

# Lincolnshire County Council

## Statement of Accounts 2009/10

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# Statement of Accounts 2009/10

## Explanatory Foreword

### Introduction to the Accounts

#### 1 Introduction

The Statement of Accounts for the year 2009/10 are set out on pages 2 to 101. The purpose of the published Statements of Accounts is to give electors, local taxpayers, Members of the Council and other interested parties clear information about the Council's finances.

The Code of Practice on Local Authority Accounting in the United Kingdom 2009 has this year introduced further statutory changes to the format of the Statement of Accounts. The main changes relate to accounting for private finance initiatives (PFI) (see Accounting Policies note 15 on page 18 and disclosure note 5a on page 29 and note 22 on page 45); and accounting for the Council's share of collection fund debtors and creditors (see disclosure note 5b on page 30 and notes 26 and 27 on page 51). The Council has also revised its depreciation policy for infrastructure assets to reflect the useful economic life of these assets (see Accounting Policies note 2d on page 13).

#### 2 The Statements

**The Explanatory Foreword** provides a general introduction to the accounts. It contains a review of the Council's financial activities during the period 1 April 2009 to 31 March 2010.

**The Statement of Accounting Policies** state the principles and practices applied that specify how the effects of transactions are reflected in the statement of accounts.

**The Income and Expenditure Account** identifies income received and expenditure spent on all of the Council's functions during 2009/10.

**The Statement of Movement on the General Fund** summarises the differences between the Deficit/Surplus on the Income and Expenditure Account and the General Fund for the year 2009/10.

**The Statement of Total Recognised Gains and Losses** brings together all the gains and losses of the Council for the year 2009/10 and shows the aggregate increase or reduction in its net worth.

**The Balance Sheet** sets out the financial position of the Council as at 31 March 2010.

**The Cash Flow Statement** summarises the movement of the Council's cash balances arising from transactions with third parties during the year.

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

**The Statement of Responsibilities for the Statement of Accounts** details the financial responsibilities of the Council, the Chairman of the Council and the Executive Director - Resources and Community Safety.

**The Governance Statement** 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.

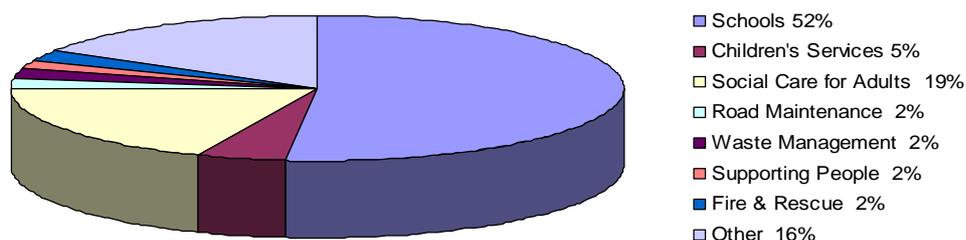
**The Audit Opinion** contains the External Auditor's report and opinion on the accounts.

# A review of financial performance in 2009/10 by the Executive Director - Resources and Community Safety

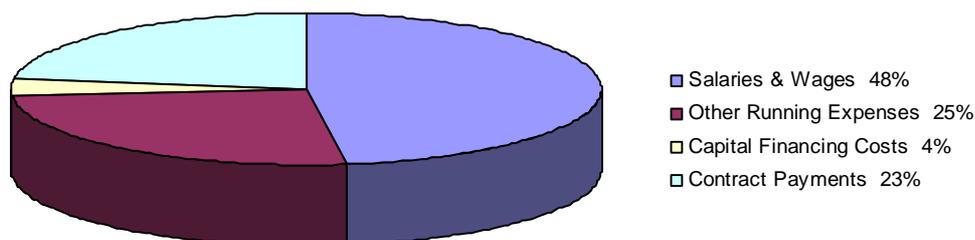
## Annual spending

The Council spent £1,198.8 million in 2009/10 in providing public services - £1,660 for every person in Lincolnshire.

The charts below show how this was spent both by type of service provided and by type of expenditure



Other services include transportation, planning, and economic regeneration, libraries and other cultural services.



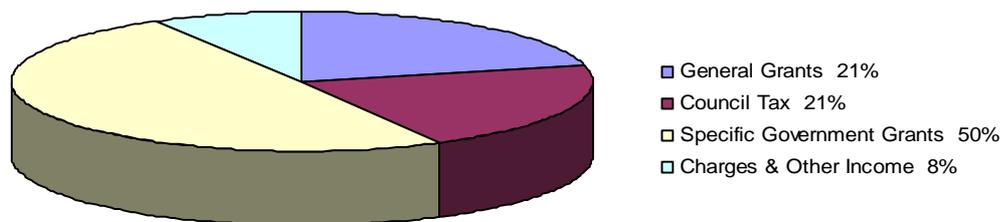
Other running expenses include premises and transport costs and the purchase of supplies and services.

The distribution of expenditure by type differs significantly between different services. For example, salaries and wages comprises 74% of expenditure for schools. For services other than schools, salaries and wages comprises 28% of expenditure and contract payments comprises 40% of total expenditure.

Responsibility for the Enterprise Development service was transferred to the Council from 1 April 2009. This added £7.809 million to the Council's expenditure for the year.

## Annual income

The Council's income in 2009/10 came from the following sources:



The level of council tax remained one of the lowest in the country with only two of the thirty four English counties setting a lower tax.

The Council attracted £36.4 million of external funding in competition with other bidders across the country.

Government grants increased by 2.0% more than the county average and there should be continuing gains to the Council in future years.

## Revenue budget outturn 2009/10

Total service budgets, excluding schools, were underspent by £2.0m or 0.4%. School budgets were underspent by £19.1 million.

There was an underspending on other budgets of £6.0 million reflecting a number of factors including an underspending on new development funding.

The outturn of expenditure in 2009/10 compared with the budgets approved by the Council is summarised in the table below:

	Final Budget £'000	Final Outturn £'000	Under/Over Spending £'000	Under/Over Spending %
Children's Services	100,308	99,563	-745	-0.74%
Social Care for Adults	139,881	143,625	3,744	2.68%
Road Maintenance	23,789	24,723	934	3.93%
Fire and Rescue	23,685	24,144	459	1.94%
Waste Management	21,493	20,536	-957	-4.45%
Supporting People	19,970	19,620	-350	-1.75%
Other Service Budgets	115,606	110,568	-5,038	-4.36%
<b>Total Service Budgets</b>	<b>444,732</b>	<b>442,779</b>	<b>-1,953</b>	<b>-0.44%</b>
Gross Expenditure on Schools	381,532	362,390	-19,142	-5.02%
Dedicated Schools Grant	-366,890	-366,923	-33	0.01%
Other Budgets-Capital Financing Costs	41,890	40,128	-1,762	-4.21%
Other Budgets-Other	-56,611	-60,305	-3,694	6.53%
<b>TOTAL EXPENDITURE</b>	<b>444,653</b>	<b>418,069</b>	<b>-26,584</b>	<b>-5.98%</b>

Other service budgets include Corporate Services, Cultural Services, Safer Communities, Planning and Development and Economic Regeneration.

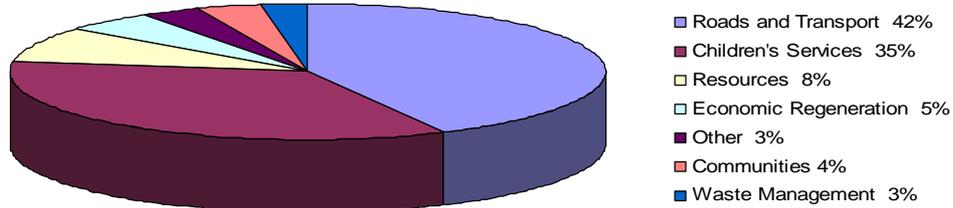
## Reconciliation to Net Cost of Services in the Income and Expenditure Account

	£'000
<b>Total Expenditure - Cost of Services</b>	<b>418,069</b>
Add: amounts included in the Net Cost of Services not reported to management	140,710
Less: amounts reported to management not included within the Net Cost of Services	-68,645
<b>Net Cost of Services in the Income and Expenditure Account</b>	<b>490,134</b>

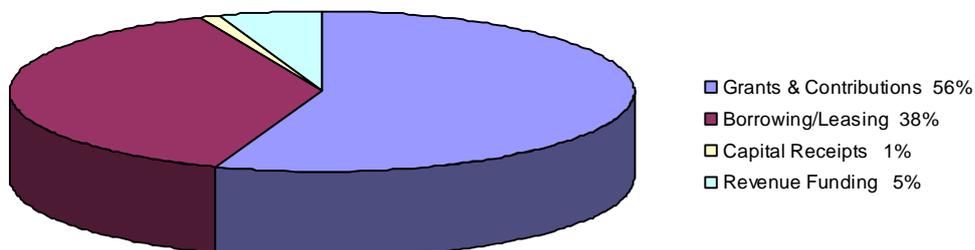
Further information on revenue budget spending and outturns can be found in the Review of Financial Performance 2009/10 which is available by ringing the number shown on the back cover of these statements.

## Investment in major projects

The Council invested £182.4 million in the county's assets, in particular in roads and schools.



Over half of the funding for this came from grants and contributions from other bodies. Long term borrowing by the Council provided the other main source of funding.



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 repayment of debt plus interest are no more than 5.0% of the Council's annual income: the figure for 2009/10 was 4.1%.

£1.9 million was raised through the sale of surplus land and property to help fund new investments. The depressed property market meant that it was not possible in 2009/10 to achieve the Council's target of generating at least £2.0 million each year through these sales.

## Capital budget outturn 2009/10

Net capital expenditure was £77.1 million which was 10.9% less than the budget. The outturn of expenditure in 2009/10 compared with the budgets approved by the Council is summarised in the table below:

	<b>Final Budget £'000</b>	<b>Final Outturn £'000</b>	<b>Under/Over Spending £'000</b>	<b>Under/Over Spending %</b>
Highways and Transportation	41,712	37,127	-4,585	-10.99%
Economic Development and Tourism	8,285	6,839	-1,446	-17.45%
Environmental, Planning & Transport	2,200	4,693	2,493	113.32%
Children's Services	11,930	8,065	-3,865	-32.40%
Community Services	1,900	1,650	-250	-13.16%
Resources	8,356	5,919	-2,437	-29.16%
I.T. Related	8,165	10,521	2,356	28.85%
Culture and Adult Education	2,556	2,298	-258	-10.09%
Other Programmes	1,451	0	-1,451	-100.00%
<b>TOTAL NET PROGRAMME</b>	<b>86,555</b>	<b>77,112</b>	<b>-9,443</b>	<b>-10.91%</b>

## Financial health and performance

Spending on services during 2009/10 was within budget.

School budgets, which are largely managed locally by school governors and staff, were underspent by some £19.1 million or 5.0%.

The Council secured substantial cash efficiency savings. Although final figures were not yet available when this report was prepared, it was projected that target savings have been achieved.

£6.9 million of savings were reallocated to help develop priority services.

The Council maintains general reserves as a contingency against unexpected events or emergencies. The Council sets itself a target, based on a financial risk assessment, of maintaining these reserves within a range of 2.5% to 3.5% of its total budget. The Council's general reserves at 31 March 2010 were £14.9 million or 3.4% of the total budget i.e. at the maximum of the target range.

In addition, the Council maintains a number of other reserves earmarked for specific purposes. In total, these earmarked reserves amount to £62.9 million (see note 31e).

The Council's external auditor has published an annual assessment on the Council's use of resources, including how well the Council manages its finances. The auditor opinion in relation to 2008/09, published in February 2010 was that, overall, the Council was "performing well" in the use of resources.

## Future revenue and capital budgets and future financing

The need for the government to reduce the public sector borrowing requirement is likely to impact significantly, with reduced levels of government funding to the Council. The Council's budget for 2010/11 took into account the projected recession when it approved its budgets in February 2010. This, together with a prudent level of reserves, means that the Council has a sound financial base from which to manage the challenges of a difficult medium to longer term outlook for public sector finances. The Council will be reviewing its budgets during 2010 to ensure that its plans for future years are realistic.

### Revenue Budget 2010/2011 and Forecasts for 2011/2012 and 2012/2013

	2010/11 £'000	2011/12 £'000	2012/13 £'000
Children's Services	98,315	97,719	99,372
Social Care for Adults	140,079	138,755	139,732
Road Maintenance	33,673	34,322	34,843
Fire and Rescue	23,109	22,203	22,646
Waste Management	23,026	24,848	27,191
Supporting People	18,035	16,797	17,135
Other Service Budgets	100,218	97,140	96,254
<b>Total Service Budgets</b>	<b>436,455</b>	<b>431,784</b>	<b>437,173</b>
Gross Expenditure on Schools	381,118	390,737	398,625
Dedicated Schools Grant	-386,164	-395,818	-403,734
Other Budgets-Capital Financing Costs	47,949	57,942	65,290
Other Budgets-Other	9,566	6,290	-4,853
<b>TOTAL NET EXPENDITURE</b>	<b>488,924</b>	<b>490,935</b>	<b>492,501</b>

### Gross Capital Programme 2009/10 to 2012/13

	2010/11 £'000	2011/12 £'000	2012/13 £'000
<b>Net Capital Programme:</b>			
Children's Services	18,228	11,220	4,690
Culture and Adult Education	1,763	548	296
Adult Social Care	4,037	2,129	1,656
Highways and Transportation	44,153	27,175	27,313
Environment, Planning and Transport	54,900	74,500	25,000
Fire and Rescue	1,915	1,800	650
Economic Development & Tourism	18,740	8,714	14,440
Objective 2 Programme	1,524	0	0
Property	7,798	6,600	3,600
New Ways of Working	6,634	0	0
Information Technology	6,830	6,830	6,830
Unallocated	4,000	3,000	3,000
<b>Total Programme</b>	<b>170,522</b>	<b>142,516</b>	<b>87,475</b>

## The Council's assets and liabilities

These are summarised in the table below:

	2008/09 Restated £m	2009/10 £m
Long term assets	1,214.6	1,229.9
Pension liability	-389.2	-747.8
Long term borrowing	-338.8	-372.9
Other long term liabilities	-263.0	-285.6
Current assets	242.7	291.6
Current liabilities	-176.7	-230.7
<b>Net Assets</b>	<b>289.6</b>	<b>-115.5</b>
Financed by:		
Pensions reserve	-389.3	-747.8
Other accounting reserves	606.4	554.5
Earmarked reserves	57.6	62.9
General reserves	14.9	14.9
<b>Total Equity</b>	<b>289.6</b>	<b>-115.5</b>

There have been a number of changes in accounting policies which have a significant impact on the Council's 2009/10 Statements of Accounts. These include:

- The accounting requirements for Private Finance Initiative (PFI) are no longer to be based on the UK Generally Accepted Accounting Practice (UKGAAP), but are now required to be accounted for under International Financial Reporting Standards (IFRS) – IFRIC 12 Service Concession Arrangements. Under UKGAAP PFI schemes were accounted for 'off Balance Sheet' (based on the risk and rewards of ownership), under IFRS, based on controlling influence criteria the PFI contracts will come back on Balance Sheet.

Lincolnshire County Council has one PFI scheme for the provision and operation of seven schools in the county. The PFI schools assets have come back onto our balance sheet from 2009/10, with a prior period adjustment being made to the 2008/09 accounts. The impact of this on the balance sheet at 31 March 2010 is an increase in assets of £31,543k and creation of a liability for the finance lease repayment of £15,886k.

- The inclusion of Council Tax balances within the Council's accounts. Up to this financial year the District Council, as the billing authority, accounted for all of the Collection Fund balances within their accounts.

The impact of this has been £7,819k increase in debtors for the Council's share of Council Tax arrears (£7,843k for 2008/09) and an increase in creditors of £9,546k for Council Tax prepayments and overpayments (£9,870k for 2008/09). There is also now included within debtors/creditors a balance of £1,727k between the Council and the District Council's for our share of surpluses/deficits on the Collection Fund.

## The Council's cash position

The Council received more cash than it paid out during the year as shown in the table below

	<b>2009/10</b>
	<b>£m</b>
Cash at 01/04/09	-6.3
Cash in	1,366.2
Cash out	-1,374.4
Cash at 31/03/10	<b>-14.5</b>

## The Council's Pension Fund liability

Lincolnshire County Council operates two employee pension schemes, the Local Government Pension Scheme and the Fire-fighters' Pension Scheme. 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 year from £389.3 million to £747.8 million. This increase is largely as a result of changes to the assumptions made by the Fund Actuary compared to the previous year's valuation.

Due to its nature, the liability cannot occur immediately as it represents benefit payments to pensioners over their lifetime. A significant proportion of the membership are 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 34 to the core Financial Statements.

# STATEMENT OF ACCOUNTING POLICIES

## 1 General Principles

The Statement of Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2009 – A Statement of Recommended Practice (the SORP), except where otherwise stated. The SORP is issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The publication includes guidance on how to apply Statements of Standard Accounting Practice (SSAP's) and Financial Reporting Standards (FRS's) to local authority accounts. The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets.

## 2 Tangible Fixed Assets

Tangible fixed assets are assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis.

### a) Recognition

All expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis, provided that the fixed asset yields benefits to the Council and the services it provides for a period of more than one year. This excludes expenditure on routine repairs and maintenance of fixed assets which is charged direct to service expenditure accounts.

### b) Measurement

Fixed assets are initially recorded at cost. Subsequently, they are valued on the basis recommended by CIPFA and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by The Royal Institution of Chartered Surveyors (RICS). Fixed assets are classified into the groupings required by the Code of Practice on Local Authority Accounting and are included in the balance sheet on the following measurement bases:

- Land, operational properties and other operational assets - open market value in existing use or depreciated replacement cost for specialised properties such as schools.
- Non operational assets – open market value for assets that are surplus to requirements or historical cost for assets under construction.
- Infrastructure assets (such as roads) and community assets – historical cost. Where information on historical cost is unavailable, community assets have been included in the balance sheet at a nominal valuation.
- Vehicles, plant and equipment - historical cost.

The Council's fixed assets are revalued on a five year rolling programme. In addition to this on an annual basis the Council review trends in property values for its major asset classes. Any significant annual movements are reflected in the value these assets are held at on the balance sheet.

Increases arising from the valuation of fixed assets are credited to the Revaluation Reserve to recognise unrealised gains.

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

### **c) Impairment**

Additionally, assets are reviewed for evidence of reduction in value (an impairment) such as decline in market value, obsolescence or physical damage at the end of each financial year. Any impairment due to clear economic consumption (e.g. physical damage) would be treated like depreciation and charged to the service. An impairment relating to a material change in market value would be written off to the Revaluation Reserve where a balance is available; however, where there is an insufficient balance to cover the impairment the remaining balance is written off to the relevant service expenditure account.

