EAST LINDSEY DISTRICT COUNCIL

FINANCIAL STATEMENTS

For the Year Ended 31 March 2013

C o n t e n t s

FINANCIAL STATEMENTS

EXPLANATORY FOREWORD
BY THE DEPUTY CHIEF EXECUTIVE/S151 OFFICER

The Council's Statement of Accounts is a technical document which provides a 'true and fair view' of the Council's financial position and the income and expenditure for the year. It is required by law and sets out in concise form various statutory and other relevant information. This Explanatory Foreword provides a more straightforward explanation of the often complicated local government finance arrangements.

1. District Profile

Introduction

East Lindsey is geographically one of the largest shire district councils in the country, and covers some 700 square miles with a population of around 136,700 residents. The district covers virtually the entire Lincolnshire coastline, including the seaside resorts of Skegness, Sutton on Sea and Mablethorpe. In the heart of the district lies the Lincolnshire Wolds, a designated Area of Outstanding Natural Beauty (AONB).

The main industries are agriculture and tourism.

East Lindsey District Council has a clear ambition to improve the quality of life for local people and in 2011 adopted a revised Corporate Strategy that sets out how it will address the community's priorities over the coming years. Those priorities focus on creating a vibrant, healthy and prosperous area for people to live, work and visit.

In delivering this vision the Council, through its day to day work, is working closely with partner organisations, stakeholders and the community.

In late 2010, the Government announced that Councils across the county would face significant funding reductions over the next few years. Further announcements have identified the scale and depth of these funding reductions. Although the Council had already made significant progress in developing plans to reduce its revenue costs through new and more efficient ways of working, it continues to seek new opportunities to be innovative and forward thinking in the way it provides and protects its services to ensure it provides value for money services to the community and also service improvements to address local need.

Population

The latest population estimate for East Lindsey is 136,700 (Office for National Statistics, 2011 census). This represents a 4.8% increase over the 2001 census population of 130,445. This is a smaller increase than the average experienced in Lincolnshire as a whole (10.4%) or in England and Wales (7.3%).

The age structure of the population in East Lindsey shows a much higher percentage of elderly males and females compared to the national average. The 2011 census showed that over 26% of the population was aged 65 and over compared to the Lincolnshire average of 20.8% and the English average of 16.5%.

The number of households in the District as at 31 March 2012 was 66,439.

Employment

The East Lindsey economy is largely based upon agriculture and tourism. In 2008 the total number of jobs attributed to tourism was 16.1% compared to a national average of only 8.2%. The economy is also more reliant upon part time jobs which make up 36.3% of all jobs compared to the national average of 31.2%. (National Online Manpower Information System - Nomis)

Unemployment rates remained just below the National average. In December 2012 unemployment stood at 7.2% compared to 7.8% for the East Midlands and 7.9% for Great Britain as a whole. Similar comparisons can be drawn by looking at the numbers registered for job seekers allowance. (Nomis)

The average gross weekly pay for a full time worker living in East Lindsey in 2012 was £429.10 compared with £476.90 for the East Midlands, with the national average being £508.00 (Nomis).

2. Political Structure

The Council operates with a Leader and Executive Board style of executive and also an Overview function.

The Executive Board is chaired by the Leader of the Council. The Executive Board has executive decision making powers and meets on a 5 - 6 weekly cycle.

Each of the Board members has an area of responsibility known as a 'portfolio' for which they have delegated powers to make executive decisions within their remit.

Although a number of areas of decision making are delegated to the Executive Board or the Management Team, the full Council remains the ultimate decision making body of the Council. The Overview Committee provides the role of challenge and scrutiny of recent and/or forthcoming executive decisions. Also the role of the Overview Committee is to undertake reviews of specific issues or projects relevant to the Council's services or external scrutiny of partners who provide services that impact on the Council and/or residents of East Lindsey.

3. Governance and Audit

The Audit and Governance Committee is an independent committee which reports and makes recommendations directly to Council. The purpose of the Committee is to monitor and, if necessary, make recommendations to review the corporate governance and audit arrangements for East Lindsey District Council. The key areas of responsibility for the Committee are to:

- Review financial statements
- Review internal controls
- Review the internal audit programme
- Scrutinise the Treasury Management Strategy and performance
- Review Treasury Management practices
- To consider the appointment of the external auditor and their independence
- To have oversight of the Members' Code of Conduct and the handling of complaints in respect of that code.

4. Council Priorities

The Council has a corporate plan which covers a 4 year period, currently up to 2014, and is refreshed annually. The plan sets out the Council's Strategic Objectives which are:

- Enabling people to get actively involved in their community.
- Improving equality of opportunity and life chances.
- Contributing to environmental sustainability and adapting to climate change
- Developing and nurturing the character and viability of our towns, villages and rural areas.
- Helping to develop the right environment for a growing economy by building on current strengths and creating new business sectors.

A review was undertaken to assess the challenges facing the area, the people of East Lindsey, and the Council; additionally discussions were held with residents about what is important to them and about improvement. The corporate plan is all about achieving the vision for East Lindsey as a district with healthy, prosperous and vibrant people and places, and about the Council's vision of being an efficient, entrepreneurial and effective local authority.

The priorities define the outcomes which the Council wants to deliver over the medium term and as such remain relatively constant from year to year, but the actions associated with them are reviewed annually as a focus for each financial year.

Service Business Plans
The Council's business planning process includes individual plans at service level. The targets within these are set annually but cover a three year period to demonstrate continuous improvement. Targets may be set for Performance Indicators some of which are of national interest and others that are specific to this Council.

Monitoring and Reporting
The Council monitors and reports on the delivery of its priorities in the following ways:

- Monthly performance reports by service and by priority are produced through the performance management system and discussed by Portfolio Holders and Team Leaders

- Quarterly Governance and Performance Monitoring Report – a detailed report covering performance against priorities, and financial position, is taken to the Executive Board and the Audit and Governance Committee.

5. Review of 2012/13

Introduction

The Council incurs both revenue and capital expenditure during the year. Revenue expenditure is generally on items that are consumed within one year, and is financed from government grants, council tax, and fees and charges. Capital expenditure, however, is on assets that have a life beyond one year and is financed from proceeds from the sale of assets (capital receipts), capital grants and contributions, and direct revenue financing.

During the year Council spending is subject to regular monitoring. Monthly meetings are held between service managers and finance staff to review income and expenditure against budgets. Monthly monitoring reports are considered by the Management Team, whilst quarterly reports are presented to the Executive.

Accounting Policy Information

The Accounts of the Council comply with the relevant accounting practices laid down by the Accounting Standards authorities and the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2012/13. Further information is provided within the Accounting Policies section of the Accounts.

Revaluation of the Council's fixed assets

Assets that bring longer-term benefits to the Council are generally valued in the Balance Sheet at fair value in their existing use with the exception of infrastructure and community assets that are held at depreciated historical cost and investment properties (assets held primarily to generate rental income and/or for capital appreciation) which are held at market value.

General Fund asset valuations have been reviewed at 31 March 2013; this being carried out mainly on a "desktop" basis with some assets being physically inspected. These valuations are in accordance with the Royal Institution of Charted Surveyors Valuation Standards – Global UK edition - March 2012 which reflects the requirements of the introduction of International Financial Reporting Standards.

Asset revaluations impact significantly on the Council's Balance Sheet and Revenue Accounts, but not on Council Tax levels.

The General Fund i.e. the Council's Revenue Account

The budget set by East Lindsey for 2012/13 did not require an increase in Council Tax. The Council chose to receive a one off Council Tax Freeze grant offered by the Government of £135,746. The Council's District Band D Council Tax remained at £112.41.

The budget requirement for the year was set at £19.339m, representing the net cost of providing the council's services. It should be noted that this value differs from that shown in the table below, as the Council's approved budget included the one off Council Tax Freeze Grant within its budgeted income. This grant was actually paid as part of the Government's Revenue Support Grant and is reflected as such in the Council's Statements. This requirement was financed as follows:

	Original Budget £000
Government Formula Grant (Revenue Support Grant and re-distributed business rates)	12,564
Council Tax Income – excluding in year adjustments	6,910
Total	**19,474**

The following table identifies the variances in service expenditure, other operating costs, and income from grants, local taxpayers and other sources, compared in overall terms to the Original (as approved by Council when setting the Council tax for 2012/13) and the subsequently approved Revised Budget.

	Original Budget £000	Revised Budget £000	Outturn £000	Variance £000
Expenditure				
Employees	14,621	14,092	14,312	(220)
Other Running Costs (premises, transport and supplies and services)	11,647	11,265	13,335	(2,070)
Third Party Contracts	6,556	5,822	5,877	(55)
Transfer Payments – Housing and Council Tax Benefits	46,399	44,976	58,203	(13,227)
Other operational expenditure including Parish Precepts and Internal Drainage Board Levies	4,598	4,598	4,598	-
Capital Charges	-	1,686	1,828	(142)
Income				
Government and Other Grants and Contributions	(47,514)	(49,348)	(61,088)	11,740
Rents, Fees and Charges	(11,249)	(10,761)	(10,406)	(355)
Other Income	(5,017)	(2,555)	(3,176)	621
Recharges	(964)	(71)	(64)	(7)
Investment Income	(243)	(243)	(442)	199
Net Service Expenditure	**18,834**	**19,461**	**22,977**	**(3,516)**
Movement to/(from) Earmarked Reserves	640	723	(770)	1,493
Statutory Adjustments	-	(710)	(2,654)	1,944
Outturn for 2012/13	**19,474**	**19,474**	**19,553**	**(79)**
Use of General Fund to deliver a balanced budget			**(79)**	
Outturn for 2012/13			**19,474**	

The significant variances are explained below:

- Other Running costs – additional expenditure including professional fees in respect of planning appeals and Local Development Framework were incurred during 2012-13. Given the current economic climate, the Council undertook a review of the level of bad debt provisions 31 March 2013 and the increased level is reflected in the outturn position.
- Transfer Payments – rent allowance payments and Council Tax Benefits awarded were higher than anticipated, partly due to economic conditions. The additional expenditure is funded by the Department for Work and Pensions and is reflected in

Government and Other Grants and Contributions. Additionally, payments for Disabled Facilities Grants and the Affordable Housing Development programme were not included in the budget. The impact on the General Fund is nil, as these costs are funded from capital resources (reversed out as part of statutory adjustments).

- Government and Other Grants and Contributions – income from the Department for Work and Pensions to fund the additional rent allowance payments as explained in the Transfer Payments section above.
- Movement to/(from) Earmarked Reserves – transfers from Earmarked Reserves offsetting additional expenditure in Other Running Costs.

Capital Expenditure and Income

Capital Expenditure can be defined as that which generates an asset that has a useful life of more than one year. Capital accounts show the income and expense transactions made when the Council:

- Buys or sell land or property.
- Builds new property.
- Carries out major repairs to its properties, or improves its properties.
- Provides grants for the above types of activity.

An analysis of Capital Expenditure incurred in the year against the final approved budget is shown below:

Scheme	Final Budget £000	Outturn £000	Variance £000
Mablethorpe Beach Chalet redevelopment	70	86	(16)
Housing Development Programme Phases 3 and 4	854	730	124
Skegness Town Hall Refurbishment	206	-	206
Jubilee Park - Community asset transfer	110	115	(5)
General provision for flood alleviation works	100	96	4
Capitalised planned maintenance work - various schemes	797	134	663
Upgrade of retained public conveniences	45	145	(100)
Replacement Car Park Machines	66	13	53
Wheeled Bins	50	102	(52)
Skegness Foreshore Investments	50	-	50
Embassy Theatre refurbishment	40	-	40
Marisco Health & Fitness Equipment	41	40	1
Refuse Fleet Vehicles	2,600	2,545	55
Council Wide Capital Grants Local Initiatives	50	50	-
Disabled Facilities Grants	1,129	1,112	17
Decent Homes Grants	208	98	110
Partner Share of Meridian House Sale	-	59	(59)
Total	**6,416**	**5,325**	**1,091**

This spending was financed from the following sources:

	Final Budget £000	Outturn £000
Capital Receipts	4,483	3,540
Direct Revenue Financing	918	770
Capital Grants and Contributions	1,015	1,015
Total	**6,416**	**5,325**

For a number of capital schemes the differences between the capital budgets and outturn are explained by slippage in scheme delivery compared to that anticipated when the budgets were approved. In these cases unspent capital budget will be carried forward into 2013/14.

Other variances are explained as follows:

- *Skegness Town Hall Refurbishment – this scheme is currently not progressing and is subject to decisions on the future use of this asset*
- *Capitalised Planned Maintenance – A significant element of planned work was put 'on-hold' pending decisions on future use and retention of certain assets. In addition the disposal of assets such as Louth Town Hall and Meridian House meant that other planned work was not undertaken.*
- *Upgrade of public conveniences – budget required to be brought forward from 2013/14 as work has been completed ahead of the planned schedule.*
- *Wheeled Bins – more replacements required than budgeted. Resources drawn down from reserves to fund this expenditure.*
- *Skegness Foreshore and Embassy Theatre. Some work undertaken but charged to revenue.*
- *Partner share of Meridian House sale – This is a change to how presented previously. The gross receipt has been recognised in the Council's accounts. This represents the payment to partners who part funded the original development cost from the gross capital receipt.*

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Significance of Pension liabilities and assets

The application of International Accounting Standard (IAS) 19 has resulted in a net Pension Liability at the year end of £36.474m (£29.883m at 31 March 2012), as calculated by the actuary to the Lincolnshire County Council Pension Fund, Hymans Robertson. This represents an assessment of the Council's proportion of net assets and liabilities within the fund. This amount is matched by a Pension Reserve in the Balance Sheet, and therefore has no impact on the Council's overall financial position at 31 March 2013.

During 2012-13, the IAS19 Balance Sheet position for the Council has worsened by £6.591m. The impact of falling real bond yields during the year has seen the Council's share of pension fund liabilities increase by £12.696m to £93.935m. This has been partially offset by strong asset returns increasing the Council's share of pension fund assets by £6.105m to £57.461m.

Full details on pensions are set out in the Pensions Accounting Policy on pages 25-27 and in note 38 to the Core Financial Statements.

Treasury Management Performance

Investment returns continue to be limited, due to the low rates available. However, interest received during the year from investments of £0.402m was above the original budget of £0.243m. The original budget for investment income was a prudent one based on assumptions about cash flows and interest rates which ultimately did not occur. The Council spent less on its capital programme than budgeted and secured some one year investments at a higher rate than anticipated.

The value of short-term investments (less than one year) held at 31 March 2013 was £17.184m (£15.731m at 31 March 2012). There were no longer term investments compared with £2.501m at 31 March 2012.

Principal repayments of £0.317m were received during the year in respect of Icelandic bank investments, with the result being that a carrying value of £0.500m remains on the Council's balance sheet at 31 March 2013.

Group Accounting - Compass Point Business Services

These Accounts incorporate the consolidation of Compass Point Business Services (East Coast) Ltd (CPBS (EC) Ltd), a joint venture between the Council and South Holland District Council that began trading on 1 August 2010, to provide IT, Human Resources, Finance, Revenues and Customer Services. East Lindsey owns 63% of the company, and South Holland 37%, but voting rights are split 50:50. Each Council has three directors on the company board.

In setting up the joint service company with South Holland, the Council relied upon the Teckal procurement exemption that allows the new working arrangements to be put in place without going through a formal exercise. The key elements of a Teckal exemption are that the principal part of the company's activities are with the authority, that the authority exercises the same kind of control over the service provider as it does over its own departments, and that there is no private sector ownership of the service provider nor any intention that there should be any.

