

Lincolnshire County Council  
Statement of Accounts 2010-11

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# Statement of Accounts 2010-11

## Explanatory Foreword

### Introduction to the Accounts

The Statement of Accounts for the year 2010-11 is set out on pages 9 to 13.

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 2010 to 31 March 2011. It is based on the information contained in the Statement of Accounts and the Council's Financial Performance Report for 2010-11.

### **Movement in Reserves Statement for the period 1 April 2010 to 31 March 2011**

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 and dwellings rent 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 2010 to 31 March 2011**

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 2011**

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 2010 to 31 March 2011**

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 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 County Council, the Chairman of the County 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.

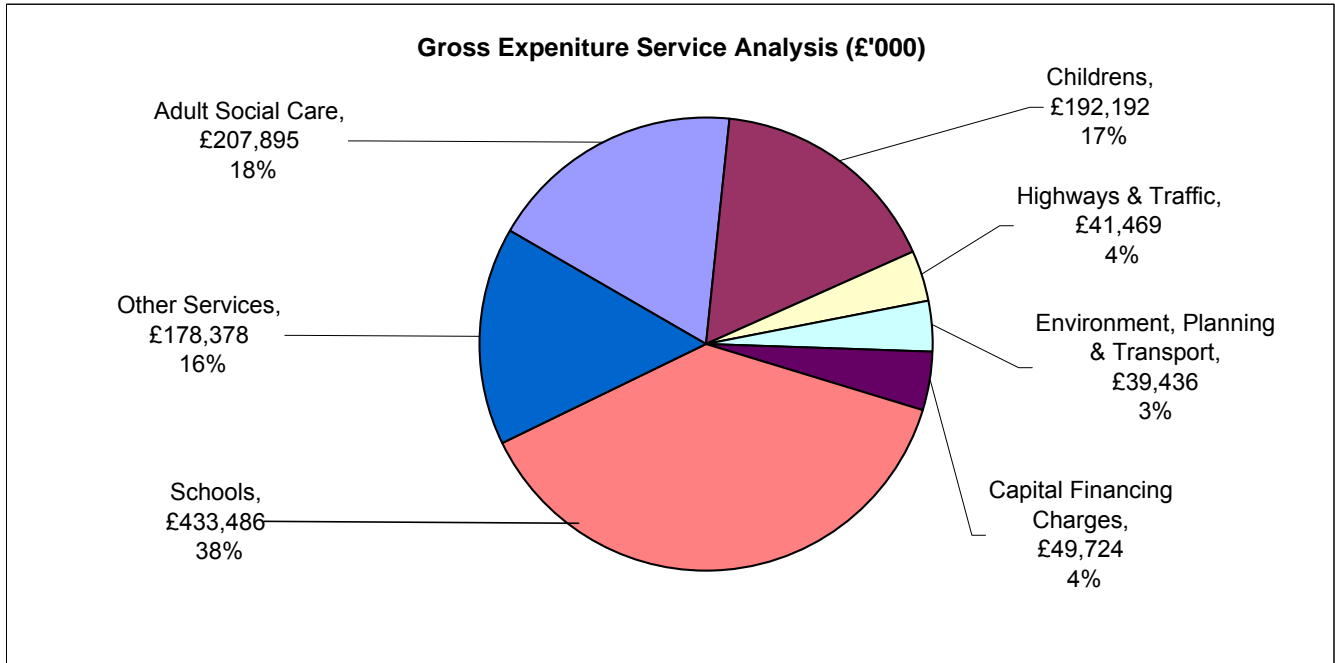
**The Lincolnshire Fire and Rescue Pension Fund Account**

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

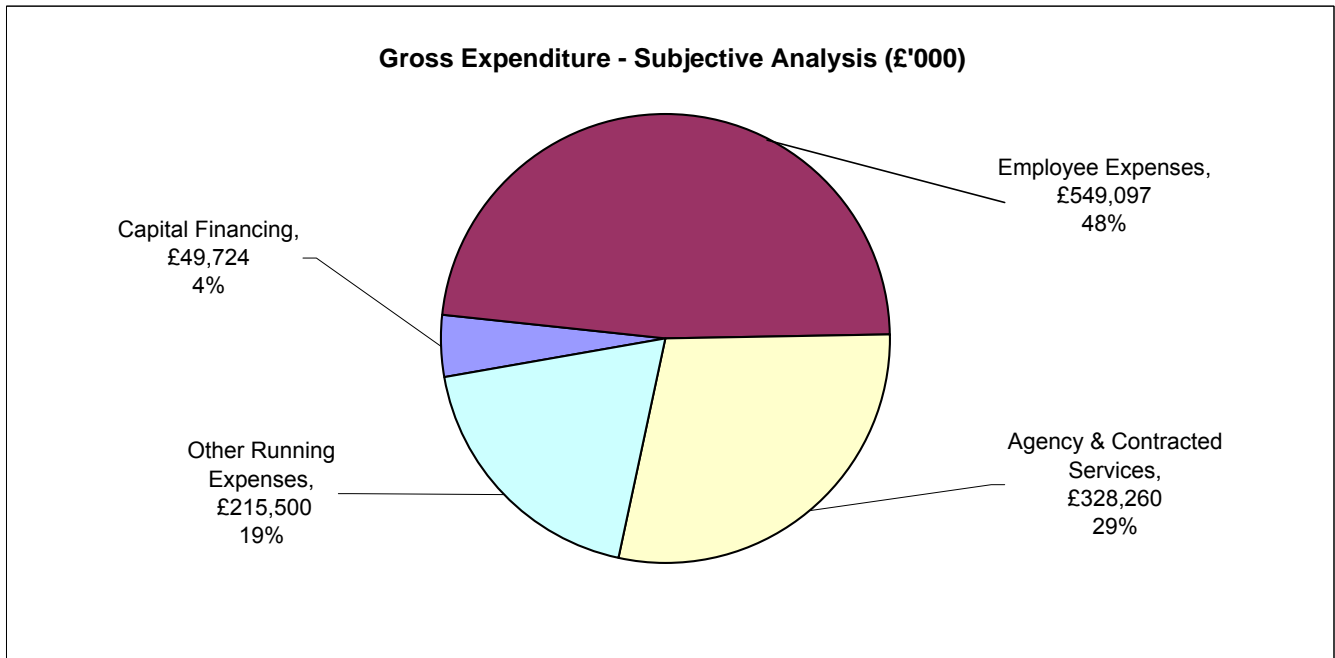
**A review of financial performance in 2010-11 by the Executive Director - Resources and Community Safety**

Annual spending

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 include: Healthier Communities, Economic Regeneration, Resources, Safer Communities, Fire and Rescue and Culture and Adult Education.

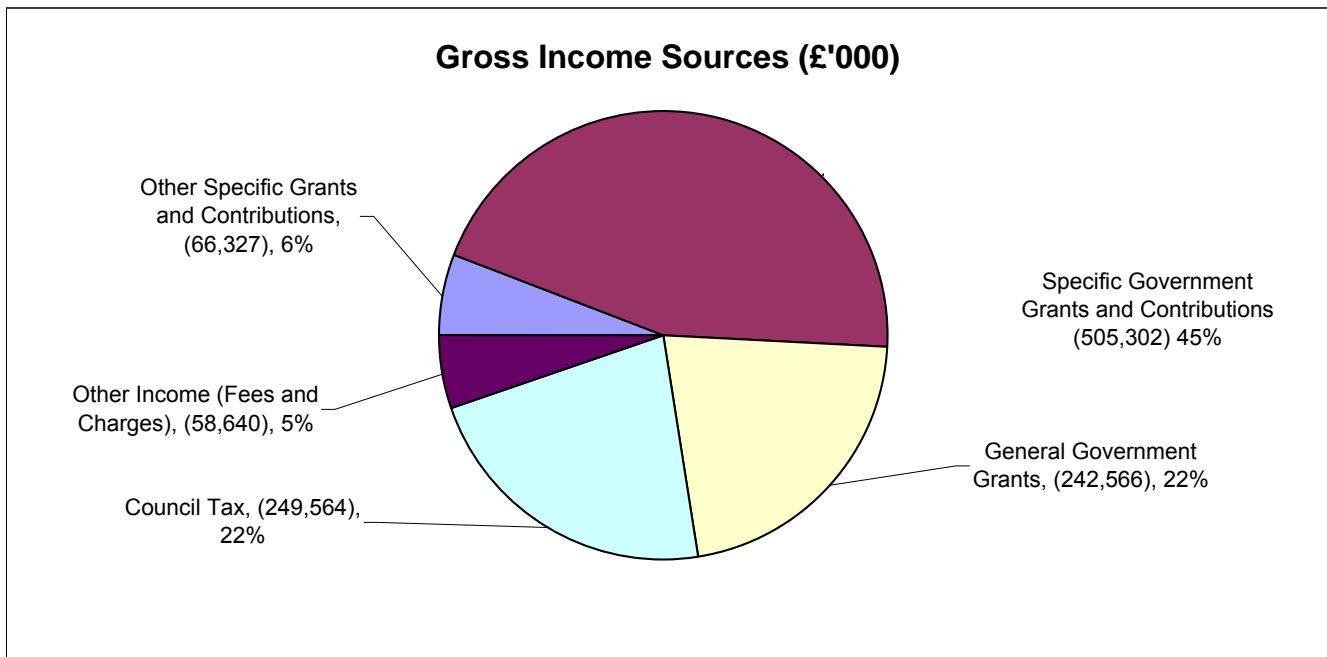


The distribution of expenditure by type differs significantly between different services. For example, salaries and wages comprises 76% of expenditure for schools. For services other than schools, salaries and wages comprises 31% of expenditure and contract payments comprises 44% of total expenditure. These differences reflect how Council services are provided.

Note 31 Amounts Reported for Resource Allocation Decisions provides further details on spending and the services which are provided to the public (page 72).

Annual income

The Council's income in 2010-11 came from the following sources:

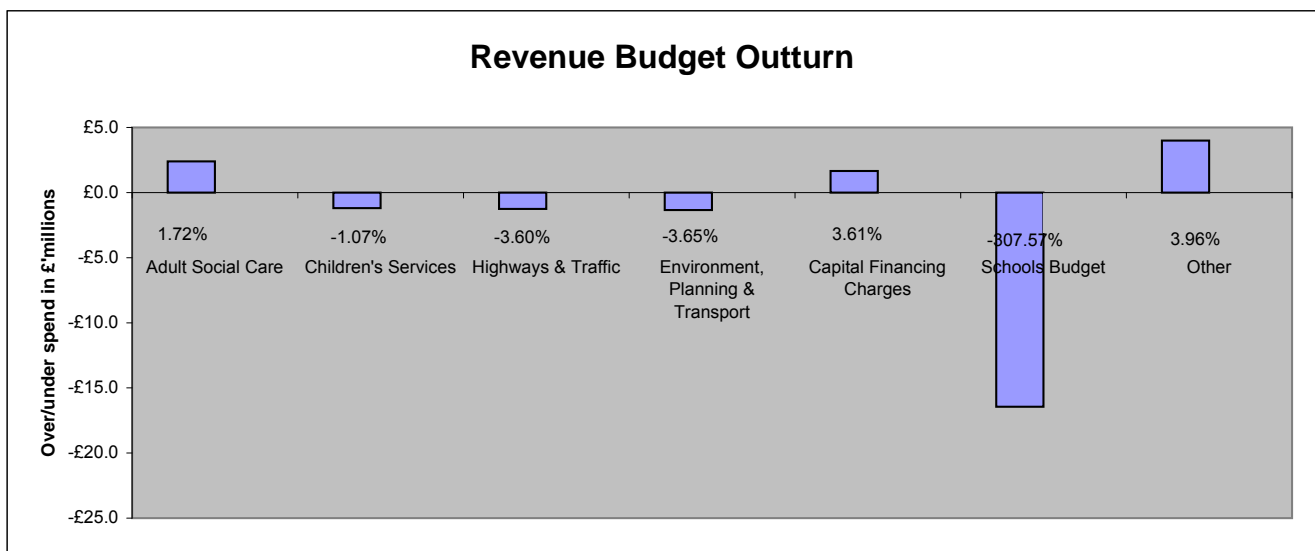


General Government formula grant increased by 5.5% from 2009-10 and Council tax increased by 2.5% but remains one of the lowest in the country, with only two of the twenty-seven English counties setting lower council tax. Specific grants and contributions include £363.504m Dedicated School Grant, used for funding education in Lincolnshire.

Revenue budget outturn 2010-11

Total service revenue spending, excluding schools, was under spent by £7.6m or 1.7%. School budgets were under spent by £16.5m or 4.7% of the schools budget. There was an overspending of £11.9m on other budgets reflecting a large overspend relating to redundancy costs arising from the restructure of the Council's workforce.

The outturn of expenditure in 2010-11 compared with the budgets approved by the Council is summarised in the table below:



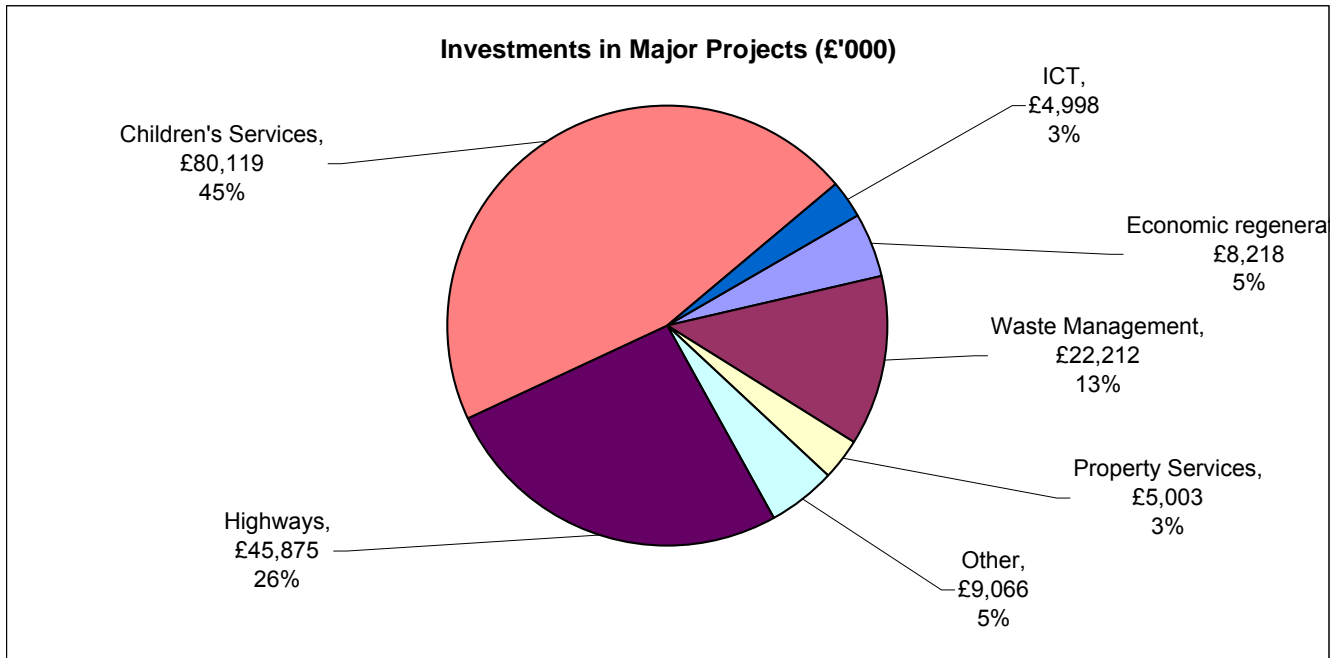
Other services include: Healthier Communities, Economic Regeneration, Resources, Safer Communities, Fire and Rescue and Culture and Adult Education.

Further information on revenue budget spending and outturns can be found in the Review of Financial Performance 2010-11 which is available by ringing the number shown on the back cover of these statements.

### Investment in major projects

The Council spent £175.491m on the county's assets, in particular on roads and schools. The net capital spend was £87.5m and there was an underspending of £23.6m or 21.2%. Explanations of the variances can be found in the Council's Review of Financial Performance Report for 2010-11.

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



In 2010-11 the Council completed the following schemes:

- Road improvements to the A17 and building a new road link the A1073 Boston to Eye route.
- Restoration works to the Bailgate in Lincoln.
- Economic regeneration projects and programmes at Deepings and Kirton.
- Improvement works to the Usher Gallery to increase accessibility.
- Projects in schools to improve kitchens, carrying out remodelling and adding extensions to secondary and primary schools.

About half of the funding for these projects came from grants and contributions from other bodies (49%). Long term borrowing by the Council provided 43% of funding for investment schemes. The remainder of the funding came from revenue (7%) and from capital receipts from the sale of surplus assets (1%).

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 2010-11 was 4.62%. 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.

It is the Council's policy to fully utilise all capital receipts to finance capital expenditure in the year they are received. In 2010-11 £1.776m was raised through the sale of surplus land and property to help fund capital expenditure. The depressed property market meant that it was not possible in 2010/11 to achieve the Council's target of generating at least £1.9m each year through these sales, however the Council is consciously holding assets for sale to maximise income streams in the future.

## Financial health and performance

In 2010-11 the Council's overall spending on services remained within budget, with the Council securing substantial cash efficiency savings. The Council set savings targets of £21.4m, which were removed from budgets at the beginning of the year. In addition to these savings reductions the Council's overall service revenue budgets (excluding schools) underspent by £7.2m or 1.7% of the budget set.

The Council maintains general reserves 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 2011 are £16.645m or 3.5% of the total budget.

In addition, the Council maintains a number of other reserves earmarked for specific purposes. Note 10 sets out details on the Earmarked Reserves held by the Council.

## Economic Climate and future revenue and capital budgets and future financing

The need for the government to reduce the public sector borrowing requirement has impacted significantly, with reduced levels of government grant funding to the Council from 2011/12 onwards. Substantial savings are necessary in order to bridge the potential funding gap between current spending plus unavoidable cost pressures and the income available to the Council. Proposed savings have been identified in a thorough review of all Council services and activities. The review has identified those essential services which the Council must maintain or largely protect and those which, whilst desirable, must be reduced or stopped. The Council's budget for 2011/12 to 2014/15 took into account the projected reduction of £125m when it was approved in February 2011. This, 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.

## The Council's Pension Fund liability

The County Council operates two employee pension schemes, the Local Government Pension Scheme and the Fire-fighters' Pension Scheme. Both funds currently 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 reduced over the past year from £747.790m to £457.886m. This reduction is largely as a result of the UK budget statement on 22 June 2010 when the Chancellor announced that with effect from 1 April 2011 public service pensions would be up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI).

Due to its 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 52.

## Conversion to accounting under International Financial Reporting Standards

The Council is required to implement IFRS for the financial year 2010-11 (with an opening balance sheet as at 1 April 2009 and comparative figures for 2009-10). Further details for the changes brought about by converting to accounting under IFRS are set out in note 57, including the effect these changes have had on our previous years accounts.

This change is being made across the whole of the public sector in the UK, with all local government bodies, central government and health bodies moving to IFRS accounting. Its implementation should help users of the accounts to understand the accounts and be able to compare similar organisations financial performance.



## Lincolnshire County Council: Movement in Reserves Statement for the period 1 April 2010 to 31 March 2011

This statement replaces the Statement of Movement on the General Fund Balance and the note on the movement in reserves.

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 and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

Note	Earmarked GF			Capital Grants Unapplied £'000	Total Usable Reserves (note 26) £'000	Unusable Reserves (Note 27) £'000	Total Council Reserves £'000
	General Fund Reserves Balance £'000	(Note 10) £'000	Capital Receipts Reserve (*1) £'000				
<b>Balance as at 31 March 2010</b>	<b>14,803</b>	<b>98,869</b>	<b>0</b>	<b>36,968</b>	<b>150,640</b>	<b>137,414</b>	<b>288,054</b>
<u>Movement in Reserves during 2010-11</u>							
Surplus/(Deficit) on the provision of services	70,047	0	-	-	70,047	-	70,047
Other Comprehensive Income and Expenditure	-	-	-	-	0	203,532	203,532
Other Recognisable Gains		(122)			(122)		(122)
<b>Total Comprehensive Income and Expenditure</b>	<b>70,047</b>	<b>(122)</b>	<b>0</b>	<b>0</b>	<b>69,925</b>	<b>203,532</b>	<b>273,457</b>
Adjustments between accounting basis & funding basis under regulations	9	(57,695)	0	680	(57,015)	57,015	0
<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>	<b>12,352</b>	<b>(122)</b>	<b>0</b>	<b>680</b>	<b>12,910</b>	<b>260,547</b>	<b>273,457</b>
Transfers to/from Earmarked Reserves	10	(10,510)	10,510	-	0	-	0
<b>(Increase)/Decrease in Year 2010-11</b>	<b>1,842</b>	<b>10,388</b>		<b>680</b>	<b>12,910</b>	<b>260,547</b>	<b>273,457</b>
<b>Balance as at 31 March 2011 Carried Forward</b>	<b>16,645</b>	<b>109,257</b>	<b>0</b>	<b>37,648</b>	<b>163,550</b>	<b>397,961</b>	<b>561,511</b>

(\*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 2009 to 31 March 2010**

	Note	Earmarked GF			Total Usable		Unusable	Total Authority Reserves
		General Fund Balance	Reserves (Note 10)	Capital Receipts Reserve (*1)	Capital Grants Unapplied	Reserves (note 26)	Reserves (Note 27)	
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance as at 31 March 2009</b>		<b>14,596</b>	<b>78,715</b>	<b>0</b>	<b>19,164</b>	<b>112,475</b>	<b>516,109</b>	<b>628,584</b>
<i>Movement in Reserves during 2009-10</i>								
Surplus/(Deficit) on the provision of services		(5,637)	0	-	-	(5,637)	-	(5,637)
Other Comprehensive Income and Expenditure		-	-	-	-	0	(334,469)	(334,469)
Other Recognisable Gains			(424)			(424)		(424)
<b>Total Comprehensive Income and Expenditure</b>		<b>(5,637)</b>	<b>(424)</b>	<b>0</b>	<b>0</b>	<b>(6,061)</b>	<b>(334,469)</b>	<b>(340,530)</b>
Adjustments between accounting basis & funding basis under regulations	9	26,422	-	0	17,804	44,226	(44,226)	0
<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>		<b>20,785</b>	<b>(424)</b>	<b>0</b>	<b>17,804</b>	<b>38,165</b>	<b>(378,695)</b>	<b>(340,530)</b>
Transfers to/from Earmarked Reserves	10	(20,578)	20,578	-	-	0	-	0
<b>(Increase)/Decrease in Year 2009-10</b>		<b>207</b>	<b>20,154</b>	<b>0</b>	<b>17,804</b>	<b>38,165</b>	<b>(378,695)</b>	<b>(340,530)</b>
<b>Balance as at 31 March 2010 Carried Forward</b>		<b>14,803</b>	<b>98,869</b>	<b>0</b>	<b>36,968</b>	<b>150,640</b>	<b>137,414</b>	<b>288,054</b>

(\*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 2010 to 31 March 2011

This statement replaces the Income and Expenditure Account and the Statement of Total Recognised Gains and Losses.

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.

Gross Expenditure £'000	Income £'000	Year ended 31 March 2010 Net Expenditure £'000		Note	Gross Expenditure £'000	Income £'000	Year ended 31 March 2011 Net Expenditure £'000
<b>Cost of Services</b>							
674,527	(573,408)	101,119	Education Services		663,008	(564,469)	98,539
54,120	(7,336)	46,784	Children's Social Care		62,877	(10,701)	52,176
246,875	(69,417)	177,458	Adult Social Care		260,934	(73,214)	187,720
83,470	(10,318)	73,152	Highways, Roads and Transport Services		122,028	(21,035)	100,993
86,136	(27,178)	58,958	Cultural, Environmental and Planning Services		86,467	(19,226)	67,241
1,233	0	1,233	Court Services - Coroners		1,235	(3)	1,232
30,315	(2,383)	27,932	Fire and Rescue Services		30,666	(2,138)	28,528
326	(55)	271	Housing Services - Travellers Sites		404	(48)	356
3,086	(1,626)	1,460	Central Services to the Public		3,137	(1,219)	1,918
4,529	(18)	4,511	Corporate and Democratic Core		3,853	0	3,853
1,928	(24)	1,904	Non Distributed Costs		1,596	0	1,596
		0	Exceptional Items	(5)	(135,864)	0	(135,864)
<b>1,186,545</b>	<b>(691,763)</b>	<b>494,782</b>	<b>Cost of Services (excluding Continued and Discontinued Operations)</b>	<b>(8)</b>	<b>1,100,341</b>	<b>(692,053)</b>	<b>408,288</b>
<b>0</b>	<b>0</b>	<b>0</b>	Surplus or Deficit on Continued and Discontinued Operations	(32)	17,119	(16,594)	525
<b>1,186,545</b>	<b>(691,763)</b>	<b>494,782</b>	<b>Cost of Services</b>		<b>1,117,460</b>	<b>(708,647)</b>	<b>408,813</b>
		30,616	Other Operating Expenditure	(11)			20,716
		38,538	Financing and Investment Income and Expenditure	(12)			31,028
		(558,299)	Taxation and Non-Specific Grant Income	(13)			(530,604)
		<b>5,637</b>	<b>(Surplus)/Deficit on Provision of Services</b>				<b>(70,047)</b>
		(14,647)	(Surplus)/Deficit on Revaluation of Non-Current Assets	(27)			(29,567)
			(Surplus)/Deficit on Revaluation of Available for Sale Financial Assets				
		349,116	Actuarial (Gains)/Losses on Pension Assets / Liabilities	(27, 52)			(173,965)
		424	Other Recognisable Gains				122
		<b>334,893</b>	<b>Other Comprehensive Income and Expenditure</b>				<b>(203,410)</b>
		<b>340,530</b>	<b>Total Comprehensive Income and Expenditure</b>				<b>(273,457)</b>

## Lincolnshire County Council: Balance Sheet as at 31 March 2011

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, ie 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'.

1 April 2009 (*1) £'000	31 March 2010 £'000		Note	31 March 2011 £'000
1,237,680	1,266,305	Property, Plant and Equipment	(14)	1,275,480
38,040	40,941	Investment Properties	(15)	50,908
3,264	823	Intangible Assets	(16)	2,476
6,824	1,934	Long Term Investments (including Net Pension Assets)	(17)	214
3,778	4,145	Long Term Debtors	(20)	4,463
<b>1,289,586</b>	<b>1,314,148</b>	<b>Long Term Assets</b>		<b>1,333,541</b>
162,741	209,138	Short Term Investments	(17)	247,187
764	1,041	Assets Held for Sale	(22)	1,177
736	757	Inventories	(18)	658
0	1,652	Intangible current assets - LATS	(41)	1,459
62,505	62,557	Short Term Debtors	(20)	57,679
<b>226,746</b>	<b>275,145</b>	<b>Current Assets</b>		<b>308,160</b>
(6,305)	(10,441)	Cash and Cash Equivalents	(21)	(8,019)
(945)	(823)	Short Term Borrowing	(17)	(702)
0	(1,652)	Intangible current liabilities - LATS	(41)	(1,265)
(113,556)	(130,956)	Short Term Creditors	(23)	(108,528)
(3,612)	(2,976)	Provisions	(25)	(19,046)
<b>(124,418)</b>	<b>(146,848)</b>	<b>Current Liabilities</b>		<b>(137,560)</b>
(3,817)	(3,984)	Long Term Creditors	(17,23)	(4,480)
(5,373)	(4,574)	Provisions	(25)	(4,339)
(338,804)	(372,964)	Long Term Borrowing	(17)	(452,793)
(415,336)	(772,869)	Other Long Term Liabilities	(24)	(481,018)
<b>(763,330)</b>	<b>(1,154,391)</b>	<b>Long Term Liabilities</b>		<b>(942,630)</b>
<b>628,584</b>	<b>288,054</b>	<b>Net Assets</b>		<b>561,511</b>
112,475	150,640	Usable Reserves	(26)	163,550
516,109	137,414	Unusable Reserves	(27)	397,961
<b>628,584</b>	<b>288,054</b>	<b>Total Reserves</b>		<b>561,511</b>

(\*1) Opening Balance Sheet for comparative year only required where there have been prior period adjustments. Many of the supporting notes already require this information in comparative figures for reconciliations of opening and closing balances (for example: Note 14 Property, Plant and Equipment). However, this is not the case for all supporting notes to the balance sheet, where this is not the case an additional column has been added to the relevant disclosure note to present the breakdown of balances at 1 April of the comparative year.