### **d) Depreciation**

Depreciation is provided on all fixed assets with a finite useful life (which can be determined at the time of acquisition or revaluation) over the periods expected to benefit from their use in accordance with the following policy:

- All buildings included as operational assets are depreciated over their useful life. For buildings which are held at open market 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 revaluation. 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; and
- 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.

### **e) Disposals**

Receipts from disposals are credited to the Income and Expenditure Account as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts in excess of £10,000 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.

## **3 Intangible Fixed Assets**

Intangible assets are defined as non-financial fixed assets that do not have any physical substance but are identifiable and controllable by the Council through custody or legal rights. For the Council's purposes, they are principally software and software licences. They are identified separately in the balance sheet and are held at historical cost. They are amortised to the relevant service expenditure account over a period of 4 years, and the useful life is reviewed each year to identify for any impairment.

## **4 Charges to Revenue for the use of Fixed Assets**

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

- the annual provision for depreciation
- impairment losses due to physical damage
- amortisation of intangible fixed assets.

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 Statement of Movement on the General Fund, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

## **5 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 that the Council will 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.

## **6 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 fixed assets has been charged as expenditure to the relevant service revenue account in the year.

## **7 Government Grants and Contributions**

### **(a) Towards acquisition of fixed assets**

Where the acquisition of fixed assets is financed either wholly or in part by a government grant or other contribution, the amount of the grant or contribution is credited initially to the Government Grants Deferred Account. The balance is then written down to revenue to offset depreciation charges made for the related assets in the relevant service expenditure account, in line with the depreciation policy applied to them. On disposal of the asset, any relating grants and contributions are included in the calculation of the gain/loss. These are then written off to the Capital Adjustment Account.

### **(b) Revenue Grants**

Government grants and other contributions are accounted for on an accruals basis and recognised in the accounts when the conditions for their receipt have been complied with and there is reasonable assurance that the grant or contribution will be received. Specific revenue grants are matched in the service expenditure accounts 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 Income and Expenditure Account after Net Operating Expenditure.

## **8 Debtors and Creditors (Accruals)**

Debtors are recorded in the accounts where goods are supplied or services rendered by the Council in the financial year but the income has not actually been received. Where it is doubtful that a debt will be settled, the balance of debtors is written down and a charge made to the service expenditure account for the income that might not be collected.

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.

For estimated manual debtors or creditors, a de-minimis level of £1,000 applies for individual revenue items and £5,000 for capital.

## **9 Leases**

### **Assets for which the Council is Lessee**

#### **(a) Finance Leases**

The Council accounts for leases as finance leases when substantially all the risks and rewards relating to the leased asset transfers to the Council. These assets are capitalised in the accounts, together with the liability to pay the principal element of future rentals. Rental payments under finance leases are apportioned between:

- a charge for the acquisition of the interest in the property (recognised as a liability in the balance sheet at the start of the lease, matched with a tangible fixed asset – the liability is written down as the rent becomes payable) and
- a finance charge (debited to Net Operating Expenditure in the Income and Expenditure Account as the rent becomes payable).

Rentals for finance leases are not charged to revenue on an accruals basis but as the annual rentals are incurred. This is a departure from the SORP but is not considered to be significant.

#### **(b) Operating Leases**

Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals payable under most operating leases are charged to revenue as they are incurred. The exception is for vehicle leases where rentals are charged on an accruals basis.

### **Assets for which the Council is Lessor**

#### **(a) Finance Leases**

An asset identified as a finance lease where the Council is the Lessor are recognised on the balance sheet as a debtor at the amount equal to the net investment in the lease. The lease payments are treated as repayment of principal and finance income (interest).

#### **(b) Operating Leases**

An asset identified as an operating lease, and where the Council is the Lessor, is accounted for as an asset on the balance sheet. The lease income is recognised on an accruals basis in the Income and Expenditure account.

## **10 Stocks**

Most types of stock are included in the Balance Sheet at cost price. Winter maintenance salt stocks, however, are valued at an average price. This is a departure from the SORP but is not considered to be significant.

## 11 Costs of Support Services

The costs of overheads and support services are charged to services in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2008 (BVACOP). The costs are recharged to services on the following basis:

<u>Costs</u>	<u>Basis of apportionment</u>
Accommodation	area occupied
Accountancy services	estimated time
Business support	estimated time
Central support team	estimated time
Corporate audit	audit plan days
Creditor payments	number of payments
Customer service centre	number and length of calls
Debtor services	number of debtor accounts
Income collection	number of cash receipts
IT services	number of PCs
Legal services	estimated time
Payroll services	number of employees
Personnel services	number of employees
Property services	number of properties

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

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

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

## 12 Provisions

The Council sets aside provisions for specific future expenses where an event has taken place that gives the Council an obligation that probably requires settlement by the transfer of economic benefits, but where the timing of the transfer is uncertain. They are charged to the appropriate service expenditure account in the year the Council becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made they are charged to the provision set up on the Balance Sheet.

## 13 Reserves

In addition to the general revenue balances, the Council maintains a number of specific 'earmarked' reserves for future expenditure on either policy purposes or to cover contingencies.

Certain reserves are kept to maintain the accounting processes for tangible fixed assets and retirement benefits. These accounts do not represent usable resources for the Council.

## 14 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:** This is a notionally funded scheme administered nationally by Capita Teachers' Pensions on behalf of the Department for Children, Schools and Families (DFE). The pension contributions to be paid by the Council are determined by the Government Actuary and reviewed periodically. The scheme is accounted for as if it were a defined contributions scheme with no liability for future payments of benefits is recognised in the Balance Sheet and the education service revenue account is charged with the employer's contributions payable to teachers' pensions in the year.
- **Uniformed Fire-fighters:** From 1 April 2006, the financial arrangements covering both the 1992 and 2006 Pension schemes changed. The schemes remain unfunded but a separate Pension Fund has been created to administer the Schemes.

Both employee and employer contributions are paid into the new pension account, against which pension payments are made. The account is topped up by additional government funding if contributions are insufficient to meet the cost of the pension payments. Any surplus in the account at the end of each year will be repaid back to the Department for Communities and Local Government (DCLG). Contributions in respect of ill health retirements are still the responsibility of the Council.

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

The pension costs included in the Statement of Accounts in respect of both the LGPS and the Uniformed Fire-fighters' Pension Scheme (FPS) have been prepared in accordance with FRS17 "Retirement Benefits".

The FRS17 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 current service (pensions) cost reflected in the service accounts is an estimate of the true economic cost of employing people in a financial year, earning years of service that will eventually entitle them to the receipt of a lump sum and pension when they retire. It measures the full liability estimated to have been generated in the year (at today's prices) and is unaffected by whether any fund established to meet liabilities is in surplus or deficit.

These liabilities have been valued by the Council's actuary as at 31 March 2010 and have been included in the Balance Sheet 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 and projections of increases in employees earnings.

Liabilities are discounted to their value at current prices, using a discount rate of 5.5% based on the yield available on long-dated, high quality corporate bonds.

The assets of the Lincolnshire Pension Fund attributable to the council are included in the balance sheet at their fair value.

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 Income and Expenditure Account.

## **15 Private Finance Initiative**

PFI contracts are agreements to receive services, where the responsibility for making available the fixed assets needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes and as ownership of the fixed assets will pass to the Council at the end of the contract for no additional charge, the Council carries the fixed assets used under the contracts on the balance sheet.

The original recognition of these fixed assets was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the assets. Fixed 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 PFI operators each year are analysed into five elements:

- fair value of the services received during the year – debited to the relevant service in the Income and Expenditure Account,
- finance cost – an interest charge of 7.20% on the outstanding Balance Sheet liability, debited to Interest Payable and Similar Charges in the Income and Expenditure Account,
- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to Interest Payable and Similar Charges in the Income and Expenditure Account,
- payment towards the liability – applied to write down the Balance Sheet liability towards the PFI operator,
- lifecycle replacement costs – recognised as fixed assets on the Balance Sheet.

The Council has one PFI scheme for the provision of seven separate schools across the county.

## **16 Foundation Schools and Academies**

In Lincolnshire there are 56 foundation schools and 9 schools which have become academies. In consideration of FRS5 – Reporting the Substance of Transactions, the fixed assets and long term liabilities of these schools are vested in their individual governing bodies and not recorded in Lincolnshire County Council's balance sheet. The exception is for any finance leases for IT equipment taken out by the Council on behalf of a foundation school; these remain within the Council's balance sheet as the Council retains the liability.

## **17 VAT**

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue and Customs and all VAT paid is recoverable from it.

## **18 Group Accounts**

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

## **19 Financial Liabilities**

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the financial instrument. For all of the borrowings that the Council has, this means that the amount

presented in the Balance Sheet is the outstanding principal repayable and the interest charged to the Income and Expenditure Account is the amount payable for the year in the loan agreement.

No repurchase has taken place as part of a restructuring of the loan portfolio that includes the modification or exchange of existing instruments. Therefore gains and losses on the repurchase or early settlement of borrowing are credited and debited to Net Operating Expenditure in the Income and Expenditure Account in the year of repurchase/settlement.

Where premiums and discounts have been charged to the Income and Expenditure Account, regulations require 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 Income and Expenditure Account to the net charge required against the General Fund is managed by a transfer to or from the Financial Instruments Adjustment Account in the Statement of Movement on the General Fund.

## **20 Financial Assets**

Financial Assets are classified into two types:

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

### **Loans and Receivables**

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For 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 and interest credited to the Income and Expenditure Account is the amount receivable for the year in the loan agreement.

However, the Council has made a number of loans at less than market rates (soft loans) for purposes of service objectives. When soft loans are made, a loss is recorded in the Income and Expenditure Account 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 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 Income and Expenditure Account to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Statement of Movement on the General Fund Balance.

The Council has set a £50,000 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 Income and Expenditure Account.

Any gains and losses that arise on the derecognition of the assets are credited/debited to the Income and Expenditure Account.

## **Available-for-sale Assets**

Available-for-sale assets are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Income and Expenditure Account 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 Income and Expenditure Account when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet at fair value. Where fair value cannot be measured reliably, the instrument is carried at cost (less impairment losses).

Under the available-for-sale category, the Council only 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.

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 Income and Expenditure account.

## **21 Long Term Contracts**

Long term contracts are separately disclosed when the authority has committed material revenue resources and the remaining life of the contract is in excess of 5 years.

## **LINCOLNSHIRE PENSION FUND ACCOUNT**

In addition to the above, where applicable, the following accounting policies relate directly to the Pension Fund Accounts shown on pages 80 - 88.

## **22 Investments**

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

- UK listed securities are stated at either bid or last traded closing prices.
- Overseas listed securities are stated at either bid or last traded closing prices. The sterling value of investments held in foreign currencies at 31st March is calculated using the exchange rate at that date.
- 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.
- The value of fixed interest investments excludes interest earned but not paid over at the year end, which is included separately within accrued investment income.
- Transaction costs are included in the purchase and sale costs of investments and are identified in the notes to the accounts.
- Dividend income is shown net of any relevant withholding tax.

# Income and Expenditure Account

For the year ended 31 March 2010

		2008/09	2009/10		
		Restated			
	see note	Net Expenditure £000	Gross Expenditure £000	Income £000	Net Expenditure £000
Education Services		86,715	679,828	590,475	89,353
Children's Social Care		47,885	54,092	-7,569	46,523
Adult Social Care		153,259	246,715	-69,898	176,817
Highways, Roads & Transport Services		59,989	83,429	-14,187	69,242
Cultural, Environmental & Planning Services		69,172	79,138	-15,463	63,675
Court Services - Coroners		1,068	1,231	0	1,231
Fire & Rescue Services		29,036	30,396	-2,342	28,054
Housing Services - Travellers' Sites		207	326	-55	271
Central Services		3,222	3,071	-896	2,175
Corporate and Democratic Core	2	4,343	4,529	0	4,529
Non distributed costs	3	8,895	8,197	-23	8,174
<b>Total Continuing Services</b>		<b>463,791</b>	<b>1,190,952</b>	<b>700,908</b>	<b>490,044</b>
<b>Acquired Operations</b>					
Enterprise Development	4		7,809	-7,719	90
<b>Net Cost of Services</b>	1	<b>463,791</b>	<b>1,198,761</b>	<b>708,627</b>	<b>490,134</b>
Gain(-) or Loss on disposal of fixed assets		17,785			17,986
Precepts of Local Precepting Authorities		973			1,018
Interest Payable and Similar Charges		14,494			16,732
Interest and Investment Income Receivable		-7,225			-2,592
Pension Interest Costs	34	60,840			60,321
Expected Returns on Pension Assets	34	-41,433			-31,515
<b>Net Operating Expenditure</b>		<b>509,225</b>			<b>552,084</b>
Precepts on Council Tax Collection Funds		-236,125			-241,941
General Government Grants	10	-55,041			-89,879
Contribution from National Non-Domestic Rates		-150,850			-148,035
<b>Deficit for the Year</b>		<b>67,209</b>			<b>72,229</b>

The figures for 2008/09 have been restated to reflect a change to requirements for Private Finance Initiatives (PFI) and Council Tax Agency arrangements. Refer to Note 5 for further detail.

## Statement of the Movement on the General Fund

For the year ended 31 March 2010

	see note	2008/09 Restated £000	2009/10 £000
Deficit for the Year on the Income and Expenditure Account		67,209	72,229
Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	16	-69,237	-72,229
Increase(-)/Reduction in General Fund Balance for the Year		-2,028	0
General Fund Balance brought forward		-12,880	-14,908
<b>General Fund Balance carried forward</b>		<b>-14,908</b>	<b>-14,908</b>
Amount of General Fund Balance held by schools under local management schemes		0	0
Amount of General Fund Balance generally available for new expenditure		-14,908	-14,908
		<b>-14,908</b>	<b>-14,908</b>

The figures for 2008/09 have been restated to reflect a change to requirements for Private Finance Initiatives (PFI) and Council Tax Agency arrangements. Refer to Note 5 for further detail.

## Statement of Total Recognised Gains and Losses

For the year ended 31 March 2010

	see note	2008/09 £000	2009/10 £000
Deficit for the year on the Income and Expenditure Account		66,171	72,229
Surplus(-)/Deficit arising on revaluation of fixed assets	31(a)	35,986	-16,615
Actuarial gains(-)/losses on pension fund assets and liabilities	34	75,631	349,116
Other Recognisable Gains		1,892	424
<b>Total recognised Gain(-)/Loss for the year</b>		<b>179,680</b>	<b>405,154</b>
Prior Period Adjustment		585	
<b>Total Gain(-)/Loss recognised since publication of the Statement of Accounts for 2007/08</b>		<b>180,265</b>	

“Other Recognisable Gains” is an adjustment to Prime Account Schools Capital Financing of £0.424m.

# Balance Sheet

As at 31 March 2010

	see note	31.03.2009 Restated £000	31.03.2010 £000
<b>Fixed Assets</b>			
Intangible Fixed assets	17a	3,264	823
<b>Operational Assets :</b>			
Land and Buildings	17b	702,872	672,228
PFI Land and Buildings	17b	24,986	31,425
Vehicles, Plant, Furniture and Equipment	17b	22,158	25,866
PFI Vehicles, Plant, Furniture and Equipment	17b	46	118
Infrastructure Assets	17b	319,896	346,450
Community Assets	17b	6,614	6,658
<b>Non Operational Assets:</b>			
Assets Under Construction	17c	107,262	121,214
Surplus Assets	17c	16,931	13,649
<b>Assets Held for Sale:</b>			
Land and Buildings	17c	0	5,335
<b>Total Fixed Assets</b>		<b>1,204,029</b>	<b>1,223,766</b>
Long Term Investments	29	6,824	1,934
Long Term Debtors	26	3,787	4,161
<b>Total Long Term Assets</b>		<b>1,214,640</b>	<b>1,229,861</b>
<b>Current Assets</b>			
Stocks	24	736	757
Intangible current assets - LATS	25	0	1,652
Debtors	26	59,713	59,815
Short Term Investments	29	162,741	209,137
Cash In Hand		19,473	20,281
<b>Total Current Assets</b>		<b>242,663</b>	<b>291,642</b>
<b>Current Liabilities</b>			
Cash Overdrawn		-25,778	-34,818
Creditors	27	-149,931	-193,373
Intangible current liabilities - LATS	25	0	-1,652
Short Term Loans	29	-945	-822
<b>Total Current Liabilities</b>		<b>-176,654</b>	<b>-230,665</b>
<b>Total Assets less Current Liabilities</b>		<b>1,280,649</b>	<b>1,290,838</b>
<b>Long Term Liabilities</b>			
Long Term Borrowing by County Council	29	-337,136	-370,679
Long Term Borrowing by Schools	29	-1,668	-2,285
Deferred Liabilities		-18,113	-17,822
Provisions	30	-9,149	-7,701
Government Grants and Contributions Deferred		-235,660	-260,054
Pensions Liability	34	-389,262	-747,790
<b>Total Long Term Liabilities</b>		<b>-990,988</b>	<b>-1,406,331</b>
<b>Total Assets less Liabilities</b>		<b>289,661</b>	<b>-115,493</b>

## Balance Sheet continued

		31.03.2009	31.03.2010
	see note	Restated £000	£000
<b>Financed by:</b>			
Revaluation Reserve	31a	172,934	180,280
Capital Adjustment Account	31b	435,662	376,136
Financial Instruments Adjustment Account	31c	-143	-240
Council Tax Adjustment Account	31	-2,026	-1,727
Pensions Reserve	31	-389,262	-747,790
Earmarked Reserves	31e	57,588	62,940
General Reserve	31	14,908	14,908
<b>Total Net Worth</b>		<b>289,661</b>	<b>-115,493</b>

The figures for 2008/09 have been restated to reflect a change to requirements for Private Finance Initiatives (PFI) and Council Tax Agency arrangements. Refer to Note 5 for further detail.

Pete Moore CPFA (Executive Director - Resources and Community Safety) 18 June 2010.

