Statement of accounts
2017/18

SOUTH
KESTEVEN
DISTRICT
COUNCIL

C O N T E N T S

Narrative Report

Introduction

The Statement of Accounts for the year ended 31 March 2018 has been prepared in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA).

The Statement of Accounts provides information to enable members of the public, Councillors, partners, stakeholders and other interested parties to:

- Understand the financial position and outturn for 2017/18
- Have confidence that public money has been accounted for in an appropriate manner
- Be assured that the financial position of the Council is sound and secure

The Narrative report provides information about the district, including issues and challenges affecting the Council and its accounts, the political make up, the ambitions of the Council and an overview of the many achievements that have been made to improve the quality of life of our residents, businesses and visitors.

An Introduction to South Kesteven District Council

South Kesteven is a largely rural district located in the south-west corner of Lincolnshire incorporating the four distinctive market towns of Grantham, Stamford, Bourne and The Deepings and over 80 rural villages covering over 365 square miles of stunning countryside.

The district has excellent transport infrastructure as the road network provides multiple access points to the A1 and residents can board the East Coast mainline trains which provide quick access to London which is only an hour away.

Information about the Council

Political Structure

In May 2015 the Council held elections to the 56 Member wards of the District. There are currently 42 Conservative, 6 Independent, 3 Labour, 4 SK Independent and 1 Unaligned councillors.

The Council operates with a Cabinet structure, five Overview and Scrutiny Committees and a Governance and Audit Committee responsible for corporate governance and approval of the Statement of Accounts. There is also a Development Management Committee, Alcohol and Entertainment and Late Night Refreshment Licensing Committee, Licensing Committee, Employment Committee, Shareholder Committee and Constitution Committee.

The Cabinet is chaired by the Leader of the Council with each of the members on the cabinet having a remit for which they are responsible. The Cabinet has executive decision making powers and meets on a monthly basis.

In line with the Constitution a number of areas of decision making are delegated to the Cabinet and senior officers with Council retaining ultimate responsibility for the Policy and Budgetary Framework of the Council.

Services Provided by the Council

The Council provides a range of services to the population of approximately 140,200 residents which includes:

- Collecting waste and recycling
- Collecting Council tax and business rates
- Administering housing benefit and council tax support claims
- Landlord services for approximately 6,078 social rented properties which includes the provision of a repairs and maintenance service for all of the Council properties
- Providing homelessness support
- Approving Planning and Building Control applications
- Managing car parks and public toilets
- Compiling and maintaining the electoral register and administering elections

The Council also provides a number of internal services which support these operational functions including Customer Services, Human Resources, Financial Services, Legal Services, Democratic Services and Communications.

THE COUNCIL’S VISION PRIORITIES AND OUTCOMES

Corporate Plan and Financial Environment

The current Corporate Plan (2016–2020), which sets out the vision for the Council, exists to serve the best interests of its residents and is focussed on creating communities where people want to live, work and invest. Specifically, growing the economy and increasing the number of businesses; keeping SK clean, green and healthy; promoting leisure, arts and culture; and supporting good housing for all.

The Corporate Plan is the central plank of the Council’s overarching strategic planning framework which includes the Medium Term Financial Strategy, Local Plan and arrangements for delivering good governance.

Financial planning remains difficult with continued austerity and uncertainty surrounding the outcome of Brexit. Government support for the economy means that there continues to be severe reductions in funding across the public sector and this looks set to continue for a number of years in order to reduce the level of government debt.

As a result, there is great uncertainty over the future of key funding streams specifically in relation to the localisation of business rates and New Homes Bonus. A key theme emerging from the Government is the drive towards financial independence for local authorities. In practice, this means a reduction in the level of direct funding from Central Government and a shift of emphasis from national to local revenue sources. Whilst Council Tax levels are increasing, there is a need to explore new and innovative ways of funding the Council’s future plans and the changing needs of residents and local businesses. This means growing the economy, increasing investment and adopting a more commercial approach to “business as usual” activities.

Governance and Risk

In accordance with the Local Code of Corporate Governance and best practice, the Council’s Annual Governance Statement (AGS) covers all significant corporate systems, processes and controls spanning the whole range of the Council’s activities. It provides an overview of the Council’s key governance systems and explains how they are tested and the assurances that can be relied on to show that the systems are working effectively. The AGS explains how the Council has complied with the Local Code of Corporate Governance, the core governance principles and builds on the work of previous years.

The Council has an effective risk and performance management framework which is embedded across all areas of business activity. This includes financial risk. Risk registers are maintained at a corporate and service area level. Corporate risks are reported to the

Corporate Management Team and to the Governance and Audit Committee biannually. We have a dedicated Performance and Programme Management Office which provides monitoring, control and reporting across the programmes of activity and also supports managers and leading officers with training and project management tools, techniques and performance management advice. In accordance with the Local Government Transparency Code we publish how we spend our money, how we use our assets, how we make decisions and have regard to issues important to local people.

The Council's internal auditors completed a review of Corporate Governance during the year and concluded that "the Council can take substantial assurance that the controls upon which the organisation relies to manage the identified risks are suitably designed, consistently applied and operating effectively".

In June 2017 the Corporate Risk Register was amended to include cyber risk as this threat is constantly evolving. Whilst the Council has all of the barriers of strength in place to help prevent a successful attack inclusion of this risk shows due diligence and ensures that the risk gets the scrutiny it deserves as a risk to the organisation.

Financial Risk

Given the national and local context, financial management and budget preparation carries significant risk. Robust governance arrangements are integral to the budget framework due to the uncertainty of managing savings and delivering budget reductions in a timely manner. Accordingly, resources have been incorporated into the budgetary control process to ensure there is sufficient capacity to deliver the required outcomes. In addition, the Council has discretionary earmarked reserves in place that can be called upon if necessary.

Key Outcomes for 2017/18

Grow the Economy

The Council announced a major £40 million investment programme across the district over the next three years, with the main emphasis on helping to grow the local economy. The announcement was made by The Leader of the Council at an economic summit attended by more than 180 members of the business community from far and wide. The Council's focus is on a number of broad economic elements – commercial, arts and heritage, leisure and the visitor economy, retail and markets, public realm, living, gateways, transports, skills – as the basis for a new master plan approach to each of the district's towns.

A major step towards delivering these goals was the creation of InvestSK, a new economic arm of the Council, funded by the authority, which aims to be a 'one stop shop' for local businesses offering the advice and support they need to stay, grow and thrive in South Kesteven. The team are charged with actively promoting the area to companies looking to relocate or invest in the district, and skills development is also high on their agenda.

Promote Leisure, Arts and Culture

Tourism in the district also got a major boost with the appointment of a new Head of Visitor Economy and news of the district sharing in a £1.1 million tourism project along the A1 was welcomed. During the year, work commenced on building the new Cinema Complex at St Peter's Hill.

Support Good Housing For All

SKDC completed a phase of new house building and earmarked sites in Stamford, Grantham, Market Deeping and Horbling for a £12.6m programme to build 105 more new Council homes. We also delivered 100 affordable new homes in the district during the year.

Keep SK Clean, Green and Healthy

The Big Clean campaign set a new street standard for the district, proved a huge success over a 12-week programme tackling weeds and overgrown pavements, removing graffiti, repairing broken street furniture and cleaning street signs. Two specialist teams continue the work to maintain the standard.

Nearly 99 per cent of the district's food businesses complied with legal food hygiene requirements, with many attaining top marks under the national rating scheme. The Council has more than 1,350 registered food businesses.

Consultation and Engagement

The Council carried out a number of consultations during 2017/18 including engagement with local businesses, residents and Town and Parish Councils on the level of Council tax to be set for the following year. More than 250 people responded and their feedback informed Cabinet's recommendation for a £5 a year increase, with the final decision approved by full Council in March.

Local people agreed with the four key priorities in the Council's draft Housing Strategy. More than 70 individuals and organisations responded during the six-week process, with one of the main areas of interest being how the strategy links with the emerging Local Plan. The key priorities are ensuring enough new homes are built in our district, helping people to live in their own homes for as long as they can, working with landlords to improve standards in privately rented homes, and ensuring that the housing needs of residents are being met.

The Council also consulted residents on what they thought of our Green Flag awarded Wyndham Park and this year's results show an improvement in certain areas including overall satisfaction and the general condition of the park. The vast majority of respondents - 90% - thought that Wyndham Park had a positive impact on the local community. Around 70% thought the park was in good condition which shows a marked improvement from 2016 when just over 51% thought that the park was in good condition. Over 80% were either fairly or very satisfied with the park.

Other Key Corporate Performance Measures

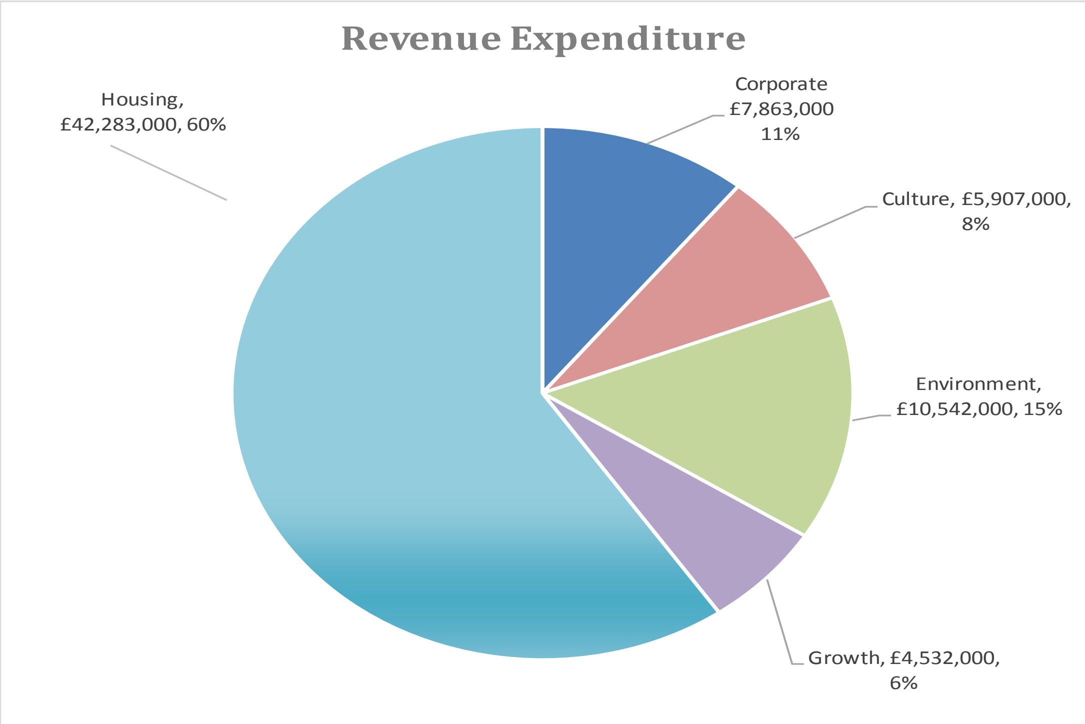
- The amounts collected from Council Tax 98.8% (2016/17 98.8%), Non-Domestic Rates 99.03% (2016/17 98.7%) and Housing Rent 98.17% (2016/17 98.5%) during the year remained at a high level.
- With the processing of planning applications, performance has consistently exceeded the target with 94% (2016/17 90.5%) of applications being approved.
- During the year, occupancy rates for retail premises continued achieving 95% against a target of 90% and this trend is expected to continue going forward. However, the position in Grantham remains challenging.
- Following the success of the Big Clean a higher street standard is being established and further resources will be targeted at designated areas in 2018/19.
- Levels of recycling are following the falling national trend, 38.92% compared with 42.3% in 2016/17, but we are working with our Lincolnshire Waste Partnership authorities to improve this position. This involves the introduction of a food waste trial to approx. 5,000 properties along with associated education materials. This is designed to reduce contamination and boost the levels of waste recycled.

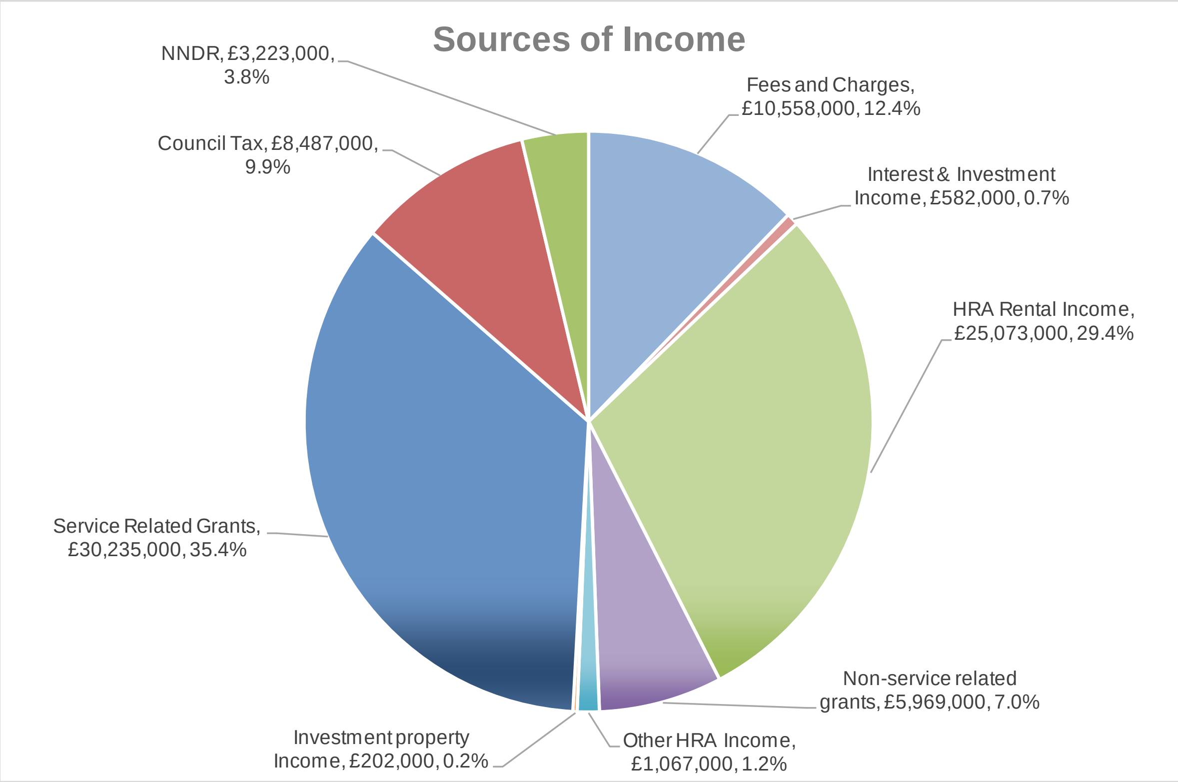
2017/18 FINANCIAL PERFORMANCE

Revenue Expenditure and Income

Revenue expenditure is generally on items that are consumed within a year and is financed by Council Tax, Government Grants, National Domestic Rates and other income. Gross Revenue expenditure in 2017/18 totalled £70.9m compared with £27.8m in 2016/17. The increase in expenditure in 2017/18 is mainly due to £48.9m credit adjustment in 2016/17 which related to the Existing Use Value for Social Housing (EUV-SH) factor reducing from 66% to 58% (the rate used to value Council dwellings). This is a statutory accounting adjustment which has no impact on Council resources

The following charts shows the priority areas in which money was spent during 2017/18 and the sources of funding which the Council received:





Revenue Budget

Each year the Council produces a 3 year budget which is approved by Full Council each March, this budget is then monitored and adjusted throughout the year to reflect where expenditure is expected to be incurred and as new priorities are approved. Table 1 shows the adjusted revenue budget compared with the actual net expenditure by priority area at 31 March 2018:

Table 1

Priority	**2017/18 Original Base £'000**	**2017/18 Adjusted Base £'000**	**2017/18 Draft Outturn £'000**	**2017/18 Variance (Adjusted) £'000**
Corporate	4,454	5,020	5,455	435
Culture	3,141	3,397	3,858	461
Environment	6,807	7,468	7,351	(117)
Growth	451	442	1,094	652
Housing	1,103	1,111	691	(420)
Subtotal	**15,956**	**17,438**	**18,449**	**1,011**
Housing Revenue Account	(10,355)	(10,355)	(14,022)	(3,667)
Net Cost of Services Total	**5,601**	**7,083**	**4,427**	**(2,656)**
Internal Drainage* Board			(661)	
Trading Accounts*			256	
Interest*			3	
Adjusted Net Cost of Services Total			**4,025**	

*The net cost of service is adjusted at year end to transfer these items below the line as per accounting regulations

General Fund Outturn

The outturn position for the year shows a net overspend of £1.011m when compared with the adjusted budget. There are a number of under and over spends which account for this variance which are detailed in the 2017/18 Capital and Revenue Outturn report. Table 2 details the significant variances

