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County Offices
Newland
Lincoln
LN1 1YL

13 September 2013

Audit Committee

A meeting of the Audit Committee will be held on **Monday, 23 September 2013 at 10.00 am in Committee Room One, County Offices, Newland, Lincoln LN1 1YL** for the transaction of the business set out on the attached Agenda.

Yours sincerely

A handwritten signature in black ink, appearing to be "Tony McArdle", written over a horizontal line.

Tony McArdle
Chief Executive

Membership of the Audit Committee (7 Members of the Council + 1 Voting Added Member)

Councillors Mrs S Rawlins (Chairman), Mrs E J Sneath (Vice-Chairman), J W Beaver, N I Jackson, S M Tweedale, W S Webb and P Wood

Voting Added Member

Mr P D Finch

**AUDIT COMMITTEE AGENDA
MONDAY, 23 SEPTEMBER 2013**

Item	Title	Pages
1	Apologies for Absence	
2	Declaration of Member' Interests	
3	Minutes of the meeting held on 22 July 2013	1 - 8
4	Counter Fraud Progress Report to 31 August 2013 <i>(To receive a report which provides an update on fraud investigation activities and information on progress made against the Council's Counter Fraud Work Plan 2013/13)</i>	9 - 20
5	Whistleblowing Annual Report 2012/13 <i>(To receive a report which provides an overview of the Council's whistleblowing arrangements throughout the year 2012/13 and presents proposed changes to the Whistleblowing Policy)</i>	21 - 36
6	ICT Audits 2012 Update <i>(To receive a report which provides the Committee with an update on issues which were identified during five audits which took place in 2012)</i>	37 - 44
7	External Audits ISA 260 Report to Those Charged with Governance on Lincolnshire County Council's Statement of Accounts and Lincolnshire County Council Pension Fund Accounts for 2012/13 <i>(To receive a report which sets out the external Auditors findings in their ISA 260 Report to Those Charged with Governance for the County Council's Statement of Accounts and for the Pension Fund Accounts)</i>	45 - 78
8	Statement of Accounts for Lincolnshire County Council for the year ended 31 March 2013 <i>(To receive a report which presents the final Statement of Accounts for Lincolnshire County Council for the financial year 2012/13 for approval)</i>	79 - 250
9	Review of the Effectiveness of Internal Audit <i>(To receive a report which presents the findings of work undertaken by a joint officer/councillor working group to review the effectiveness of internal audit, and concludes that the County Council does maintain an effective system of internal audit)</i>	251 - 256
10	Annual Governance Statement 2013 <i>(To receive a report which provides the Audit Committee with an opportunity to consider and approve the Council's Annual Governance Statement for 2013)</i>	257 - 278

11 Work Plan

279 - 286

(To receive a report which provides the Committee with information on progress of agreed actions and it work plan up to November 2013)

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Please note: for more information about any of the following please contact the Democratic Services Officer responsible for servicing this meeting

- Business of the meeting
- Any special arrangements
- Copies of reports

Contact details set out above.

All papers for council meetings are available on:
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**AUDIT COMMITTEE
22 JULY 2013**

PRESENT: COUNCILLOR MRS SUSAN RAWLINS (CHAIRMAN)

Councillors Mrs E J Sneath (Vice-Chairman), J W Beaver, N I Jackson, S M Tweedale and W S Webb

Also in attendance: Mr P D Finch (Independent Added Person)

Officers in attendance:-

Tony Crawley (KPMG), David Forbes (Assistant Director Finance and Resources), Glen Garrod (Director of Adult Social Services), Pete Moore (Executive Director Resources and Community Safety), David O'Connor (Executive Director Performance and Governance), Claire Pemberton (Assistant Head of Finance), Lucy Pledge (Head of Audit and Risk Management), Dave Simpson (Head of Finance - Communities and Corporate), John Sketchley (Audit Manager), Janice Spencer, Phil Vickers (Assistant Director Safer Communities) and Mike Wood (KPMG)

9 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor P Wood.

10 DECLARATION OF MEMBERS' INTERESTS

There were no declarations of interest at this point in the meeting.

11 MINUTES OF THE MEETING HELD ON 24 JUNE 2013

RESOLVED

That the minutes of the Audit Committee held on 24 June 2013 be confirmed and signed by the Chairman as a correct record.

12 ASSURANCE STATUS REPORT - ADULT CARE

Consideration was given to a report which provided the Audit Committee with an insight on the assurances across all critical services and key risks in Adult Care. The Director of Adult Social Services was in attendance to provide the Committee with an update on work which was taking place within the directorate.

It was reported that this was the second assurance status report which had been presented to the Audit Committee. The first had been presented in November 2012. The Committee was advised that the general direction of travel was improving, but

there were still a few risks. There were five strategic priorities for Adult Care in 2013/14, which were:

- A balanced budget outturn
- Improved performance
- Integration with health
- Established plans for the delivery of key elements of Adult Care transformation
- A set of quality indicators

The Committee was informed that the position of Adult Care had been improving for the last 6-12 months, and excellent support had been received from finance colleagues, and so had been able to get into a level of detail with spend analysis that had not been able to do before. It was expected that the budgets for Adult Care would balance at the end of the financial year.

Members of the Committee were provided with an opportunity to ask questions to the officers present in relation to the information contained within the report, and some of the points raised during discussion included the following:

- As the public demand for quality care continued, there would be a need to ensure that contractors had staff trained to meet the needs of the people they cared for;
- The Committee was assured that quality had become a priority in Adult Care. Following a review of domiciliary care, Lincolnshire was found to have the highest rate of compliance in the East Midlands. Age UK would also be commissioned to undertake face to face quality checks;
- There were 80,000 domiciliary visits made in Lincolnshire per week;
- It was hoped to introduce an electronic system to monitor visits, this would require staff to call a Freephone number when they arrived at a visit and before they left. They would call from the service users home phone, and this would provide information on how long the visits were, how many visits a person received and how many different staff visited the person, which were all quality markers;
- A degree of assurance could be provided regarding quality of care in residential homes, however the domiciliary care sector was the most diverse as it did not make a distinction between those working in rural areas and those working in more urban areas. The authority was hoping to negotiate with the sector about recognising this;
- It was projected that the budget would just about balance for the year, but for the future there was potential for more funding to be received through health integration;
- It had been agreed with health colleagues that prevention and intervention were important priorities;
- It was thought that the growth in the older population in Lincolnshire over the next 5-10 years would be profound;
- Adult care in the future would no longer be able to exist on its own as it became more interdependent with health, and direct care was not supplied in the majority of cases. A completely new business model would be required for the future;

It was requested that the Director of Adult Social Services come back to the Committee in January 2014 with a further update.

RESOLVED

That the current status of the Adult Care assurance regime be noted;

13 CORPORATE AUDIT PROGRESS REPORT TO 30 JUNE 2013

Consideration was given to a report which provided an update on progress made against the Audit Plan for 2013/14. The Committee was informed that good progress had been made in the first quarter, with 17.8% of the planned work for 2013/14 being completed and closing down audit work which had been carried over from the previous year. It was reported that some staffing issues had been experienced with one person being on long term sick leave which has had an impact on performance, but arrangements were now in place to cover this shortfall for the rest of the year.

The Committee was informed that 22 school audits had been completed as well as finalised 16 County Council audits since the previous progress report, 5 of these had resulted in limited assurance. A further 19 County Council audits were in progress, and draft reports had been issued for the majority of them.

Members of the Committee were provided with the opportunity to ask questions to the officers present in relation to the information contained within the report, and some of the points raised during discussion included the following:

Adult Services Project Risk Management

- On smaller projects it was important to recognise that the risk had been considered and managed;
- In Adult Care there was a targeted approach to risk, as some could be left with individual managers to manage;
- It was clarified that detailed information was generally provided for those areas which were given 'limited' assurance, as a focus for the Committee;

Coroners

- The audit for the Coroners was requested as management had identified a number of areas which were not working as well as they should. A number of new processes had now been put in place;
- The direction of travel for the Coroners Service was improving, and the action plan was quite comprehensive, with all actions being put in place except for those with a completion date of 1 August or 1 September 2013, but they were on track;
- An internal health check was carried out with full assurance being given;
- The main change which had occurred was in relation to the production of invoices;
- There was a need to be able to respond to new legislation;
- There were proposals for the introduction of medical examiners, but officers were still awaiting further details of this, and it was expected that this would have an impact on the service;

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AUDIT COMMITTEE
22 JULY 2013

Child Protection Plans

- An audit was undertaken which looked at children's safeguarding, and a number of areas of good practice were identified. Child protection plans were found to be detailed. Limited assurance was given due to concerns that information was not always clearly evidenced on the central record. A contract for a new IT system was currently out to tender, and officers were contributing to the design and procurement of the system. The recommendations from the audit were being taken very seriously and new processes were being put in place to ensure implementation of the actions;
- One of the challenges of keeping paper records was around indexing. Business Support had now taken over the indexing of records;
- The authority had invested heavily in the frontline staff being involved in the procurement of the system to ensure that it was fit for purpose. This system was approximately 18 months away from implementation;
- Limited assurance was given as officers recognised the importance of recording the information;
- There were several similar systems which had been implemented in other authorities;
- There were five tenders which were being looked at in detail, and each would be coming to spend a day at the authority, and staff would be involved in this as well;
- Children's Services had significant quality assurance processes, but the recording system was a strategic risk, and so officers were disappointed that substantial assurance could not be given;

General

- It was important that directors provided the resources and commitment to implement actions identified on action plans;
- In relation to Fire and Rescue, the Committee was informed that follow up work had been undertaken and all recommendations had now been implemented;

RESOLVED

That the outcomes of the Corporate Audit work be noted.

14 EXTERNAL AUDIT PROGRESS REPORT

Consideration was given to a report which provided the Committee with an update on the work performed by the Council's external auditors, KPMG, during the interim audit stage including the County Council and Pension Fund audits, as well as work planned for the next quarter.

It was reported that all of the interim work had now been completed.

RESOLVED

That the progress report be noted.

15 DRAFT STATEMENT OF ACCOUNTS 2012/13

Consideration was given to a report which contained the draft Statement of Accounts for Lincolnshire County Council for the financial year 2012/13. The annual Statement of Accounts were prepared in line with the proper accounting practices required by section 21 (2) of the Local Government Act 2003 and set out in the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 and the Service Reporting Code of Practice (SeRCoP).

The Committee was guided through the draft Statement of Accounts and provided with the opportunity to ask questions to the officers present and some of the points raised during discussion included:

- Note 10 - Clarification was given in relation to the amount of the Council's reserves which were usable, as much of the reserve was allocated to various projects, included schools balances, health and wellbeing funding. There was only about £30m of the reserve which could be used flexibly;
- The reserves that were held for schools were handed over to the school when they became academies;
- It was important to emphasise that the reserves were 'one off money' and they could only be spent once, and should not be used to fund ongoing issues;
- If there was a scheme which required a compulsory purchase order (CPO) the funding required would come from the capital budget;
- Note 12 – the movements were on pensions costs/assets and carrying the value of investment properties;
- Note 33 - The change which would be seen in the next year would be inclusion of the public health funding which would be approximately £28m;
- Note 33 – once there were two years of figures for Civil Parking Enforcement, it would only appear on the service plan. It was only highlighted as the County Council had acquired the operation in 2012/13;
- In relation to the Energy from waste facility, four waste transfer stations had been built and would be responsible for delivery of the waste to the EfW. There was an obligation for the County Council to fill its quota for the EfW, and if it could not be met from residual waste, then it would need to be found from other sources;
- Note 15 – the castle carried a historic cost, and was not subject to revaluations as a value could not accurately be put on it. It was listed under 'other historic buildings', and £1.3m had been added to its value due to the work which had been carried out at the site;
- In terms of academies, the school had responsibility for the buildings, but the Authority still owned the land, and the land value would transfer back to the County Council at the end of the 125 year lease. If the school ceased to operate then the land and buildings would revert back to the County Council. At this point in time the asset would come back into the County Council's balance sheet and would be re-valued. Whilst the buildings were being used by the academy they could be used however the school wished, but they would not be able to sell off the land;

- If an school was PFI funded before it became an academy the liability was with the County Council, but it was the responsibility of the academy to pay the PFI credits;
- There had been a reduction in value of short term investments, but the authority was using this to fund capital expenditure rather than external borrowing;
- The value of the county farms estate was only amassing on the balance sheet, and the value would only be realised if the land was sold. If the land was sold it would be classed as a capital receipt and could only be used on capital projects;
- The authority had been very careful in the land which had been disposed of from the county farms estate as it was one of the best ways of investing money;
- Cashflow Statement – Any cash movements in or out of the authority would be shown as cash flow;

The accounts for the Lincolnshire County Council Pension fund were also considered and it was noted that it was important for new members to join. In relation to the investment manager expenses which seemed to have risen since the previous year, it was noted that this could be seen as a positive thing as a proportion of the expenses were performance linked.

It was noted that all audit work was on schedule to be completed on time, and the Statement of Accounts were available through the Council's website.

RESOLVED

That the comments made in relation to the draft Statement of Accounts be noted.

16 REVIEW OF GOVERNANCE FRAMEWORK & DEVELOPMENT OF ANNUAL GOVERNANCE STATEMENT 2013

Consideration was given to a report which sought the views of the Committee in relation to the development and approval of the Council's Annual Governance Statement and whether the areas of concern identified adequately reflected the Council's governance and assurance framework for 2013.

The Committee were guided through the draft Annual Governance Statement for 2013 by the Executive Director Performance and Governance, and the main governance issues were explained along with the key delivery milestones. The Annual Governance Statement outlined the areas which had been identified where further work was required to improve systems or monitor how the key risks facing the Council were being managed.

It was reported that following the peer review, the authority had been put on alert that if an authority with poor governance was found, officers could be called on to share some of the good practices which had been highlighted in Lincolnshire.

Members of the Committee were provided with the opportunity to ask questions to the officers present in relation to the information contained within the report, and some of the points raised during discussion included the following;

- The safeguarding issue went beyond children's services. A MASH (Multi agency information sharing hub) was intended to provide a way to share intelligence on high risk adults as well as children;
- There could be up to 25 cases on a MARAC agenda. Safeguarding could be looked at in more detail if the Committee felt it was necessary;
- The authority would be informed of domestic violence cases through its police representative. Information sharing was a very important practice;
- The ability to retain suitably qualified staff in service areas when there was better paid work available elsewhere would continue to be a high risk factor within the Council;
- It could be more difficult to recruit high level and senior officers;
- The biggest risk to ICT resilience was having a single data centre;
- The funding had been granted for a second data centre, but this had now been moved to the following year, as other options were being pursued and there was a possibility it may not be required;
- ICT resilience was far more resilient now than it had ever been;
- There was a need for contracts to be more flexible if they were going to be for more than one year;
- Lincolnshire was better placed than some large authorities in terms of governance;

RESOLVED

That the Committee delegate approval of the Annual Governance Statement to the governance group and pass on any additional comments to the Chairman and Vice-Chairman of this Committee.

17 WORK PLAN

The Committee received a report which provided information on progress on agreed actions and its work plan up to November 2013.

It was suggested that the assurance around emergency planning could be broadened to include flooding, and would come back to a meeting of the Committee after October 2013.

RESOLVED

1. That progress of agreed actions be noted;
2. That the work plan be noted;

The meeting closed at 5.00 pm

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Regulatory and Other Committee

Open Report on behalf of Pete Moore, Executive Director Resources & Community Safety

Report to:	Audit Committee
Date:	23 September 2013
Subject:	Counter Fraud Progress Report to 31 August 2013

Summary:

This report provides an update on our fraud investigation activities and information on progress made against our counter Fraud Work Plan 2013/14.

Recommendation(s):

To note the outcomes of our counter fraud work and identify any actions it requires.

Background

This report provides an update on the progress made against the Counter Fraud Work Plan 2013/14, including our investigation activities. Details can be found in Appendix A, including:

- Key messages
- Proactive counter fraud work
- Investigation update
- Progress against plan
- Counter Fraud work Plan 2013/14

Conclusion

Delivery of the work plan for 2013/14 is on-track and we have completed five investigations since our last progress report in April 2013. We have made significant progress with the National Fraud Initiative results and are in the process of finalising promotional material on our whistleblowing and counter fraud arrangements which we hope to use with the re-launch of the Council's whistleblowing policy.

Consultation

a) Policy Proofing Actions Required

N/A

Appendices

These are listed below and attached at the back of the report	
Appendix A	Counter Fraud Progress Report

Background Papers

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

This report was written by Lucy Pledge, who can be contacted on 01522-553692 or lucy.pledge@lincolnshire.gov.uk.



Counter Fraud Progress Report



Date: September 2013

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Introduction

1. The purpose of this report is to:

- Provide an update on our fraud investigation activities
- Report on progress against our Counter Fraud Work Plan 2013/14

Key Messages

2. Counter Fraud Pro-active Work

Data analytics work on the Council's creditor payments system identified a group of potentially fraudulent transactions in one area of the business – our investigators were already working a case in this area and were aware of these irregularities. The subject of this investigation subsequently resigned and the Authority sold unwanted assets to recover some of the loss.

This data exercise also highlighted some compliance issues which will be reported as part of our due diligence audit work. We will now be using the repeatable scripts on data extracted each quarter to enhance our due diligence testing of the creditors system.

We are using this learning on a joint fraud proactive / due diligence exercise on expenses – this is a recognised fraud risk area requiring regular audit and routine probity work.

We have completed a comprehensive review of our counter fraud and investigation practice notes which will form the revised standards for our quality assurance process.

We have developed new whistleblowing and counter fraud promotional material which shall be used over the next few months, supporting the re-launch of the Council's whistleblowing policy.

Our work on the National Fraud Initiative has so far identified £15.6k of recovery potential – no issues of a fraudulent nature. This recovery figure is significantly down on previous exercises – we believe this is due to improved processes in the two areas of business which previously had high overpayments (pensions and private residential care providers).

3. Investigations

We have completed five cases since our last progress report – our work resulted in management action in one case and a further four resignations.

There are two live fraud investigations, both of which are with the Police. One case of contractor fraud is awaiting trial later this year and the other case file (relating to a mandate fraud) is with the Crown Prosecution Service for advice.

Pro-active work

4. Using our enhanced data analytics capabilities we are now in the process of analysing expenses payments made to staff and councillors. This year we have pooled resources from our due diligence and fraud proactive work plans to maximise the use of the data extract – we are carrying out compliance work as well as investigating unusual trends and outliers identified through our detailed analysis.
5. We are in the process of finalising new posters to promote our whistleblowing and counter fraud arrangements. We have also developed a whistleblowing leaflet to coincide with the re-launch of the Council's revised whistleblowing policy. This promotional material should be ready by the end of the month for distribution from October 2013 onwards and will be used in our work to raise awareness with staff, councillors, contractors and service users.
6. We have completed a comprehensive review of our Counter Fraud and Investigation Practice Notes based on our own experiences, best practice and guides issued by the National Fraud Authority. Following Head of Audit approval, these Practice Notes will provide the standards for all counter fraud proactive and investigation work and will form the framework for our quality assurance process.
7. So far our work on the 2012/13 National Fraud Initiative (NFI) data matches has identified recovery potential of £15.6k. This is largely made up of overpayments and VAT errors – we have not identified any potentially fraudulent transactions. This figure is substantially down on previous NFI exercises:
 - 2011 - £60k NFI recoveries
 - 2009 - £113k NFI recoveries

In the 2011 exercise the highest recoveries fell within two areas of the business: pensions and payments to residential care providers. Recovery potential is down in these two areas due to improved processes:

- the Pensions team employ a tracing agency which significantly improves the successful recovery of payments following the death of a pensioner
- quicker identification and recovery of overpayments to Adult private residential care providers (following the death of a resident) – we understand this has resulted from better handling of queries and a consequent improved relationship with providers

These results provide assurances on the effectiveness of the Council's arrangements to limit the potential for overpayments and loss in these areas of the business.

8. Work is underway to investigate potential irregularities associated with three recipients of Adult Care direct payments – these issues were identified during a

proactive exercise in this area. We shall report our findings at the conclusion of our enquiries.

9. Over the next few months we shall be liaising with the directorates to revisit the Council's counter fraud risk assessment. We already have a good understanding of where our key fraud risks lie – this intelligence comes from our own investigation experience over the years, together with information sharing at regional level and national publications on emerging fraud risks. The purpose of our work with directorates is to:

- establish whether any new fraud risks are emerging in their areas of business
- assess the impact of any new ways of working (fraud exposure)
- identify if there are any high risk areas that should be the focus of a separate counter fraud proactive exercise
- raise awareness and share promotional material

Investigations

10. We currently have 2 live fraud investigations, both of which have been referred to the Police:

- 1 x contractor fraud (pending court trial)
- 1 x mandate fraud (prosecution file with the Crown Prosecution Service)

The Police have now closed one of our longest running cases of suspected contract fraud – the Crown Prosecution Service assessed the prosecution file and concluded that they did not have enough evidence to support a prosecution due largely to the complex nature of the allegation and the evidence required to bring a successful conclusion. The Council had concluded their investigations into this matter some time ago and successfully negotiated a £500k recovery.

11. We presented our last counter fraud progress report in April 2013 – since then we have completed five internal fraud investigations resulting in:

- 4 resignations
- 1 written warning

These cases involved suspected bias in the award of contracts, abuse of position, misuse of resources, abuse of time, recruitment fraud and false representation.

There was no recovery opportunity given the nature of the cases but the estimated value of fraud which we stopped was in the region of £61k. We have also produced supplementary reports and/or actions plans where we identified control weaknesses and organisational learning. Where appropriate, we will

provide the Committee with summary reports for information, along with any outstanding agreed recommendations.

Progress Against Plan

12. The Counter Fraud Work Plan at Appendix A provides information on progress against plan – much of our work is on-going and we shall be reporting our outcomes throughout the remainder of the year.

Other Matters of Interest

13. The National Fraud Authority (NFA) issued its fourth Annual Fraud Indicator in June of this year – their report aims to highlight the potential scale of the problem. It puts the annual loss to the UK economy from fraud at £52 billion – this is based on £15.5 billion of *identified* fraud losses and £36.5 billion *hidden* fraud losses. The estimated loss to Local Government each year is £2.1 billion and the report highlights the public sector as an "attractive target" for fraudsters. More information of the types of frauds in Local Government and other public sector organisations can be found at www.gov.uk/government/organisations/national-fraud-authority.
14. Part of the NFA's work had been to set up a good practice web bank for local authorities – this is owned and managed by CIPFA. The National Fraud Authority has recently completed work on three areas – case building, asset recovery and fraud risks – we are using these guides to update our own investigation practice notes.
15. The NFA has also started pilots in three emerging risk areas: schools, personal budgets (direct payments) and business rates – these pilots will be run by the Fighting Fraud Locally Board.
16. Intelligence sharing is known to be an effective way of preventing, detecting and deterring fraud and the NFA, along with public and private sector partners, are looking at the concept of a Counter Fraud Checking Service. This would bring together confirmed fraud data from public and private sectors to check new applications for benefits and other services (for individual suitability and eligibility). There are currently a number of high level assumptions made about the potential benefits of such a checking service but the NFA are currently developing a robust economic case which will involve:
- an exchange of known fraud data (HMRC, DWP, SOCA, insurance and banking sectors)
 - further research on benefits and costs

Counter Fraud Work Plan 2013/14

Appendix A

Area	Indicative Scope	Planned Days	Start Date	End Date	Status
Culture					
Engagement and training	Briefings sessions / training for members, management, staff, key partners		October 2013	March 2014	Planning stage
Website maintenance	Updates / warnings of emerging fraud risks, case summaries, results and prevention information		November 2013		
Awareness Campaign	Posters, leaflets, e-learning tool to rejuvenate staff awareness		August 2013	November 2013	On-going (on track)
Sub Total		60			
Deterrence					
Publicity on counter fraud activities	Linked to awareness campaign – programme of internal/external communications covering: <ul style="list-style-type: none"> ▪ Counter fraud team ▪ Proactive work, including NFI ▪ Investigation outcomes / prosecutions ▪ Fraud prevention measures 		April 2013	March 2014	On-going

Area	Indicative Scope	Planned Days	Start Date	End Date	Status
	<ul style="list-style-type: none"> ▪ Counter fraud responsibilities 				
Sub Total		20			
Prevention					
Organisational learning	Supplementary reports and actions plans arising out of investigation work		April 2013	March 2014	On-going
Data analytics	Further development / use of data analytics: <ul style="list-style-type: none"> ▪ Creditors / Procurement ▪ Payroll ▪ Expenses, including credit cards and members allowances 		April 2013	June 2014	Complete On-going
Advice	Enhancing fraud controls and process – new and existing systems				
Sub Total		40			
Detection					
Update Fraud Risk Profile	Incorporating emerging risk issues and results from local risk assessment		October 2013	November 2013	

Area	Indicative Scope	Planned Days	Start Date	End Date	Status
Proactive fraud exercises	Based on national and local emerging risks		April 2013	March 2014	Expenses and direct payments on-going
National Fraud Initiative 2012/13	Review and investigation of Council matches / responding to data requests from other public sector bodies		April 2013	March 2014	All high risk matches and selected medium risk matches validated.
Sub Total		160			
Investigation					
Fraud Investigation	In line with investigation manual and recommended best practice		April 2013	March 2014	On-going
Sub Total		300			
Sanctions and Redress					
Pursue civil, disciplinary and/or criminal sanctions	Action taken during investigation process		April 2013	March 2014	On-going
Identify and recover losses	Identified during investigation – recovery action through Proceeds of Crime Act, Insurance and legal means		April 2013	March 2014	On-going
Sub Total		5			
Contingency					
Advice & Liaison			April 2013	March 2014	
Sub Total		65			
Grand Total		650			

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Regulatory and Other Committee

Open Report on behalf of Pete Moore, Executive Director Resources and Community Safety

Report to:	Audit Committee
Date:	23 September 2013
Subject:	Whistleblowing Annual Report 2012/13

Summary:

This report provides an overview of the Council's whistleblowing arrangements throughout the year 2012/13 and presents proposed changes to the Whistleblowing Policy.

Recommendation(s):

Items to note:

- a) whistleblowing activity for 2012/13
- b) ongoing work to raise awareness and provide assurance on the effectiveness of the Council's arrangements

Item to consider and approve: proposed changes to the Council's Whistleblowing Policy

Background

- 1 This report provides a summary of:
 - analysis of contacts (disclosures) April 2012 to March 2013
 - comparison of whistleblowing activity / emerging trends
 - on-going activity to raise awareness and maximise knowledge and understanding
 - updated whistleblowing legislation and impact on the Council's Whistleblowing Policy
- 2 The Public Interest Disclosure Act requires all Councils to have appropriate arrangements to provide a safe and effective way of reporting concerns and to protect those who make disclosures in the public interest.
- 3 The Council's Whistleblowing Policy was substantially re-written in 2010 and is due for review this year – the process, reporting arrangements and policy

content have changed little over the last 12 years. Recent changes to employment law have affected the qualifying “protected status” for whistleblowers and this needs to be accurately reflected in the Council’s updated policy.

- 4 Whistleblowing activity throughout 2012/13 increased by 55% from the previous year and is more consistent with the number of disclosures received in earlier years. Experience shows that the number of disclosures fluctuates each year and so far we have not been able to establish any specific reason for significant peaks or troughs.
- 5 We traditionally receive that largest number of whistleblowing disclosures from the school environment – 2012/13 was no different with 47% of all contacts relating to concerns within schools. We provide advice, guidance, model policies and the confidential reporting facility to those Lincolnshire schools still under Local Government control. We are also extending this service to academies.
- 6 We will continue to raise awareness, where possible and will use the Policy update as a vehicle for reminding staff, contractors, key partners, suppliers and service users of our arrangements. We have developed a new poster and leaflet and intend to coordinate their distribution with the re-launch of the Whistleblowing Policy, following approval.

Whistleblowing disclosures 2012/13

- 7 We received 17 whistleblowing disclosures throughout the year compared with 11 in the previous year. All of these disclosures came via the Council’s dedicated whistleblowing hotline – 13 of which were reported anonymously. The analysis below shows the type of disclosures received this year compared with the last two years:

Type of concern	Number of concerns raised 10/11	Number of concerns raised 11/12	Number of concerns raised 12/13
Dignity at Work – bullying & harassment	4	3	4
Grievance	0	2	0
Financial (including fraud)	8	6	8
Alleged breach of policy/procedure and/or poor practice	5	0	3
Alleged misconduct	1	0	2
Safeguarding	1	0	0
TOTAL	19	11	17

8 Out of the 17 disclosures, 5 resulted in independent investigation by the Council's Investigation Team. 3 of the formal investigations related to suspected fraud, the other two cases involved dignity at work concerns.

9 Investigation outcomes:

We dealt with four disciplinary investigations resulting in: 1 dismissal, 2 resignations and 1 management action. We investigated one grievance – the grievance was upheld.

10 Analysis of contacts by directorate:

Directorate	Number of concerns raised
Children's Services (mostly schools)	9
Adult Care	1
Communities	1
Resources	6
External	0
TOTAL	17

11 The highest number of whistleblowing disclosures relate to Children's Services – all involved schools, with the exception of one. This is consistent with previous years. The Resources directorate had the next highest number of whistleblowing contacts – all but one involved suspected fraud or other financial irregularities.

12 The table below shows how we dealt with the concerns raised throughout 2012/13:

Action taken	Concerns dealt with
Counter Fraud & Investigations Team – Advice	3
Counter Fraud & Investigations Team – Independent investigation	5
Preliminary enquiries by Investigations Team – no further action	5
Preliminary enquiries and resolution by directorate management	2
No further action (unable to pursue due to lack of detail and anonymity of whistleblower)	1
Internal Audit / System Improvements	1

Action taken	Concerns dealt with
Investigation by external body	0
TOTAL	17

Note: We do not officially close the case until we receive satisfactory feedback regarding resolution.

Organisational Learning

- 13 The common themes arising from the investigation of the 2012/13 whistleblowing disclosures were the need for improved awareness and understanding of key policy and procedures (particularly around procurement and recruitment) and more effective routine monitoring of compliance. We have produced action plans to assist managers in these and other areas and will monitor implementation of agreed actions in the same way as audit recommendations.

On-going work to continuously improve the whistleblowing arrangements

- 14 We have developed what we hope is an eye catching whistleblowing poster and leaflet which we aim to distribute within the next few months to coincide with the update and re-launch of the policy.
- 15 We will work with colleagues in Human Resources, Communications, Procurement, Business Support and contracting teams to ensure that our policy and promotional material reaches as wide an audience as possible, including the Council's providers, contractors and key partners.
- 16 The Whistleblowing Policy and other promotional material will also be incorporated into an e-learning tool which we hope to have operational within the next few months. We will further boost awareness and understanding via a number of targeted training sessions over the remainder of the year and articles in the Council's internal and external publications.

Changes to the law – impact on Council's Whistleblowing Policy

- 17 Recent changes in employment law have affected the Public Interest Disclosure Act in four areas but only three impact on the Council's policy:
- a qualifying disclosure (for protection purposes) must be one made in the reasonable belief that it is **"in the public interest"**
 - the requirement for a disclosure to be made "in good faith" for a whistleblower to qualify for protected status has been removed – an ulterior motive (i.e. personal gain) does not affect the protection, provided it is in the public interest to address the concern (it would reduce the compensation)

- a vicarious liability on the employer to protect whistleblowers from bullying and harassment as a result of making a disclosure from **all employees** (not just the organisation, which was previously the case). Employers must therefore take “reasonable steps” to prevent this. The changes also make individual employees **personally liable** if they victimise, bully or harass a whistleblower.

18 We conclude, from our review of the Council’s Whistleblowing Policy, that our existing policy is generally compliant and little affected by these recent changes. We also believe that the structure, content and readability are fit for purpose and we do not, therefore, propose significant change. However, we have inserted a small number of changes to address the latest legislation – all proposed policy changes are highlighted in the document at appendix A.

Conclusion

- 19 Last year we reported the declining number of whistleblowing disclosures – we had seen a drop in contacts in two consecutive years. We believe the level of usage over 2012/13 provides some assurance that the low whistleblowing activity in the previous year was not due to poor awareness or reduced confidence in the process.
- 20 A small number of disclosures resulted in formal investigation – these cases were particularly sensitive, contentious and complex but demonstrated the Council’s commitment to tackling suspected fraud or poor practice and to putting things right.
- 21 Whistleblowers and their representatives may not always know the specifics of an investigation outcome or corrective action taken by the Council (due to confidentiality reasons) but we believe that the Council’s response is robust, which itself promotes confidence. We also monitor action plans to ensure recommendations are implemented, providing assurance that the organisation learns and implements improvement, where necessary.
- 22 Plans to re-launch the Council’s Whistleblowing Policy (following approval), together with the publication of promotional material and training sessions over the next few months, should reinforce the Council’s commitment to “doing the right thing” and help keep awareness levels as high as possible.

Consultation

a) Policy Proofing Actions Required

n/a

Appendices

These are listed below and attached at the back of the report	
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Appendix A	Draft Whistleblowing Policy 2013
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Background Papers

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

This report was written by Stephanie Kent, who can be contacted on 01522 553682 or stephanie.kent@lincolnshire.gov.uk.