# Cash Flow Statement

As at 31 March 2010

	see note	2008/09 Restated £000	2009/10 £000
<b>Revenue Activities</b>			
<b>Cash Outflows</b>			
Cash paid to and on behalf of employees		542,649	552,790
Other operating cash payments		535,604	542,894
<b>Total Cash Outflows</b>		<b>1,078,253</b>	<b>1,095,684</b>
<b>Cash Inflows</b>			
Precept received		-236,531	-241,642
Revenue Support Grant		-21,000	-34,168
Area Based Grant		-34,041	-55,711
National non-domestic rate receipts from national pool		-150,850	-148,035
Other government grants	38	-540,712	-548,011
Cash received for goods and services and other income		-112,614	-126,812
<b>Total Cash Inflows</b>		<b>-1,095,748</b>	<b>-1,154,379</b>
<b>Net Cash Inflow from Revenue Activities</b>	35	<b>-17,495</b>	<b>-58,695</b>
<b>Returns on Investment and Servicing of Finance</b>			
<b>Cash Outflows</b>			
Interest paid		12,659	14,783
Interest element of finance lease payments		1,475	1,560
<b>Cash Inflows</b>			
Interest received		-8,685	-4,483
<b>Returns on Investment and Servicing of Finance</b>		<b>5,449</b>	<b>11,860</b>
<b>Capital Activities</b>			
<b>Cash Outflows</b>			
Purchase of fixed assets		131,452	141,748
Other capital cash payments		2,198	374
<b>Cash Inflows</b>			
Sale of fixed assets		-1,072	-1,839
Capital grants received		-53,804	-94,281
Other capital cash receipts		0	0
<b>Net Cash Outflow from Capital Activities</b>		<b>78,774</b>	<b>46,002</b>
<b>Net Cash Outflow / Inflow (-) before Financing</b>		<b>66,728</b>	<b>-833</b>
<b>Management of Liquid Resources</b>			
Net increase/decrease(-) in short term deposits		-19,441	46,396
Net increase/decrease(-) in long term deposits		-2,990	-4,890
<b>FINANCING</b>			
<b>Cash Outflows</b>			
Repayments of amounts borrowed		82,768	77,191
Capital element of finance lease payments		1,454	1,598
<b>Cash Inflows</b>			
New loans raised		-119,659	-111,228
New short term loans		-10,575	0
<b>Net Management of Liquid Resources and Financing</b>		<b>-68,443</b>	<b>9,067</b>
<b>Net increase(-)/decrease in cash</b>		<b>-1,715</b>	<b>8,234</b>

The figures for 2008/09 have been restated to reflect a change to requirements for Private Finance Initiatives (PFI) and Council Tax Agency arrangements. Refer to Note 5 for further detail.

# NOTES TO THE FINANCIAL STATEMENTS

## 1 Service Expenditure Analysis

The net cost of services is presented according to the service expenditure analysis detailed in the Best Value Accounting Code of Practice as issued by CIPFA. Net expenditure includes the capital charges made to services for the use of their assets. A further breakdown of the figures shown in the Income and Expenditure Account is provided below:

	2008/09		2009/10	
	Restated			
	Net Expenditure £000	Gross Expenditure £000	Income £000	Net Expenditure £000
<b>EDUCATION SERVICES</b>				
Nursery Schools	180	2,943	-2,447	496
Primary Schools	35,009	236,759	-215,477	21,282
Secondary Schools	22,298	333,809	-293,930	39,879
Special Schools	9,603	47,465	-38,899	8,566
Non-School Funding	19,625	58,852	-39,722	19,130
<b>TOTAL</b>	<b>86,715</b>	<b>679,828</b>	<b>-590,475</b>	<b>89,353</b>
<b>CHILDREN'S SOCIAL CARE</b>				
Service Strategy	109	63	-8	55
Commissioning and Social Work	14,476	15,002	-261	14,741
Children Looked After	18,509	18,187	-903	17,284
Family Support Services	9,042	10,873	-1,506	9,367
Youth Justice	2,151	5,191	-3,773	1,418
Asylum Seekers	23	1,034	-1,026	8
Other Children's and Families' Services	3,575	3,742	-92	3,650
<b>TOTAL</b>	<b>47,885</b>	<b>54,092</b>	<b>-7,569</b>	<b>46,523</b>
<b>ADULT SOCIAL CARE</b>				
Service Strategy	676	940	-54	886
Older People (Aged 65 or Over) Including Older Mentally Ill	93,640	134,725	-33,667	101,058
Adults Aged Under 65 with a Physical Disability or Sensory Impairment	16,306	19,275	-1,697	17,578
Adults Aged Under 65 with Learning Disabilities	30,734	55,971	-24,301	31,670
Adults Aged Under 65 with Mental Health Needs	9,752	17,157	-5,964	11,193
Other Adult Services	1,768	17,843	-3,872	13,971
Supported Employment	383	804	-343	461
<b>TOTAL</b>	<b>153,259</b>	<b>246,715</b>	<b>-69,898</b>	<b>176,817</b>
<b>HIGHWAYS, ROADS &amp; TRANSPORT SERVICES</b>				
Transport Planning, Policy & Strategy	6,116	11,211	-5,377	5,834
Structural Maintenance	6,944	8,776	-608	8,168
Environment, Safety & Routine Maintenance	10,921	12,478	-863	11,615
Street Lighting	4,530	5,230	-367	4,863
Capital Charges for Construction Projects	12,168	21,093	-3,725	17,368
Winter Maintenance	5,616	7,420	-219	7,201
Traffic Management and Road Safety	6,073	7,355	-2,017	5,338
Public Transport	7,621	9,866	-1,011	8,855
<b>TOTAL</b>	<b>59,989</b>	<b>83,429</b>	<b>-14,187</b>	<b>69,242</b>

	2008/09 Restated		2009/10	
	Net Expenditure £000	Gross Expenditure £000	Income £000	Net Expenditure £000
<b>CULTURAL, ENVIRONMENTAL &amp; PLANNING SERVICES</b>				
Culture and Heritage	5,235	7,444	-2,078	5,366
Recreation and Sport	2,124	1,755	-55	1,700
Open Spaces	565	474	-26	448
Tourism	1,173	2,732	-422	2,310
Library Services	11,735	12,030	-520	11,510
Coastal Protection	4	3	0	3
Community Safety (Crime Reduction)	3,026	3,735	-505	3,230
Flood Defences	41	25	0	25
Agricultural Services	483	758	-1,700	-942
Trading Standards	4,320	5,379	-1,184	4,195
Waste Disposal	21,139	25,111	-2,406	22,705
Licensing	0	0	-50	-50
Development Control	885	1,541	-630	911
Planning Policy	608	874	-150	724
Environmental Initiatives	1,663	2,877	-788	2,089
Economic Development	15,486	20,460	-11,964	8,496
Community Development	685	1,749	-704	1,045
<b>TOTAL</b>	<b>69,172</b>	<b>86,947</b>	<b>-23,182</b>	<b>63,765</b>
<b>COURT SERVICES</b>				
Coroner's Court	1,068	1,231	0	1,231
<b>TOTAL</b>	<b>1,068</b>	<b>1,231</b>	<b>0</b>	<b>1,231</b>
<b>FIRE &amp; RESCUE SERVICES</b>				
Community Safety	1,802	2,015	-244	1,771
Fire and Rescue Operations	27,234	28,381	-2,098	26,283
<b>TOTAL</b>	<b>29,036</b>	<b>30,396</b>	<b>-2,342</b>	<b>28,054</b>
<b>HOUSING SERVICES</b>				
Travellers' Sites	207	326	-55	271
<b>TOTAL</b>	<b>207</b>	<b>326</b>	<b>-55</b>	<b>271</b>
<b>CENTRAL SERVICES</b>				
Other Operating Income and Expenditure	1,252	-323	0	-323
Emergency Planning	633	685	-119	566
Elections	0	508	-8	500
Registrars	1,337	2,201	-769	1,432
<b>TOTAL</b>	<b>3,222</b>	<b>3,071</b>	<b>-896</b>	<b>2,175</b>
<b>CORPORATE &amp; DEMOCRATIC CORE</b>				
Democratic Representation and Management	1,840	1,833	0	1,833
Corporate Management	2,503	2,696	0	2,696
<b>TOTAL</b>	<b>4,343</b>	<b>4,529</b>	<b>0</b>	<b>4,529</b>
<b>NON DISTRIBUTED COSTS</b>				
Non distributed costs	8,895	8,197	-23	8,174
<b>TOTAL</b>	<b>8,895</b>	<b>8,197</b>	<b>-23</b>	<b>8,174</b>
<b>TOTAL NET COST OF SERVICES</b>	<b>463,791</b>	<b>1,198,761</b>	<b>-708,627</b>	<b>490,134</b>

The total for Cultural, Environmental and Planning Services includes Enterprise Development which is separately identified on the Income and Expenditure Accounts as an acquired operation.

## **2 Corporate and 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.

## **3 Non Distributed Costs**

These are costs from which no user now benefits. They include the costs associated with unused assets and certain elements of FRS17 pension costs.

## **4 Acquired and Discontinued Operations**

Lincolnshire County Council has no discontinued operations to report for 2009/10.

In 2008/09 Lincolnshire Enterprise was a company limited by guarantee, primarily funded by EMDA with contributions from Lincolnshire County Council, District Councils and the University of Lincoln for its running costs. Lincolnshire Enterprise advised the Council on the economic development of Lincolnshire, particularly in connection with the investment of the Government's Single Programme within the county. Following a review of sub-regional funding agencies, a decision was taken to transfer this function into the Council with an effective date of 1st April 2009; costs relating to what is now called Enterprise Development have therefore been included in these accounts and added £7.809m to the Council's expenditure for the year.

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

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

Nine former LSC staff transferred in to the Council on 1 April 2010. The impact of this commissioning role will be reflected in the 2010/11 accounts.

## 5 Prior Period Adjustments

### a) Private Finance Initiative

Lincolnshire County Council, in line with other Local Authorities, are required to adopt International Financial Reporting Standards (IFRS) with effect from 1 April 2010.

One of the most noticeable requirements under conversion to IFRS reporting is the need to revisit previous accounting treatment of all PFI type schemes. From 1 April 2009 such schemes will be accounted for under IFRIC 12 (Service Concession Arrangements) rather than FRS 5 (Substance of Transactions). This change has been implemented a year earlier than other IFRS changes, to allow more co-ordinated information to be collated across all Government bodies.

Assessment of the Council's School PFI scheme has resulted in the associated assets and liabilities being recognised on the Council's Balance Sheet.

As a significant change in accounting policy, a full Prior Period Adjustment has been actioned for this change.

The impact of this adjustment on the Council's 2009/10 Balance Sheet is:

<b>Summary Effect of the PFI Scheme</b>	<b>2008/09 £'000</b>	<b>2009/10 £'000</b>
<b>Calculation of Net Book Value</b>		
Acquisition of Land	6,686	6,686
Construction costs of Buildings	19,794	25,425
Construction costs of Equipment	1,056	1,139
Depreciation to date - Building	-1,497	-686
Depreciation to date - Equipment	-1,010	-1,021
<b>Net Book Value of assets 31 March 2010</b>		<b>31,543</b>
<b>Net Book Value of assets 31 March 2009</b>	<b>25,039</b>	
Initial Finance lease equal to asset cost	20,429	20,429
Less Capital contributions	0	0
<b>Initial liability</b>	<b>20,429</b>	<b>20,429</b>
<b>Reduction in Finance Charge</b>		
Opening Finance Charge	20,429	20,429
02/02 Increase in Finance creditor	-91	-91
02/03 Decrease in Finance creditor	100	100
03/04 Decrease in Finance creditor	588	588
04/05 Decrease in Finance creditor	656	656
05/06 Decrease in Finance creditor	732	732
06/07 Decrease in Finance creditor	540	540
07/08 Decrease in Finance creditor	622	622
08/09 Decrease in Finance creditor	669	669
09/10 Decrease in Finance creditor	0	727
<b>Decrease in Finance creditor</b>	<b>3,816</b>	<b>4,543</b>
<b>Outstanding Finance as at 1st April 2010</b>	<b>16,613</b>	<b>15,886</b>

## **b) Accounting for Council Tax**

From 1 April 2009, Lincolnshire County Council, as a Precepting Authority, is required to account for its share of the Billing Authorities Collection Fund on an accruals basis. Prior to April 2009, Council Tax has been recorded in the accounts, at the level of the precept set, not the actual amounts collected and associated year end balances.

This change has resulted in the element of Council Tax arrears and pre-payments relating to the Council outstanding at the year end being included in the accounts.

As a significant change in accounting policy, a full Prior Period Adjustment has been actioned for this change.

The effect of this change on the Council's 2009/10 Balance Sheet is:

• Increase in Debtors at 1 April 2009	£7.843m
• Increase in Creditors at 1 April 2009	£9.870m
• Reduction in Council Tax Adjustment Account at 1 April 2009	£2.027m
• Cumulative Increase in Debtors at 31 March 2010	£7.819m
• Cumulative Increase in Creditors at 31 March 2010	£9.546m
• Cumulative Reduction in Council Tax Adjustment Account at 31 March 2010	£1.727m

This reflects an initially high adjustment for prior years, and a reduction in both debtors and creditors during 2009/10.

## **6 Long Term Contracts**

### **a) Fire and Rescue Managed Vehicle Procurement Contract**

On 18 April 2006, the Council entered into a 20 year agreement with Assetco Emergency Ltd. This is for the provision and maintenance of Fire and Rescue fleet, operational vehicles and equipment. The services were introduced on a phased basis with full commencement on 1 April 2008.

The liability over the remaining term of the contract is estimated to be £53.6m as at 31 March 2010.

### **b) Long Term Contract – Mouchel Service Delivery Agreement**

On 31 March 2009 Lincolnshire County Council agreed to a contract extension with Mouchel Ltd to extend the existing contract until 31 March 2015. The contract (which commenced on 1 April 2000) delivers a range of services to the Council including Human Resources, Information and Communications Technology, Finance, Property and Catering.

The liability over the remaining life of the contract is estimated at £96.0m as at 31 March 2010.

## **7 Expenditure on Publicity**

There is no longer a requirement for Local Authorities to publish expenditure on publicity. However, Lincolnshire County Council will continue to present this information as it is considered to be in the public interest.

The Council's expenditure under this heading 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.

Other Advertising includes general advertising for Children's Services (£294k), Environment Planning and Transport (£282k) and Economic Regeneration promotions (£253k).

	2008/09 £	2009/10 £
Staff Advertising	1,402,641	847,600
Other Advertising	1,422,833	1,392,188
Public Relations	383,801	245,974
Lincolnshire Show	47,417	32,384
Inside Lincolnshire*	311,318	437,789
Other Publicity	246,090	111,835
<b>Total</b>	<b>3,814,100</b>	<b>3,067,770</b>

\* County News has been renamed Inside Lincolnshire but the disclosure information remains the same.

## **8 Agency Income and Expenditure**

### **Nursing Care**

Lincolnshire County Council makes payments to independent sector nursing homes for both the nursing care element and the personal care element of the accommodation charges. The nursing care element is the financial responsibility of Primary Care Trusts. The Council paid £5.594m (£5.699m in 2008/09) 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.

### **9 Pooled Budgets**

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

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

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

### **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.

	2008/09 £000	2009/10 £000
Gross Partnership Expenditure	59,484	55,390
Gross Partnership Income	-58,844	-53,906
<b>Surplus(-)/Deficit</b>	<b>640</b>	<b>1,484</b>
<b>Contribution from Lincolnshire County Council</b>	<b>30,060</b>	<b>30,486</b>

Overspend in year is £1.484m. This overspend occurred due to further Demographic pressures during the 2009/10 year. Subject to the Section 75 agreement Lincolnshire County Council are responsible for any overspend in this area.

### **Integrated Community Equipment Service**

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.

	<b>2008/09</b>	<b>2009/10</b>
	<b>£000</b>	<b>£000</b>
Gross Partnership Expenditure	1,487	1,589
Gross Partnership Income	-1,487	-1,589
<b>Surplus(-)/Deficit</b>	<b>0</b>	<b>0</b>
<b>Contribution from Lincolnshire County Council</b>	<b>743</b>	<b>795</b>

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

## **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.

	<b>2008/09</b>	<b>2009/10</b>
	<b>£000</b>	<b>£000</b>
Gross Partnership Expenditure	49,398	47,484
Gross Partnership Income	-49,398	-47,484
<b>Surplus(-)/Deficit</b>	<b>0</b>	<b>0</b>
<b>Contribution from Lincolnshire County Council</b>	<b>9,017</b>	<b>8,599</b>

The Council have a set budget of £8.599m for this pooled budget. The host Authority of this pooled budget is the Health Trust (LPFT), and any overspend on this budget is their responsibility.

## **10 General Government Grants**

Lincolnshire County Council receives the following general grants:

	<b>2008/09</b>	<b>2009/10</b>
	<b>£000</b>	<b>£000</b>
Area Based Grant	34,041	35,952
Supporting People Programme Grant	0	19,759
Revenue Support Grant	21,000	34,168
	<b>55,041</b>	<b>89,879</b>

From 2009/10 the Supporting People Programme Grant has changed from being a specific government grant to a non-ring fenced grant. In 2010/11 it will form part of the Area Based Grant.

## **11 Members' Allowances**

The total amount of allowances paid to Members in 2009/10 was £954,582 (£938,696 in 2008/09).

## 12 Officers' Remuneration

The table below shows the total number of staff employed by Lincolnshire County Council whose actual remuneration exceeded £50,000 per annum. 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:

Note a change to the Accounts and Audit (England) Regulations 2003 now requires the Council to present the number of staff over paid £50,000 in £5,000 bandings as opposed to £10,000 bandings. The 2008/09 figures have been restated for this change.

Pay Band	2008/09 Number of Staff		2009/10 Number of Staff	
	Remuneration received (excl those receiving termination payments)	Staff who received termination payments	Remuneration received (excl those receiving termination payments)	Staff who received termination payments
<b>TOTAL</b>				
£170,000- £174,999	1	0	1	0
£165,000- £169,999	0	0	0	0
£160,000- £164,999	0	0	0	0
£155,000- £159,999	0	0	0	0
£150,000- £154,999	0	0	0	0
£145,000- £149,999	0	0	1	0
£140,000- £144,999	0	0	0	0
£135,000- £139,999	0	0	0	0
£130,000- £134,999	2	0	0	0
£125,000- £129,999	3	0	4	0
£120,000- £124,999	0	0	1	0
£115,000- £119,999	1	0	0	0
£110,000- £114,999	1	1	2	0
£105,000- £109,999	2	0	2	0
£100,000- £104,999	1	0	1	0
£95,000- £ 99,999	3	0	5	1
£90,000- £94,999	2	0	8	0
£85,000- £89,999	10	1	15	1
£80,000- £84,999	18	3	13	1
£75,000- £79,999	8	0	9	1
£70,000- £74,999	17	1	25	1
£65,000- £69,999	40	1	47	2
£60,000- £64,999	58	1	84	1
£55,000- £59,999	131	1	139	1
£50,000- £54,999	222	0	254	0
<b>Total</b>	<b>520</b>	<b>9</b>	<b>611</b>	<b>9</b>

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

## Senior Employees

There has been an amendment to the Accounts and Audit (England) Regulations 2003 in relation to the disclosure of senior employees' remuneration for 2009/10. The amendment to the Regulations requires Local Authorities to disclose individual remuneration details for senior employees (determined as those who have responsibility for the management of the organisation and who direct or control the major activities of the Council).