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Table 2

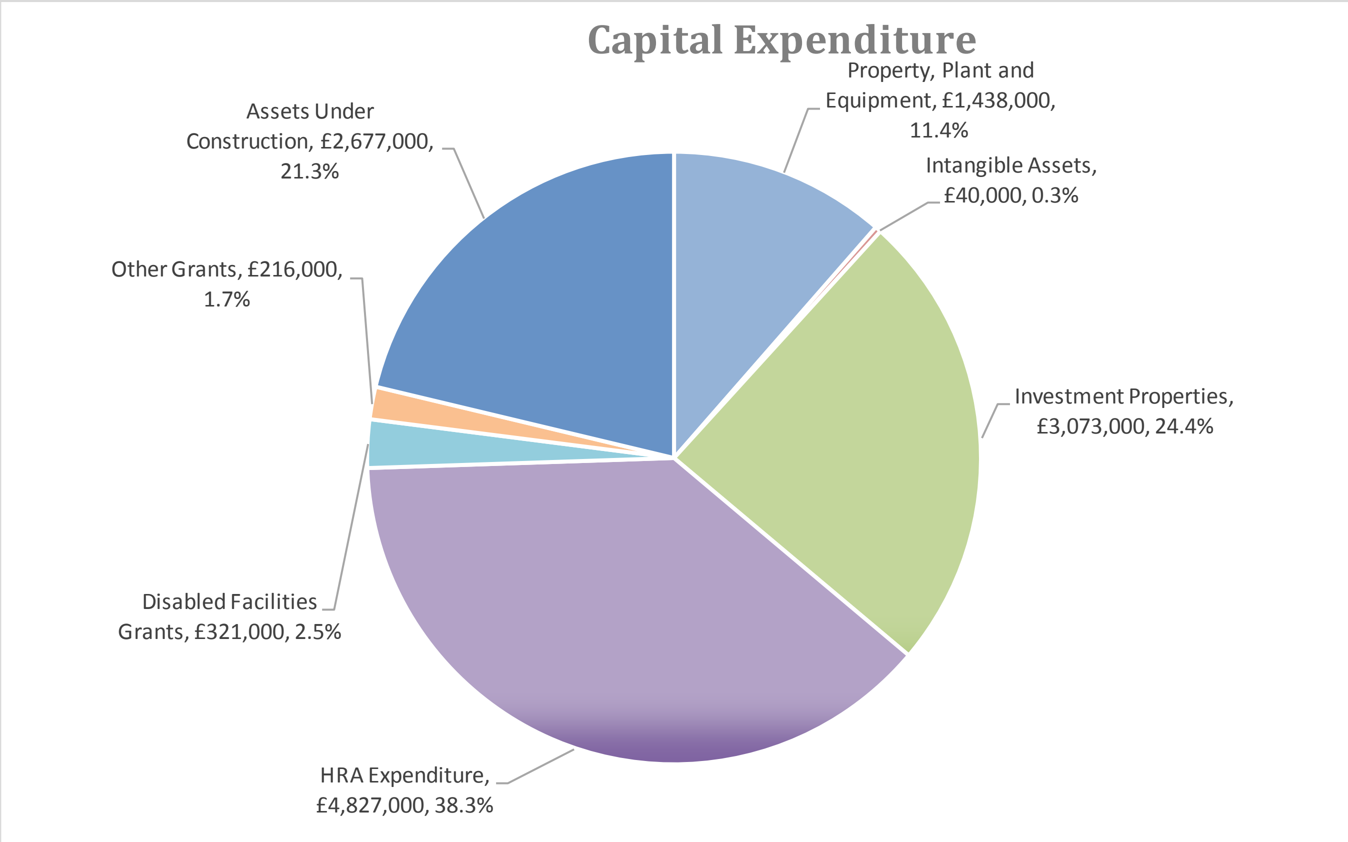
Priority	**General Fund Material Variance Analysis**	**Variance £'000**
Growth	Additional rental income has been received following the purchase of a commercial property at Alpha Court, Lincoln. Further opportunities have been considered however no further investment purchases were completed during the year.	235
Growth	Car Parks – There is an overall increase in income which has been offset by additional costs for a temporary contract change in enforcement arrangements, supervisory and security patrol costs.	108
Growth	Planning Policy – Additional specific grants were received during the final quarter of 2017/18 which will be used to fund future year's expenditure.	(210)
Environment	Food Waste – Funding to commence the food waste trial in collaboration with LCC was received in quarter 4 and will be utilised in 2018/19.	(154)
Culture	Leisure Centres– Urgent repairs were identified during the year which were not included within the budget.	97
Culture	Bourne Corn Exchange – This relates to an upward revaluation which has no impact on the taxpayer as it is a non-cash item.	(141)
Culture	Additional depreciation which has no impact on the taxpayer as it is a non-cash item.	305
Housing	Private Sector Housing – This relates to revenue expenditure funded from capital under statute (REFCUS) which specifically relate to discretionary facilities grants and housing assistance grants	(346)
Corporate	Corporate costs - One off costs arising from changes to the corporate management structure which delivers financial savings in future years.	125
All	The overall workforce efficiency target has been met through controlled management of vacancies throughout the year.	(361)
All	IAS19 Pensions are included within the priority headings which has no impact on the taxpayer as it is a non-cash item.	1,563

Housing Revenue Account Outturn

The outturn position for the HRA shows an in year surplus of £3.667m (2016/17 £44.11m surplus) when compared with the adjusted budget. The difference between 2016/17 and 2017/18 relates to the Existing Use Value for Social Housing (EUV-SH) factor reducing from 66% to 58% in 2016/17. There are a number of under and over spends which account for this variance which are detailed in the 2017/18 Capital and Revenue Outturn report but the main differences relate to £4.2m statutory accounting adjustments which have no impact on Council resources and a £560k overspend on general supervision and management expenditure.

Capital Expenditure

Capital expenditure is defined as expenditure incurred on assets which have a life exceeding one year. The Council incurred expenditure totalling £12.592m in 2017/18 compared with £7.346m in 2016/17. This difference mainly relates to the investment of £3.073m in 2 units at Lincoln, an increased investment in vehicles of £733k and £596k expenditure on the commencement of the cinema project. The following chart details the capital expenditure incurred in 2017/18.



It can be seen from the chart that 38% of the capital expenditure was spent on the HRA, of the £4.827m incurred, £4.729m related to enhancing Council dwellings, for example replacing kitchens and bathrooms and £98k related to the purchase of an HRA dwelling.

Expenditure on Investment Properties is the next largest category of spend at 24%. The Council invested £3.073m in 2 units at Lincoln which will generate an income stream to support the general fund revenue budget.

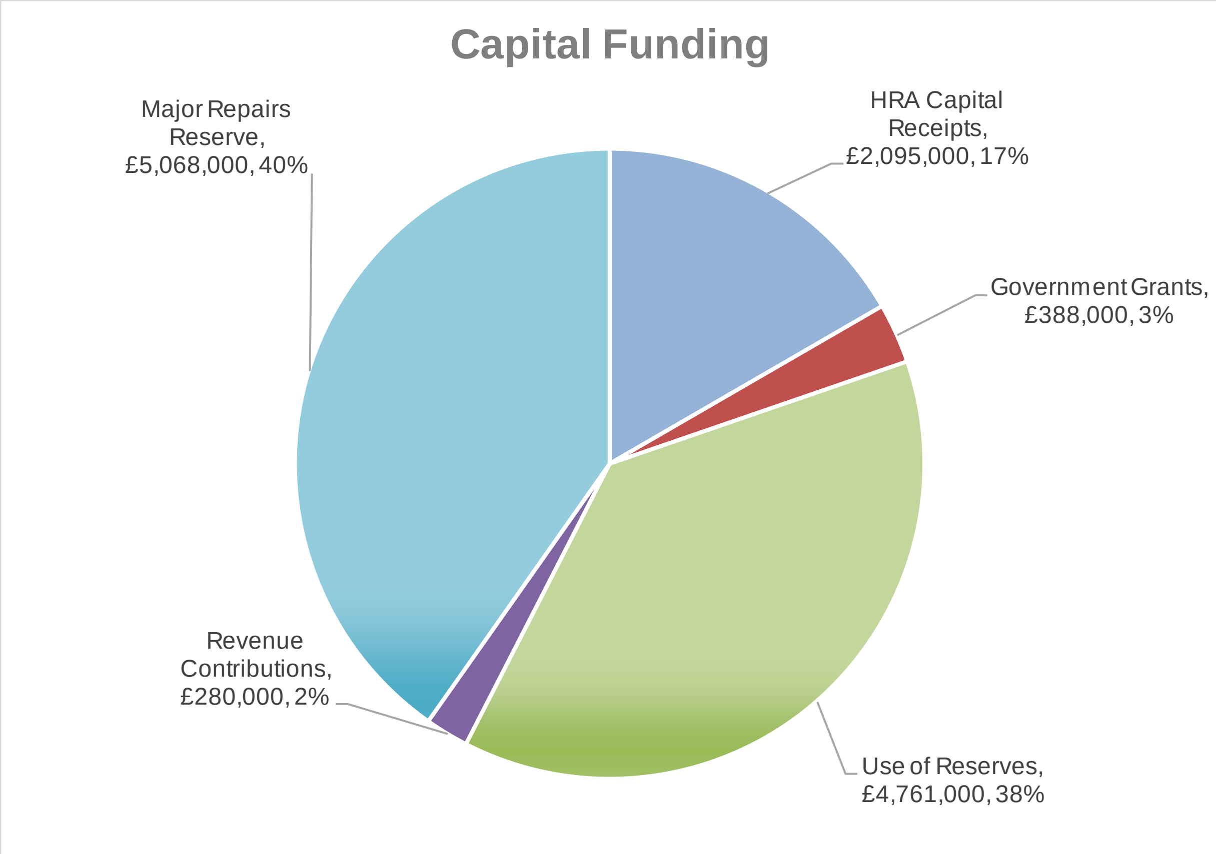
Assets under Construction account for 21% of the total capital expenditure in the year at £2.677m. £1.997m was invested in constructing HRA properties which are expected to be completed during 2018/19. The remaining £679k has been invested in the Cinema complex project and Wydham Park project which are both expected to be completed during 2018/19.

Vehicles, Plant and Equipment account for 12% of the expenditure incurred. The main element of this expenditure is the investment of £1.328m in replacement vehicles, £990k relates to the General Fund and £338k to the HRA.

The other forms of capital expenditure relate to capital grants released to finance capital assets owned by third parties and intangible assets. £321k was incurred on Disabled Facilities Grants and £67k on Housing Grant Assistance which are both financed by Governments Grants.

Capital Financing

The Council has funded the 2017/18 Capital Programme from Capital Receipts, Government Grants, the Major Repairs Reserve, Other Grants and Contributions and Use of Reserves. The following charts details the financing of the capital expenditure:



Note - £3.222m of HRA loan repayment and £0.161m Minimum Revenue Provision were also financed from working balances.

The Non-Enhancing Capital and replacement vehicles expenditure incurred by the HRA has been financed by the Major Repairs Reserve which is ring-fenced to finance HRA capital expenditure and HRA debt repayment. The assets that are currently being constructed and the purchase of an additional dwelling were financed using the HRA capital receipts received from the disposal of HRA assets.

The Council released £4.761m of reserves to finance 38% of the remaining 43% of expenditure. The main use of these reserves was £3.073m to purchase the investment property units at Alpha Court and £596m on the construction of the new Cinema complex at St Peter's Hill, Grantham.

At 31 March 2018 the balance on the ring-fenced Major Repairs Reserve was £10.328m which will be invested in continuing to enhance Council dwellings and other HRA assets. The balance of £3.331m on the HRA capital receipts reserve will be used to increase Council housing stock. The General Fund capital receipts reserve had a balance of £3.794m. The Council continues to generate its own resources through the disposal of assets deemed to be surplus. During 2017/18 £870k of General Fund capital receipts were received which relate mainly to the disposal of Vantage Park and £2.574m of HRA capital receipts which mainly relate to the sale of Council dwellings.

Capital and Revenue Budget Monitoring

The Council monitors its capital and revenue budgets on a monthly basis and produces quarterly monitoring reports which are presented to the Cabinet. These reports highlight significant under and overspends so that members are aware of any potential financial pressures that may arise from these variances. Any financial pressures which are expected to impact on future years are incorporated into the Medium Term Financial Strategy and the budget report for the following year. The 2017/18 Revenue and Capital Outturn report which will be submitted to Governance and Audit Committee on 21th June 2018 provides further detail on the variances between the adjusted budget and actual spend.

LOOKING FORWARD

Strategic Direction - Vision

A new Corporate Strategy 2018-2025 will be implemented during 2018 and this sets out the vision of how the Council will serve the best interests of its residents by:

- Continuing to grow the local economy with the main priority of rolling out the £40m investment programme across five broad categories: commercial, arts and heritage; leisure and the visitor economy; retail and markets; public realm and living; gateways and transport; and skills. Plans include the creation of an inward-investment team, InvestSK, providing additional office space, investing in new and existing leisure facilities and tourism, etc.
- Transforming and modernising the Council so that how people work throughout the organisation is aligned to goals and objectives. A revised performance management framework will be established.
- Moving towards an increasingly outward-looking Council that is keen to engage and partner with external organisations and extend its influence and reputation beyond the boundaries of South Kesteven.
- Becoming increasingly commercial in its thinking, both to commercial opportunities and by using under-utilised Council assets to generate additional income

A revised Local Plan is being formulated which is intended to pave the way for the delivery of high quality, sustainable growth in South Kesteven whilst protecting the natural and built environment. The aim is to make South Kesteven attractive in order to invest in private and public sector development and investment. The emphasis is on providing more housing (an average of 686 per year from now until 2036) and encouraging investment in order to create more local employment opportunities.

Sustainable Financial Autonomy

Government grant is being phased out and there is uncertainty surrounding the future funding from other key income streams, including business rates and new homes bonus. Therefore, to help deliver the Council's future plans, sustainable financial autonomy is the Council's core strategic goal. These plans are ambitious and represent a major step forward. Success is dependent on securing a favourable financial position over the medium term by delivering the outcomes of its approach to becoming self-financing. This approach comprises:

- An ongoing, robust and detailed review of the assumptions that underpin the Medium Term Financial Strategy
- Driving out inefficiencies to ensure that resources are deployed effectively and directed to where they are most needed
- Delivering in full, budget reductions and savings included within annual budgets

- Maximising key income streams, including business rates, new homes bonus, fees and charges, investment income, etc.
- The prudent use of reserves and balances as these can only be used once.
- Assessing the impact of changes in funding mechanisms, particularly in relation to business rates retention and new homes bonus. Also the impact of any changes arising from the outcome of the Government's Fair Funding Review that will come into effect in 2020/21.
- Delivering growth and investment in priority areas and expanding the programme of commercial activities
- Commissioning services that are relevant to the community and valued by those who use them
- Delivering services that are commercially competitive, high quality, good value and contribute positively to the daily lives of residents
- Reviewing the costs and performance of operating assets
- Assessing the impact of Brexit on project funding bids and on the local economy generally

The Housing Revenue Account has continued its track record of delivering savings and efficiencies whist accommodating additional items of expenditure and ensuring that additional resources are allocated to front line services. The position will be closely monitored, having regard to any significant changes in the approach to social housing – the imposed reduction of 1% per annum in rent levels is scheduled to end in 2019/20.

EXPLANATION OF THE FINANCIAL STATEMENTS

The 2017/18 Statement of Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting 2017/18, issued by the Chartered Institute of Public Finance and Accountancy and the Accounts and Audit Regulations 2017. The Code requires that core and supplementary statements are produced together with disclosure notes and the style and format of the accounts complies with the local authority accounting standards. As recommended by CIPFA and our external auditors the Council continues to 'de-clutter 'the accounts by annually reviewing the content and removing unnecessary detail.

The accounts give a true and fair view of South Kesteven's financial position for the financial year 2017/18. The accounting policies are outlined on pages 24 to 39 and have been fairly and consistently applied. Proper and up-to-date accounting records are maintained and all reasonable steps are taken to prevent and detect fraud and other irregularities.

The Strategic Director of Resources is the statutory officer responsible for the proper administration of the Council's financial affairs (referred to in the statement as the Chief Finance Officer). They are required by law to confirm that the Council's system of internal controls can be relied upon to produce an accurate statement of accounts. The statement of assurance for 2017/18 (known as the Statement of Responsibilities) appears on page xx of this document.

The Core Financial Statements are:

Movement in Reserves Statement (MiRS) (page 15) – this summarises the in-year movement on the different reserves held by the Council, analysed into "useable reserves" those which can be applied to fund expenditure or reduce local taxation and "unusable" which relate to gains and losses and statutory adjustment accounts which must be set aside for specific purposes.
Expenditure Funding Analysis (page 17) – this demonstrates to Council tax and rent payers how the funding available to the Council for the year has been used in providing services in comparison with those resources consumed or earned by Councils in accordance with generally accepted practices. It also shows how this expenditure is allocated for decision making purposes between the Council's priority areas.

Comprehensive Income and Expenditure Statement (CIES (page 19) – this shows the accounting cost of providing services in accordance with IFRS rather than the amount to be funded from taxation.
Balance Sheet (page 20) – The Balance Sheet summarises the financial position of the Council. It details the assets, liabilities, cash balances and reserves at the 31st March 2018.
Cash Flow Statement (page 22) – This statement details the reasons for the changes in the Council's cash balances analysed by operating activities, new investment and financing activities.
The Supplementary Financial Statements are:
Housing Revenue Account (HRA) (page 91) – This reflects a statutory obligation to account separately for the Council's housing landlord function. It details the major elements of housing revenue expenditure – maintenance, administration and capital financing costs and how these are met by rents and other income.
Collection Fund (page 101) – As the Council is the Billing Authority we are legally obliged to maintain this fund separately from all our other funds and accounts. It details all monies due from Council Tax and Non Domestic Rate Payers and payments made to Central Government, the County Council, Police Authority and the District Council.
Annual Governance Statement (AGS) (page 104) – Regulation 2(6) of the Accounts and Audit Regulations 2015 requires that the Council or a Committee of the Council consider the findings of a review of the system of internal control. The statement covers all significant corporate systems, processes and control for the whole range of the Council's activities.
Other Key Sections:
Statement of Responsibilities (page 14) – This sets out the respective responsibilities of the Chief Finance Officer and the Council.
Accounting Policies (page 24 to 39) – These explain the treatment and basis of the figures in the accounts in accordance with proper accounting practices.
Notes to the Financial Statements (page 24 to 90) – These expand on important points in the core financial statements and provide additional information.
Glossary of Terms and Abbreviations (page 116 to 123) – This explains key terms used throughout the document further.

Further Information

Further information about the Statement of Accounts is available from the Financial Services section at the Council Offices, St Peter's Hill, Grantham, Lincolnshire, NG31 6PZ, telephone 01476 406203 or accountancy@southkesteven.gov.uk. In addition, members of the public have a statutory right to inspect the accounts before the annual audit is completed. The availability of the accounts for inspection is advertised on our website at http://www.southkesteven.gov.uk/CHttpHandler.ashx?id=23123&p=0.