## Lincolnshire County Council: Cashflow Statement as at 31 March 2011

*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.*

<b>31 March 2010 Direct Method £'000</b>	<b>Note</b>	<b>31 March 2011 £'000</b>
(50,821) Operating Activities	<b>(28)</b>	(35,075)
86,472 Investing Activities	<b>(29)</b>	114,662
(31,515) Financing Activities	<b>(30)</b>	(77,165)
<b>4,136 Net Increase/(Decrease) in cash and cash equivalents</b>		<b>2,422</b>
6,305 Cash and cash equivalents as at 1 April		10,441
10,441 Cash and cash equivalents as at 31 March		8,019

# **Notes to the Financial Statements**

## **Note 1. Statement of Accounting Policies**

### **1. General Principles and Concepts**

The Statement of Accounts has been prepared in accordance with the Accounts and Audit Regulations 2011, in accordance with proper accounting practice. These practices are set out in the Code of Practice on Local Authority Accounting in the United Kingdom 2010-11 and Best Value Accounting Code of Practice 2010-11, based on International Financial Reporting Standards and statutory guidance issued under section 12 of the Act.

The Statement of Accounts summarises the County Council's transactions for the financial year 2010-11 and the position at the year-end 31 March 2011. These are the first set of accounts prepared under the Code, based on International Financial Reporting Standards. Comparative figures for the year ended 31 March 2010 have been restated to comply with the Code and the balance sheet as at 1 April 2009 have also been restated on this basis for the purposes of transition.

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.

The accounting policies set out below have been applied consistently to all periods presented within these financial statements.

### **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/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 assets remaining life. De-recognition costs will be charged to Other Operating Expenditure in the CI&ES (gain or loss on the disposal of non-current assets).

#### **b) Measurement after Recognition – Valuation Approach**

The County 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, this 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, 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 (are 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) these 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 assets values are reviewed to ensure they are not carried at amounts materially different to fair value.

## Component Accounting for Property, Plant and Equipment

Assets included within property, plant and equipment are broken down into significant component parts (defined in terms of total asset value and differing expected useful life).

The Council has identified the following significant components within the property portfolio:

- DRC assets (excluding fire stations): land, buildings (on a block by block basis), mobiles and hard standing;
- DRC Fire Stations and Admin Buildings: land; structures, services, roof and externals;
- Other market value and existing use value assets (including economic regeneration units): land and buildings.

## **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.

### Recognising a Revaluation Gain or Loss

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.

The revaluation reserve only contains revaluation gains recognised since 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 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. 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; and



No depreciation is charged on: 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.

#### **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 (CI&ES), on the Other Operating Expenditure line. Receipts from disposals are credited to the same line in the CI&ES, 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 CI&ES.

#### **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.

#### **Recognising an Impairment**

Impairment losses are initially recognised against the 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 CAA.

### **5. Intangible Assets**

Intangible assets are defined as an 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 County Council the most common classes of intangible assets are computer software and software licences.

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

**De minimis level.** The Council has a set a de minimis level of £10k for recognising property, plant and equipment. This means that any item/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 CI&ES.

**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 CI&ES. The useful lives for intangible assets are between 2 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.

**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 CI&ES. 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 CI&ES. 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.

## **7. 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 County Council policy to fully utilise these receipts to fund the capital programme in the year they are received.

## **8. 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, 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 CI&ES. 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.

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 CI&ES. Then transferred to the CAA through the Movement in Reserves Statement.

## **9. 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 CAA for the difference between the two.

## **10. 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.

## **11. 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 CAA and crediting the General Fund Balance via the Movement in Reserves Statement.

## **12. 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 CI&ES;
- finance cost – an interest charge of 7.20% on the outstanding Balance Sheet liability, debited to Financing and Investment Income and Expenditure in the CI&ES;
- 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 CI&ES;
- 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 County Council has one PFI scheme for the provision of seven separate schools across the county, which is classified as a Service Concession Arrangement.

### **13. Borrowing Costs**

The Council has adopted the accounting policy of expensing borrowing costs of qualifying assets to the CI&ES (disclosed within Financing and Investment Income and Expenditure in the CI&ES) 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.

### **14. 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 CI&ES) 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 CI&ES to the CAA 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 CI&ES. A gain is also recognised on the same line in the CI&ES to represent the Councils 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 CI&ES).

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 CAA 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 CI&ES 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 CI&ES.

### **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.

## **15. Government Grants and Contributions (for the acquisition of non-current assets)**

Government grants and contributions may be received on account, by instalments or in arrears, however, they should be recognised in the CI&ES, 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, or 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 CI&ES until the conditions are met.

### **Capital Grants and Contributions (for the acquisition of 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 CI&ES, in the taxation and non specific grant income line, under net cost of services.

Capital grant income is not a proper charge to the General Fund. It is accounted for through the Capital Financing Requirement (set out in statute) so it does not have an effect on council tax. To reflect this, the income is credited to the CAA 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 CI&ES 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 CI&ES. 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 on Reserves Statement. When the expenditure is incurred the grant shall be transferred from the Capital Grants Unapplied Account to the CAA 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 CI&ES 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 with the service expenditure to which they relate. Grants which cover general expenditure (e.g. Revenue Support Grant and Area Based Grant) are credited to the foot of the CI&ES after Net Cost of Services.

### 16. 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 or creditors a de-minimis level of £1k for individual revenue items and £5k for capital items is set.

### 17. 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 debtors or creditors a de-minimis level of £1k for individual revenue items and £5k for capital items is set.

### 18. 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 CI&ES for the income that might not be collected.

## **19. 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.

## **20. 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.

## **21. 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 CI&ES 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.

## **22. Contingent Liabilities**

A contingent liability is where there is a possible obligation to transfer economic benefit 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.

## **23. 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.

## **24. 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.

## **25. Recognition of Revenue (Income and Expenditure)**

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 County 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.

## **26. Exceptional Items**

Exceptional items are material amounts of income or expenditure which occur infrequently in the course of the County Council's normal business and are not expected to arise at regular intervals. These items will be disclosed separately on the face of the Comprehensive Income and Expenditure Statement and details relating to these amounts will be disclosed in a note to the accounts.



## **27. Costs of Support Services**

The costs of overheads and support services are charged to services in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2010 (BVACOP). The costs are recharged to services on the following basis:

<u>Costs</u>	<u>Basis of apportionment</u>
Accommodation	area occupied
Accountancy services	estimated time
Business support	estimated time
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 PCs
Payroll services	number of employees
Personnel services	number of employees
Programme Centre and New Ways of Working	gross expenditure and sales
Property services	number of properties

The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the council's status as a multi-functional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on non-operational properties.

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

## **28. Acquired and Discontinued Operations**

Where the Council takes on new activities or ceases providing services the costs relating to these activities will identified in the CI&ES, on the surplus or deficit on discontinued operations line. These items will not form part of the net cost of services in the CI&ES.

## **29. Value Added Tax (VAT)**

The Council's CI&ES 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.

## **30. Council Tax Income**

The collection of council tax is in substance an agency arrangement with the seven Lincolnshire district council's (billing authorities) collecting council tax on behalf of the County Council.

The council tax income is included in the CI&ES on an accruals basis and includes the precept for the year plus Lincolnshire County Council's share of Collection Fund surpluses and deficits from the billing authorities.

The difference between the income reported in the CI&ES 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 Lincolnshire County Council's share of debtors (arrears and collection fund surpluses) and creditors (prepayments, overpayments and collection fund deficits).

### **31. 'Cap and Trade' Schemes (including Landfill Allowance Trading Scheme – LATS)**

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. 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 at 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).

The Carbon Reduction Commitment (CRC) scheme will apply from 1 April 2010, however, the first compliance year of the scheme (2010-11) will be a reporting-only year. No accounting entries will be required for the CRC scheme in 2010-11.

### **32. Reserves**

#### **a) Useable Reserves**

The County 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 CI&ES. 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 retirement benefits. These accounts do not represent usable resources for the Council.

### **33. Employee Benefits – Benefits Payable during Employment**

#### **a) Short Term Benefits**

These are amounts expected to be 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.

### **34. Employee Benefits – Termination Benefits**

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.

### **35. 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 contributions 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 revenue account.
- **Uniformed Fire-fighters Pension Scheme (FPS):** From 1 April 2006, the financial arrangements covering both the 1992 and 2006 Pension schemes changed. The schemes remain unfunded but a separate Pension Fund has been created to administer the Schemes. Both employee and employer contributions are paid into the new pension account, against which pension payments are made. The account is topped up by additional government funding if contributions are insufficient to meet the cost of the pension payments. Any surplus in the account 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 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 County 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 projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 5.5% (based on the indicative rate of return on high quality corporate bonds, determined by the actuary to be a basket of AA-rated bonds with long terms to maturity – the iBoxx Sterling Corporates AA Over 15 Years Index).
- 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 CI&ES 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 or Deficit on the Provision of Services in the CI&ES 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 CI&ES;
- credited to the Financing and Investment Income and Expenditure line in the CI&ES;
- 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 CI&ES 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 CI&ES.

### **36. Accounting for Schools Assets**

In Lincolnshire, local authority education is provided in: Foundation, Voluntary Aided, Voluntary Controlled and Community Schools.

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".

Assets owned by the County Council, or where the future economic benefits are identified to sit with the County 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 County Council on behalf of a school; these remain within the Council's balance sheet as the Council retains the liability.

### **37. 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 £1million 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.

## **38. 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 CI&ES 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 Councils 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 CI&ES 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 CI & ES in the year of repurchase/settlement and spread over future years under statutory regulation.

Where premiums and discounts have been charged to the CI&ES, 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 CI&ES 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.
- 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 CI&ES 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 CI&ES 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 purposes of service objectives. When soft loans are made, a loss is recorded in the CI&ES (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 CI & ES 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 CI&ES 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 CI&ES 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 CI&ES.

## **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 CI&ES 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 CI&ES 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.
- 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 CI & ES, 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 CI&ES. 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 CI&ES, 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 County 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 is not yet required to be adopted. In the 2010-11 accounts the County Council is required to disclose the estimated effect of the new standard on accounting for Heritage Assets (FRS 30) will have when it is fully adopted in 2011-12.

### **FRS 30 Heritage Assets: Impact of the Adoption of the New Standard on the 2011-12 Financial Statements**

The Code of Practice on Local Authority Accounting in the United Kingdom for 2011-12 (the Code) has introduced a change in accounting policy in relation to the treatment of heritage assets held by the County Council, this will need to be adopted fully by the authority in the 2011-12 financial statements.

The new standard will require that a new class of asset, heritage assets, is disclosed separately on the face of the Council's Balance Sheet from 2011-12. The standard provides a definition of heritage assets as assets that are held by the County Council principally for their contribution to knowledge or culture. The heritage assets held by Lincolnshire County Council include:

- Historic Buildings (including: Lincoln Castle and four historic windmills in Lincolnshire);
- Fine Art Collection;
- The Tennyson Collection;
- Local Studies and Archive Collections;
- Lincolnshire Regiment, Militaria and Arms and Armour Collections;
- Agriculture Collections; and
- Other Collections (including: Archaeology, Costumes and Textiles, Decorative Arts, Educational Handling, Geology, Horology, Industry, Natural History, Numismatics, Personalia, Social History and World Cultures).

The collections are currently accounted for at historical cost, where assets have been purchased, with a value of £3.172m as at 1 April 2010 and are classified as community assets within property, plant and equipment in the balance sheet (see note 1 accounting policies and 14 property, plant and equipment). The remainder of the collections are not recognised in the County Council's balance sheet.

Historic buildings are also currently accounted for at historical cost, with a value of £2.712m as at 1 April 2010 which represents purchase price and capital works undertaken on these assets. These are classified as community assets within property, plant and equipment in the balance sheet.

The Code will require heritage assets to be measured at valuation in the 2011-12 financial statements (including the 2010-11 comparative information). The 2011-12 Code will permit some relaxations in the valuation requirements of heritage assets where the cost of obtaining valuations is disproportionate to the benefits to the users of the Council's financial statements from having it.

The County Council intend to recognise heritage assets in the balance sheet as follows:

- The collections will be included in the balance sheet based on the insurance valuations held by the County Council. The carrying value for collections currently held in the balance sheet as community assets (at cost) at the 1 April 2010 is £3.172m, using the insurance valuations the carrying value of these assets at 1 April 2010 will be: £12.104m. A further £12.120m of collections will be recognised in the balance sheet as heritage assets. This will create a revaluation gain of £21.052m.

- Within historic buildings windmills will be valued by the Council's Valuer at an existing use value. Lincoln Castle and Temple Bruer will continue to be carried at historic as it is deemed that the cost of obtaining valuations is disproportionate to the benefits to the users of the Council's financial statements from having it.

There is no depreciation charged on the heritage assets that are currently classified as community assets because it has been estimated that the assets have a useful life of such length that any depreciation charge on the asset will be negligible and can be ignored on the basis of materiality. The County Council considers that the heritage assets held will have indeterminate lives and a high residual value; hence the County Council does not consider it appropriate to charge depreciation for the assets. There will therefore be no change to the depreciation charged in the financial statements in relation to heritage assets.

The anticipated movements of heritage assets in the 2010-11 financial year are set out in the table below:

	£'000
Heritage Assets (previously classified as community assets in property plant and equipment) at valuation as at 1 April 2010	14,816
Heritage Assets recognised for the first time at valuation as at 1 April 2010	12,120
Additions in year	315
<b>Carrying Value as at 31 March 2011</b>	<b>27,251</b>

### **Note 3. Critical judgements in applying accounting policies.**

In applying the accounting policies set out in note 1, the County 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:

- The County 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 Services Concessions and Similar Arrangements (including PFI agreements) has been applied to account for this contract.

- The schools property, plant and equipment assets (with a value of £46.408m at 31 March 2011) and an outstanding liability for the PFI finance lease of £15.167m have been included within the Council's balance sheet. Details of the Council's PFI contract accounting are set out in note 47 Private Finance Initiatives (PFI) and Similar Contracts.

- The County Council has entered into a twenty year contract with Asset Co Emergency Ltd, for the provision and maintenance of fire and rescue fleet vehicles, operational vehicles and equipment. The Council has assessed this contract to contain an embedded lease (the contract requires use of specific assets which the Council has the right to control). The embedded leased assets included within the contract have been assessed as finance and operating leases and accounted for in accordance with the Council's accounting policy on leasing.

- The County 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 the leases held by the Council are set out in note 46 Leases.

- The County Council is one of seven local authority members of Eastern Shires Purchasing Organisation (ESPO). The relationship between the County Council and ESPO has been assessed to be a jointly controlled entity. ESPO has not been consolidated into the County Council's accounts as the relationship is not deemed to be material for the County 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 55.



- The County Council is one of five members that jointly own the Regional Fire and Rescue Control Centre established in the East Midlands. The Regional Control Centre is a local authority controlled company and has been assessed as a subsidiary. As with ESPO, the control centre has not been consolidated into the County Council's accounts as the relationship is not deemed to be material for the County Council. A narrative note on the relationship has been disclosed within the accounts. Full details of group relationships and other interests are detailed in note 55.

- The County 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 County Council's balance sheet as ownership, economic benefit and future service potential of these assets is deemed to be vested in the schools' governing body.

- The County 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 County Council's policy on investment properties. Further details are contained in note 15.

#### **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 County 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 County Council's balance sheet as at 31 March 2011 contains the following entries for which there is a significant risk of material adjustments in the forthcoming financial year:

- Land and building assets carrying value and remaining useful life are assessed by the County 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 at 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 comprehensive income and expenditure statement. 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 County Council.

- The County 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 these assumptions may materially affect the value of the pension fund liability. Details of the pension fund liabilities are set out in note 52 Defined Benefit Pension Schemes.

- The County Council makes provisions for items it is obligated to pay, but where there is still some uncertainty about the exact value or timing of the payment to be made. At 31 March 2011 the Council has made provisions for £-23.385m (see note 25 ).

- The most significant provision is £-15.766m for costs associated with the Council's current restructures (including: £-11.927m for redundancy costs payable, £-2.814m for pension strain payments and £-1.025m for costs associated with contracts).

- The estimate of redundancies and pension strain costs has been calculated using average redundancy and pension strain payments per grade and numbers of posts to be removed from the organisation, however, a variance of 10% would either increase or reduce these costs by £1.577m. Note 50 sets out further details on termination benefits.

- Debtor and creditor accruals are measured at the best estimate of the income / expenditure expected at the balance sheet date. The most significant accrual as at 31 March 2011 is for pay accruals which totals £13.211m (£9.524m of which is for employee leave earned but not taken). Details of debtor and creditor balances are set out in note 20 (debtors) and note 23 (creditors).

## **Note 5. Exceptional Items**

The County Council is required to disclose separately on the face of the accounts any exceptional items which are material and are not expected to recur frequently in the Council's normal operations.

In the 2010-11 accounts the County Council has an exceptional item which has arisen due to changes in the future increases in public sector pensions. The Chancellor announced in his UK budget statement on 22 June 2010 that with effect from 1 April 2011 future public service pensions increases would be linked to the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI). The effect of this change is to employees future, retirement benefits. The change has reduced the present value of the defined benefit obligation for employee service in prior periods, which has resulted in the current period from the introduction of changes to post employment benefits.

This is shown in the accounts as a negative past service cost of £135.864m in the comprehensive income and expenditure statement. The reduction in past service cost for the Local Government Pension Scheme is £120.464m and £15.400m for the Fire Fighter Scheme (further information on the retirement benefits reported in the accounts can be found at note 52).

Other past service costs are shown as part of the cost of services in the CI&ES under the heading 'non distributed costs'.

## **Note 6. Material items of income and expenditure**

The County Council are 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 not disclosed elsewhere in the accounts are:

Within the **Education Services expenditure** figure there is a provision of £3.609m for redundancy costs expected as a result of the restructuring of Lincolnshire County Council. The total redundancy provision included within net cost of services is £11.927m, further details can be found in note 50 Termination Benefits.

Within the **Children's Social Care expenditure** figure there is a provision of £3.899m for redundancy costs expected as a result of the restructuring of Lincolnshire County Council.

Within the **Highways, Roads and Transport Services Income** figure there is a Department for Transport grant awarded to assist local authorities repair damage to their roads caused by severe winter weather. £2.787m was awarded for 2010-11 (£6.210m has also been awarded for the new financial year 2011-12). The 2010-11 grant has been utilised in year and the 2011-12 transferred to an earmarked reserve.

## **Note 7. Events after the balance sheet date**

### **a) Authorisation of Accounts for Issue**

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

Sign: ..... Date: .....

### **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 (authorised for issue on 31 October 2011) 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 2011 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 2011 is set out here to provide information that is relevant to an understanding of the County Council's financial position but do relate to conditions at this date.

## Note 8. Service Expenditure Analysis

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

2009-10			2010-11			
Gross Expenditure £000	Income £000	Net Expenditure £000		Gross Expenditure £000	Income £000	Net Expenditure £000
<b>EDUCATION SERVICES</b>						
2,953	(2,453)	500	Nursery Schools	3,625	(2,962)	663
237,072	(201,561)	35,511	Primary Schools	248,606	(218,059)	30,547
334,744	(291,933)	42,811	Secondary Schools	292,000	(267,300)	24,700
40,840	(38,107)	2,733	Special Schools	49,985	(40,607)	9,378
58,918	(39,354)	19,564	Non-School Funding	68,792	(35,541)	33,251
<b>674,527</b>	<b>(573,408)</b>	<b>101,119</b>	<b>TOTAL</b>	<b>663,008</b>	<b>(564,469)</b>	<b>98,539</b>
<b>CHILDREN'S SOCIAL CARE</b>						
63	(8)	55	Service Strategy	86	(291)	(205)
14,996	(262)	14,734	Commissioning and Social Work	19,942	(575)	19,367
18,175	(903)	17,272	Children Looked After	17,377	(824)	16,553
10,870	(1,460)	9,410	Family Support Services	13,724	(4,259)	9,465
5,198	(3,602)	1,596	Youth Justice	6,588	(3,935)	2,653
1,034	(1,026)	8	Asylum Seekers	944	(712)	232
3,784	(75)	3,709	Other Children's and Families' Services	4,216	(105)	4,111
<b>54,120</b>	<b>(7,336)</b>	<b>46,784</b>	<b>TOTAL</b>	<b>62,877</b>	<b>(10,701)</b>	<b>52,176</b>
<b>ADULT SOCIAL CARE</b>						
949	(54)	895	Service Strategy	992	(25)	967
134,722	(33,421)	101,301	Older People (Aged 65 or Over) Including Older Mentally Ill	143,087	(35,495)	107,592
19,276	(1,662)	17,614	Adults Aged Under 65 with a Physical Disability or Sensory Impairment	21,459	(1,890)	19,569
56,093	(24,077)	32,016	Adults Aged Under 65 with Learning Disabilities	63,057	(26,139)	36,918
17,157	(5,964)	11,193	Adults Aged Under 65 with Mental Health Needs	17,164	(6,011)	11,153
17,875	(3,896)	13,979	Other Adult Services	15,175	(3,654)	11,521
803	(343)	460	Supported Employment	0	0	0
<b>246,875</b>	<b>(69,417)</b>	<b>177,458</b>	<b>TOTAL</b>	<b>260,934</b>	<b>(73,214)</b>	<b>187,720</b>
<b>HIGHWAYS, ROADS &amp; TRANSPORT SERVICES</b>						
11,223	(5,334)	5,889	Transport Planning, Policy & Strategy	13,121	(5,493)	7,628
8,777	(608)	8,169	Structural Maintenance Environment, Safety & Routine	14,108	(10,449)	3,659
12,480	(825)	11,655	Maintenance	10,347	(562)	9,785
5,231	(365)	4,866	Street Lighting	4,978	(281)	4,697
21,096	0	21,096	Capital Charges for Construction Projects	53,847	(2,691)	51,156
7,421	(219)	7,202	Winter Maintenance	7,022	(336)	6,686
7,373	(2,201)	5,172	Traffic Management and Road Safety	6,953	81	7,034
9,869	(766)	9,103	Public Transport	11,652	(1,304)	10,348
<b>83,470</b>	<b>(10,318)</b>	<b>73,152</b>	<b>TOTAL</b>	<b>122,028</b>	<b>(21,035)</b>	<b>100,993</b>
<b>CULTURAL, ENVIRONMENTAL &amp; PLANNING SERVICES</b>						
7,441	(2,033)	5,408	Culture and Heritage	9,551	(1,824)	7,727
1,755	(55)	1,700	Recreation and Sport	1,666	(68)	1,598
474	(34)	440	Open Spaces	452	(31)	421
2,732	(422)	2,310	Tourism	2,456	(1,230)	1,226
12,016	(446)	11,570	Library Services	12,872	(701)	12,171
3	0	3	Coastal Protection	3	0	3
3,700	(498)	3,202	Community Safety (Crime Reduction)	4,039	(268)	3,771
25	0	25	Flood Defences	54	0	54
(19)	0	(19)	Agricultural Services	0	0	0
5,397	(1,560)	3,837	Trading Standards	5,942	(1,577)	4,365
25,109	(2,360)	22,749	Waste Disposal	26,600	(1,158)	25,442
0	(50)	(50)	Licensing	45	(52)	(7)
1,541	(630)	911	Development Control	1,180	(396)	784
870	(175)	695	Planning Policy	930	(110)	820
2,877	(1,218)	1,659	Environmental Initiatives	3,081	(966)	2,115
20,466	(16,993)	3,473	Economic Development	14,996	(10,189)	4,807
1,749	(704)	1,045	Community Development	2,600	(656)	1,944
<b>86,136</b>	<b>(27,178)</b>	<b>58,958</b>	<b>TOTAL</b>	<b>86,467</b>	<b>(19,226)</b>	<b>67,241</b>

2009-10			2010-11			
Gross Expenditure £000	Income £000	Net Expenditure £000		Gross Expenditure £000	Income £000	Net Expenditure £000
<b>COURT SERVICES</b>						
1,233	0	1,233	Coroner's Court	1,235	(3)	1,232
<b>1,233</b>	<b>0</b>	<b>1,233</b>	<b>TOTAL</b>	<b>1,235</b>	<b>(3)</b>	<b>1,232</b>
<b>FIRE &amp; RESCUE SERVICES</b>						
2,015	(244)	1,771	Community Safety	2,091	(420)	1,671
28,300	(2,139)	26,161	Fire and Rescue Operations	28,575	(1,718)	26,857
<b>30,315</b>	<b>(2,383)</b>	<b>27,932</b>	<b>TOTAL</b>	<b>30,666</b>	<b>(2,138)</b>	<b>28,528</b>
<b>HOUSING SERVICES</b>						
326	(55)	271	Travellers' Sites	404	(48)	356
<b>326</b>	<b>(55)</b>	<b>271</b>	<b>TOTAL</b>	<b>404</b>	<b>(48)</b>	<b>356</b>
<b>CENTRAL SERVICES</b>						
(323)	(734)	(1,057)	Other Operating Income and Expenditure	0	(16)	(16)
689	(119)	570	Emergency Planning	886	(251)	635
508	(8)	500	Elections	0	0	0
2,212	(765)	1,447	Registrars	2,251	(952)	1,299
<b>3,086</b>	<b>(1,626)</b>	<b>1,460</b>	<b>TOTAL</b>	<b>3,137</b>	<b>(1,219)</b>	<b>1,918</b>
<b>CORPORATE &amp; DEMOCRATIC CORE</b>						
Democratic Representation and						
1,833	0	1,833	Management	2,605	0	2,605
2,696	(18)	2,678	Corporate Management	1,248	0	1,248
<b>4,529</b>	<b>(18)</b>	<b>4,511</b>	<b>TOTAL</b>	<b>3,853</b>	<b>0</b>	<b>3,853</b>
<b>NON DISTRIBUTED COSTS</b>						
1,928	(24)	1,904	Non distributed costs	1,596	0	1,596
0	0	0	Exceptional Items	(135,864)	0	(135,864)
<b>1,928</b>	<b>(24)</b>	<b>1,904</b>	<b>TOTAL</b>	<b>(134,268)</b>	<b>0</b>	<b>(134,268)</b>
<b>1,186,545</b>	<b>(691,763)</b>	<b>494,782</b>	<b>TOTAL NET COST OF SERVICES</b>	<b>1,100,341</b>	<b>(692,053)</b>	<b>408,288</b>

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

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

2009-10				2010-11			
General Fund	Usable Reserves Capital Receipts	Capital Movements in Grants Unapplied	Unusable Reserves	General Fund	Usable Reserves Capital Receipts	Capital Movements in Grants Unapplied	Unusable Reserves
Balance	Reserve			Balance	Reserve		
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b><u>Adjustments primarily involving the Capital Adjustment Account:</u></b>							
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>							
(67,845)		67,845	Charges for depreciation and impairment of non-current assets	(79,084)			79,084
0		0	Revaluation losses on Property Plant and Equipment	(168)			168
3,766		(3,766)	Movements in the market value of Investment Properties	11,123			(11,123)
(3,183)		3,183	Amortisation of intangible assets	(1,469)			1,469
42,776		(42,776)	Capital grants and contributions applied	10,745			(10,745)
108		(108)	Movement in the Donated Assets Account	0			0
(29,073)		29,073	Revenue expenditure funded from capital under statute (net of Grants and Contributions)	(43,330)			43,330
(31,477)		31,477	Amounts of property, plant & equipment written off on disposal or sale as part of the gain/loss on disposal to the C I & E S	(21,285)			21,285
			Amounts of assets held for sale written off on disposal or sale as part of the gain/loss on disposal to the C I & E S				
			Amounts of investment properties written off on disposal or sale as part of the gain/loss on disposal to the C I & E S				

2009-10				2010-11			
General Fund	Usable Reserves Capital Receipts Reserve	Capital Movements in Grants Unapplied	Unusable Reserves	General Fund	Usable Reserves Capital Receipts Reserve	Capital Movements in Grants Unapplied	Unusable Reserves
Balance £'000	£'000	£'000	£'000	Balance £'000	£'000	£'000	£'000
<b><u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u></b>							
22,755			(22,755)	21,272			(21,272)
9,768			(9,768)	11,688			(11,688)
<b><u>Adjustments primarily involving the Capital Grants Unapplied Account:</u></b>							
35,575		(35,575)	0	27,310		(27,310)	0
		17,771	(17,771)			26,630	(26,630)
<b><u>Adjustments primarily involving the Capital Receipts Reserve:</u></b>							
1,879	(1,879)		0	1,766	(1,766)		0
	1,879		(1,879)		1,766		(1,766)
			0				0
			0				0
<b><u>Adjustments primarily involving the Deferred Capital Receipts Reserve</u></b>							
			0				0

2009-10				2010-11			
General Fund Balance £'000	Usable Reserves Capital Receipts Reserve £'000	Capital Movements in		General Fund Balance £'000	Usable Reserves Capital Receipts Reserve £'000	Capital Movements in	
		Grants Unapplied £'000	Unusable Reserves £'000			Grants Unapplied £'000	Unusable Reserves £'000
<b><u>Adjustment primarily involving the Financial Instruments</u></b>							
<b><u>Adjustment Account:</u></b>							
(97)			97	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	226		(226)
<b><u>Adjustments primarily involving the Pensions Reserve:</u></b>							
(52,935)			52,935	Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 52)	67,185		(67,185)
43,524			(43,524)	Employer's pensions contributions and direct payments to pensioners payable in the year	48,754		(48,754)
<b><u>Adjustments primarily involving the Collection Fund</u></b>							
<b><u>Adjustment Account:</u></b>							
392			(392)	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	418		(418)
<b><u>Adjustment primarily involving the Accumulated Absences Account:</u></b>							
(2,355)			2,355	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	2,543		(2,543)
<b>(26,422)</b>	<b>0</b>	<b>(17,804)</b>	<b>44,226</b>	<b>Total Adjustments</b>	<b>57,694</b>	<b>0</b>	<b>(680)</b>
							<b>(57,014)</b>



## **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 2010-11.

<b>Balance at 31 March 2009 £000</b>		<b>Balance at 31 March 2010 £000</b>	<b>Additions in Year £000</b>	<b>Used in Year £000</b>	<b>Balance at 31 March 2011 £000</b>
2,012	<b>Capital Programme reserve</b>	2,587		(2,587)	0
438	<b>Capital Funding reserve</b>	1,957		(1,957)	0
	<b>Balances Held by Schools under a scheme of delegation</b>	13,559	8,350		21,909
	<b>Other Earmarked Reserves:</b>				
11,232	Other Services	4,630	560	(4,630)	560
16	Children's Fund	16			16
380	Adverse Weather	0	2,000	(947)	1,053
438	Objective 2	438			438
761	Insurance	1,210	1,000	(187)	2,023
185	Invest to Save	185			185
220	Boarding	254		(254)	0
495	School's Sickness Insurance Scheme	575	112		687
135	Purchase of Museums Exhibits	140	5		145
0	Salix Carbon Management	192	130		322
0	Carbon Management	49			49
14,087	Waste Disposal	19,742	5,703		25,445
1,900	Development	3,466	912	(1,014)	3,364
0	Legal Services		350		350
0	Teal Park		50		50
0	LAT's		194		194
6,585	Health and Well Being	7,652	287	(1,509)	6,430
0	Safer Communities Commissioning Project	1,495	148		1,643
0	Safer Communities Positive Future	500	185		685
	<b>Local Public Service Agreements Reward Grant Reserves:</b>	4,294		(4,294)	0
	<b>Revenue Grants and Contributions Unapplied Reserves</b>				
2,693	Growth Points - Lincoln	5,568	1,752	0	7,320
2,150	Growth Points - Grantham	4,084	1,205	0	5,289
12,647	Children Services	13,921	16,808	(13,866)	16,863
644	Highways and Transport	421	6,829	(406)	6,844
2,993	Other Grants and Contributions	11,934	5,695	(10,236)	7,393
<b>78,715</b>	<b>Total</b>	<b>98,869</b>	<b>52,275</b>	<b>(41,887)</b>	<b>109,257</b>

The **Capital Programme** reserve represents specific capital funding set aside to fund future capital expenditure.