Whistleblowing Policy

**Reporting Wrongdoing
A Safe Alternative to Silence**

Contents

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Whistleblowing Policy

Control

Owner / Policy Lead Officer:	Stephanie Kent (Audit Manager)
Responsible Officer:	Monitoring Officer
Consultation:	Audit Committee
Date:	September 2013
Review Arrangements:	Every three years

Introduction

1. At Lincolnshire County Council we want to make sure that we are providing excellent services to the residents of Lincolnshire. Our staff, Councillors, partners and contractors have an important role to play in achieving this goal and we expect everyone to be committed to our high standards of service which are based on the principles of honesty, openness and accountability.
2. We know that we face the risk that something may go wrong or that someone may ignore our policies, our procedures or the law resulting in some very serious consequences. Experience shows that staff, or others who work on behalf of an organisation, often have worries or suspicions and could, by reporting their concerns at an early stage, help put things right or identify and stop potential wrongdoing.
3. **A Whistleblower** is generally a term used for a person who works in or for an organisation and raises an honest and reasonable concern about a possible fraud, crime, danger or other serious risk that could threaten colleagues, service users, customers, members of the public or the success and reputation of the organisation.
4. We want you to feel that it is safe and acceptable to tell us about your concerns so that we can investigate and take action as soon as possible. We recognise that you may be worried about reporting for a number of reasons:
 - fear of reprisal or victimisation (e.g. loss of job)
 - too much to lose (reputation, damage to career etc)
 - feelings of disloyalty
 - worries about who may be involved
 - you have no proof only suspicions
 - fear of repercussions if there is no evidence or you are proved wrong
5. We welcome all genuine concerns and will treat your issues seriously - this policy explains how to raise a concern, the types of activity you should report, the protection we can provide, confidentiality, our response and how you can take matters further, if necessary.
6. We want to assure you that there is no reason to remain silent; your decision to talk to us may be difficult but, **if you believe** what you are saying is true, you have nothing to

fear as you are following the Council's Code of Conduct and helping to protect the users of our services and the residents of Lincolnshire. We will not tolerate any harassment or victimisation and we will take action to protect those of you who raise concerns that you believe to be in the public interest.

7. UK law protects employees from dismissal, harassment or victimisation if such treatment occurs as a result of having made a whistle-blowing disclosure considered to be **in the public interest**. In addition to the employer's liability, the individual who subjects the employee to such treatment may also be held personally liable.
8. This policy does not replace our existing employment policies: grievance, dignity at work and disciplinary. You should use these policies if you have a personal grievance or are unhappy with the way you are being treated. Our Whistleblowing arrangements are not intended to give you a further opportunity to pursue a grievance or complaint once you have exhausted the relevant employment procedures.
9. You may be a member of the public with concerns or information which you think we should know about or look into. You should, however, follow the Corporate Complaints process if your concern is about a particular service that we have provided you.

Scope

10. You can use our Whistleblowing arrangements if you are: a Councillor, Council employee, employee of a Local Authority school or a school governor (if the school has adopted our policy), a contractor, partner or member of the public. Our policy also applies to agency staff, contractor staff and suppliers providing goods or services to, or on behalf of, the Council.
11. Our Whistleblowing arrangements **do not** replace the following:
 - Child Protection Safeguarding reporting
 - Adult Care Safeguarding reporting
 - Corporate Complaints Procedure
 - Disciplinary Policy
 - Grievance Policy
 - Dignity at Work Policy
12. You should only consider raising concerns through our Whistleblowing arrangements if:
 - you have genuine reasons why you cannot use the above policies and procedures
 - you have reason to believe that these policies are failing or are not being properly applied
 - there is a public interest aspect

Protection and Confidentiality

13. The Whistleblowing law is contained in the Public Interest Disclosure Act 1998 (PIDA – amended by the Enterprise and Regulatory Reform Act 2013). Public bodies, such as this Council, are required to have a Whistleblowing policy and to ensure that employees are not victimised or dismissed for raising their concerns internally. This also applies to those who, as a last resort, feel the need to take their concerns to an outside body, such as the Local Government Ombudsman.
14. We will not tolerate any harassment or victimisation (including informal pressure) and we will take action to protect you when you raise a concern believed to be in the public interest. We will take any disciplinary or corrective action should anyone attempt to victimise the whistleblower or prevent concerns being raised.
15. You may feel that the only way you can raise your concerns is if we protect your identity. We will respect your confidentiality as far as we possibly can but there are times when we cannot guarantee this, for example, where a criminal offence is involved or if there are child protection or adult safeguarding issues.
16. If we proceed to a formal investigation we may require you to give evidence along with other employees and witnesses; we are, in some circumstances, able to do this without disclosing the identity of the whistleblower. A statement from you may also be required as part of criminal proceedings or Employment Tribunal – this depends on the nature of the concern.
17. We will attempt to ensure the whistleblower's identity is not disclosed to third parties without a court order. If the information you provide includes personal information about another person, then that person may be entitled to access it under subject access provisions of the Data Protection Act. If releasing that information could reveal details about the whistleblower, we will always ask for your consent prior to releasing the information.
18. If your whistleblowing disclosure results in an internal investigation and you provide a witness statement under that process, your statement may be used for disciplinary purposes. This means your statement may be given to the subject as part of a disciplinary hearing. An employee subject to the disciplinary process can ask to see personal information held about them at any time under the subject access provisions of the Data Protection Act – this may include information within your statement. If it is possible to provide access to personal information within your statement without revealing any information about you, we will do so. If this is not possible, we will always seek your consent before releasing any information.
19. If your statement is not required for disciplinary purposes it will be:
 - held confidentially on our case file (until the case file is destroyed after 7 years)
 - released only with your consent or a Police / Court Order
20. The Council:
 - does not expect you to give us your consent – this is your decision alone – but we are required by law to ask you

- does not need a reason should you choose to refuse the request

21. If you find yourself the subject of a whistleblowing disclosure and a decision is made to investigate, the Council will follow the appropriate employment procedure: dignity at work, grievance or disciplinary. This means you will have all the rights contained in that procedure, such as, the opportunity to respond to the allegation and representation at the investigatory interview.

What you should report

22. We encourage you to use our whistleblowing arrangements for issues such as:

- conduct which is a criminal offence or breach of law
- a breach of our Code of Conduct for staff or Councillors
- sexual, physical or verbal abuse of our clients, employees or public
- dangerous procedures risking the health & safety of our clients, employees or public
- unauthorised use of public funds
- suspected fraud or corruption
- damage to the environment (e.g. land, buildings, highways, water, air, waste, energy, transport, natural habitat etc.)
- unethical or improper conduct
- services that fall seriously below approved standards or practice
- failure to follow the Council's policies and procedures

NB. This is not an exhaustive list

Anonymous or untrue allegations

23. We do not encourage anonymous reporting as the concerns are more difficult to investigate and are generally less powerful. We would like you to put your name to the allegations whenever possible and remind you of the protection we can provide if we know who you are.

24. Anonymous whistleblowing referrals will be considered at the discretion of the officers handling your concern, in consultation with the service area, where appropriate. This discretion will be based on the:

- seriousness of the issues raised
- credibility of the concern
- likelihood of confirming the allegation from an attributable source
- evidence base

25. It may be that our investigations do not confirm your allegation. We take all concerns seriously and can assure you that no action will be taken against you if you have raised a concern in the genuine belief that it is, or may be, true.

26. If we find that you have maliciously made a false allegation we will take action and you will not be eligible for protection under PIDA.

How to raise a concern

27. We encourage you initially to raise your concern internally – this allows the Council the opportunity to right the wrong and give an explanation for the behaviour or activity. We also advise staff to report any allegation to their line manager. We recognise that your first actions will depend upon the seriousness and sensitivity of the issues and who you believe to be involved. We advise that you make it clear that you are raising your concerns under the Council's whistleblowing arrangements – this will help managers respond in line with this policy. (See Flowchart – Whistleblowing Process)
28. If you are in any doubt about what you should do, you can contact:
- Chief Executive 01522 552000
 - Monitoring Officer 01522 552316
 - Head of Corporate Audit & Risk Management 01522 553692
 - Chair of Governors (if you work for a school)
29. You may wish to raise the matter in person and you can do this by using one of the contact numbers above or alternatively you can contact the Council's confidential freephone whistleblowing number on 0800 0853716.
30. The Investigations Team, who report directly to the Head of Corporate Audit & Risk Management, operate this dedicated reporting line during normal working hours (9am to 5pm). If you call this number out of hours you can leave a message on the answer phone which is located in a secure area.
31. Concerns are better submitted in writing – we need the background and history of your concern, giving names, copies of any documents, dates and places (where possible). We would like you to explain why you are concerned about the situation – we do not expect you to prove the truth of an allegation but you will need to show that there are sufficient grounds for your concern.
32. You can write directly to one of the officers named above or you can use the confidential PO Box or email address (which is monitored by a nominated officer within the Investigations Team).

Lincolnshire County Council
PO Box 640
Lincoln
LN1 1WF

Email address: whistleblowing@lincolnshire.gov.uk

Staff can also invite their trade union representative or a work colleague to raise a concern on their behalf.

Remember – the earlier you raise the concern, the easier it is to take action.

How we will respond

33. Our response will depend on the nature of the concern raised and may be:
- advice only
 - resolved by agreed action without the need for investigation
 - investigated internally (by management, Counter Fraud & Investigations Team or other independent investigators)
 - referred to the relevant safeguarding team (child protection or vulnerable adults)
 - referred to the Police
 - referred to the external auditor
 - the subject of an independent inquiry
34. The officer receiving the whistleblowing allegation (if a major issue) will immediately notify the Investigations Team within Corporate Audit to include the disclosure on a central register.
35. We may carry out initial enquiries in order to protect individuals or employees and those accused of wrongdoing. We will use the results of these enquiries to decide whether an investigation is needed and if so, what form it should take. If urgent action is required this will be taken before we start any investigation.
36. We will acknowledge your whistleblowing disclosure within 5 working days. Within the next 10 working days we will write and explain how we propose to deal with the matter. The whistleblower will be:
- given an estimate of how long it will take to provide a final response
 - told if initial enquiries have been made
 - told if further investigation is required, and if not, why not (where appropriate)
 - given details of support mechanisms
 - advised of the investigating officer (where appropriate)
 - advised how we will inform you of progress
37. The amount of contact between you and the Officer considering your whistleblowing disclosure will depend on the nature of the concerns raised. For example, if further investigation is required, the investigator may need to seek additional information from you.
38. If a meeting is necessary, this can be held off site if you prefer. If you are an employee you will have a right to be accompanied – this will be a union representative or work colleague (not involved in the area where the concern exists). If you are not an employee you may wish to bring a friend with you – a neutral venue can be arranged, where required.
39. We will help with any difficulties you may experience as a result of raising a concern – we will, for example, provide advice if you are required to give evidence for criminal or disciplinary proceedings. Sometimes whistleblowers have counter-allegations made against them. The County Council has a duty to investigate any concerns that it

receives and that will apply in these circumstances. However this will not detract from the principles, as set out in this policy, which govern how the Council will respond to whistleblowers. The over-riding objective will be to establish the truth.

40. Records will be retained of all work carried out and actions taken to address the concerns raised by the whistleblower, including the investigator's case file, where relevant. All files will be held securely and confidentially, in accordance with the Council's retention of records policy.
41. At the end of our investigations we will provide feedback to the whistleblower (if known) on actions taken and limited detail on the outcome of investigations. Feedback will be subject to legal constraints but we do recognise the importance of providing you with assurances that the matter has been dealt with properly.

Taking the matter further

42. If you have genuine concerns about how we have handled your whistleblowing disclosure you can raise this with the investigating officer(s) and/or the Monitoring Officer. We hope that you will reach a suitable conclusion to the matter but if you remain dissatisfied you can contact the Council's external auditors at:

KPMG
St Nicholas House
31 Park Row
Nottingham
NG1 6FQ

43. You may also refer your concern to the Local Government Ombudsman – they generally do not take any action until the matter has been dealt with internally first. They can be contacted at:

The Local Government Ombudsman
PO Box 4771
Coventry, CV4 0EH

Tel. 0300 061 0614 (Local Government Ombudsman – Advice Team)

44. We would like to remind you that employees are not to report any Council related issues to the media – to do so may be considered a breach of the Council's Disciplinary Policy and Code of Conduct.

Monitoring

45. The Head of Corporate Audit will provide an annual report to the Council's Audit Committee which has responsibilities for overseeing the effectiveness of the Council's governance arrangements. All reporting will be anonymised and will only identify common themes, numbers of disclosures year on year and will highlight actions taken to improve systems and policies.
46. The Council's Governance Group will monitor the effectiveness of this policy.

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Regulatory and Other Committee

Open Report on behalf of David O'Connor, Executive Director Performance and Governance

Report to:	Audit Committee
Date:	23 September 2013
Subject:	ICT Audits 2012 update

Summary:

During 2012 five IT audits were undertaken and a number of significant issues were identified. These issues were reported to the January Audit Committee and this report provides an update. Two further IT audits have been undertaken during 2013 and these are described in the report.

Recommendation(s):

The Committee is asked to note the progress being made to address the issues highlighted in the IT audits described in this report.

1 Background

During 2012 five internal audits of ICT were undertaken; these were IT Service Management, SAP Security and Licencing, Software Licence Management, IT Asset Management and Electronic Data Management. These audits all resulted in an outcome of limited assurance and included a number of concerns about the activities undertaken on behalf of the County Council by Mouchel.

The findings of these audits have been reviewed in detail with Mouchel management and corrective action has been undertaken as a matter of urgency where possible and otherwise planned to an agreed timetable.

The findings also included some activities that the Council needed to address and these have also been undertaken or planned as appropriate.

During 2013 two further IT audits have been undertaken;

1. Mobile Computing and Remote Access which resulted in an outcome of substantial assurance, and

2. Disaster Recovery which is still being written up but is expected to result in an outcome of limited assurance due to the Council only having a single data centre.

2 IT Service Management Audit

The results of this audit were reported to the Audit Committee in September 2012 and January 2013.

	Key Issue	Action	January 2013 Position	September 2013 Position
1.	The Council needs an IT Strategy	IMT Strategy agreed by The Executive – September 2012	Complete	N/A
2.	Performance measures in current Mouchel contract no longer fit for purpose	New performance measures to be agreed through NGP	Due to be in place from April 2013. Until then performance monitoring is undertaken on a regular basis against both existing contractual and agreed non-contractual SLAs	Partially Complete. Provisional new SLAs for the monitoring of the ICT service have been measured in parallel to current measures for three months. Amendments are currently being agreed and are anticipated to be implemented from October onwards.
3.	Lack of availability of charging information to enable contract and budget management	Mouchel and LCC carried out a joint project to review costs in the current contract	Complete	N/A

3 SAP Security and Licence Audit

This audit was reported to the Audit Committee in January 2012.

	Key Issue	Action	January 2013 Position	September 2013 Position
1.	Some users were found to have inappropriate security levels	Security levels for these users have been appropriately modified on new controls put in place	Complete	N/A
2.	There is not a clear formal process for reviewing and changing user access	Process agreed and implemented between LCC and Mouchel	Due to complete by 31 January 2013	Partially Complete. However, LCC need to sign off the proposed list of LCC access authorisers provided by Mouchel.
3.	Roles and licences are not clearly mapped to SAP agreed licence types	Clarity SAP licence type and map identified roles.	Due to complete by 31 January 2013	Complete. This has been delivered with new users on each system being updated each month with the licence type.

4 Software Licence Management

This audit was reported to the Audit Committee in January 2012.

	Key Issue	Action	January 2013 Position	September 2013 Position
1.	There is a lack of clear responsibility for the management of software licences in the current contract	The agreement between Mouchel and LCC requires a variation to put this in place	The variation is expected to be complete by 31 January 2013	Partially Complete. It is LCC's responsibility to ensure it meets its licencing legal requirements. The ICT Contract

				<p>Delivery Lead role has this responsibility.</p> <p>Mouchel has provided LCC with a proposal for a software asset management (SAM) service. This proposal is due for sign-off by LCC during September and will ensure Mouchel has responsibility for the management of software licences.</p>
2.	There is no software licence management database recording all software assets and their deployment (current records are dissipated and not kept up to date)	Mouchel will implement and populate a corporate software licence database for the management of software assets	Due to be in place 1 April 2013	<p>Partially Complete.</p> <p>Under the terms of the SAM proposal, Mouchel will implement a “license management dashboard”, a tool capable of managing a license baseline for LCC and giving an accurate position based on the purchased and installed software.</p> <p>The SAM service tools will be in place by mid-October, but it will take several months for the SAM data within the tools to mature.</p>
3.	There is no automated process for	The tools for carrying out this activity is being	Due to complete by 31 March 2013	Partially complete.

	updating software licence usage	deployed as part of the desktop refresh in the NGP programme and is in use although not fully complete		The final stage of the automation will be achieved by linking new requests and role changes to the Configuration Management Database in October.
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5 IT Asset Management

This audit was reported to the Audit Committee in January 2012.

	Key Issue	Action	January 2013 Position	September 2013 Position
1.	The Asset Management database was found to be out of date	Mouchel to verify and update the database Mouchel's assurance team to carry out quarterly sample audits of the database	Complete Sample audits will take place quarterly from January 2103 onwards	Complete. The asset information is verified and reconciled on an on-going, monthly basis.
2.	No automated asset tracking was found to be in place	The tools for carrying out this activity are being deployed as part of the NGP programme and are in use although not fully complete	Due to complete by 31 March 2013	Complete. SCCM is being used as the asset tracking tool and now covers all LCC devices that are supported by Mouchel.
3.	Asset disposals are not reported to LCC	A monthly disposal report is to be produced by Mouchel for LCC	The reports will be provide monthly starting January 2013	Complete. Asset Disposal information is now shared with LCC as part of the Monthly Volume Variation report. This information is also held in the asset management tool and is available to LCC

				on request.
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6 Electronic Data Management

This audit was reported to the Audit Committee in January 2012.

	Key Issue	Action	January 2013 Position	September 2013 Position
1.	The majority of the Council's backups are stored within the data centre, creating a single point of failure (one set of tapes is stored off site)	Review backup storage facilities to increase offsite storage	Mouchel to complete review by February 2013	Partially Complete. Backup Tapes are held in three separate locations: <ul style="list-style-type: none"> • Firebrigade HQ • Orchard House Data Center in a fireproof safe • Orchard House Data Center in Set-Up room The relocation of one of the sets of back-up tapes, currently residing in Orchard House, to an appropriately secured location within County Offices will be in place by end of September 2013.
2.	Whilst the success of backups is monitored there is no testing of backups	Mouchel to develop and implement a formal process for testing of restores from backups on a periodic basis	28 February 2013	Complete. Periodic testing has commenced. This is taking place against a defined schedule and results are formally tracked. The schedule is monthly.

7 Mobile Computing and Remote Access

This audit has resulted in substantial assurance with recognition that the Council has a comprehensive set of procedures and guidance in place to manage remote and mobile working but noting that some examples of non-compliance were found. Additional communication to staff has been undertaken to seek to address the non-compliance.

8 Disaster Recovery

The report from this audit has not yet been completed but an outcome of limited assurance is expected due to the reliance on a single data centre.

The Council is currently exploring the possibility of moving its systems and data off site through the Future Delivery of Support Services Programme. Suppliers are being asked to present options for providing dual data centres that would provide greatly improved resilience for the Council without the need to invest in building an additional data centre. The results of this procurement will be presented to the Executive for a decision in March 2014.

9 Conclusion

Progress is being made by LCC with Mouchel in managing the issues raised in the audit reports. The issue of data centre resilience continues to be an issue and it is expected that the new contract for support services will provide a viable solution.

10 Consultation

a) Policy Proofing Actions Required

n/a

11 Background Papers

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

This report was written by Simon Oliver, who can be contacted on 555596 or simon.oliver@lincolnshire.gov.uk and Judith Hetherington Smith, who can be contacted on 553603 or Judith.HetheringtonSmith@lincolnshire.gov.uk.

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Regulatory and Other Committee

Open Report on behalf of Pete Moore, Executive Director Resources and Community Safety

Report to:	Audit Committee
Date:	23 September 2013
Subject:	External Audits ISA 260 Report to Those Charged with Governance on Lincolnshire County Council's Statement of Accounts and Lincolnshire County Council Pension Fund Accounts for 2012/13

Summary:

The Statement of Accounts for Lincolnshire County Council and for Lincolnshire County Council Pension Fund for the financial year 2012/13 have been completed and independently audited.

This report sets out the External Auditors findings in their ISA 260 Report to Those Charged with Governance for the County Council's Statement of Accounts (Appendix A) and for the Pension Fund Accounts (Appendix B).

Recommendation(s):

The Executive Director for Resources and Community Safety recommends the Audit Committee:

1. Consider the External Auditors Report to Those Charged with Governance (ISA 260) for Lincolnshire County Council (Appendix A);
2. Consider the External Auditors Report to Those Charged with Governance (ISA 260) for Lincolnshire County Council Pension Fund (Appendix B); and
3. Approve the Letter of Representation on behalf of the Council to enable the Audit Opinion to be issued (Appendix A Lincolnshire County Council's Report to Those Charged with Governance at Appendix 3).

Background

1.1 The Audit Committee were presented with the draft Statements of Accounts for 2012/13 for scrutiny and comment at its meeting on 22 July 2013. Our external

auditors, KPMG, have now completed their work on the draft Statements and have issued their ISA 260 Reports to Those Charged with Governance for the Lincolnshire County Council Statement of Accounts and for the Pension Fund Accounts.

Lincolnshire County Council Statement of Accounts

1.2 Appendix A to this report is KPMG's ISA 260 Report to Those Charged with Governance, this report summarises the key issues identified during the audit of the Council's financial statements for the year ending 31 March 2013 and the assessment of our arrangements to secure value for money in the use of resources.

1.3 The Audit Committee is asked to consider KPMG's ISA 260 report. The key points contained in the report are:

- Section two – Headlines (page 3). This summarises the headline messages from KPMG's audit. These are:
 - The External Auditor anticipates issuing an unqualified audit opinion by 30 September 2013.
 - The External Auditor is pleased to report that the audit of the financial statements did not identify any material adjustments. The Council made a small number of non-trivial adjustments, most of which were of a presentational nature. There was no impact on the General Fund.
 - The Council has good processes in place for the production of the accounts and good quality supporting working papers. Officers dealt efficiently with audit queries and the audit process has been completed within the planned timescales.
 - The Council's organisation and IT control environment is effective, and controls over the key financial systems are sound and internal audit are compliant with the Code of Practice for Internal Audit in Local Government and the External Auditor has been able to place reliance on their work where this was relevant.
 - The Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Again the External Auditor anticipates issuing an unqualified VFM conclusion by 30 September 2013.

Further details on the Financial Statements audit are provided in section three (pages 4 to 8) and on the Value for Money Conclusion in section four (page 9).

- Appendix One – Key Issues and Recommendations (page 10) sets out the audit recommendations for next year's Financial Statements.

1.4 The report also includes a draft Letter of Representation (Appendix 3) this must be approved and signed by the Chair of the Audit Committee and the Executive Director for Resources and Community Safety before the audit opinion can be given.

1.5 In addition to the ISA 260 report the following is a list of the amendments that have been made to the accounts since the draft Statements were presented to this Committee on 22 July:

- Minor amendments to the narrative included in: the Explanatory Foreword, Officer Emoluments (note 39) and Related Party Transactions (note 47);
- Minor amendments to the tables in the following disclosure notes: Cashflow – Operating Activities (note 29), and External Audit Costs (note 42); and
- The Events After the Balance Sheet Date (note 7) has been updated from the end of June to the end of September.

1.6 No amendments were made to the core financial statements that were presented to this committee on 22 July 2013.

Pension Fund Statement of Accounts

1.7 Appendix B to this report is KPMG's ISA 260 Report to Those Charged with Governance, this provides details of matters arising and errors identified in the unaudited accounts.

1.8 The Audit Committee is asked to consider the ISA 260 Report as presented by the External Auditor. The key points contained in the report are:

- Section Two – Headlines (page 3):
 - The External Auditor is pleased to report that their audit of the Fund's statements did not identify any material adjustments.
 - The External Auditor states that the Council has good processes in place for the production of the Fund's financial statements and good quality supporting working papers.
 - Controls over the Fund's key financial systems are sound. The External Auditor did not identify any specific issues they wish to highlight to the Audit Committee.
- Section Three – Pension Fund Audit (page 4) – The External Auditor noted an error in note 8 (Contributions Receivable) to the accounts where an adjustment of £611K was needed between deficit funding and normal funding to correct a figure that had been incorrectly entered. This is a disclosure note only and there is no impact on the total contributions. The analysis has been corrected.

- Section Three – Pension Fund Audit (page 5) – The previous auditor recommended better record keeping by the pensions administration section over the annual data check including recording the individuals completing each test, the actions taken to correct errors, and the retention of all reports generated. The External Auditor found that the Authority has fully implemented this recommendation.
- Appendix One – Key Issues and Recommendations (page 7) – The External Auditor has made one recommendation that the membership disclosure note for the accounts is completed after the completion of the annual data cleansing exercise to improve the consistency and accuracy of the figures. The External Auditor has classed this as a priority three, which if corrected would improve the internal control but are not vital to the overall system. They are generally issues of best practice.

1.9 In addition to the ISA 260 Report the following amendment have been made to our accounts since the draft Statements were presented to this Committee on 22 July:

- Membership numbers (note 1) have been updated following the completion of the Pensions Administration year-end work.

1.10 No amendments were made to the core financial statements that were presented to this committee on 22 July 2013.

Conclusion

2.1 The 2012/13 Statement of Accounts has been presented satisfactorily and is of good quality. The External Auditor expects to issue an unqualified opinion by the end of September.

Consultation

a) Policy Proofing Actions Required

n/a

Appendices

These are listed below and attached at the back of the report	
Appendix A	Lincolnshire County Council - Report to Those Charged with Governance (ISA260)
Appendix B	Lincolnshire County Council Pension Fund - Report to Those Charged with Governance (ISA260)

Background Papers

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

This report was written by Claire Pemberton, who can be contacted on 01522 553663 or claire.pemberton@lincolnshire.gov.uk.

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cutting through complexity™

Report to those charged with governance (ISA 260) 2012/13

Lincolnshire County Council

September 2013

The contacts at KPMG in connection with this report are:

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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. The Audit Commission has issued a document entitled *Statement of Responsibilities of Auditors and Audited Bodies*. This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. We draw your attention to this document which is available on the Audit Commission's website at www.auditcommission.gov.uk.

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Tony Crawley, the appointed engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact Trevor Rees on 0161 246 4000, or by email to trevor.rees@kpmg.co.uk, who is the national contact partner for all of KPMG's work with the Audit Commission. After this, if you are still dissatisfied with how your complaint has been handled you can access the Audit Commission's complaints procedure. Put your complaint in writing to the Complaints Unit Manager, Audit Commission, 3rd Floor, Fry Building, 2 Marsham Street, London, SW1P 4DF or by email to complaints@audit-commission.gsi.gov.uk. Their telephone number is 03034448330.

This report summarises:

- The key issues identified during our audit of Lincolnshire County Council's (the Authority's) financial statements for the year ended 31 March 2013; and
- Our assessment of the Authority's arrangements to secure value for money (VFM) in its use of resources.

Financial statements

Our *External Audit Plan 2012/13* presented to you in April 2013 set out the four stages of our financial statements audit process.



This report focuses on the second and third stages of the process. Our on site work for these took place in two tranches during April 2013 (interim audit) and in July and 2013 (year end audit). We carried out the following work:

Control Evaluation

- Evaluate and test selected controls over key financial systems
- Review internal audit function
- Review accounts production process
- Review progress on critical accounting matters

Substantive Procedures

- Planning and performing substantive audit procedures.
- Concluding on critical accounting matters.
- Identifying audit adjustments.
- Reviewing the Annual Governance Statement.

We are now in the final phase of the audit. Some aspects are also discharged through this report:

Completion

- Declaring our independence and objectivity.
- Obtaining management representations.
- Reporting matters of governance interest.
- Forming our audit opinion.

VFM conclusion

Our *External Audit Plan 2012/13* explained our risk-based approach to VFM work, which follows guidance provided by the Audit Commission. We have completed our work to support our 2012/13 VFM conclusion. This included:

- assessing the potential VFM risks and identifying the residual audit risks for our VFM conclusion;
- considering the results of any relevant work by the Authority, the Audit Commission, other inspectorates and review agencies in relation to these risk areas.

Structure of this report

This report is structured as follows:

- Section 2 summarises the headline messages.
- Section 3 sets out the key findings from our audit work in relation to the 2012/13 financial statements.
- Section 4 outlines the key findings from our work on the VFM conclusion.

Our recommendations are included in Appendix 1.

Acknowledgements

We would like to take this opportunity to thank Officers and Members for their continuing help and co-operation throughout our audit work.

This table summarises the headline messages. The remainder of this report provides further details on each area.

Proposed audit opinion	We anticipate issuing an unqualified audit opinion by 30 September 2013. We will also report that the wording of your Annual Governance Statement accords with our understanding.
Audit adjustments	We are pleased to report that our audit of your financial statements did not identify any material adjustments. The Authority made a small number of non-trivial adjustments, most of which were of a presentational nature. There was no impact on the General Fund.
Accounts production and audit process	The Authority has good processes in place for the production of the accounts and good quality supporting working papers. Officers dealt efficiently with audit queries and the audit process has been completed within the planned timescales. We have worked with Officers throughout the year to discuss the specific risk areas for this year's audit. The Authority addressed the issues appropriately. We have raised a small number of recommendations arising from our work, which are summarised in Appendix 1.
Control environment	The Authority's organisation and IT control environment is effective, and controls over the key financial systems are sound. We are satisfied that internal audit are compliant with the Code of Practice for Internal Audit in Local Government and have been able to place reliance on their work where this was relevant to our work.
Completion	At the date of this report our audit of the financial statements is substantially complete. Before we can issue our opinion we require a signed management representation letter. We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.
VFM conclusion	We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We therefore anticipate issuing an unqualified VFM conclusion by 30 September 2013.

We have worked with Officers throughout the year to discuss specific risk areas. The Authority addressed the issues appropriately.

In our External Audit Plan 2012/13, presented to you in April 2013, we identified the key risks affecting the Authority's 2012/13 financial statements.

We have now completed our testing of these areas and set out our evaluation following our substantive work.

The table below sets out our detailed findings for each risk.

Key audit risk	Issue	Findings
	<p>The Authority estimated that it will need to deliver £23 million in savings during 2013/14 to address further reductions to local authority funding and continued cost pressures.</p> <p>It will need to continue to manage its savings plans well to secure longer term financial and operational sustainability.</p> <p>Adult Social Care continues to pose a major challenge and a forecast overspend of £6.5 million was anticipated in 2012/13.</p>	<p>We are satisfied that the authority has adequate controls in place to ensure a sound financial standing in the medium term and that it is planning and managing its savings plans satisfactorily. In 2011/12 the Council established a Financial Volatility Reserve to help smooth the effects of funding changes to Local Government and at 31 March 2013 a further £20.3 million had been transferred into this reserve.</p> <p>The latest consultation on funding for 2015/16 shows that the impact on Lincolnshire County Council is likely to be greater than originally envisaged, however the Council has adequate reserves which will provide the flexibility to develop a sustainable budget from 2015/16 onwards.</p> <p>The programme of change in Adult Social Care is still underway and we are satisfied that adequate progress is being made. The forecast deficit in 2012/13 did not arise, mainly due to the receipt of additional in year funding.</p>
	<p>In 2011/12 the previous auditor reported significant improvements in this area but noted that the asset register had not been fully reconciled to the disclosure note in the accounts. The previous auditor also identified some assets which did not appear to have been valued within the last five years.</p>	<p>Our work on property, plant and equipment tested the controls in place and we are satisfied that in 2012/13 the year end asset reconciliation and valuation programme operated effectively.</p>

We have identified no issues in the course of the audit that are considered to be material.

The wording of your Annual Governance Statement accords with our understanding.

Proposed audit opinion

Subject to all outstanding queries being resolved to our satisfaction, we anticipate issuing an unqualified audit opinion by 30 September 2013.

Audit differences

In accordance with ISA 260 we are required to report uncorrected audit differences to you. We also report any material misstatements which have been corrected and which we believe should be communicated to you to help you meet your governance responsibilities.

We did not identify any material misstatements.

We identified a small number of presentational adjustments required to ensure that the accounts are compliant with the Code of Practice on Local Authority Accounting the United Kingdom 2012/13 ('the Code'). We understand that the Authority will be addressing these where significant.

Annual Governance Statement

We have reviewed the draft Annual Governance Statement and confirmed that:

- it complies with Delivering Good Governance in Local Government: A Framework published by CIPFA/SOLACE; and
- it is not misleading or inconsistent with other information we are aware of from our audit of the financial statements.

The Annual Governance Statement was not finalised until mid September 2013 although the governance issues to be included in the statement were presented to the Audit Committee on 22 July 2013.

In accordance with recognised good practice the timescales should be shortened so that the Governance Group signs off the Annual Governance Statement in time for consideration of it alongside the statement of accounts presented for audit on or before 30 June each year.

Section three – financial statements Accounts production and audit process

The Authority has good processes in place for the production of the accounts and good quality supporting working papers. .

Officers dealt efficiently with audit queries and the audit process could be completed within the planned timescales.

There were no recommendations in the previous auditors ISA 260 Report 2011/12.

Accounts production and audit process

ISA 260 requires us to communicate to you our views about the significant qualitative aspects of the Authority's accounting practices and financial reporting. We also assessed the Authority's process for preparing the accounts and its support for an efficient audit.

We considered the following criteria:

Element	Commentary
Accounting practices and financial reporting	The Authority has good financial reporting arrangements in place. We consider that accounting practices are appropriate.
Completeness of draft accounts	We received a complete set of draft accounts on 28 th June 2013
Quality of supporting working papers	Our <i>Accounts Audit Protocol</i> , which we issued on 20 th February 2013 and discussed with your officers, set out our working paper requirements for the audit. The quality of working papers provided met the standards specified in our <i>Accounts Audit Protocol</i> .
Critical accounting matters (key audit risks)	We have discussed with officers throughout the year the areas of specific audit risk and undertaken specific audit procedures. There are no matters to draw to your attention.