Debbie Muddimer CPFA
Strategic Director of Resources
25 July 2018

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Council's Responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has responsibility for the administration of those affairs. In this Council, that officer is the Strategic Director - Resources (Chief Finance Officer).

- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

- approve the Statement of Accounts.

The Chief Finance Officer's Responsibilities

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

In preparing this Statement of Accounts, the Chief Finance Officer has:

- selected suitable accounting policies and applied them consistently

- made judgements and estimates that were reasonable and prudent

- complied with the Local Authority Code

The Chief Finance 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.

CHIEF FINANCE OFFICER'S CERTIFICATE

I certify that the accounts set out in this document present 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 2018.

DEBBIE MUDDIMER CPFA	**COUNCILLOR IAN STOKES**
CHIEF FINANCE OFFICER	**CHAIRMAN OF GOVERNANCE & AUDIT COMMITTEE**
25 July 2018	**25 July 2018**

MOVEMENT IN RESERVES STATEMENT

This statement shows the movement from the start of the year to the end on different reserves held by the authority, analysed into "usable reserves" (i.e. those that can be applied to fund expenditure or reduce local taxation) and other "unusable reserves". The statement shows how the movements in year of the Council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax (or rents) for the year. The Net Increase/Decrease line shows the statutory General Fund Balance and Housing Revenue Account (HRA) Balance movements in the year, following those adjustments.

	General Fund Balance (including Earmarked Reserves)	Housing Revenue Account (including Earmarked Reserves)	Capital Receipts Reserve	Major Repairs Reserve	**Total Usable Reserves**	Unusable Reserves	**Total Authority Reserves**
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2017 carried forward	(28,135)	(19,405)	(5,777)	(8,875)	**(62,192)**	(130,026)	**(192,218)**
Movement in reserves during 2017/18							
Total Comprehensive Income and Expenditure	2,846	(11,232)			**(8,386)**	(14,427)	**(22,813)**
Transfers between Reserves	(1,001)	3,204	(52)	(3,194)	**(1,043)**	1,043	**0**
Adjustments from income & expenditure charged under the accounting basis to the funding basis	(590)	7,148	(1,296)	1,741	**7,003**	(7,003)	**0**
(Increase) or Decrease in 2017/18	1,255	(880)	(1,348)	(1,453)	**(2,426)**	(20,387)	**(22,813)**
Balance at 31 March 2018 carried forward	**(26,880)**	**(20,285)**	**(7,125)**	**(10,328)**	**(64,618)**	**(150,413)**	**(215,031)**

For details of reserves see notes 25 and 26

MOVEMENT IN RESERVES STATEMENT Continued

Movement in Reserves Statement 2016/17 Restated	General Fund Balance (including Earmarked Reserves)	Housing Revenue Account (including Earmarked Reserves)	Capital Receipts Reserve	Major Repairs Reserve	**Total Usable Reserves**	Unusable Reserves	**Total Authority Reserves**
	£'000	£'000	£'000	£'000	**£'000**	£'000	**£'000**
Balance at 31 March 2016 carried forward	(24,013)	(17,379)	(4,320)	(6,775)	**(52,487)**	(91,933)	**(144,420)**
Movement in reserves during 2016/17							
Total Comprehensive Income and Expenditure -	791	(52,338)			**(53,129)**	5,331	**(47,798)**
Transfers between Reserves		3,141	-51	946	**4,036**	(4,036)	**0**
Adjustments from income & expenditure charged under the accounting basis to the funding basis	(3,331)	47,171	(1,406)	(3,046)	**39,388**	(39,388)	**0**
(Increase) or Decrease in 2016/17	(4,122)	(2,026)	(1,457)	(2,100)	**(9,705)**	(38,093)	**(47,798)**
Balance at 31 March 2017 carried forward	**(28,135)**	**(19,405)**	**(5,777)**	**(8,875)**	**(62,192)**	**(130,026)**	**(192,218)**

For details of reserves see notes 25 and 26

EXPENDITURE AND FUNDING ANALYSIS

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

	2017/18		
	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£'000	£'000	£'000
Corporate	4,213	(799)	5,012
Culture	1,609	(2,252)	3,861
Environment	5,995	(1,356)	7,351
Growth	597	(754)	1,351
Housing	(13,403)	147	(13,550)
Net Cost of Services	**(989)**	**(5,014)**	**4,025**
Other Income & Expenditure	(840)	11,571	(12,411)
(Surplus) or Deficit on Provision of Services	**(1,829)**	**6,557**	**(8,386)**

	Total	General Fund	HRA
	£'000	£'000	£'000
Opening General Fund and HRA Balance	(47,540)	(28,135)	(19,405)
Less/Plus Surplus or (Deficit) on General Fund and HRA Balance in Year	(1,829)	2,256	(4,084)
Transfers to/ from reserves	2,203	(1,001)	3,204
Closing General Fund and HRA Balance	**(47,166)**	**(26,880)**	**(20,285)**

EXPENDITURE AND FUNDING ANALYSIS Cont'd

	2016/17		
	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£'000	£'000	£'000
Corporate	3,598	(124)	3,722
Culture	1,406	(1,906)	3,312
Environment	5,252	(1,041)	6,293
Growth	197	(435)	632
Housing	(14,026)	39,946	(53,972)
Net Cost of Services	**(3,573)**	**36,440**	**(40,013)**
Other Income & Expenditure	(5,716)	7,400	(13,116)
(Surplus) or Deficit on Provision of Services	**(9,289)**	**43,840**	**(53,129)**

	Total	General Fund	HRA
	£'000	£'000	£'000
Opening General Fund and HRA Balance	(41,392)	(24,013)	(17,379)
Less/Plus Surplus or (Deficit) on General Fund and HRA Balance in Year	(9,289)	(4,122)	(5,167)
Transfers to/ from reserves	3,141		3,141
Closing General Fund and HRA Balance	**(47,540)**	**(28,135)**	**(19,405)**

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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 (or rents). Authorities raise taxation (and rents) to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

2016/17					2017/18		
Gross Expenditure	Gross Income	Net Expenditure		Note	Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000			£'000	£'000	£'000
6,425	(2,703)	3,722	Corporate		7,683	(2,671)	5,012
5,453	(2,141)	3,312	Culture		5,907	(2,046)	3,861
9,186	(2,893)	6,293	Environment		10,542	(3,191)	7,351
3,591	(2,959)	632	Growth		4,532	(3,181)	1,351
3,170	(57,142)	(53,972)	Housing		42,283	(55,833)	(13,550)
27,825	**(67,838)**	**(40,013)**	**Cost Of Services**		**70,947**	**(66,922)**	**4,025**
			Other Operating Expenditure				
182	(1,052)	(870)	(Gain)/Loss Disposal of Fixed Assets			(916)	(916)
2,194		2,194	Precepts & Levies	11.	2,282		2,282
811		811	Contribution Housing Capital Receipts to the Pool	HRA6	803		803
			Other Operating Income and Expenditure			(10)	(10)
3,187	**(1,052)**	**2,135**			**3,085**	**(926)**	**2,159**
			Financing and Investment Income and Expenditure				
3,108		3,108	Interest Payable on Debt		2,947		2,947
1,345		1,345	Net Interest on the net defined benefit liability (asset)	39	1,265		1,265
	(621)	(621)	Interest & Investment Income			(582)	(582)
121	(68)	53	Income & Expenditure and Movement in Fair Value of Investment Property	12		(264)	(264)
497	(895)	(398)	(Gain)/Loss on Trading Accounts	27	525	(782)	(257)
5,071	**(1,584)**	**3,487**			**4,737**	**(1,628)**	**3,109**
			Taxation and Non-Specific Grant Income				
	(8,137)	(8,137)	Council Tax			(8,487)	(8,487)
	(3,415)	(3,415)	Non-Domestic Rates			(3,223)	(3,223)
	(7,186)	(7,186)	Non-Service-Related Government Grants	13		(5,969)	(5,969)
0	**(18,738)**	**(18,738)**			**0**	**(17,679)**	**(17,679)**
		(53,129)	**(Surplus) or Deficit on Provision of Services**				**(8,386)**
		(2,387)	(Surplus) or deficit on revaluation of non-current assets				(12,013)
		7,718	Actuarial (gains) / losses on pension assets / liabilities	39			(2,414)
		5,331	**Other Comprehensive Income and Expenditure**				**(14,427)**
		(47,798)	**TOTAL COMPREHENSIVE INCOME & EXPENDITURE**				**(22,813)**

BALANCE SHEET

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".

At 1st April 2017 £'000		Note	At 31st March 2018 £'000
222,566	Council Dwellings	14	233,277
56,076	Other Land and Buildings	14	62,610
3,937	Plant, Vehicles and Equipment	14	4,274
191	Surplus Assets not held for sale	14	197
2,124	Assets Under Construction	14	845
429	Heritage Assets	43	522
2,529	Investment Property	15	5,701
334	Intangible Assets	16	286
7,000	Non Current Investments	44	6,000
1,067	Non Current Debtors	20	24
296,253	**Non Current Assets**		**313,736**
1,695	Current Assets Held for Sale	22	667
46,213	Current Investments	44	49,190
12	Inventories		14
5,719	Current Debtors	20	5,552
8,448	Cash and Cash Equivalents	21	9,623
62,087	**Current Assets**		**65,046**
(4,280)	Current Borrowing	41	(3,245)
(7,866)	Current Creditors	23	(7,523)
(666)	Current Provisions	24	(1,013)
(12,812)	**Current Liabilities**		**(11,781)**
(973)	Non Current Provisions	24	(803)
(102,321)	Non Current Borrowing	41	(99,100)
(47,628)	Other Non Current Liabilities	39	(48,563)
(2,388)	Capital Grants Receipts in Advance	33	(3,504)
(153,310)	**Non Current Liabilities**		**(151,970)**
192,218	**Net Assets**		**215,031**

.

BALANCE SHEET Cont'd

At 1st April 2017 £'000		Note	At 31st March 2018 £'000
5,777	Usable Cap Receipts Reserve	25	7,125
8,875	Major Repairs Reserve	25	10,328
23,545	Earmarked GF Revenue Reserves	25	19,963
1,779	Earmarked HRA Revenue Reserves	25	1,446
14,000	Earmarked HRA Capital Reserves	25	16,350
2,792	Earmarked GF Capital Reserves	25	4,082
1,798	General Fund Balance	25	2,835
3,626	HRA Balance	25	2,489
62,192	**Usable Reserves**		**64,618**
156,086	Capital Adjustment Account	26	165,510
22,551	Revaluation Reserve	26	33,969
(47,628)	Pension Reserve	26	(48,563)
(131)	Short Term Accumulated Absences Account	26	(131)
(884)	Collection Fund adjustment Account	26	(399)
32	Deferred Capital Receipts	26	27
130,026	**Unusable Reserves**		**150,413**
192,218	**Total Reserves**		**215,031**

CASH FLOW STATEMENT

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.

Cash outflows are shown as negative figures in the cash flow statement to allow the movement in cash & cash equivalents to match the signage convention on the balance sheet.

2016/17 £'000		Notes	2017/18 £'000
	Operating Activities		
53,129	Net surplus or (deficit) on the provision of services		8,386
(33,838)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	45	8,230
(4,665)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		(5,006)
2,487	Reversal of operating activity items included in the net (surplus) or deficit on the provision of services that are shown separately below		2,365
	Net cash flows from Operating Activities includes		
(3,108)	Interest paid		(2,947)
621	Interest received		582
14,626	**Net cash flows from Operating Activities**		**11,610**
	Investing Activities		
(6,982)	Purchase of property, plant and equipment, investment property and intangible assets		(12,126)
(54,000)	Purchase of short-term and long-term investments		(69,000)
	Other payments for investing activities		(180)
3,776	Proceeds from the sale of property, plant and equipment, investment property and intangible assets		4,210
43,000	Proceeds from short-term and long-term investments		67,000
1,913	Other receipts from investing activities		3,136
(12,293)	**Net cash flows from Investing Activities**		**(6,960)**

CASH FLOW STATEMENT (CONT)

2016/17 £'000		Notes	2017/18 £'000
	Financing Activities		
(3,216)	Repayments of short and long-term borrowing		(4,222)
1,733	Other payments for financing activities		747
(1,483)	**Net cash flows from Financing Activities**		**(3,475)**
850	**Net increase or (decrease) in cash and cash equivalents**		**1,175**
7,598	Cash and cash equivalents at the beginning of the reporting period		8,448
8,448	Cash and cash equivalents at the end of the reporting period	21	9,623

1. STATEMENT OF ACCOUNTING POLICIES

I. GENERAL PRINCIPLES

The Statement of Accounts summarises the Council's transactions for the 2017/18 financial year and its position at the year-end of 31 March 2018. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, 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 2017/18* supported by International Financial Reporting Standards (IFRS).

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

II. 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 and payable on borrowings is accounted for respectively as income and expenditure 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 revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount 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.

III. CASH AND CASH EQUIVALENTS

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in 30 days or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

IV. 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 (unless stated otherwise) 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.

V. 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 non-current 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 loss can be written off.
- Amortisation of intangible assets attributable to the service.

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisation 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.

VI. COUNCIL TAX AND NON-DOMESTIC RATES

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of major preceptors (including government for NDR) and, as, principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

Accounting for Council TAX and NDR

The council tax and NDR included in the Comprehensive Income and Expenditure Statement is the council's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the Council's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the council's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

VII. 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 for current employees and are recognised as an expense for services in the year in which the 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 ansences 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 in exchange for those benefits. They are charged on an accruals basis to the appropriate service, or where applicable, to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of those benefits or when the council recognises costs for a restructuring.

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 Fund, administered by Lincolnshire County Council. The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

The Council recognises the cost of retirement benefits in the revenue account when employees earn them, rather than when the benefits are eventually paid as pensions.

Local Government Pension Scheme

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

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

- Liabilities are discounted to their value at current prices, using a discount rate calculated by the Actuaries (based on the indicative rate of return on the Bond yields and inflation rates).

- 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 pensions liability is analysed into the following components:

- Service Cost comprising:

  - 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 revenue accounts of services for which the employees worked

  - Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment 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

  - Net interest on the net defined pension liability (asset) i.e. net interest expense for the Council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

- Remeasurement comprising:
  - The return on plan assets – excluding amounts included in net interest on the defined benefit liability (asset) charged to the Pension Reserve as Other Comprehensive Income and Expenditure

  - 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 assumption – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

- 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 transfers to and from the Pensions 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 are 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.

VIII. EVENTS AFTER THE REPORTING PERIOD

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 Statement of Accounts is 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 Statement of Accounts is adjusted to reflect these.
- Those that are indicative of conditions that arose after the reporting period - the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosures is made in the notes of the nature of the event and an estimated financial effect.

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

IX. 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 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.

For all of the borrowing that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principle repayable (plus accrued interest) and interest charged to the Comprehensive Income and Expenditure Account is the amount payable for the year in the loan agreement.

All current borrowing is with the Public Works Loan Board and the Council has no intention at present to make early settlement of these loans. Borrowing costs that relate to these loans are charged to the Comprehensive Income and Expenditure Account as they are incurred.

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 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 of the instrument. For all of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principle 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.

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

Any gains and losses that arise on the de-recognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Available-for-sale Assets

Available-for-sale assets are recognised on the Balance Sheet when the Authority becomes party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are included.

Assets are maintained in the Balance Sheet at fair value, where it is deemed to be material.

X. GOVERNMENT GRANTS & OTHER 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 contributions have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potentially embodied in the asset in the form of 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.

Money advanced as grants and 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 (attributable revenue grants and contributions) or Taxation and Non Specific Grant Income (non ring fenced 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

XI. HERITAGE ASSETS

Heritage assets are held or maintained principally for their contribution to knowledge and culture. They are initially recognised at cost if this is available. If cost is not available, values are only included in the Balance Sheet where the cost of obtaining valuation is not disproportionate to the benefit derived. For most of the Council's heritage assets, insurance valuations are used. Where no market exists or the asset is deemed to be unique, and it is not practicable to obtain a valuation, the asset is not recognised in the Balance Sheet but disclosed in the notes to the accounts.

Heritage assets are depreciated over their useful life if this can be established. If an asset is considered to have an indefinite life, no depreciation is charged. Disposals, revaluation gains and losses and impairments of heritage assets are dealt with in accordance with the Council's policies relating to property, plant and equipment.

The cost of maintenance and repair of heritage assets is written off in the year incurred.

XII. INTANGIBLE ASSETS

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

Expenditure on the development of the Council's website is not capitalised.

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(s) 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(s) in the Comprehensive Income and Expenditure Statement. Any gains or losses 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.

The useful life of intangible assets is assessed by the Chief Finance Officer at the time of acquisition. Intangible assets are derecognised when no future economic benefits are expected from them.

XIII. INVENTORIES AND LONG TERM CONTRACTS

Inventories are included in the Balance Sheet at the lower of cost and net realisable value.

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.

XIV. INVESTMENT PROPERTY

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if 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, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset investment properties are measured at highest and best use. 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.

XV. LEASES

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to the 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 leases 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 e.g. payments net of financing costs. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into the lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the period 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 assets 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. Charges are made on a straight line basis over the life of the lease, even if this does not match the patterns of payments (e.g. there is a rent free period at the commencement of the lease).

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 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) matched by a lease (long term debtor) 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 for the capital receipts 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 non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance 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. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). 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.

XVI. OVERHEADS AND SUPPORT SERVICES

The costs of overheads and support services are charged to service segments in accordance with the Council's arrangements for accountability and financial performance.

