of Practice (SERCOP)
Details standard definitions of service and total cost which enables spending comparisons to be made with other Local Authorities.

Short-term employee benefits
These are employee benefits (other than termination benefits) that fall due wholly within 12 months after the end of the period in which the employees render the related service.

Specific Grant
A grant awarded to a Council for a specific purpose or service that can not be spent on anything else.

Straight Line basis
The method of calculating depreciation via charging the same amount each year over the life of the assets.

Termination Benefits
Employee benefits paid upon termination of employment such as redundancy.

Treasury Management
The utilisation of cash flows through investments and loans.

Trust Funds

Funds administered by the Council for such purposes as prizes, charities and specific projects or on behalf of minors.

Useful Life
The period with which an asset is expected to be useful to the Council in its current state.

Value Added Tax (VAT)
VAT is an indirect tax levied on most business supplies of goods and services.