<b>Job Title</b>	<b>Salary</b>	<b>Employer's Pension Contribution</b>	<b>Any Other Emoluments</b>	<b>Total 2009/10</b>
	£	£	£	£
<b>Senior Officers with a salary over £150,000</b>				
Tony McArdle - Chief Executive	173,226	32,740	93	206,059
<b>Senior Officers with a salary over £50,000 and less than £150,000</b>				
Executive Director - Adult Service Group	125,983	23,811	1,154	150,948
Executive Director - Children's Group	125,989	23,811	1,181	150,981
Executive Director - Resources and Community Safety	125,983	23,957	627	150,567
Executive Director - Development Services	125,983	23,811	1,160	150,954
Assistant Chief Executive	113,662	21,482	985	136,129
Director of Customer Strategies	109,077	20,616	685	130,378

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

## **13 Related Party Transactions**

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 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.

The Council received in 2009/10:

- General government grant income of £89.879m (Note 10 General Government Grants) and contributions from NNDR of £148.035m.
- Specific grants totalling £559.917m are included in the income figures for the net cost of services in the Income and Expenditure Account. Further details of the cash transactions that the Council has had with specific government departments are set out in Note 38 Analysis of Government Grants in the Cash Flow Statement.
- Capital grants of £52.755m are also recorded in 2009/10 as central government income.

(b) Members of the Council have direct control over the Council's financial and operating policies. The Chief Executive and those reporting directly to him may also be able to influence Council policy. Therefore accounting standards require the Council to disclose certain 'related party transactions' between County Councillors, Chief Officers and the Council. This information comes from statutory registers of interest (maintained for members) and declarations of pecuniary interests (for officers). 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.

During 2009/10 the following have been declared (up to 3 June 2010)

- A number of Councillors are members of other organisations such as district/parish councils, school governors and charities who have provided services for, or received services from, the Council;
- One Councillor is a Director of Investors in Lincoln Ltd; and
- One Councillor is on the Management Board of ESPO.

During 2009/10 no declarations have been made by chief officers.

(c) Details of any exceptional transactions with other public bodies should be disclosed where they are material and may involve the ability for one party to influence another. Precepts from the District Councils are identified in the Income and Expenditure Account and amounted to £241.941m. The Council also paid precepts of £1.018m to the Environment Agency for Flood Defence Levies (£0.595m) and Eastern and North Eastern Sea Fisheries (£0.423m).

(d) The Council is the administrator of the pension fund and has control of the fund within the overall statutory framework. During the financial year, earned a total for interest of £0.177m on deposits managed within the Council's own cash, which the Council paid over to the pension fund.

(e) Companies and joint ventures – 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 (note 28) our interest in Eastern Shires Purchasing Organisation (ESPO) and the East Midlands Fire and Rescue Control Centre.

## **14 Audit Costs**

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

	<b>2008/09</b>	<b>2009/10</b>
	<b>£000</b>	<b>£000</b>
Fees payable to the Audit Commission with regards to external audit services carried out by the appointed auditor	278	269
Fees payable to the Audit Commission in respect of statutory inspection	71	17
<b>Audit and Inspection Fee</b>	<b>349</b>	<b>286</b>
Fees payable to the Audit Commission for the certification of grant claims and returns	76	28
Fees payable in respect of other services provided by the appointed auditor	0	0
<b>Total</b>	<b>425</b>	<b>314</b>

## **15 The Statement of Movement on the General Fund**

The Statement of Movement on the General Fund summarises the differences between the deficit for the year on the Income and Expenditure Account and the General Fund Balance.

The Income and Expenditure Account shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the Council is required to raise council tax on a different accounting basis, the main differences being:

- a) Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.
- b) Retirement benefits are charged when amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

The Statement of Movement in the General Fund compares the Council's spending against the council tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

In Lincolnshire, the Council separates schools balances from the General Fund Balance and retains these in earmarked reserves.

## **16 Reconciliation of Movement on the General Fund**

	<b>2008/09 Restated £000</b>	<b>2009/10 £000</b>
<b>Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the Year</b>		
Amortisation of intangible fixed assets	-1,631	-3,183
Depreciation and impairment of fixed assets	-66,631	-71,220
Government Grants Deferred amortisation	39,759	24,999
Revenue Expenditure Funded from Capital under Statute	-47,902	-33,003
Differences between amounts debited/credited to the Income and Expenditure Account and amounts payable/receivable to be recognised under statutory provisions relating to soft loans and premiums and discounts on the early repayment of debt	-12	-97
Net gain/loss(-) on sale of fixed assets	-17,785	-17,986
Net charges made for retirement benefits in accordance with FRS17	-52,455	-51,400
Council Tax adjustment	-406	299
	<b>-147,063</b>	<b>-151,591</b>
<b>Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the Year</b>		
Revenue provision for capital financing	12,367	21,831
Capital expenditure charged in-year to the General Fund Balance	20,070	9,768
Employer's contributions payable to the Lincolnshire Pension Fund or Fire-fighters' scheme and retirement benefits payable direct to pensioners	40,285	41,988
	<b>72,722</b>	<b>73,587</b>
<b>Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the Year</b>		
Voluntary revenue provision for capital financing	6,483	
Transfer to or from (-) General Reserve	-73	0
Net transfer to or from(-) earmarked reserves	-1,306	5,775
	<b>5,104</b>	<b>5,775</b>
<b>Net additional amount required to be credited to the General Fund balance for the year</b>	<b>-69,237</b>	<b>-72,229</b>

From 2009/10, no distinction is made between a Statutory Minimum Revenue Provision and a Voluntary provision for Capital financing. A single provision is made, in accordance with the Statement of Recommended Practice on Local Authority Accounting (the SORP). This provision is set at a level considered prudent by the Authority.

## 17 Movement in Fixed Assets

### (a) Intangible Fixed Assets

	<b>Software</b>	<b>Software</b>	<b>Other</b>	<b>Total</b>
		<b>Licenses</b>	<b>Intangibles</b>	
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Original Cost	4,010	1,993	41	6,044
Amortisations to 1 April 2009	-1,100	-1,651	-29	-2,780
Balance at 1 April 2009	2,910	342	12	3,264
Expenditure in the Year	147	412	0	559
Reclassifications	139	43	0	182
Written off to Revenue in Year	-2,569	-607	-6	-3,182
<b>Balance Sheet amount at 31 March 2010</b>	<b>627</b>	<b>190</b>	<b>6</b>	<b>823</b>

## Tangible Fixed Assets

Fixed assets have been valued on the basis described in the accounting policies (page 12 – 20) and in note 23 Valuation and Depreciation of Fixed Assets (page 47 – 50).

### (b) Operational Assets

	Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infra-structure	Community Assets	Total
	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>					
At 1 April 2009	783,146	129,994	436,680	6,614	1,356,434
Additions	16,380	11,883	35,266	44	63,573
Donations	108	0	0	0	108
Disposals	-28,122	-853	0	0	-28,975
Reclassifications	-1,485	4,229	15,695	0	18,439
Revaluations	-43,305	0	0	0	-43,305
Impairments	-10,221	0	0	0	-10,221
At 31 March 2010	716,501	145,253	487,641	6,658	1,356,053
<b>Depreciation</b>					
At 1 April 2009	-55,288	-107,790	-116,784	0	-279,862
Depreciation Charge for 2009/10	-13,665	-11,886	-24,407	0	-49,958
Disposals	3,051	407	0	0	3,458
Reclassifications	-3,440	0	0	0	-3,440
Revaluations	56,494	0	0	0	56,494
At 31 March 2010	-12,848	-119,269	-141,191	0	-273,308
<b>Balance Sheet amount at 31 March 2010</b>	<b>703,653</b>	<b>25,984</b>	<b>346,450</b>	<b>6,658</b>	<b>1,082,745</b>
<b>Balance Sheet amount at 01 April 2009</b>	<b>727,858</b>	<b>22,204</b>	<b>319,896</b>	<b>6,614</b>	<b>1,076,572</b>
<b>Nature of asset holding</b>					
Owned	652,775	24,115	346,450	6,658	1,029,998
Finance Lease	19,453	1,834	0	0	21,287
PFI	31,435	35	0	0	31,470
	<b>703,663</b>	<b>25,984</b>	<b>346,450</b>	<b>6,658</b>	<b>1,082,755</b>

The disposal figures for land and buildings include the removal of three schools which had gained foundation status. These assets were transferred at nil consideration to the governing bodies. When offset by government grants, this resulted in a net loss of sale of £17.986m which is charged to the Income and Expenditure Account. There is no affect on the amount raised by local taxation as gains or losses on sales are excluded from the General Fund balance (see note 16).

### (c) Non Operational Assets

	<b>Assets Under Construction £000</b>	<b>Assets Held for Sale 0</b>	<b>Surplus Assets £000</b>	<b>Total £000</b>
<b>Cost or Valuation</b>				
At 1 April 2009	107,262	0	18,384	125,646
Additions	71,584	0	81	71,665
Donations	0	0	0	0
Disposals	0	-4,600	-1,095	-5,695
Reclassifications	-57,632	13,594	-5,693	-49,731
Revaluations	0	1,241	2,793	4,034
Impairments	0	-6,297	-4,545	-10,842
Gross Valuation at 31 March 2010	121,214	3,938	9,925	135,077
<b>Depreciation</b>				
At 1 April 2009	0	0	-1,453	-1,453
Charge for 2009/10	0	-88	-159	-247
Disposals	0	3526	363	3889
Reclassifications	0	-1,914	5,354	3,440
Revaluations	0	-127	-381	-508
At 1 March 2010	0	1,397	3,724	5,121
<b>Balance Sheet amount at 31 March 2010</b>	<b>121,214</b>	<b>5,335</b>	<b>13,649</b>	<b>140,198</b>
<b>Balance Sheet amount at 1 April 2009</b>	<b>107,262</b>	<b>0</b>	<b>16,931</b>	<b>124,193</b>
<b>Nature of asset holding</b>				
Owned	121,214	5,335	13,649	140,198
Finance Lease	0	0	0	0
PFI	0	0	0	0
	121,214	5,335	13,649	140,198

## **18 Capital Expenditure and Financing**

The table below shows the financing of the £182.445 capital expenditure (including Revenue expenditure financed from capital under statute).

This demonstrates the change in the underlying need to borrow to finance capital expenditure.

Further information on the 2009/10 expenditure is provided in the Explanatory Foreword.

	<b>2008/09</b>	<b>2009/10</b>
	<b>Restated</b>	
	<b>£000</b>	<b>£000</b>
Opening Capital Financing Requirement	<b>309,738</b>	<b>359,772</b>
<b>Capital Expenditure:</b>		
Intangible assets	1,155	559
Operational assets	54,907	63,681
Non-operational assets	92,605	71,665
Revenue Expenditure Funded from Capital Under Statute	31,301	46,540
<b>Sources of Finance:</b>		
Capital receipts	-1,032	-1,879
Capital grants	-81,937	-97,998
Capital contributions	-8,045	-3,449
Revenue contributions	-20,070	-9,768
MRP and additional voluntary contribution	-18,850	-21,830
<b>Closing Capital Financing Requirement</b>	<b>359,772</b>	<b>407,293</b>
<b>Movement in Year:</b>	<b>50,034</b>	<b>47,521</b>
<b>Explanation of movement in year:</b>		
Increase in underlying need to borrow - supported by Government financial assistance	34,403	36,083
Increase in underlying need to borrow - unsupported by Government financial assistance	15,631	11,438
<b>Increase/decrease (-) in Capital Financing Requirement</b>	<b>50,034</b>	<b>47,521</b>

## **19 Capital Commitments**

These are estimated commitments in future years for contracts entered into by 31 March 2010.

	<b>Detail</b>	<b>Gross £000</b>
<b>Development - Highways</b>		
A1073 Spalding to Eye Bypass	New 22KM road around Crowland Cowbit and Eye Green	13,738
Boston Improvements	Boston on Line Widening	4,520
Dunston Road Rail Bridge, Metheringham	Re decking to bridge to remove weight restrictions	768
<b>Development - Economic Regeneration</b>		
Deepings Incubation Centre	New Managed Workspace	1,100
Kesteven Street, Coal Yard, Lincoln	Remediation of Brownfield Land	1,700
<b>Development - Tourism Development</b>		
Boston Barrier	Flood Defence	11,000
Watersports in Lincolnshire Bid	Development of Watersports Projects	1,000
<b>Children's Services</b>		
Lincoln City of Lincoln Academy	Construction of Academy	20,760
Lincoln Priory Witham Academy	Construction of Academy	11,496
Lincoln Priory LSST Academy	Construction works at Academy	9,730
Gainsborough Warren Wood School	Construction of a new SEN Primary School	3,509
Ingoldmells Primary School	Extension & Remodelling	908
Cherry Willingham Primary School	Extension & Remodelling	890
<b>Resources and Safer Communities - Fire and Rescue</b>		
Wragby Fire Station	New Fire Station	1,100

## **20 Information on Assets Held**

The SORP requires the Council to provide a descriptive insight into the range of assets that make up the fixed asset balances in the balance sheet.

Fixed assets owned by the Council include the following:

	<b>31.03.2009</b>	<b>31.03.2010</b>
	<b>(Numbers)</b>	<b>(Numbers)</b>
<b>Education</b>		
Schools excl Foundation Schools	308	307
Youth Services	31	32
Other Education excl School houses	22	22
Children's Centres	30	33
<b>Cultural</b>		
Libraries	38	39
Other Culture & heritage	14	12
<b>Social Services - Children's &amp; Family Services</b>		
Residential	10	8
Day Care	8	11
Other	0	4
<b>Social Services - Adult Services</b>		
Residential	26	25
Day Care	20	20
Other	4	4
<b>Corporate Services</b>	52	59
<b>Travellers Sites</b>	3	4
<b>County Farms</b>		
Holdings (hectares)	7,109	7,085
<b>Highways &amp; Planning</b>		
Highways Depots	11	11
Road Length including green lanes (kms)	9,114	9,165
Land for recreational purposes (eg country parks, coastal and picnic sites, hectares)	449	449
<b>Lincolnshire Development sites</b>	21	17
<b>Fire Stations (including Emergency Planning)</b>	39	39

## 21 Leases

### Assets for which the Council is the Lessee

#### (a) Operating Leases

Vehicles, Plant, Furniture and Equipment - the Council makes operating lease payments for equipment, contract car hire vehicles and fleet hire. The amount paid under these arrangements was £2.624m in 2009/10 (£2.545m in 2008/09).

Land and Buildings - the Council also leases various properties for use in delivering services. The rentals paid during 2009/10 amounted to £2.012m (£2.101m in 2008/09). This includes £1.224m for central office accommodation which is managed by Mouchel and charged to the Council as part of a monthly service charge.

As at 31 March 2010, the Council is committed to making payments of £3.195m under operating leases in 2010/11, comprising the following elements:

	Land & Buildings £000	Vehicles, Plant & Equipment £000
Leases expiring in 2010/11	216	330
Leases expiring between 2011/12 and 2014/15	259	1,878
Leases expiring after 2014/15	268	244
<b>Total Committed Liabilities for 2010/11</b>	<b>743</b>	<b>2,452</b>

#### (b) Finance Leases

Vehicles, Plant, Furniture and Equipment - finance lease payments of £1.179m (£1.039m in 2008/09) were made during the year. These relate mainly to IT equipment for schools. £0.387m was charged to the Income and Expenditure Account as interest payable and £0.793m written down to deferred liabilities in the Balance Sheet.

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

Several school buildings are held on long term leases but are valued at a nominal amount due to the payment of peppercorn rents.

The following amounts are included within tangible fixed assets (note 17b) for the properties and equipment held under finance leases:

	Other Land & Buildings £000	Vehicles, Plant & Equipment £000
Valuation at 31 March 2009	18,771	1,497
Additions	382	1,137
Revaluations	-2,745	0
Depreciation	-376	-753
Disposals	-117	-47
Reclassifications	3,538	0
<b>Net Book Value at 31 March 2010</b>	<b>19,453</b>	<b>1,834</b>

Outstanding commitments to make payments under these finance leases (excluding interest) are as follows:

	Other Land & Buildings £000	Vehicles, Plant & Equipment £000
Payable in 2010/11	0	113
Payable between 2011/12 and 2014/15	18	1,496
Payable after 2014/15	6	11
<b>Total Committed Liabilities as at 31 March 2010</b>	<b>24</b>	<b>1,620</b>

### Assets for which the Council is the Lessor

The Council acts as lessor (landlord) for the County Farms estate and received income from tenants of £1.700m in 2009/10 (£1.622m in 2008/09). The Council also received rental income from other properties. Where the value of the lease is material, the income amounted to £0.814m in 2009/10 (£0.832m in 2008/09). The County Farms estate is valued at £38.293m as at 31 March 2010.

The total gross value of other properties, for which the Council is lessor, is £43.086m as at 31 March 2010. This is offset by £9.274m of accumulated depreciation.

The Council has granted a 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. The authority did not acquire these assets specifically for the purpose of letting under finance leases.

### 22 Assets Recognised under a Service Concession Arrangement, including Private Finance Initiative (PFI)

#### Background

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

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

The 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.

### (a) Fixed Assets held under the PFI Contract

The table below shows the fixed assets held by the Council, and the movement in their values during 2009/10.

These assets are included in the fixed assets shown in note 17 Movement in Fixed Assets.

	<b>Land &amp; Buildings £000</b>	<b>Furniture &amp; Equipment £000</b>
Valuation at 31 March 2009	24,986	46
Additions	0	94
Revaluations	6894	0
Depreciation	-455	-22
Disposals	0	0
Reclassifications	0	0
<b>Net Book Value at 31 March 2010</b>	<b>31,425</b>	<b>118</b>

### (b) Liabilities Outstanding under the PFI Contract – Finance Lease Element

The following table shows the outstanding liability on the PFI Finance Lease, and the movement during 2009/10.

	<b>PFI Lease Liability £000</b>
Liability as at 01 April 2009	16,613
Principal Repayments	-727
<b>Liability as at 31 March 2010</b>	<b>15,886</b>

### c) PFI Contract Liabilities

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

	<b>Principal Lease Repayments £000</b>	<b>Financing Costs (Interest) £000</b>	<b>Service Charges £000</b>	<b>Total Estimated Payments £000</b>
Payable in 2010/11	720	1,121	655	<b>2,496</b>
Payable between 2011/12 and 2014/15	2,681	4,008	3,064	<b>9,753</b>
Payable between 2015/16 and 2019/20	3,225	3,965	3,900	<b>11,090</b>
Payable between 2020/21 and 2024/25	3,838	2,622	3,822	<b>10,282</b>
Payable between 2025/26 and 2029/30	4,602	1,154	2,931	<b>8,687</b>
Payable between 2030/31 and 2034/35	820	70	1,349	<b>2,239</b>
<b>Total Committed Liabilities as at 31 March 2010</b>	<b>15,886</b>	<b>12,940</b>	<b>15,721</b>	<b>44,547</b>

The accounting treatment of Service Concession Arrangements has changed between 2008/09 and 2009/10. This is a significant change in accounting policy. A full prior period adjustment has therefore been applied.