XVII. PROPERTY, PLANT AND EQUIPMENT

Assets that have physical substance and are held for use in the production or supply of goods and 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 probable that the future economic benefits or service potential associated with the item will flow to the Council, over more than one year and that 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 (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Enhancement is expenditure intended to:

- lengthen substantially the useful life of the asset,
- increase substantially the value of the asset,
- increase substantially the extent to which the asset can be used

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The Council has a de-minimis of £10,000 for capital expenditure, with the exception of the purchase of motor vehicles. Where the total cost of an asset is higher than £10,000 but only part of the expenditure has occurred within a financial year that expenditure would be included in the balance sheet even if it was below the de minimis level.

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 while 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). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

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

- Dwellings – current value determined using the basis of existing use value for social housing (EUV-SH). The social housing discount applied in 2017/18 is 42%.
- Community assets and assets under construction – historical cost.
- Plant, Vehicles & Equipment – depreciated historical cost
- All other classes of assets – current value, unless there is no market-based evidence of fair value because of the specialist nature of the asset. In this case fair value is estimated using the Depreciated Replacement Cost method.

Assets included in the Balance Sheet at current value are re-valued where there have been material changes in the value, but as a minimum every five years. Valuations of property assets are carried out by the District Valuer, an external, qualified valuer, who is independent of the Council. The method of valuations is as recommended by CIPFA and in accordance with the principles and guidance notes issued by the Royal Institute of Chartered Surveyors. Operational assets constructed or acquired during the year will be re-valued on 1 April of the following year.

Increases as a result of revaluations are debited to the appropriate asset account, with the opposite entry going to the Revaluation Reserve to recognise unrealised gains, except to the extent where it reverses a previous revaluation loss that was charged to a service revenue account within the Comprehensive Income & Expenditure Statement. In this case the revaluation gain will first be used to offset the previous loss and any further gain is then taken to the Revaluation Reserve. Revaluation gains charged to Surplus or Deficit on Provision of Services are transferred to the Capital Adjustment Account and reported in the Movement in Reserves Statement.

Decreases as a result of revaluation, which are not specific to one asset but affect several, are revaluation losses as opposed to impairments. The decrease is recognised in the Revaluation Reserve up to the balance in respect of each asset affected and then in Surplus or Deficit on Provision of Services. Any such charge taken to Surplus or Deficit on Provision of Services is then transferred to the Capital Adjustment Account and reported in the Movement in Reserves 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(s) in the Comprehensive Income and Expenditure Statement,

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) 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 finite 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:

- Land is not depreciated as it will not have a finite life.

- Council Dwellings and Other Buildings are depreciated using the straight line method. The finite useful life is assessed by the District Valuer at the time of revaluation but for Council Dwellings is usually 50 years, and for other buildings is between 1 and 60 years.

- Plant and Equipment are also depreciated by the straight line method. Useful life is assessed by the Chief Finance Officer at the time of acquisition, usually between 3 and 10 years. Some assets have a longer life span, up to 30 years.

- Vehicles are depreciated using the reducing balance method at a rate of 25% per annum.

- Non-current assets held-for sale are not depreciated.

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.

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 historic cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Componentisation:

Only assets with a carrying amount more than or equal to £500,000 at the beginning of the financial year are considered for componentisation. To be recognised as a component the value of the part of the asset being considered must be more than or equal to 10% of the value of the asset, and have a life less than or equal to half that of the main asset. When a component is replaced, the carrying amount of the old component is derecognised and the new component is recognised. If the carrying amount of the old component is not known, this is estimated by indexing back from the cost of the new component and adjusting for depreciation and impairment over the old component's useful life. The Building Costs Index will be used.

The depreciation calculated is charged to the service revenue accounts, central support service accounts and trading accounts.

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.

Depreciation charges for non-housing assets are not proper charges to the General Fund, so are transferred to the Capital Adjustment Account and reported in the Movement in Reserves Statement. Depreciation charges for HRA dwellings that are covered by the Major Repairs Allowance (MRA) are real charges and are included in the Comprehensive Income and Expenditure. If the depreciation charged is higher than the MRA an amount equal to the difference is transferred to the HRA from the Major Repairs Reserve (MRR). If the depreciation is lower than the MRA the transfer is from the HRA to the reserve. These transactions are reported in the Movement in Reserves Statement.

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 classified 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 a fair value less costs to sell, the loss is posted in 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 date 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 for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts related to housing disposals is payable to the Government. The balance of receipts remains within 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 non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

XVIII. PROVISIONS, CONTINGENT ASSETS AND CONTINGENT LIABILITIES

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. For instance the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement 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 (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the obligation is settled.

The council has made a provision for settling the self-insured element of Public Liability insurance claims.

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.

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 probable that there will be an inflow of economic benefits or service potential.

XIX. RESERVES

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. 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 transferred 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 e.g. for non-current assets, retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

XX. 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.

XXI. VAT

VAT 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.

XXII. FAIR VALUE MEASUREMENT

The Council measures some of its non-financial assets such as surplus assets and investment properties at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the council's financial statements are categorised within the fair value hierarchy as follows:

- Level 1 – quoted price (unadjusted) in active markets for identical assets or liabilities that the council can access at the measurement date
- Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 – unobservable inputs for the asset or liability

2. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT NOT ADOPTED

The additional disclosures that will be required in the 2017/18 and 2018/19 financial statements in respect of accounting changes that are introduced in the 2018/19 Coda are as follows:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers including amendments to IFRS 15 Clarifications to revenue from contracts with customers

- Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for unrealised losses
- Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative.

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 Statement of Accounts are:

a. There is a high degree of uncertainty about future levels of funding for local government and the impact of the decision for Britain to leave the European Union remains unclear. 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 the need to close facilities and reduce levels of service provision.
b. Investments with banks and other financial institutions are secure and will not suffer impairments.
c. No contracts with other bodies need to be accounted for as a service concession or contain an embedded lease.
d. No substantial legal claims or appeals will be made against the Council in the next financial year.

4. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF UNCERTAINTY

The Statement of Accounts contains 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 2018 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

a. Property, Plant & Equipment

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 falls. It is estimated that the annual depreciation charge for buildings and council houses would increase by £264k for every year that useful lives had to be reduced.

b. Arrears

At 31 March 2018 the Council had a balance of short-term debtors of £7.9m. A review of these debts suggested that an impairment for doubtful debts of approx 29.6**%** was appropriate, totalling £2.3m. This impairment is included in the net amount shown on the balance sheet. The impairment is calculated based on the different types of debt included (council tax, business rates, rents, trade debtors etc). However, in the current economic climate there is no certainty that this allowance will be sufficient.

If collection rates were to deteriorate by 5%, the amount of the impairment for doubtful debts would require an additional £400K to be set aside for this allowance.

5. MATERIAL ITEMS OF INCOME AND EXPENDITURE

There were no material items of income and expenditure in the year.

6. EVENTS AFTER THE REPORTING PERIOD

The Statement of Accounts was authorised for issue by the Strategic Director - Resources on 25 July 2018. Events taking place after this date are not reflected in the financial statements or notes.

7. NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

Adjustments between Funding and Accounting Basis 2017/18

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	**Adjustments for Capital Purposes (Note a)**	**Net change for the Pensions Adjustments (Note b)**	**Other Differences (Note c)**	**Total Adjustments**
	£'000	£'000	£'000	£'000
Corporate	(291)	(508)		(799)
Culture	(2,120)	(132)		(2,252)
Environment	(786)	(570)		(1,356)
Growth	(558)	(196)		(754)
Housing	825	(678)		147
Net Cost of Services	**(2,930)**	**(2,084)**	**0**	**(5,014)**
Other Income and expenditure from the Expenditure and Funding Analysis	12,351	(1,265)	485	11,571
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**9,421**	**(3,349)**	**485**	**6,557**

Adjustments between Funding and Accounting Basis 2016/17

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (Note a)	Net change for the Pensions Adjustments (Note b)	Other Differences (Note c)	Total Adjustments
	£'000	£'000	£'000	£'000
Corporate	(286)	162		(124)
Culture	(1,858)	(48)		(1,906)
Environment	(867)	(174)		(1,041)
Growth	(368)	(67)		(435)
Housing	40,079	(133)		39,946
Net Cost of Services	**36,700**	**(260)**	**0**	**36,440**
Other Income and expenditure from the Expenditure and Funding Analysis	8,119	(1,345)	626	7,400
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**44,819**	**(1,605)**	**626**	**43,840**

Adjustments for Capital Purposes – this column adds in depreciation and impairment and revaluation gains and losses in the services line and for:

- **Other Operating expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- **Financing and investment income and expenditure** – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- **Taxation and non-specific grant income and expenditure –** capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year, The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

a) Net Change for the Pension Adjustments – the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

- **For services** this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
- For **Financing and investment income and expenditure –** the net interest on the defined benefit liability is charged to the Comprehensive Income and Expenditure Statement (CIES).

b) Other Differences between amounts debited/credited to the CIES and amounts payable/receivable to be recognised under statute:

- For **Financing and investment income and expenditure** the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
- The charge under **Taxation and non-specific grant income and expenditure** represents the difference between what is chargeable under statutory regulations for council tax and NNDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

8. EXPENDITURE AND INCOME ANALYSED BY NATURE

Expenditure and Income Analysed by Nature

2016/17 £'000	Expenditure/Income	2017/18 £'000
	Expenditure	
18,248	Employee benefits expenses	21,362
39,434	Other services expenses	38,284
6,989	Support service recharges	8,523
(36,846)	Depreciation, amortisation, impairment	2,778
27,825	**Total expenditure**	**70,947**
	Income	
(39,836)	Fees, charges and other service income	(11,881)
(6)	Interest and investment income	(5)
(2,462)	Government grants and contributions	(29,895)
	Support recharge income	
(25,208)	Dwelling Rents	(24,790)
(326)	Non- Dwelling rents	(351)
(67,838)	**Total income**	**(66,922)**
(40,013)	**Surplus or Deficit on the Provision of Services**	**4,025**

9. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER STATUTE

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 practices, to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

The descriptions of the reserves that the adjustments are made against are as follows:

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 the liabilities 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 however the balance is not available to be applied to HRA services.

Housing Revenue Account Balance

The Housing Revenue Account Balance reflects the statutory obligation to maintain a revenue account for local authority council housing provision in accordance with Part VI of the Local Government & Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the Council’s landlord function or (if in deficit) that is required to be recovered from tenants.

Major Repairs Reserve

The Council is required to maintain the Major Repairs Reserve which funds capital investment in HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the capital resources that have yet to be applied at year end.

Capital Receipts Reserve

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

Capital Grants Unapplied

The Capital Grants Unapplied Reserve 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.

Adjustments between Accounting Basis and Funding Basis under Regulations (Continued)

2017/18	General Fund	HRA	Capital Receipts Reserve	Major Repairs Reserve	Total Usable Reserves	Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments primarily involving the Capital Adjustment Account						
Depreciation of non-current assets	(3,589)	(297)		(3,327)	(7,213)	7,213
Amortisation of intangible assets	(72)	(16)			(88)	88
Revaluation gains/losses on PPE	55	9,582			9,637	(9,637)
Impairments charged to CIES	0	(4,729)			(4,729)	4,729
Movements in market value of investment properties	80	19			99	(99)
Revenue expenditure funded from capital under statute (REFCUS)	(537)				(537)	537
Financing of REFCUS	537				537	(537)
Capital expenditure	4,893	3,222	2,095	5,068	15,278	(15,278)
Statutory provision for financing of capital investment	161				161	(161)
Profit/Loss on disposal of non-current assets	(60)	976	(4,194)		(3,278)	3,278
Adjustments primarily involving the Collection Fund Adjustment Account						
Adjustment to council tax income	92				92	(92)
Adjustment to NNDR income	393				393	(393)
Adjustments primarily involving the Pension Fund						
Adjustment of IAS 19 retirement entries for actual contributions	(2,543)	(806)			(3,349)	3,349
Adjustments primarily involving the Accumulating Compensated Absences						
Accrual for accumulated compensated absences	0	0			0	0
Adjustments between Usable Reserves						
Payments to Housing Capital Receipts Pool		(803)	803		0	0
Total Adjustments	**(590)**	**7,148**	**(1,296)**	**1,741**	**7,003**	**(7,003)**

Adjustments between Accounting Basis and Funding Basis under Regulations (Continued)

2016/17	General Fund	HRA	Capital Receipts Reserve	Major Repairs Reserve	Total Usable Reserves	Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments primarily involving the Capital Adjustment Account						
Depreciation of non-current assets	(3,194)	(246)		(3,173)	(6,613)	6,613
Amortisation of intangible assets	(85)	(15)			(100)	100
Revaluation gains/losses on PPE	1	48,066			48,067	(48,067)
Impairments charged to CIES	-	(4,087)			(4,087)	4,087
Movements in market value of investment properties	(77)	7			(70)	70
Revenue expenditure funded from capital under statute (REFCUS)	(568)				(568)	568
Financing of REFCUS	568				568	(568)
Capital expenditure	520	3,712	1,559	127	5,918	(5,918)
Statutory provision for financing of capital investment	159				159	(159)
Profit/Loss on disposal of non-current assets	(69)	940	(3,776)		(2,905)	2,905
Adjustments primarily involving the Collection Fund Adjustment Account						
Adjustment to council tax income	(34)				(34)	34
Adjustment to NNDR income	657				657	(657)
Adjustments primarily involving the Pension Fund						
Adjustment of IAS 19 retirement entries for actual contributions	(1,209)	(395)			(1,604)	1,604
Adjustments primarily involving the Accumulating Compensated Absences						
Adjustments between Usable Reserves						
Payments to Housing Capital Receipts Pool		(811)	811		0	0
Total Adjustments	**(3,331)**	**47,171**	**(1,406)**	**(3,046)**	**39,388**	**(39,388)**

10. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2017/18.

2017/18

	General Fund	Housing Revenue Account	Usable Capital Receipts	Earmarked General Fund Reserves	HRA Revenue Reserves	Major Repairs Reserve	Unapplied Capital Grants	**Total Usable Reserves**	Unusable Reserves	**Total Authority Reserves**
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Amounts set aside to provide for future expenditure										
Insurance provision	(13)	(100)		13	100			0	0	0
SEA provision	57			(57)				0	0	0
Transfer Surplus to reserves	1,364	5,312		(1,365)	(2,117)	(3,194)		0	0	0
Unapplied government grants								0	0	0
Repaid mortgages			(38)					(38)	38	0
Right to Buy Discount Repaid		10	(10)							
Other Long-Term Debtors		(1)	(4)	(1,000)				(1,005)	1,005	0
Amounts transferred from reserves to support in year expenditure										
Application of other grants								0	0	0
Finance Building Control deficit	59			(59)				0	0	0
Revenue Contributions to Capital								0	0	0
Total Transfers To/(From) Earmarked Reserves	**1,467**	**5,221**	**(52)**	**(2,468)**	**(2,017)**	**(3,194)**	**0**	**(1,043)**	**1,043**	**0**

Transfers to/from Earmarked Reserves (Continued)

The comparative amounts in 2016/17 are set out below.

	General Fund	Housing Revenue Account	Usable Capital Receipts	Earmarked General Fund Reserves	HRA Revenue Reserves	Major Repairs Reserve	Unapplied Capital Grants	**Total Usable Reserves**	Unusable Reserves	**Total Authority Reserves**
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Amounts set aside to provide for future expenditure										
Insurance provision	(631)	100		631	(100)			0	0	0
SEA provision	41			(41)				0	0	0
Transfer Surplus to reserves	5,231	6,264		(5,231)	(3,123)	(3,141)		0	0	0
Unapplied government grants								0	0	0
Repaid mortgages			(47)					(47)	47	0
Other Long-Term Debtors			(4)					(4)	4	0
								0	0	0
Amounts transferred from reserves to support in year expenditure								0	0	0
Application of other grants								0	0	0
Finance Building Control deficit	25			(25)				0	0	0
Revenue Contributions to Capital						4,087		4,087	(4,087)	0
Total Transfers To/(From) Earmarked Reserves	**4,666**	**6,364**	**(51)**	**(4,666)**	**(3,223)**	**946**	**0**	**4,036**	**(4,036)**	**0**

11. PRECEPTS AND LEVIES

.

2016/17 £'000		2017/18 £'000
1,547	Parish Council Precepts	1,620
646	Drainage Board Levies	662
2,193		**2,282**

12. INCOME AND EXPENDITURE AND MOVEMENT IN FAIR VALUE OF INVESTMENT PROPERTIES

2016/17 £'000		2017/18 £'000
(17)	Income & Expenditure from investment properties	(164)
70	Movements in relation to changes in the fair value of investment properties	(99)
53		**(263)**

13. NON SERVICE RELATED GOVERNMENT GRANTS

2016/17 £'000		2017/18 £'000
(3,985)	New Homes Bonus	(3,176)
(988)	S31 Grant	(1,732)
(513)	S106 Contribution	(104)
(1,700)	Revenue Support Grant	(957)
(7,186)		**(5,969)**

14. PROPERTY PLANT AND EQUIPMENT (PPE)

Non-current assets owned and assets leased by the Council include the following:

Movement in 2017/18

	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Surplus Assets	Assets Under Construction	Total PPE
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation at 01/04/2017	**225,740**	**58,473**	**15,134**	**202**	**2,124**	**301,673**
Additions	4,827		1,437		2,677	8,941
Revaluation increases/(decreases) recognised in the Revaluation Reserve	2,338	6,610		7		8,955
Revaluation increases/(decreases) recognised in the Surplus/Deficit on Provision of Services	2,230	117				2,347
Derecognition - Disposals	(1,854)		(913)			(2,767)
Assets reclassified to/(from) Surplus Assets						0
Assets reclassified (to)/from Held for Sale (see Note 24)	(310)					(310)
Assets reclassified to/(from) Asset under construction	3,633	323			(3,956)	0
At 31/03/2018	**236,604**	**65,523**	**15,658**	**209**	**845**	**318,839**
Accumulated Depreciation & Impairment at 01/04/2017	**(3,174)**	**(2,397)**	**(11,197)**	**(11)**	**0**	**(16,779)**
Depreciation charge	(3,327)	(2,858)	(1,015)	(13)		(7,213)
Depreciation written out to the Revaluation Reserve	561	2,249		12		2,822
Depreciation written out to the Comprehensive Income & Expenditure Statement	7,342	93				7,435
Derecognition of Non Enhancing Capital Expenditure	(4,729)					(4,729)
Derecognition - Disposals			828			828
Other Movements in Depreciation and Impairment						0
At 31/03/2018	**(3,327)**	**(2,913)**	**(11,384)**	**(12)**	**-**	**(17,636)**
Net Book Value						
At 31/03/2018	**233,277**	**62,610**	**4,274**	**197**	**845**	**301,203**
At 31/03/2017	**222,566**	**56,076**	**3,937**	**191**	**2,124**	**284,894**

Please note that the figure for council dwelling additions was charged to revenue in year and is therefore recognised as an impairment charged to the Surplus/Deficit on Provision of Services.