CPBS has delivered annual ongoing savings of £2.1m. In addition during 2012/13 an additional saving of £105,000 was achieved, split between ELDC and SHDC in the share 63% and 37% respectively.

Reserves and Balances

The General Fund working balance at the end of the financial year is £1.921m, which will be carried over into 2013/14. The working balance is maintained to provide a financial cushion should something unexpected occur that leads to significant unplanned expenditure that would not be met from other sources or by specific government grants.

The Council holds a number of earmarked General Fund reserves to finance future capital and revenue expenditure. In 2012/13, transfers into and from earmarked reserves resulted in a net transfer from reserves of £0.770m. Additions occurred due to budgeted service contributions and receipt of the New Homes Bonus Government Grant. Reductions were made to support spending on the delivery of the Council's priorities (Affordable Housing, Festivals and Events, Community Grants) and to fund activities such as the legal costs of wind farm appeals, insurance claims and redundancy costs.

The balance of earmarked reserves at 31 March 2013 was £11.465m (£12.235m at 31 March 2012). A full analysis of earmarked reserves is contained in Note 8 to the accounts.

Audit

The first draft of the accounts was authorised by the Deputy Chief Executive on 27 June 2013. The accounts were then subject to audit by KPMG. This published version of the accounts follows the completion of the audit and formal approval by the Audit and Governance Committee, and was authorised for issue by the Deputy Chief Executive on 25 September 2013, prior to the statutory deadline of 30 September.

6. A look at 2013/14, and beyond

The Government's 2010 spending review announced significant ongoing reductions in public sector spending, including a 26% real terms reduction in the level of grant funding to Local Authorities between April 2011 and March 2015. Further reductions have been announced since then and a further Spending Review is due in June 2013 which is anticipated to make further significant cuts in public sector expenditure. This reduction in funding has also been accompanied by changes in funding arrangements. These changes include:

- reducing ring-fencing of government grants to give local authorities greater spending flexibility
- introducing changes to business rates whereby local authorities are incentivised to grow business rates and are able to keep a percentage share of any growth achieved.
- reducing funding to Local Authorities for Council Tax Support but allowing local authorities the freedom to decide who will benefit from council tax support in the future.
- reducing flexibility for local authorities to increase income from council tax by the requirement to hold a referendum if council tax is to be raised by more than a set percentage.

The changes that are now in place will create financial opportunities but also increase local financial risks and uncertainty.

To date East Lindsey District Council has absorbed reductions in central government funding without any significant reductions in services. However, it is increasingly needing to draw on its reserves and will find it harder over the rest of the spending review period to absorb these financial reductions and maintain services. The Council has a significant number of statutory services that it must deliver. It must meet these obligations within its available funding. The Council has made significant progress in reviewing service costs and delivering efficiencies, but it will increasingly need to look at its high cost services in order to deliver balanced budgets in the future. In response to the need to find further reductions in its overall expenditure the Council has set up a Transformation Programme which is critically examining all service areas. This programme of service reviews is actively involving all officers and members in its effort to find the most acceptable reductions in service expenditure.

Detailed below are some of the more significant changes in the local authority's financial regime and the financial risks and opportunities that the Council will need to address.

Council Tax Freeze Grants for 2012/13 and 2013/14

Following the government's confirmation that councils freezing or reducing their council taxes in 2011/12 would receive a grant until 2014/15 equivalent to what they would have generated in revenue from a 2.5% increase in Council Tax that year, every English local, police and fire authority took up this grant offer. From 2012/13 onwards this grant has been rolled into formula grant, although it will not be uprated annually for the movement in local taxbase as originally envisaged.

The government also confirmed that councils freezing or reducing their council taxes in 2012/13 would receive a one year only grant equivalent to what they would have generated in revenue from a 2.5% increase in Council Tax that year. The Council, along with most others, took up this grant. A further two year tax freeze grant was offered for 2013/14, which was equivalent to the revenue generated from a 1% increase in Council tax. In this case the District did not take up this grant due to the significant demand that this would make on future saving requirements. East Lindsey has one of the lowest levels of council tax in the country and has historically had low levels of tax increases. Inflationary pressures and the ongoing significant reductions in government grant meant that the Council deemed it necessary to have an increase in its council tax in order to maintain essential funding for its services.
The Government has imposed on local authorities maximum increases in council tax. This was set nationally at 2%. However, in recognition that some authorities have very low levels of council tax, such at East Lindsey, the Government has allowed these authorities a higher level of maximum tax increase (set at £5 per annum).

Local Government Resource Review and Business Rates Retention

The government has replaced the previous formula grant system with mechanisms which allow councils to retain part of the future growth in their area's business rates yield. This change came into effect from the start of 2013/14. This change is designed to incentivise local authorities to promote local business growth and hence business rate income. However, local authorities are also more exposed to risk if such income falls. The risk and reward will be significantly influenced by wider economic conditions, which are inherently uncertain.

Council Tax Benefit Localisation

From April 2013 changes to council tax support mean that instead of paying benefits according to rules that the Department of Works and Pensions set, local authorities set their own local scheme. Nationally, however, they will have 10% less money to do so. Certain groups, such as pensioners, will not be affected and will continue to receive guaranteed benefits.

East Lindsey have developed, consulted on and implemented their proposed scheme, making council tax support funding available according to new criteria while still operating within the reduced funding available. As with Business Rates, the proposal is designed to incentivise local economic growth, which will in turn reduce the number of people to whom support will be paid. Similarly the influence of the wider economic conditions can also impose significant risks, as an increase in take up of support will no longer be funded by the government.

Budgeting implications

The proposals outlined above have fundamentally affected local authority budgeting as councils will no longer receive guaranteed funding settlements from government in respect of their general grant, but will instead either generate their income locally or partly locally, depending on their circumstances.

Estimated revenues will have to be calculated at the start of the year by billing authorities (such as East Lindsey) and payments to/from preceptors (such as Lincolnshire County

Council) will be based on these estimates, with reconciliation once the final outturn is known after the year end.

Councils will therefore need to allow for any potential volatility in local rates revenues when setting their budgets – including estimating any levies they will have to pay government or safety nets they may receive from government.

This change will affect local authority budgeting and require precise in year monitoring and year end reconciliations of the income and payments taking place through the collection fund. Surpluses and deficits in the collection fund will affect future budget calculations.

7. The Accounts

The financial statements consist of:

Statement of Responsibilities (page 15)

The responsibilities for the Accounts detail the respective responsibilities of the Deputy Chief Executive, as Chief Financial Officer, and the Council.

Movement in Reserves Statement (pages 16-17)

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

Comprehensive Income and Expenditure Statement (page 18)

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

Balance Sheet (page 19)

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

Cash Flow Statement (page 20)

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

Notes to the Accounts (pages 21 - 84)

These are notes relating to the preceding financial statements which explain and provide additional information to the figures included within the statements. They have been prepared in accordance with the disclosure requirements of the Code of Practice. Note 1 sets out the Accounting Policies, which provide details of the framework within which the Council's accounts are prepared and published.

8. Supplementary Financial Statements:

Collection Fund Statement and Notes (*pages 86 - 87*)

This account reflects the statutory requirement for billing authorities to maintain a separate Collection Fund, which shows the transactions of the billing authority in relation to Non-domestic rates and Council Tax, and illustrates the way in which these have been distributed to preceptors and the General Fund.

9. Further Information

Further information about the accounts is available from the Deputy Chief Executive, Tedder Hall, Manby Park, Louth, Lincs, LN11 8UP.

The Accounts are available on the Council's web-site, www.e-lindsey.gov.uk

STATEMENT OF RESPONSIBILITIES FOR THE ACCOUNTS

The Council's Responsibilities:

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this council, that officer is the Deputy Chief Executive as Chief Financial Officer.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- approve the Accounts

The Chief Financial Officer's Responsibilities

The Chief Financial Officer is responsible for the preparation of the council's Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing these Accounts, the Chief Financial Officer has:

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

The Chief Financial Officer has also:

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

Certification by the Chief Finance Officer

I hereby certify that the Accounts gives a 'true and fair' view of the financial position of the Council at the accounting date and its income and expenditure for the year ended 31 March 2013

Robert Barlow
Deputy Chief Executive

Dated: 25 September 2013

Approval of Accounts

I confirm that these Accounts were approved by the Audit and Governance Committee at its meeting held on the 25 September 2013.

Signed on behalf of East Lindsey District Council:

Cllr S Watson
Chair of meeting approving the accounts

Dated: 25 September 2013

MOVEMENT IN RESERVES STATEMENT

2012/13	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000	GROUP position £000
Balance at 31 March 2012 carried forward	**2,000**	**12,235**	**5,599**	**-**	**19,834**	**48,302**	**68,136**	**67,098**
Movement in Reserves during 2012/13								
Surplus or (deficit) on provision of services	(3,289)	-	-	-	(3,289)	-	(3,289)	(3,289)
Other Comprehensive Income and Expenditure	-	-	-	-	-	(4,766)	(4,766)	(5,353)
Total Comprehensive Income and Expenditure	**(3,289)**	**-**	**-**	**-**	**(3,289)**	**(4,766)**	**(8,055)**	**(8,642)**
Adjustments between accounting basis & funding basis under regulations (Note 7)	2,440	-	(2,827)	241	(146)	146	-	-
Net Increase/(Decrease) before transfers to Earmarked Reserves	**(849)**	**-**	**(2,827)**	**241**	**(3,435)**	**(4,620)**	**(8,055)**	**(8,642)**
Transfers (to)/from Earmarked Reserves (Note 8)	770	(770)	-	-	-	-	-	-
Increase/(Decrease) in Year	**(79)**	**(770)**	**(2,827)**	**241**	**(3,435)**	**(4,620)**	**(8,055)**	**(8,642)**
Balance at 31 March 2013 carried forward	**1,921**	**11,465**	**2,772**	**241**	**16,399**	**43,682**	**60,081**	**58,456**

2011/12	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000	GROUP position £000
Balance at 31 March 2011 carried forward	**2,735**	**11,488**	**6,419**	**20,642**	**55,702**	**76,344**	**75,827**
Movement in Reserves during 2011/12							
Surplus or (deficit) on provision of services	(3,323)	**-**	**-**	(3,323)	-	(3,323)	(3,323)
Other Comprehensive Income and Expenditure	**-**	**-**	**-**	-	(4,885)	(4,885)	(5,406)
Total Comprehensive Income and Expenditure	**(3,323)**	**-**	**-**	**(3,323)**	**(4,885)**	**(8,208)**	**(8,729)**
Adjustments between accounting basis & funding basis under regulations (Note 7)	3,335	**-**	(820)	2,515	(2,515)	-	-
Net Increase/(Decrease) before transfers to Earmarked Reserves	**12**	**-**	**(820)**	**(808)**	**(7,400)**	**(8,208)**	**(8,729)**
Transfers (to)/from Earmarked Reserves (Note 8)	**(747)**	**747**	**-**	-	-	-	-
Increase/(Decrease) in Year	**(735)**	**747**	**(820)**	**(808)**	**(7,400)**	**(8,208)**	(8,729)
Balance at 31 March 2012 carried forward	**2,000**	**12,235**	**5,599**	**19,834**	**48,302**	**68,136**	**67,098**

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2011/12 Gross Expenditure £000	2011/12 Gross Income £000	2011/12 Net Expenditure £000		2012/13 Gross Expenditure £000	2012/13 Gross Income £000	2012/13 Net Expenditure £000	GROUP Net Expenditure £000
14,657	(13,011)	1,646	Central services to the public	14,443	(13,329)	1,114	1,114
11,668	(5,331)	6,337	Cultural and Related services	10,962	(4,801)	6,161	6,161
9,316	(706)	8,610	Environmental and Regulatory services	8,832	(617)	8,215	8,215
4,954	(3,183)	1,771	Planning services	4,445	(2,414)	2,031	2,031
1,523	(2,816)	(1,293)	Highways and transport services	1,512	(2,783)	(1,271)	(1,271)
45,570	(44,962)	608	Other housing services	47,484	(46,854)	630	630
2,949	(563)	2,386	Corporate and democratic core	3,886	(1,051)	2,835	2,835
383	-	383	Exceptional item – CPBS transformation costs	-	-	-	-
76	(1)	75	Non distributed costs	253	-	253	253
91,096	**(70,573)**	**20,523**	**Cost of Services**	**91,817**	**(71,849)**	**19,968**	**19,968**
6,099	(612)	5,487	Other operating expenditure (Note 9)	4,999	(712)	4,287	4,287
4,817	(5,864)	(1,047)	Financing and investment income and expenditure (Note 10)	4,633	(5,206)	(573)	(573)
-	(21,640)	(21,640)	Taxation and non-specific grant income (Note 11)	-	(20,393)	(20,393)	(20,393)
		3,323	**(Surplus)/Deficit on the Provision of Services**			**3,289**	**3,289**
		(1,861)	(Surplus)/deficit on revaluation of Property, Plant and Equipment assets			(1,289)	(1,289)
		6,746	Actuarial /losses on pension assets/ liabilities			6,055	6,055
		-	Share of other comprehensive income and expenditure – Joint Ventures * (Note 44)			-	587
		4,885	**Other Comprehensive Income and Expenditure**			**4,766**	**5,353**
		8,208	**Total Comprehensive Income and Expenditure**			**8,055**	**8,642**

* The 2011/12 Group Accounts adjustment was £521,000

BALANCE SHEET

31 March 2012 £000	GROUP 31 March 2012 £000		Note	31 March 2013 £000	GROUP 31 March 2013 £000
64,490	64,490	Property, Plant & Equipment	12	66,521	66,521
470	470	Heritage Assets	13	470	470
11,870	11,870	Investment Property	14	11,801	11,801
11	11	Intangible Assets	15	55	55
2,501	2,501	Long Term Investments		-	-
87	87	Long Term Debtors		41	41
1,192	1,192	Assets Held for Sale	20	1,165	1,165
80,621	**80,621**	**Non-Current Assets**		**80,053**	**80,053**
15,731	15,731	Short Term Investments		17,184	17,184
264	264	Assets Held for Sale	20	360	360
112	112	Inventories	17	157	157
6,500	6,500	Short Term Debtors	18	5,999	5,999
11	11	Cash and Cash Equivalents	19	6	6
22,618	**22,618**	**Current Assets**		**23,706**	**23,706**
(301)	(301)	Cash and Cash Equivalents	19	(2,718)	(2,718)
(4,869)	(4,869)	Short Term Creditors	21	(4,436)	(4,436)
(5,170)	**(5,170)**	**Current Liabilities**		**(7,154)**	**(7,154)**
-	(1,038)	Investment in Joint Ventures	44	-	(1,625)
(29,883)	(29,883)	Other Long Term Liabilities	38	(36,474)	(36,474)
(50)	(50)	Capital Grants Receipts in Advance		(50)	(50)
(29,933)	**(30,971)**	**Long Term Liabilities**		**(36,524)**	**(38,149)**
68,136	**67,098**	**Net Assets**		**60,081**	**58,456**
		Usable Reserves	23		
2,000	2,000	General Fund Balance		1,921	1,921
12,235	12,235	Earmarked Reserves		11,465	11,465
5,599	5,599	Capital Receipts Reserve		2,772	2,772
-	-	Capital Grants Unapplied		241	241
19,834	**19,834**			**16,399**	**16,399**
		Unusable Reserves	24		
20,753	20,753	Revaluation Reserve		21,419	21,419
57,529	57,529	Capital Adjustment Account		58,938	58,938
(29,883)	(29,883)	Pension Reserve		(36,474)	(36,474)
21	21	Deferred Capital Receipts		18	18
-	-	Collection Fund Adj Account		(44)	(44)
(118)	(118)	Accumulated Absences		(175)	(175)
-	(1,038)	Joint Venture		-	(1,625)
48,302	**47,264**			**43,682**	**42,057**
68,136	**67,098**	**TOTAL RESERVES**		**60,081**	**58,456**

CASH FLOW STATEMENT

2011/12 £000	GROUP 2011/12 £000		2012/13 £000	GROUP 2012/13 £000
(3,323)	(3,323)	Net (deficit)/surplus on the provision of services	(3,289)	(3,289)
1,434	1,434	Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 25)	1,763	1,763
(2,007)	(2,007)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 25)	(1,969)	(1,969)
(3,896)	**(3,896)**	Net cash flows from Operating Activities	**(3,495)**	**(3,495)**
4,694	4,694	Investing Activities (note 26)	151	151
(752)	(752)	Financing Activities (note 27)	922	922
46	**46**	**Net increase/(decrease) in cash and cash equivalents**	**(2,422)**	**(2,422)**
(336)	(336)	Cash and cash equivalents at the beginning of the reporting period	(290)	(290)
(290)	**(290)**	**Cash and cash equivalents at the end of the reporting period (note 19)**	**(2,712)**	**(2,712)**

The impact of Group Accounting to incorporate Compass Point Business Services has had no effect on the Cash Flow Statement as the equity method has been used for the purpose of consolidation.