Element	Commentary
Response to audit queries	Officers resolved audit queries in a reasonable time.

Prior year recommendations

There were no recommendations raised by the previous auditor in last year's ISA 260 report.

Related Party Transactions

During closedown officers completed a review of all potential related parties identified from the members and senior officers declarations. Transactions with Urban Challenge (£140K) and Relate Lincolnshire (£379K) have not been disclosed because these did not arise from grants made by the Council. This does not comply with the Code guidance as the definition of a related party transaction includes all types of transactions whether it is a grant or not.

The Authority's organisation and IT control environment is effective, and controls over the key financial systems are sound.

We are satisfied that internal audit are compliant with the Code of Practice for Internal Audit in Local Government and have been able to place reliance on their work where this was relevant to our work.

During April 2013 we completed our control evaluation work. We did not issue an interim report as there were no significant issues arising from this work. For completeness we reflect on key findings from this work.

Organisational and IT control environment

Controls operated at an organisational level often have an impact on controls at an operational level and if there were weaknesses this would have implications for our audit. We therefore obtain an understanding of the Authority's overall control environment and determine if appropriate controls have been implemented.

The Authority also relies on information technology (IT) to support both financial reporting and internal control processes. In order to satisfy ourselves that we can rely on the use of IT, we test controls over access to systems and data, system changes, system development and computer operations.

We found that your organisational and IT control environment is effective overall.

Review of Internal Audit

We work with your internal auditors to assess the control framework for certain key financial systems and seek to rely on any relevant work they have completed to minimise unnecessary duplication of work.

Where we intend to rely on internal audit's work in respect of the Authority's key financial systems, auditing standards require us to complete an overall assessment of the internal audit function and to evaluate and test aspects of their work.

We reviewed internal audit's work on some aspects of the key financial systems and re-performed a sample of tests completed by them.

We did not identify any significant issues with internal audit's work and are pleased to report that we were able to place reliance on that work on those aspects of the key financial systems that we chose to rely upon their work.

Based on our assessment of their files, attendance at Audit Committee

and regular meetings during the course of the year, internal audit continue to comply with the Code of Practice for Internal Audit in Local Government.

Since April 2013, the United Kingdom Public Sector Internal Audit Standards (PSIAS) apply across the whole of the public sector, including local government. These standards are intended to promote further improvement in the professionalism, quality, consistency and effectiveness of internal audit across the public sector.

The internal audit team are currently undertaking a self assessment to identify any changes or actions needed to ensure full compliance and the outcome of this is expected to be reported to the Audit Committee in due course.

Controls over key financial systems

Where we have determined that this is the most efficient audit approach to take, we test selected controls that address key risks within the financial systems. The strength of the control framework informs the substantive testing we complete during our final accounts visit.

Based on the work of your internal auditors, and our own work on controls over the year end process, the controls over the financial systems are sound.

We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.

Before we can issue our opinion we require a signed management representation letter.

Once we have finalised our opinions and conclusions we will prepare our *Annual Audit Letter* and close our audit.

Declaration of independence and objectivity

As part of the finalisation process we are required to provide you with representations concerning our independence.

In relation to the audit of the financial statements of Lincolnshire County Council for the year ending 31 March 2013, we confirm that there were no relationships between KPMG LLP and Lincolnshire County Council, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Audit Commission's requirements in relation to independence and objectivity.

We have provided a detailed declaration in Appendix 2 in accordance with ISA 260.

Management representations

You are required to provide us with representations on specific matters such as your financial standing and whether the transactions within the accounts are legal and unaffected by fraud. We have provided a template to the Executive Director (Resources and Community Safety) which is reproduced in Appendix 3. We require a signed copy of your management representations before we issue our audit opinion.

Other matters

ISA 260 requires us to communicate to you by exception 'audit matters of governance interest that arise from the audit of the financial statements'.

There are no other matters which we wish to draw to your attention in addition to those highlighted in this report relating to the audit of the Authority's 2012/13 financial statements.

Section four – VFM conclusion

VFM conclusion

Our VFM conclusion considers how the Authority secures financial resilience and challenges how it secures economy, efficiency and effectiveness.

We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Background

Auditors are required to give their statutory VFM conclusion based on two criteria specified by the Audit Commission. These consider whether the Authority has proper arrangements in place for:

- securing financial resilience: looking at the Authority's financial governance, financial planning and financial control processes; and
- challenging how it secures economy, efficiency and effectiveness: looking at how the Authority is prioritising resources and improving efficiency and productivity.

We follow a risk based approach to target audit effort on the areas of greatest audit risk. We consider the arrangements put in place by the Authority to mitigate these risks and plan our work accordingly. Our approach was set out in more detail in our *External Audit Plan 2012/13*.

Risk assessment

Our initial risk assessment did not identify any key business risks which are also relevant to our VFM conclusion beyond those relating to the achievement of the Council's saving plans referred to earlier in the Key Risks section of this report.

We are satisfied that sufficient work in relation to these risks has been carried out by the Authority to mitigate the audit risks for our VFM conclusion. We concluded that we did not need to carry out any specific additional work ourselves.

Conclusion

We have concluded that the Authority has made proper arrangements

to secure economy, efficiency and effectiveness in its use of resources.

VFM criterion	Met
Securing financial resilience	✓
Securing economy, efficiency and effectiveness	✓

Appendix 1: Key issues and recommendations

We have given each recommendation a risk rating and agreed what action management will need to take.

We will formally follow up these recommendations next year.

Priority rating for recommendations			Management response / responsible officer / due date
<p>1 Priority one: issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.</p>	<p>2 Priority two: issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.</p>	<p>3 Priority three: issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.</p>	
No.	Risk	Issue and recommendation	Management response / responsible officer / due date
1	2	Comply fully with the Code guidance when disclosing member and senior officers' declarations of potential related party transactions by including all types of transactions and not just those which are grant related.	
2	3	Shorten the timescale so that the Governance Group signs off the Annual Governance Statement in time for inclusion in the draft accounts presented for audit on or before 30 June each year.	

Appendix 2: Declaration of independence and objectivity

The Code of Audit Practice requires us to exercise our professional judgement and act independently of both the Commission and the Authority.

Requirements

Auditors appointed by the Audit Commission must comply with the Code of Audit Practice (the Code) which states that:

“Auditors and their staff should exercise their professional judgement and act independently of both the Commission and the audited body. Auditors, or any firm with which an auditor is associated, should not carry out work for an audited body that does not relate directly to the discharge of auditors’ functions, if it would impair the auditors’ independence or might give rise to a reasonable perception that their independence could be impaired.”

In considering issues of independence and objectivity we consider relevant professional, regulatory and legal requirements and guidance, including the provisions of the Code, the detailed provisions of the Statement of Independence included within the Audit Commission’s Standing guidance for local government auditors (Audit Commission Guidance) and the requirements of APB Ethical Standard 1 *Integrity, Objectivity and Independence* (Ethical Standards).

The Code states that, in carrying out their audit of the financial statements, auditors should comply with auditing standards currently in force, and as may be amended from time to time. Audit Commission Guidance requires appointed auditors to follow the provisions of ISA (UK & I) 260 Communication of *Audit Matters with Those Charged with Governance* that are applicable to the audit of listed companies. This means that the appointed auditor must disclose in writing:

- Details of all relationships between the auditor and the client, its directors and senior management and its affiliates, including all services provided by the audit firm and its network to the client, its directors and senior management and its affiliates, that the auditor considers may reasonably be thought to bear on the auditor’s objectivity and independence.
- The related safeguards that are in place.

- The total amount of fees that the auditor and the auditor’s network firms have charged to the client and its affiliates for the provision of services during the reporting period, analysed into appropriate categories, for example, statutory audit services, further audit services, tax advisory services and other non-audit services. For each category, the amounts of any future services which have been contracted or where a written proposal has been submitted are separately disclosed. We do this in our Annual Audit Letter.

Appointed auditors are also required to confirm in writing that they have complied with Ethical Standards and that, in the auditor’s professional judgement, the auditor is independent and the auditor’s objectivity is not compromised, or otherwise declare that the auditor has concerns that the auditor’s objectivity and independence may be compromised and explaining the actions which necessarily follow from his. These matters should be discussed with the Audit Committee.

Ethical Standards require us to communicate to those charged with governance in writing at least annually all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place that, in our professional judgement, may reasonably be thought to bear on our independence and the objectivity of the Audit Partner and the audit team.

General procedures to safeguard independence and objectivity

KPMG’s reputation is built, in great part, upon the conduct of our professionals and their ability to deliver objective and independent advice and opinions. That integrity and objectivity underpins the work that KPMG performs and is important to the regulatory environments in which we operate. All partners and staff have an obligation to maintain the relevant level of required independence and to identify and evaluate circumstances and relationships that may impair that independence.

Appendix 2: Declaration of independence and objectivity (continued)

We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.

Acting as an auditor places specific obligations on the firm, partners and staff in order to demonstrate the firm's required independence. KPMG's policies and procedures regarding independence matters are detailed in the Ethics and Independence Manual ('the Manual'). The Manual sets out the overriding principles and summarises the policies and regulations which all partners and staff must adhere to in the area of professional conduct and in dealings with clients and others.

KPMG is committed to ensuring that all partners and staff are aware of these principles. To facilitate this, a hard copy of the Manual is provided to everyone annually. The Manual is divided into two parts. Part 1 sets out KPMG's ethics and independence policies which partners and staff must observe both in relation to their personal dealings and in relation to the professional services they provide. Part 2 of the Manual summarises the key risk management policies which partners and staff are required to follow when providing such services.

All partners and staff must understand the personal responsibilities they have towards complying with the policies outlined in the Manual and follow them at all times. To acknowledge understanding of and adherence to the policies set out in the Manual, all partners and staff are required to submit an annual Ethics and Independence Confirmation. Failure to follow these policies can result in disciplinary action.

Auditor declaration

In relation to the audit of the financial statements of Lincolnshire County Council for the financial year ending 31 March 2013, we confirm that there were no relationships between KPMG LLP and Lincolnshire County Council, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Audit Commission's requirements in relation to independence and objectivity.

Appendix 3: Draft management representation letter

We ask you to provide us with representations on specific matters such as whether the transactions within the accounts are legal and unaffected by fraud.

The wording for these representations is prescribed by auditing standards.

We require a signed copy of your management representations before we issue our audit opinion.

KPMG LLP
Chartered Accountants
1 Waterloo Way
Leicester
LE1 6LP

23rd September 2013

Dear Sirs

This representation letter is provided in connection with your audit of the financial statements of Lincolnshire County Council (“the Authority”) for the year ended 31 March 2013, for the purpose of expressing an opinion:

i. as to whether these financial statements give a true and fair view of the financial position of the Authority as at 31 March 2013 and of the Authority’s expenditure and income for the year then ended;

ii. whether the Pension Fund financial statements of the Authority give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2013 and the amount and disposition of the Fund’s assets and liabilities as at 31 March 2013, other than liabilities to pay pensions and other benefits after the end of the scheme year; and

iii. whether the financial statements have been prepared properly in accordance with the CIPFALASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

These financial statements comprise the Authority Movement in Reserves Statement, the Authority Comprehensive Income and Expenditure Statement, the Authority Balance Sheet, the Authority Cash Flow Statement and the related notes. The Pension Fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes.

The Authority confirms that the representations it makes in this letter are in accordance with the definitions set out in the Appendix to this letter.

The Authority confirms that, to the best of its knowledge and belief, having made such inquiries as it considered necessary for the purpose of appropriately informing itself:

Financial statements

1. The Authority has fulfilled its responsibilities, as set out in regulation 8 of the Accounts and Audit (England) Regulations 2011, for the preparation of financial statements that:

- give a true and fair view of the financial position of the Authority as at 31 March 2013 and of the Authority’s expenditure and income for the year then ended;
- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2013 and the amount and disposition of the Fund’s assets and liabilities as at 31 March 2013, other than liabilities to pay pensions and other benefits after the end of the scheme year; and
- have been prepared properly in accordance with the CIPFALASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

The financial statements have been prepared on a going concern basis.

2. Measurement methods and significant assumptions used by the Authority in making accounting estimates, including those measured at fair value, are reasonable.

3. All events subsequent to the date of the financial statements and for which the CIPFALASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 requires adjustment or disclosure have been adjusted or disclosed.

4. The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole.

Appendix 3: Draft management representation letter

We ask you to provide us with representations on specific matters such as whether the transactions within the accounts are legal and unaffected by fraud.

The wording for these representations is prescribed by auditing standards.

We require a signed copy of your management representations before we issue our audit opinion.

Information provided

5. The Authority has provided you with:
- access to all information of which it is aware, that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
 - additional information that you have requested from the Authority for the purpose of the audit; and
 - unrestricted access to persons within the Authority from whom you determined it necessary to obtain audit evidence.
6. All transactions have been recorded in the accounting records and are reflected in the financial statements.

7. The Authority acknowledges its responsibility for such internal control as it determines necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In particular, the Authority acknowledges its responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

The Authority has disclosed to you the results of its assessment of the risk that the financial statements may be materially misstated as a result of fraud.

8. The Authority has disclosed to you all information in relation to:

- (a) fraud or suspected fraud that it is aware of and that affects the Authority and involves:
- management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements; and
- (b) allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

9. The Authority has disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

10. The Authority has disclosed to you and has appropriately accounted for and/or disclosed in the financial statements in accordance with the CIPFA/LASAAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

11. The Authority has disclosed to you the identity of the Authority's related parties and all the related party relationships and transactions of which it is aware and all related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the CIPFA/LASAAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

Included in the Appendix to this letter are the definitions of both a related party and a related party transaction as the Authority understands them and as defined in IAS 24, except where interpretations or adaptations to fit the public sector are detailed in the CIPFA/LASAAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

12. On the basis of the process established by the Authority and having made appropriate enquiries, the Authority is satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities are consistent with its knowledge of the business.

The Authority further confirms that:

- (a) all significant retirement benefits, including any arrangements that:
- are statutory, contractual or implicit in the employer's actions;
 - arise in the UK and the Republic of Ireland or overseas;
 - are funded or unfunded; and

Appendix 3: Draft management representation letter

We ask you to provide us with representations on specific matters such as whether the transactions within the accounts are legal and unaffected by fraud.

The wording for these representations is prescribed by auditing standards.

We require a signed copy of your management representations before we issue our audit opinion.

- are approved or unapproved, have been identified and properly accounted for; and
- (b) all settlements and curtailments have been identified and properly accounted for.

This letter was tabled and agreed at the meeting of the Audit Committee on 23rd September 2013

Yours faithfully,

[Signature]

Chair of the Audit Committee

[Signature]

Executive Director (Resources and Community Safety)



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Report to those charged with governance (ISA 260) 2012/13

Lincolnshire County Council Pension
Fund

September 2013



Contents

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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. The Audit Commission has issued a document entitled *Statement of Responsibilities of Auditors and Audited Bodies*. This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. We draw your attention to this document which is available on the Audit Commission's website at www.auditcommission.gov.uk.

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Tony Crawley, the appointed engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact Trevor Rees on 0161 246 4000, or by email to trevor.rees@kpmg.co.uk, who is the national contact partner for all of KPMG's work with the Audit Commission. After this, if you are still dissatisfied with how your complaint has been handled you can access the Audit Commission's complaints procedure. Put your complaint in writing to the Complaints Unit Manager, Audit Commission, 3rd Floor, Fry Building, 2 Marsham Street, London, SW1P 4DF or by email to complaints@audit-commission.gsi.gov.uk. Their telephone number is 03034448330.

This report summarises the key issues identified during our audit of Lincolnshire County Council Pension Fund's (the Fund's) financial statements for the year ended 31 March 2013.

Scope of this report

The Audit Commission's *Code of Audit Practice* requires us to summarise the work we have carried out to discharge our statutory audit responsibilities together with any governance issues identified and report to those charged with governance (in this case the County Council Audit Committee). We are also required to comply with International Standard on Auditing ('ISA') 260 which sets out our responsibilities for communicating with those charged with governance.

This report meets both these requirements. It summarises the key issues identified during our audit of the Fund's financial statements for the year ended 31 March 2013.

Some of our responsibilities under ISA 260 relate to Lincolnshire County Council ('the Authority') as administering authority as a whole and are discharged through our reporting to the Authority's Audit Committee. This includes:

- Declaring our independence and objectivity;
- Obtaining management representations; and
- Reporting matters of governance interest, including our audit fees.

Audit of the pension fund

As with the main audit of the Authority, our audit of the Fund follows a four stage audit process.



This report focuses on the second and third stages of the process: control evaluation and substantive procedures. Our on site work for these took place in two tranches during April 2013 (interim audit) and June 2013 (year end audit).

We carried out the following work:

Control Evaluation	<ul style="list-style-type: none"> ■ Evaluate and test selected controls over key financial systems ■ Review accounts production process ■ Review progress on critical accounting matters
Substantive Procedures	<ul style="list-style-type: none"> ■ Plan and perform substantive audit procedures ■ Conclude on critical accounting matters ■ Identify audit adjustments

Structure of this report

This report is structured as follows:

- Section 2 summarises the headline messages.
- Section 3 sets out the findings from our audit work on the Fund's accounts in more detail.

Our recommendations are included in Appendix 1.

Acknowledgements

We would like to take this opportunity to thank Officers and Members for their continuing help and co-operation throughout our audit work.

This table summarises the headline messages. The remainder of this report provides further details on each area.

<p>Proposed audit opinion</p>	<p>We anticipate issuing an unqualified audit opinion in relation to the Fund's financial statements, as contained both in the Authority's Statement of Accounts and the Pension Fund Annual Report by 30 September 2013.</p> <p>At the date of this report our audit of the Fund's financial statements is substantially complete. Our remaining completion procedures are carried out jointly with those for the main audit. This includes obtaining a signed management representation letter, which covers the financial statements of both the Authority and the Fund.</p>
<p>Audit adjustments</p>	<p>We are pleased to report that our audit of the Fund's financial statements did not identify any material adjustments.</p>
<p>Accounts production and audit process</p>	<p>The Authority has good processes in place for the production of the Fund's financial statements and good quality supporting working papers. Officers dealt efficiently with audit queries and the audit process has been completed within the planned timescales.</p> <p>We have worked with Officers throughout the year to discuss the specific risk areas for this year's audit. The Authority addressed the issues appropriately.</p>
<p>Control environment</p>	<p>Controls over the Fund's key financial systems are sound. We did not identify any specific issues we wish to highlight to you.</p>

We have identified no issues in the course of the audit that are considered to be material.

We anticipate issuing an unqualified audit opinion in relation to the Fund's financial statements, as contained both in the Authority's Statement of Accounts and the Pension Fund Annual Report by 30 September 2013.

Proposed audit opinion

We anticipate issuing an unqualified audit opinion following approval of the Statement of Accounts by the Audit Committee on 23rd September 2013.

Audit differences

In accordance with ISA 260 we are required to report uncorrected audit differences to you. We also report any material misstatements which have been corrected and which we believe should be communicated to you to help you meet your governance responsibilities.

We did not identify any material misstatements.

We noted an error in Note 8 (Contributions Receivable) to the accounts where an adjustment of £611K was needed between deficit funding and normal funding to correct a figure that had been incorrectly entered. This is a disclosure note only and there is no impact on the total contributions. The analysis has been corrected.

Completion

At the date of this report, our audit of the Fund's financial statements is substantially complete.

Before we can issue our opinion we require a signed management representation letter. The representations in relation to the Fund will be included in the Authority's representation letter.

We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Fund's financial statements. A full declaration of our independence is set out in the main *ISA 260 Report* for the Authority.

Annual Report

We have reviewed the Pension Fund Annual Report and confirmed that the financial and non-financial information it contains is not

inconsistent with the financial information contained in the audited financial statements.

We anticipate issuing an unqualified opinion on the Pension Fund Annual Report at the same time as our opinion on the Statement of Accounts.

The Authority has good processes in place for the production of the Fund's financial statements and good quality supporting working papers.

Officers dealt efficiently with audit queries and the audit process was completed within the planned timescales.

The Authority has implemented the recommendations in the ISA 260 Report 2011/12 for the Fund issued by the previous auditor.

Accounts production and audit process

ISA 260 requires us to communicate to you our views about the significant qualitative aspects of the accounting practices and financial reporting relating to the Fund. We also assessed the Authority's process for preparing the Fund's financial statements and its support for an efficient audit.

We considered the following criteria:

Element	Commentary
Accounting practices and financial reporting	The Authority has good financial reporting arrangements over the Fund's financial statements in place. We consider that accounting practices are appropriate.
Completeness of draft accounts	We received a complete set of draft accounts on 3rd June 2013.
Quality of supporting working papers	The quality of working papers provided met the standards required.
Critical accounting matters (key audit risks)	We have discussed with officers throughout the year the areas of specific audit risk and undertaken specific audit procedures. There are no matters to draw to your attention.

Element	Commentary
Response to audit queries	Officers resolved audit queries in a reasonable time.

Prior year recommendations

As part of our audit we have specifically followed up the Authority's progress in addressing the recommendation made in last year's ISA 260 report.

The previous auditor recommended better record keeping by the pensions administration section over the annual data check including recording the individuals completing each test, the actions taken to correct errors, and the retention of all reports generated. We found that the Authority has fully implemented this recommendation.

Controls over the Fund's key financial systems are sound.

During April 2013 we completed our control evaluation work. We did not issue an interim report as there were no significant issues arising from this work. For completeness we reflect on key findings from this work.

Organisational and IT control environment

Controls operated at an organisational level often have an impact on controls at an operational level and if there were weaknesses this would have implications for our audit. We therefore obtain an understanding of the Authority's overall control environment and determine if appropriate controls have been implemented.

The Authority also relies on information technology (IT) to support both financial reporting and internal control processes. In order to satisfy ourselves that we can rely on the use of IT, we test controls over access to systems and data, system changes, system development and computer operations.

Most of the controls we look at do not just relate to the Fund but the Authority as a whole. We found that your organisational and IT control environment is effective overall.

Controls over key financial systems

Where we have determined that this is the most efficient audit approach to take, we test selected controls that address key risks within the financial systems. The strength of the control framework informs the substantive testing we complete during our final accounts visit.

Based on the work of internal audit and our own work on controls over the year end process, the controls over the financial systems are sound.

Membership numbers

We noted that following the annual data cleansing exercise, significant changes were needed to the membership numbers disclosed in Note 1 to the accounts. For example 'active' members were down by 860 in 2011/12. The changes needed in the 2012/13 figures were minimal and the note has been amended.

The changes reflect timing issues but it in future it would be helpful if the membership note is compiled after the completion of the annual data cleansing exercise so that greater consistency and accuracy is reflected in the disclosure note.

Appendix 1: Key issues and recommendations

We have given each recommendation a risk rating and agreed what action management will need to take.

We will follow up this recommendations next year.

Priority rating for recommendations		
<p>1 Priority one: issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.</p>	<p>2 Priority two: issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.</p>	<p>3 Priority three: issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.</p>

No.	Risk	Issue and recommendation	Management response / responsible officer / due date
1	3	Compile the membership disclosure note for the accounts after the completion of the annual data cleansing exercise to improve the consistency and accuracy of the figures.	



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Regulatory and Other Committee

Open Report on behalf of Pete Moore, Executive Director Resources and Community Safety

Report to:	Audit Committee
Date:	23 September 2013
Subject:	Statement of Accounts for Lincolnshire County Council for the year ended 31 March 2013

Summary:

This report presents the final Statement of Accounts for Lincolnshire County Council for the financial year 2012/13 for approval.

Recommendation(s):

The Executive Director for Resources and Community Safety recommends the Audit Committee approve the Statement of Accounts for 2012/13.

Background

1.1 The Council is required to make arrangements to prepare Statement of Accounts which give a 'true and fair' view of the financial position for the County Council and for the Pension Fund as at 31 March 2013 together with a record of income and expenditure for the financial year 2012/13.

1.2 The accounts have been prepared under the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13. The format of the statements and the detailed disclosure notes are specifically prescribed in the Code of Practice.

1.3 Councillors, have little discretion to influence the detail and content of the statements, however, councillors do have a responsibility for corporate governance, including robust scrutiny of the Council's accounts and financial position. For this reason, the Audit Committee were presented with the draft Statements of Accounts for 2012/13 at its meeting on 22 July 2013. At this meeting members scrutinised and made comment on the draft accounts.

1.4 The external auditor, KPMG, has now completed their work on the Statement of Accounts and you as 'Those Charged with Governance' have already received their ISA 260 Report as part of this agenda.

1.5 The Audit Committee is now asked to approve the Statement of Accounts.

Conclusion

2.1 The Audit Committee are asked to approve the Statement of Accounts for Lincolnshire County Council for the financial year ended 31 March 2013.

Consultation

a) Policy Proofing Actions Required

n/a

Appendices

These are listed below and attached at the back of the report	
Appendix A	Lincolnshire County Council Statement of Accounts 2012/13

Background Papers

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

This report was written by Claire Pemberton, who can be contacted on 01522 553663 or claire.pemberton@lincolnshire.gov.uk.

Lincolnshire County Council
Statement of Accounts 2012-13

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Statement of Accounts 2012-13

Explanatory Foreword

Introduction to the Accounts

The Statement of Accounts for the year 2012-13 is set out on pages 13 to 17.

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

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

Content

The Explanatory Foreword

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

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

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

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

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

Balance Sheet as at 31 March 2013

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

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

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

Notes to the Accounts

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

The Statement of Responsibilities for the Statement of Accounts

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

The Governance Statement

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

Audit Opinion

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

The Lincolnshire Pension Fund Account

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

The Lincolnshire Fire and Rescue Pension Fund Account

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

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

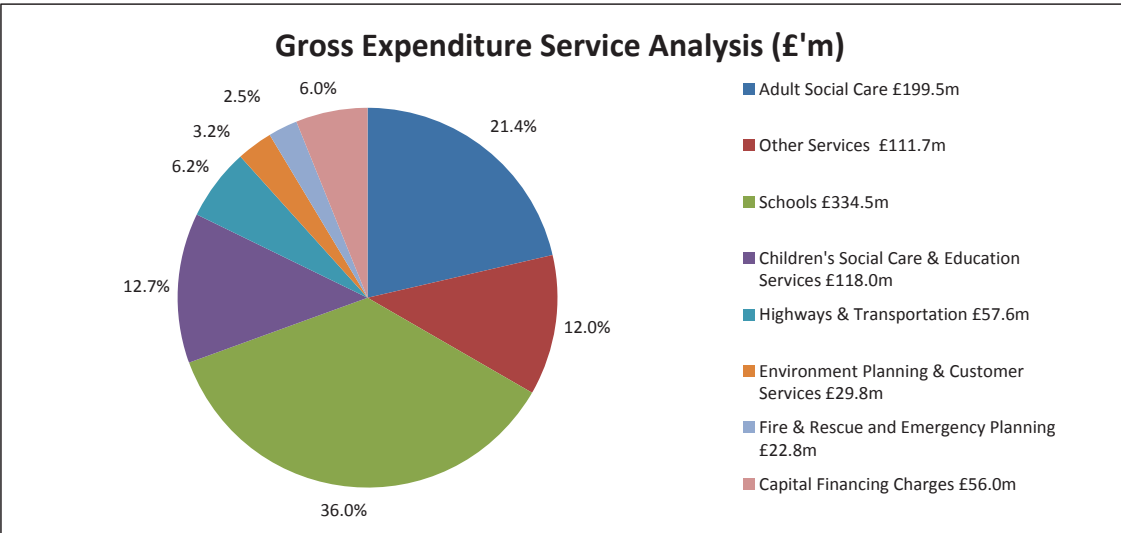
Review of the Year

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

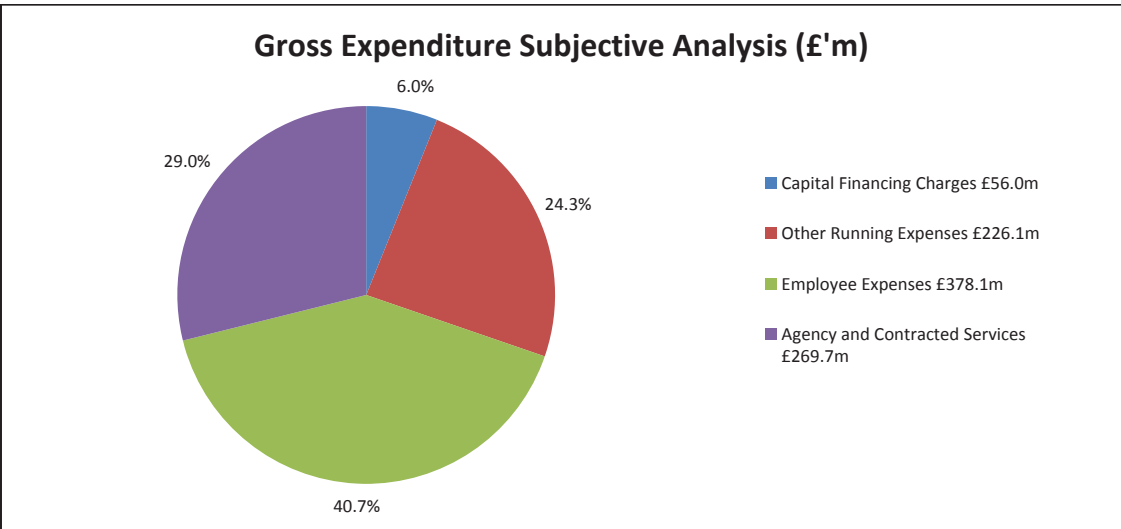
Annual Revenue Spending

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

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



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

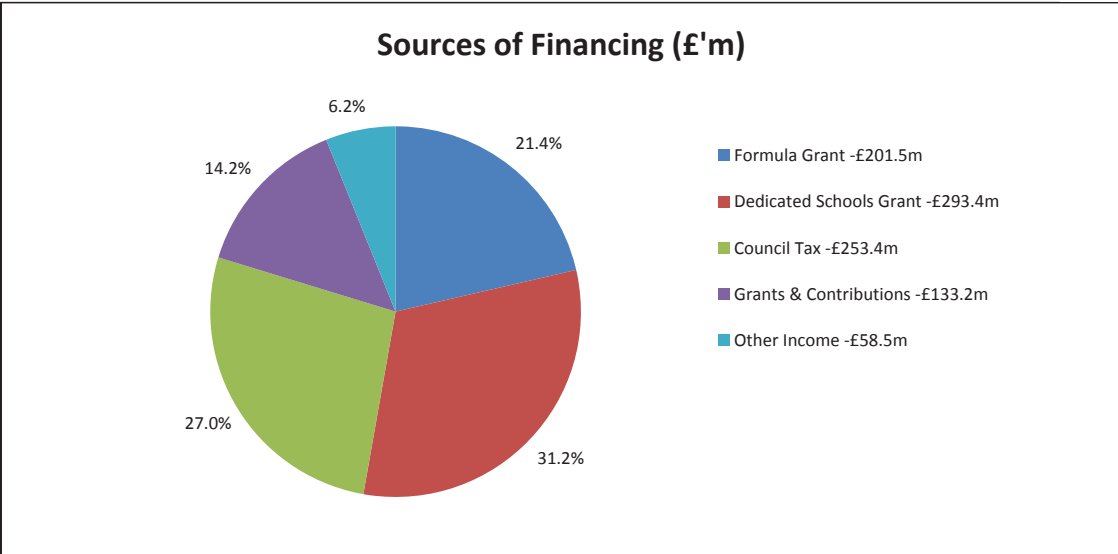


The distribution of expenditure by type differs significantly between different services. For example, salaries and wages comprises 67.4% of expenditure for schools. For services other than schools, salaries and wages comprises 28.3% of expenditure and contract payments comprises 45.9% of total expenditure.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

Note 32 Amounts Reported for Resource Allocation Decisions provides further details on spending and the services which are provided to the public (page 79).

Annual income

The Council's revenue spending was funded by:



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

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

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

Revenue budget outturn 2012-13.

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

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

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

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

Significant variances include:

- Highways and Transportation (£1.351m overspend). Winter maintenance overspend £2.0m due to the bad winter weather and need for the Council to grit the roads more often and purchase more salt than in an average year. This overspend was offset by minor underspends in other areas of the service.
- Finance and Resources (£2.059m underspend). This was primarily due to: the two shared services (Legal & Procurement) underspending by £1.581m collectively, and corporate property which underspent by £0.280m due to reduced accommodation costs.
- Schools Budgets (£26.090m underspend). Schools budgets are ring-fenced and carried into the next financial year for schools. This underspend represents a significant reduction on previously years underspend.
- Other Budgets (£22.384m underspend). Capital Financing Charges were underspent by £19.111m due to use of internal borrowing and slippage in the capital programme. At the end of the year, £3.879m of the Council's contingency remained unused.