Property, Plant & Equipment (Continued)

Movement in 2016/17

	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Surplus Assets	Assets Under Construction	Total PPE
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation at 01/04/2016	**181,318**	**60,323**	**14,972**	**202**	**376**	**257,191**
Additions	4,239	32	704		1,748	**6,723**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	516	(1,120)				**(604)**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on Provision of Services	41,918	153				**42,071**
Derecognition - Disposals	(1,496)	(915)	(542)			**(2,953)**
Assets reclassified (to)/from Surplus Assets						**0**
Assets reclassified (to)/from Held for Sale (see Note 24)	(755)					**(755)**
Assets reclassified to/(from) Asset under construction						**0**
At 31/03/2017	**225,740**	**58,473**	**15,134**	**202**	**2,124**	**301,673**
Accumulated Depreciation & Impairment at 01/04/2016	**(2,553)**	**(2,370)**	**(10,660)**	**(11)**	**-**	**(15,594)**
Depreciation charge	(3,173)	(2,367)	(1,061)	(12)		**(6,613)**
Depreciation written out to the Revaluation Reserve	38	2,227		12		**2,277**
Depreciation written out to the Comprehensive Income & Expenditure Statement	6,601	95				**6,696**
Derecognition of Non Enhancing Capital Expenditure	(4,087)					**(4,087)**
Derecognition - Disposals		18	524			**542**
Other Movements in Depreciation and Impairment						**0**
At 31/03/2017	**(3,174)**	**(2,397)**	**(11,197)**	**(11)**	**0**	**(16,779)**
Net Book Value						
At 31/03/2017	**222,566**	**56,076**	**3,937**	**191**	**2,124**	**284,894**
At 31/03/2016	**178,765**	**57,953**	**4,312**	**191**	**376**	**241,597**

Valuation Assumptions

The significant assumptions applied in estimating the fair values by the Valuer are as follows:

- No potentially deleterious or hazardous materials were used in the construction of the assets and none has subsequently been incorporated.
- That the properties are not subject to any unusual or especially onerous restrictions, encumbrances or outgoings and good titles can be shown.
- The properties and their values are unaffected by any matters which would be revealed by a local search or inspection of any register and that use and occupation are both legal.
- The inspection of those parts which have not been inspected would cause the Valuer to alter their opinion of value.
- The land and properties are not contaminated nor adversely affected by radon.
- No allowances have been made for any rights obligations or liabilities arising from the Defective Premises Act 1972.

15. INVESTMENT PROPERTIES

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

2016/17 £'000		2017/18 £'000
(53)	Rental income from investment property	(201)
36	Direct operating expenses arising from investment property	37
(17)		**(164)**

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:

2016/17 £'000		2017/18 £'000
2,595	**Balance at start of year**	2,529
5	Additions - Purchases	3,073
(70)	Net gains/losses from fair value adjustments	99
(1)	Disposals	0
2,529	**Balance at end of year**	**5,701**

The fair value of investment property was determined by external, independent property valuers, having appropriate recognised professional qualifications. Fair value measurement for investment property has been categorised as Level 2 fair value based on information from observable market transactions of comparable property with no significant adjustments.

16. INTANGIBLE ASSETS

The Council accounts for its software licences as intangible assets where the software is not an integral part of a particular IT system. The intangible assets included in the balance sheet only include purchased licences. They are held at historic cost.

All licences are given a finite useful life, based on assessments of the period the software is expected to be of use to the Council.

Movements on Intangible Assets during the year were as follows:

2016/17 £'000		2017/18 £'000
	Balance at start of year:	
884	Gross carrying amount	839
(504)	Accumulated amortisation	(505)
380	Net carrying amount at start of year	334
54	Additions	40
(100)	Amortisation for the period	(88)
(46)		**(48)**
(99)	Disposals	0
99	Amortisation written back	0
0		**0**
334	Net carrying amount at end of year	286
Comprising		
839	Gross carrying amount	879
(505)	Accumulated amortisation	(593)
334		**286**

None of the intangible assets are individually material to the financial statements.

17. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

a. Key Risks

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

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

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

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

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

b. 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 in the Local Government Act 2003 and the associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Act. Overall these procedures require the Council to manage risk in the following ways:

i. by formally adopting the requirements of the CIPFA Treasury Management Code of Practice;

ii. by the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations;

iii. 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 for exposures within the maturity structure of its debt;
- Its maximum annual exposures to investments maturing beyond a year.

iv. by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance;

These are required to be reported and approved at or before the Council's annual Council Tax setting budget or before the start of the year to which they relate. These items 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 twice annually to Members.

The annual treasury management strategy for 2017/18 which incorporates the prudential indicators was approved by Council on 2nd March 2017 and is available on the Council website. The key issues within the strategy were:

i. The Authorised Limit for 2017/18 was set at £126.76m. This is the maximum limit of external borrowings or other long term liabilities.

ii. The Operational Boundary was expected to be £109.76m. This is the expected level of debt and other long term liabilities during the year.

iii. The maximum amounts of fixed and variable interest rate exposure were set at £125m and £40m based on the Council's net debt.

iv. The maximum and minimum exposures to the maturity structure of debt are:

A. Maturity Structure

	Approved Minimum Limits %	Approved Maximum Limits %
Less than 1 year	0	40
Between 1 & 2 years	0	40
Between 2 & 5 years	0	100
Between 5 & 10 years	0	100
More than 10 years	0	100

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

c. 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 and 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 after this initial criteria has been applied. Details of the Investment Strategy can be found on the Council's website.

The Council uses the creditworthiness service provided by Link. This service uses a sophisticated modeling 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
- Credit Default Swap spreads to give early warning of likely changes in credit ratings.
- Sovereign ratings to select counterparties from only the most creditworthy countries

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Council.

The Council's maximum exposure to credit risk in relation to its investments in banks, building societies and money market funds of £65.0m 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 2018 that this was likely to crystallise.

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

Deposits with banks and financial institutions	At 31 March 2018	Historical experience of default (1)	Adjustment for market conditions	Estimated Maximum exposure to default
	£'000	%	%	£'000
AA rated counterparties	3,007	0.01%	0.01%	0
A rated counterparties	51,907	0.06%	0.06%	32
B rated counterparties	2,022	0.15%	0.15%	3
BBB rated counterparties	8,056	0.20%	0.20%	16
Trade debtors (not including statutory debtors)	1,138	Local Experience	Local Experience	327
Total	**66,130**			**378**

(1) These are average 1 year default rates from all the three main ratings agencies

No breaches of the Council's counterparty criteria occurred during the reporting period and the Council does not expect any losses from non-performance by any of it's counterparties in relation to deposits and bonds.

All the Council's deposits are made through the London money markets in UK Sterling currency.

The Council does not generally allow credit for its trade debtors, such that £1,292k of the trade debtors balance is past its due date for payment. The due amount can be analysed by age as follows:

	At 31 March 2018	At 31 March 2017	At 31 March 2016
	£'000	£'000	£'000
Under 30 Days	118	65	59
30-60 days	663	1,826	971
60-90 days	50	39	39
Over 90 Days	307	169	231
Total	**1,138**	**2,099**	**1,300**

Collateral – During the reporting period the council held no collateral as security.

d. 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 need, and the PWLB provides access to longer term funds, it also acts as lender of last resort to councils, although it will not provide funding to a council whose actions are unlawful . The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The maturity analysis of financial assets, excluding sums due from customers, is as follows:

	At 31 March 2018 £'000	At 31 March 2017 £'000	At 31 March 2016 £'000
Less than one year	57,975	53,958	43,800
Between one and two years	6,000	7,000	5,000
Between two and three years	-	-	-
More than three years	-	-	-
Total	**63,975**	**60,958**	**48,800**

e. Re-financing and Maturity Risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

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

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

The maturity analysis of financial liabilities is as follows:

	At 31 March 2018 £'000	At 31 March 2017 £'000	At 31 March 2016 £'000
Less than one year	3,245	4,280	3,274
Between one and two years	3,221	3,221	4,221
Between two and five years	34,665	34,665	34,665
Between five and ten years	16,109	16,109	16,109
Between ten and fifteen years	16,109	16,109	16,109
Over Fifteen Years	28,996	32,217	35,439
Total	**102,345**	**106,601**	**109,817**

f. **Market risk**

Interest rate risk

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

- Borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Account will rise;
- Borrowings at fixed rates – the fair value of the borrowing will fall (no impact on revenue balances);
- Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Account will rise; and
- Investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

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 affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

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 central treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favorable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rates 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 payable on variable rate borrowings	0
Increase in interest receivable on variable rate investments	(275)
Impact on Surplus or Deficit on the Provision of Services	(275)
Decrease in fair value of fixed rate borrowing liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income & Expenditure)	10,567

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed. These assumptions are based on the same methodology as used in the Note – Fair value of Assets and Liabilities carried at Amortised Cost.

Price risk

The Council, excluding the pension fund, does not generally invest in equity shares or marketable bonds.

Foreign exchange risk

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

18. FINANCIAL INSTRUMENTS

a. Financial Instruments Balances

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

	Long-Term		Current	
	At 31 March 2018 £'000	At 31 March 2017 £'000	At 31 March 2018 £'000	At 31 March 2017 £'000
Borrowings				
Financial Liabilities (principal amount)	99,100	102,321	3,222	4,222
Accrued Interest	-	-	23	58
Total Borrowings	**99,100**	**102,321**	**3,245**	**4,280**
Investments				
Loans & Receivables	6,000	7,000	57,785	53,745
Accrued interest	-		190	213
Available for Sale Assets	-			
Total Investments	**6,000**	**7,000**	**57,975**	**53,958**

Note 1 – Under accounting requirements the carrying value of the financial instruments is shown in the balance sheet which includes the principal amount borrowed or lent and further adjustments for breakage costs or stepped interest loans (measured by an effective interest rate calculation) including accrued interest. Accrued interest is shown separately in current assets/ liabilities where the payments/receipts are due within one year. The effective interest rate is effectively accrued interest receivable under the instrument, adjusted for the amortisation of any premiums or discounts reflected in the purchase price.

Note 2 – The Council has not made any soft loans

b. Fair value of Assets and Liabilities carried at Amortised Cost

Financial liabilities and financial assets represented by loans and receivables are carried on the balance sheet at amortised cost (in long term assets/liabilities with accrued interest in current assets/liabilities). Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- For loans from the Public Works Loan Board (PWLB) and other loans payable, premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures;
- For loans receivable prevailing benchmark market rates have been used to provide the fair value;
- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

	At 31 March 2018		At 31 March 2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
PWLB debt	102,345	116,526	106,601	124,714
Non-PWLB debt	-	-	-	-
Trade Creditors		-	3,595	3,595
Total financial liabilities	**102,345**	**116,526**	**110,196**	**128,309**
Short Term Deposits	8,785	8,785	7,745	7,745
Short Term Investments	49,190	49,190	46,213	46,147
Long Term Investments	6,000	6,022	7,000	7,051
Trade debtors	1,138	1,138	2,099	2,099
Other Short Term Debtors	4,414	4,414	3,620	3,620
Long Term Debtors	24	24	1,067	1,067
Total loans & receivables	**69,551**	**69,573**	**67,744**	**67,729**

The differences are attributable to fixed interest instruments receivable being held by the Council, whose interest rate is higher than the prevailing rate estimated to be available at 31 March. This increases the fair value of financial liabilities and raises the value of loans and receivables.

The fair value of Public Works Loan Board (PWLB) loans of £116.526m measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value measures the additional interest that the authority will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates. However, the authority has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets. A supplementary measure of the additional interest that the authority will pay as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB. If a value is calculated on this basis, the carrying amount of £102.3m would be valued at £107.8m. But, if the authority were to seek to avoid the projected loss by repaying the loans to the PWLB, the PWLB would raise a penalty charge for early redemption in addition to charging a premium for the additional interest that will not now be paid. The exit price for the PWLB loans including the penalty charge would be £116.5m.

19. CAPITAL COMMITMENTS

There are no capital commitments exceeding £500K

20. DEBTORS

An analysis of Debtors is shown below:

At 31st March 2017 £'000		At 31st March 2018 £'000
	Current Debtors	
1,301	Government Departments	1,454
954	Other Local Authorities	295
0	NHS	(3)
3,464	Other entities and individuals	3,806
5,719		**5,552**
	Long Term Debtors	
1,000	Local Authority Mortgage Scheme	0
33	Loans for Leisure Facilities	0
34	Other	24
1,067		**24**

21. CASH AND CASH EQUIVALENTS

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

At 31st March 2017 £'000		At 31st March 2018 £'000
8	Cash held by the authority	30
695	Bank current accounts	808
7,745	Short Term Deposits	8,785
8,448	**Total Cash & Cash Equivalents**	**9,623**

Some instant access accounts are used for short-term investments where the rate of interest achieved is better than for a short-term investment. However, due to the requirements of the Code they are included as Cash and Cash Equivalents on the Balance Sheet.

22. ASSETS HELD FOR SALE

As at 31st March 2018, there are 17 Council Dwellings that are in the process of being sold and these are classified as Current Assets Held for Sale in the Balance Sheet. In addition to Right to Buy sales, the disposal of Vantage Park (NBV £820K) was completed. The details of the assets held for sale are shown below.

2016/17		2017/18
£'000		£'000
1,420	Balance at start of year	1,695
(5)	Revaluation increase/decrease	
	Assets newly classified as held for sale:	
820	Property, Plant & Equipment	446
(475)	Assets sold	(1,338)
(65)	Withdrawn sales transferred back to PPE	(136)
1,695		**667**

23. CREDITORS

An analysis of Creditors is shown below:

At 31st March 2017		At 31st March 2018
£'000		£'000
718	Government Departments	553
421	Other Local Authorities	788
3	NHS bodies	0
6,724	Other entities and individuals	6,182
7,866	**Total**	**7,523**

24. PROVISIONS

	Injury & Damage Compensation Claims	Business Rates Appeals	Total
2017/18	£'000	£'000	£'000
Balance at 1st April 2017	333	1,306	1,639
Additional provisions made in 2017/18	149	801	950
Amounts used in 2017/18	(87)	(592)	(679)
Unused amounts reversed in 2017/18	(94)		(94)
Total	**301**	**1,515**	**1,816**
Split between:			
Short-term provisions	212	801	1,013
Long-term provisions	89	714	803
	301	**1,515**	**1,816**
2016/17			
Balance at 1st April 2016	309	984	1,293
Additional provisions made in 2016/17	154	426	580
Amounts used in 2016/17	(75)	(104)	(179)
Unused amounts reversed in 2016/17	(55)		(55)
Total	**333**	**1,306**	**1,639**
Split between:			
Short-term provisions			666
Long-term provisions			973
			1,639

All of the injury & damage compensation claims are individually insignificant. They relate to personal injuries sustained where the Council is alleged to be at fault (e.g. through a failure to repair a pavement properly). Provision is made for those claims where it is deemed probable that the Council will have to make a settlement, based on past experience of court decisions about liability and the amount of damages payable. Of the £301k provided at 31st March 2018 £212k is expected to be settled in 2018/19.

The Council has a provision for any potential liabilities as a result of Business Rate Payers appeals against rateable valuations. The Council is responsible for a 40% share of this liability along with The Department for Communities and Local Government and Lincolnshire County Council being responsible for a 50% and 10% respectively.