NOTES TO THE ACCOUNTS

Contents

NOTE 1 – ACCOUNTING POLICIES

1. General Principles

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

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

This section discloses the specific accounting policies adopted by the Council for the completion of the accounts.

2. Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

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

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

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

- Expenses in relation to services received, (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

- Interest receivable on investments is accounted for as income on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount, where considered material, is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

3. Cash and Cash Equivalents

a) Cash Equivalents:

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

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

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

b) Bank Overdrafts:

Bank Overdrafts are to be shown as Cash and Cash Equivalents where they are an integral part of an authority’s cash management.

4. Exceptional Items

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

5. Prior Period Adjustments, Changes in Accounting Policies, Estimates and Errors

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

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

6. Charges to Revenue for Non- Current Assets

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

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

- amortisation of intangible fixed assets attributable to the service

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

Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

7. Employee Benefits

Benefits Payable during Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

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

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

Post-Employment Benefits

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

Local Government Pension Scheme

The Local Government Pension Scheme is accounted for as a defined benefits scheme:

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

Liabilities are discounted to their value at current prices; using a discount rate of 4.5% (5.2% in 2011/12), based on the indicative rate of return on high quality corporate Bonds.

The assets of the Lincolnshire County Council pension fund attributable to the Council are included in the Balance Sheet at their fair value:

- quoted securities – current bid price
- unquoted securities – professional estimate
- unitised securities – current bid price
- property – market value.

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

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

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

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

- **expected return on assets** – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

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

- **actuarial gains and losses** – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve

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

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

Discretionary Benefits

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

8. Events after the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Accounts are authorised for issue. Two types of events can be identified:

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

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

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

9. Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised. The Authority is currently debt free and will remain so subject to Council deciding it prudent to do otherwise. This will be informed by the setting of the Annual Prudential Indicators.

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

Available-for-sale Assets

Available-for-sale assets are initially measured and carried at fair value. Gains or losses arising from a change in fair value shall be recognised in the Comprehensive Income and Expenditure Statement in the Surplus/Deficit on Revaluation of Available for Sale Financial Assets. Where the asset has fixed or determinable payments, annual credits to the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council. Assets are maintained in the Balance Sheet at fair value. Where fair value cannot be measured reliably, the instrument is carried at cost (less impairment losses).

10. Government Grants and Contributions

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

- the Council will comply with the conditions attached to the payments, and

- the grants or contributions will be received

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

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

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

Local Services Support Grant

Local Services Support Grant (LSSG) is a general grant allocated by central government directly to local authorities as additional revenue funding. It is non-ringfenced and is credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

11. Heritage Assets

The extent of the Council's holdings of heritage assets is limited. Heritage assets are held to help increase the knowledge, understanding and appreciation of the Council's history and local area. Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets where appropriate. The Council's heritage assets are accounted for as follows:-

- The Pingle Coningsby, Gibraltar Point Nature Reserve, St Mary's Burial Ground Louth, Tower Gardens Skegness, Dambusters Memorial Woodhall Spa, Site of Special Scientific Interest Skegness Foreshore - Historic Cost

- The Clock Tower, Skegness, Civic Regalia - insurance value

- Stanhope Memorial Horncastle, Sir John Franklin Memorial Spilsby, Buttercross Monument Spilsby, Clock Tower Old Market Hall Louth, Jolly Fisherman Statue Compass Gardens Skegness– not included as heritage assets in the balance sheet.

The carrying amounts of heritage assets are reviewed when there is evidence of impairment for heritage assets, i.e. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment. Depreciation is not charged as the assets are deemed to be held in perpetuity. Should any heritage assets be disposed of, the proceeds are accounted for in accordance with the Council's general provisions relating to the disposal of property, plant and equipment.

12. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits of service potential will flow from the intangible asset to the Council.

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

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

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

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

13. Interest in Companies and Other Entitles

The Council has a material interest (50% voting power) in Compass Point Business Services (East Coast) Limited and will account for this as a jointly controlled entity under Group Accounting rules using the equity method for consolidation. The Council's shareholding is 63% of the total shareholding.

14. Inventories and Long Term Contracts

Stocks are included in the Balance Sheet at the lower of cost and net realizable value. Work in Progress is subject to an interim Valuation at the year-end, and recorded in the Balance Sheet at Cost (including an allocation of Overheads), plus any Profit reasonably attributable to the Works.

Stocks of materials held at various establishments above a de-minimus level of £5,000 are shown in the accounts at the latest cost on 31 March each year. Stocks below this level were counted and valued but not regarded as being significant enough to be shown in the accounts.

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

15. Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arms-length. Properties are not depreciated but are revalued annually according to market conditions at the year end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund balance. The gains and losses are therefore reversed out of the General Fund balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

16. Jointly Controlled Operations and Jointly Controlled Assets

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

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

17. Leases

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

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

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

The Council as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment.

The Council as Lessor

Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debt) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and

- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element of the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

18. Overheads and Support Services

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

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

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

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

19. Property, Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising;

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

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council).

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

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

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

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

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

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

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

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

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

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

Impairment

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

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

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

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

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

Depreciation

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

Depreciation is calculated on the following bases:

- dwellings and other buildings– straight line allocation over the life of the property as estimated by the valuer
- Vehicles, plant and equipment – straight line allocation over the life of the asset, as advised by a suitably qualified officer
- Infrastructure – straight line allocation

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

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

Disposals and Non-current Assets Held for Sale

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

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

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment [or set aside to reduce the Council's underlying need to borrow (the capital financing requirement)]. Receipts are appropriated to the Reserve from the General Fund balance in the Movement in Reserves Statement.

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

20. Provisions

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

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

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

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

21. Contingent Liabilities

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

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

22. Contingent Assets

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

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

23. Reserves

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

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

24. Revenue Expenditure Funded from Capital under Statute

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

25. VAT

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

26. Debtors

Debtors are recognised in the accounts when the ordered goods or services have been delivered or rendered by the Council in the financial year but the income has not yet been received. Debtors are recognised and measured at fair value in the accounts. Where there is evidence that the Council may not be able to collect all amounts due to it, an allowance for impairment is established. The allowance made is the difference between the current carrying value of the debt and the amount likely to be collected. The allowance for impairment is recognised as a charge to the service expenditure account for the income that might not be collected.

27. Creditors

Creditors are recorded where goods or services have been supplied to the Council by 31 March but payment is not made until the following financial year. Creditors are recognised and measured at fair value in the accounts. For estimated creditors, a de minimus level of £1,000 for individual revenue items and £5,000 for capital items is set.

NOTE 2 – ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED

The Council is required to disclose information relating to the impact of the accounting changes on the financial statements as a result of the adoption by the Code of a new standard that has been issued, but is not yet required to be adopted by the Council. The Council is required to disclose the estimated effect of the new standard in these financial statements.

The Code of Practice on Local Authority Accounting in the UK 2013-14 has introduced the following changes in accounting policy, which will need to be adopted fully by the Council in the 2013-14 financial statements.

IAS 19 Employee Benefits

The adoption of the 2011 amendments to IAS 19 by the Code will result in reclassifications of costs/information and disclosure changes resulting in more detailed principle based disclosures. The reclassifications are essentially a re-organisation of existing information and will be based on information provided by the Council's Actuaries. It is anticipated that the impact will have no material effect on the Councils accounts.

IAS 1 Presentation of Financial Statements

The adoption of the 2011 amendments to IAS 1 by the Code will result in a presentational change in the Comprehensive Income and Expenditure Statement, but will not impact on any of the amounts reported. This change will result in the amounts shown in Other Comprehensive Income and Expenditure being split into two groups;

i) those which will be re-classified subsequently to the Surplus/Deficit on Provision of Services when specific conditions are met; and

ii) those which will not be re-classified subsequently to the Surplus/Deficit on Provision of Services

This is only likely to affect available for sale financial assets (which would be shown in the Financial Instruments note). Currently, the Council does not hold any available for sale financial instruments.

IFRS 7 – Financial Instruments Disclosures

The adoption by the Code of IFRS 7 (Offsetting Financial Assets and Liabilities) will result in a change which requires information that will enable users of the council's financial statements to evaluate the effect or potential effect of netting arrangements. It is not anticipated that this change will have any impact on the financial statements of the Council as financial instruments are not shown netted off.

IAS 12 – Deferred Tax – Recovery of underlying assets

The standard is appropriate for those bodies which prepare Group Accounts. It is, however, anticipated that there will be no impact for the Council.

NOTE 3 – CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

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

NOTE 4 – ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The Accounts contain estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2013 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Property, Plant and Equipment Carrying value At 31 March 2013 £66.521m	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £48,000 for every year that useful lives had to be reduced.
Pensions Liability Carrying value At 31 March 2013 £36.474m	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pension's liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £9.369m. However, the assumptions interact in complex ways. During 2012/13, the Council's actuaries advised that whilst the pensions asset value had increased by £6.105m, liabilities had increased by £12.696m.
Arrears Carrying value At 31 March 2013 £2.547m	At 31 March 2013, the Council had a balance of sundry debtor and housing benefit overpayments of £2.547m. A review of debts suggested that an overall impairment allowance of £0.785m (31%) was appropriate.	If collection rates were to deteriorate, increasing the impairment for doubtful sundry debts to 60% of the total debt would require an additional £0.743m to be set aside as an allowance.
Repayments of investments in Icelandic banks Carrying value At 31 March 2013 £0.5m	At 31 March 2013, the Council had a holding balance of £0.5m in three Icelandic banks where repayments of principal and interest are expected over the next six years. All monies within these Institutions are currently subject to their respective Administration and Receivership processes. The amounts and timing of payments to depositors such as the Council will be determined by the respective Administrators and Receivers	If the repayment levels determined by the administrators/receivers increases above, or are made prior to, expected levels the Council's income will increase in future years. However, if repayments are delayed or reduced, an impairment charge would be charged to future Comprehensive Income and Expenditure Statements.

NOTE 5 – MATERIAL ITEMS OF INCOME AND EXPENSE

There are no material items of income and expense to report that have not already been disclosed in the Comprehensive Income and Expenditure Statement and the core financial statements.

NOTE 6 – EVENTS AFTER THE BALANCE SHEET DATE

The audited accounts were authorised for issue by the Deputy Chief Executive on 25 September 2013. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2013, the figures in the financial statements and notes have been adjusted for all material items to reflect the impact of this information.

The financial statements have not been adjusted for the following items:

- From 1 April 2013 the new arrangements for the retention of business rates came into effect. One of the results of this is that local authorities assume the liability for refunding ratepayers who have successfully appealed against the rateable value of their properties on the rating list, including amounts which have previously been collected and paid across to Central Government in respect of 2012-13 and prior years. A provision will be required in 2013-14 to recognise the Council's respective share of these liabilities, however this is not made in 2012-13 as the liability does not rest with the Council until 1 April 2013. Based on current estimates the Council's share of liabilities could be in the region of £690,000.

NOTE 7 – ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

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

General Fund Balance

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

Capital Receipts Reserve

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

Capital Grants Unapplied

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

2012/13	Usable Reserves			
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	1,631	-	-	(1,631)
Revaluation losses on Property Plant and Equipment	195	-	-	(195)
Movements in the market value of Investment Properties	54	-	-	(54)
Amortisation of intangible assets	2	-	-	(2)
Capital grants and contributions applied	(1,016)	-	-	1,016
Revenue expenditure funded from capital under statute	2,260	-	-	(2,260)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	398	-	-	(398)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Capital expenditure charged against the General Fund balance	(770)	-	-	770
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(241)	-	241	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(712)	712	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	(3,540)	-	3,540
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	2	(2)	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	3	-	(3)

2012/13	Usable Reserves			
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 38)	2,511	-	-	(2,511)
Employer's pensions contributions and direct payments to pensioners payable in the year	(1,975)	-	-	1,975
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	44	-	-	(44)
Adjustments primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	57	-	-	(57)
Total Adjustments	**2,440**	**(2,827)**	**241**	**146**

2011/12	Usable Reserves		
	General Fund Balance £000	Capital Receipts reserve £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account:			
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:			
Charges for depreciation and impairment of non-current assets	2,350	-	(2,350)
Revaluation losses on Property Plant and Equipment	(295)	-	295
Movements in the market value of Investment Properties	50	-	(50)
Amortisation of intangible assets	2	-	(2)
Capital grants and contributions applied	(1,396)	-	1,396
Revenue expenditure funded from capital under statute	2,907	-	(2,907)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,568	-	(1,568)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:			
Statutory provision for the financing of capital investment			
Capital expenditure charged against the General Fund balance	(1,290)	-	1,290
Adjustments primarily involving the Capital Receipts Reserve:			
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(612)	612	-
Use of the Capital Receipts Reserve to finance new capital expenditure		(1,434)	1,434
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	1	(1)	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash		3	(3)

2011/12	Usable Reserves		
	General Fund Balance	Capital Receipts Reserve	Movement in Unusable Reserves
	£000	£000	£000
Adjustments primarily involving the Pensions Reserve:			
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 38)	1,959	-	(1,959)
Employer's pensions contributions and direct payments to pensioners payable in the year	(2,013)	-	2,013
Adjustments primarily involving the Collection Fund Adjustment Account:			
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	72	-	(72)
Adjustments primarily involving the Accumulated Absences Account:			
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	32	-	(32)
Total Adjustments	**3,335**	**(820)**	**(2,515)**

NOTE 8 – TRANSFERS TO/FROM EARMARKED RESERVES

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

A review of earmarked reserves was undertaken at the beginning of 2011/12, and the number of reserves was rationalised, as set out in the table below.