The **Capital Funding** reserve is used towards financing future capital expenditure.

The balance held by schools under the **scheme of delegation** represents the net underspending of school budget shares in 2010-11. 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 and Skills.

The **Other Services Reserve** represents net under and overspendings in 2010-11 on services other than schools (i.e. Children's Services, Communities, Development, Corporate Services, Central Services within the Dedicated Schools Budget and Other Budgets) which will be carried forward for use in 2011-12.

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). The interest will either be paid back to the CYPU or used for funding part of the CF project depending on the decision of the CYPU.

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 **Objective 2** was established to provide match funding for projects attracting objective 2 grant. Although this grant has now ceased this reserve will match fund similar projects in 2010/11.

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** is a reserve to provide 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 **Boarding** is earmarked for future capital expenditure on school boarding houses.

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 & expansion of the collection of Tennyson's works, held at Lincoln's central library.

**Salix Carbon Management** is a reserve to provide Lincolnshire County Council matched funding for Salix compliant carbon management projects.

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

The **Waste Disposal** reserve will contribute to the funding of future investment in waste disposal.

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

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

The **LAT's** reserve has been set up to meet future liabilities of the Landfill Allowance Trading Scheme.

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

The **Legal Reserve** has been set up to provide funding for the restructuring of Legal Services in 2011/12

The **Safer Communities Commissioning Project** was set up from a planned underspend of Area Based Grant in 2008/09. The reserve will enable the commissioning process, in contribution to the achievement of LAA targets, to continue when the Government grant reduces.

The **Safer Communities Positive Futures Reserve** 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 **Public Service Agreements Performance Reward Grant** was discontinued in 2010/11 by the government, these reserves were fully utilised in 2010/11

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:

<b>Year ended 31 March 2010 Net Expenditure £'000</b>	<b>Year ended 31 March 2011 Net Expenditure £'000</b>
1,018 - Precepts paid to non-principal authorities and levies	1,029
29,598 - Gain or Loss on the disposal of non-current assets	19,687
<b>30,616 TOTAL</b>	<b>20,716</b>

## **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:

<b>Year ended 31 March 2010 Net Expenditure £'000</b>	<b>Year ended 31 March 2011 Net Expenditure £'000</b>
17,130 - Interest payable and similar charges	19,995
28,806 - Pensions Interest Cost and Expected Return on Pensions Assets	25,395
(2,579) - Interest receivable and similar income	(2,202)
(4,819) - Income, expenditure and changes in the fair values of investment properties	(12,160)
0 - Other investment income	0
<b>38,538 TOTAL</b>	<b>31,028</b>

## **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:

<b>Year ended 31 March 2010 Net Expenditure £'000</b>	<b>Year ended 31 March 2011 Net Expenditure £'000</b>
(242,034) Council tax income	(249,983)
(148,035) Contribution from National Non-Domestic Rates	(167,715)
<u>Non-ringfenced government grants</u>	
(34,168) - Revenue Support Grant	(24,354)
(55,711) - Area Based Grant	(50,497)
(78,351) - Capital grants and contributions	(38,055)
<b>(558,299) TOTAL</b>	<b>(530,604)</b>

## **Note 14. Property, Plant and Equipment.**

### a) Movement on Non-Current Assets

<b>Movement in Property, Plant &amp; Equipment As at 31 March 2011</b>	<b>Land &amp; Buildings £000</b>	<b>Vehicles, Plant, Furniture &amp; Equipment £000</b>	<b>Infra-structure £000</b>	<b>Community Assets £000</b>	<b>Surplus Assets £000</b>	<b>Assets Under Construction £000</b>	<b>Total £000</b>	<b>PFI Assets Included in Property, Plant &amp; Equipment £000</b>
<b>Cost or Valuation</b>								
At 1 April 2010	759,662	154,884	487,641	6,658	27,332	121,214	<b>1,557,391</b>	32,539
Additions	25,794	12,970	33,668	104	78	38,414	<b>111,028</b>	191
Revaluation Increase to RR	27,942	0	0	0	2,608	0	<b>30,550</b>	(3)
Revaluation Decrease to RR	(2,134)	0	0	0	(366)	0	<b>(2,500)</b>	0
Revaluation Increase/(Decrease) to SDPS	(13,586)	0	0	0	0	0	<b>(13,586)</b>	0
Derecognition - Disposals	(15,156)	(256)	0	0	(70)	0	<b>(15,482)</b>	0
Derecognition to RR	(154)	0	0	0	0	0	<b>(154)</b>	0
Derecognition to SDPS	(6,279)	0	0	0	0	0	<b>(6,279)</b>	0
Reclassified to/from Held for Sale	(170)	0	0	0	(520)	0	<b>(690)</b>	0
Reclassified to/from Investment Property	0	0	0	0	145	0	<b>145</b>	0
Reclassifications - Other	16,887	5,987	47,373	210	1,834	(103,981)	<b>(31,690)</b>	14
<b>At 31 March 2011</b>	<b>792,806</b>	<b>173,585</b>	<b>568,682</b>	<b>6,972</b>	<b>31,041</b>	<b>55,647</b>	<b>1,628,733</b>	<b>32,741</b>
<b>Depreciation and Impairment</b>								
At 1 April 2010	(24,274)	(122,918)	(141,191)	0	(2,703)	0	<b>(291,086)</b>	(986)
Depreciation Charge for 2010-11	(24,296)	(14,889)	(26,169)	0	(406)	0	<b>(65,760)</b>	(514)
Depreciation written out on upward revaluation	3,717	(5)	0	0	0	0	<b>3,712</b>	0
Depreciation written out on downward revaluation	(2,034)	0	0	0	(3)	0	<b>(2,037)</b>	0
Depreciation written out to the SDPS	286	0	0	0	(24)	0	<b>262</b>	0
Derecognition - Disposals	1,129	139	0	0	0	0	<b>1,268</b>	0
Derecognition - SDPS	798	0	0	0	0	0	<b>798</b>	0
Reclassifications to Asset Held for Sale	0	0	0	0	111	0	<b>111</b>	0
Reclassifications - Other	(212)	137	0	0	(446)	0	<b>(521)</b>	0
<b>At 31 March 2011</b>	<b>(44,886)</b>	<b>(137,536)</b>	<b>(167,360)</b>	<b>0</b>	<b>(3,471)</b>	<b>0</b>	<b>(353,253)</b>	<b>(1,500)</b>
<b>Net Book Value</b>								
<b>At 31 March 2011</b>	<b>747,920</b>	<b>36,049</b>	<b>401,322</b>	<b>6,972</b>	<b>27,570</b>	<b>55,647</b>	<b>1,275,480</b>	<b>31,241</b>
At 31 March 2010	735,389	31,965	346,450	6,658	24,629	121,214	<b>1,266,305</b>	31,554

RR - Revaluation Reserve

SDPS - Surplus or Deficit on the Provision of Services

Movement in Property, Plant & Equipment As at 31 March 2010	Vehicles, Plant, Land & Furniture & Buildings Equipment £000 £000			Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000	PFI Assets Included in Property, Plant & Equipment £000
	Infra-structure £000							
<b>Cost or Valuation</b>								
At 1 April 2009	802,210	139,403	436,680	6,614	28,900	107,262	1,521,069	27,550
Additions	25,545	12,105	35,266	44	81	71,381	144,422	94
Donations	108	0	0	0	0	0	108	0
Revaluation Increase/(Decrease) to RR	(47,259)	0	0	0	2,986	0	(44,273)	5,905
Revaluation Increase/(Decrease) to SDPS	672	0	0	0	0	0	672	0
Derecognition - Disposals	(26,919)	(853)	0	0	(6,352)	0	(34,124)	0
Derecognition - Other	(1,094)	0	0	0	0	0	(1,094)	0
Reclassified to/from Held for Sale	(338)	0	0	0	(5,693)	0	(6,031)	0
Reclassifications to/from Investment Property	0						0	0
Reclassifications - Other	6,737	4,229	15,695	0	7,410	(57,429)	(23,358)	0
<b>At 31 March 2010</b>	<b>759,662</b>	<b>154,884</b>	<b>487,641</b>	<b>6,658</b>	<b>27,332</b>	<b>121,214</b>	<b>1,557,391</b>	<b>33,549</b>
<b>Depreciation and Impairment</b>								
At 1 April 2009	(54,522)	(110,173)	(116,784)	0	(1,910)	0	(283,389)	(2,507)
Depreciation Charge for 2009-10	(15,533)	(13,153)	(24,407)	0	(254)	0	(53,347)	(477)
Depreciation written out on revaluation	56,330	0	0	0	0	0	56,330	989
Depreciation written out to the SDPS	0	0	0	0	0	0	0	0
Impairment Losses/(Reversals) to RR	0	0	0	0	0	0	0	0
Impairment Losses/(Reversals) to SDPS	(10,002)	0	0	0	(4,546)	0	(14,548)	0
Derecognition - Disposals	3,051	407	0	0	739	0	4,197	0
Derecognition - Other	0	0	0	0	0	0	0	0
Other movements in depreciation and impairment	0	0	0	0	(381)	0	(381)	0
- Downward Revaluations	52	0	0	0	0	0	52	0
- Eliminated on reclassification to Held for Sale	0	0	0	0	0	0	0	0
- Reclassifications - Other	(3,649)	0	0	0	3,649	0	0	0
<b>At 31 March 2010</b>	<b>(24,273)</b>	<b>(122,919)</b>	<b>(141,191)</b>	<b>0</b>	<b>(2,703)</b>	<b>0</b>	<b>(291,086)</b>	<b>(1,995)</b>
<b>Net Book Value</b>								
<b>At 31 March 2010</b>	<b>735,389</b>	<b>31,965</b>	<b>346,450</b>	<b>6,658</b>	<b>24,629</b>	<b>121,214</b>	<b>1,266,305</b>	<b>31,554</b>
At 31 March 2009	747,688	29,230	319,896	6,614	26,990	107,262	1,237,680	25,043

RR - Revaluation Reserve

SDPS - Surplus or Deficit on the Provision of Services

## b) Depreciation and Asset Lives

The County Council's depreciation policies are set out in the Statement of Accounting Policies (note 1). 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:

	<b>Useful Economic Life (Years)</b>
<b>Land</b>	999
<b>Buildings</b>	
<u>Specialist Buildings</u> , including Schools, Youth Centres, Residential Homes, Day Centres, Family Centres, Libraries, Museums, Highways Maintenance Depots	15 to 70
<u>Non-Specialist Buildings</u>	40
<u>Siteworks</u> , including playground, hardstanding, car parks etc	
- associated with specialist buildings	5 to 55
- associated with non-specialist buildings	20
<u>Componentisation</u> (Fire Stations and Admin Buildings):	
- Structure	70
- Services	30
- Roofs (Pitched)	70
- Roofs (Flat)	25
- Externals	25
<b>Infrastructure</b>	
Structures (Bridges)	120
Major Road Construction	60
Street Lighting, Kerbing	40
Drainage	30
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	10
Carriageway Surfacing - Principal Roads	8
Potholes - Non-Principal Roads	3
Potholes - Principal Roads	1
<b>Vehicles, Furniture &amp; Equipment</b>	
IT Equipment	4
Furniture and Equipment	5
Vehicles	3 to 18

### c) Capital Commitments

At 31 March 2011, the County Council had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2011-12 and future years, budgeted to cost £134.328m. The major commitments are:

	<b>Detail</b>	<b>Gross £000</b>
<b>Development - Highways</b>		
A1073 Spalding to Eye Bypass	New 22km road around Crowland Cowbit and Eye Green	7,845
Lincoln High Street	Environmental improvements	1,100
<b>Environmental Management</b>		
Energy from waste	Construction of Energy from Waste Plant. and 4 transfer stations	106,650
<b>Resources and Safer Communities</b>		
Gainsborough Travellers Site	Improvement to the Travellers site	1,181
<b>Children's Services</b>		
Lincoln City of Lincoln Academy	Construction of Academy	6,383
Lincoln Priory City of Lincoln Academy	Construction of Academy	2,649
Lincoln Priory Witham Academy	Construction of Academy	2,869
Deepings School	Construction of Business Centre	815
Grantham Huntingtower Primary	Extension & Remodelling	1,770
Lincoln Hartsholme	Construction of new School	1,710
Wainfleet Magdalen CE/Methodist School	Major Extensions & remodelling	1,356

### d) Effects of Changes in Estimates

There have not been any material changes in estimate which have had an effect on asset carrying values in 2010-11.

## e) Valuations

The County 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, or where there is no evidence of market value or suitably comparable properties (e.g. schools).
- Assets held for sale are held at the lower of Carrying Value or Market Value.

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

<b>Non-Current Assets carried at current cost</b>	<b>Land and Buildings £000</b>	<b>Surplus Assets £000</b>
Valued at fair value as at:		
01/04/2010	179,402	9,091
01/04/2009	191,383	2,984
01/04/2008	176,393	7,818
01/04/2007	86,389	3,702
01/04/2006	114,353	3,975
<b>Total Cost of Valuation</b>	<b>747,920</b>	<b>27,570</b>

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).

<b>Non-Current Assets carried at historic cost</b>	<b>2009-10 £000</b>	<b>2010-11 £000</b>
Vehicles, Plant, Furniture and Equipment	31,965	36,049
Infrastructure	346,450	401,322
Community Assets	6,658	6,972
Assets Under Construction	121,214	55,647
<b>Total Cost of Valuation</b>	<b>506,287</b>	<b>499,990</b>



## **Note 15. Investment Properties.**

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

<b>County Farm Estates</b>	<b>2009-10</b>	<b>2010-11</b>
	<b>£000</b>	<b>£000</b>
Rental Income from Investment Property	(1,700)	(1,902)
Direct Operating Expenses arising from Investment Property	720	918
<b>Net (Gain)/Loss</b>	<b>(980)</b>	<b>(984)</b>

<b>Other General Fund Properties</b>	<b>2009-10</b>	<b>2010-11</b>
	<b>£000</b>	<b>£000</b>
Rental Income from Investment Property	(73)	(60)
Direct Operating Expenses arising from Investment Property	0	6
<b>Net (Gain)/Loss</b>	<b>(73)</b>	<b>(54)</b>

There are no restrictions on the County Council's ability to realise the value inherent in its investment property, or on the County Council's right to the remittance of income and the proceeds of disposal. The County 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:

	<b>County Farm Estates</b>	<b>Other General Fund Properties</b>
	<b>£000</b>	<b>£000</b>
Balance at 1 April 2010	40,042	898
Additions - Acquisitions (Purchase and Construction)		
Additions - Subsequent expenditure	303	
Disposals	(1,313)	
Net Gains/(Losses) from fair value adjustments	11,214	(91)
Transfers to/from Property, Plant and Equipment		(145)
Other Changes (*1)		
<b>Balance at 31 March 2011</b>	<b>50,246</b>	<b>662</b>

(\*1) Other changes includes transfers from Assets Under Construction for capital expenditure incurred in previous financial years.

<b>Nature of asset holding</b>		
Owned	50,220	662
Leased	26	
Wayleaves		
<b>Balance at 31 March 2011</b>	<b>50,246</b>	<b>662</b>

	County Farm Estates £000	Other General Fund Properties £000
Balance at 1 April 2009	37,133	906
Additions - Acquisitions (Purchase and Construction)		
Additions - Subsequent expenditure	338	
Disposals	(1,203)	
Net Gains/(Losses) from fair value adjustments	3,774	(8)
Transfers to/from Property, Plant and Equipment		
Other Changes (*1)	0	0
<b>Balance at 31 March 2010</b>	<b>40,042</b>	<b>898</b>

(\*1) Other changes includes transfers from Assets Under Construction for capital expenditure incurred in previous financial years.

<b>Nature of asset holding</b>		
Owned	39,965	898
Leased	77	0
Wayleaves	0	0
<b>Balance at 31 March 2010</b>	<b>40,042</b>	<b>898</b>

### c) Revaluations

The County 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 31st March each year to ensure all investment properties are carried at fair value at the balance sheet date.

## **Note 16. 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 County Council include both purchased software, licenses and internally generated software.

### **a. Movement on intangible assets :**

	<b>Software £000</b>	<b>Software Licenses £000</b>	<b>Other Intangibles £000</b>	<b>Total £000</b>
Balance at 1 April 2010				
- Gross carrying amount	4,490	2,944	41	7,475
- Accumulated amortisation	(3,863)	(2,754)	(35)	(6,652)
<b>Net carrying amount at 1 April 2010</b>	<b>627</b>	<b>190</b>	<b>6</b>	<b>823</b>
Additions:				
- Purchases	611	117		728
Amortisation for the period	(955)	(508)	(6)	(1,469)
Other changes - reclassifications	1,846	548		2,394
<b>Net carrying amount at 31 March 2011</b>	<b>2,129</b>	<b>347</b>	<b>0</b>	<b>2,476</b>
Comprising:				
- Gross carrying amounts	6,947	3,609	41	10,597
- Accumulated amortisation	(4,818)	(3,262)	(41)	(8,121)
<b>Balance Sheet amount at 31 March 2011</b>	<b>2,129</b>	<b>347</b>	<b>0</b>	<b>2,476</b>

### **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:

	<b>Useful Economic Life (Years)</b>	
	<b>From</b>	<b>To</b>
- Software	4	7
- Software Licenses	1	7
- Other Intangibles	4	4

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of (£1.469m) charged to revenue in 2010-11 was charged to the IT cost centre and then absorbed as an overhead across all the service headings in the Net Expenditure of 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 2011, the County Council has not capitalised any material items of software (with a value over £1m).

### d. Capital Commitments

At 31st March 2011 the County Council has entered into a number of contracts for the purchase of intangible assets for 2011-12 and for future years budgeted to cost £2.128 million. The major commitments are:

<b>Detail</b>	<b>Gross £'000</b>
<b>EDRMS</b> (Electronic Document and Records Management System) provides a central hub for the management of all documents and records in the Council	795
<b>Unified Communications</b> - new communications system for the council including new telephone system, voicemail and instant messaging.	1,333

### e. Revaluation

The County 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 17. 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 2010	31 March 2011	31 March 2010	31 March 2011
	£000	£000	£000	£000
<b>Borrowings</b>				
Financial Liabilities At Amortised Cost	372,964	452,793	823	702
Financial Liabilities at Fair Value Through Profit and Loss	0	0	0	0
<b>Total Borrowings</b>	<b>372,964</b>	<b>452,793</b>	<b>823</b>	<b>702</b>
<b>PFI &amp; Finance Lease Liabilities</b>				
PFI and Finance Lease Liabilities	25,079	23,132		0
<b>Total PFI &amp; Finance Lease Liabilities</b>	<b>25,079</b>	<b>23,132</b>	<b>0</b>	<b>0</b>
<b>Creditors</b>				
Financial Liabilities at Amortised Cost	0	0	23,366	10,515
Financial Liabilities Carried at Contract Amount	3,984	4,480	101,272	93,422
<b>Total Creditors</b>	<b>3,984</b>	<b>4,480</b>	<b>124,638</b>	<b>103,937</b>
<b>Investments</b>				
Loans and Receivables	1,920	200	149,432	192,882
Available for Sale Financial Assets (*1)	0	0	59,705	54,305
Unquoted Equity Investments At Cost	14	14	0	0
Financial Assets at Fair Value Through Profit and Loss	0	0	0	0
<b>Total Investments</b>	<b>1,934</b>	<b>214</b>	<b>209,137</b>	<b>247,187</b>
<b>Debtors</b>				
Loans and Receivables	4,145	4,463	0	0
Financial Assets Carried at Contract Amount	0	0	51,996	48,446
<b>Total Debtors</b>	<b>4,145</b>	<b>4,463</b>	<b>51,996</b>	<b>48,446</b>

(\*1)The Available for Sale Financial Assets for 31 March 2010 has been adjusted to include investments held in Stable Net Asset Value Money Market Funds, previously incorrectly categorised as Loan and Receivables. The Loan and Receivables balance at 31 March 2010 has been reduced accordingly.

### **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 it's 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:

	2009-10 £000	2010-11 £000
Financial Liabilities At Amortised Cost	15,221	18,275
Financial Liabilities at Fair Value Through Profit and Loss	0	0
<b>Total Interest Expense</b>	<b>15,221</b>	<b>18,275</b>
Total Fee Expense	34	46
<b>Total Expense in Surplus or Deficit on the Provision of Services</b>	<b>15,255</b>	<b>18,321</b>
Loans and Receivables at Amortised Cost	(2,036)	(1,646)
Available for Sale Financial Assets	(287)	(419)
Unquoted Equity Investments At Cost	0	0
Financial Assets at Fair Value Through Profit and Loss	0	0
<b>Total Interest Income(*2)</b>	<b>(2,323)</b>	<b>(2,065)</b>
<b>Total Fee Income</b>	<b>0</b>	<b>0</b>
<b>Interest Received</b>	<b>(2,323)</b>	<b>(2,065)</b>

(\*2)The balance for 2010/11 has been restated to include interest received by schools on externally held bank accounts.

#### 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 2011 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 2010		31 March 2011	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
PWLB Debt (Long Term > 12 Months)	372,964	363,978	442,684	403,882
Non PWLB Debt (Long Term > 12 Months)	0	0	10,108	9,915
PWLB Debt (Short Term < 12 Months)	20,046	19,566	6,524	5,964
Non PWLB Debt (Short Term < 12 Months)	822	822	746	745
Long-Term Creditors	3,985	3,985	4,480	4,480
<b>Total Financial Liabilities at Amortised Cost</b>	<b>397,817</b>	<b>388,351</b>	<b>464,542</b>	<b>424,986</b>

The fair value is less than the carrying amount because the Council's portfolio of loans includes 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 31.3.2011) arising from a commitment to pay interest to lenders below current market rates.

Loans and Receivables	31 March 2010		31 March 2011	
	Carrying	Fair	Carrying	Fair
	Amount	Value	Amount	Value
	£000	£000	£000	£000
Loans and Receivables (Long Term > 12 Months)	1,920	2,121	200	200
Loans and Receivables (Short Term < 12 Months)	148,980	148,980	192,372	192,372
Long-Term Debtors	4,145	4,145	4,463	4,463
<b>Financial Assets at Amortised Cost</b>	<b>155,045</b>	<b>155,246</b>	<b>197,035</b>	<b>197,035</b>

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, that 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: 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 with and hence shows its potential exposure to credit risk at the reporting date.

<b>Deposits With Banks and Financial Institutions</b>	<b>Amount at 31 March 2010</b>		<b>Amount at 31 March 2011</b>	
	<b>£000</b>	<b>%</b>	<b>£000</b>	<b>%</b>
AAA Rated Counterparties	59,705	28.35%	54,305	22.00%
AA Rated Counterparties	146,125	69.38%	154,722	62.67%
A Rated Counterparties	0	0.00%	0	0.00%
Other Counterparties	4,789	2.27%	37,864	15.33%
<b>Total Investments</b>	<b>210,619</b>	<b>100.00%</b>	<b>246,891</b>	<b>100.00%</b>

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 Councils customers at the 31 March 2011 can be analysed by age as follows:

Analysis of Debts by Age	Amount at 31 March 2010		Amount at 31 March 2011	
	£000	%	£000	%
Less than 3 months	3,576	49.31%	1,504	27.21%
3 to 6 months	674	9.29%	797	14.43%
6 months to 1 year	1,686	23.25%	1,217	22.02%
More than 1 year	1,316	18.15%	2,008	36.34%
<b>Total Outstanding Debt</b>	<b>7,252</b>	<b>100.00%</b>	<b>5,526</b>	<b>100.00%</b>

#### (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 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 approved treasury and investment strategies 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 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:

<b>Debt Outstanding- Financial Liabilities</b>	<b>31 March 2010</b>	<b>31 March 2011</b>
	<b>£'000</b>	<b>£'000</b>
Less than one year	24,188	11,217
Between one and two years	6,501	6,564
Between two and five years	16,489	26,635
Between five and ten years	66,613	95,666
Between ten and fifteen years	34,836	44,779
Between fifteen and twenty-five years	25,976	41,599
Between twenty-five and thirty-five years	24,439	39,439
Between thirty-five and forty-five years	90,085	100,213
Maturing in more than forty-five years	108,025	97,897
<b>Total</b>	<b>397,152</b>	<b>464,009</b>

<b>Investments Outstanding - Financial Assets</b>	<b>31 March 2010</b>	<b>31 March 2011</b>
	<b>£'000</b>	<b>£'000</b>
Less than one year	209,138	247,187
Between one and two years	1,720	0
Between two and three years	0	0
Maturing in more than three years	214	214
<b>Total</b>	<b>211,072</b>	<b>247,401</b>

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 the Other Comprehensive Income and Expenditure account. 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 market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns.

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 £2.142m 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:

<b>Financial Impact of the Interest Rate Risk</b>	<b>Amount at 31 March 2011 £'000</b>
Increase in interest payable on variable rate borrowings	7
Increase in interest receivable on variable rate investments	(2,149)
<b>Impact on Income and Expenditure Account</b>	<b>(2,142)</b>

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

	<b>Fair Value 31 March 2011 £'000</b>	<b>Fair Value at 1% Higher £'000</b>	<b>Fair Value at 1% Lower £'000</b>
County Council	417,316	371,534	475,229
Schools	2,341	2,206	2,490
<b>Long Term Fixed Borrowing:</b>	<b>419,657</b>	<b>373,740</b>	<b>477,719</b>

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/assumptions as outlined on page 54 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 18. Inventories.**

The County Council held the following inventory items at 31 March 2011:

	Balance outstanding at 1 April 2010 £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 2011 £000
Highways and Planning	551	1,507	(1,433)	0	0	625
Other Committees	206	129	(252)	(50)	0	33
<b>Total Inventories</b>	<b>757</b>	<b>1,636</b>	<b>(1,685)</b>	<b>(50)</b>	<b>0</b>	<b>658</b>

The Highways and Planning stocks comprise of salt stores for winter maintenance. Other Committees include schools inventories balances for school's that have converted to Academy status where the school accounts have not been finalised and closed as at 31 March 2011.