The effect of this adjustment is laid out in note 5.

### **23 Valuation and Depreciation of Fixed Assets**

#### **(a) Valuation Information for Fixed Assets carried at Current Cost**

Where the Council accounts for fixed assets at current cost, these assets are subject to a programme of regular revaluation as follows:

- Assets Held for Sale: when classified as Assets Held for Sale (i.e.: when the policy decision is made to sell the asset).
- County Farms Estate: annually.
- Other Current Cost Assets (including operational and non-operational land and buildings): every 5 years, unless circumstances indicate a revaluation is appropriate.

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

<b>ASSETS VALUED AT CURRENT VALUE</b>	<b>Operational Land &amp; Buildings £'000</b>	<b>Non-Operational Assets £'000</b>	<b>Assets Held for Sale £'000</b>
Valued at Current Value as at: -			
01/04/2009	131,364	2,312	5,335
01/04/2008	180,937	4,487	
01/04/2007	127,956	3,113	
01/04/2006	115,815	349	
01/04/2005	147,581	3,388	
<b>Total</b>	<b>703,653</b>	<b>13,649</b>	<b>5,335</b>

All valuations are carried out by the Council's appointed Valuers, in accordance with the Statements of Asset Valuation Practice and Guidance Notes of the Royal Institute of Chartered Surveyors. The valuation of the County Farms Estate is undertaken by Savills (L&P) Ltd. All other current cost asset valuations are undertaken by Mouchel Ltd.

### **(b) Information for Fixed Assets carried at Historic Cost**

The following table shows the values of Fixed Assets accounted for at historic cost. These assets are not subject to re-valuation. They are reported at the cost of construction or purchase price.

<b>ASSETS VALUED AT HISTORIC COST</b>	<b>Historic Cost Value £'000</b>
Vehicles, Furniture & Equipment	24,570
Specialist Equipment	1,414
Infrastructure	346,450
Community Assets	6,658
Intangible Assets	823
<b>Total</b>	<b>379,915</b>

### (c) Fixed Asset Depreciation Policy

The Council's depreciation policies are set out in the Statement of Accounting Policies (pages 12 - 20). All fixed assets that are subject to depreciation are dealt with according to these policies.

All assets are assigned a Useful Economic Life, over which they are depreciated. This life is reviewed whenever an asset is re-valued, and may be updated at that time. The table below sets out the Useful Economic Life applied to different types of fixed asset.

	<b>Useful Economic Life  (Years)</b>
<b>Land</b>	999
<b>Buildings</b>	
<u>Specialist Buildings</u> , including Schools, Youth Centres, Residential Homes, Day Centres, Family Centres, Fire Stations, Libraries, Museums, Highway Maintenance Depots	40
<u>Site works</u> , including Playground hard standing, Car Parks etc	20
<u>Non-Specialist Buildings</u> , including standard office accommodation	40
<b>Infrastructure</b>	
Structures (Bridges)	120
Major Road Construction	60
Street Lighting, Kerbing	40
Drainage	30
Safety Fencing	25
Traffic Signals, Other Street Furniture (Signs, Ornamental structures), Junction Improvements, Bus Stop Infrastructure, Carriageway Works, Footways, Materials Testing, Verges, Rights of Way	20
Reactive Signs	15
Carriageway Surfacing - Non-Principal Roads	12
Patching	10
Carriageway Surfacing - Principal Roads	8
Potholes - Non-Principal Roads	3
Potholes - Principal Roads	1
<b>Vehicles, Furniture &amp; Equipment</b>	
IT Equipment	4
Furniture and Equipment	5
Vehicles	5
<b>Intangible Assets, including Software and Licences</b>	4

The Council has revised its depreciation policy for infrastructure asset in 2009/10. In accounting periods up to 2008/09 all infrastructure assets had an estimated asset life of 30 years and depreciation was charged over this period. For 2009/10 infrastructure assets have

been split into different types of assets with different useful economic lives (set out in the table above).

Applying the new useful economic lives for 2009/10 has resulted in a depreciation charge of £24,407k. If the previous useful economic live of 30 years had been applied the depreciation charge for 2009/10 would have been £15,383K.

## **24 Stocks**

	<b>31.03.2009</b>	<b>31.03.2010</b>
	<b>£000</b>	<b>£000</b>
Highways and Planning	530	551
Other Committees	206	206
<b>Total Stocks</b>	<b>736</b>	<b>757</b>

The Highways stocks comprise of salt stores for winter maintenance, the remaining stocks include Fire and Rescue petrol and supplies and other supplies for museums, libraries and schools.

## **25 Landfill Allowances Trading Scheme (LATS)**

The estimated use of landfill sites for 2009/10 is treated as a liability. It will be finalised in the following year and matched to allowances available.

No allowances have been purchased or sold during the year.

Financial year 2009/10 is designated a "Target Year", this means the Council cannot landfill more than its allocated allowance in this year without incurring a financial penalty, unless it purchases additional allowances from another Waste Disposal Authority. Unused allowances cannot be carried forward into the new financial year (2010/11). Therefore all unused allowances received in 2009/10 have been written down to £0.

The table below shows that the Council will write off an estimated unused allowance of 31,687 tonnes.

	<b>2005/06</b>	<b>2006/07</b>	<b>2007/08</b>	<b>2008/09</b>	<b>2009/10</b>
	<b>Tonnes</b>	<b>Tonnes</b>	<b>Tonnes</b>	<b>Tonnes</b>	<b>Tonnes</b>
Allowances received	194,120	183,663	169,720	152,291	131,376
Unused allowances relating to previous years	0	32,882	80,168	151,251	0*
	<b>194,120</b>	<b>216,545</b>	<b>249,888</b>	<b>303,542</b>	<b>131,376</b>
<b>Biodegradable Municipal Waste usage</b>	<b>161,238</b>	<b>136,377</b>	<b>98,637</b>	<b>104,220</b>	<b>99,689</b>
<b>Estimated Unused Allowance at 31 March</b>	<b>32,882</b>	<b>80,168</b>	<b>151,251</b>	<b>199,322</b>	<b>31,687</b>

\* Unused allowances as at 31 March 2009 were written off as they could not be carried forward into 2009/10 a designated "Target Year".

## **26 Debtors**

	<b>31.03.2009</b>	<b>31.03.2010</b>
	<b>£000</b>	<b>£000</b>
<b>Amounts falling due in one year :</b>		
Government Departments	32,436	28,027
Payments in advance	4,119	7,545
Council Tax Agency Arrangements	7,843	7,819
Other debtors (individuals or firms)	15,315	16,424
<b>Total Short Term Debtors</b>	<b>59,713</b>	<b>59,815</b>
<b>Long term - debtors :</b>		
Lincolnshire Police Authority	572	520
Car loans to employees	11	5
Other long term debtors	3,204	3,636
<b>Total Long Term debtors</b>	<b>3,787</b>	<b>4,161</b>
<b>Total Debtors</b>	<b>63,500</b>	<b>63,976</b>

All figures included in the table above are shown net of bad debt provisions.

The Council Tax Agency Arrangements figure is made up of the Lincolnshire County Council's share of council tax arrears (net of impairment for doubtful debts) and any surpluses held by the districts.

## **27 Creditors**

	<b>31.03.2009</b>	<b>31.03.2010</b>
	<b>£000</b>	<b>£000</b>
Creditors for supplies and services	72,450	71,907
Council Tax Agency Arrangements	9,870	9,546
Long Term loans repayable within 1 year	7,980	23,366
Government Departments	44,285	69,012
Accruals of pay	3,873	3,823
Receipts in advance	11,473	15,719
<b>Total Creditors</b>	<b>149,931</b>	<b>193,373</b>

The Council Tax Agency Arrangements figure is made up of the Lincolnshire County Council's share of council tax prepayments, overpayments and our share of any deficits owed to the districts.

## **28 Joint Arrangements 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 2009/10 and no group relationships have been identified to be included within the Council's Statement of Accounts.

However, in the interests of transparency and accountability, the Council has chosen to disclose its interest in the purchasing consortia Eastern Shires Purchasing Organisation (ESPO) and the East Midlands Fire and Rescue Control Centre.

### **Eastern Shires Purchasing Organisation (ESPO)**

ESPO is a purchasing consortium established in 1988 for the purchase of goods and supplies and the provision of agreed services to their mutual benefit in accordance with Section 1 of the Local Authorities (Goods and Services) Act 1970. ESPO is constituted as Joint Committee and Lincolnshire County Council is one of seven constituted members

ESPO's accounting year end is 31 March and the latest (unaudited) accounts are for the year ended 31 March 2009, these showed net assets of £6.107m in 2008/09 (£5.428m in 2007/08) and a surplus of £0.679m in 2008/09 (a surplus of £0.921m in 2007/08).

Turnover between Lincolnshire County Council and ESPO totalled £33.664m for 2008/09 (£44.233m for 2007/08) in respect of stores issues, direct orders, period contracts and strategic contracts (or 9% of ESPO's total relevant turnover). In effect the Council would be entitled to approximately 9% of ESPO's assets and liabilities; these have not been included in the Council's balance sheet.

In 2005/06 a PWLB loan was taken out by Leicestershire County Council acting on behalf of ESPO, the six other consortium member authorities, including Lincolnshire County Council have provided an indemnity to meet the conditions of this loan should ESPO ever fail to make payments. A contingent liability has been declared within the financial statement for this.

A copy of ESPO's Statement of Accounts and Annual Report is available from: ESPO, Barnsdale Way, Grove Park, Enderby, Leicester. LE19 1ES. Telephone 0116 265 7878.

### **East Midlands Fire and Rescue Control Centre**

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

The Regional Control Centre was formed on 17 November 2006. It took ownership of a leased building at Castle Donnington in June 2007 and will operate from here for the next 25 years. The first members of staff were employed from September 2007. The Department for Communities and Local Government have determined a timetable for each region and each authority to commence their control operations from the regional control centre. Lincolnshire is not due to move over until January 2012.

The Regional Control Centre accounting year end is 31 December and the latest accounts are for the year ended 31 December 2009. The Directors have exercised the options available to a small sized company under the Companies Act 1985 and therefore the company is exempt from the requirement to appoint an auditor or to present audited accounts. The accounts show gross assets of £1.475m and gross liabilities of £1.475m at 31 December 2009 and that the company broke even in 2009. Turnover between Lincolnshire County Council and the Regional Control Centre totalled £0.364m for 2009 (or 20% of the total turnover of the company). The Council has made no financial investment in the company and has received no dividends. There is no indebtedness between the company and the Council as at 31 March 2010. Group accounts have not been prepared on the basis that the transactions and balances are not material.

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

## **29 Financial Instruments**

### **(a) Financial Instruments Balance**

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments:-

	Long-Term		Current	
	31.03.2009	31.03.2010	31.03.2009	31.03.2010
	£000	£000	£000	£000
Financial Liabilities At Amortised Cost	338,804	372,964	8,925	24,188
Financial Liabilities at Fair Value through the I & E Account	0	0	0	0
<b>Total Borrowings</b>	<b>338,804</b>	<b>372,964</b>	<b>8,925</b>	<b>24,188</b>
Loans and Receivables	6,810	1,920	162,741	209,137
Available for Sale Financial Assets	0	0	0	0
Unquoted Equity Investments At Cost	14	14	0	0
<b>Total Investments</b>	<b>6,824</b>	<b>1,934</b>	<b>162,741</b>	<b>209,137</b>

### **(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. 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.

These are classed as Unquoted Equity Investments and are value 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:-

	2008/09 £000	2009/10 £000
Financial Liabilities At Amortised Cost	13,332	15,221
<b>Interest Expense</b>	<b>13,332</b>	<b>15,221</b>
Loans and Receivables	-7,349	-2,313
Available for Sale Financial Assets	0	0
Unquoted Equity Investments At Cost	0	0
<b>Interest Received</b>	<b>-7,349</b>	<b>-2,313</b>

### (c) Fair Value of Assets and Liabilities Carried at Amortised Cost

Financial liabilities and financial assets represented by loans and receivables 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 31.3.2010 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 receivable the fair value is taken to be the principal outstanding or the billed amount.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount. These are not shown in the table below.

The fair values calculated are as follows:-

Financial Liabilities	31.03.2010	
	Carrying Amount £000	Fair Value £000
<b>PWLB Debt:</b>		
Long Term Borrowing by County Council >1 yr	370,679	361,803
Long Term Borrowing by Schools >1 yr	2,285	2,175
Long Term Borrowing by County Council <1 yr	19,883	19,397
Long Term Borrowing by Schools<1 yr	163	169
Short Term Loans <1 yr	822	822
<b>Total Borrowing (Financial Liabilities at Amortised Cost)</b>	<b>393,832</b>	<b>384,366</b>

The fair value is less than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is lower than the rates available for similar loans in the market at the balance sheet date.

Loans and Receivables	31.03.2010	
	Carrying Amount £000	Fair Value £000
Money Market Investments < 1 Yr - LCC	207,910	207,910
Money Market Investments < 1 Yr - Schools	775	775
Money Market Investments > 1 Yr	1,720	1,921
Debenture > 1Yr	200	200
<b>Total Loans &amp; Receivables (Financial Assets at Amortised Cost)</b>	<b>210,605</b>	<b>210,806</b>

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

The Council holds a small equity holding of £14,000 of shares at £1 par value, in a company called Investors in Lincoln Ltd. These shares do not have a quoted market price in an active market and therefore their fair value cannot be measured reliably. The Council was given the shares and do not intend to dispose of them. No dividend income is received from holding the shares.

#### **(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 requiring 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 that outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported quarterly to Councillors.

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

### (iii) Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. 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), as outlined in its investment strategy.

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

<b>Deposits With Banks and Financial Institutions</b>	<b>Amount at 31 March 2010</b>	
	<b>£000</b>	<b>%</b>
AAA Rated Counterparties	59,705	28.48%
AA Rated Counterparties	145,125	69.24%
A Rated Counterparties	0	0.00%
Other Counterparties	4,789	2.28%
<b>Total Investments</b>	<b>209,619</b>	<b>100.00%</b>

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

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

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

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

with an attachment over property. The overdue amounts of the Councils customers at the 31 March 2010 can be analysed by age as follows:

Analysis of Debts by Age	Amount at 31 March 2010	
	£000	%
Less than 3 months	3,576	49.31%
3 to 6 months	674	9.29%
6 months to 1 year	1,686	23.25%
More than 1 year	1,316	18.15%
<b>Total Outstanding Debt</b>	<b>7,252</b>	<b>100.00%</b>

#### (iv) Liquidity Risk

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

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

#### (v) Refinancing and Maturity Risk

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

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

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

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

<b>Debt Outstanding- Financial Liabilities</b>	<b>31.03.2010</b>
	<b>£000</b>
Less than one year	24,188
Between one and two years	6,501
Between two and five years	16,489
Between five and ten years	66,613
Between ten and fifteen years	34,836
Maturing in more than fifteen years	248,525
<b>Total</b>	<b>397,152</b>

<b>Investments Outstanding - Financial Assets</b>	<b>31.03.2010</b>
	<b>£000</b>
Less than one year	207,910
Between one and two years	1,720
Between two and three years	0
Maturing in more than three years	214
<b>Total</b>	<b>209,844</b>

All trade and other payables are due to be paid in less than one year. Trade debtors 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 Income and Expenditure Account will rise;
- § borrowings at fixed rates – the fair value of the borrowing liability will fall;
- § investments at variable rates – the interest income credited to the Income and Expenditure 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 Income and Expenditure Account or the Statement of Recognised Gains or Losses account (STRGL). However changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Income and Expenditure Account and affect the General Fund Balance.

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

Based on the financial liabilities and assets as at the balance sheet date a one percent point movement in average interest rates would be equivalent to a £1.818m change in the Council's net interest charge in the 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.

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

	<b>Fair Value 31.03.2010 £000</b>	<b>Fair Value at 1% Higher £000</b>	<b>Fair Value at 1% Lower £000</b>
County Council	381,200	336,473	438,983
Schools	2,344	2,198	2,507
<b>Long Term Fixed Borrowing:</b>	<b>383,544</b>	<b>338,671</b>	<b>441,490</b>
<b>Long Term Fixed Investments:</b>	<b>1,886</b>	<b>1,852</b>	<b>1,922</b>

There is no impact on the STRGL from the movement in fair value. Fair values have been calculated using the same methodology/assumptions as outlined on page 54 Fair Value of Assets and Liabilities Carried at Amortised Cost.

### **Price Risk**

The Council, excluding the pension fund, does not generally invest in equity shares and is therefore not exposed to losses arising from movements in the price of shares.

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

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

### **Foreign Exchange Risk**

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

### **30 Provisions**

	<b>Balance at 31.03.2009 £000</b>	<b>Additions in Year £000</b>	<b>Movement in Year £000</b>	<b>Balance at 31.03.2010 £000</b>
Social Services - Section 117 Deposits	1,263		-480	783
Community Equipment-Obsolete Stock	100		-100	0
Waste Disposal Claims	911		-30	881
Lincoln Southern Bypass Blight	865	280	-805	340
Retained Firefighter's part time pay regs		292		292
Insurance Claims	6,010		-605	5,405
<b>TOTAL</b>	<b>9,149</b>	<b>572</b>	<b>-2,020</b>	<b>7,701</b>

Lincolnshire County Council's provisions policy includes a de-minimis of £100,000.

**S117** of the Mental Health Act 1983 prescribes that Service Users who have been placed in care under Section 3 of the same act do not have to pay for aftercare services. Where they have been charged for such services they are entitled to reimbursement of the charges, plus interest. This provision was made to pay Service Users who are assessed as falling into this category. In January 2010 a review of the provision was carried out and a number of Service Users were identified as deceased and their estates are now unlikely to claim. The provision for these cases plus cases where the value is under £10,000 have been released back to revenue.

Discussions around **Social Care Contracts** were concluded in 2009/10, the provision is no longer required.

**Community equipment obsolete stock** provision was made to cover the cost of writing off old obsolete stock items of Community equipment and was set up when the new contract with the supplier was put into place. A year has now elapsed and the risk assessment of this provision is that it is now no longer required. Hence this was released in 2009/10.

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

The **Lincoln Southern Bypass Blight** provision represents the anticipated costs of claims from land and property owners affected by the road.