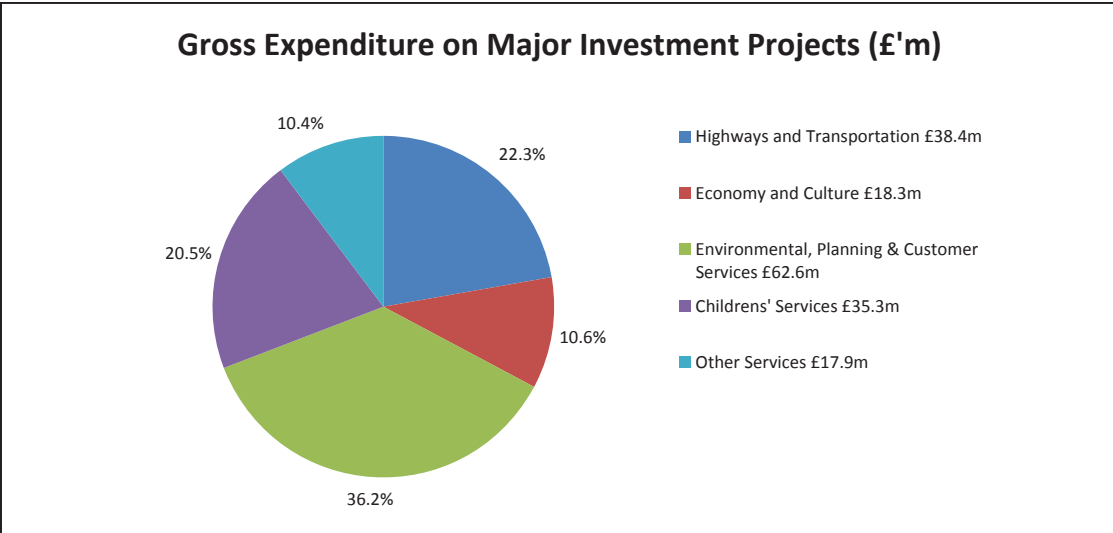
Further information on revenue budget spending and outturns can be found in the Review of Financial Performance 2012-13, which is available on the Council's website.

<http://www.lincolnshire.gov.uk/local-democracy/how-the-council-works/finances/budgets-and-financial-strategy/>.

Investment in major projects

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

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



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

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

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

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

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

Financial health and performance

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

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

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

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

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

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

Economic Climate and future revenue and capital budgets and future financing

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

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

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

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

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

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

The Council's Pension Fund liability

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

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

Conversion of Schools into Academies

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

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

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

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

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

Statement of Responsibilities for the Statement of Accounts

The Council's Responsibilities

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its Officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Chief Financial Officer.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

The Chairman's Responsibilities

Signed: Dated:

The Executive Director - Resources and Community Safety Responsibilities

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

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

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

The Executive Director - Resources and Community Safety has also:

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

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

Signed: Dated:

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

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

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

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

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

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

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

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

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

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

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

Lincolnshire County Council: Balance Sheet as at 31 March 2013

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

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

Lincolnshire County Council: Cashflow Statement as at 31 March 2013

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

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

Note 1. Statement of Accounting Policies

1. General Principles and Concepts

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

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

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

2. Changes in Accounting Policies

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

3. Prior period adjustments – estimates and errors

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

The following disclosures will be made:

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

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

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

Property, Plant and Equipment are assets that have a physical substance and are:

- held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and
- expected to be used during more than one period.

Classification

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

Operational Assets:

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

Non-Operational Assets:

- Surplus Assets; and
- Assets Under Construction.

a) Initial Recognition

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

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

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

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

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

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

b) Measurement after Recognition – Valuation Approach

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

The code requires the following valuation approaches to be adopted:

Operational Assets

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

Non-Operational Assets

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

Valuation Programme

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

c) Revaluation Gains and Losses

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

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

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

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

d) Depreciation

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

- Operational buildings are depreciated over their useful life. For buildings which are held at existing use value a useful life of 40 years has been assumed. Asset lives for buildings held on a depreciated replacement cost basis are reviewed as part of the rolling programme of revaluations and the Valuer estimates the useful life. Depreciation is charged on a straight line basis;
- Infrastructure assets, primarily roads, are depreciated over their estimated useful lives, varying from 1-3 years (for capital pothole filling) to 120 years (for bridge structures), on a straight line basis;
- Furniture and non specialist equipment is depreciated over a period of 5 years, on a straight line basis;
- Vehicles, plant and specialist equipment (including computing equipment) are depreciated over their estimated useful lives, varying between 3 and 15 years. For vehicles purchased after 1 April 2004, the reducing balance method of depreciation is used; and
- Surplus assets are depreciated in line with the operational asset class.

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

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

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

Component Accounting for Property, Plant and Equipment

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

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

e) Disposal of Property, Plant and Equipment

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

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

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

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

f) Impairment of non-Current Assets

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

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

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

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

5. Intangible Assets

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

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

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

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

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

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

6. Investment Properties

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

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

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

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

d) Depreciation is not charged on Investment Properties.

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

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

7. Heritage Assets

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

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

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

a) Initial Recognition

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

b) Measurement after recognition:

- Historic Buildings – Windmills: will be valued at existing use value by the Council's Valuer. These valuations will be included on the Council's rolling programme and will be valued every 5 years.
- Historic Buildings – Lincoln Castle and Temple Bruer: will continue to be carried at historic cost as the Council does not consider that a reliable valuation can be obtained for these assets. This is because of the nature of the assets held and the lack of comparable market values.
- Collections: will be valued based on the insurance valuations held by the Council. Insurance valuations will be reviewed and updated on an annual basis.

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

d) Depreciation is not charged on Heritage Assets.

8. Non-Current Assets Held for Sale

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

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

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

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

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

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

9. Donated Assets

Donated assets are non-current assets which are given to the Council at no cost or at below market value. These assets are initially recognised in the Balance Sheet at this value and then measured at fair value. The difference between the fair value and any consideration paid is credited to the Taxation and Non-Specific grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally.

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

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

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

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

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

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

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

11. Minimum Revenue Provision

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

12. Revenue Expenditure Financed through Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions, but does not result in the creation of a non-current asset in the Balance Sheet; has been charged as expenditure to the relevant service revenue account in the year.

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

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

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

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

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

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

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

14. Borrowing Costs

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

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

15. Classification of Leases

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

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

Finance Lease

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

Operating Lease

All other leases are determined to be operating leases.

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

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

a) Finance Leases

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

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

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

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

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

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

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

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

b) Operating Leases

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

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

c) Investment Property Leases (Lessee)

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

16. Government Grants and Contributions

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

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

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

Capital Grants and Contributions (non-current assets)

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

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

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

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

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

Revenue Government Grants and Contributions

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

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

Community Infrastructure Levy (CIL)

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

17. Debtors

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risk and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council; and
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.

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

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

18. Creditors

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

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

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

19. Provision for Bad and Doubtful Debt

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

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

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

20. Inventories

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

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

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

21. Cash and Cash Equivalents

a) Cash:

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

b) Cash Equivalents:

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

- Instant Access Deposit Accounts or Overnight Bank Facilities set up for the purpose of meeting short term liquidity requirements and whose return (if any) does not make up the Average Yield Return on Investments, are to be classed as Cash Equivalents.
- Overnight Fixed Deposits, Deposit Based Bank Accounts and Net Asset Value Money Market Funds held for investment purposes for the returns offered, which make up the Councils Average Yield Return on its Investments, are to be classed as Short Term Investments.

c) Bank Overdrafts:

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

22. Provisions

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

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

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

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

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

23. Contingent Liabilities

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

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

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

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

24. Contingent Assets

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

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

25. Events after the Reporting Date

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

- Events which provide evidence of conditions that existed at the end of the reporting period will be adjusted and included within the figures in the accounts; and
- Events that are indicative of conditions that arose after the reporting will be reported in the narrative notes to the accounts.
- Events which take place after the authorised for issue date are not reflected in the Statement of Accounts.

26. Recognition of Revenue (Income)

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

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

27. Exceptional Items

Exceptional items are material amounts of income or expenditure which occur infrequently in the course of the Council's normal business and are not expected to arise at regular intervals. When these items of income or expense are material, their nature and amount will be disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts depending on how significant the items are to an understanding of the Council's financial performance.

28. Costs of Support Services

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

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

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

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

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

29. Acquired and Discontinued Operations

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

30. Value Added Tax (VAT)

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

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

31. Council Tax Income

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

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

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

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

32. 'Cap and Trade' Schemes

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

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

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

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

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

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

Carbon Reduction Commitment Scheme – CRC

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

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

33. Reserves

a) Useable Reserves

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

b) Unusable Reserves

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

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

34. Employee Benefits – Benefits Payable during Employment

a) Short Term Benefits

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

- Salaries, wages and expenses accrued up to the Balance Sheet date. These items are charged as an expense to the relevant service revenue account in the year the employees' services are rendered; and
- Annual leave and flexi hours earned, but not yet taken at the Balance Sheet date. An accrual is made for items at the wage and salary rate payable. The accrual is charged to the relevant service revenue account, but then reversed out through the Movement in Reserves Statement to the Accumulated Absences Account, so this does not have an impact on council tax.

Teacher Leave Accrual

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

b) Long Term Benefits

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

35. Employee Benefits – Termination Benefits

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

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

36. Employee Benefits – Post Employment Benefits (Pensions)

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

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

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

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

The LGPS is accounted for as a defined benefits scheme:

- The liabilities of the Lincolnshire Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 4.5% (based on long term UK Government bonds greater than 15 years).
- The assets of Lincolnshire Pension Fund attributable to the Authority are included in the Balance Sheet at their fair value:
 - quoted securities – current bid or last traded price;
 - unquoted securities – professional estimates;
 - unitised securities – current bid price.
- The change in the net pensions liability is analysed into seven components:
 - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
 - past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus of Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;
 - interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
 - expected return on assets – the annual investment return on the fund assets attributable to the Authority, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
 - gains or losses on settlements and curtailments – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;
 - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debit to the Pensions Reserve; and
 - contributions paid to the Lincolnshire Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

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

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

Income and Expenditure

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

Non-Current Assets

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

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

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

Assets and Liabilities

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

Reserves

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

38. Group Relationships

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

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

39. Financial Instruments

a) Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing & Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised. All the Council's borrowings are carried at amortised cost and the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and the interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

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

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

b) Financial Assets

Financial Assets are classified into two types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market; and
- Available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

i) Loans and Receivables

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

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

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

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

Any gains and losses that arise on the derecognition of the assets are credited/debited to the Financing & Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

ii) Available-for-sale Assets

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- IAS 1 Presentation of Financial Statements;
- IAS 19 Retirement Benefits - Recognition of termination benefits;
- Clarifications for the recognition criteria for assets under construction or intangible assets for PFI schemes under construction;
- IAS 12 Income Taxes - Group Accounts; and
- IFRS 7 Financial Instruments: Disclosures (Offsetting Financial Assets and Liabilities).

Note 3. Critical judgements in applying accounting

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

Government Support

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

PFI Contract

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

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

Classification of Leases

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

Group Relationships

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

School Assets

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

Investment Properties

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

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

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

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

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

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

Note 5. Exceptional Items

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

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

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

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

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

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

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

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

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

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

Note 6. Material items of income and expenditure

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

Note 7. Events after the balance sheet date

a) Authorisation of Accounts for Issue

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

Signed: Dated:

b) Post Balance Sheet Events

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

- Events taking place after the date the Accounts were authorised for issue (27 September 2013) are not reflected in the Financial Statements or the notes.
- Events that provide evidence of conditions that existed at the end of the reporting period 31 March 2013 are reflected in the figures in the Financial Statements and the notes, where the information has a material impact.
- Events that arose after the reporting period have not been reflected in the figures in the Accounts. A note of material events which took place after 31 March 2013 is set out here to provide information that is relevant to an understanding of the Council's financial position, but do relate to conditions at this date.

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

Schools becoming Academies

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

Note 8. Service Expenditure Analysis

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

2011-12			2012-13		
Gross Expenditure £'000	Income £'000	(*1) Restated Net Expenditure £'000	Gross Expenditure £'000	Income £'000	Net Expenditure £'000
CHILDREN'S AND EDUCATION SERVICES - EDUCATION SERVICES					
38,801	(17,784)	21,017	40,651	(30,657)	9,994
244,957	(236,651)	8,306	217,606	(176,520)	41,086
219,395	(169,596)	49,799	131,703	(124,300)	7,403
41,000	(39,203)	1,797	42,597	(36,513)	6,084
14,139	(5,985)	8,154	15,510	(5,180)	10,330
18,622	(6,100)	12,522	21,204	(9,809)	11,395
576,914	(475,319)	101,595	469,271	(382,979)	86,292
CHILDREN'S AND EDUCATION SERVICES - CHILDREN'S SOCIAL CARE					
1,360	(116)	1,244	1,620	(60)	1,560
17,279	(2,264)	15,015	15,650	(2,258)	13,392
19,785	(1,038)	18,747	20,911	(1,044)	19,867
10,487	(2,875)	7,612	14,056	(4,600)	9,456
5,429	(3,654)	1,775	4,524	(3,579)	945
487	(157)	330	413	(173)	240
649	(825)	(176)	525	(545)	(20)
5,100	(241)	4,859	5,098	(387)	4,711
60,576	(11,170)	49,406	62,797	(12,646)	50,151
ADULT SOCIAL CARE					
2,138	(27)	2,111	1,460	(13)	1,447
130,652	(39,197)	91,455	131,575	(40,445)	91,130
18,390	(2,460)	15,930	18,993	(3,235)	15,758
58,993	(24,261)	34,732	61,263	(19,616)	41,647
14,617	(4,621)	9,996	13,770	(5,627)	8,143
9,223	(993)	8,230	9,546	(3,058)	6,488
234,013	(71,559)	162,454	236,607	(71,994)	164,613
HIGHWAYS AND TRANSPORT SERVICES					
9,011	(1,470)	7,541	7,567	(1,450)	6,117
17,453	(1,007)	16,446	11,140	(741)	10,399
25,618	(48)	25,570	29,055	(3,075)	25,980
10,904	(851)	10,053	10,776	(994)	9,782
5,764	(413)	5,351	5,637	(564)	5,073
5,861	(195)	5,666	7,634	(198)	7,436
6,296	(1,913)	4,383	5,711	(1,766)	3,945
16,925	(1,794)	15,131	17,902	(1,957)	15,945
97,832	(7,691)	90,141	95,422	(10,745)	84,677
CULTURAL AND RELATED SERVICES					
7,223	(1,749)	5,474	6,513	(1,382)	5,131
1,703	(107)	1,596	1,612	(103)	1,509
472	(21)	451	892	(26)	866
953	(256)	697	1,295	(392)	903
12,484	(943)	11,541	13,356	(791)	12,565
22,835	(3,076)	19,759	23,668	(2,694)	20,974
ENVIRONMENTAL AND REGULATORY SERVICES					
1	0	1	0	0	0
3,132	(140)	2,992	2,828	(137)	2,691
250	(5)	245	912	(215)	697
4,576	(835)	3,741	3,263	(828)	2,435
18,777	(420)	18,357	19,999	(202)	19,797
139	(131)	8	119	(115)	4
4,817	(43)	4,774	4,867	(597)	4,270
36	(16)	20	27	(1)	26
31,728	(1,590)	30,138	32,015	(2,095)	29,920

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

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

Changes within Children's And Education Services:

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

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

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

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

General Fund Balance

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

Capital Receipts Reserve

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

Capital Grants Unapplied

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

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

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

Note 10. Transfer to/from earmarked reserves.

The note below sets out the amounts set aside from the General Fund into Earmarked Reserves to provide financing for future expenditure plans and the amounts posted back from Earmarked Reserves to meet General Fund expenditure in 2012-13.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Note 11. Other operating expenditure.

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

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

Note 12. Financing and Investment Income and Expenditure.

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

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

Note 13. Taxation and Non Specific Grant Income.

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

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

Note 14. Property, Plant and Equipment.

a) Movement on Non-Current Assets

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

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

RR - Revaluation Reserve
SDPS - Surplus or Deficit on the Provision of Services

b) Depreciation and Asset Lives

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

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

	Useful Economic Life (Years)
Land	999
Buildings	
<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
Infrastructure	
Structures (Bridges)	120
Major Road Construction	60
Street Lighting, Kerbing	40
Drainage	40
Safety Fencing	25
Traffic Signals, Other Street Furniture (Signs, Ornamental structures), Junction Improvements, Bus Stop Infrastructure, Carriageway Works, Footways, Materials Testing, Verges, Rights of Way	20
Reactive Signs	15
Carriageway Surfacing - Non-Principal Roads	12
Patching, Footway Slurry Sealing	10
Carriageway Surfacing - Principal Roads	8
Carriageway Slurry Sealing	6
Potholes - Non-Principal Roads	3
Potholes - Principal Roads	1
Vehicles, Furniture & Equipment	
IT Equipment	4
Furniture and Equipment	5
Vehicles	3 to 18

c) Capital Commitments

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

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

d) Valuations

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

The significant assumptions applied in estimating the fair values are:

- Existing Use Value (EUV) has been used where there was sufficient evidence of market transactions for that use (e.g. office accommodation).
- Depreciated Replacement Cost (DRC) has been used where the asset is of a specialised nature, or where there is no evidence of market value or suitably comparable properties (e.g. schools).

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

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

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

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

Note 15. Heritage Assets.

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

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

1) Windmills

The Council is responsible for four windmills:

- Alford five sail windmill
- Burgh le Marsh windmill
- Ellis Mill in Lincoln
- Heckington Windmill

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

2) Historic Buildings

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

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

3) Collections

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

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

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

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

a) Reconciliation of the carrying value of Heritage Assets held

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

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

b) Valuation

The Heritage Assets held by the Council are valued using an appropriate basis:

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

c) Depreciation

Depreciation is not charged on Heritage Assets

d) Additions to Heritage Assets

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

e) Disposals

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

f) Heritage Assets Five Year Summary of Transactions

The Local Authority Accounting Code of Practice stipulates that a five year summary of transactions on Heritage Assets should be included here, if such information is available.

The Council hold this information available from 2010-11 onwards. This is set out in the tables below. It is intended that such information will be built up over the next two years, to complete a five year analysis by 2014-15.

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

Note 16. Investment Properties.

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

a) Investment Properties Income and Expenditure

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

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

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

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

b) Movement on Investment Properties

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

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

Nature of asset holding		
Owned	71,819	701
Leased	100	0
Balance at 31 March 2013	71,919	701

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

c) Revaluations

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

Note 17. Intangible Assets.

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

a. Movement on intangible assets :

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

b. Depreciation and Asset Lives

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The useful lives assigned to the major classes of intangible assets used by the Council are:

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

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

c. Significant Capitalised Software

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

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

d. Capital Commitments

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

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

e. Revaluation

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

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

a. Financial Instruments Balance

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

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

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

b. Financial Instruments Income, Expense, Gains or Losses

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

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

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

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

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

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

(*3) The 2011-12 balance has been restated to include interest received from instalment agreements.

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

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

- For loans from the PWLB, equivalent borrowing rates available from the PWLB at 31 March 2013 have been applied to provide the fair value under the PWLB debt redemption procedures.
- For non PWLB loans and loans receivable prevailing benchmark market rates have been used to provide the fair value.
- No early repayment or impairment is recognised.
- Where an instrument has a maturity of less than 12 months (other than PWLB debt), or is a trade or other payable or receivable, the fair value is taken to be the principal outstanding or the billed amount.
- The fair value of trade and other payables and receivables, taken to be the invoiced or billed amount, are not shown in the table below.

The fair values calculated are as follows:

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

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

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

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

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

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

(i) Key Risks

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

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

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

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

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

(ii) Overall Procedures for Managing Risk

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

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

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

- o maximum and minimum exposures to fixed and variable rates;
- o maximum and minimum exposures to the maturity structure of its debt;
- o maximum annual exposures to investments maturing beyond one year.

- by approving an investment strategy for the forthcoming year, setting out its criteria for both investing and selecting investment counterparties in compliance with Government Guidance.

These items are required to be reported and approved at or before the Council's Annual Council Tax setting budget; and are also reported as part of the Council's annual treasury management strategy and investment strategy, which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported quarterly to Councillors.

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

(iii) Credit Risk

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

Minimum Acceptable Long-Term Credit Rating: Bank or Building Society: AA-
Money Market Fund: AAA
UK Government: Not Applicable

Minimum Acceptable Sovereign (Country) Credit Rating: (UK excepted). AAA

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

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

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

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

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

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

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

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

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

(iv) Liquidity Risk

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

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

(v) Refinancing and Maturity Risk

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

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

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs and that the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

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

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

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

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

(vi) Market Risk

Interest Rate Risk

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

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

Borrowings or Loan and Receivables are not carried at fair value on the Balance Sheet, so nominal gains and losses on fixed rate borrowings or fixed rate loans and receivables would not impact on the Surplus or Deficit on Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on Provision of Services and affect the General Fund Balance.

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

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

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

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

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

There is no impact on the Surplus or Deficit on Provision of Services or the Other Comprehensive Income and Expenditure account from the movement in fair value. Fair values have been calculated using the same methodology and assumptions as outlined on page 63 Fair Value of Assets and Liabilities Carried at Amortised Cost.

Price Risk

The Council, excluding the pension fund, does not generally invest in equity shares and is therefore not exposed to losses arising from movements in the price of shares.

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

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

Foreign Exchange Risk

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

Note 19. Inventories.

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

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

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

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

Note 20. Construction Contracts.

The Council does not undertake construction contracts.

Note 21. Debtors.

The Council held the following debtors at 31 March 2013:

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

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

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

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

Note 22. Cash and Cash Equivalents.

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

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

Note 23. Assets Held for Sale.

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

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

Note 24. Creditors.

The Council had the following creditors at 31 March 2013:

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

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

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

Note 25. Other Long Term Liabilities.

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

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

Note 26. Provisions.

The Council made the following provisions during 2012-13:

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

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

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

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

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

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

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

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

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

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

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

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

Note 27. Usable Reserves.

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

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

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

Note 28. Unusable Reserves.

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

a. Revaluation Reserve.

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

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

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

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

b. Capital Adjustment Account

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

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

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

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

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

c. Financial Instruments Adjustment Account

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

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

d. Pensions Reserve

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

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

e. Collection Fund Adjustment Account

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

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

f. Accumulated Absences Account

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

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

Note 29. Operating Activities.

The cashflows from operating activities include the following items:

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

Note 30. Investing Activities.

The cashflows from investing activities include the following items:

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

Note 31. Financing Activities.

The cashflows from financing activities include the following items:

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

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

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice set out by CIPFA. However, decisions about resource allocation are taken by the Council's Executive on the basis of budget reports analysed across Directorates, and service areas.

These reports are prepared on a different basis from the accounting policies used in the Financial Statements. In particular:

- no charges are made in relation to capital expenditure (where as depreciation and amortisation; and revaluation/impairment losses in excess of the balance on the Revaluation Reserve are charged to services in the Comprehensive Income and Expenditure Statement);
- the cost of retirement benefits is based on cash flows (payment of employer's pension contributions) rather than current service cost of benefits accrued in the year; and
- expenditure on support services forms part of the Resources and Chief Executive Offices' budgets and expenditure. However, within the Comprehensive Income and Expenditure Statement these are allocated to front line services based on their usage. Methods of allocation for these services are set out in the Council's accounting policies (Note 1).

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

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

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

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

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

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

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

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

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

Adult Social Care includes:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

c. Reconciliation to Subjective Analysis

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

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

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

Note 33. Acquired and Discontinued Operations.

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

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

Civil Parking Enforcement

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

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

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

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

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

Public Health

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

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

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

Note 34. Trading Activities.

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

Note 35. Agency Services.

a. Nursing Care

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

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

b. Street Lighting

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

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

c. NHS Procurement

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

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

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

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

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

Note 37. Pooled Budgets

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

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

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

a. Learning Disability

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

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

The Overspend for 2012-13 is £6.596m. This overspend occurred due to a number of reasons. These included the Demographic pressures resulting from increased life expectancy of both Service Users and carers (large number of elderly carers to LD clients, whom are currently providing informal care, which when it breaks down increases service provision costs), the increasing needs of Service Users, and the additional cost borne as transition cases transfer from Children's Services.

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

b. Integrated Community Equipment Service (ICES)

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

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

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

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

c. Mental Health

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

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

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

d. Substance Misuse

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

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

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

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

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

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

e. Child & Adolescent Mental Health Services

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

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

Note 38. Members Allowances

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

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

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

Note 39. Officers' Remuneration

a. Officers' remuneration bandings

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

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

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

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

b. Senior Officers' Remuneration

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

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

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

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

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

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

Note 40. Exit Packages

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

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

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

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

Note 41. Termination Benefits.

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

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

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

Note 42. External Audit Costs.

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

2011-12	2012-13
£'000	£'000
219 Fees payable to the Council's external auditors with regard to external audit services carried out by the appointed auditor for the year	143
0 Fees payable to the Council's external auditors in respect of statutory inspections	0
4 Fees payable to the Council's external auditors for the certification of grant claims and returns for the year	7
0 Fees payable in respect of other services provided by the Council's external auditors during the year	30
223 Total	180

Note 43. Expenditure on Publicity

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

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

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

Note 44. Landfill Allowances Trading Scheme (LATS).

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

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

Note 45. Dedicated Schools Grant.

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

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

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

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

Note 46. Grant Income

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

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

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

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

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

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

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

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

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

Note 47. Related Parties.

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

a. Central Government

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

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

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

b. Councillors and Senior Officers

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

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

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

During 2012-13 the following have been declared:

Councillors

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

Senior Officers

- One Chief Officer is on the Board of Lincolnshire Economic Action Partnership;
- One Chief Officer is a member of the Chief Officers Group of ESPO; and
- The Director of Public Health is a jointly funded position and is shared with NHS Lincolnshire. On the 1 April 2013 Public Health will become the responsibility of the Council and the shared arrangement with NHS Lincolnshire will cease.

c. Other Public Bodies

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

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

d. Entities Controlled or Significantly Influenced by the Council

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

Note 48. Capital Expenditure and Capital Financing.

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

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

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

Note 49 Leases.

a. Lincolnshire County Council as Lessee

i) Finance Leases

The Council has acquired the following assets under finance leases:

Land and Buildings:

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

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

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

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

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

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

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Council and finance costs that will be payable by the Council in future years

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

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

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

i) Operating Leases

The Council has acquired the following assets under operating leases:

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

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

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

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

b. Lincolnshire County Council as Lessor

i) Finance Leases

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

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

ii) Operating Leases

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

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

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

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

Lincolnshire - Schools PFI Arrangement

a. Background

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

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

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

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

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

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

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

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

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

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

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

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

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

d. PFI Contract Liabilities

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

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

e. Conversion to Academy Status

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

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

Note 51. Impairment Losses.

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

Note 52. Capitalisation of Borrowing Costs.

The Council does not capitalise any borrowing costs.

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

Teachers' Pension Scheme

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

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

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

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

Note 54. Defined Benefit Pensions Schemes.

Participation in Pension Schemes

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

The Council participates in two post employment schemes:

i. Local Government Pension Scheme (LGPS)

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

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

Under the Council's early retirement policy, additional contributions of £0.673m were made to the Pension Fund for the pre-funding of early retirements and unfunded benefits in respect of compensatory added years and associated pension increases amounted to £1.925m. Further information can be found on pages 117 to 145 and in the Council's Pension Fund Annual Report which is available on request.

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

In 2012-13 the Council paid employer's contributions of £4.1m to the Lincolnshire Fire and Rescue Pension Fund. There are currently two schemes: the 1992 scheme, where the contribution rate is 21.3% and a new scheme established in 2006, where the contribution rate is 11%. A further £0.8m was paid in respect of ill health retirements and £0.24m in respect of injury benefits. Further information on the Lincolnshire Fire and Rescue Pension fund can be found on page 146 to page 148.

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

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

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

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

a. Recognition in the Comprehensive Income and Expenditure Statement

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

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

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

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

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

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

c. Reconciliation of fair value of employer assets.

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

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date.

Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

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

d. Pension Fund Assets and Liabilities (Scheme History)

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

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

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

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

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

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

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

e. Basis for estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Hymans Robertson, an independent firm of actuaries; estimates for the Council Fund being based on the latest full valuation of the scheme as at 1 April

The principal assumptions used by the actuary have been:

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

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

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

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

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

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

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

f. Actuarial Gains and Losses (Scheme History)

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

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

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

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

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

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

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

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

h. Sensitivity Analysis

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

Note 55. Contingent Liabilities.

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

a. Insurance

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

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

b. Expansion of Eastern Shires Purchasing Organisation (ESPO)

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

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

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

c. Lincoln Southern Bypass Blight Payments

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

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

d. Extra Contractual Referrals

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

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

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

e. Ordinary Residency

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

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

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

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

f. Service User Contributions

The Council are currently investigating the possibility that a small number of Service Users have been assessed for charges towards the cost of their care on an incorrect basis. This may have resulted in Service Users historically paying more towards their service than would otherwise be required. Work is on-going to confirm whether the charges that have been made are appropriate and if not, what the potential liability is to the Council.

Early analysis of the impact of a move to Fairer Charging from the CRAG residential charging model on a sample of 12 Service Users indicates a worse case of an average weekly overcharge of £120 per person; a worse case annual figure of approximately £275,000 for the 44 service uses, amounting to a possible overcharge by the Council of £2.200m over eight years.

g. Land and Compensation Claims

Claims for land compensation in relation to the A1073 Spalding to Eye Road Improvement Scheme can be submitted a year after the road opening, with part one claims up to seven years. Those received to date are for a significantly higher value than anticipated. The Highways and Transportation service has also received a challenge over the valuation used for land taken by the scheme which is being dealt with through the Lands Tribunal.

There is the potential for the costs associated with land purchase and compensation claims to amount £4.614m.

Note 56. Contingent Assets.

There are no Contingent Assets to report.

Note 57. Group Relationships and Other Interests.

Local Authorities may decide for a variety of legal, regulatory and other reasons to conduct their activities with other organisations. For this reason, the Financial Statement of Lincolnshire County Council alone may not give a full picture of the economic activity and financial position.

On an annual basis, the Council is required to consider all activities which it has undertaken with other bodies to assess whether these should be included within the Council's Financial Statements. This exercise has been completed for the Council for 2012-13 and no group relationships have been identified to be consolidated into the Council's Statement of Accounts.

However, in the interests of transparency and accountability, the Council has chosen to disclose its interest in the purchasing consortia Eastern Shires Purchasing Organisation (ESPO).

Interests in Joint Ventures - Eastern Shires Purchasing Organisation - (ESPO)

ESPO is a purchasing consortium established in 1988 for the purchase of goods and supplies and the provision of agreed services to their mutual benefit in accordance with Section 1 of the Local Authorities (Goods and Services) Act 1970. ESPO is constituted as a Joint Committee and Lincolnshire County Council is one of seven constituted members.

ESPO's accounting year end is 31st March and the latest (unaudited) accounts are for the year ended 31 March 2013.

These showed net assets of £9.546m in 2012-13 (£8.499m in 2011-12) and a surplus of £1.046m in 2012-13 (a surplus of £1.101m in 2011-12).

Under the terms of the ESPO agreement, if the operations of ESPO were discontinued then the distribution of surplus or deficits will be divided amongst the Member Authorities in direct proportion to the use made of ESPO facilities. Under these arrangements the Council would be entitled to approximately 15.30% of ESPO's assets and liabilities.

In 2005-06 a PWLB loan was taken out by Leicestershire County Council acting on behalf of ESPO. The six other consortium member Authorities, including the Council; have provided an indemnity to meet the conditions of this loan should ESPO ever fail to make payments. A contingent liability has been declared within the Financial Statements for this.

A copy of ESPO's Statement of Accounts and Annual Report is available from: ESPO, Barnsdale Way, Grove Park, Enderby, Leicester. LE19 1ES. Telephone 0116 265 7878.

Note 58. Trust Funds

The Council acts as sole administrator for 50 trust funds related to specific services, principally Education and Social Services. Funds are invested either in external marketable securities or held on deposit. They are not included in the Balance Sheet.

The principal trusts are as follows:

	Balance at 31 March 2012 £'000	Income £'000	Expenditure £'000	Balance at 31 March 2013 £'000
Education Trusts	(238)	(15)	9	(244)
Children's Social Care Trusts	(265)	(1)	245	(21)
Adult Social Care Trusts	(232)	(192)	0	(424)
Other Trusts	(103)	(1)	0	(104)
Total	(838)	(209)	254	(793)

The Education funds relate principally to legacies left by individuals over a period of years in order to provide annual prizes at specified schools or colleges.

The Social Care funds represent monies held in trust either for children in care until such time as they are required or funds for the benefit of the elderly in Council homes.

Lincolnshire County Council's Pension Fund

Pension Fund Account - For the year ended 31 March 2013.

	See Note	2011-12 £000	2012-13 £000
Contributions and Benefits			
Contributions Receivable	8	78,564	74,559
Transfers in	9	<u>8,231</u>	<u>5,674</u>
		86,795	80,233
Benefits Payable	10	77,744	73,235
Leavers	11	5,666	6,900
Administrative expenses	12	<u>997</u>	<u>1,167</u>
		84,407	81,302
Net additions from dealings with fund members		2,388	(1,069)
Returns on Investments			
Investment Income	13	21,806	25,002
Profit (Loss) on Forward Deals & Currency Deals	17	(3,275)	(1,426)
Change in Market Value of Investments	15	831	141,590
Investment management expenses	12	<u>(4,012)</u>	<u>(5,092)</u>
Net returns on investments		15,350	160,074
Net increase in the Fund during the year		17,738	159,005
Opening net assets of the Fund		1,318,302	1,336,040
Closing net assets of the Fund		1,336,040	1,495,045
Net Assets statement as at 31 March 2013			
Investments			
Equities	15	779,938	842,804
Pooled Investments:			
Property		152,538	155,117
Private Equity		90,949	95,595
Fixed Interest		143,166	155,540
Index Linked Bonds		26,895	29,525
Equities		0	74,037
Alternatives		96,798	113,613
Cash Deposits		28,409	14,696
Other Investment Balances	18	<u>3,279</u>	<u>5,242</u>
		1,321,972	1,486,169
Current Assets and Liabilities			
Cash Balances		5,752	3,954
Debtors	19	7,617	7,035
Long Term Debtors	19	3,410	2,558
Creditors	19	<u>(2,711)</u>	<u>(4,671)</u>
		14,068	8,876
Net Assets of the Fund at 31st March		1,336,040	1,495,045

1 Pension Fund Account

The Lincolnshire County Council Pension Fund (the Fund) is part of the Local Government Pension Scheme and is administered by the Council.