	Balance at 31 March 2011 £000	Review on 1 April 2011 £000	Tfrs Out 2011/ 12 £000	Tfrs In 2011/12 £000	Balance at 31 March 2012 £000	Tfrs Out 2012/13 £000	Tfrs In 2012/13 £000	Balance at 31 March 2013 £000
Capital Projects – renamed Capital Reserve	3,269	731	(415)	93	3,678	(148)	93	3,623
Coastal Regeneration	212	(212)	-	-	-	-	-	-
Community Initiatives – renamed Community and Cultural Reserve	344	1,845	(231)	639	2,597	(534)	800	2,863
Concessionary Fares	186	(186)	-	-	-	-	-	-
Corporate Training	8	(8)	-	-	-	-	-	-
Decent Homes	552	(552)	-	-	-	-	-	-
Economic Development	67	(67)	-	-	-	-	-	-
Elections	144	(144)	-	-	-	-	-	-
Embassy Units	110	(110)	-	-	-	-	-	-
Golf Course Chalets	2	(2)	-	-	-	-	-	-
Health, Art & Events	143	(143)	-	-	-	-	-	-
Historic Buildings	208	(208)	-	-	-	-	-	-
Housing & Planning Delivery Grant - renamed Housing Reserve	643	357	(7)	-	993	(520)	-	473
Information Technology – renamed Technology Reserve	290	710	(97)	25	928	(46)	31	913
Initiatives	1,637	(1,637)	-	-	-	-	-	-
Insurance Reserve	233	17	(59)	284	475	(137)	100	438
Inter Agency Maintenance	9	(9)	-	-	-	-	-	-
Invest to Save Reserve	774	(774)	-	-	-	-	-	-
Job Evaluation Reserve	69	(69)	-	-	-	-	-	-
Job Evaluation - Back Pay Reserve – renamed Workforce Costs Reserve	490	10	(202)	-	298	(158)	-	140
Local Authority Business Growth Incentive	108	(108)	-	-	-	-	-	-
Local Development Framework Reserve	634	(634)	-	-	-	-	-	-
Lincs Building Partnership Reserve	1	(1)	-	-	-	-	-	-
Management Agreements	84	(84)	-	-	-	-	-	-
Merged Services – renamed Service Transformation Reserve	436	1,564	(730)	496	1,766	(152)	-	1,614
Medium Term Financial Strategy Reserve	34	-	(26)	-	8	(8)	-	-
Mortgage Repossession	57	(57)	-	-	-	-	-	-
Planning Appeals & Assessments	329	(329)	-	-	-	-	-	-
Property Marketing	7	(7)	-	-	-	-	-	-
Leisure	43	(43)	-	-	-	-	-	-
Repairs & Renewals - Equipment	55	(55)	-	-	-	-	-	-
Supporting People	161	(161)	-	-	-	-	-	-
Waste Initiatives	108	(108)	-	-	-	-	-	-
Wheeled Bin Replacement	41	(41)	-	-	-	-	-	-
Carbon Reduction Reserve	-	250	-	-	250	-	-	250
Legal and Appeals Reserve	-	500	(52)	274	722	(141)	-	581
Repair and Maintenance Reserve	-	500	(75)	95	520	(53)	103	570
TOTAL	**11,488**	**735**	**(1,894)**	**1,906**	**12,235**	**(1,897)**	**1,127**	**11,465**

NOTE 9 – OTHER OPERATING EXPENDITURE

2011/12 £000		2012/13 £000
1,462	Parish council precepts	1,519
3,066	Internal Drainage Board Levies	3,080
1	Payments to the Government Housing Capital Receipts Pool	2
958	(Gains)/Losses on the disposal of non-current assets	(314)
5,487	**Total**	**4,287**

NOTE 10 – FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2011/12 £000		2012/13 £000
4	Interest payable and similar charges	3
546	Pensions interest cost and expected return on pension assets	965
(480)	Interest receivable and similar income	(442)
(1,117)	Income and Expenditure in relation to investment properties and changes in their fair value	(1,099)
(1,047)	**Total**	**(573)**

NOTE 11 – TAXATION AND NON SPECIFIC GRANT INCOME

2011/12 £000		2012/13 £000
(6,762)	Council tax income	(6,866)
(10,736)	National Non domestic rates	(12,325)
(4,142)	Non-ringfenced government grants	(1,161)
-	Capital grants and contributions	(41)
(21,640)	**Total**	**(20,393)**

NOTE 12 – PROPERTY, PLANT AND EQUIPMENT - Movements on Balances

2012/13	Other Land and Buildings	vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000
Movements on balances						
Cost or valuation						
At 1 April 2012	**63,662**	**4,810**	**-**	**1,224**	**-**	**69,696**
Additions	259	2,653	24	68	-	3,004
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	1,369	-	-	-	(32)	1,337
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(1,412)	-	-	(10)	-	(1,422)
Derecognition – disposals	(390)	(300)	-	-	-	(690)
Assets reclassified (to)/from Held for Sale	(133)	-	-	-	56	(77)
At 31 March 2013	**63,355**	**7,163**	**24**	**1,282**	**24**	**71,848**
Accumulated Depreciation and Impairment						
At 1 April 2012	**(1,473)**	**(3,733)**	**-**	**-**	**-**	**(5,206)**
Depreciation charge	(1,316)	(277)	-	-	-	(1,593)
Depreciation written out to the Revaluation Reserve	(36)	-	-	-	-	(36)
Depreciation written out to the Surplus/Deficit on the Provision of Services	1,185	-	-	-	-	1,185
Derecognition – disposals	23	300	-	-	-	323
At 31 March 2013	**(1,617)**	**(3,710)**	**-**	**-**	**-**	**(5,327)**
Net Book value						
at 31 March 2012	**62,189**	**1,077**	**-**	**1,224**	**-**	**64,490**
at 31 March 2013	**61,738**	**3,453**	**24**	**1,282**	**24**	**66,521**

2011/12	Other Land and Buildings	vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000
<u>Movements on balances</u>						
Cost or valuation						
At 1 April 2011	**64,900**	**4,430**	**-**	**1,150**	**-**	**70,480**
Additions	675	365	-	74	-	1,114
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	482	-	-	-	-	482
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(316)	56	-	-	-	(260)
Derecognition – disposals	(2,079)	(41)	-	-	-	(2,120)
At 31 March 2012	**63,662**	**4,810**	**-**	**1,224**	**-**	**69,696**
Accumulated Depreciation and Impairment						
At 1 April 2011	(2,866)	(2,867)	-	-	-	(5,733)
Depreciation charge	(1,448)	(902)	-	-	-	(2,350)
Depreciation written out to the Revaluation Reserve	1,379	-	-	-	-	1,379
Depreciation written out to the Surplus/Deficit on the Provision of Services	555	-	-	-	-	555
Derecognition – disposals	907	36	-	-	-	943
At 31 March 2012	**(1,473)**	**(3,733)**	**-**	**-**	**-**	**(5,206)**
Net Book value						
at 31 March 2011	**62,034**	**1,563**	**-**	**1,150**	**-**	**64,747**
at 31 March 2012	**62,189**	**1,077**	**-**	**1,224**	**-**	**64,490**

Depreciation

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

- Property, Land and Buildings – 1-109 years
- Vehicles, Plant, Furniture & Equipment – 1-7 years

Construction contracts

At 31 March 2013, the Council has not entered into any contracts for the construction or enhancement of Property, Plant and Equipment in 2013/14 and future years (nil at 31 March 2012).

Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. All valuations were carried out internally. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset.

	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Total £000
Carried at historical cost	14	3,453	24	1,282	24	**4,797**
Valued at fair value (NBV) as at:						
31 March 2013	37,283	-	-	-	-	**37,283**
31 March 2012	6,457	-	-	-	-	**6,457**
31 March 2011	7,308	-	-	-	-	**7,308**
31 March 2010	1,438	-	-	-	-	**1,438**
31 March 2009	9,238	-	-	-	-	**9,238**
Total Cost or Valuation at 31 March 2013	**61,738**	**3,453**	**24**	**1,282**	**24**	**66,521**

NOTE 13 – HERITAGE ASSETS

Reconciliation of the carrying value of Heritage Assets held by the Council

	2011/12 £000	2012/13 £000
Cost or valuation		
1 April	**470**	**470**
31 March	**470**	**470**

The bases of valuation for the council's Heritage Assets are at historic cost for The Pingle Coningsby, Gibraltar Point Nature Reserve, St Mary's Burial Ground Louth, Tower Gardens Skegness, Site of Special Scientific Interest Skegness Foreshore and Dambusters Memorial; and insurance value for the Clock Tower Skegness, and ELDC Civic Regalia. A number of other items identified as heritage assets (Stanhope Memorial Horncastle, Sir John Franklin Memorial Spilsby, Buttercross Monument Spilsby, Clock Tower Market Place Louth, Jolly Fisherman Compass Gardens Skegness) have not been included on the balance sheet as they are sited in areas under Property Plant & Equipment and Investment properties.

There were no additions or disposals of heritage assets identified during the year (2011/12 none).

NOTE 14 – INVESTMENT PROPERTY

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

	2011/12 £000	2012/13 £000
Rental Income from investment property	(1,867)	(1,858)
Direct operating expenses arising from investment property	700	705
Net (gains)/losses from fair value adjustments	50	54
Net (gain)/loss	**(1,117)**	**(1,099)**

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

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

	2011/12 £000	2012/13 £000
Balance at start of year	12,157	11,870
Additions – Subsequent Expenditure	100	15
Disposals	(337)	(30)
Net gains/(losses) from fair value adjustments	(50)	(54)
Balance at end of the year	**11,870**	**11,801**

NOTE 15 – INTANGIBLE ASSETS

The Council accounts for its software as intangible assets. The intangible assets include purchased licenses.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. A seven year life has been used to amortise the existing software infrastructure assets.

The carrying amount of intangible assets is amortised on a straight-line basis in the year following purchase or recognition. The amortisation of £1,742 charged to revenue for 2012/13 was charged to IT Services cost centre and then absorbed as an overhead across all services.

	2011/12 £000	2012/13 £000
Balance at start of year:		
- Gross carrying amounts	13	13
- Accumulated amortisation	-	(2)
Net carrying amount at start of year	**13**	**11**
Additions:		
- Purchases	-	46
Amortisation for the period	(2)	(2)
Net carrying amount at end of year	**11**	**55**
Comprising:		
- Gross carrying amounts	13	58
- Accumulated amortisation	(2)	(3)
	11	**55**

NOTE 16 – FINANCIAL INSTRUMENTS

Categories of Financial Instruments

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

	Long Term		Short term	
	31 March 2012 £000	31 March 2013 £000	31 March 2012 £000	31 March 2013 £000
Investments				
Loans and receivables	2,501	-	15,731	17,184
Total investments	**2,501**	**-**	**15,731**	**17,184**
Debtors				
Loans and receivables	87	41	4,341	-
Financial assets carried at contract amounts (Review undertaken in 2012-13)	-		-	1,188
Total Debtors	**87**	**41**	**4,341**	**1,188**
Creditors				
Financial liabilities carried at contract amount	-	-	(4,684)	(3,328)
Total Creditors	**-**	**-**	**(4,684)**	**(3,328)**

Soft Loans made by the Council

The Council has made advances to staff for car loans that attract lower than market interest rates. The amounts of these advances mean that adjustments to fair value would be very small, and have been deemed immaterial. Therefore, no fair value adjustments have been made for these "soft loans" in the financial statements.

Income, expense, gains and losses

	2012/13	
	Financial Assets: Loans and receivables £000	Total £000
Interest income	(442)	(442)
Total income in Surplus or Deficit on the Provision of Services	**(442)**	**(442)**
Net loss/(gain) for the year	**(442)**	**(442)**

	2011/12	
	Financial Assets: Loans and receivables £000	Total £000
Interest income	(480)	(480)
Total income in Surplus or Deficit on the Provision of Services	**(480)**	**(480)**
Net loss/(gain) for the year	**(480)**	**(480)**

Fair Values of Assets and Liabilities

Financial liabilities and financial assets represented by loans and receivables are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- no early repayment or impairment is recognised
- where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value
- the fair value of trade and other receivables is taken to be the invoiced or billed amount

The fair values calculated are as follows:

LIABILITIES	31 March 2012		31 March 2013	
	Carrying amount £000	Fair Value £000	Carrying amount £000	Fair Value £000
Financial liabilities (trade creditors)	(4,684)	(4,684)	(3,328)	(3,328)

Financial liabilities represent trade creditors. Fair value is taken to be the invoiced value.

ASSETS	31 March 2012 Carrying amount £000	31 March 2012 Fair Value £000	31 March 2013 Carrying amount £000	31 March 2013 Fair Value £000
Loans and Receivables:				
Long term	2,501	2,616	-	-
Short term	15,731	15,731	16,684*	16,744
Long-Term Debtors	87	87	41	41

* The carrying value of loans and receivables excludes £500,000 of Icelandic investments held at 31 March 2013.

Available for sale assets and assets and liabilities at fair value through profit or loss are carried in the Balance Sheet at their fair value. These fair values are based on public price quotations where there is an active market for the instrument.

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

NOTE 17 – INVENTORIES

At 31 March 2013, the Council held £157,000 (2011/12 £112,000) worth of stock in the form of fuel, refuse sacks and sundry items.

NOTE 18 – DEBTORS

	31 March 2012 £000 Net	31 March 2013 £000 Gross	31 March 2013 £000 Impairment Allowance	31 March 2013 £000 Net
Central Government Bodies	2,731	2,053	-	2,053
Other Local Authorities	373	1,417	-	1,417
Public corporations and trading funds	-	71	-	71
Other entities and individuals	3,396	3,449	(991)	2,458
Total	**6,500**	**6,990**	**(991)**	**5,999**

NOTE 19 – CASH AND CASH EQUIVALENTS

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

31 March 2012 £000		31 March 2013 £000
11	Cash held by the Council	6
(301)	Overdraft held by the Council	(2,718)
(290)	**Total Cash and Cash Equivalents**	**(2,712)**

NOTE 20 – ASSETS HELD FOR SALE

	Current		Long term assets	
	2011/12 £000	2012/13 £000	2011/12 £000	2012/13 £000
Balance outstanding at start of year	**276**	**264**	**1,235**	**1,192**
Assets newly classified as held for sale:				
Property, Plant and Equipment	-	133	-	-
Revaluation losses	-	-	-	(9)
Impairment losses	-	(37)	-	-
Revaluation gains	-	-	-	39
Assets sold	(55)	-	-	-
Transfers from non-current to current	43	-	(43)	(57)
Balance outstanding at year-end	**264**	**360**	**1,192**	**1,165**

NOTE 21 – CREDITORS

	31 March 2012 £000	31 March 2013 £000
Central Government Bodies	(235)	(414)
Other Local Authorities	(237)	(298)
NHS bodies	-	(82)
Other entities and individuals	(4,397)	(3,642)
Total	**(4,869)**	**(4,436)**

NOTE 22 – PROVISIONS

The Council held no provisions at the Balance Sheet date.

NOTE 23 – USABLE RESERVES

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement. Note 8 details Earmarked Reserves movements.