The County Council's accounting policies on inventories includes a de-minimus of £100k for inventories (applicable from 31 March 2011).

## **Note 19. Construction Contracts.**

The County Council does not undertake construction contracts.

## **Note 20. Debtors.**

The County Council held the following debtors at 2010-11:

1 April 2009 £000	31 March 2010 £000	Amounts falling due in one year:	31 March 2011 £000
30,281	28,027	Central government bodies	25,056
4,316	2,557	Other local authorities	4,920
2,647	589	NHS bodies	1,286
17	0	Public corporations and trading funds	0
12,054	13,277	Bodies external to general government	10,859
10,635	10,561	Council tax agency arrangements	9,233
2,555	7,546	Payments in advance	6,325
<b>62,505</b>	<b>62,557</b>	<b>Total Short Term Debtors</b>	<b>57,679</b>

1 April 2009 £000	31 March 2010 £000	Amounts falling due after one year:	31 March 2011 £000
728	644	Other local authorities	468
3,050	3,501	Bodies external to general government	3,995
<b>3,778</b>	<b>4,145</b>	<b>Total Long Term Debtors</b>	<b>4,463</b>

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

The Council Tax Agency Arrangements figure represents the County 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 21. Cash and Cash Equivalents.**

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

<b>01-Apr-09</b> <b>£000</b>	<b>00-Jan-00</b> <b>£000</b>		<b>31 March 2011</b> <b>£000</b>
(6,305)	(10,441)	Cash & Cash Equivalents held by the County Council	(7,966)
	0	Cash Overdrawn	(53)
<b>(6,305)</b>	<b>(10,441)</b>		<b>(8,019)</b>

## **Note 22. Assets Held for Sale.**

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

	<b>Current</b>		<b>Non-Current</b>	
	<b>2009-10</b>	<b>2010-11</b>	<b>2009-10</b>	<b>2010-11</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Balance outstanding at 1 April	764	1,041		
Assets newly classified as held for sale:				
- Property, Plant and Equipment	1,041	579		
Revaluation losses		(168)		
Assets Sold	(764)	(275)		
<b>Balance Outstanding at 31 March</b>	<b>1,041</b>	<b>1,177</b>	<b>0</b>	<b>0</b>

### **Note 23. Creditors.**

The County Council had the following creditors at 31 March 2011:

<b>1 April 2009</b>	<b>31 March 2010</b>	<b>Amounts falling due in one year:</b>	<b>31 March 2011</b>
<b>£000</b>	<b>£000</b>		<b>£000</b>
(11,813)	(33,974)	Central government bodies	(21,937)
(3,569)	0	Other local authorities	(3,054)
(563)	(100)	NHS bodies	(188)
(159)	0	Public corporations and trading funds	(268)
(53,047)	(68,832)	Other entities and individuals	(51,922)
(6,771)	(6,305)	Council tax agency arrangements	(4,559)
(24,323)	(5,854)	Receipts in advance	(10,084)
(13,311)	(15,891)	Employee benefits Accrual	(16,516)
<b>(113,556)</b>	<b>(130,956)</b>	<b>Total Short Term Creditors</b>	<b>(108,528)</b>

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

<b>1 April 2009</b>	<b>31 March 2010</b>	<b>Amounts falling due after one year:</b>	<b>31 March 2011</b>
<b>£000</b>	<b>£000</b>		<b>£000</b>
(3,817)	(3,984)	Other entities and individuals	(4,480)
<b>(3,817)</b>	<b>(3,984)</b>	<b>Total Long Term Creditors</b>	<b>(4,480)</b>

### **Note 24. Other Long Term Liabilities**

The County Council had the following long term liabilities at 31 March 2011:

<b>1 April 2009</b>	<b>31 March 2010</b>		<b>31 March 2011</b>
<b>£000</b>	<b>£000</b>		<b>£000</b>
(26,073)	(25,079)	Outstanding Liabilities on PFI and Finance Leases	(23,132)
(389,262)	(747,790)	Pension Reserve	(457,886)
<b>(415,335)</b>	<b>(772,869)</b>		<b>(481,018)</b>

## **Note 25. Provisions.**

The Council County made the following provisions during 2010-11:

<b><u>Summary of Provisions</u></b>	<b>Balance at 1 April 2010 £000</b>	<b>Additional Provisions made in 2010-11 £000</b>	<b>Amounts Used in 2010-11 £000</b>	<b>Unused amounts reversed in 2010-11 £000</b>	<b>Unwinding of discounting in 2010-11 £000</b>	<b>Balance at 31 March 2011 £000</b>
Social Services - Section 117 Deposits	(783)	0	221	0	0	(562)
Waste Disposal Claims	(881)	(21)	46	0	0	(856)
Lincoln Southern Bypass Blight	(340)	0	280	60	0	0
Retained Firefighter's part time pay regs	(292)	(30)	0	0	0	(322)
Insurance Claims	(5,255)	(725)	0	0	101	(5,879)
Redundancy payments	0	(11,927)	0	0	0	(11,927)
Pension Strain	0	(2,814)	0	0	0	(2,814)
Onerous Contracts	0	(1,025)	0	0	0	(1,025)
<b>TOTAL</b>	<b>(7,551)</b>	<b>(16,542)</b>	<b>547</b>	<b>60</b>	<b>101</b>	<b>(23,385)</b>

<b><u>Short Term Provisions</u></b>	<b>Balance at 1 April 2010 £000</b>	<b>Additional Provisions made in 2010-11 £000</b>	<b>Amounts Used in 2010-11 £000</b>	<b>Unused amounts reversed in 2010-11 £000</b>	<b>Balance at 31 March 2011 £000</b>
Waste Disposal Claims	(29)	(21)	25	0	(25)
Lincoln Southern Bypass Blight	(340)	0	280	60	0
Retained Firefighter's part time pay regs	(292)	(30)	0	0	(322)
Insurance Claims	(2,315)	(618)	0	0	(2,933)
Redundancy payments	0	(11,927)	0	0	(11,927)
Pension Strain	0	(2,814)	0	0	(2,814)
Onerous Contracts	0	(1,025)	0	0	(1,025)
<b>TOTAL</b>	<b>(2,976)</b>	<b>(16,435)</b>	<b>305</b>	<b>60</b>	<b>(19,046)</b>

<b><u>Long Term Provisions</u></b>	<b>Balance at 1 April 2010 £000</b>	<b>Additional Provisions made in 2010-11 £000</b>	<b>Amounts Used in 2010-11 £000</b>	<b>Unused amounts reversed in 2010-11 £000</b>	<b>Unwinding of discounting in 2010-11 £000</b>	<b>Balance at 31 March 2011 £000</b>
Social Services - Section 117 Deposits	(783)	0	221	0	0	(562)
Waste Disposal Claims	(852)	0	21	0	0	(831)
Insurance Claims	(2,939)	(108)	0	0	101	(2,946)
<b>TOTAL</b>	<b>(4,574)</b>	<b>(108)</b>	<b>242</b>	<b>0</b>	<b>101</b>	<b>(4,339)</b>

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

<b>Summary of Provisions</b>	<b>Balance at 1 April 2009 £000</b>	<b>Additional Provisions made in 2009-10 £000</b>	<b>Amounts Used in 2009-10 £000</b>	<b>Unused amounts reversed in 2009-10 £000</b>	<b>Unwinding of discounting in 2009-10 £000</b>	<b>Balance at 31 March 2010 £000</b>
Social Services - Section 117 Deposits	(1,263)	0	480	0	0	(783)
Community Equipment-Obsolete Stock	(100)	0	100	0	0	0
Waste Disposal Claims	(911)	(30)	60	0	0	(881)
Lincoln Southern Bypass Blight	(865)	(280)	805	0	0	(340)
Retained Firefighter's part time pay regs	0	(292)	0	0	0	(292)
Insurance Claims	(5,846)	(1,241)	1,846	0	(13)	(5,254)
<b>TOTAL</b>	<b>(8,985)</b>	<b>(1,843)</b>	<b>3,291</b>	<b>0</b>	<b>(13)</b>	<b>(7,550)</b>

<b>Short Term Provisions</b>	<b>Balance at 1 April 2009 £000</b>	<b>Additional Provisions made in 2009-10 £000</b>	<b>Amounts Used in 2009-10 £000</b>	<b>Unused amounts reversed in 2009-10 £000</b>	<b>Balance at 31 March 2010 £000</b>
Community Equipment-Obsolete Stock	(100)		100		0
Waste Disposal Claims	(29)	(30)	30		(29)
Lincoln Southern Bypass Blight	(865)	(280)	805		(340)
Retained Firefighter's part time pay regs	0	(292)			(292)
Insurance Claims	(2,618)	(328)	631		(2,315)
<b>TOTAL</b>	<b>(3,612)</b>	<b>(930)</b>	<b>1,566</b>	<b>0</b>	<b>(2,976)</b>

<b>Long Term Provisions</b>	<b>Balance at 1 April 2009 £000</b>	<b>Additional Provisions made in 2009-10 £000</b>	<b>Amounts Used in 2009-10 £000</b>	<b>Unused amounts reversed in 2009-10 £000</b>	<b>Unwinding of discounting in 2009-10 £000</b>	<b>Balance at 31 March 2010 £000</b>
Social Services - Section 117 Deposits	(1,263)		480			(783)
Waste Disposal Claims	(882)		30			(852)
Insurance Claims	(3,228)	(913)	1,215		(13)	(2,939)
<b>TOTAL</b>	<b>(5,373)</b>	<b>(913)</b>	<b>1,725</b>	<b>0</b>	<b>(13)</b>	<b>(4,574)</b>

**Social Services - Section S117 Deposits** 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. In November 2010 a review of the provision was carried out and a number of Service Users were identified as deceased and their estates are now unlikely to claim. The provision for these cases plus cases where the value is under £10k have been released back to revenue.

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 **Lincoln Southern Bypass Blight** provision represents the anticipated costs of claims from land and property owners affected by the road. The purchase of the final property was completed in 2010-2011, the remaining provision thus being released.



**Retained Fire Fighters part time pay regulations** provision has been made for the costs of settlement of a case brought under the Part Time Worker (less favourable treatment) Regs 2000. Agreement has been reached nationally on the settlement figure for Retained Duty Service employees, in relation to less favourable treatment by Fire Authorities in terms and conditions of employment, since the introduction of the regulations.

The **Insurance provision** of £5.9m represents all estimated outstanding claims under the excess clauses of the Council's external insurance policies. Material risks which are met by the Council under current insurance policies are shown below:

The **Redundancy Provision** represents the current estimate of the cost of redundancy payments because of the current restructuring of the County Council.

The **Pension Strain** provision is the estimate of the costs of the long term pension payments due to the current restructuring of the County Council.

The provision for the **Onerous Contracts** is the estimate of the costs of reducing the service contracts for Centre For British Teachers (CFBT) and Lincolnshire Partnership Foundation Trust (LPFT) and is the agreed share of the redundancy costs to be met by the County Council.

Type of Insurance	Met by the County Council	
	Each Claim £000	Maximum for all such claims £000
Public & employer's liability	150	2,500
School property	150	500
Other property	10	100

## **Note 26. Usable Reserves.**

The Council's usable reserves include: The general fund, earmarked

Reserve	Balance at	Balance at	Balance at
	1 April 2009 £'000	31 March 2010 £'000	31 March 2011 £'000
Capital Grants Unapplied	(19,164)	(36,968)	(37,648)
Usable Capital Receipts	0	0	0
Earmarked Reserves	(78,715)	(98,869)	(109,257)
General Fund	(14,596)	(14,803)	(16,645)
<b>Total</b>	<b>(112,475)</b>	<b>(150,640)</b>	<b>(163,550)</b>

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.

## Note 27. Unusable Reserves.

Balance at 31 March 2010 £'000	Note	Balance at 31 March 2011 £'000
(160,113) Revaluation Reserve	(27a)	(185,282)
(733,142) Capital Adjustment Account	(27b)	(675,428)
240 Financial Instruments Adjustment Account	(27c)	14
747,790 Pension Reserve	(27d)	457,886
(4,256) Collection Fund Adjustment Account	(27e)	(4,674)
12,067 Accumulated Absences Account	(27 f)	9,524
<b>(137,414) Total</b>		<b>(397,960)</b>

### a. Revaluation Reserve.

The Revaluation Reserve contains the gains made by the County 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.

2009-10 £'000	2010-11 £'000	£'000
<b>(157,351) Balance at 1 April</b>		<b>(160,113)</b>
(14,647) Upward revaluation of assets	(34,259)	
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	4,692	
<b>(14,647) Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services</b>	<b>(29,567)</b>	
3,304 Difference between fair value depreciation and historical cost depreciation	3,150	
8,581 Accumulated gains on assets sold or scrapped	1,248	
11,885 Amount written off to the Capital Adjustment Account	4,398	
<b>(160,113) Balance at 31 March</b>		<b>(185,282)</b>

### 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 County 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 8 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2009-10 £'000	2010-11 £'000
<b>(754,011) Balance at 1 April</b>	<b>(733,142)</b>
<b><u>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</u></b>	
67,845 - Charges for depreciation and impairment of non-current assets	79,084
0 - Revaluation losses on Property, Plant and Equipment	168
3,183 - Amortisation of intangible assets	1,469
29,073 - Revenue expenditure funded from capital under statute (net of Grants and Contributions)	43,330
31,477 - 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	21,285
(11,885) Adjusting amounts written out of the Revaluation Reserve	(4,398)
<b>119,693</b> Net written out amount of the cost of non-current assets consumed in the year	<b>140,938</b>
Capital financing applied in the year:	
(1,879) - Use of the Capital Receipts Reserve to finance new capital expenditure	(1,766)
<b>(42,776) - <u>Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing</u></b>	<b>(10,745)</b>
(17,771) - Application of grants to capital financing from the Capital Grants Unapplied Account	(26,630)
(22,756) - Statutory provision for the financing of capital investment charged against the General Fund	(21,272)
(9,768) - Capital expenditure charged against the General Fund	(11,688)
<b>(94,950)</b>	<b>(72,101)</b>
(3,766) Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(11,123)
(108) Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement	0
<b>(733,142) Balance at 31 March</b>	<b>(675,428)</b>

#### 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 County 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.

2009-10 £'000	2010-11 £'000
<b>143 Balance at 1 April</b>	<b>240</b>
0 Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	0
14 Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	15
83 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	(241)
<b>240 Balance at 31 March</b>	<b>14</b>

#### 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 County 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 County 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 County 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.

2009-10 £'000	2010-11 £'000
<b>389,262 Balance at 1 April</b>	<b>747,790</b>
349,117 Actuarial gains or losses on pensions assets and liabilities	(173,965)
52,935 Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(67,185)
(43,524) Employer's pensions contributions and direct payments to pensioners payable in the year	(48,754)
<b>747,790 Balance at 31 March</b>	<b>457,886</b>

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.

2009-10 £'000	2010-11 £'000
<b>(3,864) Balance at 1 April</b>	<b>(4,256)</b>
(392) 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	(418)
<b>(4,256) Balance at 31 March</b>	<b>(4,674)</b>

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, eg 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.

2009-10 £'000	2010-11 £'000	2010-11 £'000
<b>9,712 Balance at 1 April</b>		<b>12,067</b>
(9,712) Settlement or cancellation of accrual made at the end of the preceding year	<b>(12,067)</b>	
12,067 Amounts accrued at the end of the current year	<b>9,524</b>	
2,355 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		(2,543)
<b>12,067 Balance at 31 March</b>		<b>9,524</b>

## **Note 28. Operating Activities.**

The cashflow operating activities include the following items:

<b>2009-10</b>		<b>2010-11</b>
<b>£'000</b>		<b>£'000</b>
	Taxation	
(241,643)	- Council Tax	(249,564)
(148,035)	- National Non-Domestic Rates	(167,715)
(647,586)	Grants	(678,091)
(111,894)	Sale of Goods and Rendering of Services	(114,414)
(4,483)	Interest Received	(2,180)
	Other Receipts from Operating Activities	0
<b>(1,153,641)</b>	<b>Cash Inflows generated from Operating Activities</b>	<b>(1,211,964)</b>
	454,600 Cash paid to and on behalf of employees	420,312
	519,676 Cash paid to Suppliers of Goods and Services	563,763
	16,714 Interest Paid	19,367
	111,830 Other Payments for Operating Activities	173,447
<b>1,102,820</b>	<b>Cash Outflows generated from Operating Activities</b>	<b>1,176,889</b>
<b>(50,821)</b>	<b>Net Cash Flows from Operating Activities</b>	<b>(35,075)</b>

## **Note 29. Investing Activities.**

The cashflow investing activities include the following items:

<b>2009-10</b>		<b>2010-11</b>
<b>£'000</b>		<b>£'000</b>
140,184	Purchase of Property, Plant & Equipment, Investment Property and Intangible Assets	112,851
1,253,645	Purchase of short-term and long term investments	1,771,571
374	Other Payments for Investing Activities	925
(1,839)	Proceeds from the sale of Property, Plant & Equipment, Investment Property and Intangible Assets	(1,766)
(1,212,139)	Proceeds from short-term and long-term investments	(1,735,241)
(93,753)	Other Receipts from Investing Activities	(33,678)
<b>86,472</b>	<b>Net Cash Flows from Investing Activities</b>	<b>114,662</b>

## **Note 30. Financing Activities.**

The cashflow financing activities include the following items:

<b>2009-10</b>		<b>2010-11</b>
<b>£'000</b>		<b>£'000</b>
(111,088)	Cash Receipts of Short- and Long-Term Borrowing	(102,688)
(140)	Other Receipts from Financing Activities	0
2,522	Cash Payments for the Reduction of the Outstanding Liability relating to finance leases and on-Balance Sheet PFI Contracts	2,543
77,052	Repayments of Short- and Long-Term Borrowing	22,980
139	Other Payments for Financing Activities	0
<b>(31,515)</b>	<b>Net Cash Flows from Financing Activities</b>	<b>(77,165)</b>

### **Note 31. 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 Best Value Accounting Code of Practice. However, decisions about resource allocation are taken by the County 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 (whereas 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 pensions 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 County 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 Segment Reporting Analysis to the Net Cost of Services in the Comprehensive Income and Expenditure Statement.

Service Analysis 2010-11 (*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
Adult Social Care	43,764	139,893	24,238	207,895	(32,525)	(33,927)	(66,452)	141,443
Healthier Communities	2,140	20,439	2,234	24,813	(4,158)	(91)	(4,249)	20,564
Universal Children's Services	20,476	28,759	12,417	61,652	(19,284)	(1,211)	(20,495)	41,157
Targeted Children's Services	35,233	22,878	27,194	85,305	(53,977)	(999)	(54,976)	30,329
Specialist Children's Services	23,833	9,276	12,126	45,235	(6,520)	(349)	(6,869)	38,366
Highways & Traffic	8,815	22,196	10,458	41,469	(4,331)	(3,394)	(7,725)	33,744
Dep of Environment Planning & Transport	7,386	24,379	7,672	39,437	(1,206)	(2,823)	(4,029)	35,408
Economic Regeneration	3,525	0	9,779	13,304	(6,702)	(1,250)	(7,952)	5,352
Resources	7,087	20,696	1,766	29,549	(2,752)	(1,685)	(4,437)	25,112
Safer Communities	5,812	86	5,114	11,012	(3,009)	(40)	(3,049)	7,963
Fire & Rescue and Emergency Planning	19,260	89	6,691	26,040	(1,781)	(402)	(2,183)	23,857
Chief Executive	12,528	18,674	2,386	33,588	(575)	(389)	(964)	32,624
Culture & Adult Education	10,388	1,560	6,139	18,087	(3,070)	(1,578)	(4,648)	13,439
<b>TOTAL SERVICE BUDGETS</b>	<b>200,247</b>	<b>308,925</b>	<b>128,214</b>	<b>637,386</b>	<b>(139,890)</b>	<b>(48,138)</b>	<b>(188,028)</b>	<b>449,358</b>
<b>OTHER BUDGETS</b>								
Capital Financing Charges	0	0	49,724	49,724	(0)	(2,201)	(2,201)	47,523
Other	20,277	1,025	683	21,985	4,546	0	4,546	26,531
Area Based Grant and Supporting People	0	0	0	0	(50,497)	0	(50,497)	(50,497)
Contingency	0	0	0	0	0	0	0	0
<b>TOTAL OTHER BUDGETS</b>	<b>20,277</b>	<b>1,025</b>	<b>50,407</b>	<b>71,709</b>	<b>(45,951)</b>	<b>(2,201)</b>	<b>(48,152)</b>	<b>23,557</b>
<b>SCHOOLS BUDGETS</b>								
Central Services within the DSB	7,412	18,197	9,873	35,482	(4,432)	(128)	(4,560)	30,922
Schools Budgets	321,161	112	76,731	398,004	(68,350)	(8,173)	(76,523)	321,481
Dedicated Schools Grant	0	0	0	0	(363,504)	0	(363,504)	(363,504)
<b>TOTAL SCHOOLS BUDGETS</b>	<b>328,573</b>	<b>18,309</b>	<b>86,604</b>	<b>433,486</b>	<b>(436,286)</b>	<b>(8,301)</b>	<b>(444,587)</b>	<b>(11,101)</b>
<b>TOTAL EXPENDITURE</b>	<b>549,097</b>	<b>328,259</b>	<b>265,225</b>	<b>1,142,581</b>	<b>(622,127)</b>	<b>(58,640)</b>	<b>(680,767)</b>	<b>461,814</b>
<b>INCOME</b>								
Government Support	0	0	0	0	(192,069)	0	(192,069)	(192,069)
County Precept	0	0	0	0	0	(249,564)	(249,564)	(249,564)
<b>TOTAL INCOME</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(192,069)</b>	<b>(249,564)</b>	<b>(441,633)</b>	<b>(441,633)</b>
<b>Use/(Contribution) to Reserves</b>				1,142,581			(1,122,400)	20,181



<b>Service Analysis 2009-10 (*1)</b>	<b>Employee Expenses £'000</b>	<b>Agency and Contract Payments £'000</b>	<b>Other Running Expenses £'000</b>	<b>Gross Expenditure £'000</b>	<b>Grants and Contributions Income £'000</b>	<b>Other Income (inc. Fees and Charges) £'000</b>	<b>Total Income £'000</b>	<b>Cost of Services £'000</b>
Adult Social Care	44,170	139,860	23,508	207,538	(31,239)	(32,673)	(63,912)	143,626
Healthier Communities	1,382	21,599	1,691	24,672	(3,097)	(64)	(3,161)	21,511
Universal Children's Services	16,988	2,623	38,708	58,319	(16,630)	(1,115)	(17,745)	40,574
Targeted Children's Services	14,710	3,286	10,718	28,714	(7,142)	(944)	(8,086)	20,628
Specialist Children's Services	21,704	8,981	12,655	43,340	(4,766)	(212)	(4,978)	38,362
Highways & Traffic	9,380	15,223	11,875	36,478	(1,013)	(1,848)	(2,861)	33,617
Dep of Environment Planning & Transport	7,257	23,723	5,596	36,576	(1,670)	(1,289)	(2,959)	33,617
Economic Regeneration	2,938	0	13,163	16,101	(10,574)	(791)	(11,365)	4,736
Resources	16,867	48	24,297	41,212	(2,734)	(7,777)	(10,511)	30,701
Safer Communities	5,978	96	4,974	11,048	(3,115)	(32)	(3,147)	7,901
Fire & Rescue and Emergency Planning	20,556	106	6,456	27,118	(1,678)	(783)	(2,461)	24,657
Chief Executive	10,029	0	20,026	30,055	(587)	(304)	(891)	29,164
Culture & Adult Education	10,989	1,251	5,984	18,224	(3,016)	(1,524)	(4,540)	13,684
<b>TOTAL SERVICE BUDGETS</b>	<b>182,948</b>	<b>216,796</b>	<b>179,651</b>	<b>579,395</b>	<b>(87,261)</b>	<b>(49,356)</b>	<b>(136,617)</b>	<b>442,778</b>
<b>OTHER BUDGETS</b>								
Capital Financing Charges	0	0	43,072	43,072	0	(2,944)	(2,944)	40,128
Other	111	0	1,290	1,401	(5,996)	0	(5,996)	(4,595)
Area Based Grant and Supporting People	0	0	0	0	(55,711)	0	(55,711)	(55,711)
Contingency	1	0	(1)	0	0	0	0	0
<b>TOTAL OTHER BUDGETS</b>	<b>112</b>	<b>0</b>	<b>44,361</b>	<b>44,473</b>	<b>(61,707)</b>	<b>(2,944)</b>	<b>(64,651)</b>	<b>(20,178)</b>
<b>SCHOOLS BUDGETS</b>								
Central Services within the DSB	28,744	16,989	28,846	74,579	(42,818)	(159)	(42,977)	31,602
Schools Budgets	337,128	95	79,417	416,640	(77,842)	(8,008)	(85,850)	330,790
Dedicated Schools Grant	0	0	0	0	(366,923)	0	(366,923)	(366,923)
<b>TOTAL SCHOOLS BUDGETS</b>	<b>365,872</b>	<b>17,084</b>	<b>108,263</b>	<b>491,219</b>	<b>(487,583)</b>	<b>(8,167)</b>	<b>(495,750)</b>	<b>(4,531)</b>
<b>TOTAL EXPENDITURE</b>	<b>548,932</b>	<b>233,880</b>	<b>332,275</b>	<b>1,115,087</b>	<b>(636,551)</b>	<b>(60,467)</b>	<b>(697,018)</b>	<b>418,069</b>
<b>INCOME</b>								
Government Support	0	0	0	0	(182,203)	0	(182,203)	(182,203)
County Precept	0	0	0	0	0	(241,642)	(241,642)	(241,642)
<b>TOTAL INCOME</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(182,203)</b>	<b>(241,642)</b>	<b>(423,845)</b>	<b>(423,845)</b>
<b>Use/(Contribution) to Reserves</b>				1,115,087			(1,120,863)	(5,776)

(\*1) A description of the services provided and the sources of funding for these areas is set out below:

**Adult Social Care** offers support, advice, information and guidance to enable people over the age of 18 in Lincolnshire 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, joint partnership funding with the Department of Health. Also specific grants from government departments, and fees and charges for services (including: Fairer Charging Policy and Charges for Residential Accommodation Guidance).

**Healthier communities** 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.

**Universal children's services** include: home to school transport for mainstream children and special schools and early years provision (e.g. Children's Centres). Funding comes from LCC contributions, specific grants and contributions from pupils for college transport.

**Targeted children's services** include: school improvement service and teenage services (e.g. Youth & Connexions service and Teenage Pregnancy). Funding comes from LCC contributions and specific grants (e.g. Youth opportunity fund and Connexions).

**Specialist children's services** 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.

**Highways and traffic** 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 transport services** includes waste disposal and spatial and environmental planning. Funding comes primarily from LCC contributions.

**Economic regeneration** are responsible for investing to create regeneration opportunities in Lincolnshire. Funding comes from regional, national and European funding, in addition to LCC contributions.

**Resources directorate** provide support services, including: Finance, Internal Audit, Strategic Property, Business Support, Procurement and Legal Services. Plus a small number of public facing services such as Registration and Celebratory Services and Coroners. Funding comes from LCC contributions, plus some specific fees and charges (e.g. for registration services).

**Safer communities** includes: Trading Standards; Police Community Support Officers and the Youth Offending Service. Funding comes from LCC contributions plus specific grants (including: Safer Stronger Communities Fund, Consumer Direct, and Youth Justice Board).

**Fire & rescue and emergency planning** 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 other local authority contributions.

**Chief Executive Office** provides support services including: HR, ICT, communications and scrutiny functions and support for Councillors and the democratic process. Funding comes from LCC contributions.

**Culture and adult education services** include a comprehensive library service, the care and display of collections via the heritage sites, the archives and an outreach and education programme working with communities. Funding comes from LCC contributions, specific grants from government departments, and income generated from admission charges and shop sales.

**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. Income here is government grants - area based grant (non-ring fenced government grant) and supporting people grant. Other budgets also contains a contingency budget which is set aside to pay for unforeseen events that occur during the year.

**Schools budgets** funds nursery, primary, secondary and special schools and is allocated to schools through the Council's local funding formulas. The dedicated schools grant (DSG) is the principle source of funding for schools and related activities. Central services provided by the Council are also funded by the DSG and include: additional needs, sensory impaired service, birth to five service, etc.

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.