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

The **Insurance** provision of £5.405m 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	2,500
School property	150	500
Other property	10	100

### **31 Summary of Movements on Reserves in the year**

Reserve	Balance	Net	Balance	Further Detail of Movements
	1 April 2009 £000	Movement in Year £000	31 March 2010 £000	
Revaluation Reserve	172,934	7,346	180,280	Table (a) see page 63
Capital Adjustment Account	435,662	-59,526	376,136	Table (b) see page 63
Financial Instruments Adjustment Account	-143	-97	-240	Table (c) see page 64
Council Tax Adjustment Account	-2,026	299	-1,727	
Pension Reserve	-389,262	-358,528	-747,790	Note 34 to the Core Financial Statements, page 70
Earmarked Reserves	57,588	5,352	62,940	Table (e) see page 65
Usable Capital Receipts General Fund	14,908	0	14,908	Table (d) see page 64 Statement of Movement on the General Fund, page 22
<b>Total</b>	<b>289,661</b>	<b>-405,154</b>	<b>-115,493</b>	

## Table (a) Revaluation Reserve

	£000
Gains on revaluation of fixed assets	16,615
Transfer to Capital Adjustment Account (see Note 31 (b))	-9,269
<b>Total movement in 2009/10</b>	<b>7,346</b>
Balance brought forward at 1 April 2009	172,934
<b>Balance carried forward at 31 March 2010</b>	<b>180,280</b>

## Table (b) Capital Adjustment Account

	£000
Capital receipts set aside in 2009/10:	
- usable receipts applied	1,879
<b>Total capital receipts set aside in 2009/10</b>	<b>1,879</b>
Revenue resources set aside in 2009/10:	
- capital expenditure financed from revenue	9,768
- reconciling amount for the provision of loan repayments	-27,728
<b>Total revenue resources set aside in 2009/10</b>	<b>-17,960</b>
Transfer from Revaluation Reserve to adjust the depreciation charged to reflect only historic cost	3,325
Transfer from Revaluation Reserve to adjust revaluation gains for assets disposed of	5,944
Amounts written off fixed assets balances for disposals	-16,895
Write down of government grants deferred for disposals	-2,817
Revenue Expenditure Funded from Capital under Statute	-33,002
<b>Other adjustments</b>	<b>-43,445</b>
Total movement in 2009/10	<b>-59,526</b>
Balance brought forward at 1 April 2009	435,662
<b>Balance carried forward at 31 March 2010</b>	<b>376,136</b>

The Capital Adjustment Account contains the amounts set aside from revenue resources and capital receipts to finance capital expenditure and loan repayments.

It includes movements on the General Fund in respect of the notional charges for depreciation, the write down of government grants deferred and Revenue Expenditure Funded from Capital under Statute. This is to ensure that there is no effect on the amounts to be met from government grants and taxation.

The reconciling amount for the provision of loan repayments is, therefore, the difference between the actual amount charged to the Income and Expenditure Account for loan repayments (minimum revenue provision and additional voluntary contribution) and the capital charges made for use of assets.

### Table (c) Financial Instruments Adjustment Account

	<b>£000</b>
Allison Homes loan - adjustment to fair value	20
Care of the Elderly loans - adjustment to fair value	-98
Bridging Loans	-5
Premiums/discounts on early repayment of debt not charged to revenue	-14
<b>Total Movement in 2009/10</b>	<b>-97</b>
Balance brought forward at 1 April 2009	-143
<b>Balance carried forward at 31 March 2010</b>	<b>-240</b>

### Table (d) Usable Capital Receipts

	<b>£000</b>
Amounts receivable in 2009/10	1,879
Amounts applied to finance new capital expenditure in 2009/10	-1,879
Total movement in 2009/10	<b>0</b>
Balance brought forward at 1 April 2009	0
<b>Balance carried forward at 31 March 2010</b>	<b>0</b>

The Council has a policy of utilising all capital receipts to finance capital expenditure.

**Table (e) Earmarked Reserves**

	<b>Balance at Restated 31.03.2009 £000</b>	<b>Additions in Year £000</b>	<b>Used in Year £000</b>	<b>Balance at 31.03.2010 £000</b>
<b>Capital Programme reserve</b>	2,012	904	-330	2,586
<b>Capital Funding reserve</b>	438	1,519		1,957
<b>Other Earmarked Reserves :</b>				
Schools	16,537	13,559	-16,537	13,559
Other Services	11,232	4,630	-11,232	4,630
Childrens Fund	16			16
Adverse Weather	380		-380	0
Objective 2	438			438
Insurance	761	449		1,210
Invest to Save	185			185
Boarding	220	34		254
School's Sickness Insurance Scheme	495	80		575
Purchase of Museums Exhibits	135	5		140
Salix Carbon Management	0	321	-129	192
Carbon Management		49		49
Waste Disposal	14,087	5,703	-48	19,742
Development	1,900	1,566		3,466
Health and Well Being	6,585	1,067		7,652
Safer Communities Commissioning Project		1,495		1,495
Safer Communities Positive Future		500		500
<b>Local Public Service Agreements</b>				
<b>Reward Grant Reserves:</b>				
Communities - Crime and Disorder	300	129	-42	387
Development - Highways	232			232
Development - Public Footpaths	146		-10	136
LPSA Adult and Social Care	151		-151	0
LPSA - Culture and Adult	61	626		687
LPSA2 - Waste Management	626			626
LPSA2 - Economic Regeneration	626			626
LPSA2 (Children Services)	25	691		716
LPSA 2 Healthier Communities		257		257
LPSA 2 Improving Road Safety		627		627
<b>Total</b>	<b>57,588</b>	<b>34,211</b>	<b>-28,859</b>	<b>62,940</b>

The **Capital Programme** reserve represents the net underspending of the Capital Programme at 31 March 2010 and will be used for future capital expenditure.

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

The **Schools** reserve represents the net underspending of school budget shares in 2009/10. It is earmarked for use by those schools as required by the Lincolnshire County Council Scheme for financing Schools approved by the Secretary of State for Education and Skills.

The reserve for **Other Services** represents net under and overspendings in 2009/10 on services other than schools (i.e. Children's Services, Communities, Development, Corporate Services, Central Services within the Dedicated Schools Budget and Other Budgets) which will be carried forward for use in 2010/11.

The reserve for the **Children's Fund** (CF) represents the amount of interest that has accrued in relation to grant income paid in advance by the Children and Young Person's Unit (CYPU). The interest will either be paid back to the CYPU or used for funding part of the CF project depending on the decision of the CYPU.

The reserve for **Adverse Weather** currently stands at zero due to the harsh winter 2009/10. The reserve is expected to be increased in 2010/11.

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

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

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

The reserve for **Boarding** is earmarked for future capital expenditure on school boarding houses.

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

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

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

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

The **Waste Disposal** reserve is to provide for the increased cost of Waste Disposal in future years.

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

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

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

The **Safer Communities Positive Futures Reserve** was set up from an underspend of development funding in 2008/09 to be used for the implementation of the Positive Futures and Neighbourhood Management Projects.

### **Public Service Agreements Performance Reward Grant**

- Communities-Crime & Disorder - Awarded in 2006/07 for achieving the target of reducing domestic burglaries.
- Development-Highways - The reserve is to be spent on transport in 2010/11 and future years
- Development-Public Footpaths - This is to be spent on the County's right of way network in 2010/11 and future years.
- Communities-Adult Social Care - Awarded in 2007/08 for achieving the target of reducing admissions of supported residents aged 65+ to permanent residential nursing care per 10,000 population aged 65+.
- Culture and Adult Education - Initially awarded in 2006/07 for achieving the target of increasing the literacy and numeracy levels of adults with basic skills.
- LPSA2-Environmental Management - Awarded for reducing landfill. The Environmental Management reserve enables reward grant to be spent on environmental management initiatives in the future.
- LPSA2-Economic Regeneration - Awarded for creating and safeguarding jobs. The Economic Regeneration reserve enables reward grant to be spent on economic regeneration initiatives in the future
- LPSA2-Road Safety - - Awarded for reducing the numbers of people killed or seriously injured on Lincolnshire's roads. The Road Safety reserve enables reward grant to be spent on road safety initiatives in the future.
- LPSA2-Children Services - Initially awarded for achieving the target on improving the exam attainment of pupils in public care.

## **32 Contingent Liabilities**

### **Insurance**

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

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

Municipal Mutual Insurance Limited, the Council's former insurers, ceased writing insurance business in September 1992. They have made a scheme of arrangements with creditors in the event of the company becoming insolvent. Claims are currently being paid in full and it is hoped that the Company's assets will enable all liabilities to be met. It should be noted that

there is a contingent liability if the Council is: a) unable to recover all of the outstanding claims in ensuing years, b) if a clawback arrangement has to be implemented.

## **Expansion of Eastern Shires Purchasing Organisation (ESPO)**

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

ESPO relocated to a new custom built store in Leicester on February 2006. The new store has been financed by a £12.6m PWLB loan taken out by Leicestershire County Council on behalf of the ESPO consortium. Leicestershire has obtained an indemnity from all six other consortium member authorities to meet the conditions of the loan should ESPO ever fail to make payments. The potential maximum liability is £2m.

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

## **Back Pay Claims**

The Council has concluded a wide ranging review of its pay and grading structure with the key objective of ensuring equal pay is given to jobs of equal value. The outcome of the review was implemented in the summer of 2008 and effective from 1st April 2007. The Council has received a number of equal pay claims as a consequence of implementation of the aforementioned review. Claims, if successful, can apply for a period of 6 years prior to the effective date. The Council believes it has now received the majority of claims that are likely to arise and is well advanced in negotiating settlements in the appropriate cases. Whilst it is not presently possible to quantify the total liability arising, it is presently estimated to be no more than £300,000. Most, if not all, claims are expected to be resolved during 2010/11.

## **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.

Eight land and property owners have made a formal claim against the Council, seven have been settled and the eighth is expected to be finalised in 2010/11. A provision was created in the 2007/8 accounts and this has been used to offset these costs with the remaining provision available to offset the one outstanding claim.

It is unlikely that the road will be constructed within the near future, however. Potentially, other owners of land and property affected by the road can claim blight at any stage between now and construction. If these claims are upheld, then the Council will have to purchase the properties or land in advance of construction, this could, excluding any discretionary purchases amount to approximately £1m.

## Extra Contractual Referrals

In Lincolnshire, there are a small number of people with learning Disabilities who were placed in Health accommodation by other Health Authorities (Extra Contractual Referrals – ECRs). Over the years with the closure of those hospitals the individuals have moved into places in the community or in some cases their previous accommodation has become community provision. With our pooled budget arrangements with Lincolnshire Health we have hitherto paid for the care of these individuals and invoiced the other local authorities with the cost.

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

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

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

## 33 Trust Funds

Lincolnshire County Council acts as sole administrator for 57 trust funds related to specific services, principally Education and Social Services. Funds are invested either in external marketable securities or held on deposit. They are not included in the Balance Sheet.

The principal trusts are as follows:

	<b>Balance at 31.03.2009</b>	<b>Income</b>	<b>Expenditure</b>	<b>Balance at 31.03.2010</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Education Trusts	251,837	10,746	-7,094	255,489
Children's Social Care Trusts	281,487	1,305	-7,913	274,879
Adult Social Care Trusts	241,709	3,513	-6,171	239,051
Other Trusts	100,098	1,054		101,152
<b>Total</b>	<b>875,131</b>	<b>16,618</b>	<b>-21,178</b>	<b>870,571</b>

The Education funds relate principally to legacies left by individuals over a period of years in order to provide annual prizes at specified schools or colleges.

The Social Care funds represent monies held in trust either for children in care until such time as they are required or funds for the benefit of the elderly in Council homes.

## **34 Retirement Benefits**

### **Participation in Pension Schemes**

Lincolnshire County Council participates in three pension schemes as described in note 14 to the Statement of Accounting Policies.

#### **(a) Teachers Pension Scheme (TPS)**

In 2009/10 Lincolnshire County Council paid £28.0m to the administrators of the TPS in respect of employer's pension contributions. This represents 14.1% of teachers' pensionable pay during 2009/10. 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 £3.519m in 2009/10 and have an ongoing liability to the Council. A further £0.996m was paid as lump sum redundancy payments.

#### **(b) Local Government Pension Scheme (LGPS)**

Lincolnshire County Council paid employers' contributions of £34.537m into the Lincolnshire Pension Fund in 2009/10 based on 18.9% of scheme employees' pensionable pay. Under the Council's early retirement policy, additional contributions of £0.697m 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 £0.305m. A further £1.3m was paid as lump sum redundancy payments. Further information can be found on pages 80 - 88 and in the County Council's Pension Fund Annual Report which is available on request.

#### **(c) The Fire-fighters' (Uniformed) Pension Scheme (FPS)**

In 2009/10, Lincolnshire County Council paid employer's contributions of £1.786m to the Lincolnshire Fire and Rescue Pension Fund. There are currently two schemes, namely 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 £0.095m was paid in respect of ill health retirements and £0.228m in respect of injury benefits. Further information on the Lincolnshire Fire and Rescue Pension fund can be found on pages 89 - 91.

### **FRS17 accounting entries**

In order to comply with FRS17, the employer's pension contributions have been replaced with current service costs as estimated by the independent actuary. 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 Income and Expenditure Account and as movements to the General Fund.

## Recognition in the Expenditure and Income statements

	31.03.2009	31.03.2009	31.03.2010	31.03.2010
	Local Government Pension Scheme £000	Fire- fighters' Pension Scheme £000	Local Government Pension Scheme £000	Fire- fighters' Pension Scheme £000
Current Service Cost	23,523	2,800	20,788	2,600
Interest Cost	53,840	7,000	53,422	6,900
Expected Return on Employer Assets	-41,433		-31,515	
Past Service Cost / (Gain)	6,089		141	
Past Service Cost / (Gain) Injury Benefits				400
Losses / (Gains) on Curtailments and Settlements	928		200	
<b>Total</b>	<b>42,947</b>	<b>9,800</b>	<b>43,036</b>	<b>9,900</b>
Actual Return on Plan Assets	-109,322		144,381	

## Reconciliation of the defined benefit obligation

	31.03.2009	31.03.2009	31.03.2010	31.03.2010
	Local Government Pension Scheme £000	Fire- fighters' Pension Scheme £000	Local Government Pension Scheme £000	Fire- fighters' Pension Scheme £000
Opening Defined Benefit Obligation	<b>774,803</b>	<b>100,889</b>	<b>771,449</b>	<b>99,300</b>
Current Service Cost	23,523	2,800	20,788	2,600
Government Grant		-293		-777
Interest Cost	53,840	7,000	53,421	6,900
Contributions by Members	11,067	1,000	11,615	1,000
Actuarial Losses / (Gains)	-68,355	-9,189	423,943	34,700
Past Service Cost / (Gain)	6,089		141	
Past Service Cost / (Gain) Injury Benefits			200	400
Losses / (Gains) on Curtailments	929			
Estimated Unfunded Benefits Paid	-5,168		-5,389	
Estimated Benefits Paid	-25,279		-26,403	
Liabilities Assumed on Business Combination			5,359	
Pensions and Lump Sum Expenditure		-3,507		-3,623
Transfers in from other authorities		600		500
Closing Defined Benefit Obligation	<b>771,449</b>	<b>99,300</b>	<b>1,255,124</b>	<b>141,000</b>

## Reconciliation of fair value of employer assets

	31.03.2009	31.03.2009	31.03.2010	31.03.2010
	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	<b>574,231</b>	<b>0</b>	<b>481,488</b>	<b>0</b>
Expected Return on Assets	41,433		31,515	
Contributions by Members	11,067	1,000	11,615	1,000
Contributions by the Employer	33,210	2,200	35,234	2,900
Contributions in respect of Unfunded Benefits	5,168		5,389	
Actuarial Gains / (Losses)	-153,175		112,866	
Unfunded Benefits Paid	-5,168		-5,389	
Benefits Paid	-25,278		-26,403	
Assets gained on Business Combination			2,019	
Transfers in from other authorities		600		500
Pensions and Lump Sum Expenditure		-3,800		-4,400
Closing Fair Value of Employer Assets	<b>481,488</b>	<b>0</b>	<b>648,334</b>	<b>0</b>

The reversal of the FRS17 transactions ensures that there is no effect on the amounts to be met from government grant and the local taxpayers.

## Pension Fund Assets and Liabilities

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

	<b>31.03.2009</b>	<b>31.03.2009</b>	<b>31.03.2010</b>	<b>31.03.2010</b>
	<b>Local</b>	<b>Fire-</b>	<b>Local</b>	<b>Fire-</b>
	<b>Government</b>	<b>fighters'</b>	<b>Government</b>	<b>fighters'</b>
	<b>Pension</b>	<b>Pension</b>	<b>Pension</b>	<b>Pension</b>
	<b>Scheme</b>	<b>Scheme</b>	<b>Scheme</b>	<b>Scheme</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Fair Value of Employer Assets	481,488		648,334	
Present Value of Funded Liabilities	-685,595		-1,148,265	
Net Under / Overfunding in Funded Plans	-204,107	0	-499,931	0
Present Value of Underfunded Liabilities	-85,855	-99,300	-106,859	-141,000
Unrecognised Past Service Costs	0			
Net Asset / Liability	-289,962	-99,300	-606,790	-141,000
Amount in the Balance Sheet				
Liabilities	289,962	99,300	606,790	141,000
Assets				
Net (Asset) / Liability	289,962	99,300	606,790	141,000

The liabilities show the underlying commitments that Lincolnshire County Council has to pay retirement benefits in the future. The total liability of £747.79m has a substantial impact on the net worth of the Council as recorded in the balance sheet.

Statutory arrangements for funding the LGPS deficit mean that the financial position of the Council remains relatively healthy. Under the LGPS regulations, the contribution rates for 2009/10 were set at 18.9% of employees' pensionable pay to, over time, meet in full the estimated liabilities of the fund. The triennial LGPS actuarial valuation at 31 March 2007, following an improvement in world equity markets, identified that assets held at that date were sufficient to cover 86% of accrued liabilities.

In assessing liabilities for retirement benefits at 31 March 2010 for the 2009/10 Statement of Accounts, the actuary assumed a discount rate of 1.6% real (5.5% actual), a rate based on the current rate of return on a high-quality corporate bond of equivalent currency and term to scheme liabilities is to be used. For the 2008/09 Statement of Accounts, the actuary has advised that a rate of 3.7% real (6.9% actual) is appropriate.