NOTE 24 – UNUSABLE RESERVES

31 March 2012 £000		31 March 2013 £000
20,753	Revaluation Reserve	21,419
57,529	Capital Adjustment Account	58,938
(29,883)	Pensions Reserve	(36,474)
21	Deferred Capital Receipts	18
-	Collection Fund Adjustment Account	(44)
(118)	Accumulated Absences Account	(175)
48,302	**Total Unusable Reserves**	**43,682**

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

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

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

2011/12 £000	2011/12 £000		2012/13 £000	2012/13 £000
	20,189	**Balance at 1 April**		**20,753**
3,246		Upward revaluation of assets	1,215	
(1,385)		Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services and associated depreciation	74	
	1,861	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		1,289
(604)		Difference between fair value depreciation and historical cost depreciation	(469)	
(693)		Accumulated Gains on assets sold or scrapped	(154)	
	(1,297)	Amount written off to the Capital Adjustment Account		(623)
	20,753	**Balance at 31 March**		**21,419**

Capital Adjustment Account

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

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

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

2011/12 £000	2011/12 £000		2012/13 £000	2012/13 £000
	58,694	**Balance at 1 April**		**57,529**
		Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(2,350)		Charges for depreciation and impairment of non-current assets	(1,631)	
295		Revaluation losses on Property, Plant and Equipment	(195)	
(1)		Amortisation of intangible assets	(2)	
(2,907)		Revenue expenditure funded from capital under statute	(2,260)	
(1,570)		Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(398)	
	(6,533)			(4,486)
	693	Adjusting amounts written out of the Revaluation Reserve		154
	604	Net written out amount of the cost of non-current assets consumed in the year		469
		Capital financing applied in the year:		
1,435		Use of the Capital Receipts Reserve to finance new capital expenditure	3,540	
1,396		Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	1,016	
		Application of grants to capital financing from the Capital Grants Unapplied Account		
1,290		Capital expenditure charged against the General Fund balance	770	
	4,121			5,326
	(50)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		(54)
	57,529	**Balance at 31 March**		**58,938**

Pensions Reserve

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

2011/12 £000		2012/13 £000
(23,191)	**Balance at 1 April**	**(29,883)**
(6,746)	Actuarial gains and losses on pensions assets and liabilities	(6,055)
(1,959)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(2,511)
2,013	Employers pensions contributions and direct payments to pensioners payable in the year	1,975
(29,883)	**Balance at 31 March**	**(36,474)**

Deferred Capital Receipts Reserve

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

2011/12 £000		2012/13 £000
24	**Balance at 1 April**	**21**
(3)	Transfer to the Capital Receipts Reserve upon receipt of cash	(3)
21	**Balance at 31 March**	**18**

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income, in the Comprehensive Income and Expenditure Statement, as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2011/12 £000		2012/13 £000
72	**Balance at 1 April**	-
(72)	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(44)
-	**Balance at 31 March**	**(44)**

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund balance is neutralised by transfers to or from the Account.

	2011/12 £000			2012/13 £000
	(86)	**Balance at 1 April**		**(118)**
86		Settlement or cancellation of accrual made at end of the preceding year	118	
(118)	(32)	Amounts accrued at the end of the current year	(175)	(57)
	(32)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		(57)
	(118)	**Balance at 31 March**		**(175)**

NOTE 25 – CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

2011/12 £000		2012/13 £000
461	Interest received	245
(2)	Interest paid	(3)

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:

2011/12 £000		2012/13 £000
2,350	Depreciation and impairment of non-current assets	1,631
(245)	Downward Revaluations	195
1	Amortisation of intangible assets	2
(2,867)	Increase/decrease in creditors	(380)
-	Increase/decrease in interest and dividend debtors	(197)
833	Increase/decrease in debtors	(431)
(11)	Increase/decrease in stock	(45)
(54)	Movement in Pension Liability	536
1,569	Carrying Amount of non-current assets and non-current assets held for sale, sold or derecognised	398
-	Movement in Investment Property Values	54
(142)	Other non-cash items charged to the net surplus or deficit on the provision of services	-
1,434		**1,763**
	Adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities	
(1,396)	Capital Grants credited to surplus or deficit on the provision of services	(1,257)
(611)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(712)
(2,007)		**(1,969)**

NOTE 26 – CASH FLOW STATEMENT – INVESTING ACTIVITIES

2011/12 £000		2012/13 £000
(1,214)	Purchase of property, plant and equipment, investment property, plant and intangible assets	(3,066)
614	Proceeds from the sale of property, plant and equipment, investment property, intangible assets and Housing Act Advances Receipts	715
3,848	Proceeds from short-term and long-term investments	1,245
1,446	Other receipts from investing activities	1,257
4,694	**Net cash flows from investing activities**	**151**

NOTE 27 – CASH FLOW STATEMENT – FINANCING ACTIVITIES

2011/12 £000		2012/13 £000
(752)	Other receipts from financing activities	922
(752)	**Net cash flows from financing activities**	**922**

NOTE 28 – AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. In practice, decisions about resource allocation are taken by the Council's Executive on the basis of budget reports analysed across the Council's Corporate Priorities.

Reports to members are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- only some charges are made in relation to capital expenditure (whereas revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)

- the cost of retirement benefits is based on cash flows (payment of employer's pension's contributions) rather than current service cost of benefits accrued in the year.

The income and expenditure of the Council's corporate priorities recorded in the budget reports for the year is as follows:

Corporate Priority Income and Expenditure 2012/13	Enabling people to get actively involved in their community £000	Improving equality of opportunity and life chances £000	Contributing to environmental sustainability and adapting to climate change £000	Developing and nurturing the character and viability of our towns, villages and rural areas £000	Helping to develop the right environment for a growing economy £000	Other - non priority e.g. running the organisation £000	Total £000
Fees, charges & other service income	(2,090)	(2,449)	(14)	(3,154)	(7,188)	(1,020)	(15,915)
Interest and investment income	-	-	-	-	-	(442)	(442)
Government grants	(186)	(57,297)	-	-	(5)	(304)	(57,792)
Total Income	**(2,276)**	**(59,746)**	**(14)**	**(3,154)**	**(7,193)**	**(1,766)**	**(74,149)**
Employee expenses	2,664	2,085	474	4,861	1,465	2,763	14,312
Other service expenses	3,127	58,804	180	4,842	4,425	6,033	77,411
Total Expenditure	**5,791**	**60,889**	**654**	**9,703**	**5,890**	**8,796**	**91,723**
Net Expenditure	**3,515**	**1,143**	**640**	**6,549**	**(1,303)**	**7,030**	**17,574**

Corporate Priority Income and Expenditure 2011/12	Enabling people to get actively involved in their community £000	Improving equality of opportunity and life chances £000	Contributing to environmental sustainability and adapting to climate change £000	Developing and nurturing the character and viability of our towns, villages and rural areas £000	Helping to develop the right environment for a growing economy £000	Other - non priority e.g. running the organisation £000	Total £000
Fees, charges & other service income	(2,238)	(2,586)	(19)	(4,571)	(7,189)	(504)	(17,107)
Interest and investment income	-	-	-	-	-	(480)	(480)
Government grants	(102)	(54,921)	-	-	-	(325)	(55,348)
Total Income	**(2,340)**	**(57,507)**	**(19)**	**(4,571)**	**(7,189)**	**(1,309)**	**(72,935)**
Employee expenses	2,594	2,106	401	5,428	1,421	2,938	14,888
Other service expenses	3,838	56,549	199	5,558	4,108	11,626	81,878
Total Expenditure	**6,432**	**58,655**	**600**	**10,986**	**5,529**	**14,564**	**96,766**
Net Expenditure	**4,092**	**1,148**	**581**	**6,415**	**(1,660)**	**13,255**	**23,831**

Reconciliation of Council Priorities Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of the Council's corporate priorities income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	2011/12 £000	2012/13 £000
Net expenditure in the Corporate Priority Analysis	23,831	17,574
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	(4,551)	1,645
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	1,243	749
Cost of Services in Comprehensive Income and Expenditure Statement	**20,523**	**19,968**

Reconciliation to Subjective Analysis

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

2012/13	Corporate Priority analysis £000	Amounts not reported to management for decision making £000	Amounts not included in I&E £000	Cost of Services £000	Corporate £000	Total £000
Fees, charges & other service income	(15,915)	-	1,858	(14,057)	(1,858)	(15,915)
Interest and investment income	(442)	-	442	-	(442)	(442)
Income from Council Tax	-	-	-	-	(6,866)	(6,866)
Government grants and contributions	(57,792)	-	-	(57,792)	(13,527)	(71,319)
Gain or loss on disposal of fixed assets	-	-	-	-	(712)	(712)
Pensions expected return on assets	-	-	-	-	(2,906)	(2,906)
Total Income	**(74,149)**	**-**	**2,300**	**(71,849)**	**(26,311)**	**(98,160)**
Employee expenses	14,312	-	(116)	14,196	116	14,312
Other service expenses	77,411	-	(1,435)	75,976	643	76,619
Support Service recharges	-	(183)	-	(183)	-	(183)
Depreciation, amortisation and impairment	-	1,828	-	1,828	-	1,828
Interest Payments	-	-	-	-	3	3
Precepts & Levies	-	-	-	-	4,599	4,599
Payments to Housing Capital Receipts Pool	-	-	-	-	2	2
Gain or Loss on Disposal of Fixed Assets	-	-	-	-	398	398
Pensions interest cost	-	-	-	-	3,871	3,871
Total expenditure	**91,723**	**1,645**	**(1,551)**	**91,817**	**9,632**	**101,449**
Surplus or deficit on the provision of services	**17,574**	**1,645**	**749**	**19,968**	**(16,679)**	**3,289**

2011/12	Corporate Priority analysis £000 Restated	Amounts not reported to management for decision making £000 Restated	Amounts not included in I&E £000 Restated	Cost of Services £000 Restated	Corporate £000 Restated	Total £000 Restated
Fees, charges & other service income	(17,107)	-	1,882	(15,225)	(1,867)	(17,092)
Interest and investment income	(480)	-	480	-	(480)	(480)
Income from Council Tax	-	-	-	-	(6,762)	(6,762)
Government grants and contributions	(55,348)	-	-	(55,348)	(14,878)	(70,226)
Gain or loss on disposal of fixed assets	-	-	-	-	(612)	(612)
Pensions expected return on assets	-	-	-	-	(3,517)	(3,517)
Total Income	**(72,935)**	**-**	**2,362**	**(70,573)**	**(28,116)**	**(98,689)**
Employee expenses	14,888	-	(112)	14,776	112	14,888
Other service expenses	81,878	-	(1,007)	80,871	638	81,509
Support Service recharges	-	(6,608)	-	(6,608)	-	(6,608)
Depreciation, amortisation and impairment	-	2,057	-	2,057	-	2,057
Interest Payments	-	-	-	-	4	4
Precepts & Levies	-	-	-	-	4,528	4,528
Payments to Housing Capital Receipts Pool	-	-	-	-	1	1
Gain or Loss on Disposal of Fixed Assets	-	-	-	-	1,570	1,570
Pensions interest cost	-	-	-	-	4,063	4,063
Total expenditure	**96,766**	**(4,551)**	**(1,119)**	**91,096**	**10,916**	**102,012**
Surplus or deficit on the provision of services	**23,831**	**(4,551)**	**1,243**	**20,523**	**(17,200)**	**3,323**

Restated to ensure consistency with the 2012/13 format..

NOTE 29 – MEMBERS' ALLOWANCES

The Council paid the following amounts to its members during the year.

	2011/12 £000	2012/13 £000
Salaries	252	246
Allowances	98	84
Expenses	44	49
Total	**394**	**379**

NOTE 30 – OFFICERS' REMUNERATION

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

		Salary, Fees and Allowances £	Expenses Allowances £	Termination Payments / Compensation for Loss of Office* £	Pension Contribution £	Total £
Chief Executive (to 31/12/12)	2012/13	96,542	94	31,839	18,756	147,231
	2011/12	127,354	465	-	29,460	157,279
Chief Executive from 28/2/13 (Prev. Deputy Chief Executive from 08/09/11) (Prev. Strategic Director to 07/09/11)	2012/13	102,960	1,310	-	24,817	129,087
	2011/12	86,089	1,299	-	20,748	108,136
Strategic Director (to 31/07/11)	2012/13	-	-	-	-	-
	2011/12	28,696	493	80,000	6,916	116,105
Assistant Director (to 30/09/11)	2012/13	-	-	-	-	-
	2011/12	35,433	623	-	8,539	44,595

From 15 December 2010, a joint arrangement to share the Section 151 Officer (Chief Financial Officer) with Boston Borough Council was introduced. As he is employed by Boston BC, the employment costs are shown in their Accounts. In 2012/13 the Council paid £55,251 (2011/12 £48,917) in respect of this arrangement.

The Council's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

Remuneration Band	2011/12 Number of Employees	2012/13 Number of Employees
£ 50,000 – £ 54,999	-	-
£ 55,000 – £ 59,999	2	3*
£ 60,000 – £ 64,999	2	-
£ 65,000 – £ 69,999	-	1
£ 70,000 – £ 74,999	1	1
£ 75,000 – £ 79,999	-	1
£100,000 – £104,999	-	1

*The Council has a joint arrangement to share one of the Officers in the £55,000 to £59,999 category with Boston BC. As East Lindsey DC is the employing Council the full employment costs are reflected in the table above but 20% of the cost is recharged to Boston BC.

Three employees are included in the above table as a result of termination payments taking them above the £50,000 threshold.

The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below.

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12 £	2012/13 £
£0-£20,000	4	-	2	5	6	5	20,702	26,390
£20,001-£40,000	1	-	1	3	2	3	57,100	91,886
£40,001-£60,000	-	-	-	2	-	2	-	101,349
£60,001-£80,000	2	-	1	-	3	-	209,992	-
Total cost included in bandings							287,794	219,625
Add: Amounts provided for in CIES not included in bandings							-	-
Total cost included in CIES							**287,794**	**219,625**

NOTE 31 – EXTERNAL AUDIT COSTS

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

	2011/12 £000	2012/13 £000
Fees payable to the appointed auditor (KPMG in 2012/13, Audit Commission in 2011/12) with regard to external audit services carried out for the year	103	62
Fees payable to the appointed auditor for the certification of grant claims and returns for the year	11	6
TOTAL	**114**	**68**

A rebate of £8,000 was provided in 2011/12 making the net payable to the Audit Commission £106,000.

NOTE 32 – GRANT INCOME

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

	2011/12 £000	2012/13 £000
Credited to Taxation and Non Specific Grant income		
Revenue Support Grant	(3,319)	(239)
National Non-Domestic Rates	(10,736)	(12,325)
Council Tax Freeze Grant	(135)	(135)
New Homes Bonus Scheme Grant	(589)	(675)
Local Services Support Grant	(99)	(99)
New Burdens Grant	-	(13)
Grants in relation to capital expenditure	-	(41)
Total	**(14,878)**	**(13,527)**
Credited to Services		
Council Tax and Housing Benefit Subsidy	(52,730)	(54,867)
Council Tax and Housing Benefit Administration	(1,293)	(1,264)
Supporting People Grant	(938)	(797)
Disabled Facilities Grant	(846)	(971)
Council Tax Reform	-	(111)
LCC and Police Second Homes Grant	(569)	(571)
Arts Council	(207)	(169)
Primary Care Trust	(269)	(378)
Home Office – PCC Elections and Crime Panel	(101)	(218)
LCC Grass Cutting	(109)	(108)
Lottery/LCC Grazing Marshes	(34)	(243)
S106 Grants	(208)	-
Other Grants	(461)	(157)
Total	**(57,765)**	**(59,854)**

NOTE 33 – RELATED PARTIES

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

Central Government

UK 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, providing the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 28 on reporting for resources allocation decisions.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2012/13 is shown in Note 29. During 2012/13, a number of members were also directors of Compass Point Business Services (East Coast) Ltd (joint venture with South Holland District Council), and members of Internal Drainage Boards, Citizens' Advice Bureau and other local community associations.

Details of specific transactions where members declared their interest are recorded in the Register of Members' Interest, open to public inspection at the Council Offices during office hours.

Officers

During 2012/13 the Chief Executive and Deputy Chief Executive served as directors of Compass Point Business Services (East Coast) Ltd by virtue of their position as Head of Paid Service. No other material transactions were identified.