	<b>2009-10</b>	<b>2010-11</b>
	<b>£'000</b>	<b>£'000</b>
Net Expenditure in the directorate analysis (Use of Reserves)	(5,776)	20,181
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 31c) (*2)	82,774	(20,236)
Less: amounts reported to management in the analysis not included Comprehensive Income and Expenditure Account (Note 31c)	417,788	408,867
<b>Net Cost of Services in the Comprehensive Income and Expenditure Statement</b>	<b>494,786</b>	<b>408,812</b>

(\*2) In 2010-11 £15,031K appears in here as an IFRS adjustment. If we had been IFRS compliant at the time this amount would have appeared as part of the use of reserve figure.

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.

<b>Reconciliation to Subjective Analysis 2010-11</b>	<b>Service Analysis Cost of Service £'000</b>	<b>Amounts not reported to Management £'000</b>	<b>Amounts not included in CI&amp;ES £'000</b>	<b>Net Cost of Services £'000</b>	<b>Corporate Amounts £'000</b>	<b>(Surplus)/Deficit on Provision of Services £'000</b>
Other income (including fees and charges)	(58,640)	(49,980)	2,202	(106,418)	(2,202)	(108,620)
Income from Council Tax	(249,564)		249,564	0	(249,983)	(249,983)
Specific Grants and Contributions	(814,195)		210,033	(604,162)	(242,686)	(846,848)
Interest and Investment Income Receivable			1,933	1,933	(13,057)	(11,124)
<b>TOTAL Income</b>	<b>(1,122,399)</b>	<b>(49,980)</b>	<b>463,732</b>	<b>(708,647)</b>	<b>(507,927)</b>	<b>(1,216,574)</b>
Employee Expenses	549,097	(279,753)		269,344		269,344
Agency and Contract Expenditure	328,259			328,259		328,259
Other Running Expenses	265,225	135,623	(53,940)	346,908	1,020	347,928
Support Service Recharges				0		0
Depreciation, Amortisation and Impairment		173,874		173,874	(37,935)	135,939
Interest Payable and Similar Charges			(925)	(925)	20,900	19,975
Precepts and Levies				0		0
Gain or Loss on Disposal of Non-Current Assets				0	19,687	19,687
Pension Interest Cost				0	25,395	25,395
<b>TOTAL Expenditure</b>	<b>1,142,581</b>	<b>29,744</b>	<b>(54,865)</b>	<b>1,117,460</b>	<b>29,067</b>	<b>1,146,527</b>
<b>Surplus/ Deficit on the Provision of Services</b>	<b>20,182</b>	<b>(20,236)</b>	<b>408,867</b>	<b>408,813</b>	<b>(478,860)</b>	<b>(70,047)</b>

<b>Reconciliation to Subjective Analysis 2009-10</b>	<b>Service Analysis Cost of Service £'000</b>	<b>Amounts not reported to Management £'000</b>	<b>Amounts not included in CI&amp;ES £'000</b>	<b>Net Cost of Services £'000</b>	<b>Corporate Amounts £'000</b>	<b>(Surplus)/Deficit on Provision of Services £'000</b>
Other income (including fees and charges)	(60,466)	(45,377)	2,947	(102,896)		(102,896)
Income from Council Tax	(241,642)		241,642	0	(242,034)	(242,034)
Government Grants and Contributions	(818,754)	(20,884)	222,886	(616,752)	(240,806)	(857,558)
Interest and Investment Income Receivable		24,997		24,997	(7,378)	17,619
<b>TOTAL Income</b>	<b>(1,120,862)</b>	<b>(41,264)</b>	<b>467,475</b>	<b>(694,651)</b>	<b>(490,218)</b>	<b>(1,184,869)</b>
Employee Expenses	548,932	(17,038)		531,894		531,894
Agency and Contract Expenditure	233,880	(2,346)		231,534		231,534
Other Running Expenses	332,274	(637)	(49,687)	281,950		281,950
Support Service Recharges				0		0
Depreciation, Amortisation and Impairment		144,059		144,059	(73,116)	70,943
Interest Payable and Similar Charges				0	17,110	17,110
Precepts and Levies				0	(1,325)	(1,325)
Gain or Loss on Disposal of Non-Current Assets				0	29,598	29,598
Pension Interest Cost				0	28,806	28,806
<b>TOTAL Expenditure</b>	<b>1,115,086</b>	<b>124,038</b>	<b>(49,687)</b>	<b>1,189,437</b>	<b>1,073</b>	<b>1,190,510</b>
<b>Surplus/ Deficit on the Provision of Services</b>	<b>(5,776)</b>	<b>82,774</b>	<b>417,788</b>	<b>494,786</b>	<b>(489,145)</b>	<b>5,641</b>

### **Note 32. Acquired and Discontinued Operations.**

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

	Year ended 31 March 2011		
	Gross	Income	Net
	Expenditure		Expenditure
	£'000	£'000	£'000
Learning and Skills Council (Staff)	525	0	525
Young People's Learning Agency	16,594	(16,594)	0
<b>Surplus or Deficit on Aquired and Discontinued Operations</b>	<b>17,119</b>	<b>(16,594)</b>	<b>525</b>

#### Learning and Skills Council (Staff)

The Apprenticeships, Skills, Children and Learning Act 2009 received Royal Assent on 12 November 2009. The Act, which covers children and therefore young people with learning difficulties up to the age of 25, transfers responsibilities for commissioning and funding 16-19 education and training from the Learning and Skills Council (LSC) to local authorities on 1 April 2010.

On 1 April 2010, the Learning Skills Council was abolished, and all functions previously carried out by the LSC with respect to 16-19 education and training transferred either to local authorities or the Young People's Learning Agency (YPLA). On the same date, the Skills Funding Agency (SFA) was created to take on the post-19 functions of the LSC. In addition, some functions of the LSC passed to Regional Development Agencies and to Government Offices. Local authorities now have the central commissioning role for all education and training for young people aged 16-19 and up to 25 with learning difficulties, and for those young people in youth custody aged 10 to 18. The role of the YPLA is to support and enable local authorities to carry out their new responsibilities.

Nine former LSC staff transferred in to the Council on 1 April 2010.

#### Young People's Learning Agency

Following a decision by the Secretary of State for Education to streamline and simplify the 16-19 funding and allocations system in July 2010, the Young People's Learning Agency (YPLA) was asked to directly fund general FE and Sixth Form Colleges and other providers for 16-19 provision, rather than funds being directed through local authorities. As a result the final payments made to these providers via Lincolnshire County Council was July 2010. The strategic role for local authorities in young people's learning remains.

### **Note 33. Trading Activities.**

The County Council has no trading activities to report for 2010-11.

### **Note 34. Agency Services.**

#### a. Nursing Care

The County 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 £5.299m (£5.594m in 2009-10) 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.

### **Note 35. Road Charging Schemes Under the Transport Act 2000.**

The County Council has no road charging schemes under the transport act 2000.

### **Note 36. Pooled Budgets**

Under Section 31 of the Health Act 1999, the County Council has entered into pooled budget arrangements.

The County Council is the host authority for the pooled budgets relating to Learning Disabilities and Integrated Community Equipment Service and is responsible for their financial administration.

The NHS Trust is the host authority for the pooled budget relating to Mental Health services and is responsible for their financial administration.

#### **a. Learning Disability**

In 2001-02 the County Council and Lincolnshire Primary Care Trusts established a pooled budget Partnership Arrangement for the provision of learning disability services.

<b>2009-10</b>	<b>2010-11</b>
<b>£'000</b>	<b>£'000</b>
55,390 Gross Partnership Expenditure	54,630
(53,906) Gross Partnership Income	(52,010)
<b>1,484 Surplus(-)/Deficit</b>	<b>2,620</b>
<b>30,486 Contribution from Lincolnshire County Council</b>	<b>28,191</b>

Overspend in year is £2.620m. This overspend occurred due to further Demographic pressures during the 2010/11 year. Subject to the Section 75 agreement the County Council are responsible for any overspend in this area.

#### **b. Integrated Community Equipment Service (ICES)**

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

<b>2009-10</b>	<b>2010-11</b>
<b>£'000</b>	<b>£'000</b>
1,589 Gross Partnership Expenditure	1,686
(1,589) Gross Partnership Income	(1,686)
<b>0 Surplus(-)/Deficit</b>	<b>0</b>
<b>795 Contribution from Lincolnshire County Council</b>	<b>843</b>

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

### c. Mental Health

In 2002-03 the County Council and Lincolnshire Partnership NHS Foundation Trust established a pooled budget Partnership Arrangement for the provision of Mental Health Services.

<b>2009-10</b>	<b>2010-11</b>
<b>£'000</b>	<b>£'000</b>
47,484 Gross Partnership Expenditure	42,979
(47,484) Gross Partnership Income	(42,979)
<b>0 Surplus(-)/Deficit</b>	<b>0</b>
<b>8,599 Contribution from Lincolnshire County Council</b>	<b>7,842</b>

The County Council had a set budget in 2010/11 of £7.842m for this pooled budget. The host Authority of this pooled budget is the Health Trust (LPFT), and any overspend on this budget is their responsibility.

### d. Substance Misuse

In 2008-09 the County Council and Lincolnshire Partnership Foundation Trust established a pooled budget partnership arrangement for the provision of Drug and Alcohol problems.

<b>2009-10</b>	<b>2010-11</b>
<b>£'000</b>	<b>£'000</b>
2,104 Gross Partnership Expenditure	2,116
(2,104) Gross Partnership Income	(2,116)
<b>0 Surplus(-)/Deficit</b>	<b>0</b>
<b>234 Contribution from Lincolnshire County Council</b>	<b>234</b>

There is a risk sharing agreement in place between the parties interested in the Drug and Alcohol Action Team (DAAT) budget. The agreement states that under or overspends on the DAAT budget will be shared between these parties at year end. Lincolnshire's share of the risk is 51%.

## **Note 37. Members Allowances**

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

<b>2009-10</b>	<b>2010-11</b>
<b>£'000</b>	<b>£'000</b>
<u>Members Allowances:</u>	
613 Basic Allowances	634
341 Special Responsibility Allowances	365
954	999
119 Expenses	111
<b>1,073 TOTAL</b>	<b>1,110</b>



## **Note 38. Officers' Remuneration**

### a. Officers remuneration bandings

The table below shows the total number of staff employed by Lincolnshire County 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:

<b>2009-10 Number of Staff Re-Stated</b>		<b>2010-11 Number of Staff</b>	
<b>Remuneration received (excl those receiving termination payments)</b>	<b>Staff who received termination payments</b>	<b>Remuneration received (excl those receiving termination payments)</b>	<b>Staff who received termination payments</b>
<b>Pay Band</b>			
<b>TOTAL</b>			
0	0	£170,000- £174,999	0
0	0	£165,000- £169,999	0
0	0	£160,000- £164,999	0
0	0	£155,000- £159,999	0
0	0	£150,000- £154,999	0
0	0	£145,000- £149,999	0
0	0	£140,000- £144,999	2
0	0	£135,000- £139,999	3
0	0	£130,000- £134,999	1
0	0	£125,000- £129,999	0
1	0	£120,000- £124,999	0
0	0	£115,000- £119,999	0
0	0	£110,000- £114,999	1
1	0	£105,000- £109,999	0
1	0	£100,000- £104,999	1
2	1	£95,000- £ 99,999	2
9	0	£90,000- £94,999	5
13	1	£85,000- £89,999	13
13	1	£80,000- £84,999	9
10	1	£75,000- £79,999	9
25	1	£70,000- £74,999	19
50	2	£65,000- £69,999	32
76	1	£60,000- £64,999	71
134	1	£55,000- £59,999	126
241	0	£50,000- £54,999	195
<b>576</b>	<b>9</b>	<b>Total</b>	<b>482</b>
			<b>30</b>

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.

As a result of reductions in central government funding, the County Council is under taking a major reshaping of its services; this has led to a number of staff taking early retirement or being made redundant. As part of this the council has re-structured its senior management, which resulted in a reduction in senior employee numbers and an increase in the number of employees receiving termination benefits in 2010-11. Please refer to 'note 50 - Termination Benefits' for further details on termination benefits paid.

The number of employees within schools has shown a significant reduction from 2009-10 to 2010-11, this is due to schools becoming academies during the year.

**b. Senior Officers Remuneration**

The Accounts and Audit (England) Regulations 2003 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).

<b>Job Title</b>	<b>Year</b>	<b>Salary £</b>	<b>Employer's Pension Contribution £</b>	<b>Any Other Emoluments £</b>	<b>Total £</b>
<u>Senior Officers with a salary over £150,000</u>					
Tony McArdle - Chief Executive	2010-11	173,226	32,740	1,147	207,113
	2009-10	173,226	32,740	93	206,059
<u>Senior Officers with a salary over £50,000 and less than £150,000</u>					
Executive Director - Adult Service Group	2010-11*	47,074	8,897	1,147	57,118
	2009-10	125,983	23,811	1,154	150,948
Executive Director - Children's Group	2010-11	130,983	24,755	1,200	156,938
	2009-10	125,983	23,811	1,181	150,975
Executive Director - Resources and Community Safety	2010-11	125,983	23,957	595	150,535
	2009-10	125,983	23,957	627	150,567
Executive Director - Development Services	2010-11	125,983	23,811	1,101	150,895
	2009-10	125,983	23,811	1,160	150,954
Assistant Chief Executive	2010-11	118,000	22,302	737	141,039
	2009-10	113,662	21,482	985	136,129
Director of Customer Strategies	2010-11(*1)	74,667	14,112	62,023	150,802
	2009-10	109,077	20,616	685	130,378
Chief Fire Officer	2010-11(*1)	88,007	18,291	610	106,908
	2009-10	111,100	23,930	794	135,824

<b>Job Title</b>	<b>Year</b>	<b>Salary £</b>	<b>Employer's Pension Contribution £</b>	<b>Any Other Emoluments £</b>	<b>Total £</b>
<u>Head teachers with a salary over £150,000</u>					
<b>Adrian Reed</b> Executive Head Teacher	2010-11	169,821	23,945	0	193,766
	2009-10	148,519	20,941	0	169,460

(\*1) Employee left the council's employment part way through the year.

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

### **Note 39. External Audit Costs.**

Lincolnshire County Council incurred the following fees in relation to external audit and inspection work.

<b>2009-10</b>	<b>2010-11</b>
<b>£'000</b>	<b>£'000</b>
269 Fees payable to the Audit Commission with regards to external audit services carried out by the appointed auditor	251
17 Fees payable to the Audit Commission in respect of statutory inspection	0
<b>286 Audit and Inspection Fee</b>	<b>251</b>
28 Fees payable to the Audit Commission for the certification of grant claims and returns	23
0 Fees payable in respect of other services provided by the appointed auditor	0
<b>314 Total</b>	<b>274</b>

### **Note 40. 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.

<b>2009-10</b>	<b>2010-11</b>
<b>£'000</b>	<b>£'000</b>
848 Staff Advertising	435
1,392 Other Advertising	1,116
246 Public Relations	24
32 Lincolnshire Show	41
438 Inside Lincolnshire	344
112 Other Publicity	241
<b>3,068</b>	<b>2,201</b>

Other Advertising includes general advertising for Children's Services (£0.095m), Schools (£0.128m), Environment Planning and Transport (£0.309m) and Economic Regeneration promotions (£0.220m).

#### **Note 41. Landfill Allowances Trading Scheme (LATS).**

In 2010-11 the Council was given 116,753 tonnes of landfill allowances. These allowances are recognised as a current asset on the balance sheet at a fair market value which is calculated as a national average of all trades carried out within 2010-11 (£12.50 per tonne).

The Council has estimated that it has deposited 101,230 tonnes of landfill (£1.265m) of biodegradable municipal waste in 2010-11. This estimated use is treated as a liability until it is confirmed in the following year and matched to allowances available.

No allowances have been purchased or sold relating to 2010-11.

As financial year 2009-10 was a designated "Target Year" no allowances could be carried forward into 2010-11. However unused allowances from 2010-11 (15,523 tonnes x £12.50 = £194,038) can be carried forward into 2011-12.

	2009-10 Tonnes	2010-11 Tonnes	£12.50 per Tonne 2010-11 £'000
Allowances received	131,376	116,753	1,459
Unused allowances relating to previous years	0	0	0
	<b>131,376</b>	<b>116,753</b>	<b>1,459</b>
Biodegradable Municipal Waste usage	99,689	101,230	1,265
<b>Estimated Unused Allowance at 31 March</b>	<b>31,687</b>	<b>15,523</b>	<b>194</b>

#### **Note 42. Dedicated Schools Grant.**

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Children, Schools and Families, the Dedicated Schools Grant (DSG). The DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget as defined in the School Finance (England) Regulations 2008. 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 2010-11 are as follows:

Schools Budget Funded by Dedicated Schools Grant	Central Expenditure £'000	Individual Schools Budget £'000	Total £'000
Brought forward from 2009-10	2,673	4,807	7,480
Final DSG for 2010-11	40,326	323,178	363,504
Carry forward to 2011-12 Agreed in Advance	0	0	0
<b>Agreed budget distribution in 2010-11</b>	<b>42,999</b>	<b>327,985</b>	<b>370,984</b>
Actual central expenditure	34,879	0	34,879
Actual ISB deployed to schools	0	318,553	318,553
<b>Carry Forward to 2011-12</b>	<b>8,120</b>	<b>9,432</b>	<b>17,552</b>

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 under ear-marked reserves.

## Note 43. Grant Income

The County Council credited the following grants and contributions and donations to the Comprehensive Income and Expenditure Statement in 2010-11 for grants & contributions where the conditions have been met, or no conditions existed:

2009-10 £'000	Credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement	2010-11 £'000
55,711	Area Based Grant	50,497
148,035	Contribution from National Non-Domestic Rates	167,715
34,168	Revenue Support Grant	24,354
	<u>Capital Grants and Contributions</u>	
0	Framework academies grant	6,763
5,717	DfE Primary Capital Programme	6,181
30,971	Department for Transport S31 Grant A1073	4,785
3,255	DfE Harnessing Technology Grant	3,421
9,123	Devolved Formula Grant	2,751
2,179	DfT Detruncking Grant	2,526
9,184	DfE Modernisation Grant	1,908
0	CAF Demonstrator Grant	1,827
0	Community Infrastructure fund(CIF)	1,481
0	Targeted Capital Fund Kitchen Grant	1,447
0	Homes and Communities Agency Grant	1,249
0	Fire -Estate Improvement grant	1,224
1,226	Waste Infrastructure	454
2,949	DfE Surestart Capital Grant	0
0	St Georges Academy	0
3,429	DfT Other Grants	0
1,765	Extra Care Housing (PCT LD Grant)	0
1,177	ASC Social Care Capital Grant	0
7,376	Other Capital Grants and Contributions	2,038
<b>316,265</b>	<b>Total</b>	<b>280,621</b>

Details of capital grants unapplied during the financial year and transferred to reserves can be found in The Movement on Reserves Statement and Note 26.

2009-10 £'000	Credited to Revenue Service Accounts in the Comprehensive Income and Expenditure Statement	2010-11 £'000
366,923	Dedicated Schools Grant	363,504
35,771	Standards Fund (Childrens)	48,374
36,119	Sixth Form Funding	34,548
15,109	DfE Framework Academies Grants	24,675
18,421	General Sure Start	20,453
17,863	Schools Standards Funding	17,847
0	YPLA 16-18 Leaner Responsive Funding	15,181
0	Winter Damage	8,997
7,436	DFE Devolved Formula Grant	5,200
489	Primary Control Programme grant	4,230
1,290	Supporting People	4,008
2,436	Social Care Reform Grant	3,777
1,911	Trent Valley Academy Fees & Expenditure Grant	3,573
5,676	Grantham Growth Points	3,170
3,561	Schools Standards Funding Personalisation	3,148
6,546	East Midland Development Agency (SRP Grant)	2,746
5,277	LPSA2 Reward Grant	1,418
7,118	Learner Support Fund	45
15,109	PFS Framework	0
7,436	Schools Devolved Funding	0
9,541	Targeted Capital Finance	0
108	Donated Assets	0
10,808	Other Revenue Grants	26,877
<b>574,948</b>	<b>Total</b>	<b>591,771</b>

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 County 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:

2009-10 £'000	Capital Grants and Contributions Receipts in Advance	2010-11 £'000
	0 TCF Kitchen Grant 10/11	3,168
	964 Adult Social Care Transformation Grant	426
	100 Salix Energy Conservation Grant	92
	2,000 Schools Targeted Capital Grants	0
	675 EMDA Grants	0
	434 Fire & Rescue Estate Improvement Grant	0
	2,527 Other	1,655
	<b>6,700 Total</b>	<b>5,341</b>

2009-10 £'000	Revenue Grants and Contributions Receipts in Advance	2010-11 £'000
	964 Transformation Grant	826
	107 LSC Adult Learning Grant	285
	219 Sure start, Early Years & Childcare/ Aim higher for disabled children	104
	0 New Burdens Regional Control Centre (*1)	53
	118 Community Services Programme Pilot	0
	4,008 Supporting People Grant	0
	141 Handy Person Grant	0
	890 Other Revenue Receipts in Advance	161
	<b>6,447 Total</b>	<b>1,429</b>

(\*1) In the financial year 2010-11, there are conditions attached to the receipt of the The Regional Control Centre (RCC) New Burdens Grant which had not existed in 2009-10. These conditions had not yet been fully met at the year end and so in 2010-11 this grant appears in the above table 'Revenue Grants and Contributions Receipts in Advance'. In 2009-10 £0.428m of this grant was received without any conditions attached and so the grant appears in the 'Credited to Services (revenue)' table under 'Other Revenue Grants' for 2009-10.

#### **Note 44. 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 County Council in 2010-11 are set out in note 13 taxation and non specific grant income and note 43 grant income.

Capital grants of £38.055m have also been received by the Council in 2010-11, these are recorded in note 13 taxation and non specific grant income and note 43 grant income.

#### b. Councillors and Senior Officers

Members of the Council have direct control over the Council's financial and operating policies. 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, 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.

During 2010-11 the following have been declared:

- Two Councillors have provided services to the Council to the value of £1,600;
- 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;
- One Councillor is on the Management Board of ESPO;
- One Councillor is a Non-Executive for Lincolnshire Home Improvement Agency;
- One Councillor is on the Board of Urban Challenge; and
- One Councillor is on the Board of Lincolnshire Economic Action Partnership.

During 2010-11 there are no declarations to report for the chief officers of Lincolnshire County Council.

#### c. Other public bodies

The County Council has received precepts collected by the District Councils. These are identified in the comprehensive income and expenditure statement and note 13 taxation and non specific grant income.

The Council also paid precepts of **£1.029m** to the Environment Agency for Flood Defence Levies (**£0.596m**) and Eastern and North Eastern Sea Fisheries (**£0.433m**), these payments are included in the comprehensive income and expenditure statement, other operating expenditure (note 11).

The Council has entered into Pooled Budget arrangements with NHS Lincolnshire for learning disabilities and integrated community equipment, and Lincolnshire (foundation) Partnership Trust for mental health services.

The County Council is the administrator of the Lincolnshire Pension Fund and has control of the fund within the overall statutory framework. During the financial year **£1.010m** was recharged from the County Council to the pension fund for scheme administration and management. The pension fund earned a total for interest of **£0.183m** 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 County 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) and the East Midlands Fire and Rescue Control Centre (note 55).

## **Note 45. Capital Expenditure and Capital Financing.**

The table below shows the financing of the £175.391m 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 2010-11 expenditure is provided in the Explanatory Foreword, with details of the assets acquired.

<b>2009-10</b>	<b>2010-11</b>
<b>£'000</b>	<b>£'000</b>
<b>368,385 Opening Capital Financing Requirement</b>	<b>415,856</b>
<u>Capital Investment:</u>	
144,530 Property, Plant and Equipment	111,028
338 Investment Property	303
559 Intangible Assets	728
37,173 Revenue Expenditure Funded from Capital Under Statute	63,432
<u>Sources of Finance:</u>	
(1,879) Capital Receipts	(1,766)
(100,727) Government Grant and Contributions	(87,289)
<u>Sums set aside from Revenue:</u>	
(9,768) Direct Revenue Contributions	(11,688)
(22,755) MRP/Loans fund principal	(21,272)
<b>415,856 Closing Capital Financing Requirement</b>	<b>469,332</b>
<b>47,471 Movement in Year:</b>	<b>53,476</b>
<b>Explanation of movement in year:</b>	
36,083 Increase in underlying need to borrowing (supported by government financial assistance)	0
9,860 Increase in underlying need to borrowing (unsupported by government financial assistance)	52,907
1,528 Assets acquired under finance leases	569
0 Assets acquired under PFI/PPP contracts	0
<b>47,471 Increase/decrease (-) in Capital Financing Requirement</b>	<b>53,476</b>



## **Note 46 Leases.**

### **a. Lincolnshire County Council as Lessee**

#### **i) Finance Leases**

The County Council has acquired the following assets under finance leases:

##### Land and Buildings:

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

County Farms - the County Council hold a small number of holding 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 £1.078m (£1.235m in 2009/10) were made during the year. £0.150m was charged to the Comprehensive Income and Expenditure Statement as interest payable and £0.928m written down to deferred liabilities in the Balance Sheet.

The following amounts are included within tangible fixed assets (note 14) for the property, plant and equipment held under finance leases:

	<b>Land and Buildings £'000</b>	<b>Vehicles, Plant &amp; Equipment £'000</b>
Valuation at 31 March 2009	20,954	8,523
Additions	180	1,359
Revaluations	(2,237)	0
Depreciation	(169)	(2,019)
Disposals	(117)	(47)
Reclassifications	3,176	0
<b>Net Book value as at 31 March 2010</b>	<b>21,787</b>	<b>7,816</b>
Valuation at 31 March 2010	21,787	7,816
Additions	714	569
Revaluations	1,089	0
Depreciation	(482)	(1,817)
Disposals	0	0
Reclassifications	(6,205)	104
<b>Net Book Value at 31 March 2011</b>	<b>16,903</b>	<b>6,672</b>

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

Land and Buildings:	2009-10		2010-11	
	Minimum Lease Payments	Finance Lease Liabilities	Minimum Lease Payments	Finance Lease Liabilities
	£'000	£'000	£'000	£'000
Not later than one year	1	32	0	32
Between one year and not later than five years	3	127	2	127
Later than five years	269	1,625	271	1,604
<b>Total Committed Liabilities as at 31 March</b>	<b>273</b>	<b>1,784</b>	<b>273</b>	<b>1,763</b>

Vehicles, Plant & Equipment:	2009-10		2010-11	
	Minimum Lease Payments	Finance Lease Liabilities	Minimum Lease Payments	Finance Lease Liabilities
	£'000	£'000	£'000	£'000
Not later than one year	1,652	554	1,538	531
Between one year and not later than five years	3,865	791	2,735	1,157
Later than five years	3,290	153	3,412	901
<b>Total Committed Liabilities as at 31 March</b>	<b>8,807</b>	<b>1,498</b>	<b>7,685</b>	<b>2,589</b>

The County Council sub-lets County Farm holding held under finance leases. At 31 March 2011 the minimum payments expected to be received under non-cancellable sub-leases was £0.271m.

#### **i) Operating Leases**

The County 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 2010-11 amounted to £2.324m (£2.012m in 2009-10). This includes £1.492m 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 £2.451m in 2010-11 (£2.282m in 2009-10).

As at 31 March 2011, the Council is committed to making payments of £12.041m under operating leases, comprising the following elements:

	2009-10 £'000	2010-11 £'000
Not later than one year	4,253	4,146
Between one year and not later than five years	7,000	7,574
Later than five years	3,924	3,721
<b>Total Committed Liabilities as at 31 March</b>	<b>15,177</b>	<b>15,441</b>

#### **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) for the County Farms estate and received income from tenants of £1.798m in 2010-11 (£1.772m in 2009-10). The Council also received rental income from other properties; where the value of the lease is material, the income amounted to £0.943m in 2010-11 (£0.814m in 2009-10).

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

	2009-10 £'000	2010-11 £'000
Not later than one year	2,267	684
Between one year and not later than five years	3,587	1,738
Later than five years	448	3,554
<b>Total future minimum lease payments receivable as at 31 March</b>	<b>6,302</b>	<b>5,976</b>

## **Note 47. Private Finance Initiatives (PFI) and Similar Contracts**

### **Lincolnshire - Schools PFI Arrangement**

#### **a. Background**

On 27 September 2001 Lincolnshire County 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:

<b>Buildings: Description</b>	<b>Occupied from</b>
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 County 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 2010-11. These assets are included in the fixed assets shown in note 14 Property, Plant and Equipment.