The main financial assumptions used by the independent actuary in calculating the Fire-fighters' scheme and the LGPS liabilities were:

	31.03.2009	31.03.2009	31.03.2010	31.03.2010
	Local Government Pension Scheme	Fire-fighters' Pension Scheme	Local Government Pension Scheme	Fire-fighters' Pension Scheme
	%	%	%	%
Price Increases	3.1	3.1	3.8	3.8
Salary Increases	4.6	4.6	5.3	5.3
Pension Increases	3.1	3.1	3.8	3.8
Discount Rate	6.9	6.9	5.5	5.5
Take up of option to convert annual pension to lump sum prior to 1 April 2009	25.0	N/A	25.0	N/A
Take up of option to convert annual pension to lump sum post 1 April 2009	62.5	N/A	63	N/A

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

Asset Class	31.03.2009		31.03.2010	
	£000	%	£000	%
Equities	311,042	64.6	453,834	70.0
Bonds	100,631	20.9	116,700	18.0
Property	65,964	13.7	71,317	11.0
Cash	3,851	0.8	6,483	1.0
<b>Total</b>	<b>481,488</b>	<b>100.0</b>	<b>648,334</b>	<b>100</b>

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

	Local Government Pension Scheme	Local Government Pension Scheme	Fire-Fighters Pension Scheme	Fire-Fighters Pension Scheme
	Males	Females	Males	Females
Current Pensioners	20.8 years	24.1 years	27.6 years	31 years
Future Pensioners	22.3 years	25.7 years	29.2 years	32.7 years

The historic mortality rates for all the years shown below are based on the PFA92 and PMA92 tables. The allowance for future life expectancy based on age ratings on the membership profile is shown in the tables below:

### Local Government Pension Scheme

<b>Year Ended</b>	<b>Prospective Pensioners</b>	<b>Pensioners</b>
31 March 2010	Year of birth, medium cohort and 1% p.a. minimum improvements from 2007	Year of birth, medium cohort and 1% p.a. minimum improvements from 2007
31 March 2009	Calendar year 2033	Calendar year 2017
31 March 2008	Calendar year 2033	Calendar year 2017
31 March 2007	Calendar year 2017	Calendar year 2004
31 March 2006	Calendar year 2004	Calendar year 2004

### Fire-fighters' Pension Scheme

<b>Year Ended</b>	<b>Prospective Pensioners</b>	<b>Current Pensioners</b>	<b>Ill Health Pensioners</b>
31 March 2010	Year of birth, with medium cohort improvements and a 1% underpin applied from 1992	Year of birth, with medium cohort improvements and a 1% underpin applied from 1992	Year of birth, with medium cohort improvements and a 1% underpin applied from 1992 + 5 years
31 March 2009	Calendar year 2030 - 1 year	Calendar year 2020 - 1 year	Calendar year 2020 + 4 years
31 March 2008	Calendar year 2030 - 1 year	Calendar year 2020 - 1 year	Calendar year 2020 + 4 years
31 March 2007	Calendar year 2030 - 1 year	Calendar year 2020 - 1 year	Calendar year 2020 + 4 years
31 March 2006	Calendar year 2030 - 1 year	Calendar year 2020 - 1 year	Calendar year 2020 + 4 years

## Actuarial Gains and Losses

The actuarial gains and losses, identified as movements on the Pension Reserve in 2009/10, can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities as at 31 March 2010.

	2005/06 £000	2006/07 £000	2007/08 £000	2008/09 £000	2009/10 £000
<b>Local Government Pension Scheme:</b>					
Fair Value of Employer Assets	553,482	608,530	574,231	481,488	648,334
Present Value of Defined Benefit Obligation	-823,339	-836,907	-774,803	-771,449	-1,255,124
Surplus / Deficit	-269,857	-228,377	-200,572	-289,961	-606,790
Experience Gains / Losses on Assets	73,411	1,630	-91,326	-153,175	112,866
Experience Gains / Losses on Liabilities	1,413	-3,073	-1,052	-37	-1,455
Actuarial Gains / Losses	-11,772	44,438	27,222	-84,820	-314,416
Cumulative Actuarial Gains and Losses	-111,034	-66,596	-39,374	-124,194	-438,610
<b>Fire-fighters' Pension Scheme:</b>					
Present Value of Defined Benefit Obligation	-99,800	-99,059	-100,889	-99,300	-141,000
Experience Gains / Losses on Liabilities	500	820	-15,952	6,900	4,700
Actuarial Gains / Losses	-8,748	6,915	5,127	9,189	-34,700
Cumulative Actuarial Gains and Losses	-27,000	-20,100	-14,900	-5,800	-40,500
<b>Total movement in actuarial gains / losses (-)</b>	<b>-20,520</b>	<b>51,353</b>	<b>32,349</b>	<b>-75,631</b>	<b>-349,116</b>

## Projected pension expense for 2010/11

The table below shows the projected costs in 2010/11 to the Council for its main schemes.

Year Ended	31.03.2011		31.03.2011
	Local Government		Fire-fighters'
	Pension Scheme		Pension Scheme
	£000	% of pay	£000
Projected Current Service Cost	42,348	22.7	4,900
Interest on Obligation	69,577	37.3	7,700
Expected Return on Plan Assets	-46,023	-24.7	
Past Service Cost			
Losses / (Gains) on Curtailments and Settlements			
<b>Total</b>	<b>65,902</b>	<b>35.3</b>	<b>12,600</b>

The estimated employer's contribution to the Local Government scheme is £35.2m and to the Fire Fighters scheme £4.7m in 2010/11.

**35 Reconciliation of Net Surplus/Deficit on the Income and Expenditure Account to the Revenue Activities Net Cash Flow in the Cash Flow Statement**

	2008/09 Restated £000	2009/10 £000
Surplus or deficit (-) for the year	-67,209	-72,229
Net additional amount debited/credited to the General Fund (See Note 16)	69,237	72,229
<b>Non cash transactions :</b>		
Contributions to / from (-) earmarked reserves	-296	5,775
Adjustment to Retained Earnings	-73	0
Revenue Contributions including MRP	38,919	31,598
Revenue Expenditure Financed from Capital Under Statute	-22,739	-15,657
Financial Instruments adjustment	147	-14
Retained Earnings adjustment to General Fund	-73	0
Change in provisions	693	-922
	<b>16,578</b>	<b>20,780</b>
<b>Movement in other current assets :</b>		
Reduction or increase (-) in stocks	-240	-21
Reduction or increase (-) in debtors (excluding capital)	-4,600	-6,574
Reduction (-) or increase in creditors (excluding capital)	-1,719	32,650
	<b>-6,559</b>	<b>26,055</b>
<b>Servicing of Finance:</b>		
Net movement	5,449	11,860
	<b>5,449</b>	<b>11,860</b>
<b>Net Cash Inflow / Outflow (-)</b>	<b>17,496</b>	<b>58,695</b>

**36 Movement in Cash Reconciled to the Movement in Net Debt**

	1.4.2009 Restated £000	Movement in year		31.3.2010 £000
		Cash £000	Non Cash £000	
Cash in hand	19,473	809		20,282
Cash overdrawn	-25,778	-9,040		-34,818
Short term investments	162,741	46,396		209,137
Long term investments	6,824	-4,890		1,934
Temporary loans	-945	123		-822
Long term borrowing	-338,804	-34,160		-372,964
Finance leases-deferred liabilities	-18,113	1,597	-1,306	-17,822
	<b>-194,602</b>	<b>835</b>	<b>-1,306</b>	<b>-195,073</b>

### **37 Reconciliation in Movement in Net Debt**

	<b>£000</b>
Opening net debt at 1 April 2009 (Restated)	<b>-194,602</b>
Increase in cash in hand	809
Decrease in cash overdrawn	-9,040
Increase in short term investments	46,396
Increase in long term investments	-4,890
Movement in long term borrowing	-34,160
Movement in short term borrowing	123
Movement in deferred liabilities	291
<b>Net debt at 31 March 2010</b>	<b>-195,073</b>

### **38 Analysis of Government Grants in the Cash Flow Statement**

	<b>2008/09</b>	<b>2009/10</b>
	<b>£000</b>	<b>£000</b>
Dedicated School Grant	364,139	366,923
Sixth Form Funding	35,094	36,119
Standards Fund	38,340	36,032
Supporting People	20,799	141
Schools standard Grant	17,783	17,863
Schools Standard Grant Personalisation	3,750	3,561
Schools Modernisation	1,993	0
Schools Devolved Capital Grant	6,354	7,436
European Regional Development Fund	7,129	1,970
Business Incentive	1,945	430
Learning Skills Council/Children Fund	4,523	0
PFI Funding	1,158	1,158
Extra Care Grant	1,822	0
European Social Fund	24	796
East Midlands Development Agency	2,728	5,826
General Surestart grant	16,794	18,625
Consumer Direct	613	810
PCDL Main grant	1,420	1,404
Fire USAR Crewing, Timber and PPE	856	961
Asylum Seekers	703	994
Empowering Young People	904	0
Learning Disabilities Campus Grant	637	1,409
Adult Social Care Transformation Grant	1,139	2,723
Diploma Formula Grant	692	2,597
Gateway 2 Consortia	1,020	519
Learner Support Fund	61	7,089
Modernisation & Development	212	2,243
LPSA2 reward	0	3,025
Growth Point	200	531
Migration Impact Fund	0	854
PFS Framework Academies	0	15,109
Trent Valley Academy F & F	0	1,124
Learning and Skills Council Capital Grant	0	1,487
Harnessing Technology Grant	0	663
Targeted Capital Fund	0	16,062
Other (grants less than £500k)	7,880	1,164
<b>Total Revenue Grants</b>	<b>540,712</b>	<b>557,648</b>

## **39 Deployment of the Dedicated Schools Grant**

The council's expenditure on schools is funded primarily by grant monies provided by the Department for Children, Schools and Families, the Dedicated Schools Grant (DSG). The DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget as defined in the School Finance (England) Regulations 2008. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2009-10 are as follows:

<b>Schools Budget Funded by Dedicated Schools Grant</b>			
	<b>Central Expenditure £000</b>	<b>Individual Schools Budget £000</b>	<b>Total £000</b>
Final DSG for 2009/10	38,295	328,628	366,923
Brought forward from 2008/09	1,046	4,263	5,309
Carry forward to 2010/11 agreed in advance			
<b>Agreed budget distribution in 2009/10</b>	<b>39,341</b>	<b>332,891</b>	<b>372,232</b>
Actual central expenditure	36,668		36,668
Actual ISB deployed to schools		328,084	328,084
<b>Carry forward to 2010/11</b>	<b>2,673</b>	<b>4,807</b>	<b>7,480</b>

The individual schools budget includes schools contingency. For the purposes of the deployment of the grant, individual school budgets are deemed to be spent once allocated. School balances can be seen elsewhere in the financial statements under ear-marked reserves.

## **40 Authorisation of Accounts for Issue**

These accounts were Authorised for Issue on 18 June 2010 by Pete Moore, CPFA (Executive Director – Resources and Community Safety).

## **41 Post Balance Sheet Events**

In accordance with the requirements of FRS21 'Events after the Balance Sheet date' the date up to which events after the Balance Sheet date have been considered for inclusion within the accounts is the date that the Statement of Accounts were Authorised for Issue by Pete Moore, CPFA (Executive Director – Resources and Community Safety) on the 18 June 2010.

As at this date there were no significant post balance sheet events.

# Lincolnshire County Council's Pension Fund

## Pension Fund Account

For the year ended 31 March 2010

	See Note	2008/09 £000	2009/10 £000
<b>Contributions and Benefits</b>			
Contributions Receivable	4	77,176	82,384
Transfers in	5	7,783	15,728
		<b>84,959</b>	<b>98,112</b>
Benefits Payable	6	53,593	59,998
Leavers	7	5,164	10,630
Administrative expenses	8	1,190	1,022
		<b>59,947</b>	<b>71,650</b>
<b>Net additions from dealings with fund members</b>		<b>25,012</b>	<b>26,462</b>
<b>Returns on Investments</b>			
Investment Income	9	22,781	26,932
Change in Market Value of Investments	10	-242,269	243,225
Investment management expenses	8	-3,649	-3,315
<b>Net returns on investments</b>		<b>-223,137</b>	<b>266,842</b>
Net decrease in the Fund during the year		-198,125	293,304
Opening net assets of the Fund		1,108,188	910,063
<b>Closing net assets of the Fund</b>		<b>910,063</b>	<b>1,203,367</b>
 <b>Net Assets Statement as at 31 March 2010</b>			
<b>Investments</b>			
Fixed Interest Securities		129,686	150,664
Equities		488,435	712,573
Index Linked Securities		55,911	61,252
Pooled Investments		213,152	240,632
Cash Deposits		8,345	13,931
Other Investment Balances	11	1,616	794
		<b>897,145</b>	<b>1,179,846</b>
Current Assets and Liabilities	12	12,918	23,521
<b>Net Assets of the Fund at 31 March 2010</b>		<b>910,063</b>	<b>1,203,367</b>

# Notes to the Pension Fund Account

## 1 Pension Fund Account

The Pension Fund is administered by Lincolnshire County Council on behalf of their own employees (except teachers), the District Councils and other bodies in the County. There were 20,130 contributors to the Fund at 31 March 2010 and 13,021 individuals were in receipt of pensions. A separate detailed Annual Report, including a list of the scheduled and admitted bodies contributing to the Fund and a statement of investment principles, is available from the Executive Director of Resources and Community Safety, Lincolnshire County Council, County Offices, Newland, Lincoln, LN1 1YL.

### **Basis of Preparation**

The Financial Statements have been prepared in accordance with the main recommendations of the Statement of Recommended Practice (Financial Reports of Pension Schemes) and follow the Code of Practice on Local Authority Accounting issued by the Chartered Institute of Public Finance and Accountancy.

The Financial Statements do not take into account liabilities to pay pensions and other benefits after the period end. These liabilities are dealt with through the periodic actuarial valuations of the Fund and are reflected in the levels of employers' contributions determined by these valuations.

The accounting policies of the Fund have been disclosed on page 20.

## 2 Actuarial Valuation

An actuarial valuation of the Fund undertaken as at 31 March 2007 indicated that the Fund's assets were £1,145.5m and covered 86% of the Funds liabilities. This compared with assets of £746.7m at the valuation as at 31 March 2004, which covered 79% of the Fund's liabilities. Since the valuation however, equity markets have fallen considerably. The changes in the economic factors have been extremely detrimental in terms of their effect on the funding level. The main actuarial assumptions for the 2007 valuation were as follows:

	<b>Nominal</b>	<b>Real</b>
	<b>% Per Annum</b>	<b>% Per Annum</b>
Investment Return		
- Equities	6.1%	2.9%
- Bonds	4.5%	1.3%
Rate of Pensionable pay inflation	4.7%	1.5%
Rate of Price inflation	3.2%	

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 2007 were effective from April 2008. 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 2010.

### **3 Pension Fund Investments 2009/10**

Surplus funds are invested in a wide variety of UK and overseas companies and Government Securities 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 Lincolnshire County Council.

<b>Fund Manager</b>	<b>31.03.2009</b>		<b>31.03.2010</b>	
	<b>£m</b>	<b>%</b>	<b>£m</b>	<b>%</b>
<b>EXTERNALLY MANAGED</b>				
Alliance Bernstein	73	8	105	8
Threadneedle	47	5	67	5
Invesco	144	16	207	16
New Star	30	3	41	3
Martin Currie	79	9	115	9
Aviva	152	17	179	17
<b>INTERNALLY MANAGED</b>				
UK Index Linked Gilts	34	4	37	4
Pooled Investments	215	24	242	24
UK Equity	121	13	186	14

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 ast traded), rather than mid prices that had previously been used. The managers within the Pension Fund have reported their year end valuations at either bid or last traded, as detailed in the table below.

<b>Fund Manager</b>	<b>Valuation Pricing</b>
<b>EXTERNALLY MANAGED</b>	
Alliance Bernstein	Last Traded
Threadneedle	Bid
Invesco	Bid
New Star	Last Traded
Martin Currie	Last Traded
Aviva	Bid
<b>INTERNALLY MANAGED</b>	
UK Index Linked Gilts	Last Traded
Pooled Investments	Bid/Fair Value
UK Equity	Last Traded

The Fund lends stock to third parties under a stock lending agreement with the Fund's custodian, JP Morgan. The total amount of stock on loan at the year-end was £8,175,360, made up of £2,102,545 of equities and £6,072,815 of fixed interest stock, 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 £8,458,641, which represented 103.5% of the value of securities on loan.

Income before costs received from stock lending activities was £281,359 for the year ending 31 March 2010 and is included within the 'Investment Income' figure detailed on the Pension Fund Account.

#### **4 Contributions receivable**

	<b>2008/09</b>	<b>2009/10</b>
	<b>£000</b>	<b>£000</b>
<b>Employers</b>		
Normal	43,441	46,237
Deficit Funding	12,893	13,606
Additional	2,037	2,516
<b>Members</b>		
Normal	18,496	19,701
Additional years	308	324
	<b>77,175</b>	<b>82,384</b>

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

	<b>2008/09</b>	<b>2009/10</b>
	<b>£000</b>	<b>£000</b>
Lincolnshire County Council	44,822	47,833
Scheduled Bodies	29,348	31,383
Admitted Bodies	3,005	3,168
	<b>77,175</b>	<b>82,384</b>

#### **5 Transfers In**

During the year individual transfers in from other schemes amounted to £15.728m (£7.783m in 2008/09).

There were no material outstanding transfers due to or from the Pension as at 31 March 2010.