Other Public Bodies

Arrangements for the sharing of the Council's Section 151 Officer and Deputy Section 151 Officer with Boston Borough Council were approved and implemented during 2011/12. Boston continues to be the employer, with 50% of the costs refunded by the Council. The cost to the Council of this arrangement was £55,251 relating to the Section151 Officer and £12,198 relating to his deputy. (£48,917 and £12,083 in 2011/12).

Entities Controlled or Significantly Influenced by the Council

Joint merged service organisation arrangements for the shared provision of a number of back office services with South Holland District Council were implemented during 2010/11, delivered through Compass Point Business Services (CPBS) (East Coast) Ltd. Information regarding the company, and transactions between the Council and CPBS, is included in the Group Accounts.

NOTE 34 – CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

	2011/12 £000	2012/13 £000
Opening Capital Financing Requirement	**-**	**-**
Capital Investment		
Property, Plant and Equipment	1,114	3,004
Investment Properties	100	15
Intangible Assets	-	46
Revenue Expenditure Funded from Capital under Statute	2,907	2,260
Sources of finance		
Capital receipts	(1,435)	(3,540)
Government grants and other contributions	(1,396)	(1,015)
Sums set aside from revenue:		
Direct revenue contributions	(1,290)	(770)
Closing Capital Financing Requirement	**-**	**-**

NOTE 35 – LEASES

Council as Lessee

Finance Leases

The Council has no finance leases under the terms of IAS 17 as lessee.

Operating Leases

Historically the Council acquired its vehicle fleet by entering into operating leases, with typical lives of seven years.

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

	31 March 2012 £000	31 March 2013 £000
Not later than 1 year	693	31
Later than 1 year and not later than 5 years	1,454	1,388
Later than 5 years	-	144
	2,147	**1,563**

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

	31 March 2012 £000	31 March 2013 £000
Minimum lease payments	1,258	671
	1,258	**671**

Council as Lessor

Finance Leases
The Council has not leased out any property on a finance lease basis.

Operating Leases
The Council leases out property and equipment under operating leases for the following purposes:

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

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

	31 March 2012 £000	31 March 2013 £000
Not later than 1 year	184	42
Later than 1 year and not later than 5 years	1,157	1,805
Later than 5 years	16,805	16,524
	18,146	**18,371**

In addition, the Council received £218,000 as a charge for office space (£218,000 in 2011/12) from Compass Point Business Services (East Coast) Ltd in respect of the usage of office space only. No formal long term arrangement currently exists.

There are no contingent rents payable to/from the Council, both as lessee and lessor.

NOTE 36 – IMPAIRMENT LOSSES

The Code requires disclosure by class of assets of the amounts for impairment losses and impairment reversals charged to the Surplus or Deficit on the Provision of Services and to Other Comprehensive Income and Expenditure. These disclosures are consolidated in Notes 12 and 15 reconciling the movement over the year in the Property, Plant and Equipment and Intangible Asset balances.

During 2012/13, the Council has recognised the following impairment losses:

£37,500 in Assets held for Sale for three plots on Fairfield Industrial Estate, Louth. The Valuer determines the impairment due to sales being agreed and the reduction in value due to previously unknown poor ground conditions.

£39,000 in Investment Properties for undeveloped land (off Hallgarth), Marsh Chapel. The Valuer determines the impairment due to reduction in value following sale of part.

NOTE 37 – TERMINATION BENEFITS

The Council terminated the contracts of a number of employees in 2012/13 incurring liabilities of £219,625 (£287,795 in 2011/12) – see Note 30 for the number of exit packages and total cost per band.

NOTE 38 – DEFINED BENEFIT PENSION SCHEMES

Participation in Pension Schemes

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

The Council participates in two post employment schemes:

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

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

Transactions Relating to Post-employment Benefits

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

	Local Government Pension Scheme	
	2011/12 £000	2012/13 £000
Comprehensive Income and Expenditure Statement		
Cost of Services:		
cost current service	1,375	1,401
settlements and curtailments	38	145
Financing and Investment Income and Expenditure		
interest cost	4,063	3,871
expected return on scheme assets	(3,517)	(2,906)
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**1,959**	**2,511**
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
actuarial gains and losses	(6,746)	(6,055)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**(4,787)**	**(3,544)**
Movement in Reserves Statement		
reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	**(1,959)**	**(2,511)**
Actual amount charged against the General Fund Balance for pensions in the year:		
employers' contributions payable to scheme	1,870	1,827
Retirement benefits payable to pensioners	143	148

The cumulative amount of actuarial gains and losses recognised in Other Comprehensive Income and Expenditure in the actuarial gains and losses on pension assets and liabilities line was at 31 March 2013 is a loss of £34.986m and at 31 March 2012 was a loss of £28.931m.

Assets and Liabilities in Relation to Post-employment Benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

	Local Government Pension Scheme	
	2011/12 £000	**2012/13 £000**
Opening balance at 1 April	**74,527**	**81,239**
Current service cost	1,375	1,401
Interest cost	4,063	3,871
Contributions by scheme participants	477	465
Actuarial gains and losses	3,974	10,026
Benefits paid	(3,215)	(3,212)
Curtailments and Settlements	38	145
Closing balance at 31 March	**81,239**	**93,935**

For the preceding two tables, the Code of Practice disclosure requirements include a split between the Local Government Pension Scheme and Discretionary Benefits. This split has not been made as the proportion relating to discretionary benefits is deemed immaterial.

Reconciliation of fair value of the scheme (plan) assets:

	Local Government Pension Scheme	
	2011/12 £000	**2012/13 £000**
Opening balance at 1 April	**51,336**	**51,356**
Expected rate of return	3,517	2,906
Actuarial gains and losses	(2,772)	3,971
Employer contributions	2,013	1,975
Contributions by scheme participants	477	465
Benefits paid	(3,215)	(3,212)
Closing balance at 31 March	**51,356**	**57,461**

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £6.877m (2011/12 £0.757m).

Scheme History

	2008/09 £000	2009/10 £000	2010/11 £000	2011/12 £000	2012/13 £000
Present value of liabilities:					
Local Government Pension Scheme	(67,458)	(111,231)	(72,442)	(79,073)	(91,696)
Discretionary Benefits	(1,976)	(2,321)	(2,085)	(2,166)	(2,239)
Fair value of assets in the Local Government Pension Scheme	**47,081**	**61,563**	**51,336**	**51,356**	**57,461**
Surplus/(deficit) in the scheme					
Local Government Pension Scheme	(20,377)	(49,668)	(21,106)	(27,717)	(34,235)
Discretionary Benefits	(1,976)	(2,321)	(2,085)	(2,166)	(2,239)
Total	**(22,353)**	**(51,989)**	**(23,191)**	**(29,883)**	**(36,474)**

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £36.474m has a significant impact on the net worth of the Council as recorded in the Balance Sheet, resulting in an overall balance of £60.081m. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

- the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary

- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2014 are £1.695m. Expected contributions for the Discretionary Benefits scheme in the year to 31 March 2014 are £0.148m.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependant on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Hymans Robertson, an independent firm of actuaries. Estimates for the Lincolnshire County Council Fund are based on the latest full valuation of the scheme as at 1 April 2010.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme 2011/12	2012/13
Long-term expected rate of return on assets in the scheme:		
Equity investments	6.2%	4.5%
Bonds	4.4%	4.5%
Property	4.4%	4.5%
Cash	3.5%	4.5%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
- Men	21.2	21.2
- Women	23.4	23.4
Longevity at 65 for future pensioners:		
- Men	23.7	23.7
- Women	25.7	25.7
Rate of inflation	3.1%	3.2%
Rate of increase in salaries*	4.8%	5.1%
Rate of increase in pensions	2.5%	2.8%
Rate for discounting scheme liabilities	4.8%	4.5%
Take-up of option to convert annual pension into retirement lump sum - pre April 2008 service	25%	25%
Take-up of option to convert annual pension into retirement lump sum - post April 2008 service	63%	63%

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

The Discretionary Benefits arrangements have no assets to cover its liabilities. The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

	2011/12 %	2012/13 %
Equity Investments	74	77
Debt Instruments	13	13
Other Assets	13	10
	100	**100**

History of Experience Gains and Losses

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

	2008/09 %	2009/10 %	2010/11 %	2011/12 %	2012/13 %
Differences between the expected and actual return on assets	(32.03)	17.65	(10.41)	(5.40)	6.91
Experience gains and losses on liabilities	(0.06)	0.01	(17.87)	1.46	(0.11)

NOTE 39 – CONTINGENT LIABILITIES

At 31 March 2013, the Council had identified the following contingent liabilities:

Wind Farm Appeals

The Council is involved in a number of public enquiries resulting from planning applications in four areas of the district to build wind farms. These could result in possible liabilities totalling in the region of £400,000 although it is difficult to accurately assess amounts at this stage.

Property Searches

A group of Property Search Companies are seeking to claim refunds of fees paid to the Council to access land charges data. Proceedings have not yet been issued. The Council has been informed that the value of those claims at present is £148,182 plus interest and costs. The claimants have also intimated that they may bring a claim against all English and Welsh local authorities for alleged anti-competitive behaviour. It is not clear what the value of any such claim would be as against the Council. It is possible that additional claimants may come forward to submit claims for refunds, but none have been intimated at present.

NOTE 40 – CONTINGENT ASSETS

At 31 March 2013, the Council had identified the following contingent assets:

S106 Agreements

The Council has signed a number of S106 agreements that require developers to make payments to the Council at some future date, dependant upon certain events taking place such as when the development actually starts on site. The contributions generally have conditions requiring the Council to spend the monies in specific areas and on specific items. The total value of the contributions is unknown but is expected to be in excess of £1m.

NOTE 41 – NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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
- **refinancing risk** – the possibility that the Council might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms
- **market risk** – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rate movements.

Overall procedures for managing risk

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

- by formally adopting the requirements of the CIPFA Treasury Management Code of Practice;
- by the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations/standing orders/constitution;
- by approving annually in advance prudential and treasury indicators for the following three years limiting:
  - the Council's overall borrowing;
  - Its maximum and minimum exposures to fixed and variable rates;
  - its maximum and minimum exposures to the maturity structure of its debt;
  - its maximum annual exposures to investments maturing beyond a year.
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with Government guidance;

These are required to be reported and approved at or before the Council's annual Council Tax budget setting meeting. They are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported at the end of each financial year.

The annual Treasury Management Strategy which incorporates the prudential indicators was approved by Council on 29 February 2012 and is available on the Council's website. The key issues within the strategy are:

- the Authorised Limit for 2012/13 was set at £18m. This is the maximum limit of external borrowings and other long term liabilities.
- the Operational Boundary was set at £11m to allow for financing the capital programme but was expected to be £0m. This is the expected level of debt and other long term liabilities during the year.

- the maximum amounts of fixed and variable interest rate exposure were set at £0m and £11m based on the Council's net debt.
- the maximum and minimum exposures to the maturity structure of any new fixed rate debt were set at 100% and 0% respectively.

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

Credit Risk

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

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poors Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above. Additional selection criteria are also applied. Details of the Investment Strategy, approved by Council on 29 February 2012, can be found on the Council's website.

One of the key areas of the Investment Strategy is that the minimum criteria for investment counterparties include the creditworthiness service provided by Sector. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moody's and Standard and Poors - forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- credit watches and credit outlooks from credit rating agencies
- CDS spreads to give early warning of likely changes in credit ratings
- sovereign ratings to select counterparties from only the most creditworthy countries

Credit risk is managed by avoiding a concentration of investments in too few counterparties or countries (although in the current financial climate the ratings restrict the Council to mainly UK based institutions), and by using the creditworthiness approach outlined above. The Council's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2013 that this was likely to crystallise.

The following analysis summarises the Council's maximum exposure to credit risk on other financial assets, based on experience of default, adjusted to reflect current market conditions:

	Amount at 31 March 2013 £000	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2013 %	Estimated maximum exposure to default and uncollectability at 31 March 2013 £000	Estimated maximum exposure at 31 March 2012 £000
	A	B	C	(A X C)	
Customers	1,188	2.4	2.4	28	510

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds. The Council does not generally allow credit for its customers, such that £184,000 of the £1.188m balance is past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

	31 March 2012 %	31 March 2013 %	31 March 2013 £'000
Less than three months	48	89	1,057
Three to six months	19	3	39
Six months to one year	21	3	37
More than one year	12	5	55
	100	**100**	**1,188**

Liquidity Risk

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

The Council has ready access to borrowings from the money markets to cover any day to day cash flow needs, and the PWLB and money markets for access to longer term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

All trade and other payables are due to be paid in less than one year.

Refinancing and maturity risk

In managing its cash reserves the Council maintains an investment portfolio. Whilst its cash flow procedures are considered against the refinancing risk procedures, the longer-term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to the maturity of longer term financial assets.

The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments for greater than one year in duration are the key parameters used to address this risk. The approved treasury and investment strategies address the main risks whilst the treasury team considers the operational risks within the approved parameters. This includes monitoring the maturity profile of investments to ensure that sufficient liquidity is available for the Council's day to day cash flow needs.

Market Risk

Interest Rate Risk - The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise
- borrowings at fixed rates – the fair value of the borrowing will fall
- investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise
- investments at fixed rates – the fair value of the assets will fall

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

The Council has a number of strategies for managing interest rate risk. The annual Treasury Management Strategy draws together the Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The treasury team monitors 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; similarly the drawing of longer term fixed rate borrowing would be postponed.

If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

	£000
Increase in interest receivable on variable rate investments	89
Increase in government grant receivable for financing costs	126
Impact on Surplus or Deficit on the Provision of Services	**215**

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

Price Risk - The Council does not generally invest in equity share or marketable bonds. However, it does have shareholdings in the Compass Point Business Services (East Coast) Ltd joint venture with East Lindsey District Council.

Foreign exchange Risk - The Council has foreign exchange exposure resulting from an element of the settlement received from Glitnir. This is being held in Icelandic kroner in an escrow account due to the current imposition of currency controls. As a prudent measure the gain of £14,000 during 2012/13 has not been realised in the CIES as it may unwind at a later date due to adverse currency movements before payment is made. The movement is unlikely to be material. At 31 March 2013, the sterling value of the escrow sum was £212,050 (31 March 2012 £189,812).

NOTE 42 – HERITAGE ASSETS – FIVE YEAR SUMMARY OF TRANSACTIONS

As set out in the accounting policy note on page 29, the Council only holds a limited number of Heritage Assets. These have been held for a number of years. There were no material transactions identified in the five years to 31 March 2013.

NOTE 43 – HERITAGE ASSETS – FURTHER INFORMATION ON THE MUSEUMS COLLECTION

The Council has not recognised any museum artefacts as Heritage Assets as it does not operate a museum.

NOTE 44 – GROUP ACCOUNTS – INTEREST IN JOINT VENTURE

The Council has the following interest in its joint venture company, Compass Point Business Services (East Coast) Limited.