The following information is a summary only, and further detail can be found in the Lincolnshire County Council Pension Fund Annual Report 2012-13 (available on the Fund's website at www.lincolnshire.gov.uk/pensions), and in the underlying statutory powers underpinning the scheme, namely the Superannuation Act 1972 and the Local Government Pension Scheme Regulations.

General

The Fund is governed by the Superannuation Act 1972. The Fund is administered in accordance with the following secondary legislation:

- the LGPS (Benefits, Membership and Contributions) Regulations 2007 (as amended)
- the LGPS (Administration) Regulations 2008 (as amended)
- the LGPS (Management and Investment of Funds) Regulations 2009.

It is a contributory defined pension scheme to provide pensions and other benefits for pensionable employees of Lincolnshire County Council, the District Councils in Lincolnshire and a range of other scheduled and admitted bodies within the County. Teachers, Police Officers and Fire-fighters' are not included as they come within other national pension schemes.

The Fund is overseen by the Lincolnshire County Council Pensions Committee.

Membership

Membership of the LGPS is automatic for eligible employees, but they are able to opt out of the scheme.

Organisations participating in the Fund include:

- Scheduled bodies, which are Local Authorities and similar bodies whose staff are automatically entitled to be members.
- Admitted bodies, which are other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admitted bodies include charitable organisations and similar bodies or private contractors undertaking a Local Authority function following outsourcing to the private sector.

There are 171 employer organisations in the Fund including the Council (a list of scheduled employers is shown in Note 28) and the membership numbers are shown below:

	31 March 2012	31 March 2013
Number of employers with active members	138	171
Number of employees in the scheme:		
Lincolnshire County Council	9,479	9,949
Other employers	9,048	9,153
Total	18,527	19,102
Number of pensioners:		
Lincolnshire County Council	9,352	9,684
Other employers	5,791	6,018
Total	15,143	15,702
Number of deferred pensioners:		
Lincolnshire County Council	17,443	18,146
Other employers	7,177	7,653
Total	24,620	25,799

Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with LGPS (Benefits, Membership and Contributions) Regulations 2007 and range from 5.5% to 7.5% of pensionable pay. Employer contributions are set based on triennial actuarial funding valuations. The last valuation was 31 March 2010, and employer contribution rates were set ranging from 11.9% to 30.5% of pensionable pay.

Benefits

Pensions benefits under the LGPS are based on final pensionable pay and length of pensionable service, summarised below:

	Service pre 1 April 2008	Service post 31 March 2008
Pension	Each year is worth 1/80 x final pensionable salary.	Each year is worth 1/60 x final pensionable salary.
Lump Sum	Automatic lump sum of 3/80 x salary. In addition, part of the annual pension can be exchanged for a one-off tax free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

There are a range of other benefits provided under the scheme including early retirement, disability pensions and death benefits.

Benefits are index-linked in order to keep pace with inflation. In June 2010, the Government announced the method of indexation would change from the retail prices index to the consumer prices index. This change took effect from 01 April 2011.

LGPS 2014

The new LGPS 2014 comes into effect from April 2014. The table below shows the key benefit changes between the current scheme and the new scheme.

	Service pre 1 April 2014	Service post 31 March 2014
Scheme	Final salary scheme, with pension based upon the salary at retirement.	CARE scheme (career average revalued earnings) where each year builds up a pension pot that is revalued in line with inflation.
Pension	Each year is worth 1/60 x final pensionable salary.	Each year is worth 1/49 x salary earned in that year, revalued in line with inflation.
Lump Sum	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.
50/50 Option	Not available	Option for employees to pay half the contributions to accrue half of the pension.

2 Basis of Preparation

Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2012-13, based on International Financial Reporting Standards (the Code), and relevant statute, and the 2007 Statement of Recommended Practice (Financial Reports of Pension Schemes).

The Code includes guidance on how to apply International Financial Reporting Standards (IFRS's) and International Accounting Standards (IAS's) to Local Authority Accounts.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits due. The accounts do not take into account liabilities to pay pensions and other benefits after the period end. These liabilities are dealt with through the periodic actuarial valuations of the Fund and are reflected in the levels of employers' contributions determined by these valuations.

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

3 Significant Accounting Policies

Fund account - revenue recognition

Contributions income

Contributions receivable are included in the accounts in the year to which they relate. Employers' augmentation contributions and pensions strain contributions are accounted for in the period in which the liability arises. Any amount due in the year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long term financial assets.

Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the relevant regulations. Transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged.

Investment Income

Dividends, interest, stock lending and other investment income have been accrued for in the accounts where amounts were known to be due at the end of the accounting period.

Fund account - expense items

Benefits payable

Pensions and lump sum benefits payable are included in the accounts at the time of payment.

Taxation

The Fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a Fund expense as it arises.

Administrative expenses

These are accrued appropriately to ensure charges are incurred within the relevant accounting period. The costs of the Pensions Administration team are charged to the Fund.

Investment expenses

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

Fees for the external investment managers and custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase and decrease as the value of the investments change.

In addition, the Fund has negotiated with the following managers that an element of their fee be performance related:

- Invesco Asset Management - Global Equities (ex UK)
- Schroder Investment Management - Global Equities
- Neptune Investment Management - Global Equities
- Morgan Stanley Investment Management Ltd - Alternative Investments

Where an investment manager's fee invoice has not been received by the financial year end, an estimate based upon the market value of their mandate is used for inclusion in the Fund accounts.

The cost of obtaining investment advice from external consultants is included in the investment management charges.

The costs of the Council's in-house fund management team are charged to the Pension Fund and a proportion of the Council's costs representing management time spent by Officers on investment management are also charged to the Fund.

Net assets statement

Financial assets

Financial assets are included in the net assets statement on a fair value basis as at the reporting date. A financial asset is recognised in the net asset statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date, any gains or losses arising from changes in the fair value of the asset are recognised by the Fund.

The values of investments have been determined as follows:

- UK listed securities are stated at bid price.
- Overseas listed securities are stated at bid price.
- Unit Trusts are stated at bid price from the most recent official valuation.

Other investments are stated at fair value, as estimated by the manager of the particular investment. These valuations adhere to industry guidelines or to standards set by the constituent documents of the fund or within the management agreement.

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

Derivatives

The Fund uses derivative financial instruments to manage its exposure to certain risks arising from its investment activities. The Fund does not hold derivatives for speculative purposes.

Derivative contracts are priced at fair value and open contracts are included within the other investment balances.

Cash and cash equivalents

Cash comprise cash in hand and deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to minimum risk of changes in value.

Foreign currency transactions

Dividend, interest, purchases and sales of investments in foreign currencies have been accounted for at the spot rates at the date of the transaction. End of year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period.

The exchange rates used at 31 March 2013 are shown in Note 29.

Financial liabilities

Financial liabilities are included in the net assets statement on a fair value basis as at the reporting date. A financial liability is recognised in the net asset statement on the date the Fund becomes party to the liability. From this date, any gains or losses arising from changes in the fair value of the liability are recognised by the Fund.

Prior Period Adjustments

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

The following disclosures will be made:

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

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

Changes in Accounting Policies

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

4 Actuarial Valuation

An actuarial valuation of the Fund undertaken as at 31 March 2010 indicated that the Fund's assets were £1,203.4m and covered 76% of the Funds liabilities. This compared with assets of £1,145.5m at the valuation as at 31 March 2007, which covered 86% of the Fund's liabilities. The main actuarial assumptions for the 2010 valuation were as follows:

	Nominal per annum %	Real per annum %
Investment Return		
- Equities	6.1	2.8
- Bonds	4.5	1.2
Rate of Pensionable pay inflation	5.3	2.0
Rate of Price inflation	3.3	

The Fund is valued using the projected unit method, which is consistent with the aim of achieving a 100% funding level. The changes in contribution rates resulting from the actuarial valuation as at 31 March 2010 were effective from April 2011. The contribution rates have been set by the Actuary to target a funding level, for most employers, on an ongoing basis of 100% over a period of 20 years.

The next actuarial valuation will be undertaken as at 31 March 2013. A copy of the Fund Valuation report can be obtained from the Council's website.

5 Actuarial Present Value of Promised Retirement Benefits

Below is the note provided by the Fund's Actuary, Hymans Robertson, to provide the Actuarial present value of the promised retirement benefits, as required under the Code. The report titled 'Actuarial Valuation as at 31 March 2013 for IAS19 purposes' referred to in the note can be obtained from the Pensions and Treasury Management section at the Council.

Pension Fund Accounts Reporting Requirement

Introduction

CIPFA's Code of Practice on Local Authority Accounting 2012-13 requires Administering Authorities of LGPS funds that prepare Pension Fund accounts to disclose what IAS26 refers to as the actuarial present value of promised retirement benefits.

The actuarial present value of promised retirement benefits is to be calculated similarly to the defined benefit obligation under IAS19. There are three options for its disclosure in Pension Fund accounts:

- showing the figure in the Net Assets Statement, in which case it requires the statement to disclose the resulting surplus or deficit;
- as a note to the accounts; or
- by reference to this information in an accompanying actuarial report.

If an actuarial valuation has not been prepared at the date of the Financial Statements, IAS26 requires the most recent valuation to be used as a base and the date of the valuation disclosed. The valuation should be carried out using assumptions in line with IAS19 and not the Pension Fund's funding assumptions.

I have been instructed by the Administering Authority to provide the necessary information for Lincolnshire Pension Fund, which is in the remainder of this note.

Balance sheet

Year ended	31 March 2012 £m	31 March 2013 £m
Present value of Promised retirement benefits	1,942	2,266

Liabilities have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2010. I estimate this liability at 31 March 2013 comprises £1,213m in respect of employee members, £374m in respect of deferred pensioners and £679m in respect of pensioners.

The approximation involved in the roll forward model means that the split of scheme liabilities between the three classes of member may not be reliable. However, I am satisfied the aggregate liability is a reasonable estimate of the actuarial present value of benefit promises. I have not made any allowance for unfunded benefits.

The above figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value.

It should be noted the above figures are appropriate for the Administering Authority only for preparation of the accounts of the Pension Fund. They should not be used for any other purpose (i.e. comparing against liability measures on a funding basis or a cessation basis).

Assumptions

The assumptions used are those adopted for the Administering Authority's IAS19 report as required by the Code of Practice. These are given below. I estimate the impact of the change of assumptions to 31 March 2013 is to increase the actuarial present value by £190m.

Financial Assumptions

My recommended financial assumptions are summarised below:

Year ended	31 March 2012 % p.a.	31 March 2013 % p.a.
Inflation/Pension Increase rate	2.5%	2.8%
Salary Increase Rate*	4.8%	5.1%
Discount Rate	4.8%	4.5%

* Salary increases are 1% p.a. nominal for the three years to 31 March 2015 reverting to the long term rate thereafter.

Longevity assumption

As discussed in the accompanying report, the life expectancy assumption is based on the Fund's VitaCurves with improvements in line with the Medium Cohort and a 1% p.a. underpin from 2007. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	females
Current Pensioners	21.2 years	23.4 years
Future Pensioners*	23.7 years	25.7 years

*Future pensioners are assumed to be aged 45 at the last formal valuation date.

This assumption is the same as at 31 March 2012

Commutation assumption

An allowance is included for future retirements to elect to take 25% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 63% of the maximum tax-free cash for post-2008 service.

Professional notes

This paper accompanies my covering report titled 'Actuarial Valuation as at 31 March 2013 for IAS19 purposes' dated 29 April 2013. The covering report identifies the appropriate reliance's and limitations for the use of the figures in this paper, together with further details regarding the professional requirements and assumptions.

Anne Cranston AFA
14 May 2013
For and on behalf of Hymans Robertson LLP

6 Assumptions Made and Major Sources of Uncertainty

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

The items in the accounts for the year ended 31 March 2013 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

	Uncertainties	Effect if actual results differ from assumptions
Actual present value of promised retirement benefits	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on investments. A firm of consulting actuaries are engaged to provide expert advice about the assumptions to be applied.	<p>The effects of changes in the individual assumptions can be measured. For example:</p> <p>1) a 0.5% increase in the discount rate assumption would result in a decrease of the pension liability of £226m.</p> <p>2) a 0.25% increase in assumed earnings inflation would increase the value of liabilities by approximately £41m.</p> <p>3) a 0.5% increase in the pension increase rate would increase the value of liabilities by approximately £166m.</p> <p>4) a one-year increase in assumed life expectancy would increase the liability by approximately £68m.</p>
Private Equity	Private Equity investments are valued at fair value in accordance with British Venture Capital Association guidelines. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total private equity investments in the Fund are £95.6m. There is a risk that these may be over- or understated in the accounts.

7 Pension Fund Investments 2012-13

The strategic asset allocation for the investment of the Fund, as agreed by the Pensions Committee, is detailed below.

Asset allocation	
UK Equities	20.0%
Global Equities	40.0%
Property	11.5%
Fixed Interest	13.5%
Alternative Investments (incl. Private Equity)	15.0%
	<u>100.0%</u>

Surplus funds are invested in a wide variety of UK and overseas companies, Government Securities, property and other investments, in line with a Statement of Investment Principles. The assets are managed in a number of active and passive investment portfolios. Investment performance is monitored by the Pensions Committee of the Council.

Fund manager	31 March 2012		31 March 2013	
	£m	%	£m	%
EXTERNALLY MANAGED				
Invesco	271	21	318	21
Neptune	75	6	72	5
Schroders	85	6	79	5
Threadneedle	93	7	81	5
Morgan Stanley (Global Brands)	0	0	74	5
Morgan Stanley (Alternatives)	107	8	117	8
Morgan Stanley (Private Equity)	93	7	99	7
Blackrock	88	7	97	7
Goodhart	82	6	88	6
INTERNALLY MANAGED				
Pooled Investments:				
Property	153	11	157	11
UK Equity	273	21	299	20

The Pension Fund Statement of Recommended Practice was amended with effect from 2008-09 to require that managers report valuations at closing prices (either bid or last traded), rather than mid prices that had previously been used. The managers within the Pension Fund have reported their year end valuations at either bid or fair value, as detailed in the table below.

Fund Manager	Valuation Pricing
EXTERNALLY MANAGED	
Invesco	Bid
Neptune	Bid
Schroders	Bid
Threadneedle	Bid
Morgan Stanley	Bid/Fair Value
Blackrock	Bid
Goodhart	Bid
INTERNALLY MANAGED	
Property	Bid/Fair Value
UK Equity	Bid

The Fund lends stock to third parties under a stock lending agreement with the Fund's custodian, JP Morgan. The total amount of stock on loan at the year-end was £21,083m and this value is included in the net assets statement to reflect the Funds continuing economic interest in the securities on loan. As security for the stocks on loan, the Fund was in receipt of collateral at the year end valued of £23,756m which represented 112.7% of the value of securities on loan.

Income received from stock lending activities, before costs, was £223,334 for the year ending 31 March 2013 and is included within the 'Investment Income' figure detailed on the Pension Fund Account.

8 Contributions Receivable

Contributions receivable are analysed below:

	2011-12	2012-13
	£000	£000
Employers		
Normal	46,735	46,033
Deficit Funding	8,413	9,370
Additional - Augmentation	5,292	1,588
Members		
Normal	17,918	17,387
Additional years	206	181
	78,564	74,559

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

	2011-12	2012-13
	£000	£000
Lincolnshire County Council	43,817	35,464
Scheduled Bodies	31,534	33,404
Admitted Bodies	3,213	5,691
	78,564	74,559

9 Transfers In

During the year individual transfers in from other schemes amounted to £5.7m (£8.231m in 2011-12).

There were no material outstanding transfers due to or from the Pension Fund as at 31 March 2013.

10 Benefits Payable

	2011-12	2012-13
	£000	£000
Pensions	52,619	57,730
Commutations & Lump Sum Retirement Benefits	23,877	13,455
Lump Sum Death Benefits	1,248	2,050
	77,744	73,235

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

	2011-12	2012-13
	£000	£000
Lincolnshire County Council	45,987	40,589
Scheduled Bodies	29,550	30,519
Admitted Bodies	2,207	2,127
	77,744	73,235

11 Payments to and on account leavers

	2011-12 £000	2012-13 £000
Individual transfers to other schemes	5,662	6,894
Refunds to members leaving service	4	6
	5,666	6,900

12 Administrative and Investment Management Expenses

The Local Government Pension Scheme Regulations permit costs incurred in connection with the management of the investments and benefit administration to be charged against the Fund. Breakdowns of these costs are set out below. The external Audit fee for the year was £24,885 and is included within the administrative expenses below.

	2011-12 £000	2012-13 £000
Benefit Administration Expenses	947	1,123
Actuarial & other Professional Charges	50	44
Administrative expenses	997	1,167
Investment, Management & Custody	3,906	4,921
Performance Measurement and Other advisory charges	106	171
Investment Management expenses	4,012	5,092

13 Investment Income

	2011-12 £000	2012-13 £000
Equities	20,959	23,673
Pooled Investments:		
Property	616	955
Private Equity	(10)	54
Alternatives	(116)	0
Cash deposits	124	47
Stock Lending	233	273
	21,806	25,002

14 Taxes on Income

	2011-12 £000	2012-13 £000
Withholding tax - Equities	823	1,188
	823	1,188

15 Investments

	Value at 31 March 2012 £000	Purchases at Cost £000	Sales Proceeds £000	Change in Market Value £000	Value at 31 March 2013 £000
Equities	779,938	247,249	285,247	100,865	842,804
Pooled Investments:					
Property	152,538	10,274	6,623	(1,072)	155,117
Private Equity	90,949	6,566	12,972	11,052	95,595
Fixed Interest	143,166	4,922	2,923	10,374	155,540
Index Linked Bonds	26,895	0	0	2,630	29,525
Equities	0	67,500	0	6,537	74,037
Alternatives	96,798	28,090	22,480	11,204	113,613
	1,290,284	364,601	330,245	141,590	1,466,231
Cash Deposits	28,409				14,696
Other Investment Balances	3,279				5,242
Current Assets & Liabilities	14,068				8,876
	1,336,040	364,601	330,245	141,590	1,495,045

	Value at 31 March 2011 £000	Purchases at Cost £000	Sales Proceeds £000	Change in Market Value £000	Value at 31 March 2012 £000
Equities	781,950	272,076	255,361	(18,727)	779,938
Pooled Investments:					
Property	145,272	4,940	2,032	4,358	152,538
Private Equity	95,206	9,518	17,434	3,659	90,949
Fixed Interest	136,352	4,286	4,286	6,814	143,166
Index Linked Bonds	23,621	0	0	3,274	26,895
Alternatives	92,064	31,324	28,043	1,453	96,798
	1,274,465	322,144	307,156	831	1,290,284
Cash Deposits	20,190				28,409
Other Investment Balances	969				3,279
Current Assets & Liabilities	22,678				14,068
	1,318,302	322,144	307,156	831	1,336,040

Transaction costs are included in the cost of purchases and sales proceeds. Transaction costs include costs charged directly. Transaction costs incurred during the year amounted to £504,194 (£498,793 in 2011-12).

In addition to the transaction costs disclosed above, indirect costs are incurred through the bid-offer spread on investments. The amount of indirect costs is not separately provided to the scheme.

A further analysis of the market value of investments is given below:

	31 March 2012		31 March 2013	
	£000	%	£000	%
Equities				
UK Quoted	294,868	22	319,114	22
Overseas Quoted	485,070	37	523,690	35
Total Equities	779,938	59	842,804	57
Pooled Investments:				
Property	124,819	10	127,499	9
Private Equity	2,061	0	2,032	0
Fixed Interest	60,918	5	67,577	5
Index Linked Bonds	26,895	2	29,525	2
Equities	0	0	74,037	5
Alternatives	96,798	7	113,613	8
Total UK Pooled	311,491	24	414,283	29
Property	27,719	2	27,618	2
Private Equity	88,888	7	93,564	6
Fixed Interest	82,248	6	87,962	6
Total Overseas Pooled	198,855	15	209,144	14
Total Pooled Investments	510,346	39	623,427	43
Cash				
Short Term Loans/External Deposits	28,409	2	14,696	1
Total	1,318,693	100	1,480,927	100

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

	2011-12	2012-13
	£000	£000
Property		
Unit Trusts	100,953	97,359
Other managed funds (LLP's)	51,585	57,758
Private Equity		
Other managed funds (LLP's)	90,949	95,595
Fixed Interest		
Other managed funds	143,166	155,540
Index linked gilts		
Other managed funds	26,895	29,525
Equities		
Other Managed funds	0	74,037
Alternatives		
Other managed funds	96,798	113,613
Total Pooled Vehicles	510,346	623,427

It is required to disclose where there is a concentration of investment (other than in UK Government Securities) which exceeds 5% of the total value of the net assets of the scheme. The three investments that fall into this category are as follows:

Investment	2011-12		2012-13	
	Value (£000)	% of net assets	Value (£000)	% of net assets
Goodhart Absolute Return Bond Fund	82,248	6.2	87,962	5.9
Morgan Stanley Alternative Investments	96,798	7.2	113,613	7.9
Morgan Stanley Global Brands	0	0	74,037	5.0

16 Analysis of Derivatives

The holding in derivatives is used to hedge exposures to reduce risk in the fund. The use of any derivatives is managed in line with the investment management agreements of the various investment managers.

The only direct derivative exposure that the Fund has is in forward foreign currency contracts. In order to maintain appropriate diversification and to take advantage of overseas investment returns, a significant proportion of the Fund's quoted equity portfolio is in overseas stock markets. To reduce the volatility associated with fluctuating currency rates, the Fund has appointed two active currency overlay managers. Record Currency Management and HSBC Trinkaus & Burkhardt each overlay half of the value of the Global Equity ex UK portfolio managed by Invesco.

Settlement	Currency Bought	Local Value 000	Currency Sold	Local Value 000	Asset Value £000	Liability Value £000	
Over one month	GBP	14,480	CHF	(21,300)	0	(382)	
	GBP	48,343	EUR	(59,100)	0	(1,702)	
	GBP	95,075	JPY	(13,206,000)	2,435	0	
	GBP	145,464	USD	(236,823)	0	(6,832)	
	GBP	0	HKD	(19,580)	0	(2)	
Over one month	CHF	19,800	GBP	(13,500)	312	0	
	EUR	53,600	GBP	(42,865)	1,413	0	
	JPY	12,154,197	GBP	(84,433)	0	(1,827)	
	USD	220,620	GBP	(137,896)	5,818	0	
Total					9,978	(10,745)	
Net forward currency contracts at 31 March 2013						(767)	
Prior year comparative							
Open forward currency contracts at 31 March 2012						6,804	(6,926)
Net forward currency contracts at 31 March 2012						(122)	

17 Profit (Loss) on Forward Deals and Currency Exchange

The profit or loss from any forward deals and from currency exchange is a result of the normal trading of the Fund's managers who manage multi-currency portfolios. It also includes the unrealised loss of £0.8m (loss of £0.1m in 2011-12) from the Fund's two Currency Overlay Managers.

18 Other Investment Balances

		2011-12 £000	2012-13 £000
Dividends Receivable		2,833	2,868
Recoverable Tax		634	691
Outstanding Foreign Exchange		(122)	(767)
Unsettled Trades	Purchases	(1,256)	0
	Sales	1,190	2,450
		3,279	5,242

19 Current Assets and Liabilities

Debtors are recorded in the accounts when income due to the Pension Fund, for example from sales of investments or dividend payments, has not actually been received.

Debtors include a figure of £3,488m for contributions due from employers (2011-12 £3,773m). Long term debtors are amounts due to the Pension Fund that will not be received within 12 months.

The Pension fund only has one long term debtor, the Magistrates Court, who are funding the cost of their pensioner and deferred member liabilities over a 10 year period. Similarly, creditors are recorded where services supplied to the Pension Fund, or purchases of investments have been made by 31 March, but payment is not made until the following financial year.

As required by the Code, creditors and debtors are split by type as below:

	2011-12	2012-13
	£000	£000
Debtors		
Central Government Bodies	878	1,341
Other Local Authorities	5,951	4,503
NHS Bodies	0	0
Public Corporations and Trading Funds	200	46
Other Entities and individuals	588	1,144
	7,617	7,034
Long Term Debtors		
Central Government Bodies	3,410	2,558
Other Local Authorities	0	0
NHS Bodies	0	0
Public Corporations and Trading Funds	0	0
Other Entities and individuals	0	0
	3,410	2,558
Creditors		
Central Government Bodies	(1,164)	(1,153)
Other Local Authorities	(200)	(256)
NHS Bodies	0	0
Public Corporations and Trading Funds	(1,308)	(3,118)
Other Entities and individuals	(39)	(144)
	(2,711)	(4,671)

20 Contingent Liabilities and Contractual Commitments

Investment commitments have been made to a number of pooled vehicles that make private equity or property investments. At the year end, the value of outstanding commitments to the 25 investment vehicles amounted to £38,672m.

21 Contingent Assets

Three admitted body employers in the Fund hold insurance bonds or equivalent cover to guard against the possibility of being unable to meet their pension obligations. These arrangements are drawn in favour of the Pension Fund and payment will only be triggered in the event of employer default.

22 Impairment Losses

The Fund has recognised an impairment loss of £400,000 for possible non-payment of a cessation value where the employer was not backed by a guarantee.

23 Additional Voluntary Contributions

Scheme members may make additional contributions to enhance their pension benefits. All Additional Voluntary Contributions (AVC) are invested in a range of investment funds managed by the Prudential plc.

At the year end, the value of AVC investments amounted to £8,285m (£8,523m in 2011-12) and member contributions of £1,020m (£1,081m in 2011-12) were received by the Prudential in the year to 31st March. The value of AVC funds and contributions received in the year are not included in the Fund Account and Net Assets Statement.

24 Dividend Tax Claims

During the financial year 2006-07, the Council lodged a number of claims with HM Revenue and Customs for the recovery of dividend tax credits relating to earlier years. The total value of the claims is £793,497 and relates to both Foreign Income Dividends paid by UK companies and certain dividends paid by overseas companies. The claims are based on interpretations of European Union law and a number of recent relevant judgements. The Council is participating with other pension funds in progressing a legal test case to support the claims.

During the financial year 2009-10, the Council lodged a claim with HM Revenue and Customs for the recovery of withholding tax suffered on manufactured overseas dividends. This is a tax imposed on overseas dividends due to the Pension Fund when the stock is on loan to another party, through the stock lending service provided by the Fund's custodian, JP Morgan. The value of the claim is approximately £714,000 and relates to the periods from 2004-05 to 2008-09. In 2010-11 a top up claim was submitted for the year 2009-10, for approximately £278,000. No additional claims were made in this area in 2012-13, however top up claims for the period from 1st April 2011 to 31st March 2013 will be made in 2013. As with the tax claim detailed in the paragraph above, the Council is participating with other pension funds in progressing a legal test case to support the claims.

During the financial year 2011-12, the Council lodged a claim with the relevant Tax Authorities for the recovery of withholding tax suffered on overseas dividends from Spain (approx. £101,000) and Germany (approx. £165,000), covering the periods from 2007-2010.

During the financial year 2012-13 the Spanish tax Authorities rejected elements of the claim, reducing the value to approximately £70,000. As with the tax claim detailed in the paragraphs above, the Council is participating with other pension funds in progressing a legal test case to support the claims.

It is expected that resolution of these claims will take a number of years and, if unsuccessful, the Fund could incur a share of the costs of the Commissioners of the Inland Revenue.

During the financial year 2012-13 the Council successfully lodged a claim with the Austrian Tax Authorities for the recovery of withholding tax suffered on overseas dividends and received €26,129.62 (approx. £22k) in March 2013.

25 Related Party Transactions

In accordance with Financial Reporting Standard 8 'Related Party Disclosures' material transactions with related parties not disclosed elsewhere are detailed below:-

Under legislation introduced in 2003-04, Councillors are entitled to join the Scheme. No Members of the Pensions Committee currently receive pension benefits from the Fund. Committee members P Watson, P Przyszlak, M Leaning and A Antcliff are contributing members of the Pension Fund.

No senior Officers responsible for the administration of the Fund have entered into any contract, other than their contract of employment with the Council, for the supply of goods or services to the Fund.

The Treasury Management section of the Council acts on behalf of the Pension Fund to manage the cash position held in the Pension Fund bank account. This is amalgamated with the Council's cash and lent out in accordance with the Council's Treasury Management policies. During the year, the average balance in the Pension Fund bank account was £4.014m and interest of £46.3k was earned over the year.

Lincolnshire County Council paid contributions of £26.5m into the Pension Fund during the year and all payments were received within agreed timescales.

Paragraph 3.9.4.2 of the Code exempts Local Authorities from the key management personnel disclosure requirements of IAS24, on the basis that the disclosure requirements for Officer Remuneration and Members' Allowances detailed in section 3.4 of the Code (which are derived from the requirements of Regulations 7(2)-(4) of the Accounts and Audit (England) Regulations 2011 and Regulation 7A of the Accounts and Audit Regulations 2005) satisfy the key management and personnel disclosure requirements of paragraph 16 of IAS24. This applies in equal measure to the accounts of Lincolnshire Pension Fund.

The disclosures required by Regulation 7(2)-(4) of the Accounts and Audit (England) Regulations can be found in the Council's main accounts in Note 47. This can be found on the Council's website at www.lincolnshire.gov.uk.

26 Financial Instruments

Classification of financial instruments

Accounting policies describe how different asset classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of financial assets and liabilities (excluding cash) by category and net asset statement heading. No financial assets were reclassified during the accounting period.

	2011-12			2012-13		
	Designated as fair value through profit & loss £000	Loans & receivables £000	Financial liabilities at amortised cost £000	Designated as fair value through profit & loss £000	Loans & receivables £000	Financial liabilities at amortised cost £000
Financial Assets						
Equities	779,938			842,804		
Pooled Investments:						
Property	152,538			155,116		
Private Equity	90,949			95,595		
Fixed Interest	143,166			155,540		
Indexed Linked Bonds	26,895			29,525		
Equities	-			74,037		
Alternatives	96,798			113,613		
Cash		34,161			18,651	
Other Investment Balances	11,461			15,987		
Debtors		11,027			9,593	
	1,301,745	45,188	-	1,482,217	28,244	-
Financial Liabilities						
Other Investment Balances	(8,182)			(10,745)		
Creditors			(2,711)			(4,671)
	(8,182)	-	(2,711)	(10,745)	-	(4,671)
	1,293,563	45,188	(2,711)	1,471,472	28,244	(4,671)

Net gains and losses on financial instruments

	2011-12 £000	2012-13 £000
Financial Assets		
Fair value through profit & loss	831	141,590
Loans and receivables		
Financial liabilities measured at amortised cost		
Financial Liabilities		
Fair value through profit & loss	(122)	(767)
Loans and receivables		
Financial liabilities measured at amortised cost		
	709	140,823

Valuation of financial instruments carried at fair value

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level 1

Financial instruments at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed interest, quoted index linked securities and unit trusts.

Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level 2

Financial instruments at Level 2 are those where quoted prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

Level 3

Financial instruments at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

Such instruments would include unquoted equity investments, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The values of the investment in private equity are based on valuations provided by the managers to the private equity funds in which the Lincolnshire Fund has invested.

These valuations are prepared in accordance with the Private Equity and Venture Capital Valuation Guidelines (US investments), and the International Private Equity and Venture Capital Valuation Guidelines (non US investments) which follow the valuation principles of IFRS and US GAAP.

Valuations are shown to the latest valuation date available and adjusted for cash flow where required to 31 March 2013.

The value for the alternatives investments with Morgan Stanley are provided by the underlying managers within the pool of investments and assurance is provided by Morgan Stanley on the quality of the valuations.

The following table provides an analysis of the financial assets and liabilities grouped into Level 1 to 3, based on the level at which fair value is observable.

Values at 31 March 2013	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial Assets				
Fair value through profit & loss	1,117,893	155,117	209,208	1,482,218
Loans and receivables	28,243			28,243
Financial liabilities measured at amortised cost				-
Total Financial Assets	1,146,136	155,117	209,208	1,510,461
Financial Liabilities				
Fair value through profit & loss		(10,745)		(10,745)
Loans and receivables				-
Financial liabilities measured at amortised cost	(4,671)			(4,671)
Total Financial Liabilities	(4,671)	(10,745)	-	(15,416)
Net Financial Assets	1,141,465	144,372	209,208	1,495,045

Values at 31 March 2012	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial Assets				
Fair value through profit & loss	961,460	152,538	187,747	1,301,745
Loans and receivables	45,188			45,188
Financial liabilities measured at amortised cost				-
Total Financial Assets	1,006,648	152,538	187,747	1,346,933
Financial Liabilities				
Fair value through profit & loss		(8,182)		(8,182)
Loans and receivables				-
Financial liabilities measured at amortised cost	(2,711)			(2,711)
Total Financial Liabilities	(2,711)	(8,182)	-	(10,893)
Net Financial Assets	1,003,937	144,356	187,747	1,336,040

27 Nature and Extent of Risks Arising from Financial Instruments

The Fund's primary long-term risk is that its assets will fall short of its liabilities (i.e. the promised benefits payable to members). Therefore, the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the Fund. This is achieved through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cashflows.

Market Risk

Market risk is the loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future prices and yield movements and the asset mix.

To mitigate market risk, the Pension Fund invests in a diversified pool of assets to ensure a reasonable balance between different categories, having taken advice from the Fund's Investment Consultant. The management of the assets is split between a number of managers with different performance targets and investment strategies. Risks associated with the strategy and investment returns are included as part of the quarterly reporting to the Pensions Committee where they are monitored and reviewed.