	<b>Land &amp; Buildings £000</b>	<b>Furniture &amp; Equipment £000</b>
Valuation at 31 March 2009	24,996	46
Additions	0	94
Revaluations	6,894	0
Depreciation	(455)	(22)
Disposals	0	0
Reclassifications	0	0
<b>Net Book Value at 31 March 2010</b>	<b>31,435</b>	<b>118</b>
Valuation at 31 March 2010	31,435	118
Additions	34	157
Revaluations	(3)	0
Depreciation	(459)	(55)
Disposals	0	0
Reclassifications	14	0
<b>Net Book Value at 31 March 2011</b>	<b>31,021</b>	<b>220</b>

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 2009-10:

	<b>PFI Lease Liability 2009-10 £000</b>	<b>PFI Lease Liability 2010-11 £000</b>
Liability as at 1 April	16,614	15,887
Principal Repayments	(727)	(720)
<b>Liability as at 31 March</b>	<b>15,887</b>	<b>15,167</b>

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.

	<b>Principal Lease Repayments £000</b>	<b>Financing Costs (Interest) £000</b>	<b>Service Charges £000</b>	<b>Total Estimated Payments £000</b>
Payable in 2011/12	661	1,071	750	<b>2,482</b>
Payable between 2012/13 and 2015/16	2,654	3,816	3,176	<b>9,646</b>
Payable between 2016/17 and 2020/21	3,355	3,729	3,888	<b>10,972</b>
Payable between 2021/22 and 2025/26	3,817	2,346	3,840	<b>10,003</b>
Payable between 2026/27 and 2030/31	4,260	834	2,839	<b>7,933</b>
Payable between 2031/32 and 3035/36	420	24	763	<b>1,207</b>
<b>Total Committed Liabilities as at 31 March 2011</b>	<b>15,167</b>	<b>11,820</b>	<b>15,256</b>	<b>42,243</b>

**Note 48. Impairment Losses.**

Lincolnshire County Council has not recognised any material impairments in the 2010-11 accounts.

**Note 49. Capitalisation of Borrowing Costs.**

The County Council does not capitalise any borrowing costs.

## **Note 50. Termination Benefits.**

The County Council has incurred liabilities of £23.281m (£2.456m in 2009-10) in relation to termination benefits in 2010-11, £18.755m for redundancy payments and £4.525m for pension strain (£1.767m for redundancy payments and £0.680m for pension strain in 2009-10).

As a result of the central government cuts the County Council is currently going through a process of reshaping services. The senior management review has been completed, further reviews for adult social care operations and general staffing reviews are currently underway.

Termination benefits are included within the accounts as:

	Redundancy Payments £'000	Pension Strain £'000	Total Termination Benefits £'000
Actual payments made	711	97	808
Creditor accruals	2,518	742	3,260
Short term provisions	11,927	2,813	14,740
<b>TOTAL</b>	<b>15,156</b>	<b>3,652</b>	<b>18,808</b>

The review of Legal Shared Services commenced on 1 April 2011 and an earmarked reserve for £0.287m (£0.266m for redundancy costs and £0.021m for pension strain costs) has been created for the estimated costs in this area.

Further reviews for ICT, HR and Support to the Business are due to be undertaken during 2011-12. No costs in relation to these reviews have been included within the 2010-11 financial statements.

Information relating to terminations benefits which have an effect on pensions is also included in note 51 Retirement Benefits and further details on payments made to senior officers are included within note 38 Senior Officer Remuneration.

## **Note 51. Pension Schemes Accounted for as Defined Contribution Schemes.**

### Teachers' Pension Scheme

Teachers employed by Lincolnshire County Council are members of the Teachers' Pension Scheme, administered by the Department for Education. The Scheme provides teachers with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions 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 County 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 purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2010-11 Lincolnshire County Council paid £26.845m to the administrators of the TPS in respect of employer's pension contributions. This represents 14.1% of teachers' pensionable pay during 2010/11. 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 £3.874m in 2010/11 and have an ongoing liability to the Council. A further £2.2m was paid as lump sum redundancy payments.

## **Note 52. Defined Benefit Pensions Schemes.**

### Participation in Pension Schemes

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

The County 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 County Council and employees pay contributions into the fund, calculated at a level intended to balance the pensions liabilities with investment assets.

Lincolnshire County Council paid employers' contributions of £34.256m into the Lincolnshire Pension Fund in 2010/11 based on 18.9% of scheme employees' pensionable pay. Under the Council's early retirement policy, additional contributions of £1.859m 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 £4.525m. A further £18.755m was paid as lump sum redundancy payments. Further information can be found on pages 117 - 132 and in the County Council's Pension Fund Annual Report which is available on request.

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

In 2010/11, Lincolnshire County Council paid employer's contributions of £3.595m 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 £1.557m was paid in respect of ill health retirements and £0.233m in respect of injury benefits. Further information on the Lincolnshire Fire and Rescue Pension fund can be found on pages 133-135.

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

This has the effect of reducing Lincolnshire County Council's liabilities in the LGPS Pension Fund by £120.192m and the Fire Fighters Pension Fund by £15.4m has been recognised as a past service gain in accordance with guidance set down in UITF Abstract 48, since the change is considered to be a change in benefit entitlement.

#### 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	31 March 2010	31 March 2010	31 March 2011	31 March 2011
	Local Government Pension Scheme £'000	Fire-fighters' Pension Scheme £'000	Local Government Pension Scheme £'000	Fire-fighters' Pension Scheme £'000
<u>Cost of Services</u>				
- Current Service Cost	20,788	2,600	37,524	4,600
- Past Service Cost / (Gain) (*1)	141		(120,192)	(15,400)
- Past Service Cost / (Gain) Injury Benefits		400		
- Losses / (Gains) on Curtailments and Settlements	200		888	
<u>Financing and Investment Income and Expenditure</u>				
- Interest	53,421	6,900	64,258	7,100
- Expected Return on Employer Assets	(31,515)		(45,963)	
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>43,035</b>	<b>9,900</b>	<b>(63,485)</b>	<b>(3,700)</b>
<u>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</u>				
- Actuarial gains and losses	314,416	34,700	(173,165)	(800)
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>357,451</b>	<b>44,600</b>	<b>(236,650)</b>	<b>(4,500)</b>

Comprehensive Income and Expenditure Statement	31 March 2010	31 March 2010	31 March 2011	31 March 2011
	Local Government Pension Scheme £'000	Fire-fighters' Pension Scheme £'000	Local Government Pension Scheme £'000	Fire-fighters' Pension Scheme £'000
<b>Movement in Reserves Statement</b>				
- Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(43,035)	(9,900)	63,485	3,700

Comprehensive Income and Expenditure Statement	31 March 2010	31 March 2010	31 March 2011	31 March 2011
	Local Government Pension Scheme £'000	Fire-fighters' Pension Scheme £'000	Local Government Pension Scheme £'000	Fire-fighters' Pension Scheme £'000
<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>				
- Employer's Contributions payable to the Pension Scheme	40,981	1,365	44,455	4,300

(\*1) The past service cost figure for this year includes £0.272m in respect of efficiency and other early retirements and £135.864m (£120.192m for the Local Government Pension Scheme and £15.400m of Fire Fighters) in respect of the changes to pension increases introduced in the Chancellors Budget Statement.



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

	31 March 2010 Local Government Pension Scheme £'000	31 March 2010 Fire-fighters' Pension Scheme £'000	31 March 2011 Local Government Pension Scheme £'000	31 March 2011 Fire-fighters' Pension Scheme £'000
Opening Defined Benefit Obligation (1 April)	771,449	99,300	1,255,124	141,000
- Current Service Cost	20,788	2,600	37,524	4,600
- Government Grant (Fire-fighters only)		(777)		(2,430)
- Interest Cost	53,421	6,900	64,258	7,100
- Contributions by Members	11,615	1,000	11,669	1,000
- Actuarial Losses / (Gains)	423,943	34,700	(132,340)	(800)
- Past Service Cost / (Gain)	141		(120,192)	(15,400)
- Past Service Cost / (Gain) Injury Benefits		400		0
- Losses / (Gains) on Curtailments	200		888	
- Unfunded Benefits Paid	(5,389)		(5,726)	
- Benefits Paid	(26,403)		(32,614)	
- Liabilities Assumed on Business Combination	5,359			
- Pensions and Lump Sum Expenditure		(3,623)		(2,770)
- Transfers in from/out to other authorities		500		(100)
<b>Closing Defined Benefit Obligation (31 March)</b>	<b>1,255,124</b>	<b>141,000</b>	<b>1,078,591</b>	<b>132,200</b>

c. Reconciliation of fair value of employer assets.

	31 March 2010 Local Government Pension Scheme £'000	31 March 2010 Fire-fighters' Pension Scheme £'000	31 March 2011 Local Government Pension Scheme £'000	31 March 2011 Fire-fighters' Pension Scheme £'000
Opening Fair Value of Employer Assets (1 April)	481,488	0	648,334	0
- Expected Return on Assets	31,515		45,963	
- Contributions by Members	11,615	1,000	11,669	1,000
- Contributions by the Employer	35,234	2,900	38,729	4,300
- Contributions in respect of Unfunded Benefits	5,389		5,726	
- Actuarial Gains / (Losses)	112,866		40,824	
- Unfunded Benefits Paid	(5,389)		(5,726)	
- Benefits Paid	(26,403)		(32,615)	
- Assets gained on Business Combination	2,019			
- Transfers in from/out to other authorities		500		(100)
- Pensions and Lump Sum Expenditure		(4,400)		(5,200)
<b>Closing Fair Value of Employer Assets (31 March)</b>	<b>648,334</b>	<b>0</b>	<b>752,904</b>	<b>0</b>

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 7.5% (2010-11).

#### d. Pension Fund Assets and Liabilities (Scheme History)

The table below shows the estimated assets and liabilities for retirement benefits attributable to Lincolnshire County Council as at 31 March 2010.

	2006-07 £'000	2007-08 £'000	2008-09 £'000	2009-10 £'000	2010-11 £'000
<u>Present Value of Liabilities:</u>					
- Local Government Pension Scheme	(836,907)	(774,803)	(771,449)	(1,255,124)	(1,078,590)
<u>Fair Value of assets in the Local Government pension Scheme</u>	608,530	574,231	481,488	648,334	752,904
<u>Surplus/(deficit) in the schemes</u>					
- Local Government Pension Scheme	(228,377)	(200,572)	(289,961)	(606,790)	(325,686)
- Fire Fighters Pension Scheme	(99,059)	(100,889)	(99,300)	(141,000)	(132,200)
<b>Total Surplus/(deficit) in the schemes</b>	<b>(327,436)</b>	<b>(301,461)</b>	<b>(389,261)</b>	<b>(747,790)</b>	<b>(457,886)</b>

The liabilities show the underlying commitments that Lincolnshire County Council has to pay retirement benefits in the future. The total liability of £457.9m has a substantial impact on the net worth of the Council as recorded in the balance sheet.

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 2010/11 were set at 18.9% of employees' pensionable pay to, over time, meet in full the estimated liabilities of the fund. The triennial LGPS actuarial valuation at 31 March 2010, following an improvement in world equity markets, identified that assets held at that date were sufficient to cover 77% of accrued liabilities.

In assessing liabilities for retirement benefits at 31 March 2010 for the 2009-10 Statement of Accounts, the actuary assumed a discount rate of 1.6% real (5.5% 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.

For the 2010/11 Statement of Accounts, the actuary has advised that a rate of 3.7% real (6.9% actual) is appropriate.

The total contributions expected to be made to the Local Government Pension Scheme by the council in the year to 31 March 2011 is £38.7 million. Expected contributions for the Fire-fighters' scheme in the year to 31 March 2011 are £4.1 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 Hyman Roberts, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 1 April 2010.

The principal assumptions used by the actuary have been:

	31 March 2010 Local Government Pension Scheme %	31 March 2010 Fire-fighters' Pension Scheme %	31 March 2011 Local Government Pension Scheme %	31 March 2011 Fire-fighters' Pension Scheme %
Price Increases	3.8	3.8	3.6	3.6
Salary Increases (*1)	5.3	5.3	5.1	4.6
Pension Increases (CPI)	3.8	3.8	2.8	2.8
Discount Rate	5.5	5.5	5.5	5.5
Take up of option to convert annual pension to lump sum prior to 1 April 2009	25	N/A	25	N/A
Take up of option to convert annual pension to lump sum post 1 April 2009	63	N/A	63	N/A

(\*1) Salary increases are 1% p. a. nominal for the year to 31 March 2011 and 31 March 2012 reverting to 5.1% 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	31 March 2010	31 March 2010	31 March 2011	31 March 2011
	£0	%	£0	%
Equities	453,834	70.0	572,207	76.0
Bonds	116,700	18.0	90,349	12.0
Property	71,317	11.0	82,820	11.0
Cash	6,483	1.0	7,529	1.0
<b>Total</b>	<b>648,334</b>	<b>100</b>	<b>752,905</b>	<b>100</b>

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	Local Government Pension Scheme	Fire-fighters' Pension Scheme	Fire-fighters' Pension Scheme
	Males	Females	Males	Females
Current Pensioners	21.2 years	23.4 years	27.9 years	30.8 years
Future Pensioners	23.7 years	25.7 years	29.5 years	32.3 years

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 2010-11, can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities as at 31 March 2010.

<b>Local Government Pension Scheme</b>	<b>2006-07</b>	<b>2007-08</b>	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Difference between the expected and actual return on assets	0.25%	-18.97%	-26.67%	18.55%	12.50%
Experience Gains / Losses on Liabilities	-0.37%	-0.13%	0.00%	-0.12%	-2.30%

<b>Fire-fighters' Pension Scheme</b>	<b>2006-07</b>	<b>2007-08</b>	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Experience Gains / Losses on Liabilities	-0.83%	15.81%	-6.95%	-3.33%	2.60%

g. Projected Pension expense for the year to 31 March 2012

<b>Year Ended:</b>	<b>31 March 2012</b>		<b>31 March 2012</b>
	<b>Local Government Pension Scheme</b>		<b>Fire-fighters' Pension Scheme</b>
	<b>£'000</b>	<b>%</b>	<b>£'000</b>
Projected Current Service Cost	32,020	18.9%	4,100
Interest on Obligation	59,341	35.0%	6,900
Expected Return on Plan assets	(52,172)	-31.0%	
Past Service Costs			
Losses / (Gains) on Curtailments and Settlements			
<b>Total</b>	<b>39,189</b>	<b>22.9%</b>	<b>11,000</b>

Employer's contributions for the year to 31 March 2012 for the LGPS will be approximately £32 million.

h. Sensitivity Analysis

<b>Change in assumptions at year ended 31 March 2011</b>	<b>Local Government Pension Scheme</b>		<b>Fire Fighters' Pension Scheme</b>	
	<b>Approximate % Change to Employer Liability</b>	<b>Approximate monetary Amount</b>	<b>Approximate % Change to Employer Liability</b>	<b>Approximate monetary Amount</b>
0.5% decrease in Real Discount rate	9.0%	94,845	9.0%	11,200
1 year increase in member life expectancy	3.0%	30,468	3.0%	3,800
0.5% increase in the Salary Increase Rate	2.0%	24,234	1.0%	1,600
0.5% increase in the Salary Increase Rate	7.0%	70,563	8.0%	9,500

## **Note 53. Contingent Liabilities.**

At 31 March 2011 the County Council has the following material contingent liabilities:

### **a. Insurance**

Lincolnshire County Council obtained public and employer's liability insurance cover from the Independent Insurance Company between 1995 and 1998. The company has gone into liquidation and the extent to which it will be able to meet current and future claims for incidents which occurred during the period 1995 to 1998 is not presently known. The Council is only liable for up to the first £125,000 of every claim of this type. The position is independently reviewed bi-annually by the insurance reserve actuary to ensure that reserves are sufficient to cover the total liability.

To date the actuary is satisfied as to the sufficiency of current reserves in this regard. The Council has an insurance reserve and the surplus on this reserve is sufficient to cover the potential liability.

Municipal Mutual Insurance Limited, the Council's former insurers, ceased writing insurance business in September 1992. They have made a scheme of arrangements with creditors in the event of the company becoming insolvent. Claims are currently being paid in full and it is hoped that the Company's assets will enable all liabilities to be met. It should be noted that there is a contingent liability if the Council is: a) unable to recover all of the outstanding claims in ensuing years, b) if a clawback arrangement has to be implemented.

### **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 £2m.

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 £1m.

#### 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 (Extra Contractual Referrals – ECRs). Over the years with the closure of those hospitals the individuals have moved into places in the community or in some cases their previous accommodation has become community provision. With our pooled budget arrangements with Lincolnshire Health we have hitherto paid for the care of these individuals and invoiced the other local authorities with the cost.

Using the argument of ordinary residence some of these other local Authorities are now seeking to reduce their costs by saying these people are now the responsibility of Lincolnshire County Council. However, as these people were placed in Lincolnshire as hospital in-patients we have an expectation that upon discharge from long stay hospital care an amount of health funding (dowry payments) should have followed them into the community.

The matter is the subject of legal discussions between Lincolnshire and other local authorities.

There is a range of possible financial outcomes depending on the eventual conclusion of these discussions. Any liability is likely to be in the range of nil to £0.3m.

#### e. Provider Contracts

The Council is in discussion with a number of providers about potential liabilities resulting from historic contractual arrangements that are in the process of being modernised and changed. The extent of any financial liability is unclear and the Council contends that, if any sums are due, they are relatively small. It is expected that most, if not all claims will be resolved in 2011/12. The current liability is estimated to be £0.170m.

### **Note 54. Contingent Assets.**

At 31 March 2011 the County Council did not have any material contingent assets.

## **Note 55. 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 2010/11 and no group relationships have been identified to be included within 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) and the East Midlands Fire and Rescue Control Centre.

### **a) 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 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 31st March 2011, these showed net assets of £6.184m in 2010-11 (£4.812m in 2009-10 (\*1)) and a surplus of £2.513m in 2010-11 (a surplus of £0.731m in 2009-10).

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. Turnover between Lincolnshire County Council and ESPO totalled £22.827m for 2010-11 (£26.833m for 2009-10) in respect of stores issues, direct orders and period contracts (or 9.3% of ESPO's total relevant turnover in 2010-11). In effect the County Council would be entitled to approximately 9.3% of ESPO's assets and liabilities; these have not been included in the County Council's balance sheet.

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 County 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 statement 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.

(\*1) Please note ESPO have been subject to the requirement to change their accounting to comply with IFRS, this means some of the comparator figures for 2009-10 have been amended from the figures published in the County Council accounts last year.

### **b) Interests in Subsidiaries - East Midlands Fire and Rescue Control Centre.**

Lincolnshire County Council is one of five members that jointly own the Regional Fire and Rescue Control Centre established in the East Midlands. The Regional Control Centre is a local authority controlled company. The original intent was to provide the regional control centre to serve the whole of the East Midlands.

The Regional Control Centre was formed on 17 November 2006. It took ownership of a leased building at Castle Donnington in June 2007 and planned to operate from here for the next 25 years. The first members of staff were employed from September 2007. The Department for Communities and Local Government (DCLG) had determined a timetable for each region and each authority to commence their control operations from the regional control centre. Lincolnshire was due to move over in January 2012.

However, on Monday 20 December 2010 Central Government announced that the national fire and rescue control centre project was to be terminated. The board met on 10th January 2011 and agreed to initiate a process of winding up the company and this saw the existing directors resign and a new director structure put in place.

DCLG has agreed to continue to meet the running costs of the company until such time as a decision on its future is made and the company wound up. This is expected to be concluded during LCC's next reporting period. Any residual balance of funding will be repaid to DCLG.

The Regional Control Centre accounting year end is 31 March and the latest accounts are for the year ended 31 March 2011. The Directors have exercised the options available to a small sized company under the Companies Act 1985 and therefore the company is exempt from the requirement to appoint an auditor or to present audited accounts. The accounts show gross assets of £0.763m and gross liabilities of £0.763m at 31 March and that the company broke even in 2011.

Turnover between Lincolnshire County Council and the Regional Control Centre totalled £0.359m for 2011 (or 20% of the total turnover of the company). The Council has made no financial investment in the company and has received no dividends. There is no indebtedness between the company and the Council as at 31 March 2011. Group accounts have not been prepared on the basis that the transactions and balances are not material.

A copy of the Statement of Accounts for the Regional Control Centre is available from: Leicestershire Fire and Rescue Service, Headquarters, Anstey Frith, Leicester Road, Glenfield, Leicester. LE3 8HD.

## **Note 56. Trust Funds**

The County Council acts as sole administrator for 57 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 2010 £'000	Income £'000	Expenditure £'000	Balance at 31 March 2011 £'000
Education Trusts	255	8	10	253
Children's Social Care Trusts	275	3	5	273
Adult Social Care Trusts	239	2	8	233
Other Trusts	101	1	0	102
<b>Total</b>	<b>870</b>	<b>14</b>	<b>23</b>	<b>861</b>

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.



## **Note 57. Explanation of transition to International Financial Reporting Standards (IFRS)**

Lincolnshire County Council Statement of Accounts for 2010-11 has been prepared under the IFRS-based Code of Practice on Local Authority Accounting in the United Kingdom. This is the first year our accounts have been prepared under IFRS.

The transition of the Statement of Accounts has been prepared in accordance with IFRS1 – First-time Adoption of International Financial Reporting Standards, except where interpretations or adaptations to fit the public sector are detailed in the Code.

The transition date to IFRS was 1 April 2009. An opening balance sheet has been prepared at this date and comparative accounts prepared for the year 2009-10. Adoption of the IFRS-based Code has resulted in the restatement of various balances and transactions, which has changed the amounts presented in the Statement of Accounts for 2009-10.

The following tables set out the adjustments which have been made are required under IFRS1 for the transition:

- a) Reconciliation of net worth (in the Balance Sheet) as reported under UKGAAP to the net worth (in the balance sheet) reported under IFRS, at the Transition date to IFRS (1 April 2009).
- b) Reconciliation of net worth (in the Balance Sheet) as reported under UKGAAP to the net worth (in the balance sheet) reported under IFRS, as at 31 March 2010.
- c) Reconciliation of Total Comprehensive Income and Expenditure under IFRS for the period 1 April 2009 to 31 March 2010.

a) Reconciliation of net worth (in the Balance Sheet) as reporting under UKGAAP to the net worth (reported in the balance sheet) under IFRS, at the Transition date to IFRS (1 April 2009).

IFRS Headings	Effect of transition to IFRS					IFRS Balance sheet 1 April 2009
	UKGAAP Balance sheet 1 April 2009	Government Grants and Contributions (inc. Donated Assets) 1	Employee Benefits 2	Leasing 3	Other 4	
Note	£000	£000	£000	£000	£000	£000
<b>Long Term Assets</b>						
Property, Plant and Equipment						
- Land and Buildings	727,855			2,179	24,034	754,068
- Vehicles, Plant, Furniture, Equipment	22,204			7,026		29,230
- Infrastructure Assets	319,896					319,896
- Community Assets	6,614					6,614
- Surplus Assets	16,931				3,679	20,610
- Assets Under Construction	107,262					107,262
Investment Properties	0				38,040	38,040
Intangible Assets	3,264					3,264
Long Term Investments (inc. Net Pension Assets)	6,824					6,824
Long Term Debtors	3,787				(9)	3,778
<b>Long Term Assets</b>	<b>1,214,637</b>	<b>0</b>	<b>0</b>	<b>9,205</b>	<b>65,744</b>	<b>1,289,586</b>
<b>Current Assets</b>						
Short Term Investments	162,741					162,741
Assets Held for Sale	0				764	764
Inventories	736					736
Short Term Debtors	62,505					62,505
<b>Current Assets</b>	<b>225,982</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>764</b>	<b>226,746</b>
<b>Current Liabilities</b>						
Cash and Cash Equivalents (Bank Overdraft)	(6,305)					(6,305)
Short Term Borrowing	(945)					(945)
Short Term Creditors	(143,014)	39,170	(9,712)			(113,556)
Provisions	0				(3,612)	(3,612)
<b>Current Liabilities</b>	<b>(150,264)</b>	<b>39,170</b>	<b>(9,712)</b>	<b>0</b>	<b>(3,612)</b>	<b>(124,418)</b>
<b>Long Term Liabilities</b>						
Long Term Creditors	(3,817)					(3,817)
Provisions	(9,149)				3,776	(5,373)
Long Term Borrowing by County Council	(337,136)					(337,136)
Long Term Borrowing by Schools	(1,668)					(1,668)
Other Long Term Liabilities	(407,376)			(7,960)		(415,336)
Government Grants and Contributions Deferred (*1)	(235,660)	235,660				0
<b>Long Term Liabilities</b>	<b>(994,806)</b>	<b>235,660</b>	<b>0</b>	<b>(7,960)</b>	<b>3,776</b>	<b>(763,330)</b>
<b>Net Assets</b>	<b>295,549</b>	<b>274,830</b>	<b>(9,712)</b>	<b>1,245</b>	<b>66,672</b>	<b>628,584</b>

IFRS Headings	Effect of transition to IFRS					
	UKGAAP Balance sheet 1 April 2009	Government Grants and Contributions (inc. Donated Assets) 1	Employee Benefits 2	Leasing 3	Other 4	IFRS Balance sheet 1 April 2009
Note	£000	£000	£000	£000	£000	£000
<b>Usable Reserves</b>						
General Fund	14,908	(467)			155	14,595
Earmarked Reserves, of which:						0
- Revenue reserves	38,603	21,126				59,729
- Capital reserves (inc. Capital Grants Unapplied Account)	2,450	19,164				21,614
- Reserves held for Schools	16,537					16,537
<b>Unusable Reserves</b>						
Revaluation Reserve	172,934			(937)	(14,645)	157,352
Capital Adjustment Account	435,659	235,008		2,182	81,161	754,010
Financial Instruments Adjustment Account	(143)					(143)
Council Tax Adjustment Account	3,864					3,864
Accumulated Absences Account	0		(9,712)			(9,712)
Pension Reserve	(389,262)					(389,262)
<b>Total Reserves</b>	<b>295,550</b>	<b>274,831</b>	<b>(9,712)</b>	<b>1,245</b>	<b>66,671</b>	<b>628,584</b>

(\*1) Note this is not an IFRS heading.

b) Reconciliation of net worth (in the Balance Sheet) as reporting under UKGAAP to the net worth (reported in the balance sheet) under IFRS, as at 31 March 2010.

IFRS Headings	Effect of transition to IFRS					IFRS Balance Sheet 31 March 2010
	UKGAAP Balance sheet 31 March 2010	Government Grants and Contributions (inc. Donated Assets)	Employee Benefits	Leasing	Other	
Note	£000	1 £000	2 £000	3 £000	4 £000	£000
<b>Long Term Assets</b>						
Property, Plant and Equipment						
- Land and Buildings	703,664			2,329	22,647	728,640
- Vehicles, Plant, Furniture, Equipment	25,984			5,982		31,966
- Infrastructure Assets	346,450					346,450
- Community Assets	6,658					6,658
- Surplus Assets	13,649				10,981	24,630
- Assets Under Construction	121,214					121,214
Investment Properties	0				40,941	40,941
Intangible Assets	823					823
Long Term Investments (inc. Net Pension Assets)	1,934					1,934
Long Term Debtors	4,161				(16)	4,145
<b>Long Term Assets</b>	<b>1,224,537</b>	<b>0</b>	<b>0</b>	<b>8,311</b>	<b>74,553</b>	<b>1,307,401</b>
<b>Current Assets</b>						
Short Term Investments	209,137					209,137
Assets Held for Sale	5,335				(4,294)	1,041
Inventories	757					757
Intangible current assets - LATS	1,652					1,652
Short Term Debtors	62,557					62,557
<b>Current Assets</b>	<b>279,438</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(4,294)</b>	<b>275,144</b>
<b>Current Liabilities</b>						
Cash and Cash Equivalents (Bank Overdraft)	(14,537)	4,096				(10,441)
Short Term Borrowing	(823)					(823)
Intangible current liabilities - LATS	(1,652)					(1,652)
Short Term Creditors	(186,146)	67,257	(12,067)			(130,956)
Provisions	0				(2,976)	(2,976)
<b>Current Liabilities</b>	<b>(203,158)</b>	<b>71,353</b>	<b>(12,067)</b>	<b>0</b>	<b>(2,976)</b>	<b>(146,848)</b>
<b>Long Term Liabilities</b>						
Long Term Creditors	(3,984)					(3,984)
Provisions	(7,701)				3,127	(4,574)
Long Term Borrowing by County Council	(370,869)					(370,869)
Long Term Borrowing by Schools	(2,095)					(2,095)
Other Long Term Liabilities	(765,612)			(7,257)		(772,869)
Government Grants and Contributions Deferred (*1)	(260,054)	260,054				0
Donated Assets Account	0					0
Capital Grants Receipts in Advance	0					0
<b>Long Term Liabilities</b>	<b>(1,410,315)</b>	<b>260,054</b>	<b>0</b>	<b>(7,257)</b>	<b>3,127</b>	<b>(1,154,391)</b>
<b>Net Assets</b>	<b>(109,498)</b>	<b>331,407</b>	<b>(12,067)</b>	<b>1,054</b>	<b>70,410</b>	<b>281,306</b>

IFRS Headings	Effect of transition to IFRS					IFRS Balance Sheet 31 March 2010
	UKGAAP Balance sheet 31 March 2010	Government Grants and Contributions (inc. Donated Assets)	Employee Benefits	Leasing	Other	
Note	1	2	3	4		
	£000	£000	£000	£000	£000	£000
<u>Usable Reserves</u>						
General Fund	14,908	(240)			135	14,803
Earmarked Reserves, of which:						
- Revenue reserves	44,839	(1,041)				43,798
- Capital reserves (including Capital Grants Unapplied Account)	4,543	73,938				78,481
- Reserves held for Schools	13,559					13,559
<u>Unusable Reserves</u>						
Revaluation Reserve	180,294			(409)	(19,773)	160,112
Capital Adjustment Account	376,133	258,750		1,463	90,048	726,394
Financial Instruments Adjustment Account	(240)					(240)
Council Tax Adjustment Account	4,256					4,256
Accumulated Absences Account	0		(12,067)			(12,067)
Pension Reserve	(747,790)					(747,790)
<b>Total Reserves</b>	<b>(109,498)</b>	<b>331,407</b>	<b>(12,067)</b>	<b>1,054</b>	<b>70,410</b>	<b>281,306</b>

(\*1) Note this is not an IFRS heading.

c) Reconciliation of Total Comprehensive Income and Expenditure under IFRS for the period 1 April 2009 to 31 March 2010.