2011/12 £000		2012/13 £000
643	Current Assets	582
1,242	Long Term Assets	1,114
(954)	Current Liabilities	(929)
(1,969)	Long term Liabilities	(2,392)
(1,038)	Shown on Balance Sheet	**(1,625)**
(521)	Interest in Income and Expenditure	(587)
(1,559)	**Total Interest In Joint Venture**	**(2,212)**

COLLECTION FUND STATEMENT

	2011/12 £000	2012/13 £000
Amounts required by statute to be credited to the Collection Fund		
Council Tax		
Income from Council Tax	(53,809)	(54,560)
Council Tax Benefit	(12,026)	(12,122)
Income collectable from business ratepayers		
Income from NNDR	(29,824)	(31,918)
Contribution towards previous year's estimated Collection Fund surplus/(deficit)		
Distribution of surplus/(Collection of deficit)		
Lincolnshire County Council	(72)	-
Lincolnshire Police Authority	(12)	-
East Lindsey District Council	(7)	-
Total	**(95,750)**	**(98,600)**
Amounts required by statute to be debited to the Collection Fund		
Precepts and demands from major preceptors Council		
Lincolnshire County Council	51,004	51,105
Lincolnshire Police Authority	8,580	8,939
East Lindsey District Council	6,842	6,909
Business Rates		
Payment to National Pool	29,550	31,648
Cost of Collection Allowance	274	270
Impairment of debts/appeals		
Amounts written-off (net)	124	43
Increase in provision for uncollectable amounts	172	99
Total	**96,546**	**99,013**
Deficit for the year	**796**	**413**
Collection Fund balance		
Surplus at beginning of year	(800)	(4)
Deficit for the year	796	413
(Surplus)/Deficit at end of year	**(4)**	**409**

NOTES TO THE COLLECTION FUND

NOTE 1 – COUNCIL TAX

Council Tax income derives from charges raised according to the value of residential properties that have been classified into eight Valuation Bands (A to H). Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Lincolnshire County Council, Police and Crime Commissioner for Lincolnshire (previously Lincolnshire Police Authority) and East Lindsey District Council, together with the relevant Parish requirement. This is then divided by the Council Tax base, i.e. the number of properties in each valuation band, converted to an equivalent number of band D dwellings and adjusted for discounts. The basic amount of Council Tax for a band D property including an average parish charge, £1,396.16 (2011/12 £1,387.93), is then multiplied by the ratio specified for the particular band to give an individual amount due.

The Council Tax base was calculated as follows:

Band	No. of Dwellings	No. of chargeable homes after effect of discounts	Ratio	Band D equivalent dwellings
AA	-	38	5/9	21
A	26,142	21,650	6/9	14,433
B	13,642	12,097	7/9	9,409
C	15,594	13,974	8/9	12,421
D	6,104	5,870	9/9	5,870
E	3,103	2,874	11/9	3,513
F	1,075	1,010	13/9	1,459
G	514	456	15/9	760
H	55	31	18/9	63
Band D Equivalents				**47,949**
Allowance for non-collection (0.5%)				(240)
Armed forces contribution				246
District Tax Base				**47,955**

NOTE 2 – BUSINESS RATES

Under the arrangements for Non-Domestic Rates, the Council collects rates for its area based on local rateable values (determined by the Valuation Office Agency, an executive agency of HM Revenue and Customs) multiplied by the multiplier (determined by the Government). For 2012/13 there are two multipliers, the non-domestic rating multiplier of 45.8p and the small business non-domestic rating multiplier of 45.0p. The total non-domestic rates due, less certain reliefs and deductions, is paid into a National Non-Domestic Rate Pool administered by the Government. The Government then redistributes the sums paid back to local authorities' General Funds on the basis of a fixed amount per head of population.

The Council's total Non-Domestic Rates Rateable Value at 31 March 2013 was £87.556m (31 March 2012 £87.429m).

NOTE 3 – COLLECTION FUND SURPLUS

As at 31 March 2013, the Collection Fund shows a deficit of £409,000 (31 March 2012, a surplus of £4,000).

The balance on the Collection Fund is allocated as follows

	2011/12 £000	2012/13 £000
Lincolnshire County Council	(4)	310
Police and Crime Commissioner for Lincolnshire (previously Lincolnshire Police Authority)	-	55
East Lindsey District Council	-	44
Total	**(4)**	**409**

Independent auditor's report to the members of East Lindsey District Council

We have audited the financial statements of East Lindsey District Council for the year ended 31 March 2013 on pages 16 to 87. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

This report is made solely to the members of the Authority, as a body, in accordance with Part II of the Audit Commission Act 1998. Our audit work has been undertaken so that we might state to the members of the Authority, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Deputy Chief Executive and auditor
As explained more fully in the Statement of the Deputy Chief Executive's Responsibilities, the Deputy Chief Executive is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Authority's and the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Deputy Chief Executive; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Explanatory Foreword to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements
In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority and the Group as at 31 March 2013 and of the Authority's and the Group's expenditure and income for the year then ended;

- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

Matters on which we are required to report by exception
The Code of Audit Practice 2010 for Local Government Bodies requires us to report to you if:

- the annual governance statement which accompanies the financial statements does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or

- the information given in the explanatory foreword for the financial year for which the financial statements are prepared is not consistent with the financial statements; or

- any matters have been reported in the public interest under section 8 of Audit Commission Act 1998 in the course of, or at the conclusion of, the audit; or

- any recommendations have been made under section 11 of the Audit Commission Act 1998; or

- any other special powers of the auditor have been exercised under the Audit Commission Act 1998.

We have nothing to report in respect of these matters.

Conclusion on East Lindsey District Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's responsibilities
The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities
We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources
We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in November 2012, as to whether the Authority has proper arrangements for:
- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion
On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in November 2012, we are satisfied that, in all significant respects, East Lindsey District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2013.

Certificate

We certify that we have completed the audit of the financial statements of East Lindsey District Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice 2010 for Local Government Bodies issued by the Audit Commission.

Neil Bellamy
for and on behalf of KPMG LLP, Appointed Auditor
Chartered Accountants
St Nicholas House
31 Park Row
Nottingham
NG1 6FQ
25 September 2013

ANNUAL GOVERNANCE STATEMENT

1. Scope of Responsibility

1.1 East Lindsey District Council (ELDC) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. ELDC also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

1.2 In discharging this overall responsibility, ELDC is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, including arrangements for the management of risk.

1.3 The Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA / SOLACE Framework Delivering Good Governance in Local Government. A copy of the Council's code is on our website at www.e-lindsey.gov.uk or can be obtained from the Council offices. This statement explains how the Council has complied with the code and also meets the requirements of the Accounts and Audit (England) Regulations 2011, regulation 4(3), which requires all relevant bodies to prepare an annual governance statement.

2. The Purpose of the Governance Framework

2.1 The governance framework comprises the systems and processes, culture and values by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

2.3 The governance framework has been in place at the Council for the year ended 31 March 2013 and up to the date of approval of the annual Accounts.

3. The Governance Framework

3.1 The Council's review of the effectiveness of its governance arrangements is set out below against the key elements identified in Delivering Good Governance in Local Government: Framework.

Key Elements	Description of Governance Mechanisms	Assurance Received
Identifying and communicating the authority's vision of its purpose and intended outcomes for citizens and service users	• The Corporate Strategy 2010/11 to 2013/14 was approved by the Council in December 2010 and sets out the vision and priorities for the Council. • A quarterly report sets out the councils' targets and performance measures that reflect the priorities set by services in their Service Plans and also reports on key financial monitoring and decision making that help delivery the Corporate Strategy • The quarterly report also provides contextual information at a district level, providing a range of indicators that help identify general health, community safety and economic trends. • The council is pro-active in reporting activity and outcomes to the public through the local press and social media, as well as the three yearly Messenger • The vast majority of council business is held in public meetings	• Performance Management Framework quarterly report, reported through Executive Board, Overview Committee and Audit & governance Committee • Portfolio Holders receive monitoring reports on the key indicators and operation indicators along with finance reports, on a six weekly basis • The Strategic Risk Register and Internal Audit Plan support the achievement of the council's priorities
Reviewing the authority's vision and its implications for the authority's governance arrangements	• Challenge session with officers and members were held in February 2012 to consider the priorities and targets being set through services • The Executive Board, Management Team and Audit & Governance Committee held a joint risk appetite workshop to assess their appetite for risk in delivering the council's priorities in the current environment 2013/14 • The Corporate Strategy is being fully reviewed in order to set a longer term vision for the authority. The first workshop was held with members in April 2013 • Senior members and officers strategic planning discussions July 2013 • Corporate Strategy external Communication Plan to be agreed August 2013 • New Corporate Strategy to be in place by May 2014 • The Core Strategy will be in place during 2013	• Review of current performance against priorities reported to Portfolio and evidence in Service Plans • Outcomes of Risk Appetite workshop reported to Audit & Governance Committee • All members engagement in review of the Corporate Strategy
Translating the Vision into objectives	• The Service Plans identify activity that helps to deliver the Corporate priorities • The Medium Term Financial Strategy identifies risks and opportunities to achieving the delivery of the council's priorities	• Service Plans agreed by Corporate Management Team and Portfolio Holders, with targets captured in the Performance Report • MTFS agreed by Executive Board and Council

Measuring the quality of service for users, for ensuring they are delivered in accordance with the authority's objectives and for ensuring that they represent the best use of resources and value for money	• A range of surveys are carried out each year, co-ordinated through the Corporate Consultation programme • Citizens' Panel Survey carried out three times per year with a combination of longitudinal and current content • 'Street Talking' programme throughout the year, internet questions and monitoring of social networking • Quarterly Monitoring report contains both performance and finance indicators and a dashboard to show the overall health of the organisation • Compliments and complaints summary included in Performance Report and reported to CMT	• Performance Management Framework quarterly report, reported through Executive Board, Overview Committee and Audit & governance Committee • CMT Minutes
Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication in respect of the authority and partnership arrangements	• Set out in the Council Constitution • Updated where necessary, especially in relation to any national policy change 2013/14 • Review of the Constitution to be completed 2013/14	• Changes to the constitution reported to Council • Management Agreement with CPBS reported through Audit & Governance Committee
Developing, communicating and embedding codes of conduct, defining the standards of behavior for members and staff	• Set out in the Council Constitution Part 5 • Updated to take account of the changes to member standards arrangements • Staff behaviour set out in the Staff Handbook provided to all new staff and available on the website • Training provided to all members on the new member code of conduct arrangements 2013/14 – Audit & Governance Committee to review the implementation of the new member standards arrangements	• New standards arrangements reported to Council • Audit & Governance Committee oversee standards arrangements including receiving reports on complaints regarding conduct and the measures taken or recommended • Audit & Governance Committee provide a Hearing Panel function for any serious complaints

Reviewing the effectiveness of the authority's decision-making framework, including delegation arrangements, decision making in partnerships and robustness of data quality	• Set out in the Constitution • Decision making arrangements reviewed as part of the changes to the Executive decision making arrangements legislation • The Performance Team have a rolling programme of data quality checking • Data sharing protocols in place where necessary • Service Level agreements with partners in place and monitored carefully (financial and performance), with named officers and Portfolio responsibility	• All members and officers provided with guidance on new decision making arrangements • Data Quality checking results reported to CMT • CPBS management agreement and SLA reported to Audit & Governance Committee, and reported to Council through annual business plan reports
Reviewing the effectiveness of the framework for identifying and managing risks and demonstrating clear accountability	• Strategic Risk register in place and monitored by managers and members • Operational Risk Registers in place and monitored by the Performance Manager 2013/14 Following an Internal Audit, Risk Management Strategy and reporting procedures to be brought up to date (see below)	• Strategic Risk Register reported in the quarterly Performance Framework and separately to the Audit & Governance Committee and CMT • Operation Risk identified in Service Plans • Service level monitoring
Ensuring effective counter-fraud and anti-corruption arrangements are developed and maintained	• Anti-fraud and Corruption policy in place • Anti-fraud training provided to Audit & Governance Committee • Team Leaders completed an on-line training programme on fraud 2013/14 Recommendations from Internal Audit report being put in place	• Audit & Governance Committee and Staff training
Ensuring effective management of change and transformation	• Challenge sessions with staff and members carried out annually • Reporting of significant changes to policy or provision reported through Portfolio and Executive Board (and Council where appropriate) • Recognition of the risk of change in the Risk Register • Training for staff on service reviewing • New Corporate Staff Development programme being developed 2013/14 Transformation Board being set up July 2013 (CMT and Executive Board members) / Project Management model reviewed	• CMT • Portfolio/Executive Board

Ensuring the authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010) and, where they do not, explain why and how they deliver the same impact	• Full compliance with the CIPFA guidance: – Role of Chief Financial Officer (CFO) undertaken by Deputy Chief Executive with responsibilities set out in the Constitution; key member of Corporate Management Team (CMT); professionally qualified accountant with direct access to the Chief Executive, Leader, Executive Board, Audit & Governance Committee & the appointed auditors – Finance team fit for purpose Medium Term Financial Strategy, annual budget process, compliance with CIPFA codes and guidance on capital finance, treasury management and management of reserves	• Adequacy of financial arrangements overseen by Chief Financial Officer, Portfolio Holder for Finance and Audit & Governance Committee
Ensuring the authority's assurance arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010) and, where they do not, explain why and how they deliver the same impact	• Full compliance with the CIPFA guidance: – The Internal Audit Team/Head of Internal Audit provide an objective and evidence based opinion on all aspects of governance, risk management and internal control – The internal audit service is fit for purpose – The Head of Internal Audit reports directly to CMT (including Chief Financial Officer) and the Audit & Governance Committee and is able to meet separately with the Chair of the Audit & Governance Committee should that be required (as set out in the Constitution) The internal audit progress report presented to AGC in June 2013 showed that 23 audits had been completed and reported at that time; of those, 2 had full assurance, 11 substantial assurance, and 9 limited assurance and 1 no assurance (Income - Markets); recommendations have been agreed to address the required improvements. The themed areas of Governance and Financial Control are identified as Green (performing well), with Risk Management and Internal Control as amber (performing adequately)	• CMT • Audit & Governance Committee
Ensuring effective arrangements are in place for the discharge of the monitoring officer function	• Set out in the Constitution • The Monitoring Officer role is provided by Legal Services Lincolnshire	• Council through the Constitution
Ensuring effective arrangements are in place for the discharge	• Set out in the Constitution	• Council through the Constitution

of the head of paid service function		
Undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committees: Practical Guidance for Local Authorities	• The Terms of Reference which include the core functions are set out in the Constitution • The Audit & Governance Committee have had training to help them understand their role and responsibility • The Chair and vice Chair attend external training as necessary	• Council through the Constitution • Audit & Governance Committee
Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful	• Annual Internal Audit Plan work includes the review of compliance in these areas • The 151 officer and Monitoring Officer advise on the legality of activity where appropriate, and Legal Service Lincolnshire provides advice on legislation and law	• CMT • Audit & Governance Committee 9through IA reporting) • External Audit Plan
Whistle blowing and for receiving and investigating complaints from the public	• A Whistle blowing policy and provision is in place following review in 2011/12 • A clear Feedback policy and procedure is in place (including complaints) which was reviewed and improved in 2011/12 • A dedicated officer delivers the procedure and also trains and advises staff. Each service has an allocated contact officer • CMT receives a regular report setting out the number and type of complaint, along with the outcome and any changes of measures implemented	• CMT • Feedback levels included in the Quarterly Performance Report
Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training	• Reserved Member Days are pre-booked as part of the Programme of Committee meetings (1 per month) for any training or awareness sessions requested by members and/or suggested by officers • A Working Group considering members development has implemented improvements to encourage the maximum number of member to attend development and training sessions • Members are reminded every 6 months to identify training or development needs so that they can be built in to the programme, and training opportunities are promoted 2013/14 The Member Working Group are considering the Councillor Development Charter	• Feedback through Overview Committee

Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation	• Three ‘Messenger’ magazines are published each year with a combination of council and partner articles. Annual feedback on the magazine is obtained and feeds into improvements • A wide range of consultations are carried out with service users (co-ordinated through a central team) • A regular programme of ‘Street Talking’ (e.g. market stalls) is delivered throughout the year (partner agencies also invited to take part) • Pro-active communication through the press, along with communication though the website, Facebook • Citizen’s Panel survey three time per year • Budget consultation each year	• CMT • Executive Board for key pieces of consultation • Member Editorial Board
Enhancing the accountability for service delivery and effectiveness of other public service providers	• The Overview Committee take an active role in overseeing scrutiny of other public service providers e.g. Feedback from the County Health and Wellbeing Scrutiny committee • Partner agencies invited to Scrutiny & Policy Panels • Significant changes to other public services communicated to members through briefing or awareness sessions • Area Committees invite other agencies to attend meetings • The quarterly Performance Report includes performance measures for other agencies	• Overview Committee • Scrutiny & Policy Panels
Incorporating good governance arrangements in respect of partnerships and other joint working as identified by the Audit Commission’s report on the governance of partnerships and reflecting these in the authority’s overall governance arrangements	• Operational /strategic partnering arrangements are subject to contractual agreements and performance monitoring and reported on as part of service and budget monitoring • Portfolio Holders have responsibilities for receiving reports on key partner arrangements • CPBS arrangements are reported to and overseen by the Audit & governance Committee and annually through the Council. A management agreement is in place • Joint working arrangements are subject to written agreements approved by CMT and portfolio holders	• Audit & Governance Committee • MT

Review of Effectiveness

4.1 The Council has responsibility for conducting, at least annually, a review of effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior managers within the authority who have responsibility for the development and maintenance of the governance environment, the head of internal audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

4.2 The effectiveness of the governance framework has been evaluated in the following ways:

- Assurance from Audit and Governance Committee – annual review of 2012/13
- Assurance from Internal Audit; 24 audits completed; internal audit assurance map to be issued in July 2013; annual internal audit plan; quarterly performance reporting to Audit & Governance Committee on performance and internal audit recommendations tracker
- Assurance from CMT
- Assurance from appointed external auditors; Annual Governance Report / Annual Audit Letter– unqualified audit opinion and value for money conclusion; annual audit plan
- Quarterly Performance Report, including performance and finance progress - reported to Executive Board, Overview Committee, Audit & Governance Committee and CMT
- Overview Committee Annual scrutiny programme; Scrutiny & Policy Panels reviewing the work and decisions/pre-scrutiny of Executive Board and areas of the Council's work (reported directly to Council)
- External Challenge and Review e.g. ICO Audit, Peer Review (2013/14)
- External monitoring of contractual work

4.3 We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit & Governance Committee, and that the arrangements continue to be fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined below.

Significant Governance Issues from AGS 2012/13

5.1 The following areas were identified:

- Production of a self-regulation framework and arrangement of external Peer Review for early 2013
  Peer review arranged and carried out May 2013 (report awaited). Self-regulation scrutiny review carried out and reported to Council April 2013, with recommendations being monitored by Overview Committee
- Continue to develop the integrated Corporate Performance Report including value for money data
  The Corporate Performance report has been refined and now captures a wide range of data and intelligence. Value for money data has been reviewed for the council but is not currently in the report
- Monitor new Standards Arrangements Monitoring Officer
  The MO has provided the Audit & Governance Committee with feedback on the types and levels of complaints, and the types of actions proposed. The Committee annual programme includes a review of new standards arrangements for September 2013.
- Engage with Members and partners on the changes to Welfare Reform and changes to local government finance so that they can be fully taken into account when taking decisions on future priorities and budget
  Scrutiny & Policy Panels completed work on (a) 'The Implications of Welfare Reform for the Council and the Community' and (b) Financial Future Proofing. Both Panels were supported

by senior officers, and reports were submitted to full Council. The recommendations are being monitored through overview Committee

Significant Governance Issues for 2013/14

6.1 The Council has made significant savings over the last five years, with little impact on front line services. There is now a much more significant challenge as harder decisions have to be taken, with larger scale project and service transformation activity required. This programme needs to be driven more rigorously than before in order to ensure that planned saving are achieved, and that there is a clear steer from members to officers. There has also been a reduction in the management structure which creates a risk of good governance, risk management and correct procedures being less well understood and adhered to in the planning and delivery of a change programme with more radical approaches. A more structured project management approach is needed.

6.2 The authority invited the ICO to carry out an audit of our information management procedures (records management, data protection and security, training). We were aware that this was a weakness in our procedures, and had identified it on our risk register. We hoped the audit might help prioritise and provide guidance on improvements. Whilst the auditors identified some good practice, and acknowledged that staff were aware of their responsibilities, we need to do more work on ensuring that staff know why they are doing things and to provide more procedural guidance. We also need to identify a senior officer as responsible for managing information, and make it clear where staff go to for advice and support. A draft programme is already in place. The outcome of the audit was Limited Assurance. An Action Plan is currently being drafted by the ICO which will include the recommendations in the audit report and enhance the draft programme.

6.3 Another area where we need to make some improvements, which we believe is important in the current environment, is our approach to risk management. An internal audit identified some areas for improvement which is, again, about updating our procedures and training staff. The Risk Management Strategy is still fit for purpose, but the procedures identified are out of date. More clarity for middle managers is required to ensure that risks are escalated where necessary.

Subject	Responsible Officer	Timescale
ICO Audit on Information Management - Action Plan in place and implemented - Training provided to officers and members	Alison Penn/Emma Bee	Q4 2013/14
Risk Management - strategy updated - training provided (officers and members)	John Medler	Q 3 2013/14
Project Management Board in place and project management method and tools reviewed	Stuart Davy	Q2 2013/14

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed:………..…………………… ………………………………..

(Leader) (Chief Executive)

25th September 2013

GLOSSARY OF TERMS

ACCOUNTING PERIOD

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

ACCRUALS

Sums included in the final accounts to recognise revenue and capital income and expenditure earned or incurred in the financial year, but for which actual payment had not been received or made as at 31 March.

ACTUARIAL GAINS AND LOSSES

For a defined benefit pension scheme, the changes in actuarial surpluses or deficits 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

ASSET

An item having value to the Council in monetary terms. Assets are categorised as either 'current' or 'fixed':

- A current asset will be consumed or cease to have material value within the next financial year e.g. cash and stock
- A fixed asset provides benefits to the Authority and to the services it provides for a period of more than one year and may be tangible e.g. Meridian Leisure Centre, or intangible, e.g. computer software licences.

AUDIT OF ACCOUNTS

An independent examination of the Council's financial affairs.

BALANCE SHEET

A statement of the recorded assets, liabilities and other balances at the end of the accounting period.

BUDGET

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

CAPITAL EXPENDITURE

Expenditure on the acquisition of a fixed asset, which will be used in providing services beyond the current accounting period, or expenditure which adds to and not merely maintains the value of an existing fixed asset.

CAPITAL FINANCING

Funds raised to pay for capital expenditure. There are various methods of financing capital expenditure including borrowing, leasing, direct revenue financing, usable capital receipts, capital grants and contributions, revenue reserves and earmarked reserves.

CAPITAL PROGRAMME

The capital schemes the authority intends to carry out over a specific period of time.

CAPITAL RECEIPT

The proceeds from the disposal of land or other fixed assets. Proportions of capital receipts can be used to finance new capital expenditure within rules set down by the government but they cannot be used to finance revenue expenditure.

CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the financial year.

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.

COMMUNITY ASSETS

Assets that the Council intends to hold in perpetuity, which have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and historical buildings.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

The revenue account of the Council that reports the net cost for the year of the functions for which it is responsible and demonstrates how that cost has been financed from precepts, grants and other income.

CONSISTENCY

The concept that the accounting treatment of like items, within an accounting period and from one period to the next, are the same.

CONTINGENT ASSET

A contingent asset is a possible asset arising from past events, whose existence will be confirmed only by the occurrence of one or more uncertain future events, not wholly within the Council's accounts.

CONTINGENT LIABILITY

A contingent liability is either:

- A possible obligation arising from past events, whose existence will be confirmed only by the occurrence of one or more uncertain future events not, wholly within the Council's control, or

- A present obligation arising from past events where it is not probable that a transfer of economic benefits will be required, or the amount of the obligation cannot be measured with sufficient reliability.

CORPORATE AND DEMOCRATIC CORE

The corporate and democratic core comprises all activities that local authorities engage in specifically because they are elected, multi-purpose organisations. The cost of these activities are thus over and above those which would be incurred by a series of independent single purpose, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs to services.

CREDITOR

Amount owed by the Council for work done, goods received or services rendered within the accounting period, but for which payment has not been made by the end of that accounting period.

CURRENT SERVICE COST (PENSIONS)

The increase in the present value of a defined benefits pension scheme's liabilities, expected to arise from employee service in the current period.

DEBTOR

Amount owed to the Council for works done, goods received or services rendered within the accounting period, but for which payment has not been received by the end of that accounting period.

DEFINED BENEFIT PENSION SCHEME

Pension schemes in which the benefits received by the participants are independent of the contributions paid and are not directly related to the investments of the scheme.

DEPRECIATION

The measure of the cost of wearing out, consumption or other reduction in the useful economic life of the Council's fixed assets during the accounting period, whether from use, the passage of time or obsolescence through technical or other changes.

DISCRETIONARY BENEFITS (PENSIONS)

Retirement benefits, which the employer has no legal, contractual or constructive obligation to award and are awarded under the Authority's discretionary powers such as the Local Government (Discretionary Payments) Regulations 1996.

EVENTS AFTER THE BALANCE SHEET DATE

Events after the Balance Sheet date are those events, favourable or unfavourable, that occur between the Balance Sheet date and the date when the Accounts are authorised for issue.

EXCEPTIONAL ITEMS

Material items which derive from events or transactions that fall within the ordinary activities of the Council and which need to be disclosed separately, by virtue of their size or incidence, to give fair presentation of the accounts.

EXPECTED RETURN ON PENSION ASSETS

For a funded defined benefit scheme, this is the average rate of return, including both income and changes in fair value but net of scheme expenses, which is expected over the remaining life of the related obligation on the actual assets held by the scheme.

EXTRAORDINARY ITEMS

Material items, possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the Council and which are not expected to recur. They do not include exceptional items, nor do they include prior period items merely because they relate to a prior period.

FAIR VALUE

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.

FINANCE LEASE

A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.

GOING CONCERN

The concept that the Accounts are prepared on the assumption that the Council will continue in operational existence for the foreseeable future.

GOVERNMENT GRANTS

Grants made by the government towards either revenue or capital expenditure in return for past or future compliance with certain conditions relating to the activities of the Council. These grants may be specific to a particular scheme or may support the revenue spend of the Council in general.

HOUSING BENEFITS

A system of financial assistance to individuals towards certain housing costs administered by councils and subsidised by central government.

IMPAIRMENT

A reduction in the value of a fixed asset to below its carrying amount on the Balance Sheet.

INFRASTRUCTURE ASSETS

Fixed assets belonging to the Council that cannot be transferred or sold, on which expenditure is only recoverable by the continued use of the asset created. Examples are highways, footpaths and bridges.

INTANGIBLE ASSETS

An intangible (non-physical) item may be defined as an asset when access to the future economic benefits it represents is controlled by the Council.

INTEREST COST (PENSIONS)

For a defined benefit scheme, the expected increase during the period, calculated at the present value of the scheme liabilities due to the benefits being one period closer to settlement.

INVESTMENTS (PENSION FUND)

The investments of the Pension Fund will be accounted for in the statements of that fund. However, councils are also required to disclose, as part of the disclosure requirements relating to retirement benefits, the attributable share of the pension scheme assets associated with their underlying obligations.

LIABILITY

A liability is where the Council owes payment to an individual or another organisation.

- A current liability is an amount which will become payable or could be called in within the next accounting period, e.g. creditors or cash overdrawn.

- A deferred liability is an amount which by arrangement is payable beyond the next year at some point in the future or to be paid off by an annual sum over a period of time.

LIQUID RESOURCES

The current asset investments that are readily disposable by the Council without disrupting its business and are either:

- Readily convertible to known amounts of cash, at or close to, the carrying amount, or

- 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 or services which together constitute a single project), where the time taken to substantially complete the contract is such that the contract activity falls into more than one accounting period.

MATERIALITY

The concept that the Accounts should include all amounts which, if omitted, or mis-stated, could be expected to lead to a distortion of the financial statements and ultimately mislead a user of the accounts.

MINIMUM REVENUE PROVISION (MRP)

The minimum amount which must be charged to the revenue account each year in order to provide for the repayment of loans and other amounts borrowed by the Council.

MOVEMENT IN RESERVES STATEMENT

The statement that shows the movement in the year on the different reserves held by the Council, analysed into ‘usable reserves’ (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves.

NET BOOK VALUE

The amount at which fixed assets are included in the Balance Sheet, i.e. their historical costs or current value less the cumulative amounts provided for depreciation.

NON-DISTRIBUTED COSTS

These are overheads for which no user now benefits and as such are not apportioned to services.

NATIONAL NON-DOMESTIC RATES (NNDR)

The National Non-Domestic Rate is a levy on businesses, based on a national rate in the pound set by the government and multiplied by the assessed rateable value of the premises they occupy. It is collected by the Council on behalf of central government and then redistributed back to support the cost of services.

NON-OPERATIONAL ASSETS

Fixed assets held by the Council but not directly occupied, used or consumed in the delivery of services. Examples are investment properties, assets under construction or assets surplus to requirements pending sale or redevelopment.

OPERATING LEASE

A lease where the ownership of the fixed asset remains with the lessor.

OPERATIONAL ASSETS

Fixed assets held and occupied, used or consumed by the Council in the pursuit of its strategy and in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

PAST SERVICE COST (PENSIONS)

For a defined benefit pension scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

PENSION SCHEME LIABILITIES

The liabilities of a defined benefit pension scheme for outgoings due after the valuation date. Scheme liabilities measured during the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

PRIOR YEAR ADJUSTMENT

Material adjustments applicable to previous years arising from changes in accounting polices or from the correction of fundamental errors. This does not include normal recurring corrections or adjustments of accounting estimates made in prior years.

PROVISION

An amount put aside in the accounts for future liabilities or losses which are certain or very likely to occur but the amounts or dates of when they will arise are uncertain**.**

PUBLIC WORKS LOAN BOARD (PWLB)

A Central Government Agency, which provides loans, for one year and above, to councils at interest rates only slightly higher than those at which the government can borrow itself.

RATEABLE VALUE

The annual assumed rental of a hereditament, which is used for Business Rate purposes.

RELATED PARTIES

For the Council's purposes, related parties are deemed to include the Council's members, the Chief Executive, its Directors and their close family and household members.

RELATED PARTY TRANSACTIONS

The Code of Practice requires the disclosure of any material transactions between the Council and related parties to ensure that stakeholders are aware when these transactions occur, the amount and their implications.

REMUNERATION

All sums paid to or receivable by an employee and sums due by way of expense allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received. Pension contributions payable by the employer are excluded.

RESERVES

The accumulation of surpluses, deficits and appropriations arising from previous financial years. Reserves can either be usable, that is, available to meet the Council's future expenditure plans and unusable, that is those, maintained purely for accounting purposes.

RESIDUAL VALUE

The net realisable value of an asset at the end of its useful life.

RETIREMENT BENEFITS

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment.

REVENUE EXPENDITURE

The day-to-day expenses of providing the Council's services.

REVENUE SUPPORT GRANT

A grant paid by Central Government towards the cost of providing General Fund services.

USEFUL ECONOMIC LIFE

The period over which the Council will derive benefits from the use of a fixed asset.