Price risk

Price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The Fund is exposed to share price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital. The maximum risk resulting from financial instruments is determined by the fair value of the financial instrument. To mitigate this price risk, each manager is expected to maintain a diversified portfolio within their allocation.

Price risk - sensitivity analysis

Following analysis of historical data and expected investment return during the financial year, in consultation with a Fund Manager, the Fund has determined that the following movements in market price are reasonably possible for the 2013-14 reporting period.

Asset Type	Potential market movements (+/-)
UK Equities	15.2%
Overseas Equities	12.7%
UK Bonds	5.8%
UK Index Linked	7.0%
Overseas Bonds	7.2%
Private Equity	14.6%
Alternative Investments	10.0%
Property	5.8%

The potential price changes disclosed above are broadly consistent with a one standard deviation movement in the value of assets. The analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same.

Had the market price of the Fund's investments increased/decreased in line with the above, the change in net assets available to pay benefits would have been as follows (the prior year comparative is shown below):

Asset Type	Value at 31 March 2013 £000	Percentage Change %	Value on Increase £000	Value on Decrease £000
Cash deposits	14,696	0.0	14,696	14,696
UK Equities	393,151	15.2	452,910	333,392
Overseas Equities	523,690	12.7	590,199	457,181
UK Bonds	67,587	5.8	71,507	63,667
UK Index Linked	29,525	7.0	31,592	27,458
Overseas Bonds	87,962	7.2	94,295	81,629
Private Equity	95,596	14.6	109,553	81,639
Alternative Investments	113,613	10.0	124,974	102,252
Property	155,117	5.8	164,114	146,120
Dividends Accrued	2,868	0.0	2,868	2,868
Recoverable Tax	691	0.0	691	691
Outstanding FX	(767)	0.0	(767)	(767)
Unsettled Purchases		0.0	-	-
Unsettled Sales	2,450	0.0	2,450	2,450
Total assets available to pay benefits	1,486,179		1,659,082	1,313,276

Asset Type	Value at 31 March 2012 £000	Percentage Change %	Value on Increase £000	Value on Decrease £000
Cash deposits	28,409	0.0	28,409	28,409
UK Equities	294,868	14.7	338,214	251,522
Overseas Equities	485,070	14.6	555,890	414,250
UK Bonds	60,918	5.5	64,268	57,568
UK Index Linked	26,895	6.4	28,616	25,174
Overseas Bonds	82,248	7.7	88,581	75,915
Private Equity	90,949	14.6	104,228	77,670
Alternative Investments	96,798	10.0	106,478	87,118
Property	152,538	5.8	161,385	143,691
Dividends Accrued	2,833	0.0	2,833	2,833
Recoverable Tax	634	0.0	634	634
Outstanding FX	(122)	0.0	(122)	(122)
Unsettled Purchases	(1,256)	0.0	(1,256)	(1,256)
Unsettled Sales	1,190	0.0	1,190	1,190
Total assets available to pay benefits	1,321,972		1,479,348	1,164,596

Interest rate risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cashflows of a financial instrument will fluctuate because of changes to market interest rates.

The Fund's direct exposure to interest rate movements as at 31 March 2012 and 31 March 2013 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair values.

Asset Type	31 March 2012 £000	31 March 2013 £000
Cash deposits	28,409	14,696
Cash balances	5,752	3,954
Pooled Fixed Interest Securities	170,061	185,065
Total	204,222	203,715

Interest rate risk - sensitivity analysis

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 1% change in interest rates.

Asset Type	Value at 31	Change in Year	
	March 2013 £000	+1% £000	-1% £000
Cash deposits	14,696	147	(147)
Cash balances	3,954	40	(40)
Pooled Fixed Interest Securities	185,065	1,851	(1,851)
Total	203,715	2,037	(2,037)

Asset Type	Value at 31	Change in Year	
	March 2012 £000	+1% £000	-1% £000
Cash deposits	28,409	284	(284)
Cash balances	5,752	58	(58)
Pooled Fixed Interest Securities	170,061	1,701	(1,701)
Total	204,222	2,042	(2,042)

Currency risk

Currency risk represents the risk that the fair value of future cashflows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than sterling.

To assist in managing this risk and to reduce the volatility associated with fluctuating currency rates, the Fund has appointed two active currency overlay managers. Record Currency Management and HSBC Trinkaus & Burkhardt each overlay half of the value of the Global Equity ex UK portfolio managed by Invesco.

The following table summarises the Fund's currency exposure at 31 March 2013 and 31 March 2012.

Currency Exposure - Asset Type	31 March 2012 £000	31 March 2013 £000
Overseas Equities (quoted)	485,070	523,690
Pooled Investments:		
Overseas Property	27,719	27,618
Overseas Private Equity	88,888	93,564
Overseas Fixed Interest	82,248	87,962
Total	683,925	732,834

Currency risk - sensitivity analysis

Following analysis of historical data, the Fund considers the likely volatility associated with foreign exchange rate movements to be 10% (as measured by one standard deviation).

A 10% fluctuation in the currency is considered reasonable based on WM's analysis of long term historical movements in month-end exchange rates. This analysis assumes that all other variables, in particular interest rates, remain constant.

A 10% strengthening/weakening of the pound against various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Currency Exposure - Asset Type	Value at 31	Change in Year	
	March 2013 £000	+10% £000	-10% £000
Overseas Equities (quoted)	523,690	576,059	471,321
Pooled Investments:			
Overseas Property	27,618	30,380	24,856
Overseas Private Equity	93,564	102,920	84,208
Overseas Fixed Interest	87,962	96,758	79,166
Total	732,834	806,117	659,551

Currency Exposure - Asset Type	Value at 31	Change in Year	
	March 2012 £000	+10% £000	-10% £000
Overseas Equities (quoted)	485,070	533,577	436,563
Pooled Investments:			
Overseas Property	27,719	30,491	24,947
Overseas Private Equity	88,888	97,777	79,999
Overseas Fixed Interest	82,248	90,473	74,023
Total	683,925	752,318	615,533

Credit Risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss.

The Fund is exposed to credit risk through securities lending, forward currency contracts and its daily treasury activities.

The securities lending programme is run by the Fund's custodian, JPMorgan, who manage and monitor the counterparty risk, collateral risk and the overall lending programme. The minimum level of collateral for securities on loan is 102%, however more collateral may be required depending upon type of transaction. This level is assessed daily to ensure it takes account of market movements. To further mitigate risk, JPMorgan provide an indemnity to cover borrower default, overnight market risks, fails on return of loaned securities and entitlements to securities on loan. Securities lending is capped by investment regulations and statutory limits are in place to ensure that no more than 25% of eligible assets can be on loan at any one time.

Forward currency contracts are undertaken by the Fund's two currency overlay managers - Record and HSBC Trinkaus & Burkhardt. The responsibility for these deals therefore rests with the appointed managers. Full due diligence was undertaken prior to the appointment of these managers and they are regularly monitored and reviewed. Both managers are FSA regulated and meet the requirements set out in the LGPS (Management and Investment of Funds) Regulations 2009.

The Pension Fund's bank account is held at Barclays, which holds an A long term credit rating (or equivalent) across three ratings agencies and it maintains its status as a well capitalised and strong financial organisation. The management of the cash held in this account is carried out by the Council's Treasury Manager, in accordance with an agreement signed by the Pensions Committee and the Council. The agreement stipulates that the cash is pooled with the Council's cash and managed in line with the policies and practices followed by the Council, as outlined in the CIPFA Code of Practice for Treasury Management in the Public Services and detailed in its Treasury Management Practices.

Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Council takes steps to ensure that the Fund has adequate cash resources to meet its commitments.

The Fund holds a working cash balance in its own bank account to cover the payment of benefits and other lump sum payments. At an investment level, the Fund holds a large proportion of assets in listed equities - instruments that can be liquidated at short notice, normally three working days. As at 31st March 2013, these assets totalled £1,466.2m, with a further £14.7m held in cash. Currently, the Fund is cash flow positive each month (i.e. the contributions received exceed the pensions paid). This position is monitored regularly and reviewed at least every three years alongside the Triennial Valuation.

An additional area of risk is in the outsourcing of services to third party service organisations.

The main service areas that the Pension Fund outsources, and the controls in place to monitor them, are:

Pensions Administration

This service is performed by Mouchel, alongside a Council wide contract. In addition to the contract management that the Council undertakes, regular meetings are held between Fund Officers and the Pensions Manager at Mouchel. The Pension Fund is also a member of the CIPFA benchmarking club for Pensions Administration, to allow service comparisons to be made with other Funds.

Custody, Accounting and Performance Measurement

JPMorgan are the Pension Fund's appointed Custodian, with responsibility for safeguarding the assets of the Fund. JPMorgan are a global industry leader, with more than \$18.8 trillion in assets under custody. They have been the Fund's Custodian since 2004, and were reappointed at the end of their seven year contract in March 2011. Monthly reconciliations of holdings are performed to ensure that the Custodians records match those of the Managers. Regular meetings and conference calls are held to discuss performance, and quarterly key performance indicators are produced.

Fund Management

The Fund appoints a number of segregated and pooled fund managers to manage portions of the Pension Fund. All appointments meet the requirements set out in the LGPS (Management and Investment of Funds) Regulations 2009. Managers report performance on a monthly basis to Officers and performance is reported to the Pensions Committee on a quarterly basis. All segregated managers present in person to the Committee at least once a year. Regular meetings and discussions are held between Officers and managers.

28 Scheduled & Admitted Bodies Contributing to the Fund

County and District Councils

Lincolnshire County Council
(incl. LCC schools)
Boston Borough Council
East Lindsey District Council
City of Lincoln Council
North Kesteven District Council
South Holland District Council
South Kesteven District Council
West Lindsey District Council

Internal Drainage Boards

Black sluice
Lindsey Marsh
North East Lindsey
South Holland
Upper Witham
Welland and Deeping
Witham First
Witham Fourth
Witham Third

Parish and Town Councils

Aubourn & Haddington TC
Bourne TC
Crowland PC
Deeping St James PC
Gainsborough TC
Greetwell PC
Heighington PC
Horncastle TC
Ingoldmells PC
Langworth PC
Louth TC
Mablethorpe and Sutton TC
Market Deeping TC
Metheringham PC
Nettleham PC
North Hykeham TC
Skegness TC
Skellingthorpe PC
Sleaford TC
Stamford TC
Sudbrooke PC
Washingborough PC
Woodhall Spa PC

Further Education Establishments

Bishop Grosseteste College
Boston College
Grantham College
Lincoln College
Stamford College

Academies

Alford Queen Elizabeth
Boston Grammar
Boston High School
Boston West Academy
Boston Witham Federation
Bourne Abbey C of E
Bourne Academy
Bourne Grammar
Bourne Westfield Primary
Bracebridge Infant and Nursery
Branston Community
Branston Junior Academy
Caistor Grammar
Caistor Yarborough
Cordeaux Academy
Ellison Boulters Academy
Ermine Primary
Fosse Way
Gainsborough Benjamin Adlard
Gainsborough Parish Church
Giles Academy
Grantham Kings School
Grantham Walton Girls
Gypsy Bridge Academy
Harrowby C of E Infants
Hartsholme Academy
Heighington Millfield Academy
Hillcrest EY Academy
Hogsthorpe Primary Academy
Horncastle QE Grammar
Huttoft Primary Academy
Ingoldmells Academy
John Spendluffe Tech. College
Kesteven & Sleaford High
Kesteven and Grantham Academy
Kidgate Primary Academy
Lincoln Castle Academy
Lincoln Christs Hospital School
Lincoln Westgate Academy
Ling Moor Academy
Little Gonerby C of E
Long Bennington C of E
Mablethorpe Primary Academy
Manor Leas Infant School
Market Rasen De Aston School
Mercer's Wood Academy
Mount Street Academy
National C of E Juniors
Nettleham Infants Academy
North Kesteven School
Phoenix Family Academy
Priory Federation of Academies
Rauceby C of E
Ruskington Academy
Sir John Gleed

Sir Robert Pattinson Academy
Sir William Robertson
Skegness Academy
Skegness Grammar
Skegness Infant Academy
Skegness Junior Academy
Sleaford Carres Grammar
Sleaford St Georges Academy
Sleaford William Alvey
Spalding Grammar
Spilsby King Edward Academy
St John's Primary Academy
Stamford Malcolm Sargent
Stamford Queen Eleanor
Stamford St Gilberts
The Deepings Academy
The Phoenix School
Thomas Cowley Academy
Tower Road Academy
Trent Valley Academy
University Academy Holbeach
Washingborough Academy
Welton C of E St Mary
Welton William Farr CE
West Grantham Federation
White's Wood Academy
William Lovell Academy
Witham St Hughs Academy
Woodhall Spa Academy

Other Scheduled Bodies

Compass Point
Lincolnshire Police Authority
Lincolnshire Probation Service

Admitted Bodies

Acis Group
ACPOA
Active Nation
Adults Supporting Adult
Boston Mayflower
CfBT
Edwards & Blake
G4S
Heritage Trust for Lincs
Lincoln Arts Trust
Lincoln BIG
Lincs HIA
Lincs Sports Partnership
May Gurney
Mouchel Connexions
National Child Minding Assoc.
New Linx Housing
Rentokil Initial
Sports & Leisure Management

29 Exchange Rates Applied

The exchange rates used at 31 March 2013 per £1 sterling were:

Australian Dollar	1.4565
Brazilian Real	3.0617
Canadian Dollar	1.5427
Swiss Franc	1.4379
Danish Krone	8.8154
Euro	1.1825
Hong Kong Dollar	11.7872
Indonesian Rupiah	14,755.5377
Israeli Shekel	5.5184
Japanese Yen	142.7647
Korean Won	1,689.4274
Norwegian Krone	8.8564
New Zealand Dollar	1.8120
Swedish Krona	9.8730
Singapore Dollar	1.8838
Thai Baht	44.4678
Taiwan Dollar	45.4055
US Dollar	1.5184

Lincolnshire Fire & Rescue Pensions Fund for the year ended 31 March 2013

2011-12 £'000	Fund Account	Note	2012-13 £'000
Contributions Receivable			
From employer:			
(1,600)	Contributions in relation to pensionable pay	4	(1,591)
(148)	Early Retirements - Ill Health	4	(229)
From members			
(929)	Fire-fighters' contributions	4	(969)
0	From CLG (commutations special income)		0
Transfers in:			
0	Individual transfers from other schemes from Local Authorities	7	(5)
(2)	Individual transfers from other schemes other than Local Authorities	7	(23)
Benefits payable:			
3,870	Pensions	5	4,128
957	Commutations and lump sum retirement benefits	5	835
Payments to and on account of leavers:			
0	Individual transfer out to other schemes	7	0
0	Refunds of contributions	7	1
2,148	Sub Total Net amount payable for the year before top up grant receivable		2,147
(2,148)	Top up grant receivable from sponsoring department	6	(2,147)
0 net amount payable/receivable			0

31 March 2012 £'000	Net Asset Statement as at:	31 March 2013 £'000
Current Assets		
328	Pensions paid in Advance	346
0	Amounts due from LCC	0
548	Pensions top up grant due	740
876 Total Current Assets		1,086
Current Liabilities		
(876)	Amounts payable to LCC	(1,086)
0	Pension payable to central government	0
(876) Total Current Liabilities		(1,086)
0 Total		0

Notes to the Fire & Rescue Pension Fund Account

1 Basis of Preparation

The Financial Statements have been prepared in accordance with the main recommendations of the code of practice on Local Authority Accounting issued by the Chartered Institute of Finance & Accountancy.

There is no separate bank account for the Pension Fund, therefore the Council's General Fund is shown as a debtor/creditor in the Net Asset Statement.

The Net Asset Statement does not take account of liabilities to pay pensions and other benefits after the period end.

Note 54 to the Council's Financial Statements shows the Council's long term pension obligations in accordance with International Accounting Standards (IAS19).

2 Lincolnshire Fire and Rescue Pension Fund Account

The Fund was established at 1 April 2006 and covers both the 1992 and 2006 Fire-fighters' Pension Schemes. It was established by the Fire-fighters' Pension Scheme (Amendment) (England) Order 2006 (SI2006 No1810) and is administered by Lincolnshire County Council. Employee and employer contributions are paid into the fund, from which payments to pensioners are made with any difference being met by top up grant from Central Government.

3 Accounting Policies

The Principal Accounting Policies are as follows:

Contributions

For employees who are members of the pension schemes contributions are receivable from the employer (Council) and the members (employees) throughout the year based on a percentage of pensionable pay. The rates are set nationally by the DCLG/Government Actuary Department and subject to triennial revaluation by the Government Actuary's Department.

If ill health retirements are granted the Council is required to make a contribution to the pension fund in accordance with the regulations. This contribution is spread over a 3 year period to deal with financial volatility as the number of Fire-fighters' who retire on grounds of ill health varies from year to year.

No provision is made in the accounts for contributions on pay awards not yet settled .

Benefits

Benefits include recurring payments that are paid in advance of the month for which they relate. An accrual is made at year end so that the payments are accounted for in the year to which they relate and this is shown in the net asset statement. Lump Sum payments are paid as they become due.

The accounts do not take account of liabilities to pay pensions and other benefits after the year end.

Transfer Values

The value of accrued benefits transferred from or to another pension arrangement, including Fire-fighters' pension schemes outside England, are recorded in the accounts on a receipts and payments basis.

Top up Grant

Central Government pay an instalment of top up grant during the year based on estimated activity. The balance is included within the amount of grant receivable and identified in the Net asset statement under current assets or liabilities.

The accounts do not take account of liabilities to pay pensions and other benefits after the year end.

4 Contribution Rates

Under the Fire-fighters' pension regulations the contribution rates are set nationally and are subject to triennial revaluation by the Governments Actuary's Department. During 2012-13 the contribution rates for the 2006 scheme were a minimum of 22% of pensionable pay (11% employers and tiered contribution of 11% to 13% based employees' pensionable pay banding) and the contribution rates for the 1992 scheme were 29.8% of pensionable pay (21.3% employers and tiered contribution of 8.5% to 9.7% based on employees' pensionable pay banding). Contribution tiers for part time and retained Fire-fighters' to be based on whole time equivalent pay for their role. Contributions, by the employer for Fire-fighters' who retire due to ill health are also paid into the Pension Fund in accordance with the regulations.

5 Benefits paid

Lump sum and ongoing pensions are paid to retired officers, their survivors and others who are eligible for benefits under pension schemes. The recurring payments are usually paid monthly in advance at the beginning of the period for which they relate.

6 Central Government pension top up grant

This is an unfunded scheme and consequently there are no investment assets. The fund is balanced to zero each year by receipt of a top up grant from the Central Government Department for Communities and Local Government (DCLG) if contributions are insufficient to meet the cost of benefits payable, or by paying over any surplus to the DCLG. The difference between grant received during the year and grant required to balance to zero is set up as an accrual and shown in the Net Asset Statement.

7 Transfers in and out

The value of accrued benefits of members that are transferred from or to another pension arrangement, if a member joins or leaves the scheme.

Audit Opinion

Independent auditor's report to the members of Lincolnshire County Council

We have audited the financial statements of Lincolnshire County Council for the year ended 31 March 2013 on pages 1 to 169. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

This report is made solely to the members of the Authority, as a body, in accordance with Part II of the Audit Commission Act 1998. Our audit work has been undertaken so that we might state to the members of the Authority, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Executive Director (Resources and Community Safety) and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Authority's and the Pension Fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Executive Director (Resources and Community Safety); and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Explanatory Foreword to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2013 and of the Authority's expenditure and income for the year then ended;
- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2013 and the amount and disposition of the fund's assets and liabilities as at 31 March 2013 other than liabilities to pay pensions and other benefits after the end of the scheme year; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

Matters on which we are required to report by exception

The Code of Audit Practice 2010 for Local Government Bodies requires us to report to you if:

- the annual governance statement set out on pages 150 to 161 the annual governance statement which accompanies the financial statements] does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- the information given in the explanatory foreword for the financial year for which the financial statements are prepared is not consistent with the financial statements; or

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

Authority's responsibilities

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

Auditor's responsibilities

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

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

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

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in November 2012, as to whether the Authority has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in November 2012, we are satisfied that, in all significant respects, Lincolnshire County Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2013.

Certificate

We certify that we have completed the audit of the financial statements of Lincolnshire County Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice 2010 for Local Government Bodies issued by the Audit Commission.

Mr Tony Crawley
for and on behalf of KPMG LLP, Appointed Auditor

Chartered Accountants
1 Waterloo Way
Leicester
LE1 6LP

Date:

Annual Governance Statement for Lincolnshire County Council 2013

Scope of Responsibility

- 1.1 Lincolnshire County Council is responsible for making sure that its business is conducted in a lawful and proper way. Public money needs to be protected and used economically, efficiently and effectively. We therefore have a duty under the Local Government Act 1999 to secure continuous improvement in the way our role is carried out, having regard to economy, efficiency and the effectiveness of what we do.
- 1.2 As we carry out this overall responsibility, we need to put in place good arrangements to manage our business to effectively deliver services to the people of Lincolnshire. This includes arrangements for the management of any risks we may face.
- 1.3 To help with these responsibilities we have adopted a governance and assurance structure which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. This statement explains how we have followed the code and also meets the requirements of the latest Accounts and Audit Regulations on the publication of a statement of internal control.

2 The purpose of the governance framework

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

2.2 The Framework consists of the systems and processes, cultures and values by which the Council is directed and controlled. It sets out how we account to and engage with the people of Lincolnshire. It's about **Community Leadership**. It helps us monitor our progress in achieving our goals and whether or not those goals are leading to effective and top quality services.

2.3 For more information go to: [Audit Committee Records](#)

3 The governance framework

3.1 We have put in place assurance arrangements that help us test and gain confidence that the governance framework is operating as intended and that we are:

“doing the right things, in the right way, for the right people, in an open, honest, inclusive and timely manner”

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

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

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

- 3.5 Our Governance Framework is defined by the six principles of good governance as shown below:
- 3.6 **Engaging with local people to raise the profile of the Council and demonstrate public accountability.**
- We continue to put the public first in how we work, looking and seeking their views to help determine decisions on how we use public money, demonstrating clear accountability to the public. [The Constitution](#) gives clarity to all staff and the community to whom we are accountable and what for.
 - Clear communication and consultation is in place with all sections of the community and operates effectively. The outcomes of inspections are published on our website <http://www.lincolnshire.gov.uk/>
 - We have responded to the requirements to deliver significant funding reductions and continue to deliver a high quality of service by reviewing how we manage ourselves and provide services to the citizens of Lincolnshire.
 - We comply with the transparency initiative promoted by Government and publish details of relevant salaries and expenses together with all payments of £500 or more.
- 3.7 **Focusing on the purpose of the Council and improving future outcomes for the whole county.**
- Our [Organisational Strategy](#) sets out the principles upon which our future development of services and operations should be based.
 - We communicate the vision and purpose of the authority to the public by setting out our objectives and priorities for the year within our [Business Plan](#).
 - We make sure the public receive high quality services by measuring our success and publically reporting our overall financial position in
- our [Statement of Accounts](#). We continually seek to provide world class customer service learning from what our customers tell us as shown by our [Community Engagement Strategy](#) and our [Customer Service Charter](#).
- We will continue to make sure the Council delivers excellent value for money as we review our [Financial Strategy](#), setting out how we will respond to the economic challenges we are facing whilst ensuring top rate services.
- 3.8 **Members and officers working together to achieve a shared purpose and being clear about roles and responsibilities**
- We make roles and responsibilities within the Council clear to ensure effective leadership by showing how the Council operates and how decisions are made to make sure we are accountable to local people. The following all help us to achieve this:
 - [The Constitution](#)
 - [Code of Conduct](#)
 - [Codes and Protocols](#)
 - Roles of staff are set out in our [Employment manual](#) along with conditions of employment including [Members Allowance](#) in order to make sure that strong working relationships exist between elected Members and Officers.
 - Ensuring that relationships between the authority and the public are clear is vital to us and helps us to establish what to expect from each other. In order to do this we open [Council Meetings](#) to the public and effectively monitor the way services are delivered as shown in the [Role of Monitoring Officer](#). The Council also has a [Consultation Strategy](#) which we use to ensure that the Council's vision, aims and priorities are carried out in consultation with the public.

- 3.9 **Demonstrating the values of the Council through excellent standards of conduct and behaviour**
- We have a commitment to making sure that both our Members and officers display the highest possible standards or behaviour and conduct. A [Code of Conduct](#) has been adopted for Members and officers to ensure and promote good conduct.
 - We are dedicated to promoting a strong culture to prevent and detect fraud. This is supported by our [Counter Fraud Policy](#) and our [Whistleblowing Policy](#).
 - If for any reason someone feels that the Council has failed to do something that should have been done or has done something badly or feel that they have been treated unfairly we have a [Complaints Policy](#) to proactively deal with complaints and learn from our mistakes.
- 3.10 **Taking informed transparent decisions and demonstrating clear accountability**
- As a local authority we must be clear about how decisions are taken and also listen and act upon constructive scrutiny. The Audit Committee was established in 2006. It promotes and maintains high standards of good governance including making sure an adequate risk management and control environment exist and that financial performance and accounting is properly and lawfully monitored. Reports and minutes of the Audit Committee meetings are available on [Audit Committee Records](#)
 - Our [Overview and Scrutiny](#) Management Committee exists to review and scrutinise any decision made by the Executive, Executive Councillor or key decision made by an officer. It examines the County Council's overall performance and advises our Overview and Scrutiny Committees of any areas of performance requiring detailed consideration.
- 3.11 **Developing the capability of members and officers to be effective in their work**
- The Executive Director – Performance and Governance is the designated Monitoring Officer with responsibility for ensuring the lawfulness of decisions taken by us as detailed in the [Constitution Part 3](#).
 - The Executive Director – Resources and Community Safety leads and directs the Financial Strategy of the Council. They are a member of the Councils' Management Board and have a key responsibility to ensure that the Council controls and manages its money well. They are able to operate effectively and perform their core duties - complying with the CIPFA Statement on the role of the Chief Financial Officer.
 - Risk Management is about taking measured risks when making decisions or where we need to encourage innovation in times of major change. This will put us in a stronger position to deliver our goals and provide excellent services. Our risk management process is well established in the way we work. The Audit Committee is responsible for reviewing how effective our risk management procedures are. Our Strategic Risk Register is regularly reviewed and more details can be found in our [Risk Management Strategy](#)
 - Making sure that members and officers have the skills, training, experience and support to perform well is one of our key priorities. Our [People Strategy](#) helps us to achieve this. The People Strategy is one of our most important strategies as it helps us to effectively engage with our staff and ensure their commitment to achieving our vision, aims and values.
 - We ensure that the skills required by Members and staff are assessed and developed to enable roles to be carried out more effectively through our [Appraisal Process](#) and our [Learning and Development Framework](#).

- The Councillor Learning and Development Group co-ordinates activities and training for our members to ensure they are effective in their roles.
- In recognition of our commitment as an employer that achieves the most by getting the best from its people we attained the [Investors in People](#) bronze award
- The Council regularly reviews its [constitution](#) and [financial regulations](#) to ensure members and staff are aware of what is expected of them and that they remain fit for purpose.

4 Review of Effectiveness

4.1 The County Council¹ undertakes an annual review of how effective its governance framework is. This is informed by:

- Executive managers
- Head of Internal Audit's annual report
- Strategic Risk Management arrangements
- Combined Assurance Model and status reports
- Comments made by external auditors and other agencies.

5 Our Assurance Arrangements

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

¹ Includes the Fire and Rescue function and Local Government Pension Arrangements administered by the Council

5.1 Corporate Governance Group

The Corporate Governance Officer group was set up to help ensure the Council adopts good governance in running its business and making sure we are:

'doing the right things, in the right way, for the right people, in an open, honest, inclusive and timely manner'.

5.2 Internal Audit

Internal Audit provides independent assurance designed to add value and improve how the Council operates. It helps the Council achieve its priorities and objectives by bringing a systematic and disciplined approach to evaluate and improve the management of risk, control and governance processes. It provides constructive and independent challenge to management on the way things are done.

We undertake an annual review of the effectiveness of our Internal Audit service ensuring it is compliant with the appropriate professional standards and CIPFA's statement on the role of the Head of Internal Audit in public service organisations.

5.3 External Audit

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

KPMG, our External Auditors, audit our financial statements and provide an opinion on these.

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

5.4 **Audit Committee**

The Audit Committee is a vital group that oversees and promotes good governance, ensures accountability and reviews the way things are done. The Audit Committee examines areas such as audit, risk management, counter fraud and financial accountability. The Committee exists to challenge the way things are being done, making sure the right processes are in place. It works closely with our Internal Audit team.

Our External Auditors attend Audit Committee meetings. At least once a year a private meeting is held with them to help provide the Audit Committee with independent insight on key issues facing the Council and how well its governance arrangements are working.

We have appointed a non-elected member to the Committee. The ability of an independent member to offer different perspectives and constructive suggestions will improve the way we work. For more information go to: [Audit Committee Records](#)

5.5 **Risk Management**

Good risk management is part of the way we work. Our strategic risk management team supports management to help them take measured risks and create an environment of 'no surprises'.

For more information go to: [Risk Management Strategy](#)

5.6 **Performance Management and Data Quality**

The Council is committed to continuously improving the way we work and the services we provide for the people of Lincolnshire. Each year we set out plans for improvement in the Council's Business Plan, Statement of Accounts and Annual Report.