#### **6 Benefits payable**

	<b>2008/09</b>	<b>2009/10</b>
	<b>£000</b>	<b>£000</b>
Pensions	42,846	46,212
Commutations and Lump Sum Retirement Benefits	9,900	11,932
Lump Sum Death Benefits	847	1,854
	<b>53,593</b>	<b>59,998</b>

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

	<b>2008/09</b>	<b>2009/10</b>
	<b>£000</b>	<b>£000</b>
Lincolnshire County Council	29,919	32,989
Scheduled Bodies	22,514	25,221
Admitted Bodies	1,160	1,788
	<b>53,593</b>	<b>59,998</b>

## **7 Payments to and on account of leavers**

	<b>2008/09</b>	<b>2009/10</b>
	<b>£000</b>	<b>£000</b>
Individual transfers to other schemes	5,146	10,657
Refunds to members leaving service	18	-27
	<b>5,164</b>	<b>10,630</b>

## **8 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:

	<b>2008/09</b>	<b>2009/10</b>
	<b>£000</b>	<b>£000</b>
Benefit Administration Expenses	1052	943
Actuarial & other Professional Charges	138	79
<b>Administrative expenses</b>	<b>1,190</b>	<b>1,022</b>
Investment, Management & Custody	3,616	3,229
Performance Measurement and Other Advisory Charges	33	86
<b>Investment Management expenses</b>	<b>3,649</b>	<b>3,315</b>

## **9 Investment Income**

	<b>2008/09</b>	<b>2009/10</b>
	<b>£000</b>	<b>£000</b>
Fixed Interest Securities	7,850	7,667
Equities	21,271	18,573
Index Linked Securities	1,075	1,042
Pooled Investments	1,805	1,060
Cash deposits	722	200
Stock Lending	327	257
Underwriting / Commission Recapture	7	9
Profit (Loss) on Forward Deals & Currency Exchange	-10,276	-1,876
	<b>22,781</b>	<b>26,932</b>

## **10 Investments**

	<b>Value at 31.03.2009 £000</b>	<b>Purchases at Cost £000</b>	<b>Sale Proceeds £000</b>	<b>Change in Market Value £000</b>	<b>Value at 31.03.2010 £000</b>
Fixed Interest Securities	129,686	260,197	253,366	14,148	150,664
Equities	488,435	268,354	257,237	213,021	712,573
Index Linked Securities	55,911	36,076	35,637	4,902	61,252
Pooled Investments	213,152	19,198	2,873	11,154	240,632
	<b>887,184</b>	<b>583,825</b>	<b>549,113</b>	<b>243,225</b>	<b>1,165,121</b>
Cash Deposits	8,345				13,931
Outstanding dividend entitlements and recoverable withholding tax	1,616				794
Current Assets & Liabilities	12,918				23,521
	<b>910,063</b>	<b>583,825</b>	<b>549,113</b>	<b>243,225</b>	<b>1,203,367</b>

Transaction costs are included in the cost of purchases and sales proceeds. Transaction costs include costs charged directly to the scheme such as fees, commissions, stamp duty and other fees. Transaction costs incurred during the year amounted to £762,196 (£825,553 in 2008/09). 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:

	<b>31.03.2009</b>		<b>31.03.2010</b>	
	<b>£000</b>	<b>%</b>	<b>£000</b>	<b>%</b>
<b>Listed Investments</b>				
<b>Fixed Interest Securities:</b>				
UK Public Sector Quoted	52,211	6	48,109	4
UK Quoted	62,762	7	82,157	7
Overseas Public Sector Quoted	14,713	2	20,398	2
	<b>129,686</b>	<b>15</b>	<b>150,664</b>	<b>13</b>
<b>Equities:</b>				
UK Quoted	242,685	27	360,140	31
Overseas Quoted	245,750	27	352,433	30
	<b>488,435</b>	<b>54</b>	<b>712,573</b>	<b>61</b>
<b>Index Linked:</b>				
UK Public Sector	52,907	6	60,221	5
Other	3,004	0	1,031	0
	<b>55,911</b>	<b>6</b>	<b>61,252</b>	<b>5</b>
<b>Unlisted Investments</b>				
<b>Pooled Investments:</b>				
UK Pooled	101,666	11	117,037	10
Overseas Pooled	111,486	13	123,595	10
	<b>213,152</b>	<b>24</b>	<b>240,632</b>	<b>20</b>
<b>Cash:</b>				
Short Term Loans/External Deposits	8,345	1	13,931	1
<b>Total</b>	<b>895,529</b>	<b>100</b>	<b>1,179,052</b>	<b>100</b>

An analysis of the pooled investment vehicles is given below:

		<b>2008/09</b>	<b>2009/10</b>
		<b>£000</b>	<b>£000</b>
Emerging Markets			
	Unit Trusts	12,850	21,923
Property			
	Unit Trusts	79,995	90,522
	Other managed funds	42,533	45,407
Private Equity			
	Other managed funds	77,774	82,780
<b>Total Pooled Vehicles</b>		<b>213,152</b>	<b>240,632</b>

## **11 Other Investment Balances**

	<b>2008/09</b>	<b>2009/10</b>
	<b>£000</b>	<b>£000</b>
Dividends Receivable	2,253	2,450
Bond Accrued Income	2,791	3,065
Recoverable Tax	452	387
Outstanding Foreign Exchange	-4594	-3,859
Unsettled Trades – Purchases	-1,218	-3,425
– Sales	1,932	2,176
	<b>1,616</b>	<b>794</b>

## **12 Current Assets and Liabilities**

	<b>2008/09</b>	<b>2009/10</b>
	<b>£000</b>	<b>£000</b>
Cash Balances	9,294	16,657
Debtors	5,715	9,024
Creditors	-2,091	-2160
	<b>12,918</b>	<b>23,521</b>

Debtors are recorded in the accounts where income due to the Pension Fund, for example from sales of investments or dividend payments, has not actually been received. Debtors include a figure of £4,663,147 for contributions due from employers (2008/09 £2,924,957). 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.

## **13 Contractual Commitments**

Investment commitments have been made to a number of pooled investment vehicles that make private equity or property investments. At the year end the value of outstanding commitments to 24 investment vehicles amounted to £85,612,087.

## **14 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 £8,728,730 and member contributions of £837,264 were received by the Prudential in the year to 31<sup>st</sup> March. The value of AVC funds and contributions received in the year are not included in the Fund Account and Net Assets Statement.

<b>AVC Fund</b>	<b>With Profits Fund</b>	<b>Deposit Fund</b>	<b>Unit Linked Fund</b>	<b>Total</b>
<b>Opening Value 31/3/09</b>	7,762,476	478,592	308,679	8,549,747
<b>Income</b>				
Contributions	550,963	179,229	95,209	825,401
Transfers In	67,722	7,939	14,692	90,353
Interest & Bonuses	340,269	2,640		342,909
<b>Expenditure</b>				
Benefits	(916,182)	(46,682)	(54,231)	(1,017,095)
Transfers Out	(143,263)	(24,861)	(4,831)	(172,955)
Charges			(2,793)	(2,793)
Market Movement			113,163	113,163
<b>Closing Value 31/3/10</b>	<b>7,661,985</b>	<b>596,857</b>	<b>469,888</b>	<b>8,728,730</b>

## **15 Dividend Tax Claims**

During the financial year 2006/07, Lincolnshire County Council lodged a number of claims with HM Revenue and Customs for the recovery of dividend tax credits relating to earlier years. The total value of the claims is £793,498 and relates to both Foreign Income Dividends paid by UK companies and certain dividends paid by overseas companies. The claims are based on interpretations of European Union law and a number of recent relevant judgements. The Council is participating with other pension funds in progressing a legal test case to support the claims.

During this financial year, Lincolnshire County Council also 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 £621,000 and relates to the periods from 2004/05 to 2008/09. 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.

It is expected that resolution of the both of these claims will take a number of years and, if unsuccessful, the Fund could incur a share of the costs of the Commissioners of the Inland Revenue.

## **16 Related Party Transactions**

The Treasury Management section of Lincolnshire County Council acts on behalf of the Pension Fund to manage the cash position held in the Pension Fund bank account. This is amalgamated with the 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 £13.1m and interest of £177k was earned over the year.

Lincolnshire County Council paid contributions of £32.2m into the Pension Fund during the year and all payments were received within agreed timescales.

# Lincolnshire Fire & Rescue Pensions Fund

## Pension Fund Account

For the year ended 31 March 2010

	see note	2008/09 £000	2009/10 £000
<b>Contributions Receivable</b>			
From employer			
normal	2	-1,764	-1,787
other (ill health)	2	-58	-95
From members	2	-996	-1,023
From CLG ( commutations special income)	5	-49	-208
<b>Transfers in</b>			
individual transfers from other schemes	6	-601	-576
<b>Benefits payable</b>			
pension	3	3,209	3,419
commutations and lump sum retirement benefits	3	484	1,042
<b>Payments to and on account of leavers</b>			
refund of contributions		0	0
individual transfer out to other schemes	6	19	5
<b>Sub Total Net amount payable for the year before top up grant receivable</b>		<b>244</b>	<b>777</b>
Top up grant receivable from sponsoring department	4	-244	-777
net amount payable/receivable		0	0
<b>Net Asset Statement as at</b>		<b>31.03.2009</b>	<b>31.03.2010</b>
		<b>£000</b>	<b>£000</b>
<b>Current Assets</b>			
Pensions paid in Advance	3	268	289
Amounts due from LCC	7	20	19
Pensions top up grant due	4	0	0
Deferred pension top up grant	5	150	0
<b>Current liabilities</b>			
Provision for arrears of commutation payments	5	-150	0
Amounts payable to LCC	7	0	0
Pension payable to central government	4	-288	-308
<b>Total</b>		<b>0</b>	<b>0</b>

# Notes to the Fire & Rescue Pension Fund Account

## 1 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.

## 2 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 2009/10 the contribution rates for the 2006 scheme were 19.5% of pensionable pay (11% employers and 8.5% employees) and the contribution rates for the 1992 scheme were 32.3% of pensionable pay (21.3% employers and 11% employees). Ill health contributions, for fire-fighters who retired due to ill health were also paid into the Pension Fund.

## 3 Benefits paid

Pensions are paid to retired officers, their survivors and others who are eligible for benefits under pension schemes. The recurring payments are paid in advance at the beginning of the period for which they relate.

## 4 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.

## 5 Commutation payments Rate change

Legislation changed the commutations rates payable to retired fire-fighters which resulted in backdated payments being made in the 2008/09 accounts to fire-fighters who retired between October 2007 and March 2008 for which DCLG special income of £49K was received in the 2008/9 accounts. The changed commutation rates were subsequently backdated to 22 August 2006 and a further £208K was received from DCLG in the 2009/10 accounts to cover additional liability. A provision of £150K had been included in the 2008/09 accounts for the estimated additional liability for those who had retired between September 2006 and September 2007 together with deferred income of £150K as these payments were expected to be funded by DCLG.

## 6 Transfers in and out

The value of accrued benefits transferred from or to another pension arrangement.

## **7 Basis of Preparation**

The financial statements have been prepared in accordance with the main recommendations of the Statement of Recommended Practice (Financial Reports of Pension Schemes) and follow the code of practice on Local Authority Accounting issued by the Chartered Institute of Finance and Accountancy.

There is no separate bank account for the pension fund therefore Lincolnshire County Council's General Fund is shown as debtor/creditor in the net Asset Statement.

The Net Asset Statement does not take account of liabilities to pay pensions and other benefits after the period end.

The accounting policies are as stated for Lincolnshire County Council on pages 12 - 20.

# 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. The officer with this responsibility for Lincolnshire County Council is the Executive Director - Resources and Community Safety.
- To manage its affairs to secure economic, efficient and effective use of resources and to safeguard its assets.
- To approve the Statement of Accounts.

## **The Chairman's Responsibilities**

The draft Statement of Accounts was presented to Lincolnshire County Council on the 18 June 2010. The original documents were signed by Councillor P Bedford (Chairman Lincolnshire County Council) on 18 June 2010.

## **The Executive Director - Resources and Community Safety Responsibilities**

The Executive Director - Resources and Community Safety is responsible for the preparation of the Council's Statement of Accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ("the Code"), are required to present fairly the financial position of the authority at 31 March 2010 and its income and expenditure for the year ended 31 March 2010.

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

- Selected accounting policies and then applied them consistently.
- Made judgements and estimates that were reasonable and prudent.
- Complied with the Code.

The Executive Director - Resources and Community Safety has also:

- Kept proper accounting records which are up to date.
- Taken reasonable steps to secure the prevention and detection of fraud and other irregularities.

I certify that the Statement of Accounts present fairly the financial position of Lincolnshire County Council as at 31 March 2010 and its income and expenditure for the year ended on that date.

The original documents were signed by Pete Moore CPFA (Executive Director - Resources and Community Safety) on 18 June 2010.

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

For the year ended 31 March 2010

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

# Glossary

## **Accounting Period**

The period of time covered by the accounts, normally a period of twelve months commencing on 1 April. The end of the accounting period is the balance sheet date.

## **Accounting Policies**

The principles, bases, conventions, rules and practices applied by an organisation that specify how the effects of transactions and other events are to be reflected in its financial statements.

## **Accruals**

Sums included in the final accounts to recognise revenue and capital income and expenditure attributable to the accounting period, but for which payment has not been received or made by 31 March.

## **Acquired Operations**

Operations comprise services and division of service as defined in BVACOP. Acquired operations are those operations of the local authority that are acquired in the period.

## **Actuarial Gains and Losses**

For a defined benefit pension scheme, 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.

## **Amortised Cost**

The allocation of the write down of the useful economic life of Lincolnshire County Council's grants for the accounting period.

## **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** will be consumed within the next financial year (e.g. cash and stock).
- **Fixed assets** provide benefits over their useful life for more than one year and can be tangible (e.g. school buildings) or intangible (e.g. computer software licences).

Tangible fixed assets are categorised as follows

- **Operational assets** are fixed assets held and occupied by a local authority and used in the direct delivery of services.
  - **Land and buildings**
  - **Vehicles, plant, furniture and equipment**
  - **Infrastructure assets** that form part of the economic or social framework of the area and whose function is not transferable (e.g. highways, bridges and footpaths).
  - **Community assets** are assets that the local authority 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).

- **Non Operational assets** are fixed assets held by a local authority but not directly occupied, used or consumed in the delivery of services
  - **Investment properties**
  - **Assets under construction**
  - **Surplus assets, held for disposal**

### **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.

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

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

### **Budget**

The forecast of net revenue and capital expenditure over the accounting period.

### **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, impairment charges (included in gross expenditure) offset by the amortisation of government grants deferred (included in income).

### **Capital Expenditure**

Expenditure on assets which have a long term value. Includes the purchase of land, purchase or cost of construction of buildings and the acquisition of plant, equipment and vehicles.

### **Capital Financing Costs**

These are the revenue costs of financing the capital programme and include the repayment of loan principal, loan interest charges, loan fees and revenue funding for capital.

### **Capital Financing Requirement**

Statutory requirement to ensure that over the medium term the net borrowing by Lincolnshire County Council will only be for capital purposes

### **Capital Receipts**

Proceeds received from the sale of property and other fixed assets.

### **Carrying Amount**

The amount of an asset stated on the balance sheet after all costs have been charged for the accounting period.

### **CIPFA**

The Chartered Institute of Public Finance and Accountancy.

### **Collection Fund**

A separate fund that records the income and expenditure relating to council tax and non domestic rates.

**Corporate Democratic Core**

Those activities which the local authority is engaged in specifically because it is an elected multi-purpose authority. This includes the costs of corporate policy making, representing local interests, representatives and duties arising from public accountability.

**Creditor**

Amounts owed by Lincolnshire County Council for work done, goods received or services rendered but for which payment has not been made at 31 March.

**Debtor**

Sums of money owed to the authority but unpaid at 31 March.

**Depreciation**

The allocation of the cost of the useful economic life of Lincolnshire County Council's fixed assets for the accounting period through general wear and tear, consumption or obsolescence.

**Discontinued Operations**

Operations comprise services and division of service as defined in BVACOP. Discontinued operations are those operations of the local authority that are discontinued in the period.

**Earmarked Reserves**

Those elements of total Lincolnshire County Council reserves which are retained for specific purposes.

**Finance Lease**

A lease whereby all the risks and rewards of ownership of a fixed asset are with the lessee. In substance the asset belongs to the lessee.

**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).

**General Fund**

The main revenue fund of Lincolnshire County Council. Income from the council tax precept and Government grants are paid into the fund, from which the cost of providing services are met.

**Government Grants**

Payments by Central Government towards local authority expenditure. They are receivable in respect of both revenue and capital expenditure.

**Government Grants Deferred**

Grants or contributions received which have supported wholly or in part the acquisition of fixed assets, net of the appropriate share of depreciation on those assets for which a depreciation charge is made.

**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.

## **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 authority originally repayable within a period in excess of twelve months but where payment is not due until future years.

## **Net Book Value**

The value of fixed assets included on the balance sheet, being the historical cost or a current revaluation less the cumulative amounts provided for depreciation.

## **Net Debt**

Lincolnshire County Council's borrowings less liquid resources.

## **Non Distributed Costs**

Overheads for which no service now benefits. They include unused fixed assets and certain redundancy and pension costs.

## **Operating Lease**

A lease where the risks and rewards, and therefore ownership, of the asset remains with the lessor.

## **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.

## **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:

- (a) the benefits for pensioners and deferred pensioners and their dependants, allowing where appropriate for future increases, and
- (b) the accrued benefits for members in service on the valuation date.

## **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.

### **Reserves**

The accumulation of surpluses, deficits and appropriations over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of Lincolnshire County Council. Some capital reserves such as the fixed asset restatement account cannot be used to meet current expenditure.

### **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 authority on such items as employees and equipment.

### **Revenue Expenditure Funded from Capital under Statute (REFCUS)**

Expenditure which may be funded from capital, but which does not result in fixed assets owned by Lincolnshire County Council. These costs are included in the net cost of services shown in the Income and Expenditure Account.

### **Revenue Support Grant (RSG)**

Grant paid by central government to local authorities in aid of service provision.

### **Stocks**

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.

### **Trust Funds**

Funds administered by Lincolnshire County Council for such purposes as prizes, charities and specific projects, on behalf of minors.

## Appendix A

### Officers Remuneration – Schools

Pay Band	2008/09		2009/10	
	Number of Staff		Number of Staff	
	Remuneration received (excl those receiving termination payments)	Staff who received termination payments	Remuneration received (excl those receiving termination payments)	Staff who received termination payments
<b>SCHOOLS</b>				
£145,000- £149,999	0	0	1	0
£140,000- £144,999	0	0	0	0
£135,000- £139,999	0	0	0	0
£130,000- £134,999	1	0	0	0
£125,000- £129,999	0	0	0	0
£120,000- £124,999	0	0	1	0
£115,000- £119,999	1	0	0	0
£110,000- £114,999	0	1	0	0
£105,000- £109,999	0	0	1	0
£100,000- £104,999	1	0	1	0
£95,000- £99,999	3	0	5	1
£90,000- £94,999	2	0	7	0
£85,000- £89,999	9	1	9	1
£80,000- £84,999	8	2	8	1
£75,000- £79,999	8	0	6	1
£70,000- £74,999	13	1	22	1
£65,000- £69,999	25	1	28	2
£60,000- £64,999	28	1	52	1
£55,000- £59,999	87	1	91	1
£50,000- £54,999	172	0	209	0
<b>Total</b>	<b>358</b>	<b>8</b>	<b>441</b>	<b>9</b>

## Officers Remuneration – Other Services

Pay Band	2008/09 Number of Staff		2009/10 Number of Staff	
	Remuneration received (excl those receiving termination payments)	Staff who received termination payments	Remuneration received (excl those receiving termination payments)	Staff who received termination payments
<b>OTHER</b>				
£170,000- £174,999	1	0	1	0
£165,000- £169,999	0	0	0	0
£160,000- £164,999	0	0	0	0
£155,000- £159,999	0	0	0	0
£150,000- £154,999	0	0	0	0
£145,000- £149,999	0	0	0	0
£140,000- £144,999	0	0	0	0
£135,000- £139,999	0	0	0	0
£130,000- £134,999	1	0	0	0
£125,000- £129,999	3	0	4	0
£120,000- £124,999	0	0	0	0
£115,000- £119,999	0	0	0	0
£110,000- £114,999	1	0	2	0
£105,000- £109,999	2	0	1	0
£100,000- £104,999	0	0	0	0
£95,000- £ 99,999	0	0	0	0
£90,000- £94,999	0	0	1	0
£85,000- £89,999	1	0	6	0
£80,000- £84,999	10	1	5	0
£75,000- £79,999	0	0	3	0
£70,000- £74,999	4	0	3	0
£65,000- £69,999	15	0	19	0
£60,000- £64,999	30	0	32	0
£55,000- £59,999	44	0	48	0
£50,000- £54,999	50	0	45	0
<b>Total</b>	<b>162</b>	<b>1</b>	<b>170</b>	<b>0</b>