IFRS Headings Note	UKGAAP Net Expenditure 2009-10 £'000	Government Grants and Contributions (inc Donated Assets) 1 £'000	Effect of transition to IFRS			IFRS Net Expenditure 2009-10 £'000
			Employee Benefits 2 £'000	Leasing 3 £'000	Other 4 £'000	
<b>Cost of Services</b>						
Education Services	89,353	11,835	2,243	1,534	9	104,974
Children's Social Care	46,523	233	(3)	30	1	46,784
Adult Social Care	176,818	480	108	45	7	177,458
Highways, Roads & Transport Services	69,242	3,869	26	2	13	73,152
Cultural, Environmental & Planning Services	63,764	(5,695)	(23)	(15)	927	58,958
Court Services - Coroners	1,231		2			1,233
Fire & Rescue Services	28,054	(41)	(7)		(74)	27,932
Housing Services - Travellers' Sites	271					271
Central Services	2,175	(803)	12		76	1,460
Corporate and Democratic Core	4,529	(18)				4,511
Non distributed costs	8,174				(6,270)	1,904
<b>Cost of Services</b>	<b>490,134</b>	<b>9,860</b>	<b>2,358</b>	<b>1,596</b>	<b>(5,311)</b>	<b>498,637</b>
Other operating expenditure	19,003	6,679		362	4,572	30,616
Financing and Investment Income and Expenditure	42,946			390	(4,798)	38,538
Surplus or Deficit on Discontinued Operations	0					0
Taxation and Non Specific Grant Income (Note 12)	(479,948)	(73,116)			(2,343)	(555,407)
<b>(Surplus)/Deficit on Provision of Services</b>	<b>72,135</b>	<b>(56,577)</b>	<b>2,358</b>	<b>2,348</b>	<b>(7,880)</b>	<b>12,384</b>
(Surplus)/Deficit on Revaluation of Non-Current Assets	(16,629)				1,983	(14,646)
(Surplus)/Deficit on Revaluation of Available for Sale Financial Assets	0					0
Actuarial (Gains)/Losses on Pension Assets / Liabilities	349,116					349,116
Other Recognisable Gains	424					424
<b>Other Comprehensive Income and Expenditure</b>	<b>332,911</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,983</b>	<b>334,894</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>405,046</b>	<b>(56,577)</b>	<b>2,358</b>	<b>2,348</b>	<b>(5,897)</b>	<b>347,278</b>

Details on the gross expenditure and income movements in the net cost of services are set out below:

Note	<b>Net Cost of Services - Gross</b>	<b>UKGAAP</b>	<b>Effect of transition to IFRS</b>			<b>IFRS Gross</b>
	<b>Expenditure</b>	<b>Gross</b>	<b>Government</b>	<b>Employee</b>	<b>Leasing</b>	<b>Expenditure</b>
	<b>2009-10</b>	<b>Grants and</b>	<b>Benefits</b>	<b>Other</b>		<b>2009-10</b>
		<b>Contributions</b>				
		<b>(inc Donated</b>				
		<b>Assets)</b>				
		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Education Services	679,828		2,243	(808)	9	681,272
Children's Social Care	54,092		(3)	30	1	54,120
Adult Social Care	246,715		108	45	7	246,875
Highways, Roads and Transport Services	83,429		26	3	13	83,471
Cultural, Environmental and Planning Services	86,947		(23)	(15)	(773)	86,136
Court Services	1,231		2			1,233
Fire and Rescue Services	30,396		(7)		(74)	30,315
Housing Services	326					326
Central Services	3,071		12		3	3,086
Corporate and Democratic Core	4,529					4,529
Non distributed costs	8,196				(6,269)	1,927
<b>Net Cost of Services - Gross Expenditure</b>	<b>1,198,760</b>	<b>0</b>	<b>2,358</b>	<b>(745)</b>	<b>(7,083)</b>	<b>1,193,290</b>

Note	<b>Net Cost of Services - Gross</b>	<b>UKGAAP</b>	<b>Effect of transition to IFRS</b>			<b>IFRS Income</b>
	<b>Income</b>	<b>Income</b>	<b>Government</b>	<b>Employee</b>	<b>Leasing</b>	<b>Income</b>
	<b>2009-10</b>	<b>2009-10</b>	<b>Grants and</b>	<b>Benefits</b>	<b>Other</b>	<b>2009-10</b>
		<b>Contributions</b>				
		<b>(inc Donated</b>				
		<b>Assets)</b>				
		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Education Services	(590,475)	11,835		2,342		(576,298)
Children's Social Care	(7,569)	232				(7,337)
Adult Social Care	(69,898)	480				(69,418)
Highways, Roads and Transport Services	(14,187)	3,869				(10,318)
Cultural, Environmental and Planning Services	(23,182)	(5,695)			1,700	(27,177)
Court Services	0					0
Fire and Rescue Services	(2,342)	(41)				(2,383)
Housing Services	(55)					(55)
Central Services	(896)	(803)			73	(1,626)
Corporate and Democratic Core	0	(18)				(18)
Non distributed costs	(23)					(23)
<b>Net Cost of Services - Gross Income</b>	<b>(708,627)</b>	<b>9,859</b>	<b>0</b>	<b>2,342</b>	<b>1,773</b>	<b>(694,653)</b>

The following notes explain the material differences between the amount presented in the 2009-10 financial statements and the equivalent amounts presented in the 2010-11 financial statements:

#### 1a) Government Grants and Contributions for Non-Current Assets (Capital)

Under the Code, grants and contributions for capital schemes are recognised as income when they are received and any conditions attached to them are met. Previously, capital grants were held in a grants deferred account on the balance sheet and only recognised as income over the life of the assets which they were used to fund.

As a consequence of adopting this accounting policy, the financial statements have been amended as follows:

- The balance on the government grants deferred account in long term creditors at 31 March 2009 has been transferred to the capital adjustment account in the opening 1 April 2009 Balance Sheet.
- The portions of government grants deferred which were previously recognised as income in 2009-10; have been removed from the Comprehensive Income and Expenditure Statement in the comparative figures.
- Grants received but not used at the balance sheet date which were previously held in creditors on the balance sheet (with no income recognised in respect of this grant) have been treated as follows: where conditions have been met the grant has been recognised in full in the Comprehensive Income and Expenditure Statement and then transferred to the Capital Grants Unapplied Account within the reserves section of the Balance Sheet; where the conditions have not been met the grant remains within the creditors balance on the balance sheet

This has resulted in the following changes being made to the 1 April 2009 opening balance sheet and the 2009-10 financial statements.

Balance Sheet	01 April 2009 £'000	31 March 2010 £'000
<u>Capital Grants and Contributions</u>		
- Short Term Creditors	18,512	35,664
- Government Grants and Contributions Deferred	235,660	259,948
- Capital Adjustment Account (Reserves)	(235,008)	(258,643)
- Grants and Contributions Unapplied Reserve	(19,164)	(36,969)
<u>Comprehensive Income and Expenditure Statement</u>		
		2009-10 £'000
<u>Capital Grants and Contributions</u>		
Cost of Services (removal of government grants deferred amortisation)		24,997
Other operating expenditure (gain/loss on disposal of non-current assets)		6,679
Taxation and non-specific grant income		(73,116)

#### 1b) Government Grants and Contributions for revenue expenditure

Under the Code, grants and contributions for revenue expenditure are recognised as income when any conditions are met, where no conditions exist then these grants are recognised immediately on receipt. Previously, these grants were matched against expenditure as this was incurred, with any additional amounts being held on the balance sheet in creditors until the expenditure was incurred.

As a consequence of adopting this accounting policy required by the Code, the financial statements have been amended as follows:

- All revenue grants have been reanalysed, where no conditions apply or conditions have been met these grants have been recognised in full in the Comprehensive Income and Expenditure Statement. Any unused elements of grant are transferred to earmarked reserves. Where conditions have not been met all of the grant will be held in creditors on the balance sheet until the terms of the grant are met.
- Notional Adjustments made during consolidation of Prime Account Schools' accounts, between Cash and Short term Creditors, have been reversed



This has resulted in the following changes being made to the 1 April 2009 opening balance sheet and the 2009-10 financial statements:

Balance Sheet	01 April 2009 £'000	31 March 2010 £'000
<u>Revenue Grants and Contributions</u>		
- Cash and cash equivalents	0	4,096
- Short Term Creditors	20,658	31,593
- Earmarked Reserve	(21,126)	(35,928)
- General Reserves	467	240
Comprehensive Income and Expenditure Statement		2009-10 £'000
<u>Revenue Grants and Contributions</u>		
Cost of Services (removal of government grant income)		(15,031)
Transfer to Earmarked Reserve		14,802

### 1c) Donated Asset Reserve

An adjustment between government grants deferred and the capital adjustment account to reflect the fact that there are no conditions attached to the use of donated assets received in 2009-10:

Balance Sheet	01 April 2009 £'000	31 March 2010 £'000
<u>Donated Assets</u>		
Government Grants Deferred (Liabilities)	0	106
Capital Adjustment Account (Reserves)	0	(106)
Comprehensive Income and Expenditure Statement		2009-10 £'000
<u>Donated Assets</u>		
Cost of Services		(106)
Transfer to Capital Adjustment Account		106

### 2) Employee benefits accrued over time (Short Term accumulating compensated absences)

Short-term accumulating compensated absences refers to benefits that employees receive as part of their contract of employment. Entitlement to these benefits built up as they provide services to the Council. The most significant benefit covered by this heading is annual leave entitlement.

Employees build up an entitlement to paid annual leave as they work. Under the Code, the cost of providing holidays is required to be recognised when employees earn the right to take the leave, rather than when that leave is actually taken. As a result, the Council is required to recognise all annual leave earned but not taken at 31 March each year, this is included as a charge in the Comprehensive Income and Expenditure Statement and a creditor on the balance sheet.

The government has issued statutory regulations that mean the Council are only required to fund holiday pay when they are used, rather than when employees earn the benefits, therefore the amounts recognised in the Comprehensive Income and Expenditure Statement are then transferred to the Accumulated Absences Account until the benefits are used.

Accruing for untaken leave for both teaching and non-teaching staff has resulted in the following changes being made to the 1 April 2009 opening balance sheet and the 2009-10 financial statements:

Balance Sheet	01 April 2009	31 March 2010
	£'000	£'000
Short Term Creditors (Accrual)	(9,712)	(12,067)
Short Term Accumulated Absences Account	9,712	12,067
<b>Comprehensive Income and Expenditure Statement</b>		<b>2009-10</b>
		£'000
Education Services		2,240
Children's Social Care		(3)
Adult Social Care		108
Highways, Roads and Transport Services		26
Cultural, Environmental and Planning Services		(23)
Court Services - Coroners		2
Fire and Rescue Services		(7)
Housing Services - Travellers Sites		0
Central Services to the Public		12

### 3) Leases

Under the Code, leases of property need to be accounted for as separate leases of land and buildings, previously, each property lease was accounted for as a single lease. This has led to a change in how leases have been accounted for, with land or buildings element of the lease being accounted for as an operating lease where it was previously treated as a finance lease; or where building leases are now classified as finance leases where previously they were treated as an operating leases.

The government has issued statutory regulations and guidance in relation to accounting for leases. Under these arrangements, the annual charge to the General Fund (where the council is the lessee) will be unchanged. Where the council is the lessor, the regulations allow the council to continue to treat the income from existing leases in the same way as it accounted for the income prior to the introduction of the Code.

The Council has reviewed the leases held as lessee and lessor, the changes in the Code has lead to some reclassification of leases, and therefore also changed the accounting treatment.

The most significant change is to the treatment of vehicles included in the Fire & Rescue operational fleet contract. The vehicles within this contract are classed as an embedded lease. As such they have been extracted and treated as finance leases in the Financial Statements.

This change along with other changes to leases buildings and equipment are summarised below:

Balance Sheet	01 April 2009	31 March 2010
	£'000	£'000
Land and Buildings	2,179	2,329
Vehicles, Furniture, Plant and Equipment	7,026	5,982
Deferred Liabilities - Finance Lease Liability	(7,960)	(7,257)
Capital Adjustment Account	(2,182)	(1,463)
Revaluation Reserve	937	409
<b>Comprehensive Income and Expenditure Statement</b>		<b>2009-10</b>
		£'000
Cost of Services - Expenditure		(54)
Other Operating Expenditure		362
Interest Payable and Similar Charges		390

The net increase in the Surplus to Deficit on the Provision of Service in 2009-10 is removed by the transfer of the depreciation charge to the Capital Adjustment Account (£1,820k) and the inclusion of the Minimum Revenue Provision charge of £925k. These transfers are shown in the Movement in Reserves Statement.

4) Other minor changes brought about by the implementation of IFRS accounting standards include:

Property, Plant and Equipment - Revaluation Gains

An adjustment has been made between the Capital Adjustment Account and the Revaluation Reserve to account for the change in accounting for revaluation gains:

Balance Sheet	01 April 2009	31 March 2010
	£'000	£'000
Capital Adjustment Account (Reserves)	(4)	(822)
Revaluation Reserve	4	822

Classification of Voluntary Controlled Schools as Property, Plant and Equipment

- Voluntary Controlled Schools. 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 the Council has brought Voluntary Controlled School assets onto the Council's balance sheet for the first time.

Balance Sheet	01 April 2009	31 March 2010
	£'000	£'000
Land and Buildings (Operational)	65,108	65,871
Capital Adjustment Account (Reserves)	(65,400)	(66,163)
Revaluation Reserve	292	292

Analysis of Property, Plant and Equipment under new standards

A review of the asset portfolio under the new accounting standards has resulted in the following re-categorisation of assets held in the Council's balance sheet.

- Investment Properties. The Code sets strict criteria for classing assets as investment properties. Under these criteria the Council have classified the County Farms estate and two further general fund properties as investment properties. This has resulted in the following changes being made to the 1 April 2009 opening balance sheet and the 2009-10 financial statements:

Balance Sheet	01 April 2009	31 March 2010
	£'000	£'000
Land and Buildings (Operational)	(34,365)	(37,467)
Non-Operational assets - Surplus Assets	(1,914)	(1,577)
Investment Properties	38,040	40,941
Capital Adjustment Account (Reserves)	(16,110)	(20,020)
Revaluation Reserve	14,349	(18,123)

Income and Expenditure in relation to investment properties are treated as financing and investment income and expenditure below net cost of services. Previously this income and expenditure had been recognised in service accounts.

Comprehensive Income and Expenditure Statement	2009-10
	£'000
Cost of Services	908
Financing and Investment Income and Expenditure	(4,819)

- Non-Current Assets Held for Sale. The Code sets strict criteria for classing assets as held for sale. Under these criteria the Council has classified the following assets as held for sale at 1 April 2009 and 31 March 2010 (note no assets met the held for sale criteria as at 1 April 2009).

Balance Sheet	01 April 2009	31 March 2010
	£'000	£'000
Land and Buildings (Operational)	(954)	0
Non-Operational assets - Surplus Assets	(162)	6,802
Assets Held for Sale (Current Assets)	764	(4,294)
Capital Adjustment Account (Reserves)	352	(3,044)
Revaluation Reserve	0	536
Comprehensive Income and Expenditure Statement		2009-10
		£'000
Reversal of depreciation charge		(6,147)
Gain or Loss on Disposal on Non-Current Assets		4,572

- Reclassification of assets from operational to non-operational/surplus. The current use of the property portfolio has been reviewed a number of properties.

Balance Sheet	01 April 2009	31 March 2010
	£'000	£'000
Land and Buildings (Operational)	(5,755)	(5,755)
Non-Operational assets - Surplus Assets	5,755	5,755

#### Classification of Provisions

The Code requires provisions to be analysed between long term (those payable in more than one year) and short term (those payable within one year). This has resulted in the following changes being made to the 1 April 2009 opening balance sheet and the 2009-10 financial statements:

Balance Sheet	01 April 2009	31 March 2010
	£'000	£'000
Provisions (long term liabilities)	(3,612)	(2,976)
Provisions (short term liabilities)	3,612	2,976

#### Discounting long term debtors and provisions.

The Code requires long term assets and liabilities to be discounted to reflect the time value of money. This has results in adjustments to the carrying value of long term debtors and long term provisions.

Balance Sheet	01 April 2009	31 March 2010
	£'000	£'000
Long Term Debtors	(9)	(16)
Provisions (long term liabilities)	164	3,127
General Fund Balance	(155)	(135)
Comprehensive Income and Expenditure Statement		2009-10
		£'000
Interest Payable and Similar Charges		8
Interest and Investment Income Receivable		13

**Note 58. Disclosure of the impact of an error.**

The County Council have discovered an error in the treatment of the Aegir School assets (land and buildings) within the County Council's financial statements for the financial year 2009-10.

Expenditure on the construction of the school was treated as REFCUS expenditure (used for assets which are not be owned by the Council) and charged directly to the Comprehensive Income and Expenditure Statement in 2009-10, the school is a local authority

The following tables set out the impact that this error has had on the accounts in 2009-10 as required by the CIPFA Code of Practice on Local Authority Accounting.

Effect on the Comprehensive Income and Expenditure Statement 2009-10:

Comprehensive Income and Expenditure Statement	Original 2009-10 (after IFRS adjustments) £000	Restated 2009-10 for accounting error £000	Restatement £000
<u>Cost of Services:</u>			
Education Services - Gross Expenditure	681,272	674,526	(6,746)
Education Services - Income	(576,298)	(573,406)	2,892
<u>Taxation and Non-Specific Grant Income:</u>			
Capital Grants and Contributions	(75,459)	(78,351)	(2,892)

Effect on the balance sheet:

Balance Sheet	Original 2009-10 (after IFRS adjustments) £000	Restated 2009-10 for accounting error £000	Restatement £000
Property, Plant and Equipment	1,259,558	1,266,304	6,746
Capital Adjustment Account	726,396	733,142	6,746

# Lincolnshire County Council's Pension Fund

Pension Fund Account - For the year ended 31 March 2011

	See Note	2009-10 £000	2010-11 £000
<b>Contributions and Benefits</b>			
Contributions Receivable	6	82,384	85,672
Transfers in	7	15,728	8,587
		<b>98,112</b>	<b>94,259</b>
Benefits Payable	8	59,998	61,771
Leavers	9	10,630	6,829
Administrative expenses	10	1,022	1,123
		<b>71,650</b>	<b>69,723</b>
<b>Net additions from dealings with fund members</b>		<b>26,462</b>	<b>24,536</b>
<b>Returns on Investments</b>			
Investment Income	11	28,808	22,015
Profit (Loss) on Forward Deals & Currency Deals	12	(1,876)	(4,137)
Change in Market Value of Investments	13	243,225	75,706
Investment management expenses	10	(3,315)	(3,185)
<b>Net returns on investments</b>		<b>266,842</b>	<b>90,399</b>
Net increase in the Fund during the year		293,304	114,935
Opening net assets of the Fund		910,063	1,203,367
<b>Closing net assets of the Fund</b>		<b>1,203,367</b>	<b>1,318,302</b>
<b>Net Assets statement as at 31 March 2011</b>			
<b>Investments</b>			
	13		
Fixed Interest Securities		150,664	0
Equities		712,573	781,950
Index Linked Securities		61,252	0
Pooled Investments:			
Property		135,929	145,272
Private Equity		82,780	95,206
Emerging Markets		21,923	0
Fixed Interest		0	136,352
Index Linked Bonds		0	23,621
Alternatives		0	92,064
Cash Deposits		13,931	20,190
Other Investment Balances	14	794	969
		<b>1,179,846</b>	<b>1,295,624</b>
<b>Current Assets and Liabilities</b>			
	15		
Cash Balances		16,657	11,880
Debtors		9,024	8,666
Long Term Debtors		0	3,837
Creditors		(2,160)	(1,705)
		<b>23,521</b>	<b>22,678</b>
<b>Net Assets of the Fund at 31st March</b>		<b>1,203,367</b>	<b>1,318,302</b>

## Notes to the Pension Fund Account

### **1 Pension Fund Account**

The Pension Fund is administered by the County Council on behalf of their own employees (except teachers), the District Councils and other bodies in the County. There were 19,043 contributors to the Fund at 31 March 2011 and 13,865 individuals were in receipt of pensions. A separate detailed Annual Report, including a statement of investment principles, is available from the Executive Director of Resources and Community Safety, Lincolnshire County Council, County Offices, Newland, Lincoln, LN1 1YL. A list of all scheduled bodies in the Fund is shown at note 21.

During the year, a new asset allocation for the investment of the Fund was agreed by the Pensions Committee, resulting in a number of manager changes. These are detailed below.

<b>Asset allocation</b>	<b>Old allocation</b>	<b>New allocation</b>
UK Equities	32.5%	20.0%
Global Equities	32.5%	40.0%
Private Equity	5.0%	0.0%
Property	11.5%	11.5%
Fixed Interest	18.5%	13.5%
Alternative Investments (incl. Private Equity)	0.0%	15.0%
	<b>100.0%</b>	<b>100.0%</b>

#### **Manager Changes**

##### **Terminated**

New Star - UK Equities  
Martin Currie - UK Equities  
Alliance Bernstein - Global Equities  
Aviva - Fixed Interest  
Pictet - Emerging Markets

##### **Appointed**

Neptune - Global Equities  
Schroders - Global Equities  
Blackrock - Fixed Interest  
Goodhart - Fixed Interest  
Morgan Stanley - Alternative Investments

#### **Basis of Preparation**

Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2010-11, based on International Financial Reporting Standards (the Code), and relevant statute, and the 2007 Statement of Recommended Practice (Financial Reports of Pension Schemes). The publication includes guidance on how to apply International Financial Reporting Standards (IFRS's) and International Accounting Standards (IAS's) to local authority accounts.

These are the first set of accounts prepared under the Code, based on International Financial Reporting Standards.

The Financial Statements 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.

## **2 Accounting Policies**

### **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.

### **Contributions Receivable and Benefits Payable**

Contributions receivable are included in the accounts in the year to which they relate and benefits payable are included in the accounts in the year of payment. Deficit funding payments are payable over a maximum of 20 years. Transfer values receivable and payments to and on account of leavers are accounted for in the year of receipt and payments respectively.

### **Expenses**

These are accrued appropriately to ensure charges are incurred within the relevant accounting period.

### **Valuation of Assets**

Investments are stated at market values at the close of business on the final working day of the financial year as follows:

UK listed securities are stated at either bid or last traded closing prices.

Overseas listed securities are stated at either bid or last traded closing prices.

The sterling value of investments held in foreign currencies at 31st March is calculated using the exchange rate at that date as shown in note 22.

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.

Transaction costs are included in the purchase and sale costs of investments and are identified in the notes to the accounts.

### **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.

There are no prior period adjustments to the accounts as at 31st March 2011.

### **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.

There are no material changes to the statements arising from the transition to the IFRS-based code.



### **3 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:

	<b>Nominal % per annum</b>	<b>Real % per annum</b>
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.

### **4 Actuarial Present Value of Promised Retirement Benefits**

Below is the report provided by the Fund's Actuary, Hymans Robertson, to provide the Actuarial present value of the promised retirement benefits, as required under the Code.

#### **Pension Fund Accounts Reporting Requirement**

##### Introduction

CIPFA's Code of Practice on Local Authority Accounting 2010/11 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. This change is one of many which are being adopted by employers reporting under CIPFA guidance in the financial year 2010-11.

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.

In order for the Administering Authority to comply, I have provided the information required below.

##### Assumptions

The assumptions used are those adopted for the Administering Authority's FRS17/IAS19 reports at each year end as required by the code of practice. These can be found at the end of this report.

##### Balance sheet

<b>Year ended</b>	<b>31 Mar 2011 £m</b>	<b>31 Mar 2010 £m</b>
Present value of Promised retirement benefits	1,765	2,089

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 2011 comprises £843m in respect of employee members, £274m in respect of deferred pensioners and £648m 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.

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).

My recommended financial assumptions are summarised below:

Year ended	31 Mar 2011 % p.a.	31 Mar 2010 % p.a.
Inflation/Pension Increase rate	2.8%	3.8%
Salary Increase Rate	5.1%	5.3%
Discount Rate	5.5%	5.5%

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

#### Mortality

As discussed in the accompanying report, life expectancy is based on the fund's Vitacurves with improvements from 2007 in line with the Medium Cohort and a 1% p.a. underpin.

Based in 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 currently aged 45 as at 31 March 2010

#### Historic Mortality

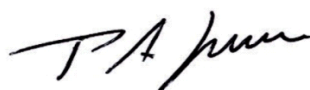
Life expectancies for the below year ends are based on the PFA92 and PMA92 tables. The allowance for future life expectancies are shown in the table below.

Year ended	Prospective Pensioners	pensioners
31 March 2010	year of birth, medium cohort and 1% p.a. minimum improvements from 2007	year of birth, medium cohort and 1% p.a. minimum improvements from 2007

Age ratings and loadings are applied to the above tables based on membership profile.

#### Commutation

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 2008 service.



Peter Summers FFA  
10 May 2011

## 5 Pension Fund Investments 2010/11

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 County Council.

Fund manager	31 March 2010		31 March 2011	
	£m	%	£m	%
<b>EXTERNALLY MANAGED</b>				
Alliance Bernstein	105	9	0	0
Invesco	207	18	260	20
Martin Currie	115	10	0	0
Neptune	0	0	81	6
New Star	41	4	0	0
Schroders	0	0	90	7
Threadneedle	67	6	92	7
Morgan Stanley	0	0	100	8
Blackrock	0	0	78	6
Aviva	179	15	0	0
Goodhart	0	0	81	7
Pictet	22	2	0	0
<b>INTERNALLY MANAGED</b>				
UK Index Linked Gilts	37	3	0	0
Pooled Investments:				
Property	136	11	146	11
Private Equity	83	6	96	7
UK Equity	186	16	268	21

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 last traded, as detailed in the table below.

Fund Manager	Valuation Pricing
<b>EXTERNALLY MANAGED</b>	
Invesco	Bid
Neptune	Bid
Schroders	Bid
Threadneedle	Bid
Morgan Stanley	Bid
Blackrock	Bid
Goodhart	Bid
<b>INTERNALLY MANAGED</b>	
Pooled Investments:	
Property	Bid/Fair Value
Private Equity	Bid/Fair Value
UK Equity	Last Traded

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 £21,410,082, 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 £22,933,225, which represented 107.11% of the value of securities on loan.

Income received from stock lending activities, before costs, was £106,404 for the year ending 31 March 2011 and is included within the 'Investment Income' figure detailed on the Pension Fund Account.

## **6 Contributions Receivable**

Contributions receivable are analysed below:

	<b>2009-10</b>	<b>2010-11</b>
	<b>£000</b>	<b>£000</b>
<b>Employers</b>		
Normal	46,237	45,027
Deficit Funding	13,606	17,373
Additional - Augmentation	2,516	3,502
<b>Members</b>		
Normal	19,701	19,477
Additional years	324	293
	<b>82,384</b>	<b>85,672</b>

These contributions are analysed by type of Member Body as follows:

	<b>2009-10</b>	<b>2010-11</b>
	<b>£000</b>	<b>£000</b>
Lincolnshire County Council	47,833	46,984
Scheduled Bodies	31,383	34,529
Admitted Bodies	3,168	4,159
	<b>82,384</b>	<b>85,672</b>

## **7 Transfers In**

During the year individual transfers in from other schemes amounted to £8.587m (£15.728m in 2009/10).