25. USABLE RESERVES

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and below:

	Balance at 1st April 2016 £'000	Transfer To Reserve £'000	Transfer From Reserve £'000	Balance at 31st March 2017 £'000	Transfer To Reserve £'000	Transfer From Reserve £'000	Balance at 31st March 2018 £'000
GF Cap Receipts Reserve	2,540	384		2,924	869		3,793
HRA Capital Receipts Reserve	1,780	1,073		2,853	479		3,332
Major Repairs Reserve	6,775	2,100		8,875	1,453		10,328
Earmarked GF Revenue Reserves	18,624	4,688		23,312		(3,780)	19,532
General Fund Unapplied Revenue Grants	381		(148)	233	198		431
Earmarked HRA Revenue Reserves	1,579	200		1,779		(333)	1,446
Earmarked GF Capital Reserve	3,095		(303)	2,792	1,290		4,082
Earmarked HRA Capital Reserves	10,977	3,023		14,000	2,350		16,350
Housing Revenue Account Balance	4,823		(1,197)	3,626		(1,137)	2,489
General Fund Balance	1,913		(115)	1,798	1,037		2,835
	52,487	**11,468**	**(1,763)**	**62,192**	**7,676**	**(5,250)**	**64,618**

26. UNUSABLE RESERVES

At 31st March 2017 £'000		At 31st March 2018 £'000
22,551	Revaluation Reserve	33,969
156,086	Capital Adjustment Account	165,510
(47,628)	Pensions Reserve	(48,563)
(884)	Collection Fund Adjustment Account	(399)
(131)	Accumulated Absences Adjustment Account	(131)
32	Deferred Capital Receipts	27
130,026		**150,413**

a. Revaluation Reserve

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

- Re-valued 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 the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2016/17 £'000		2017/18 £'000
21,116	Balance at start of year	22,551
2,075	Upward revaluation of assets	11,909
(401)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on Provision of Services	(46)
22,790	Surplus/Deficit on revaluation of non-current assets not posted to Surplus/Deficit on Provision of Services	34,414
(99)	Difference between fair value depreciation and historical cost depreciation	(436)
(140)	Accumulated gains on assets sold or scrapped	(9)
(239)	Amounts written off to the Capital Adjustment Account	(445)
22,551	Balance at end of year	**33,969**

b. Capital Adjustment Account (CAA)

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

26b CAA Continued

2016/17 £'000		2017/18 £'000
110,725	Balance at start of year	156,086
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income & Expenditure Statement	
(6,613)	Charges for depreciation of non-current assets	(7,213)
(4,087)	Charges for impairment of non-current assets	(4,729)
(214)	Revaluation losses on Property, Plant & Equipment	(364)
48,974	Revaluation gains reversing previous impairments charged to the Comprehensive Income & Expenditure Statement	10,152
(100)	Amortisation of intangible assets	(88)
(568)	Revenue expenditure funded from capital under statute	(537)
(2,745)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	(3,269)
145,372		150,038
99	Adjusting amounts written out of the Revaluation Reserve	436
145,471	Net written out amount of the cost of non-current assets consumed in the year	150,474
	Capital financing applied in the year	
1,559	Use of the Capital Receipts Reserve to finance new capital expenditure	2,095
4,214	Use of the Major Repairs reserve to finance new capital expenditure	5,068
377	Capital grants and contributions credited to the Comprehensive Income & Expenditure Statement that have been applied to capital financing	388
159	Statutory provision for the financing of capital investment charged against the General Fund & HRA balances	161
3,652	Self-financed capital expenditure	7,983
	Long Term Debtor written down	(1,000)
724	Capital expenditure charged against the General Fund and HRA balances	242
10,685		14,937
(70)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income & Expenditure Statement	99
156,086	Balance at end of year	**165,510**

c. 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 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 the funding will have been set aside by the time the benefits come to be paid.

2016/17 £'000 Original		2017/18 £'000
(38,306)	Balance at start of year	(47,628)
(7,718)	Remeasurement of the net defined benefit liability/ (asset)	2,414
(4,260)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on Provision of Services	(6,310)
2,656	Employer's pensions contributions and direct payments to pensioners payable in the year	2,961
(47,628)	Balance at end of year	**(48,563)**

d. Collection Fund Adjustment Account

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

2016/17 £'000		2017/18 £'000
(1,507)	Balance at start of year	(884)
(34)	Amount by which council tax income credited to the Comprehensive Income & Expenditure Statement is different from council tax income calculated in accordance with statute	92
657	Amount by which council tax and NNDR income credited to the CIES is different from council tax and NNDR income calculated for the year in accordance with statutory requirements	393
(884)	Balance at end of year *	**(399)**

*****This includes £195K (£65K 2016/17) renewable energy income variance.

e. Accumulated Absences Account

The Accumulating Compensated 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.

2016/17 £'000		2017/18 £'000
131	Balance at start of year	131
	Amounts accrued at the end of the current year	
0	Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statute	0
131	Balance at end of year	**131**

f. Deferred Capital Receipts

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.

2016/17 £'000		2017/18 £'000
36	Balance at start of year	32
(4)	Repayments received in year	(5)
32	Balance at end of year	**27**

27. TRADING OPERATIONS

The Council has established the following trading undertakings which are required to operate in a commercial environment and balance their budget by generating income from other parts of the Council or other organisations. Details of the financial results (which are not included in Cost of Services) are:

2016/17 £'000		2017/18 £'000
	The letting of Industrial Units located within the District	
(671)	Income	(559)
157	Expenditure	33
(514)	(Surplus)/Deficit	(526)
	Markets held weekly at Bourne, Grantham and Stamford	
(224)	Income	(223)
331	Expenditure	324
107	(Surplus)/Deficit	101
(407)	(Surplus)/Deficit	**(425)**

On the face of the Comprehensive Income & Expenditure Statement the trading operations show a surplus of £257k. This figure includes revaluation gains, depreciation & IAS 19 entries totalling £168k which have been charged to the trading operations. They have been excluded from the figures above as they are purely accounting entries and are fully reversed in the Statement of Movement on the General Fund Balance. The net impact of the trading operations in 2017/18 was an increase to the General Fund balances of £425k.

28. JOINT OPERATION

South Kesteven District Council are members with Newark and Sherwood District Council and Rushcliffe Borough Council of the Building Control Partnership. The partnership's net expenditure in 2017/18 is £108,000 of which £36,000 is attributable to South Kesteven District Council. This is not deemed to be material for reporting purposes.

29. INTEREST IN OTHER COMPANIES AND ENTITIES

South Kesteven District Council wholly owns Gravitas Housing Ltd which incurred £66k expenditure during 2017/18. Group accounts have not been produced on the grounds of materiality.

30. MEMBERS ALLOWANCES

The Local Authorities (Members' Allowances) Regulations 2003 requires local authorities to publish the amounts paid to members under the Members' allowance scheme.

The Council had 56 elected Councillors as at 31st March 2018.

Members' allowances and expenses paid during the year amounted to £465,530 (2016/17 £376,304). The figure includes basic allowance, special responsibility, and other related allowances.

31. OFFICER REMUNERATION

The numbers of employees whose remuneration was £50,000 or more, (excluding those classed as senior employees with strategic responsibility and shown separately in the second table below) in bands of £5,000 were:

2016/17 No. of officers	Remuneration Band	2017/18 No. of officers
4	£50,000 - £54,999	5
1	£55,000 - £59,999	1
2	£60,000 - £64,999	-
1	£65,000 - £69,999	1
1	£70,000 - £74,999	2
3	£75,000 - £79,999	3
-	£80,000 - £84,999	-
-	£85,000 - £89,999	-
-	£90,000 - £94,999	-
12		**12**

The remuneration of senior employees (i.e. those with strategic responsibility for the Council) is shown below:

		Note	Salary, Fees and Allowances £'000	Bonuses & Expenses Allowances £'000	Compensation for Loss of Employment £'000	Employers Pension contribution £'000	Any other emolument £'000	Total £'000
Chief Executive (1)	2017/18	1	31			6	8	45
	2016/17		123			21		144
Chief Executive (2)	2017/18	2	97			17		114
Strategic Director	2017/18		94			17	8	119
	2016/17		93			17	7	117
Strategic Director	2017/18		94			16		110
	2016/17		93			16		109
Strategic Director (S151 Officer)	2017/18	3	61		141	10		212
	2016/17		93			17	6	116
Monitoring Officer	2017/18		71			12	4	87
	2016/17		70			12		82

1. Beverly Agass left the Council's employment on 2nd July 2017.
2. Aidan Rave joined the council as Chief Executive on 16th June 2017.
3. The Strategic Director (S151 Officer) left the Council on 23rd November 2017. The duties of the post have been covered through a shared arrangement with Rutland County Council.

32. EXTERNAL AUDIT COSTS

The Council has incurred the following costs in relation to the external audit of the Statement of Accounts, certification of grant claims and other audit work. The Council has not made any payments for non-audit services to its external auditors and not incurred any costs for statutory inspections.

2016/17 £'000		2017/18 £'000
47	Fees payable to the external auditors with regard to external audit services carried out by the appointed auditor.	47
5	Fees payable to the external auditors for the certification of grant claims.	4
3	Fees payable to external auditors for the certification of returns	4
55		**55**

33. GRANT INCOME

The Council credited the following grants and contributions to the Cost of Services in the Comprehensive Income and Expenditure Statement in 2017/18

2016/17 £'000		2017/18 £'000
28,022	Benefits Subsidy	27,278
7	New Burdens	0
140	Local Council Tax Admin Subsidy	135
399	Housing Benefits Admin Grant	358
161	Discretionary Housing Payment	0
44	Welfare Reform	108
50	European Elections	0
24	IER Funding	34
148	Police & Crime Commissioner Elections	0
30	Custom Build Grant	30
214	HCA Spittlegate Heather Garden Village	244
90	Football Foundation	0
0	Neighbourhood Planning Grant	260
376	Disabled Facilities Grant	735
0	Homelessness	155
178	Arts and Recreation Grants	313
58	Other Grants	38
29,942		29,688

The Council has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them that will require the money to be returned.

The balances at the year end are as follows:

2016/17	**Capital Grants**	2017/18
£'000	**Receipts in Advance**	£'000
2,388	S106 Contributions	3,504

34. 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 has effective control (significant influence) over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions the Council has with third parties e.g. housing benefits. Details of transactions with government departments are set out in Notes 13 and 33 relating to grant income.

Members of the Council have direct control over the Council's financial and operating policies. Guidance has been issued to make Members, Chief Officers and senior managers aware of the requirements to declare all interests relevant to the Council including interests of families, partners and entities controlled by them. Also all Members, Chief Officers and senior managers have been requested to complete a Related Party Transaction declaration. Upon analysis of completed returns no material items were identified that required separate disclosure. The Council maintains a Register of Interests which is complete and up to date on the basis of information received.

Precept & Levying bodies, town councils, parish councils and drainage boards levy demands on the Council Tax, and the transactions are detailed below.

Payments made during the year were as follows:

2016/17		2017/18
£'000		£'000
1,547	Town and Parish Councils	1,620
117	Upper Witham Drainage Board	123
58	Black Sluice Drainage Board	58
471	Welland and Deepings Drainage Board	481
2,193		**2,282**

35. 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), 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.

2016/17 £'000	2016/17 Restated £'000		2017/18 £'000
116,486	116,690	**Opening Capital Finance Requirement**	113,309
		Capital Investment	
153	153	Council Dwellings	98
32	32	Other land & buildings	0
704	704	Vehicles, plant & equipment	1,437
5	5	Investment properties	3,073
1,748	1,748	Assets under construction	2,677
4,087	4,087	Capital expenditure	4,730
54	54	Intangible Assets	40
568	568	Revenue expenditure charged to capital under statute	537
		Sources of Finance	
(1,559)	(1,559)	Capital receipts	(2,095)
(376)	(376)	Capital grants & contributions	(388)
(8,797)	(8,797)	Sums set aside from revenue	(13,492)
113,105	**113,309**	**Closing Capital Financing Requirement**	**109,926**
		Explanation of movements in year	
(3,381)	(3,381)	Increase/(Decrease) in underlying need to borrow (supported by government financial assistance)	(3,383)
(3,381)	**(3,381)**	**Increase/ (Decrease) in Capital Financing Requirement**	**(3,383)**

The 2016/17 Capital Expenditure and Capital Financing Note has been restated to rectify a historic error dating back to 2009/10. The Capital Financing Requirement was understated and this has now been rectified.

36. LEASES

a. Council as Lessee

Finance Leases

The Council has acquired a number of buildings under finance leases on a peppercorn basis. Typically the annual payments for these buildings are less than £1 per annum, so the future minimum lease payments due are immaterial. The assets acquired under these leases are carried as Property, Plant & Equipment in the Balance Sheet at the following net book values.

At 31st March 2017 £'000	Carrying Value	At 31st March 2018 £'000
1,872	Other Land & Buildings	**2,094**

None of these properties are sublet.

Operating Leases

The Council has acquired various buildings under operating leases. The future minimum lease payments due under non-cancellable leases in future years are shown below, together with the net expenditure charged to the various lines within the Comprehensive Income and Expenditure Statement during the year.

At 31st March 2017 £'000	Future Minimum Lease Payments Due	At 31st March 2018 £'000
27	Not later than one year	55
26	Between one & five years	27
2	Later than 5 years	2
55		**84**

At 31st March 2017 £'000	Expenditure charged to Comprehensive Income & Expenditure Account	At 31st March 2018 £'000
4	Planning Services	4
51	Central Services	80
55		**84**

b. Council as Lessor

Finance Leases

The Council has leased out HRA shops and the Crematorium at Grantham on finance leases with the remaining terms being between 65 and 70 years. The Council has a gross investment in the lease, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the property when the lease comes to an end. The minimum lease payments comprise settlement of the long-term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the Council in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts:

Gross Investment in the Lease

At 31st March 2017 £'000	Finance Lease Debtor (net present value of minimum lease payments)	At 31st March 2018 £'000
0	Current	0
13	Non-Current	13
57	Unearned finance income	56
1,740	Unguaranteed residual value of property	1,740
1,810	Gross Investment in the Lease	**1,809**

The gross investment in the lease and the minimum lease payments will be received over the following periods:

	Gross Investment in the Lease		Minimum Lease Payments	
	At 31st March 2018 £'000	At 31st March 2017 £'000	At 31st March 2018 £'000	At 31st March 2017 £'000
Not later than one year	1	1		-
Between one & five years	5	5	1	1
Later than 5 years	1,803	1,804	13	13
	1,809	**1,810**	**14**	**14**

	Gross Investment in the Lease		Minimum Lease Payments	
	At 31st March 2017 £'000	At 31st March 2016 £'000	At 31st March 2017 £'000	At 31st March 2016 £'000
Not later than one year	1	1	-	-
Between one & five years	5	5	1	1
Later than 5 years	1,804	1,805	13	14
	1,810	**1,811**	**14**	**15**

No allowance for uncollectible amounts has been set aside as at 31 March 2018.

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2017/18 no contingent rents were receivable by the Council.

Operating Leases

The Council leases out property under operating leases for the following purposes

- For the provision of community services such as leisure and community services.
- For economic development services to provide suitable affordable accommodation for local businesses.

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

At 31st March 2017		At 31st March 2018
£'000		£'000
229	Not later than one year	576
311	Between one & five years	2,111
361	Later than 5 years	1,529
901		**4,216**

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2017/18 no contingent rents were receivable by the Council.

37. IMPAIRMENT LOSSES

The Council recognised no impairment losses during 2017/18

38. TERMINATION BENEFITS

Exit Package cost bands (including special payments)	Number of compulsory redundancies		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2016/17 No.	2017/18 No.	2016/17 No.	2017/18 No.	2016/17 £'000	2017/18 £'000
£0-£20,000	2	-	2	1	19	4
£20,001 - £40,000	-	-		-		-
£40,001 - £60,000		-		1		41
£60,001 - £80,000		-		-		-
£80,001 - £100,000		-		-		-
£100,001 - £150,000		-		1		142
Total Cost included in bandings	2	-	2	3	19	187

39. DEFINED BENEFIT PENSION SCHEME

a. Participation in Pension Scheme

As part of the terms and conditions of employment of its officers and other employees, 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 for those benefits and to disclose them at the time that employees earn their future entitlement.

The Council participates in the Local Government Pension Scheme administered by Lincolnshire County Council.

- This is a funded defined benefit final salary scheme, meaning the Council, and employees, pay contributions into a fund, calculated at a level intended to balance the pension’s liabilities with investment assets.

- Arrangements for the award of discretionary post-retirement benefits upon early retirement are 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 pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

- The Lincolnshire County Council pension scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the pensions committee of Lincolnshire County Council. Policy is determined in accordance with the Pension Fund Regulations.

- The principal risks to the Council of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and Housing Revenue Account the amounts required by statute as described in the accounting policies note.

Discretionary Post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no plan assets built up to meet these pension liabilities.

b. Transactions Relating to Post-employment Benefits

The Council recognises the cost of retirement benefits in the cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Council is 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 and Housing Revenue Account via the Movement in Reserves Statement. The reversal of the IAS19 transactions ensures that there is no effect on the amounts to be met from government grant and the local taxpayers. 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.

2016/17 £'000		2017/18 £'000
	Comprehensive Income and Expenditure Statement	
	Cost of Services	
2,902	- current service cost	5,017
13	- past service cost	28
	- (gain)/loss from settlements	
	Financing & Investment Income & Expenditure	
4,049	- Net interest expense	3,665
(2,704)	-Expected return on assets in the scheme	(2,400)
4,260	Total Post-employment benefits charged to the Surplus or Deficit on the Provision of Services	6,310
	Other Post-employment benefits charged to the Comprehensive Income and Expenditure Statement	
	Remeasurement of the net defined benefit liability comprising:	
(12,623)	-return on plan assets (excluding the amount included in the net interest expense)	281
(2,190)	-Actuarial gains and losses arising on changes in demographic assumptions	0
23,495	-Actuarial gains and losses arising on changes in financial assumptions	(2,698)
(964)	-Other	3
11,978	**Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement**	**3,896**
	Movement in Reserves Statement	
(1,604)	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	**(3,349)**
	Actual amount charged against the General Fund Balance for pensions in the year.	
2,656	- Employers' contributions payable to scheme.	**2,961**

c. Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council's obligation in respect of the defined benefit plans is as follows:

2016/17 £'000 Original		2017/18 £'000
139,982	Present Value of the defined benefit obligation	143,088
(92,354)	Fair value of plan assets	(94,525)
47,628	Sub-total	48,563
-	Other movements in the liability (asset)	-
47,628	**Net liability arising from defined benefit obligation**	**48,563**

d. Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets

2016/17 £'000		2017/18 £'000
77,603	Opening fair value of scheme assets	92,354
2,704	Interest income	2,400
	Remeasurement gain/ (loss:	
12,623	The return on plan assets, excluding the amount included in net interest	(281)
	Other	
	The effect of changes in foreign exchange rates	
2,656	Contributions from employer	2,961
744	Contributions from employees into the scheme	794
(3,976)	Benefits paid	(3,703)
92,354	**Closing fair value of scheme assets**	**94,525**

e. Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

2016/17 £'000 Original		2017/18 £'000
115,909	Opening balance at 1 April	139,982
2,915	Current Service Cost	5,017
4,049	Interest cost	3,665
744	Contributions from scheme participants	794
	Remeasurement (gains) and losses:	
(2,190)	Actuarial gains/ losses arising from changes in demographic assumptions	0
23,495	Actuarial gains/ losses arising from changes in financial assumptions	(2,698)
(964)	Other	3
	Past Service cost	28
	Losses/(gains) on curtailment	
	Liabilities assumed on entity combinations	
(3,976)	Benefits paid	(3,703)
	Liabilities extinguished on settlements	
139,982	**Closing Balance at 31st March**	**143,088**

f. Local Government Pension Scheme assets comprised

2016/17	Fair Value of Scheme Assets	2017/18
£'000		£'000
654	Cash and Cash equivalents	1,156
	Equity instruments by industry type:	
10,383	Consumer	6,944
1,357	Manufacturing	5,374
2,395	Energy and utilities	2,621
6,378	Financial institutions	6,500
3,555	Information technology	7,353
7,582	Other	4,022
31,650	Sub Total Equity	32,814
	Debt Securities	
8,584	Corporate Bonds (Investment Grade)	0
	Corporate Bonds (Non-Investment Grade)	
2,982	UK Government	0
	Other	
11,566	Sub-total bonds	0
2,133	Private Equity:	1,530
	Real Estate	
8,404	UK Property	8,011
281	Overseas Property	706
8,685	Sub-total Property	8,717
	Investment Funds and Unit Trusts	
25,373	Equities	26,226
	Bonds	11,174
1,388	Infrastructure	1,377
10,905	Other	11,531
37,666	Sub-total other investment funds	50,308
92,354	**Total Assets**	**94,525**

All scheme assets have quoted prices in active markets.

g. Basis of Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit cost 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 estimated by Hymans Robertson, an independent firm of actuaries, estimates for the Lincolnshire County Council Fund being based on the latest full valuation of the scheme as at 31 March 2016.
The significant assumptions used by the actuary have been:

2016/17		2017/18
	Long term expected rate of return on assets in the Scheme	
	Mortality Assumptions	
	Longevity at 65 for current pensioners:	
22.1	Men	22.1
24.4	Women	24.4
	Longevity at 65 for future pensioners:	
24.1	Men	24.1
26.6	Women	26.6
2.8%	Rate of increase in salaries	2.8%
2.4%	Rate of Increase in Pensions	2.4%
2.6%	Rate for discounting scheme liabilites	2.7%

The estimate of the defined benefit obligations is sensitive to actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The method and types of assumptions used in preparing the sensitivity analysis below do not change from those used in the previous period.