6 Governance Issues

The following areas have been identified where further work is required to improve systems or monitor how the key risks facing the Council are being managed:

Governance Issue	Lead Officer(s)	Key Delivery Milestones	Implementation Date
Maintaining Good Governance			
<p>The May 2013 county council election has returned a council with very different makeup to recent years with just over half new to the county council (many with no experience as a councillor) and a change of more than half in the membership of the Executive. This could bring positives in terms of new insights but also has the potential for negatives as those councillors may not fully understand the council's governance arrangements.</p> <p>The changed political landscape will require more support from senior managers in terms of briefings etc.</p> <p>Many senior managers are relatively new in post following the Managing Workforce Change programme.</p>	David O'Connor	<p>Extensive induction programme for new councillors after the election with good feedback but will need to continue. Most committees have additional training identified.</p> <p>New Executive and Management Board have spent several informal sessions together reviewing and confirming current direction.</p> <p>Combined impact of the reducing government grant is being addressed by our budget and focus on commissioning which will result in confirmed or altered council priorities.</p> <p>Senior Leadership Programme as part of Workforce and Management Capacity (below) with initial very positive feedback</p>	<p>Completed</p> <p>In progress as needed</p> <p>Completed See Commissioning below</p> <p>See below</p>
Workforce and Management Capacity			
<p>Rapidly changing environment will require a more agile workforce.</p> <p>Reduced workforce means we must focus on value adding activity.</p>	David O'Connor	<p>New People Strategy designed and approved last year with detailed implementation plan is a council priority programme</p> <p>Many Human Resources processes have been reviewed. Future Delivery of Support Services programme will deliver new Enterprise Resource Planning (ERP) tools that will make financial and people management processes more efficient.</p>	<p>Strategy 2012-2015 (currently on track)</p> <p>Tied in with Future Delivery of Support Services. Current ERP replacement estimated to take place 04/14 to 03/15</p>
Public Health			
New public health functions became the responsibility of the Council from April 2013.	Tony Hill	Implement extended induction programmes for all incoming staff.	August 2013 completion

Governance Issue	Lead Officer(s)	Key Delivery Milestones	Implementation Date
<p>Services, staff and contracts transferred from local and national NHS bodies. The transition plan has been successfully delivered but the Council must integrate these new functions at both a strategic and delivery level. The change will inevitably mean cultural change for staff and service redesign.</p>	<p>PHDMT Tony McGinty Isabel Perez Teresa Roche Tony McGinty Tony McGinty Tony Hill</p>	<p>Agree 'Unwritten Ground Rules' Frameworks for the integrated team. Transition project close down, including staff engagement representatives. Develop integrated continuing professional development programme. Induction programmes for new members and scrutiny committees. Agree programme of Public Health Service Reviews with Executive and Corporate Management Board. Review clusters of service users with full involvement of internal stakeholders. Present recommendations for service change and integration to Corporate Management Board and Executive.</p>	<p>June 2013 July 2013 June 2013 June and July 2013 July 2013 July 2013 September 2013 onwards</p>
Adult Care			
<p>Change of pace and scale The scale and pace of change in Adult Care is pronounced and unlikely to change in the medium term. Notwithstanding the transformation required our primary purpose is to work with the most vulnerable adults in our communities, to help them achieve more, stay at home and keep them safe from abuse. We understand the value of working together with the people who need our advice and support, their families, their wider community, statutory partners and organisations providing support. The resources we have including our people and money will be directed to achieving this.</p>	<p>Glen Garrod/Senior Management Team</p>	<p>Adult Care continues to face a substantial change programme grouped here into 3 headings. Each has relevance to the 5 priorities identified.</p> <ol style="list-style-type: none"> 1. A Transformation Programme for all major projects. This programme is developing a new blueprint for the department. 2. Integration with Health – reflecting the national policy context for Adult Care with NHS partners in Lincolnshire. 3. Adult Care performance and quality improvement. 	<p>October 2013 October 2013 March 2014 (mid-year review September 2013)</p>

Governance Issue	Lead Officer(s)	Key Delivery Milestones	Implementation Date
<p>Our 5 priorities for 2013/14 are:</p> <ol style="list-style-type: none"> 1. A balanced budget out-turn 2. Improved performance 3. Integration with Health 4. Established plans for the delivery of key elements of Adult Care transformation 5. A set of quality indicators <p>We have also strengthened our programme management arrangements to help ensure all developments and changes are successfully managed.</p>			
<p>Adult Care</p> <p>Safeguarding Vulnerable Adults Safeguarding Adults is being placed on a similar statutory footing to that which exists for Children. The work to safeguard vulnerable adults is evolving quickly and is expected to be given more policy direction once the Care and Support Bill becomes enacted (currently before Parliament). The pre-existing Safeguarding Adult Board is chaired by an independent person and has commenced a programme to strengthen its assurance and governance framework.</p>	Glen Garrod/ Elaine Baylis (Independent Chairperson)	<p>Several developments are taking place to enhance the safeguarding work for adults (examples are):</p> <ol style="list-style-type: none"> 1. A dedicated training plan for improving practice across all agencies is being organised for 2013/14 and 2014/15. 2. Improved assurance and governance framework. 	<p>September 2013</p> <p>To be agreed</p>
<p>Children Services</p> <p>Safeguarding Children</p> <ul style="list-style-type: none"> • Keeping children safe and protected. • Responding to the family Justice reforms and meeting new timescales regarding adoption. • Transforming early intervention services to prevent raising demand in specialist services. 	Debbie Barnes	<p>Adopt Signs of Safety as risk identification and management tool.</p> <p>Establish a MASH (Multi agency information sharing hub).</p> <p>Programme to recruit, assess and support potential adopters and foster carers.</p>	<p>Dec 13</p> <p>Business case Dec 13</p> <p>Dec 13</p>

Governance Issue	Lead Officer(s)	Key Delivery Milestones	Implementation Date
		<p>Integrated working with Health through "Making it happen for every family" project.</p> <p>Families Working Together Programme to turn around the lives of families in crisis</p> <p>Pilot Authority for Public Law Proceedings to assist with family Justice Reforms</p>	<p>Phase 1 to be implemented Sept 13 / Phase 2 Dec 13</p> <p>Phase 1 July 13 with expansion in line with Government guidance Dec 14</p> <p>Start Date Sept 13</p>
<p>Education and Skills</p> <ul style="list-style-type: none"> Responding to school funding reforms whilst supporting small schools to be sustainable. Responding to the new legislative framework which will govern support for children with additional needs. Transforming school support services due to academy changes. Sufficiency of places. Driving school improvement for academies. 	Debbie Barnes	<p>Support Primary Collaborations project to encourage schools to work together.</p> <p>Project Board established and project plan completed to enable services to respond to "Support and Aspiration.</p> <p>Education Support Services transformed to enable a commercial offering for schools.</p> <p>Capital programme to meet sufficiency of school places.</p> <p>Replacement guidance for schools causing concern which is applicable to Academies to be developed and agreed with schools.</p>	<p>Project ongoing – full evaluation to be completed Sept 13</p> <p>Compliance with new guidance March 14</p> <p>March 14 services to be self sustaining</p> <p>Review Dec 13</p> <p>Sept 13</p>
<p>Maintaining Financial Resilience</p> <p>Overall services showed an under-spending which will allow some carry forward flexibility into the current year, together with an increase in reserves to meet pressures in 2014/15.</p> <p>Against the current core offer savings target of £146m by March 2015, £102m has already be</p>	Pete Moore	<p>The financial outturn for 2012/13 was considered by the Council's Executive and the VFM Scrutiny Committee during July. Carry forward budget proposals will be confirmed at the full Council meeting in September.</p> <p>The Council's medium term financial strategy will be</p>	<p>Outturn considered by Executive and Scrutiny in July 2013.</p> <p>Carry forwards to be confirmed in September 2013.</p>

Governance Issue	Lead Officer(s)	Key Delivery Milestones	Implementation Date
<p>achieved and a further £20m is already being actioned and classified predominantly as lower risk.</p> <p>A further £24m is classified as higher risk either because action has only just started or plans or still in formulation. The key higher risk areas are around:</p> <ul style="list-style-type: none"> waste management (the energy from waste plant has still to come on-stream to reduce waste to landfill and reduction in associated taxes) adult social care where work on reablement, joint commissioning, learning disabilities and the social care blueprint have still to be actioned to reduce costs in 2014/15. <p>These programmes of work will need careful management and monitoring.</p> <p>A one year Comprehensive Spending Review for 2015/16 was published on 26 June 2013 and it implies reductions in Government support to local authorities of close to 15% in 2015/16.</p>		<p>updated following that announcement and this will feed into future budget processes.</p> <p>It is expected that a further 3 or 4 year Comprehensive Spending Review will follow the next general election and that the reductions in local government funding will continue possibly until 2020. The Council will be planning for this scenario and the work on a 'Commissioning Council' will assist in determining the desired outcomes and priorities within the likely financial resources available.</p> <p>Consideration of council priorities and budgets as part of the annual budget processes for March 2014 and March 2015. A fundamental budget review will be undertaken over the next 12 months to cover the period from 2015/16 to 2018/19.</p> <p>Monitoring and management of remaining core offer savings through to March 2014.</p>	<p>Update of medium term financial model following Comprehensive Spending Review announcement on 26 June 2013.</p>
<p>Procurement and Contract Management</p> <p>The Council recognises that it needs to manage its procurement and contracts better if we are to deliver effective services for the future within significant funding constraints.</p> <p>Work is underway to strengthen our management oversight and rigour over our commercial relationships.</p> <p>Our commissioning strategy aims to influence and support sustainability and resilience of our providers – suppliers, partnerships and voluntary sector.</p>	<p>Pete Moore / David O'Connor</p>	<p>Significant work has been done to strengthen contract compliance in Adult Social Care. Contract officers have worked with the Quality and Safeguarding teams to develop more robust contract management protocol which sets out roles and responsibilities for staff in Adult Social Care. Adult Social Care contract officers are going through a comprehensive training programme and this should be complete by the end of June 2013.</p> <p>To support the contract compliance for all Council contracts a contract management toolkit is being piloted in two areas and if successful will be rolled out to all areas of the Council over the next 12 months.</p>	<p>Some actions already complete and others will be ongoing over the next 12 months. Periodic updates on progress and feedback on effectiveness will be brought to the Audit Committee.</p>

Governance Issue	Lead Officer(s)	Key Delivery Milestones	Implementation Date
<p>Becoming a Commissioning Organisation</p> <p>The Council has expressed an intention to 'become a commissioning council'.</p> <p>As a Commissioning Council we will achieve desired balance of quality, cost and risk by:</p> <ul style="list-style-type: none"> • Consistently making decisions based on evidence of needs and political priorities. • Working with partners to get the best results. • Focusing on outcomes for people and places. • Using the best means of delivering those outcomes, whether that is inside or outside the Council. • Holding all service providers to account with appropriate rigour. <p>This will help us maximise the benefits from available resources through joint commissioning with partners in a context of reduced resources.</p>	Pete Moore / David O'Connor	<p>A new Contract Assurance Board will meet for the first time on the 26 June 2013. The role of the Board is to provide assurance that proposed contracts are consistent with the direction, aims and priorities of the Council and are properly resourced and managed. Contracts with a total value of over £500k or over a 2 year duration will be initially reviewed.</p> <p>All contracts above a value of £25k are recorded on a single electronic platform, Firefly. The only exception to this is that home to school transport contracts are managed via a separate system (SEATS).</p> <p>Training has been undertaken by staff in the operation of the procurement and contract systems to ensure they are used effectively.</p>	
		<p>The 'Commissioning Council' approach will be progressed during the latter half of 2013 and the first half of 2014.</p> <p>This will enable the Council to focus more readily on its key outcomes and priorities for the future and to ensure that the Council has the key skills to commission and procure its services as effectively as possible, whether that be internally or externally via the private sector, voluntary sector or jointly with key partners such as Health.</p> <p>This will be linked to the update of the Council's financial model following the expected Comprehensive Spending Review announcement on 26 June 2013.</p>	<p>Linked to business plan and budget process for 2014/15 i.e. March 2014, although some commissioning policies may follow to fit into joint commissioning with other organisations and contract renewal dates.</p>

Governance Issue	Lead Officer(s)	Key Delivery Milestones	Implementation Date
<p>Maintaining ICT Resilience</p> <p>Whilst Council systems are more resilient than ever before they are delivered from a single data centre.</p> <p>Where possible new applications are hosted remotely or provided via software as a service.</p> <p>Improved network security as a result of Public Service Network (PSN) introduction.</p>	David O'Connor	<p>Capital funding provided for new centre but could be overtaken by Future Delivery of Support Services (FDSS) with all current bidders having multiple suitable data centres.</p> <p>Continue this approach where effective.</p> <p>Achieve PSN Code of Connection compliance</p>	<p>Decision on direction during late 2013-14 as part of FDSS.</p> <p>As opportunities arise.</p> <p>September 2013</p>

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
 Director of Resources and
 Community Safety

..... Date
 Leader of the Council

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

SCHOOLS	2011-12		2012-13	
	Number of Staff		Number of Staff	
Pay Band	Remuneration received (excl those receiving termination payments)	Staff who received termination payments	Remuneration received (excl those receiving termination payments)	Staff who received termination payments
£150,000- £154,999	0	1	0	0
£145,000- £149,999	0	0	0	0
£140,000- £144,999	0	0	0	0
£135,000- £139,999	0	0	0	0
£130,000- £134,999	0	0	0	0
£125,000- £129,999	0	0	0	0
£120,000- £124,999	0	0	0	0
£115,000- £119,999	0	0	0	0
£110,000- £114,999	0	0	0	0
£105,000- £109,999	0	1	0	0
£100,000- £104,999	0	1	0	0
£95,000- £99,999	2	0	0	0
£90,000- £94,999	2	0	2	0
£85,000- £89,999	4	3	3	2
£80,000- £84,999	6	1	1	0
£75,000- £79,999	2	1	3	0
£70,000- £74,999	15	2	5	1
£65,000- £69,999	13	0	7	1
£60,000- £64,999	25	1	20	0
£55,000- £59,999	78	0	55	1
£50,000- £54,999	97	2	62	1
Total	244	13	158	6

OTHER SERVICES	2011-12		2012-13	
	Number of Staff		Number of Staff	
Pay Band	Remuneration received (excl those receiving termination payments)	Staff who received termination payments	Remuneration received (excl those receiving termination payments)	Staff who received termination payments
£150,000- £154,999	0	0	0	0
£145,000- £149,999	0	1	0	0
£140,000- £144,999	0	0	0	0
£135,000- £139,999	0	4	0	0
£130,000- £134,999	0	0	0	0
£125,000- £129,999	1	0	1	0
£120,000- £124,999	0	1	0	0
£115,000- £119,999	0	3	0	0
£110,000- £114,999	0	0	0	1
£105,000- £109,999	0	4	0	0
£100,000- £104,999	0	1	0	0
£95,000- £ 99,999	0	3	0	0
£90,000- £94,999	2	2	1	1
£85,000- £89,999	4	3	4	1
£80,000- £84,999	4	5	4	1
£75,000- £79,999	1	5	3	0
£70,000- £74,999	6	11	3	1
£65,000- £69,999	18	16	17	0
£60,000- £64,999	22	15	27	0
£55,000- £59,999	37	26	40	0
£50,000- £54,999	41	19	44	5
Total	136	119	144	10

STATEMENT OF ACCOUNTS GLOSSARY OF TERMS

Academy Schools

Academy schools are directly funded by central government (the Department for Education) and are independent of local Council control.

Accounting Period

The period of time covered by the accounts, normally a period of twelve months commencing on 1 April. The end of the accounting period is the Balance Sheet date.

Accounting Policies

The principles, bases, conventions, rules and practices applied by an organisation that specify how the effects of transactions and other events are to be reflected in its Financial Statements.

Accruals

Sums included in the final accounts to recognise revenue and capital income and expenditure attributable to the accounting period, but for which payment has not been received or made by 31 March.

Acquired Operations

Operations comprise services and division of service as defined in SERCOP. Acquired operations are those operations of the local Council that are acquired in the period.

Amortisation

The term used to describe the charge made for the cost of using intangible fixed assets. The charge for the year will represent the amount of economic benefits consumed (e.g. wear and tear).

Appropriation

The transfer of sums to and from reserves, provisions and balances.

Assets

An item having value to the Council in monetary terms, categorised as:

- Current assets are assets that are intended to be sold within the normal operating cycle; the assets are held primarily for the purpose of trading or the Council expects to realise the assets within 12 months after the reporting date.
- Non-current assets are assets that do not meet the definition of a current asset and can be tangible (e.g. school buildings) or intangible (e.g. computer software licences).

Audit of Accounts

An independent examination of the Council's financial affairs.

Balances

The total revenue reserves required to provide a working balance during the financial year, for example in periods when expenditure exceeds income.

Balance Sheet

Shows all balances including reserves, long-term debt, fixed and net current assets, together with summarised information on the fixed assets held.

Borrowing costs

Are interest and other costs that an entity incurs in connection with the borrowing of funds.

Budget

The forecast of net revenue and capital expenditure over the accounting period.

Capital Adjustment Account

Capital reserve largely consisting of resources applied to capital financing and not available to the Council to support new investment.

Capital Charges

This is a general term used for the notional charges made to service expenditure accounts for the use of fixed assets. The term covers depreciation and impairment charges (included in gross expenditure).

Capital Grants Unapplied Account

Grants that have been recognised as income in the Comprehensive Income and Expenditure Statement but where the expenditure has not yet been incurred.

Capital Expenditure

Expenditure on assets which have a long term value. Includes the purchase of land, purchase or cost of construction of buildings and the acquisition of plant, equipment and vehicles.

Capital Financing Costs

These are the revenue costs of financing the capital programme and include the repayment of loan principal, loan interest charges, loan fees and revenue funding for capital.

Capital Financing Requirement

Statutory requirement to ensure that over the medium term the net borrowing by the Council will only be for capital purposes.

Capital Receipts

Proceeds received from the sale of property and other fixed assets.

Carrying Amount

The amount of an asset that is recognised on the Balance Sheet after all costs have been charged for the accounting period (e.g. accumulated depreciation and impairment losses).

Cash equivalents

Are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value (e.g. bank balances).

Cash Flow Statement

This consolidated statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes

CIPFA

The Chartered Institute of Public Finance and Accountancy.

Comprehensive Income and Expenditure Statement (CI&ES)

This statement reports the net cost of all the services which the Council is responsible for, and demonstrates how that cost has been financed.

Contingent Liability

Potential costs that the Council may incur in the future because of something that happened in the past, but there is no certainty that a cost will occur.

Contingent Asset

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

Corporate Democratic Core

The corporate and democratic management costs are the costs of activities which Local Authorities undertake specifically because they are elected multi-purpose Authorities. They cover corporate policy making, representing local interests, services to elected members as local representatives and duties arising from public accountability.

Creditors

Amounts owed by the Council for work done, goods received or services rendered but for which payment has not been made at 31 March.

Debtors

Sums of money owed to the Council but unpaid at 31 March.

Defined Benefit Scheme

Also known as a final salary scheme. Pension scheme arrangement where the benefits payable to the members are determined by the scheme rules. In most cases there is a compulsory member's contribution but over and above this all costs of meeting the quoted benefits are the responsibility of the employer.

Depreciation

The allocation of the cost of the useful economic life of the Council's non-current assets for the accounting period through general wear and tear, consumption or obsolescence.

Depreciated replacement cost (DRC)

Is a method of valuation which provides the current cost of replacing an asset with its modern equivalent asset less deductions for all physical deterioration and all relevant forms of obsolescence and optimisation.

Discontinued Operations

Operations comprise services and division of service as defined in SERCOP. Discontinued operations are those operations of the Council that are discontinued in the period. Responsibilities that are transferred from one part of the public sector to another are not discontinued operations.

Donated assets

These are assets which are transferred to the Council at nil value or acquired at less than fair value.

Earmarked Reserves

Those elements of total Lincolnshire County Council reserves which are retained for specific purposes.

Employee benefits

Are all forms of consideration (both monetary and in-kind) given by the Council in exchange for service rendered by employees.

Exceptional Items

Events which are material in terms of the County's overall expenditure and are not expected to recur frequently or regularly.

Fair Value

The amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's-length deal.

Finance Costs

Reflects the element of annual payment for PFI or Leased assets which is in relation to interest payable on the loan liability.

Financial Assets

A right to future economic benefits controlled by the Council.

Financial Instrument

A contract that gives rise to a financial asset of one entity and a financial liability of another entity; for example, at its simplest, a contractual right to receive money (debtor) and a contractual obligation to pay money (creditor).

Financial Liability

An obligation to transfer economic benefits controlled by the Council.

Foundation Schools

Schools run by their own governing body, which employs the staff and sets the administrations criteria. Land and buildings are usually owned by the governing body or a charitable foundation.

General Fund

The main revenue fund of the Council. Income from the council tax precept and government grants is paid into the fund, from which the costs of providing services are met.

Going Concern

The going concern accounting concept assumes that the organisation will not significantly curtail the scale of its operation in the foreseeable future.

Government Grants

Payments by central government towards Council expenditure. They are receivable in respect of both revenue and capital expenditure.

Grants and Contributions

Assistance in the form of transfers of resources to the Council in return for past or future compliance with certain conditions relating to the operation of activities.

Heritage Assets

Assets that are held by the Council which are of historic nature including buildings and collections.

Impairment

A reduction in the value of a fixed asset to below its carrying amount on the Balance Sheet, due to damage, obsolescence or a general decrease in market value.

Intangible Asset

Is an asset without physical substance examples include: computer software and licences.

International Accounting Standard (IAS)

Regulations outlining the method of accounting for activities, IASs are currently being replaced with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board.

International Financial Reporting Standards (IFRS)

Regulations outlining the method of accounting for activities, issued by the International Accounting Standards Board.

Inventories

Items of raw materials, work in progress or finished goods held at the financial year end, valued at the lower of cost or net realisable value.

Landfill Allowance Trading Scheme (LATS)

Cap and trade scheme aimed at reducing the level of waste taken to landfill and encouraging alternative refuse processes.

Leases

A lease is an agreement whereby the lessor conveys to the lessee, in return for a payment, the right to use an asset for an agreed period of time.

- Finance Lease – a lease whereby all the risks and rewards of ownership of an asset are with the lessee. In substance the asset belongs to the lessee.
- Operating Lease – a lease where the risks and rewards, and therefore ownership, of the asset remains with the lessor.

Lessee

The person or organisation that is using or occupying an asset under lease (tenant).

Lessor

The person or organisation that owns an asset under lease (landlord).

Liabilities

A present obligation to transfer economic benefits. Current liabilities are payable within one year.

Liquid Resources

Cash and current asset investments that can be easily converted to known amounts of cash without penalty, or can be traded in an active market.

Long-Term Contract

A contract entered into for the design, manufacture or construction of a single substantial asset, or the provision of a service (or a combination of assets and services which together constitute a single project), where the project life falls into more than one accounting period.

Long Term Debtors

Sums of money due to the Council originally repayable within a period in excess of twelve months but where payment is not due until future years.

Materiality

Materiality is an expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the item, or a combination of both, could be the determining factor.

Minimum Revenue Provision (MRP)

A minimum amount, set by law, which the Council must charge to the income & expenditure account, for debt redemption or for the discharge of other credit liabilities (e.g. finance lease).

Net Book Value

The value of fixed assets included on the Balance Sheet, being the historical cost or a current revaluation less the cumulative amounts provided for depreciation.

Net Debt

The Council's borrowings less liquid resources.

Non Distributed Costs

These are overhead costs from which no user now benefits. They include the costs associated with unused assets and certain pension costs.

Off Balance Sheet

Accounting category not shown or recorded on a Balance Sheet, such as an operating lease or a deferred or contingent asset or liability which is shown only when it becomes 'actual.'

Pension fund accounts

This covers accounting and reporting by pension funds to all fund participants as a group rather than being concerned with determination of the cost of retirement benefits in the Financial Statements of employers.

Precept

The amount levied by one Authority which is collected by another e.g. Lincolnshire County Council is the precepting Authority and the District Councils are the collecting Authorities. Water Authorities also precept on the Council for land drainage purposes.

Previous Year Adjustments

These are material adjustments relating to prior year accounts that are reported in subsequent years and arise from changes in accounting policies or from the correction of fundamental errors.

Principal

The amount of repayment to a lender which relates to the reduction in the loan, rather than the interest paid on the loan.

Private Finance Initiative (PFI)

A government initiative that enables Authorities to carry out capital projects, in partnership with the private sector, through the provision of financial support.

Projected Unit Method

An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:

- the benefits for pensioners and deferred pensioners and their dependants, allowing where appropriate for future increases, and
- the accrued benefits for members in service on the valuation date.

Property, Plant & Equipment

Are tangible assets (i.e. assets with physical substance) that are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes, and expected to be used during more than one period.

- Land and buildings.
- Vehicles, plant, furniture and equipment.
- Infrastructure assets that form part of the economic or social framework of the area and whose function is not transferable (e.g. highways, bridges and footpaths).
- Community assets are assets that the Council intends to hold in perpetuity, that have no determinable useful life and may have restrictions on their disposal (e.g. works of art, windmills and picnic sites).
- Surplus assets are non-current assets held by the Council but not directly occupied, used or consumed in the delivery of services.
- Investment properties are properties (land or buildings) held to earn rentals or for capital appreciation or both.
- Assets under construction are non-current assets which include expenditure capitalised for work in progress in respect of activities to develop, expand or enhance items of property, plant and equipment, intangible assets and exploration assets.
- Non-current assets held for sale and discontinued operations. These are non-current assets that are either going to be sold or disposed of within the next twelve months.

Provision

This is an amount which is put aside to cover future liabilities or losses which are considered to be certain or very likely to occur, but the amounts and timing are uncertain.

Prudential Indicators

Prudential indicators are a set of financial indicators and limits that are calculated in order to demonstrate that Councils' capital investment plans are affordable, prudent and sustainable. They are outlined in the CIPFA Prudential Code of Practice. The code was introduced in 2004, to underpin the system of capital finance in local government. All Councils must adhere to this.

There are 11 prudential indicators that must be used to cover the categories of affordability, prudence, capital spending, external debt/borrowing and treasury management. They take the form of limits, ratios or targets which are approved by Council before 1 April each year and are monitored throughout the year on an on-going basis. A Council may also choose to use additional voluntary indicators.

Public Works Loan Board (PWLb)

A central government agency, which provides loans for one year and above to Authorities at favourable rates which are only slightly higher than the Government can borrow itself.

Recognition

The process upon which assets are deemed to belong to the Council either by purchase, construction or other forms of acquisition.

Related party

These are parties which are considered to be related if one party has the ability to control the other party, or exercise significant influence over the other party in making financial and operating decisions, or if the related party entity and another entity are subject to common control. Related party transactions are transfers of resources or obligations between related parties, regardless of whether a price is charged. Related party transactions exclude transactions with any other entity that is a related party solely because of its economic dependence on the Council or the Government of which it forms part.

Reserves

The accumulation of surpluses, deficits and appropriations over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Council. Some capital reserves such as the fixed asset restatement account cannot be used to meet current expenditure.

Retirement Benefits

- Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.
- Actuarial basis is the estimation technique applied when estimating the liabilities to be recognised for defined benefit pension schemes in the Financial Statements of an organisation.
- Actuarial gains and losses for a defined benefit pension scheme are the changes in actuarial deficits or surpluses that arise because:
 - Events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or
 - The actuarial assumptions have changed.
- Current service cost is the increase in the present value of a defined benefit obligation resulting from employee service in the current period.
- Defined benefit plans are post-employment benefit plans other than defined contribution plans.
- Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.
- Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.
- Past service cost is the increase in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (where benefits are introduced or improved) or negative (where existing benefits are reduced).

Retrospective application

This is applying a new accounting policy to transactions, other events and conditions as if that policy had always been applied.

Revaluation Gain

The increase to the fair value of an asset following a valuation.

Revaluation Reserve

This reserve contains revaluation gains on assets recognised since 1 April 2007 only, the date of its formal implementation.

Revenue Contributions

This refers to the financing of capital expenditure directly from revenue rather than from loans or other sources.

Revenue Expenditure

The day to day expenditure of the Council on such items as employees and equipment.

Revenue Expenditure Funded from Capital under Statute (REFCUS)

Expenditure which may be funded from capital, but which does not result in fixed assets owned by the Council. These costs are included in the net cost of services shown in the Income and Expenditure Account.

Revenue Support Grant (RSG)

Grant paid by central government to Local Authorities in aid of service provision.

Service Reporting Code of Practice (SERCOP)

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

Short-term employee benefits

These are employee benefits (other than termination benefits) that fall due wholly within 12 months after the end of the period in which the employees render the related service.

Specific Grant

A grant awarded to a Council for a specific purpose or service that can not be spent on anything else.

Straight Line basis

The method of calculating depreciation via charging the same amount each year over the life of the assets.

Termination Benefits

Employee benefits paid upon termination of employment such as redundancy.

Treasury Management

The utilisation of cash flows through investments and loans.

Trust Funds

Funds administered by the Council for such purposes as prizes, charities and specific projects or on behalf of minors.

Useful Life

The period with which an asset is expected to be useful to the Council in its current state.

Value Added Tax (VAT)

VAT is an indirect tax levied on most business supplies of goods and services.

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Regulatory and Other Committee

Open Report on behalf of Pete Moore, Executive Director of Resources & Community Safety

Report to:	Audit Committee
Date:	23 September 2013
Subject:	Review of the Effectiveness of Internal Audit

Summary:

There exists a statutory requirement for bodies such as the County Council to review the effectiveness of internal audit once a year and for the findings of the review to be considered by an appropriate committee of the Council. This paper discharges that responsibility by reporting the findings of work undertaken by a joint officer / councillor working group. The conclusion drawn is that the County Council does maintain an effective system of internal audit.

Recommendation(s):

The Committee endorse the opinion of the Review Group that the County Council maintains an effective system of internal audit.

Background

- 1.1 Regulation 6(3) of the Accounts and Audit (England) Regulations 2011 requires this Council to review the effectiveness of internal audit once a year and for the findings of the review to be considered by a Committee of the Council. The Audit Committee is the most appropriate one in the case of this Council. It is sensible to consider this aspect in advance of finalisation of the Annual Governance Statement of the Council as the effectiveness of the system of internal audit is a key aspect of the governance framework. The Annual Governance Statement will be considered in draft at this meeting of this Committee and will be finalised by September in time to be incorporated into the audited financial statements of the Council.
- 1.2 In this context 'internal audit' is not just restricted to the role, activity and effectiveness of the internal audit team; it also applies to the role, activity and effectiveness of this Committee itself. Guidance makes it clear that it is not the role of the external auditor to undertake this work. It is for the authority itself to complete a review.
- 1.3 A professional, independent and objective internal audit service is one of the key elements of good governance

2. The Review Group

2.1 Guidance from CIPFA on this issue suggests that this review is best undertaken by a group of officers and / or members. In terms of the officer input this should not directly involve the Head of the Internal Audit service or any audit team member. The Head of Internal Audit can, however, provide material to be considered by the Review Group. This has been done through a self-assessment against the Public Sector Internal Audit Standards – which came into effect from the 1st April 2013.

2.2 The following Review Group has been established to undertake this role:

Councillor Mrs S Rawlins– Chairman of the Audit Committee
Councillor Mrs E Sneath – Vice Chairman of Audit Committee*
David O'Connor – Executive Director – Governance & Performance*
David C Forbes – Assistant Director – Finance and Resources

* These individuals did not directly participate in this years review

3. The Review Activity

3.1 Public Sector Internal Audit Standards (applying the Institute of Internal Auditors Internationals Standards to UK Public Sector) came into effect from the 1st April 2013. In tandem with the development of these Standards, CIPFA have also published a local government application note which includes a self-assessment questionnaire to help assess compliance with the Standards and thereby the effectiveness of the internal audit service. This self assessment has been completed by the Head of Audit and Risk Management – Lucy Pledge and has helped inform the review process.

4. Actions taken in 2012/13

4.1 Last year there was a number of actions proposed as a result of the review. These were:

- The Executive Director – Performance & Governance will remind the Corporate Management Board of the need for clients of the internal audit service to respond in a timely and positive manner to requests for meetings and responses to draft conclusions and recommendations.

Current status – implemented

- The continued expansion of the client base of Audit Lincolnshire presents a risk that there may, in theory at least, be a detriment to the

service delivered to the County Council. Consequently the Audit Committee will need to keep this potential risk in mind when monitoring the performance of the service over the coming year.

Current Status – Annual Report 2014 showed performance targets achieved with 87% of the revised plan delivered. The internal audit plan for 2013/14 also provided information on external work undertaken by Audit Lincolnshire and confirmed that resources available to deliver.

The delivery model for the service is a co-production model (a combination of in-house resource and bought in resources). This helps ensure any shortfall resources can be commissioned within existing budgets.

Delivery is monitored through the year by the Audit Committee.

- The Audit Committee should undertake a self-assessment of its role and performance during early 2013 in light of the likely change in membership of the Committee that will emerge following the May 2013 County Council elections. This will be useful for the post May 2013 Committee as it will identify both the strengths of the current arrangements and areas for potential improvement.

Current Status - In light of the new membership of the Committee a self assessment on the Committees effectiveness will be undertaken in January 2014.

5. Review Findings

- 5.1 The Review Group considered the findings from the self-assessment of the internal audit service as prepared by the Head of Internal Audit. The Review Group concluded this is a fair and reasonable assessment of the internal audit service provided to the County Council.
- 5.2 The outcome of this self-assessment identified that the Internal Audit Service operates in accordance with the Standards, however there were a number of minor actions identified, namely:

Definition of 'Board' (Public Sector Requirement)

The Standards requires specific definition of the Board to be included in the Internal Audit Charter.

In a local authority, the role of the 'Board' may be satisfied by the audit committee, the Executive or full Council.

Responsibility for the review and oversight of audit activity and the Councils arrangements for maintaining good governance, effective risk management and internal control rests with the Audit Committee.

We therefore recommend that the Audit Committee discharges 'Board' role as defined in the standards.

Definition of 'Senior Management' (Public Sector Requirement)

The Standards requires specific definition of Senior Management for the purposes of Internal Audit Activity to be included in the Internal Audit Charter.

For the purpose of Internal audit activity we suggest senior management be defined as – Executive Directors, Assistant Directors and Heads of Service.

Audit Charter (Terms of Reference)

The new standards have made some specific requirements for certain information to be included in the Audit Charter.

We have requested that the Head of Internal Audit update Charter for approval by the Committee at it's November 2013 meeting. Once approved the Charter should be circulated to Senior Management.

Financial Procedures

The existing financial procedures for Risk Management and Audit & Inspection are updated to reflect the requirements specified in the Standards and are approved by the Audit Committee. Target Date is December 2013.

External Assessments on the Effectiveness of the Internal Audit Function

The Standard requires external assessments on the effectiveness of the Internal Audit Service to be conducted at least once every 5 years. These assessments must be undertaken by a qualified, independent assessor or an assessor team from outside of the Council.

We are recommended that an external assessment is conducted in 2015. A paper on the process will be brought to a future meeting of the Committee.

Outcome of Quality Assurance

The Head of Internal Audit and Risk Management has developed and maintains a quality assurance and improvement programme for the service including performance measures, supervision and review process and quality assurance to ensure compliance with practice standards.

Currently the outcome of the quality assurance and improvement programme is incorporated in normal operational management activity eg assignment de-brief records, performance appraisals, team briefings and training and development programmes. It is also included in the Internal Audit Annual Report.

The new Standards requires this information to be provided more explicitly to the Audit Committee.

We are recommended that an annual report on the outcome of the Quality Assurance and Improvement Programme is provided to the review group when the effectiveness of the Internal Audit function is assessed.

Other actions:

During the self assessment there were a number of questions posed that whilst didn't result in an improvement as such did identify an action – these are:

- ~ Update audit practice notes to reflect standards as above
- ~ Present the Internal Audit Annual Report to CMT rather than individual Directors
- ~ Review how the Combined Assurance Status Reports are presented to CMT
- ~ Consider if feedback from other stakeholders is required to help inform the appraisal of the Head of Internal Audit and Risk Management ie from the Chairman of the Audit Committee and Chief Executive.
- ~ Awareness session for the team on Counter Fraud, whistleblowing and outcome of the Councils fraud risk assessment
- ~ Review the Internal Audit Strategy in light of the new Standards
- ~ Ensure that the Annual Report 2014 includes information requirements as specified by the Standards
- ~ Undertake archiving exercise in accordance with documentation retention policy
- ~ review audit reports to include a statement that the audit was conducted in accordance with Standards etc

Conclusion

The Review Group are of the opinion that the County Council has an effective system of internal audit.

Consultation

a) Policy Proofing Actions Required

n/a

Background Papers

The following background papers as defined in the Local Government Act 1972 were relied upon in the writing of this report.

Document title	Where the document can be viewed
Public Sector Internal Audit Standards	CIPFA web site.

This report was written by David C Forbes, who can be contacted on 01522 53642 or david.forbes@lincolnshire.gov.uk.



Regulatory and Other Committee

Open Report on behalf of Pete Moore, Executive Director Resources and Community Safety

Report to:	Audit Committee
Date:	23 September 2013
Subject:	Annual Governance Statement 2013

Summary:

The Council has reviewed the effectiveness of its governance framework which has helped to test and gain confidence that our 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 Audit Committee has a key role in the development and approval of the Council's Annual Governance Statement. We have sought the views of the Committee on the areas of concern contained within this statement and whether they accurately reflect the Council's governance and assurance arrangements for 2013.

Recommendation(s):

That the Committee approves the Council's Annual Governance Statement for 2013

Background

What do we mean by Governance?

- 1 Governance is about how local authorities ensure that they are:

'doing the right things, in the right way, for the right people, in an open, honest, inclusive and timely manner'

- 2 It encompasses the systems, processes and culture and values, by which the Council is directed and controlled and through which they account to, engage with, and where appropriate, lead their communities.