There were no material outstanding transfers due to or from the Pension Fund as at 31 March 2011.

## **8 Benefits Payable**

	<b>2009-10</b>	<b>2010-11</b>
	<b>£000</b>	<b>£000</b>
Pensions	46,212	48,108
Commutations & Lump Sum Retirement Benefits	11,932	12,137
Lump Sum Death Benefits	1,854	1,526
	<b>59,998</b>	<b>61,771</b>

These benefits are analysed by type of Member Body as follows:

	2009-10 £000	2010-11 £000
Lincolnshire County Council	32,989	32,955
Scheduled Bodies	25,221	26,570
Admitted Bodies	1,788	2,246
	<b>59,998</b>	<b>61,771</b>

#### **9 Payments to and on account leavers**

	2009-10 £000	2010-11 £000
Individual transfers to other schemes	10,657	6,820
Refunds to members leaving service	(27)	9
	<b>10,630</b>	<b>6,829</b>

#### **10 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:

	2009-10 £000	2010-11 £000
Benefit Administration Expenses	943	995
Actuarial & other Professional Charges	79	128
<b>Administrative expenses</b>	<b>1,022</b>	<b>1,123</b>
Investment, Management & Custody	3,229	3,094
Performance Measurement and	86	91
Other advisory charges		
<b>Investment Management expenses</b>	<b>3,315</b>	<b>3,185</b>

#### **11 Investment Income**

	2009-10 £000	2010-11 £000
Fixed Interest Securities	7,667	(533)
Equities	18,573	20,196
Index Linked Securities	1,042	257
Pooled Investments		
Property	1,060	1,510
Private Equity	0	1
Alternatives	0	116
Cash deposits	200	361
Stock Lending	257	106
Underwriting / Commission Recapture	9	1
	<b>28,808</b>	<b>22,015</b>

## **12 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 £2.2m (loss of £3.9m in 2009/10) from the Fund's two Currency Overlay Managers and Alternative Investment Manager. The two Currency Overlay Managers each overlay half of the value of the Global Equity ex UK portfolio managed by Invesco. This reduces the overall currency exposure risk to the Fund.

## **13 Investments**

	<b>Value at 31 March 2010 £000</b>	<b>Purchases at Cost £000</b>	<b>Sales Proceeds £000</b>	<b>Change in Market Value £000</b>	<b>Value at 31 March 2011 £000</b>
Fixed Interest Securities	150,664	35,790	189,497	3,043	0
Equities	712,573	434,275	413,682	48,784	781,950
Index Linked Securities	61,252	21,080	82,507	175	0
Pooled Investments					
Property	135,929	4,294	834	5,883	145,272
Private Equity	82,780	14,617	10,501	8,310	95,206
Emerging Markets	21,923	0	22,493	570	0
Fixed Interest	0	134,036	17	2,333	136,352
Index Linked Bonds	0	22,366	0	1,255	23,621
Alternatives	0	98,236	11,525	5,353	92,064
	<b>1,165,121</b>	<b>764,694</b>	<b>731,056</b>	<b>75,706</b>	<b>1,274,465</b>
Cash Deposits	13,931				20,190
Other Investment Balances	794				969
Current Assets & Liabilities	23,521				22,678
	<b>1,203,367</b>	<b>764,694</b>	<b>731,056</b>	<b>75,706</b>	<b>1,318,302</b>

Transaction costs are included in the cost of purchases and sales proceeds. Transaction costs include costs charged directly to the scheme such as fees, commissions, stamp duty and other fees. Transaction costs incurred during the year amounted to £631,301 (£762,196 in 2009/10). 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 2010		31 March 2011	
	£000	%	£000	%
<b>Fixed Interest Securities</b>				
UK Public Sector Quoted	48,109	4	0	0
UK Quoted	82,157	7	0	0
Overseas Public Sector Quoted	20,398	2	0	0
Overseas Quoted				
	<b>150,664</b>	<b>13</b>	<b>0</b>	<b>0</b>
<b>Equities</b>				
UK Quoted	360,140	31	301,112	23
Overseas Quoted	352,433	30	480,838	37
	<b>712,573</b>	<b>61</b>	<b>781,950</b>	<b>60</b>
<b>Index Linked</b>				
UK Public Sector	60,221	5	0	0
Other	1,031	0	0	0
	<b>61,252</b>	<b>5</b>	<b>0</b>	<b>0</b>
<b>Pooled Investments</b>				
Property	113,409	10	118,546	9
Private Equity	3,628	0	3,061	0
Fixed Interest	0	0	54,875	4
Index Linked Bonds	0	0	23,621	2
Alternatives	0	0	92,064	8
<b>Total UK Pooled</b>	<b>117,037</b>	<b>10</b>	<b>292,167</b>	<b>23</b>
Property	22,520	2	26,726	2
Private Equity	79,152	7	92,145	7
Fixed Interest	0	0	81,477	6
Emerging Markets	21,923	1	0	0
<b>Total Overseas Pooled</b>	<b>123,595</b>	<b>10</b>	<b>200,348</b>	<b>15</b>
<b>Total Pooled Investments</b>	<b>240,632</b>	<b>20</b>	<b>492,515</b>	<b>38</b>
<b>Cash</b>				
Short Term Loans/External Deposits	13,931	1	20,190	2
<b>Total</b>	<b>1,179,052</b>	<b>100</b>	<b>1,294,655</b>	<b>100</b>

An analysis of the type of pooled investment vehicles is given below:

	2009-10	2010-11
	£000	£000
Emerging Markets		
Unit Trusts	21,923	0
Property		
Unit Trusts	90,522	95,282
Other managed funds (LLP's)	45,407	49,990
Private Equity		
Other managed funds (LLP's)	82,780	95,206
Fixed Interest		
Other managed funds	0	136,352
Index linked gilts		
Other managed funds	0	23,621
Alternatives		
Other managed funds	0	92,064
<b>Total Pooled Vehicles</b>	<b>240,632</b>	<b>492,515</b>

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. Two investments that were not held last year fall into this category as follows:

Investment	2010-11	
	Value (£000)	% of net assets
Goodhart Absolute Return Bond Fund	81,477	6.1
Morgan Stanley Alternative Investments	100,337	7.6

#### **14 Other Investment Balances**

	2009-10 £000	2010-11 £000
Dividends Receivable	2,450	2,683
Bond Accrued Income	3,065	0
Recoverable Tax	387	761
Outstanding Foreign Exchange	(3,859)	(3,060)
Unsettled Trades - Purchases	(3,425)	(7,030)
- Sales	2,176	7,615
	<b>794</b>	<b>969</b>

#### **15 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 £4,249,889 for contributions due from employers (2009/10 £4,663,147). 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. This has arisen as a result of the Magistrates Courts leaving the Local Government Pension Scheme and moving to the Civil Service Scheme. The Government Actuaries Department agreed a final transfer figure in February 2011. 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 below:

	2009-10 £000	2010-11 £000
<b>Debtors</b>		
Central Government Bodies	173	649
Other Local Authorities	6,466	6,617
NHS Bodies	8	0
Public Corporations and Trading Funds	202	207
Other Entities and individuals	2,175	1,193
	<b>9,024</b>	<b>8,666</b>
<b>Long Term Debtors</b>		
Central Government Bodies	0	3,837
Other Local Authorities	0	0
NHS Bodies	0	0
Public Corporations and Trading Funds	0	0
Other Entities and individuals	0	0
	<b>0</b>	<b>3,837</b>
<b>Creditors</b>		
Central Government Bodies	(522)	(559)
Other Local Authorities	(257)	0
NHS Bodies	0	0
Public Corporations and Trading Funds	(912)	(992)
Other Entities and individuals	(469)	(154)
	<b>(2,160)</b>	<b>(1,705)</b>



## **16 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 24 investment vehicles amounted to £62,852,307.

## **17 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 £9,052,803 and member contributions of £1,081,138 were received by the Prudential in the year to 31<sup>st</sup> March. The value of AVC funds and contributions received in the year are not included in the Fund Account and Net Assets Statement.

<b>AVC Fund</b>	<b>With Profits Cash Acc Fund</b>	<b>Deposit Fund</b>	<b>Unit Linked Funds</b>	<b>Total</b>
Opening value at 31 March 2010	7,660,448	596,857	469,888	8,727,193
<b>Income</b>				
Contributions	597,016	276,695	207,427	1,081,138
Transfers In	59,950	12,045	57,251	129,246
Interest & Bonuses	353,808	3,310		357,118
<b>Expenditure</b>				
Benefits	965,735	148,969	8,407	1,123,111
Transfers out	167,948	15,535	5,759	189,242
Charges			4,266	4,266
Market movement			74,727	74,727
<b>Closing Value at 31 March 2011</b>	<b>7,537,539</b>	<b>724,403</b>	<b>790,861</b>	<b>9,052,803</b>

## **18 Dividend Tax Claims**

During the financial year 2006/07, the County 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 £793,498 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 County Council is participating with other pension funds in progressing a legal test case to support the claims.

During the financial year 2009/10, the County 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. During the current year a top up claim was submitted for the year 2009/10, for approximately £278,000. As with the tax claim detailed in the paragraph above, the County Council is participating with other pension funds in progressing a legal test case to support the claims.

It is expected that resolution of the both 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.

## **19 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.

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 County 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 County 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 £22.1m and interest of £183k was earned over the year.

Lincolnshire County Council paid contributions of £35.5m into the Pension Fund during the year and all payments were received within agreed timescales.

## **20 Nature and Extent of Risks and How the Pension Fund Manages those Risks**

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

**Credit Risk** - The risk that one party to a financial instrument will cause a loss for the other party by failing to pay for its obligation.

The Pension 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 Berkhart and Trinkaus. 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 HSBC, which holds an AA 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** - The risk that the Pension Fund will have difficulties in paying its financial obligations.

The Pension Funds 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 2011, these assets totalled £782m, with a further £13.3m 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.

**Market Risk** - The risk that fair value of cash flows of a financial instrument will fluctuate due to changes in market process. Market risk reflects interest rate risk, currency risk and other price risk.

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. Each manager is expected to maintain a diversified portfolio within their allocation. 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.

The interest rate risk is the risk to which the Pension fund is exposed to changes in interest rates and relates to holdings in bonds. The Fund has a passive investment in bonds managed by Blackrock (£78m). To reduce the risk, the investment is diversified across three different bond types, with 50% of the holding in Corporate bonds, 30% in index linked bonds and 20% in overseas Government bonds. The active bond investment is in an absolute return fund, managed by Goodhart (£81m), aiming to out perform the return on cash by an excess of 4% per annum.

The currency risk is the risk to which the Pension Fund is exposed to fluctuations in foreign currency exchange rates. Of the Pension Fund's 40% allocation to Global equities, the allocation to Invesco, which is passively managed, has a currency overlay programme in place to reduce the currency risk. The remaining allocation is managed by active managers, who will take account of currency risk in their investment decisions.

The price risk is the risk of losses associated with the movement in prices of the underlying assets. By diversifying investments across asset classes and managers, the Pension Fund aims to reduce the exposure to price risk. Diversification of asset classes seeks to reduce correlation of price movements, whilst employing specialist managers enables the Fund to benefit from investment expertise. In addition to the Fund's own strategy, prescribed statutory limits are in place to avoid concentration of risk in specific areas.

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**

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 \$16.6 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.

## **21 Scheduled Bodies Contributing to the Fund**

### **County and District Councils**

Lincolnshire County Council  
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

### **Police and Probation**

Lincolnshire Police Authority  
Lincolnshire Probation Service

### **Further Education Establishments**

Boston College  
Grantham College  
Lincoln College  
Stamford College

### **Parish and Town Councils**

Aubourn & Haddington Town Council  
Bourne Town Council  
Cherry Willingham Parish Council  
Crowland Parish Council  
Deeping St James Parish Council  
Gainsborough Town Council  
Greetwell Parish Council  
Heighington Parish Council  
Horncastle Town Council  
Ingoldmells Parish Council  
Langworth Parish Council  
Louth Town Council  
Mablethorpe and Sutton Town Council  
Market Deeping Town Council

Metheringham Parish Council  
Nettleham Parish Council  
North Hykeham Town Council  
Saxilby & Ingham Parish Council  
Skegness Town Council  
Skellingthorpe Parish Council  
Sleaford Town Council  
Stamford Town Council  
Sudbrooke Parish Council  
Washingborough Parish Council  
Woodhall Spa Parish Council

### **Internal Drainage Boards**

Black Sluice Internal Drainage Board  
Lindsey Marsh Drainage Board  
North East Lindsey Internal Drainage Board  
South Holland Internal Drainage Board  
Upper Witham Internal Drainage Board  
Welland and Deeping Internal Drainage Board  
Witham First Internal Drainage Board  
Witham Fourth Internal Drainage Board  
Witham Third Internal Drainage Board

### **Academies**

Sleaford St Georges  
Skegness Grammar  
West Grantham Academy  
Giles Academy  
Alford QE Grammar  
Caistor Grammar  
Branston Community Academy  
Bourne Abbey C of E Primary  
William Farr CE Comprehensive  
Priory Federation of Academies  
Trent Valley Academy

## **22 Exchange Rates Applied**

The exchange rates used per £1 sterling as at 31 March 2011 were:

Australian Dollar	1.5500
Bermudian Dollar	1.6030
Brazilian Real	2.6076
Canadian Dollar	1.5593
Swiss Franc	1.4665
Chinese Yuan	10.4969
Czech Koruna	27.7390
Danish Krone	8.4221
Egyptian Pound	9.5528
Euro	1.1296
Hong Kong Dollar	12.4681
Indonesian Rupiah	13,957.6870
Israeli Shekel	5.5675
Japanese Yen	132.8525
Korean Won	1,758.3559
Mexico Peso	19.0867
Malaysian Ringgit	4.8549
Norwegian Krone	8.8671
New Zealand Dollar	2.1015
Phillippino Peso	69.5680
Polish Zloty	4.5520
Swedish Krona	10.1120
Singapore Dollar	2.0205
Thai Baht	48.4812
Turkish Lira	2.4747
Taiwan Dollar	47.1371
US Dollar	1.6030
South African Rand	10.8351

## Lincolnshire Fire & Rescue Pensions Fund for the year ended 31 March 2011

2009-10 £'000	Fund Account	Note	2010-11 £'000
	<b>Contributions Receivable</b>		
	From employer:		
(1,787)	- normal		(1,699)
(95)	- other (ill health)		(148)
(1,023)	From members		(983)
(208)	From CLG ( commutations special income)		0
	<b>Transfers in:</b>		
(576)	individual transfers from other schemes		(34)
	<b>Benefits payable:</b>		
3,419	pension		3,595
1,042	commutations and lump sum retirement benefits		1,557
	<b>Payments to and on account of leavers:</b>		
5	individual transfer out to other schemes		142
<b>777</b>	<b>Sub Total Net amount payable for the year before top up grant receivable</b>		<b>2,430</b>
	(777) Top up grant receivable from sponsoring department		(2,430)
	<b>0 net amount payable/receivable</b>		<b>0</b>
<b>31 March 2010</b> £'000	<b>Net Asset Statement as at:</b>		<b>31 March 2011</b> £'000
	<b>Current Assets</b>		
289	Pensions paid in Advance		309
19	Amounts due from LCC		0
0	Pensions top up grant due		1,426
	<b>Current liabilities</b>		
0	Amounts payable to LCC		(1,735)
(308)	Pension payable to central government		0
<b>0 Total</b>			<b>0</b>

## **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 County Councils General Fund is shown as 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 50 to the Councils Financial Statement shows the Councils 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.

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.

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 Sums 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 2010/11 the contribution rates for the 2006 scheme were 19.5% of pensionable pay (11% employers and 8.5% employees) and the contribution rates for the 1992 scheme were 32.3% of pensionable pay (21.3% employers and 11% employees). 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 Commutation payments Rate change

Legislation that changed the commutations rates payable to retired fire-fighters resulted in backdated payments in 2009/10 for which DCLG special income of £208K was received in the 2009/10 accounts.

#### 8 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.



# **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 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 2011 and of its expenditure and income for the year ended on that date.

Sign: ..... Date: .....

## The Chairman's Responsibilities

The Statement of Accounts was presented to Lincolnshire County Council Audit Committee and approved on 31 October 2011.

Sign: ..... Date: .....

# **Annual Governance Statement for Lincolnshire County Council**

For the year ended 31 March 2011

## **Scope of Responsibility**

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 properly used economically, efficiently and effectively. We therefore have a duty under the Local Government Act 1999 to ensure secure continuous improvement in the way our role is carried out, having regard to economy, efficiency and the effectiveness of what we do.

As we carry out this overall responsibility, we need to put in place good arrangements to manage our business effectively to deliver services to the people of Lincolnshire. This includes arrangements for the management of any risks we may face.

To help with these responsibilities we have put together and 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 in relation to the publication of a statement of internal control.

## **The purpose of the governance framework**

Each local government body operates through a Governance Framework which brings together a set of legislative requirements. As we follow the framework it helps us to ensure accountability for the proper conduct of our business, through the publication of an annual governance statement.

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.

## **The governance framework**

We have put in place assurance arrangement 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”*

The Executive and senior managers have approved the governance framework and they have accepted responsibility for its implementation.

An officer governance group is in place that is responsible for monitoring the framework's effectiveness and make sure that any concerns raised during the year are acted upon.

Through the Audit Committee, elected Members oversee our financial processes, audit and risk management including the effectiveness of the corporate governance framework.

Our Governance Framework is defined by the six principles of good governance as shown below:

## **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 built and will continue to build strong relationships with our partners. Our long term vision to 2030 sets out the overall strategic direction for the economic, social and environmental wellbeing of Lincolnshire. This demonstrates strong collaboration in delivering services to the County and our priority to build and maintain strong, good relationships.

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. This commenced in January 2011.

### **Focusing on the purpose of the Council and improving future outcomes for the whole county.**

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 are continually seeking 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 and by using our Financial Strategy to set out how we will respond to the economical challenges we are facing whilst ensuring top rate service

### **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 through 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
- Role of Standards Committee
- 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.

### **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 our officers display the highest possible standards or behaviour and conduct. A Code of Conduct has been adopted to ensure and promote good conduct in officers.

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.

Our Standards Committee was set up in 2002 to make sure that the Council's leadership sets a tone for the organisation by creating an atmosphere of respect, openness and support. The Committee makes sure that the Council promotes good ethical conduct of Councillors and non elected staff and also ensures we maintain a commitment to Equality and Diversity when making decisions to help develop positive, trusting relationships.

### **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 scrutinize any decision made by the Executive, Executive Councillor or key decision made by an officer. It examines the County Council's overall performance and advise 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 the responsibility for ensuring the lawfulness of decisions taken by us as detailed in the Constitution part3.

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 Corporate Risk Register is regularly reviewed and more details can be found in our Risk Management Strategy.

### **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 skills required by Members and staff are assessed and developed to enable roles to be carried out more effectively through our Competency Framework and our Competency Policy

The Councillor Learning and Development Group co-ordinates activities and training for our members to ensure they are effective in their roles.

In recognition to our commitment as an employer that achieves the most by getting the best from its people we attained the Investors in People award

During the year the Council has undertaken significant workforce change. Our employment policies have supported our staff through these difficult times.

### **Review of Effectiveness**

The County Council should carry out an annual review of how effective its governance framework is. This is informed by the:

- Executive managers
- Head of Internal Audit's annual report
- Strategic Risk Manager's annual report
- Standards Committee's annual report
- By comments made by external auditors and other agencies.

### **Our Assurance Arrangements**

There are a number of ways we assess if our governance arrangements are working. These are:

#### **Corporate Governance Group**

The Corporate Governance Officer group was set up to help ensure the Council adopts good governance in running it's 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.*

#### **Internal Audit**

Internal Audit exists to provide assurance that the Council maintains an effective control environment that enables it to manage its business well and deliver effective services to the public. It helps the Council achieves its objectives, ensure that effective and efficient operations are maintained, and it safeguards its resources. It provides constructive and independent challenge to management on the way things are done.

### **External Audit**

The Councils financial statements and annual governance statement are an important way we account for our stewardship of Public funds.

The Audit Commission, our External Auditors, audit our financial statements and gives an opinion on these.

They also assess how well we manage our resources and deliver value for money to the people of Lincolnshire.

### **Audit Committee**

The Audit Committee is a vital overseeing group that 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 and 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

### **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

### **Standards Committee**

The Standards Committee maintains high standards of conduct by councillors and non-elected members. The Committee seeks to promote an open and honest system of Local Government by making sure members follow their Code of Conduct.

Our independent non-elected members offer different perspectives and constructive suggestions to the way we work. For more information go to: Standards Committee

### **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 Best Value Performance Plan

For more information go to: Performance

## Governance Issues

As a result of our review we have identified the following areas where further work is required to improve systems or monitor how the key risks facing the Council are being managed. These are:

Governance Issue	Lead Officer	Key Delivery Milestones	Date
<p><b>Adult Social Care</b> Putting People First is a transformation programme to ensure that all people who may require adult social services support have access to information, advice and preventative services, thereby delaying or stopping their need for Adult Social Care. We have strengthened our programme and project arrangements in this area but there are still some key things we need to do to ensure our success and deliver a balanced budget.</p>	Terry Hawkins	Personal Budgets to be provided to 50% of eligible people.	April 2012
<p>Adult Services improving the way we deal with referral and assessments.</p>	Susie Alexander	Meeting performance targets and Improvement Plan.	July 2011
<p><b>Value for Money</b> Strategic Commissioning and how we manage our contracts – we need to improve the way we commission and monitor our contracts demonstrating value for money and driving up performance.</p>	Terry Hawkins	Review all contracts.	April 2012
		Delivery of Improvement Plan.	April 2012
<p>Primarily this relates to Adult Social Care but there is clear scope for reviewing and improving such arrangements throughout the County Council.</p>	Management Board	Consider the need to strengthen skills and, if necessary, capacity within the authority to improve all aspects of the commissioning / contracting / client functions across all service areas.	December 2011
<b>Service Delivery Post Core Offer</b>			

<p>Transition and delivery of our 'core offer' of service delivery for the people of Lincolnshire – The Council needs to respond to the very different political and financial environment it now operates within. We are now expected to do what we have to do – and what we wish to do – with a lot less money. We need implement major work force change and deliver savings of £125m over the next 4 years but predominately in the first 2 years. We will need to decide what we can continue to do, stop doing, scale down or look for others to take on. There will be some risks that need to be managed effectively as we move forward:</p> <ul style="list-style-type: none"> <li>• Impact on people – those who use our services and our staff. Minimising any disruption to our 'core' services.</li> <li>• Ensuring that we have good succession planning and handover arrangements in place where experienced staff leave us.</li> <li>• Impact on our partners and key suppliers and ultimately the local economy.</li> <li>• Delivery of our savings ensuring our financial resilience for the future.</li> <li>• Ensuring that we prioritise our resources within tighter budgets whilst improving productivity and efficiency.</li> </ul>	<p>All Executive Directors, Asst Directors and Heads of Service.</p>	<p>Robust budget and service quality monitoring arrangements have to be applied for the foreseeable future in order to secure delivery of both the financial and service delivery aspects of the core offer review outcomes.</p>	<p>Ongoing</p>
<p><b>Working with our Communities</b> The Council has worked as a Community Budget national pilot on Families with Complex Needs and continued working on local priorities around 'Excellent Ageing' and 'Total Environment'. To date, these have not had significant impacts on governance because the anticipated shared budgets have not yet materialised. However, Community Budgets will remain a potential area of focus for governance as the Council has expressed formal interest in the expansion of Community Budgets, which should become clear on publication of a national prospectus at the end of September 2011.</p>	<p>David O'Connor</p>	<p>Review of governance arrangements (as appropriate).</p>	<p>31 March 2012</p>
<p><b>Reviewing our Governance and Assurance Arrangements</b> The people of Lincolnshire need to have confidence in the way we work, we need to show high standards in public life. It's about how we do business – it's about good governance.  We all know that there will be tough times ahead as we move to a new era of delivering public services to the people of Lincolnshire. During this time there is no doubt that our governance structures and processes will be tested.</p>	<p>Lucy Pledge</p>	<p>Review of our Governance and Assurance arrangements in light of potential changes in the way we work and deliver services.</p>	<p>December 2011</p>
<p><b>Financial Statements</b></p>			

<p>The basis under which the published financial statements of the authority are derived has, for all local authorities, undergone significant change for the 2010/11 statements in order to comply with International Financial Reporting Standards. Production of the statements has been challenging in both technical and resource terms. As a consequence the timetable originally agreed with External Audit for review of the statements was not achieved. Therefore the audited statements will not be approved by the Audit Committee and published by the statutory deadline of 30<sup>th</sup> September 2011. A revised date, of 31<sup>st</sup> October 2011, has been set.</p>	<p>David Forbes</p>	<p>A full review will be undertaken during the autumn of 2011 with Mouchel to understand the underlying issues behind the delays in producing the financial statements for last year and an action plan will be derived to ensure there is no repeat of the situation in future years.</p>	<p>November 2011</p>
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**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.

Signed: .....

Date: .....

**Executive Director of Resources and Community Safety**

Signed: .....

Date: .....

**Chief Executive**

Signed: .....

Date: .....

**Leader of the Council**



**Independent auditor's report to the Members of Lincolnshire County Council**

**Appendix A - Officer Remuneration split between staff employed in Schools and All Other Parts of the County Council.**

SCHOOLS	2009-10		2010-11	
	Number of Staff		Number of Staff	
Pay Band	Re-Styled Remuneration received (excl those receiving termination payments)	Staff who received termination payments	Remuneration received (excl those receiving termination payments)	Staff who received termination payments
£170,000- £174,999	0	0	0	0
£165,000- £169,999	0	0	0	0
£160,000- £164,999	0	0	0	0
£155,000- £159,999	0	0	0	0
£150,000- £154,999	0	0	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	1	0	0	0
£115,000- £119,999	0	0	0	0
£110,000- £114,999	0	0	0	0
£105,000- £109,999	1	0	0	0
£100,000- £104,999	1	0	1	0
£95,000- £99,999	2	1	2	0
£90,000- £94,999	8	0	4	1
£85,000- £89,999	7	1	7	1
£80,000- £84,999	8	1	5	1
£75,000- £79,999	7	1	8	1
£70,000- £74,999	22	1	16	1
£65,000- £69,999	31	2	17	2
£60,000- £64,999	44	1	34	0
£55,000- £59,999	86	1	80	0
£50,000- £54,999	196	0	140	3
<b>Total</b>	<b>414</b>	<b>9</b>	<b>314</b>	<b>10</b>

OTHER SERVICES	2009-10		2010-11	
	Number of Staff Re-Styled		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
£170,000- £174,999	0	0	0	1
£165,000- £169,999	0	0	0	0
£160,000- £164,999	0	0	0	0
£155,000- £159,999	0	0	0	0
£150,000- £154,999	0	0	0	0
£145,000- £149,999	0	0	0	2
£140,000- £144,999	0	0	0	3
£135,000- £139,999	0	0	0	1
£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	1
£110,000- £114,999	0	0	0	1
£105,000- £109,999	0	0	0	0
£100,000- £104,999	0	0	0	0
£95,000- £ 99,999	0	0	0	2
£90,000- £94,999	1	0	1	1
£85,000- £89,999	6	0	6	1
£80,000- £84,999	5	0	4	1
£75,000- £79,999	3	0	1	0
£70,000- £74,999	3	0	3	2
£65,000- £69,999	19	0	15	2
£60,000- £64,999	32	0	37	0
£55,000- £59,999	48	0	46	2
£50,000- £54,999	45	0	55	0
<b>Total</b>	<b>162</b>	<b>0</b>	<b>168</b>	<b>20</b>

# **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 BVACOP. 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.

## **Area Based Grant (ABG)**

A general grant allocated directly to local authorities as additional revenue funding for areas. This is a non-ringfenced grant.

## **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.

## **Best Value Accounting Code of Practice (BVACOP)**

Details standard definitions of service and total cost which enables spending comparisons to be made with other local authorities.

## **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 Lincolnshire County 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 County 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 County 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 County 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 BVACOP. Discontinued operations are those operations of the local 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 County Council in exchange for service rendered by employees.

**Exceptional Items**

Events which are material in terms of the Council 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 Lincolnshire County Council. Income from the council tax precept and government grants are paid into the fund, from which the cost 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 a council in return for past or future compliance with certain conditions relating to the operation of activities.

**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, IAS's are currently being replaced with International Financial Reporting Standards (IFRS's) 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**

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**

Lincolnshire County 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 local 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 building) 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 Lincolnshire County 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 Lincolnshire County 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.

**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 Lincolnshire County 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.