Impact on the Defined Benefit Obligation in the Scheme	Increase/ Decrease in Assumption £'000
Longevity (increase or decrease in 1 year)	0
Rate of increase in salaries (increase or decrease by 0.5%)	1,862
Rate of increase in pensions (increase or decease by 0.5%)	12,016
Rate of discounting scheme liabilities (Increase or decrease by 0.5%)	14,045

h. Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contribution at as constant a rate as possible. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31st March 2019.

The Council is anticipated to pay £3,025K expected contributions to the scheme in 2018/19.

The weighted average duration of the defined benefit obligation for scheme members is 17.6 years.

Further information can be found in Lincolnshire County Council's Pension Fund Annual Report which is available upon request from the Pension Fund Manager, Lincolnshire County Council, County Offices, Newland, Lincoln, LN1 1YE (Tel: 01522 553656).

40. CONTINGENT ASSETS AND LIABILITIES

There were no material contingent assets or liabilities as at 31 March 2018.

41. BORROWING

Non-Current Borrowing represents borrowing repayable within a period in excess of one year.

2016/17 £'000	Analysis of Loans by Source	2017/18 £'000
102,321	PWLB	99,100
102,321		**99,100**

£'000	Analysis of Loans by Maturity	£'000
3,221	Between 1 and 2 Years	3,221
34,665	Between 2 and 5 Years	34,665
16,109	Between 5 and 10 Years	16,109
16,109	Between 10 and 15 Years	16,109
32,217	Over 15 years	28,996
102,321		**99,100**

Current Borrowing represents borrowing repayable within one year.

2016/17 £'000		2016/17 £'000
3,274	Balance at start of year	4,280
	Borrowing taken out during year	
(3,274)	Borrowing repaid during year	(4,280)
4,222	Transferred from Non-Current Borrowing	3,222
58	Accrued interest at end of year	23
4,280	Balance at end of year	**3,245**

42. AUTHORISATION OF ACCOUNTS FOR ISSUE

The date that the Statement of Accounts was authorised for issue was 25 July 2018. This is the date up to which events after the Balance Sheet date have been considered. The name of the person who gave the authorisation was Debbie Muddimer (Chief Finance Officer).

43. HERITAGE ASSETS

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

	Assets held at value		Assets held at cost	Total Assets
	Antiques	Miscellaneous Artefacts	Orrery	
	£'000	£'000	£'000	£'000
Cost or Valuation				
1st April 2016	216	193	20	429
Additions in year				0
Disposals in Year				0
31st March 2017	216	193	20	429
Revaluations	22	71		93
Additions in year				0
Disposals in Year				0
31st March 2018	238	264	20	522

It is not practicable to report any transactions relating to Heritage Assets before 1 April 2010, as such transactions were not distinguished from those relating to operational assets.

a. Antiques

The Council's collection of antiques is reported in the Balance Sheet at insurance valuation which is based on market values. The collection includes items such as the chandeliers and mirrors at Stamford Arts Centre and 2 large Japanese bronze koros in the civic suite at Grantham. The collection also includes an 18th Century portrait of Catherine Manners, Lady Huntingtower on view at Grantham Guildhall.

b. **Miscellaneous Artefacts**

Items of note in this collection include civic regalia and a Victoria Cross medal. Items in this collection are reported in the Balance Sheet at insurance valuation which is based on market values. The collection is held at Grantham.

Valuations were undertaken in February 2018 for insurance purposes by Anthony Marriott, Fine Art Consultant & Valuer.

c. Orrery

The Orrery sculpture in Grantham Market Place is reported at cost.

d. Historic

The Council has a collection of assets that are of historic significance but are not reported on the balance sheet as their value cannot be reliably established. This collection is made up of the following:

St Leonard Priory, Stamford	12th Century Priory, listed ancient monument
Conduit, Grantham	16th Century Well Head
St Wulfram's War Memorial, Grantham	World War 1 memorial

Dysart Park Band Stand, Grantham	Victorian wrought iron band stand
Wyndham Park Shelter, Grantham	World War 1 memorial shelter

Currently the Council has no intangible Heritage Assets

More details on the Heritage Assets held by the Council including their location and any public access allowed is held on the Council's Heritage Asset schedule.

44. INVESTMENTS

Non-current investments represent money invested for a period longer than one year.

2016/17 £'000	**Non-Current Investments**	2017/18 £'000
5,000	Balance at start of year	7,000
7,000	Investments made during year	6,000
-	Investments redeemed during year	-
(5,000)	Transferred to Current Investments	(7,000)
7,000	Balance at end of year	**6,000**

Current investments are held for periods less than one year.

2016/17 £'000	**Current Investments**	2017/18 £'000
37,305	Balance at start of year	46,213
52,000	Investments made during year	63,000
(48,305)	Investments redeemed during year	(67,213)
5,000	Transferred from Non-Current Investments	7000
213	Accrued interest at end of year	190
46,213	Balance at end of year	**49,190**

45. CASH FLOW STATEMENT

The adjustments to the net surplus or deficit on the provision of services for non-cash movements can be analysed as follows;

2016/17 £'000		2017/18 £'000
6,613	Depreciation	7,213
(43,821)	Impairment & downward valuations	(4,909)
100	Amortisation	88
133	Increase/(Decrease) in impairment for bad debts	
311	Increase/(Decrease) in Creditors	(1,427)
(1,940)	(Increase)/Decrease in Debtors	564
(1)	(Increase)/Decrease in Stock	(2)
1,604	Movement in pension liability	3,347
2,746	Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	3,278
417	Other non-cash items charged to the net surplus or deficit on the provision of services	78
(33,838)		**8,230**

HOUSING REVENUE ACCOUNT

INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2018

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis on which rents are raised, is shown in the Movement on the Housing Revenue Account Statement.

2016/17 £'000		2017/18 £'000
	Income	
	Gross Rental Income	
(25,195)	- Dwelling Rents	(24,780)
(282)	- Non-Dwelling Rents	(293)
(585)	Charges for Services and Facilities	(632)
(375)	Other Income	(425)
(26,437)	**Total Income**	**(26,130)**
	Expenditure	
8,022	Repairs and Maintenance	8,638
3,628	Supervision and Management	4,187
29	Rent, rates, taxes and other charges	(15)
94	Increase/(Decrease) in Prov'n for Doubtful Debts	226
(40,645)	Depreciation and impairment of Non-Current Assets	(1,358)
31	Debt Management Costs	36
(28,841)		**11,714**
(55,278)	**Net Cost of HRA Services**	**(14,416)**
379	HRA share of Corporate and Democratic Core	393
(54,899)	**Net Cost of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement**	**(14,023)**
(939)	(Gain)/loss on sale of HRA assets	(976)
811	Contribution Housing Captial Receipts to the Pool	803
	Other operating income (Right to Buy Discount Repaid)	(10)
3,095	Interest payable and similar charges	2,943
(206)	Interest and Investment Income	(228)
(28)	Investment Property Income and Expenditure	(36)
318	Pension Interest Costs and Expected Return on Assets	295
(490)	Recognised Grants & Contributions	
(52,338)	**(Surplus)/Deficit for the year on HRA services**	**(11,232)**

MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT

2016/17 £'000		Note	2017/18 £'000
(4,823)	Balance on the HRA at the end of the previous year		(3,626)
(52,338)	(Surplus)/Deficit for the year on the HRA Income & Expenditure Statement		(11,232)
47,171	Adjustments between Accounting Basis and Funding Basis under statute	8	7,147
(5,167)	**Net (increase) or decrease before transfers to or from reserves**		**(4,085)**
6,364	Transfers to or (from) reserves	8	5,221
(3,626)	Balance on HRA at the end of the current year		**(2,490)**

NOTES TO THE HOUSING REVENUE ACCOUNT

The Housing Revenue Account reflects a statutory obligation to maintain a revenue account for local Council housing provision in accordance with part 6 of the Local Government and Housing Act 1989. The Act sets the framework for "ring fencing" the Housing Revenue Account (HRA). The account has to be self-financing and there is a legal prohibition on cross subsidy to or from the General Fund.

1. HOUSING STOCK

The Council was responsible for managing on average 6,091 dwellings during 2017/18. The housing stock and changes during the year are as follows:

	At 1st April 2017	Additions	Disposals /Sales	At 31st March 2018
Rentable Stock				
- Houses	3,290	10	48	3,252
- Bungalows	1,501	5	4	1,502
- Flats	1,289	16	4	1,301
Shared Ownership	23			23
Total	**6,103**	**31**	**56**	**6,078**

2. LAND HOUSES AND OTHER PROPERTY

Analysis of Housing Fixed Assets

	Operational Assets			Non Operational Assets		
	Dwellings	Other Land and Buildings	Vehicles, Plant & Equipment	Investment Properties	Assets Under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation at 1 April 2017	225,740	3,436	1,298	421	1,644	232,539
Additions	4,827		338		1,997	7,162
Revaluation increases/(decreases) recognised in the Revaluation Reserve	2,338	48				2,386
Revaluation increases/(decreases) recognised in the Surplus/Deficit on Provision of Services	2,230	107		19		2,356
Derecognition - Disposals	(1,854)		(65)			(1,919)
Assets reclassified to/from Held for Sale	(310)					(310)
Assets reclassified (to)/from Assets Under Construction	3,633				(3,633)	0
Gross Book Value as at 31/3/2018	236,604	3,591	1,571	440	8	242,214
Depreciation & Impairments						
At 1 April 2017	(3,174)	(149)	(950)	0	0	(4,273)
Depreciation charge	(3,327)	(155)	(142)			(3,624)
Depreciation written out to the revaluation reserve	561	100				661
Depreciation written out to the CI&E	7,342	47				7,389
Impairment losses/(reversals) recognised in the Revaluation Reserve	-					0
Impairment losses/(reversals) recognised in the Surplus/Deficit on Provision of Services	(4,729)					(4,729)
Derecognition - Disposals	0					0
Other movements in Depreciation &						0
At 31 March 2018	(3,327)	(157)	(1,092)	0	0	(4,576)
Balance Sheet Amount at 31 March 2018	**233,277**	**3,434**	**479**	**440**	**8**	**237,638**
Balance Sheet Amount at 31 March 2017	**222,566**	**3,287**	**348**	**421**	**1,644**	**228,266**

The vacant possession value of dwellings at 31 March 2018 was £555.92m (£538.93m at 31 March 2017). Each council dwelling owned, in full or part, by the Council has been valued by the Valuation Office Agency in accordance with the guidance issued by DCLG. The vacant possession value of dwellings must be adjusted to reflect the social housing status of local authority dwellings i.e. that social housing is available to tenants at less than open market rents. The predetermined adjustment factor for social housing in the East Midlands is 42%.

3. HRA REVALUATION LOSS

When assets are re-valued, the increase or decrease is an "unrealised gain or loss" until the asset is sold. These unrealised gains and losses are held in the revaluation reserve. If an asset is revalued upward, then in subsequent years re-valued downward, the revaluation loss is set against the original gain in the reserve, so reducing it. Once any gains in the reserve are reduced to zero, any further loss must be charged as expenditure to the Housing Revenue Account in the year.

Due to accounting rules, the Revaluation Reserve was set up with an opening balance of zero at 1 April 2007. The closing position on the Reserve at 31 March 2018 therefore only shows revaluation gains accumulated since 1 April 2007 together with depreciation adjustments to comply with accounting rules. Any revaluation gains (and losses) on non-current assets prior to 1 April 2007 are accounted for in the Capital Adjustment Account.

2016/17 £'000		2017/18 £'000
3,418	Depreciation	3,624
(48,073)	Revaluation Loss/(Gain)	(9,601)
4,087	Impairment Losses	4,729
(40,568)		**(1,248)**

4. MAJOR REPAIRS RESERVE

The Major Repairs Reserve is maintained to meet HRA capital expenditure. Movements on the Reserve were:

2016/17 £'000		2017/18 £'000
6,775	Opening balance on the Major Repairs Reserve	8,875
	Transfer to/ (from) the Major Repairs Reserve	
3,173	Capital Adjustment Account	3,327
3,141	Shortfall of depreciation on dwellings over Major Repairs Allowance	3,194
(4,214)	Financing of Capital Expenditure	(5,068)
8,875	**Closing balance on the Major Repairs Reserve**	**10,328**

5. FINANCING CAPITAL EXPENDITURE

The capital expenditure on land, houses and other assets in the HRA together with its financing is shown below:

2016/17 £'000		2017/18 £'000
	Expenditure	
4,239	Council Dwellings	4,827
18	Intangibles	
109	Plant and Equipment	338
1,379	Assets Under Construction	1,997
5,745	**Total**	**7,162**
	Financed from:	
4,214	Major Repairs Reserve	5,068
1,041	Capital Receipts	2,094
490	Revenue Contributions	0
5,745		**7,162**

Supported Capital Expenditure allowances are issued by the Government as part of The Prudential Code for Capital Finance in Local Authorities.

6. CAPITAL RECEIPTS

The sale of HRA assets during the year is detailed in the following table. Following the reinvigoration of the Right to Buy (RTB) the split between useable and unusable poolable receipts is now re calculated by use of a complex procedure imposed by the Department of Communities and Local Government.

	Receipt in Year £'000	Element Pooled £'000	Useable Element £'000
Sale of Vehicles	17		17
Sale of Council Dwellings	3,309	(800)	2,509
Sale of Shared Ownership Dwellings	37		37
Repayment of discounts	10		10
Mortgage Repayments	4	(3)	1
Total	**3,377**	**(803)**	**2,574**

A transaction cost of £1,300 per completed RTB sale has been deducted before calculating the apportionment between pooled and useable plus a deduction for the debt supported by those properties sold.

7. PENSION COSTS

Note 39 to the Core Financial Statements provide a detailed explanation of the accounting requirements for pension costs.

The following transactions have been made in the Housing Revenue Account to reflect its share of the pension fund transactions in the year.

Housing Revenue Account Pension Cost

2016/17 £'000		2017/18 £'000
Original	**Net Cost of Services**	
690	- Current Service Cost	1,175
	Net Operating Expenditure	
318	- Interest Cost	295
1,008		1,470
	Statement of Movement of the Housing Revenue Balance	
(1,008)	- Reversal of net charges made for retirement benefits in accordance with IAS19	(1,470)
	Actual amount charged to revenue accounts for Pensions in the year	
613	- Employers' contributions payable to the scheme	664

8. ANALYSIS OF RECONCILING ITEMS IN MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT

2016/17	Movement on the Housing Revenue Account Statement	2017/18
£'000		£'000
	Adjustments between Accounting and Funding Basis:	
(1,008)	IAS 19	(1,470)
613	- Pension Costs Charged to Rent Income	664
(4,087)	- Non-Enhancing Capital Expenditure	(4,729)
3,712	Capital Expenditure	3,222
940	Gains/losses on disposal of non current assets	976
48,073	Revaluation gains/(losses) on PPE	9,601
(811)	Payments to Housing Capital Receipts Pool	(803)
(261)	Depreciation of non-current assets	(313)
	Other Adjustment	(1)
47,171		**7,147**
	Transfers to/from Earmarked Reserves:	
100	- Insurance Surplus	(100)
3,123	- Transfers to/(from) reserves	2,127
3,141	- Transfers to/ (from) Major Repairs	3,194
0	- Transfer to Unapplied Capital Receipts	-
6,364		**5,221**

9. RENT ARREARS

An analysis of rent arrears is shown below:

At 31st March 2017		At 31st March 2018
£'000		£'000
631	Current Tenants	677
404	Former Tenants	532
1,035	**Gross Rent Arrears**	**1,209**
(621)	**Bad Debt Provision**	**(847)**

A bad debt Provision has been made in the accounts for potentially uncollectable rent arrears.

10. INCOME

Income in the housing revenue account comes from a number of different sources:

- Dwelling rents. These are calculated in accordance with government guidelines for rent restructuring. For 2017/18 all rents decreased by 1%. The figure within the HRA statement is the total rent collectable after an allowance has been made for empty properties where no rent is being charged.