What is the Governance Framework?

- 3 Each local authority operates through a governance framework which brings together an underlying set of legislative requirements, governance principles and management processes. It ensures that the Council's business is conducted in a legal and proper way – ensuring that public money is properly used - economically, efficiently and effectively.
- 4 In December 2012, CIPFA¹ issued a revised 'Delivering Good Governance in a Local Government Framework' with associated guidance. These set out best practice to be followed for developing and maintaining a local code of governance – including the publication of an annual governance statement.
- 5 It defines six core principals by which Councils can test out their governance arrangements. These are:
 - Focussing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area
 - Members and officers working together to achieve a common purpose with clearly defined functions and roles
 - Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour
 - Taking informed and transparent decisions which are subject to effective scrutiny and managing risk
 - Developing the capacity and capability of members and officers to be effective
 - Engaging with local people and other stakeholders to ensure robust accountability
- 6 CIPFA has not changed the Framework from the original 2006 publication - however the guidance has been updated to reflect:
 - Changes to structures resulting from the way local government operates and undertake service provision – partnerships, collaboration, commissioning, shared services including shared management teams and chief executives
 - New roles and greater flexibility through the Localism Act and other legalisation
 - Increasing transparency of data
 - Responsibilities for public health
 - Governance requirements to support the role of the Chief Financial Officer and Head of Internal Audit

¹ The Chartered Institute of Public Finance and Accountancy

- 7 It gives greater flexibility in demonstrating compliance but gives greater emphasis on:
- Scrutiny
 - Fraud
 - Maintaining standards
 - Governance of risk

Annual Review of our Governance Framework

- 8 The annual review and development of the Annual Governance Statement is undertaken by the Governance Group in consultation with the Executive Directors. The Council's Governance Group comprising of:
- Chairman and Vice Chairman of the Audit Committee
 - Executive Director – Performance and Governance (Monitoring Officer)
 - Assistant Director – Finance & Resources (Section 151 Officer)
 - Head of Internal Audit and Risk Management
- 9 The sources of information used to develop the Governance Statement include:
- The assurance arrangements of the Council, particularly each Directors Combined Assurance Status reports
 - Head of Internal Audit annual audit opinion (Annual Report 2013)
 - Council's Strategic Risk Register and risk management arrangements
 - External Audit Annual Audit Letter
 - Ombudsman investigations
 - Complaints and lessons learnt
- 10 The Council has well established governance arrangements in place that work effectively. We have benchmarked these against the revised CIPFA best practice Framework and are in the process of updating our local code of governance –the revised code will be presented to the Committee's November meeting.

Governance Issues

- 11 As a result of our annual 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:
- Maintaining Good Governance
 - Workforce and Management Capacity
 - Public Health
 - Adult Care – change of pace and scale
 - Adult Care – safeguarding vulnerable adults
 - Safeguarding Children

- Education and Skills
- Maintaining Financial Resilience
- Procurement and Contract Management
- Becoming a Commissioning Organisation
- Maintaining ICT Resilience

12 These areas are highlighted because of the need for the Council to be realistic and open about those functions and activities which require, or are likely to require, support (including but not limited to financial support) over the next year in order to ensure that they are working effectively and efficiently. This in turn should ensure that any future problems in those areas are averted or at the very least minimised. They also represent some of the key areas that will help us deliver our Business Plan.

See Appendix 1 for more information and planned actions on the above areas.

13 Our governance framework and annual review covers all activities of the Council including Fire and Rescue and Pensions.

Conclusion

The Council has a strong control environment which is demonstrated by the realistic and open assessment of its functions and activities.

Officers have identified a number of governance issues to be included in the Annual Governance Statement. The Audit Committee members have been asked to independently review and approve these for ‘realism’.

Consultation

a) Policy Proofing Actions Required

n/a

Appendices

These are listed below and attached at the back of the report	
Appendix A	Lincolnshire County Council - Annual Governance Statement 31 March 2013

Background Papers

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

This report was written by Lucy Pledge, who can be contacted on 01522 553692 or lucy.pledge@lincolnshire.gov.uk.

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Annual Governance Statement for Lincolnshire County Council 2013

Scope of Responsibility

- 1.1 Lincolnshire County Council is responsible for making sure that its business is conducted in a lawful and proper way. Public money needs to be protected and used economically, efficiently and effectively. We therefore have a duty under the Local Government Act 1999 to secure continuous improvement in the way our role is carried out, having regard to economy, efficiency and the effectiveness of what we do.
- 1.2 As we carry out this overall responsibility, we need to put in place good arrangements to manage our business to effectively deliver services to the people of Lincolnshire. This includes arrangements for the management of any risks we may face.
- 1.3 To help with these responsibilities we have adopted a governance and assurance structure which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. This statement explains how we have followed the code and also meets the requirements of the latest Accounts and Audit Regulations on the publication of a statement of internal control.

2 The purpose of the governance framework

- 2.1 Each local government body operates through a Governance Framework which brings together a set of legislative requirements. Following the framework helps us to ensure accountability for the proper conduct of our business, through the publication of an annual governance statement.
- 2.2 The Framework consists of the systems and processes, cultures and values by which the Council is directed and controlled. It sets out how we account to and engage with the people of Lincolnshire. It's about **Community Leadership**. It helps us monitor our progress in achieving our goals and whether or not those goals are leading to effective and top quality services.
- 2.3 For more information go to: [Audit Committee Records](#)

3 The governance framework

- 3.1 We have put in place assurance arrangements that help us test and gain confidence that the governance framework is operating as intended and that we are:

“doing the right things, in the right way, for the right people, in an open, honest, inclusive and timely manner”

- 3.2 The Executive and senior managers have approved the governance framework and they have accepted responsibility for its implementation.
- 3.3 A governance group is in place that is responsible for monitoring the framework’s effectiveness and to make sure that any concerns raised during the year are acted upon.
- 3.4 Through the Audit Committee, elected Members oversee our financial processes, audit and risk management including the effectiveness of the corporate governance framework.
- 3.5 Our Governance Framework is defined by the six principles of good governance as shown below:
- 3.6 **Engaging with local people to raise the profile of the Council and demonstrate public accountability.**
- We continue to put the public first in how we work, looking and seeking their views to help determine decisions on how we use public money, demonstrating clear accountability to the public. [The Constitution](#) gives clarity to all staff and the community to whom we are accountable and what for.
 - Clear communication and consultation is in place with all sections of the community and operates effectively. The outcomes of inspections are published on our website <http://www.lincolnshire.gov.uk/>

- We have responded to the requirements to deliver significant funding reductions and continue to deliver a high quality of service by reviewing how we manage ourselves and provide services to the citizens of Lincolnshire.
- We comply with the transparency initiative promoted by Government and publish details of relevant salaries and expenses together with all payments of £500 or more.

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

- Our [Organisational Strategy](#) sets out the principles upon which our future development of services and operations should be based.
- We communicate the vision and purpose of the authority to the public by setting out our objectives and priorities for the year within our [Business Plan](#).
- We make sure the public receive high quality services by measuring our success and publically reporting our overall financial position in our [Statement of Accounts](#). We continually seek to provide world class customer service learning from what our customers tell us as shown by our [Community Engagement Strategy](#) and our [Customer Service Charter](#).
- We will continue to make sure the Council delivers excellent value for money as we review our [Financial Strategy](#), setting

out how we will respond to the economic challenges we are facing whilst ensuring top rate services.

3.8 **Members and officers working together to achieve a shared purpose and being clear about roles and responsibilities**

- We make roles and responsibilities within the Council clear to ensure effective leadership by showing how the Council operates and how decisions are made to make sure we are accountable to local people. The following all help us to achieve this:
 - [The Constitution](#)
 - [Code of Conduct](#)
 - [Codes and Protocols](#)
- Roles of staff are set out in our [Employment manual](#) along with conditions of employment including [Members Allowance](#) in order to make sure that strong working relationships exist between elected Members and Officers.
- Ensuring that relationships between the authority and the public are clear is vital to us and helps us to establish what to expect from each other. In order to do this we open [Council Meetings](#) to the public and effectively monitor the way services are delivered as shown in the [Role of Monitoring Officer](#). The Council also has a [Consultation Strategy](#) which we use to ensure that the Council's vision, aims and priorities are carried out in consultation with the public.

3.9 **Demonstrating the values of the Council through excellent standards of conduct and behaviour**

- We have a commitment to making sure that both our Members and officers display the highest possible standards of behaviour and conduct. A [Code of Conduct](#) has been adopted for Members and officers to ensure and promote good conduct.
- We are dedicated to promoting a strong culture to prevent and detect fraud. This is supported by our [Counter Fraud Policy](#) and our [Whistleblowing Policy](#).
- If for any reason someone feels that the Council has failed to do something that should have been done or has done something badly or feel that they have been treated unfairly we have a [Complaints Policy](#) to proactively deal with complaints and learn from our mistakes.

3.10 **Taking informed transparent decisions and demonstrating clear accountability**

- As a local authority we must be clear about how decisions are taken and also listen and act upon constructive scrutiny. The Audit Committee was established in 2006. It promotes and maintains high standards of good governance including making sure an adequate risk management and control environment exist and that financial performance and accounting is properly and lawfully monitored. Reports and minutes of the Audit Committee meetings are available on [Audit Committee Records](#)

- Our [Overview and Scrutiny](#) Management Committee exists to review and scrutinise any decision made by the Executive, Executive Councillor or key decision made by an officer. It examines the County Council's overall performance and advises our Overview and Scrutiny Committees of any areas of performance requiring detailed consideration.
- The Executive Director – Performance and Governance is the designated Monitoring Officer with responsibility for ensuring the lawfulness of decisions taken by us as detailed in the [Constitution Part 3](#).
- The Executive Director – Resources and Community Safety leads and directs the Financial Strategy of the Council. They are a member of the Councils' Management Board and have a key responsibility to ensure that the Council controls and manages its money well. They are able to operate effectively and perform their core duties - complying with the CIPFA Statement on the role of the Chief Financial Officer.
- Risk Management is about taking measured risks when making decisions or where we need to encourage innovation in times of major change. This will put us in a stronger position to deliver our goals and provide excellent services. Our risk management process is well established in the way we work. The Audit Committee is responsible for reviewing how effective our risk management procedures are. Our Strategic Risk Register is regularly reviewed and more details can be found in our [Risk Management Strategy](#)

3.11 **Developing the capability of members and officers to be effective in their work**

- Making sure that members and officers have the skills, training, experience and support to perform well is one of our key priorities. Our [People Strategy](#) helps us to achieve this. The People Strategy is one of our most important strategies as it helps us to effectively engage with our staff and ensure their commitment to achieving our vision, aims and values.
- We ensure that the skills required by Members and staff are assessed and developed to enable roles to be carried out more effectively through our [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 of our commitment as an employer that achieves the most by getting the best from its people we attained the [Investors in People](#) bronze award
- The Council regularly reviews its [constitution](#) and [financial regulations](#) to ensure members and staff are aware of what is expected of them and that they remain fit for purpose.

4 Review of Effectiveness

4.1 The County Council¹ undertakes an annual review of how effective its governance framework is. This is informed by:

- Executive managers
- Head of Internal Audit's annual report
- Strategic Risk Management arrangements
- Combined Assurance Model and status reports
- Comments made by external auditors and other agencies.

5 Our Assurance Arrangements

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

5.1 Corporate Governance Group

The Corporate Governance Officer group was set up to help ensure the Council adopts good governance in running its business and making sure we are:

'doing the right things, in the right way, for the right people, in an open, honest, inclusive and timely manner'.

¹ Includes the Fire and Rescue function and Local Government Pension Arrangements administered by the Council

5.2 Internal Audit

Internal Audit provides independent assurance designed to add value and improve how the Council operates. It helps the Council achieve its priorities and objectives by bringing a systematic and disciplined approach to evaluate and improve the management of risk, control and governance processes. It provides constructive and independent challenge to management on the way things are done.

We undertake an annual review of the effectiveness of our Internal Audit service ensuring it is compliant with the appropriate professional standards and CIPFA's statement on the role of the Head of Internal Audit in public service organisations.

5.3 External Audit

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

KPMG, our External Auditors, audit our financial statements and provide an opinion on these.

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

5.4 Audit Committee

The Audit Committee is a vital group that oversees and promotes good governance, ensures accountability and

reviews the way things are done. The Audit Committee examines areas such as audit, risk management, counter fraud and financial accountability. The Committee exists to challenge the way things are being done, making sure the right processes are in place. It works closely with our Internal Audit team.

Our External Auditors attend Audit Committee meetings. At least once a year a private meeting is held with them to help provide the Audit Committee with independent insight on key issues facing the Council and how well its governance arrangements are working.

We have appointed a non-elected member to the Committee. The ability of an independent member to offer different perspectives and constructive suggestions will improve the way we work. For more information go to: [Audit Committee Records](#)

5.5 Risk Management

Good risk management is part of the way we work. Our strategic risk management team supports management to help them take measured risks and create an environment of 'no surprises'.

For more information go to: [Risk Management Strategy](#)

5.6 Performance Management and Data Quality

The Council is committed to continuously improving the way we work and the services we provide for the people of

Lincolnshire. Each year we set out plans for improvement in the Council's Business Plan, Statement of Accounts and Annual Report.

For more information go to: [Performance](#)

6 Governance Issues

The following areas have been identified where further work is required to improve systems or monitor how the key risks facing the Council are being managed:

Governance Issue	Lead Officer(s)	Key Delivery Milestones	Implementation Date
Maintaining Good Governance			
<p>The May 2013 county council election has returned a council with very different makeup to recent years with just over half new to the county council (many with no experience as a councillor) and a change of more than half in the membership of the Executive. This could bring positives in terms of new insights but also has the potential for negatives as those councillors may not fully understand the council's governance arrangements.</p> <p>The changed political landscape will require more support from senior managers in terms of briefings etc.</p> <p>Many senior managers are relatively new in post following the Managing Workforce Change programme.</p>	David O'Connor	<p>Extensive induction programme for new councillors after the election with good feedback but will need to continue. Most committees have additional training identified.</p> <p>New Executive and Management Board have spent several informal sessions together reviewing and confirming current direction.</p> <p>Combined impact of the reducing government grant is being addressed by our budget and focus on commissioning which will result in confirmed or altered council priorities.</p> <p>Senior Leadership Programme as part of Workforce and Management Capacity (below) with initial very positive feedback</p>	<p>Completed</p> <p>In progress as needed</p> <p>Completed See Commissioning below</p> <p>See below</p>
Workforce and Management Capacity			
Rapidly changing environment will require a more agile workforce.	David O'Connor	New People Strategy designed and approved last year with detailed implementation plan is a council priority programme	Strategy 2012-2015 (currently on track)

Governance Issue	Lead Officer(s)	Key Delivery Milestones	Implementation Date
Reduced workforce means we must focus on value adding activity.		Many Human Resources processes have been reviewed. Future Delivery of Support Services programme will deliver new Enterprise Resource Planning (ERP) tools that will make financial and people management processes more efficient.	Tied in with Future Delivery of Support Services. Current ERP replacement estimated to take place 04/14 to 03/15
Public Health			
<p>New public health functions became the responsibility of the Council from April 2013.</p> <p>Services, staff and contracts transferred from local and national NHS bodies. The transition plan has been successfully delivered but the Council must integrate these new functions at both a strategic and delivery level. The change will inevitably mean cultural change for staff and service redesign.</p>	<p>Tony Hill</p> <p>PHDMT</p> <p>Tony McGinty</p> <p>Isabel Perez</p> <p>Teresa Roche Tony McGinty</p> <p>Tony McGinty</p> <p>Tony McGinty</p> <p>Tony Hill</p>	<p>Implement extended induction programmes for all incoming staff.</p> <p>Agree 'Unwritten Ground Rules' Frameworks for the integrated team.</p> <p>Transition project close down, including staff engagement representatives.</p> <p>Develop integrated continuing professional development programme.</p> <p>Induction programmes for new members and scrutiny committees.</p> <p>Agree programme of Public Health Service Reviews with Executive and Corporate Management Board.</p> <p>Review clusters of service users with full involvement of internal stakeholders.</p> <p>Present recommendations for service change and integration to Corporate Management Board and Executive.</p>	<p>August 2013 completion</p> <p>June 2013</p> <p>July 2013</p> <p>June 2013</p> <p>June and July 2013</p> <p>July 2013</p> <p>July 2013</p> <p>September 2013 onwards</p>

Governance Issue	Lead Officer(s)	Key Delivery Milestones	Implementation Date
Adult Care			
<p>Change of pace and scale The scale and pace of change in Adult Care is pronounced and unlikely to change in the medium term. Notwithstanding the transformation required our primary purpose is to work with the most vulnerable adults in our communities, to help them achieve more, stay at home and keep them safe from abuse. We understand the value of working together with the people who need our advice and support, their families, their wider community, statutory partners and organisations providing support. The resources we have including our people and money will be directed to achieving this.</p> <p>Our 5 priorities for 2013/14 are:</p> <ol style="list-style-type: none"> 1. A balanced budget out-turn 2. Improved performance 3. Integration with Health 4. Established plans for the delivery of key elements of Adult Care transformation 5. A set of quality indicators <p>We have also strengthened our programme management arrangements to help ensure all developments and changes are successfully managed.</p>	Glen Garrod/Senior Management Team	<p>Adult Care continues to face a substantial change programme grouped here into 3 headings. Each has relevance to the 5 priorities identified.</p> <ol style="list-style-type: none"> 1. A Transformation Programme for all major projects. This programme is developing a new blueprint for the department. 2. Integration with Health – reflecting the national policy context for Adult Care with NHS partners in Lincolnshire. 3. Adult Care performance and quality improvement. 	<p>October 2013</p> <p>October 2013</p> <p>March 2014 (mid-year review September 2013)</p>

Governance Issue	Lead Officer(s)	Key Delivery Milestones	Implementation Date
Adult Care			
<p>Safeguarding Vulnerable Adults Safeguarding Adults is being placed on a similar statutory footing to that which exists for Children. The work to safeguard vulnerable adults is evolving quickly and is expected to be given more policy direction once the Care and Support Bill becomes enacted (currently before Parliament).</p> <p>The pre-existing Safeguarding Adult Board is chaired by an independent person and has commenced a programme to strengthen its assurance and governance framework.</p>	Glen Garrod/ Elaine Baylis (Independent Chairperson)	<p>Several developments are taking place to enhance the safeguarding work for adults (examples are):</p> <ol style="list-style-type: none"> 1. A dedicated training plan for improving practice across all agencies is being organised for 2013/14 and 2014/15. 2. Improved assurance and governance framework. 	<p>September 2013</p> <p>To be agreed</p>
Children Services			
<p>Safeguarding Children</p> <ul style="list-style-type: none"> • Keeping children safe and protected. • Responding to the family Justice reforms and meeting new timescales regarding adoption. • Transforming early intervention services to prevent raising demand in specialist services. 	Debbie Barnes	<p>Adopt Signs of Safety as risk identification and management tool.</p> <p>Establish a MASH (Multi agency information sharing hub).</p> <p>Programme to recruit, assess and support potential adopters and foster carers.</p> <p>Integrated working with Health through "Making it happen for every family" project.</p>	<p>Dec 13</p> <p>Business case Dec 13</p> <p>Dec 13</p> <p>Phase 1 to be implemented Sept 13 / Phase 2 Dec 13</p>

Governance Issue	Lead Officer(s)	Key Delivery Milestones	Implementation Date
		<p>Families Working Together Programme to turn around the lives of families in crisis</p> <p>Pilot Authority for Public Law Proceedings to assist with family Justice Reforms</p>	<p>Phase 1 July 13 with expansion in line with Government guidance Dec 14</p> <p>Start Date Sept 13</p>
<p>Education and Skills</p> <ul style="list-style-type: none"> • Responding to school funding reforms whilst supporting small schools to be sustainable. • Responding to the new legislative framework which will govern support for children with additional needs. • Transforming school support services due to academy changes. • Sufficiency of places. • Driving school improvement for academies. 	Debbie Barnes	<p>Support Primary Collaborations project to encourage schools to work together.</p> <p>Project Board established and project plan completed to enable services to respond to "Support and Aspiration.</p> <p>Education Support Services transformed to enable a commercial offering for schools.</p> <p>Capital programme to meet sufficiency of school places.</p> <p>Replacement guidance for schools causing concern which is applicable to Academies to be developed and agreed with schools.</p>	<p>Project ongoing – full evaluation to be completed Sept 13</p> <p>Compliance with new guidance March 14</p> <p>March 14 services to be self sustaining</p> <p>Review Dec 13</p> <p>Sept 13</p>
Maintaining Financial Resilience			
Overall services showed an under-spending which will allow some carry forward flexibility into the current year, together with an increase in reserves to meet pressures	Pete Moore	The financial outturn for 2012/13 was considered by the Council's Executive and the VFM Scrutiny Committee during July. Carry forward budget proposals will be confirmed at the full Council	Outturn considered by Executive and Scrutiny in July 2013. Carry forwards to be

Governance Issue	Lead Officer(s)	Key Delivery Milestones	Implementation Date
<p>in 2014/15.</p> <p>Against the current core offer savings target of £146m by March 2015, £102m has already be achieved and a further £20m is already being actioned and classified predominantly as lower risk.</p> <p>A further £24m is classified as higher risk either because action has only just started or plans or still in formulation. The key higher risk areas are around:</p> <ul style="list-style-type: none"> • waste management (the energy from waste plant has still to come on-stream to reduce waste to landfill and reduction in associated taxes) • adult social care where work on reablement, joint commissioning, learning disabilities and the social care blueprint have still to be actioned to reduce costs in 2014/15. <p>These programmes of work will need careful management and monitoring.</p> <p>A one year Comprehensive Spending Review for 2015/16 was published on 26 June 2013 and it implies reductions in Government support to local authorities of close to 15% in 2015/16.</p>		<p>meeting in September.</p> <p>The Council's medium term financial strategy will be updated following that announcement and this will feed into future budget processes.</p> <p>It is expected that a further 3 or 4 year Comprehensive Spending Review will follow the next general election and that the reductions in local government funding will continue possibly until 2020. The Council will be planning for this scenario and the work on a 'Commissioning Council' will assist in determining the desired outcomes and priorities within the likely financial resources available.</p> <p>Consideration of council priorities and budgets as part of the annual budget processes for March 2014 and March 2015. A fundamental budget review will be undertaken over the next 12 months to cover the period from 2015/16 to 2018/19.</p> <p>Monitoring and management of remaining core offer savings through to March 2014.</p>	<p>confirmed in September 2013.</p> <p>Update of medium term financial model following Comprehensive Spending Review announcement on 26 June 2013.</p>
Procurement and Contract Management			
The Council recognises that it needs to manage its procurement and contracts	Pete Moore / David O'Connor	Significant work has been done to strengthen contract compliance in Adult Social Care. Contract	Some actions already complete and others

Governance Issue	Lead Officer(s)	Key Delivery Milestones	Implementation Date
<p>better if we are to deliver effective services for the future within significant funding constraints.</p> <p>Work is underway to strengthen our management oversight and rigour over our commercial relationships.</p> <p>Our commissioning strategy aims to influence and support sustainability and resilience of our providers – suppliers, partnerships and voluntary sector.</p>		<p>officers have worked with the Quality and Safeguarding teams to develop more robust contract management protocol which sets out roles and responsibilities for staff in Adult Social Care. Adult Social Care contract officers are going through a comprehensive training programme and this should be complete by the end of June 2013.</p> <p>To support the contract compliance for all Council contracts a contract management toolkit is being piloted in two areas and if successful will be rolled out to all areas of the Council over the next 12 months.</p> <p>A new Contract Assurance Board will meet for the first time on the 26 June 2013. The role of the Board is to provide assurance that proposed contracts are consistent with the direction, aims and priorities of the Council and are properly resourced and managed. Contracts with a total value of over £500k or over a 2 year duration will be initially reviewed.</p> <p>All contracts above a value of £25k are recorded on a single electronic platform, Firefly. The only exception to this is that home to school transport contracts are managed via a separate system (SEATS).</p> <p>Training has been undertaken by staff in the operation of the procurement and contract systems to ensure they are used effectively.</p>	<p>will be ongoing over the next 12 months. Periodic updates on progress and feedback on effectiveness will be brought to the Audit Committee.</p>

Governance Issue	Lead Officer(s)	Key Delivery Milestones	Implementation Date
Becoming a Commissioning Organisation			
<p>The Council has expressed an intention to 'become a commissioning council'.</p> <p>As a Commissioning Council we will achieve desired balance of quality, cost and risk by:</p> <ul style="list-style-type: none"> • Consistently making decisions based on evidence of needs and political priorities. • Working with partners to get the best results. • Focusing on outcomes for people and places. • Using the best means of delivering those outcomes, whether that is inside or outside the Council. • Holding all service providers to account with appropriate rigour. <p>This will help us maximise the benefits from available resources through joint commissioning with partners in a context of reduced resources.</p>	Pete Moore / David O'Connor	<p>The 'Commissioning Council' approach will be progressed during the latter half of 2013 and the first half of 2014.</p> <p>This will enable the Council to focus more readily on its key outcomes and priorities for the future and to ensure that the Council has the key skills to commission and procure its services as effectively as possible, whether that be internally or externally via the private sector, voluntary sector or jointly with key partners such as Health.</p> <p>This will be linked to the update of the Council's financial model following the expected Comprehensive Spending Review announcement on 26 June 2013.</p>	Linked to business plan and budget process for 2014/15 i.e. March 2014, although some commissioning policies may follow to fit into joint commissioning with other organisations and contract renewal dates.
Maintaining ICT Resilience			
<p>Whilst Council systems are more resilient than ever before they are delivered from a single data centre.</p> <p>Where possible new applications are</p>	David O'Connor	<p>Capital funding provided for new centre but could be overtaken by Future Delivery of Support Services (FDSS) with all current bidders having multiple suitable data centres.</p> <p>Continue this approach where effective.</p>	<p>Decision on direction during late 2013-14 as part of FDSS.</p> <p>As opportunities arise.</p>

Governance Issue	Lead Officer(s)	Key Delivery Milestones	Implementation Date
hosted remotely or provided via software as a service. Improved network security as a result of Public Service Network (PSN) introduction.		Achieve PSN Code of Connection compliance	September 2013

Conclusion

We are satisfied that plans are in place that will address the areas identified above and will monitor their implementation and operation as part of performance management. The Audit Committee will help provide us with independent assurance during the year.

Signed

..... Date/...../.....
**Director of Resources and
Community Safety**

..... Date/...../.....
Chief Executive

..... Date/...../.....
Leader of the Council

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Regulatory and Other Committee

Open Report on behalf of Pete Moore, Executive Director Resources and Community Safety

Report to:	Audit Committee
Date:	23 September 2013
Subject:	Work Plan

Summary:

This Report provides the Committee with information on progress on agreed actions and its work plan up to November 2013.

Recommendation(s):

1. Review the progress of agreed actions in Appendix A, and
2. Review the work plan set out in Appendix B and identify any changes.
3. Review the response to Audit Committee 24th June 13 following a question concerning the Business Continuity Management arrangements for Cross Keys Swing Bridge.

Background

1.1 An agreed action plan has been pulled together to help the Committee keep track of actions agreed during meetings or workshop (see Appendix A).

1.2 The work plan helps the Committee monitor its work programme and keep track of areas it requires further work and/or assurance. (see Appendix B).

Conclusion

2.1 The work plan helps the Committee monitor its work programme and keep track of areas it requires further work and/or assurance.

Consultation

a) Policy Proofing Actions Required

n/a

Appendices

These are listed below and attached at the back of the report	
Appendix A	Agreed Actions
Appendix B	Work Plan to November 2013
Appendix C	Business Continuity Management Arrangements for Cross Keys Swing Bridge

Background Papers

The following background papers as defined in the Local Government Act 1972 were relied upon in the writing of this report.

Document title	Where the document can be viewed
N/A	

This report was written by Lucy Pledge, who can be contacted on 01522 553692 or lucy.pledge@lincolnshire.gov.uk.

Agreed Action	Person Responsible	Target Date	Outcome / Progress
Briefing papers occasionally for Programme Centre : <ul style="list-style-type: none"> • Risk Management • Key projects and support areas 	-	-	Keep on work plan as reminder
ICT Assurance and follow up	Judith Hetherington Smith	September 2013	
External & Internal Audit Protocol developed that clarifies expectations and makes the best use of the combined Audit resource	Lucy Pledge	September 2013	
Schools update	Julie Castledine	tbc	
Assurance Sutton Bridge continuity arrangements (Appendix C)	Derek McKim	September 2013	
Assurance Flooding responsibilities: <ul style="list-style-type: none"> • Working with partner organisation • Feedback from the Flooding 2012 investigations 	David Powell	tbc	

Completed Actions			
Additional data re ASC be brought to future meeting	Glen Garrod	July 2013	Completed
Fire & Rescue Fuel Audit	Dave Ramscar	July 2013	We confirm that recommended actions have been implemented <ul style="list-style-type: none"> • Regular checks on fuel stocks against journey logs. Queries about the logs to go to LFR's Management Board. • Standardised and improved record keeping. • Regular reminders to staff to log journeys and produce receipts. Audits by Lincolnshire County Council's internal audit

		Training am Meeting pm	0930 Pre Meeting	0930 Pre Meeting
22 nd April 2013	24 th June 2013	22 nd July 2013	23 rd September 2013	11 th November 2013
1. Internal Audit Progress Report	1. Business Continuity Assurance Report	1. Internal Audit Progress Report	1. Progress of Counter Fraud Plan	1. Internal Audit Progress Report
2. External Audit Progress Report	2. Schools Financial Control Environment	2. External Audit Progress Report	2. Whistleblowing Annual Report	2. Analysis of outstanding high recommendations
3. Risk Management Update	3. Counter Fraud Annual Report	3. Draft Statement of Accounts 2013/13	3. ICT Assurance and follow up	3. Half yearly Programme on Risk Management
4. Counter Fraud Update	4. Internal Audit Annual Report	4. Adult Social Care Update	4. External Audit Annual Governance Report on LCC's Statement of Accounts & LCC Pension Fund Accounts for 2012/13	4. Programme on Risk Management
5. Internal Audit Plan 2013/14		5. Review of Governance Framework & Development of Annual Governance Statement 2013	5. Statement of Accounts for LCC for the year ended 31 March 2013	5. Annual Audit Letter
6. Counter Fraud Annual Plan 2013/14			6. Annual Review of the system of Internal Audit including: <ul style="list-style-type: none"> • Internal Audit Charter • External & Internal Protocol 	6. Private meeting with External Audit
7. International Audit Standards – Response to management processes questions			7. Annual Governance Statement 2013	7. Financial Procedures <ul style="list-style-type: none"> • Audit & Inspection • Risk Management
8. External Audit Plan				
9. Statement of Accounts 2012/13				

Response to Audit Committee on 24th June 2013, following a question concerning the Business Continuity Management arrangements for Cross Keys Swing Bridge.

CROSS KEYS SWING BRIDGE – ASSURANCE

There are two general sources of risk to the continuation of service from the Cross Keys Swing Bridge. Both are taken into account in the Technical Services Partnership's (TSP) recently updated Business Continuity Plan (BCP), which does state that keeping the A17 open (as opposed to the river navigation) is the priority in the event of an incident.

1. Lack of availability of the regular operators (e.g. due to industrial action or endemic illness)

In this scenario, if all contingencies fail, the fall-back position is to keep the A17 open to traffic; however, if this causes delay to commercial shipping, there is a risk of consequential delay costs to shipping running into tens of thousands of pounds.

Earlier this year an industrial dispute led to strike action by the operators for a total of sixteen days over two strikes. Contingency plans allowed for the continued operation of the bridge. Having been fully tested in this scenario, these plans have been formalised in a Contingency Operating Guide containing a Method Statement, Risk Assessment, Operating Guide, list of Authorised Contingency Operators and Useful Contacts. This document is referred to in TSP's BCP and will be kept with it, as well as being held by the Authorised Contingency Operators.

The bridge was successfully operated a number of times during the industrial action and good relationships were established with the Harbour Master, the Port of Wisbech and Sutton Bridge Port.

The specialist term maintenance contract for the bridge is due for renewal. As a further action, it is proposed that as part of the tender process, potential new contractors will be required to provide prices for the supply of relief operators, which would further increase resilience in this area.

2. Failure of mechanical, hydraulic or electrical systems

Again, if all contingencies fail, the fall-back position is to keep the A17 open to traffic; in this case legal advice is that if the failure prevents the bridge from opening the cost of any delays to commercial shipping (not being wilfully instigated by the County Council) would sit with the shipping operators or the Port.

The bridge is an (almost) unique 116 year old listed structure; as such its serviceability relies on routine and non-routine maintenance and monitoring as well as a high degree of specialist historic knowledge held both by the regular operators and the term contractor. In order to capture this knowledge and in readiness for the renewal of the term maintenance contract, the standard operating and maintenance manuals are being updated. The main contingency that is in place is the 24 hour availability of the term contractor to respond to any failure, pulling on further specialist sub-contractors where necessary. The application of their knowledge should allow at least temporary fixes to be put in place to permit the A17 to be kept open, even if the river navigation is made unavailable.

A set of circumstances in November 2012 led to a mechanical incident, resulting in the bridge not being able to be opened. This provided a real test of the term contractor's ability to respond to a

real incident, which they successfully did. Although two ships were delayed as a result, there was no disruption to the A17.

A recent emergency replacement of a bridge jack needed an emergency overnight closure of the A17. This highlighted the need for a more robust emergency diversion route signing system in case of failure of the bridge, and therefore the implementation of a permanent signing scheme based on drop-down signs and symbols is being investigated.

John Monk, Consultancy Services Manager, TSP, July 2013

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