- Non-dwelling rents. This is comprised of plots, garages, HRA shops and wayleaves. Rent on garages and plots were increased by 2% for 2017/18.

- Charges for services and facilities include:
  - Communal room charge to cover the cost of providing communal lounges, kitchens and use of laundry equipment;
  - Communal facilities charge covers the costs of cleaning, fire alarms and the provision of lifts to living areas;
  - Heating charges for communal heating systems; and
  - Water charges to cover the cost of water consumption in communal areas as well as servicing tenants' dwellings from the same meter.

  Communal room and communal facilities charges increased by 3.4% and all other charges for services and facilities were increased by 2% for 2017/18.

- Other income. This comes from a number of sources, including the recharge of repairs and maintenance, court and legal costs and insurance recharges.

11. EXPENDITURE

Repairs and Maintenance covers all aspects of maintenance for the housing revenue account properties.

Repairs and Maintenance	Original Budget	Revised Budget	Actuals
	2017/18	2017/18	2017/18
	£	£	£
Expenditure	8,130,984	8,145,379	8,308,103
Average Number of Properties 2017/18	6,091	6,091	6,091
Average cost per dwelling	£1,334.92	£1,337.28	£1,364.00

Supervision and Management can be split into two parts - general and special.

- General supervision and management costs relate to activities which are pertinent to all Council properties, this includes policy and management issues, rent collection, accountancy and tenancy management activities.

	2017/18	2017/18	2017/18
	£	£	£
Expenditure	2,526,285	2,537,235	3,068,786
Average Number of Properties 2017/18	6,091	6,091	6,091
Average cost per dwelling	£414.76	£416.55	£503.82

- Supervision and management special costs relate to services which are only received by some but not all properties in the housing revenue account. Service includes supported housing schemes, heating charges, homelessness family units and other estate expenditure (grounds maintenance). They have not been included in the comparison above.

COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2018

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

2016/17 Business Rates £'000	2016/17 Council Tax £'000	2016/17 Total £'000		Note	2017/18 Business Rates £'000	2017/18 Council Tax £'000	2017/18 Total £'000
			Income				
0	69,373	69,373	Council Tax Payers		0	72,722	72,722
42,267	0	42,267	Business Ratepayers		40,610	0	40,610
			Apportionment of Previous Year Deficit -				
940	0	940	Central Government		932	0	932
752	0	752	South Kesteven District Council		745	0	745
188	0	188	Lincolnshire County Council		186	0	186
44,147	69,373	113,520	**Total Income**		42,473	72,722	115,195
			Expenditure				
41,342	68,499	109,841	Precepts and Demands	3	39,756	72,024	111,780
178	0	178	Costs of Collection		177	0	177
0	0	0	Transitional Protection Payment		165	0	165
			Bad and doubtful Debts -				
162	65	227	Write Offs		126	199	325
70	43	113	Provisions		(82)	10	(72)
806	0	806	Appeals		520	0	520
			Apportionment of Previous Year Surplus -				
0	120	120	South Kesteven District Council		0	36	36
0	758	758	Lincolnshire County Council		0	225	225
0	139	139	Lincolnshire Police & Crime Commissioner		0	42	42
42,558	69,624	112,182	**Total Expenditure**		40,662	72,536	113,198
1,589	(251)	1,338	**Movement on Fund**		1,811	186	1,997
(4,056)	611	(3,445)	Balance at the Beginning of the Year		(2,467)	360	(2,107)
(2,467)	360	(2,107)	**Surplus/(Deficit) on Fund at End of Year**		(656)	546	(110)
			Allocated to -				
(1,234)	0	(1,234)	Central Government		(328)	0	(328)
(987)	38	(949)	South Kesteven District Council		(262)	59	(203)
(246)	278	32	Lincolnshire County Council		(66)	420	354
0	44	44	Lincolnshire Police & Crime Commissioner		0	67	67
(2,467)	360	(2,107)			(656)	546	(110)

NOTES TO THE COLLECTION FUND

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, Office of the Police and Crime Commissioner for Lincolnshire and South Kesteven District Council together with each parish requirement and dividing this 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 Council Tax base for 2017/18 increased to 46,119.4 (45,440.4 in 2016/17)

The Council Tax base was calculated as follows:

Band	Estimated No. of Taxable Properties After Effect of Discounts	Ratio	Band D Equivalent Dwellings
A	12,500.40	6/9	8,333.6
B	11,528.40	7/9	8,966.5
C	9,667.50	8/9	8,593.3
D	8,206.00	9/9	8,206.0
E	5,153.00	11/9	6,298.1
F	2,666.20	13/9	3,851.2
G	1,004.00	15/9	1,673.4
H	63.80	18/9	127.6
Band A entitled to Disabled Relief Reduction	19.20	5/9	10.7
			46,060.4
Ministry of Defence Properties			59.0
Council Tax Base			**46,119.4**

2. BUSINESS RATES

Under this scheme SKDC keeps the total non-domestic rates due, less certain reliefs and deductions, and then redistributes the rates collected based on estimates at the start of the year. The redistribution of the central and local shares is based on the ratio of 50:40:10 for Central Government, SKDC and Lincolnshire County Council. The business rates retention scheme is designed to encourage economic growth and incentivise Councils by allowing them to keep a proportion of any business rates growth achieved during the year.

Under the arrangements for Non-Domestic Rates, the Council collects rates for its area based upon local rateable values (determined by the Valuation Office Agency, an executive agency of HM Revenue & Customs) multiplied by the multiplier (determined by Government). For 2017/18 there are two multipliers:

Full	0.479 (0.497 for 2016/17)
Small Business	0.466 (0.484 for 2016/17)

The total Non-Domestic Rateable Value at 31 March 2018 was £108.903m (31 March 2017 £101.998m).

3. PRECEPTS AND DEMANDS

2016/17 £'000 Council Tax	2016/17 £'000 Business Rates	2016/17 £'000 Total		2017/18 £'000 Council Tax	2017/18 £'000 Business Rates	2017/18 £'000 Total
-	20,671	20,671	Central Government	-	19,878	19,878
51,295	4,134	55,429	Lincolnshire County Council	54,117	3,976	58,093
9,157	-	9,157	Lincs Police & Crime Commissioner	9,476	-	9,476
8,047	16,537	24,584	South Kesteven District Council	8,431	15,902	24,333
68,499	**41,342**	**109,841**		**72,024**	**39,756**	**111,780**

SOUTH KESTEVEN
DISTRICT COUNCIL

Annual Governance Statement

2017/18

Introduction

Local authorities are statutorily required to review their governance arrangements at least once a year. The preparation and publication of an Annual Governance Statement (AGS), in accordance with the CIPFA/Solace "Delivering Good Governance in Local Government: Framework", fulfils this requirement. The AGS also conforms to the Council's Local Code of Corporate Governance and covers all significant corporate systems, processes and controls spanning the whole range of the Council's activities. It provides an overview of the Council's key governance systems and explains how they are tested and the assurances that can be relied on to show that the systems are working effectively. The AGS explains how the Council has complied with the Local Code of Corporate Governance, the core governance principles and builds on the work of previous years.

Key elements of the Council's governance framework

Council

- Approve Constitution including Codes of Conduct
- Approve the Corporate Plan
- Approve budget and policy framework
- Hold decision making meetings in public

Cabinet

- Set priorities in line with the Council's vision and recommend budget proposals to underpin delivery
- Deliver financial performance and risk management within the budget and policy framework set by Council
- Hold decision making meetings in public

Governance & Audit Committee

- Scrutinise and approve Financial Statements on behalf of the Council
- Review Financial Regulations and Contract & Procurement Procedure Rules
- Review and scrutinise governance arrangements, including internal and external audit reports, and the management of risk
- Holds meetings in public

Overview & Scrutiny Committees

- Provide a critical friend challenge to the Cabinet as well as external authorities and agencies
- Reflect the voice and concerns of the public and its communities
- Holds meetings in public

Management

- Review performance management and projects including progress against milestones, resource allocation, risks and performance
- Complete quarterly assurance statements and contribute to the effective corporate management and governance of the Council

Risk Management

- Review risk registers for corporate, operational and fraud risks
- Corporate risks considered by senior managers quarterly and Governance & Audit Committee biannually

Internal Audit

- Set the internal audit strategy to meet the Council's overall strategic direction and provide assurance on risk management, governance and internal control arrangements
- Undertake annual programme of audits and present progress reports against the plan
- Make recommendations for improvement in systems and controls and value for money

How we comply with the CIPFA/Solace Framework

The Council has approved and adopted a Local Code of Corporate Governance based on the requirements of the CIPFA/Solace Delivering Good Governance in Local Government Framework 2016. Set out below is how the Council has complied with the seven principles set out in the CIPFA/Solace Framework during 2017/18.

Principle A

Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law

We have defined and communicated the standards of conduct and personal behaviour expected of Members and officers through various policies, procedures, codes of conduct and protocols to ensure integrity.

We have arrangements in place for individuals to raise concerns where they believe these values and behaviours are not being lived. We have a Counter Fraud Strategy, which incorporates bribery and corruption, and a Whistleblowing Policy which provides protection for individuals to raise concerns in confidence and ensures that any concerns raised are investigated properly.

The governance framework brings together an underlying set of legislative requirements, good practice principles and management processes. It comprises the systems, processes, culture and values by which the Council is directed and controlled, and through which it accounts to, engages with and informs the local community. It enables the Council to monitor the achievement of its strategic objectives.

The Council is committed to the rule of the law and adherence to all laws and regulations underpinning its work. All council decisions consider the legal implications and these are captured within all Council reports along with a quality impact analysis and consideration of any risks and mitigations.

Principle B

Ensuring openness and comprehensive stakeholder engagement

All meetings are open to the public with agenda papers, reports and decisions being published on our website, except those determined as exempt from publication.

Our constitution sets out how we engage with stakeholders and partners.

We have carried out a number of consultations during 2017/18 including engagement with local businesses, residents and town and parish councils on the level of council tax to be set for the following year. More than 250 people responded and their feedback informed Cabinet’s recommendation for a £5 a year increase, with the final decision approved by the Council in March 2018.

Local people agreed with the four key priorities in the Council’s draft Housing Strategy. More than 70 individuals and organisations responded during the six-week process, with one of the main areas of interest being how the Strategy links with the emerging local plan. The key priorities are ensuring enough new homes are built in our district, helping people to live in their own homes for as long as they can, working with landlords to improve standards in privately rented homes and ensuring that the housing needs of residents are being met.

We also consulted residents on what they thought of our Green Flag awarded Wyndham Park and the results showed an improvement in certain areas including overall satisfaction and the general condition of the park.

Principles C & D

Defining outcomes in terms of sustainable economic, social and environmental benefits and determining the interventions necessary to optimise the achievement of the intended outcomes

The Council announced a major £40 million investment programme across the district over the next three years with the main emphasis on helping to grow the local economy. The announcement was made by the Leader of the Council, Councillor Matthew Lee, at an economic summit attended by more than 180 members of the business community from far and wide.

The focus will be on a number of broad economic elements – commercial, arts and heritage, leisure and the visitor economy, retail and markets, public realm, living, gateways, transports, skills – as the basis for a new master plan approach to each of the district's towns.

A major step towards delivering these goals was the creation of InvestSK, a new economic arm of the Council, funded by the authority, which aims to be a 'one stop shop' for local businesses offering the advice and support they need to stay, grow and thrive in South Kesteven. InvestSK are charged with actively promoting the area to companies looking to relocate or invest in the district, and skills development is also high on their agenda.

Tourism also got a major boost with the appointment of a new Head of Visitor Economy and news of the district sharing in a £1.1 million tourism project using the A1 as the backbone for a major new East of England Touring Route tracing the 300-mile journey from London to Northumberland.

We delivered 100 affordable new homes in the district during the year. We completed a phase of new house building and earmarked sites in Stamford, Grantham, Market Deeping and Horbling for a £12.6m programme to build 105 more new Council homes.

Nearly 99 per cent of the district's food businesses complied with legal food hygiene requirements, with many attaining top marks under the national rating scheme. The Council has more than 1,350 registered food businesses.

The Big Clean, a campaign to set a new street standard for the district, proved a huge success over a 12-week programme tackling weeds and overgrown pavements, removing graffiti, repairing broken street furniture and cleaning street signs. Two specialist teams continue the work to maintain the standard.

Principle E

Developing the entity's capacity, including the capability of its leadership and the individuals within it

The Council has a Human Resources Strategy which is built around three themes:

Attract the right people, retain and develop excellent skills, define and embed the right culture

Engaging and valuing our people in order to run our business effectively

Effective leadership to encourage, inspire and navigate change

The aim of the Human Resources Strategy is to provide an immediate and on-going and long term framework for engaging, sustaining, developing and managing our people to be fit for purpose in supporting the Council's vision, goals and the aspirations outlined in the Corporate Strategy. In order to address this we will:

- Attract and recruit high calibre staff regionally and nationally
- Develop and support our staff to fulfil their potential and help us deliver our aspirations
- Retain and reward our staff through recognising their contribution
- Promote and secure excellent leadership and management
- Create and maintain a progressive, collaborative and healthy working environment

We have a scheme of delegation that sets out how decisions are made within the Council both at Member level and officer level. We have effective arrangements for the discharge of the statutory Monitoring Officer and Head of Paid Service functions and we comply with the relevant requirements of the CIPFA statement on the Role of the Chief Financial Officer in Local Government.

Principle F

Managing risks and performance through robust internal control and strong public financial management

The Council has effective risk management which is embedded across all areas of business activity. We recognise that risk management is an integral part of all activities and must be considered in all aspects of decision making.

Our Risk Management Framework sets out our approach to identifying and controlling risks. Risk registers are maintained at a corporate and service area level. Corporate risks are reported to the Corporate Management Team and to the Governance and Audit Committee biannually.

We have a Counter Fraud Strategy, structured on the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption, which sets out the importance of achieving intended outcomes, whilst acting in the public interest, and being seen to do so.

The Council continues to be a part of the Lincolnshire Counter Fraud Partnership which was established to create the framework for a county-wide anti-fraud approach. The Partnership provides a forum for counter fraud specialists and subject area experts from Lincolnshire County Council and the seven district councils in Lincolnshire to develop and deliver proactive exercises and investigate fraud.

A fraud risk register exercise has been undertaken to identify fraud risks and to inform an action plan to provide further resilience in this area.

We have a dedicated Performance and Programme Management Office which provide monitoring, control and reporting across the programmes of activity and also support managers and leading officers with training and project management tools, techniques and performance management advice.

Financial management is a key element of the structure and processes that comprise the Council's governance arrangements. Underpinning the delivery of our Corporate Strategy and priorities is the ethos of a well run Council. This includes effective financial management to achieve efficiencies and savings in the short and medium terms.

Principle G

Implementing good practices in transparency, reporting and audit to deliver effective accountability

The Council as a whole is open and accessible to the community, service users and employees. We have a commitment to openness and transparency in all that we do. We ensure that clear channels of communication are in place with all sections of the community and other stakeholders and we monitor these to ensure that they are operating effectively. Every effort is made to ensure that information is concise and easy to understand.

In accordance with the Local Government Transparency Code we publish how we spend our money, how we use our assets, how we make decisions and have regard to issues important to local people.

We have a comprehensive consultation process for published reports which ensures senior management and Members own the contents. The Council is committed to publishing information on its performance in a timely manner and report performance against targets and financial targets on a regular basis.

We have an effective internal audit service that reports directly to the Governance and Audit Committee on all aspects of its work, including tracking the implementation of management actions.

The Council welcomes peer challenge, reviews and inspections from regulatory bodies and it participates in national benchmarking exercises to obtain comparative data on performance.

Governance framework for 2017/18

The Governance Framework shown below has been in place throughout the financial year which ended on 31 March 2018 and continues to be in place up to the date of the approval of the Statement of Accounts.

Assurances required

- Delivery of Council's aims and objectives
- Services deliver value for money
- Engagement with stakeholders and public accountability
- Budget and financial management
- Roles and responsibilities of Members and Officers
- Standards of conduct and behaviour
- Compliance with laws, regulations, internal policies and procedures
- Management of risk
- Effectiveness of internal controls

Sources of assurance

- Constitution, Scheme of Delegation, financial procedures and Contract & Procurement Procedure Rules
- Council, Cabinet and Committees including Governance & Audit and Overview & Scrutiny Committees
- Medium Term Financial Strategy
- Human resources policies and procedures
- Whistleblowing and counter fraud procedures
- Risk management and internal control frameworks
- Performance management framework
- Partnership governance arrangements
- Codes of Conduct
- Corporate Management Team
- Assurance statements
- Customer complaints system

Assurances received

- Statement of Accounts
- External audit reports
- Internal audit reports
- Risk management reports
- Counter fraud reports
- Independent and external sources
- Local Government Ombudsman reports
- Scrutiny reviews
- Reviews by Overview & Scrutiny Committees and Governance & Audit Committee
- Member/officer working groups
- Customer feedback

Review of effectiveness

The Council uses a number of ways to review and assess the effectiveness of its governance arrangements. These are set out below:

Governance and Audit Committee

The Governance and Audit Committee is well established and its terms of reference comply fully with CIPFA guidance.

The key areas covered by the Committee's terms of reference are:

- accounts and financial reporting
- audit activity
- risk management
- governance
- counter fraud and bribery
- regulatory framework
- the ombudsman process

In addition it receives annual reports on health and safety and business continuity.

At the Council meeting in May 2018, Members considered the Chairman of the Committee's Annual Report on the key outcomes arising from the work of the Governance and Audit Committee for 2017/18. Members acknowledged that these outcomes had helped to improve and strengthen the Council's overarching control environment and governance arrangements. In line with best practice, and to ensure that Members become better informed and therefore engaged with the work of the Committee, an indicative annual work plan and timetable for 2018/19 was also presented to Council at the same meeting.

Internal audit

The Council's internal auditors, RSM, are required to provide an opinion on the overall adequacy and effectiveness of the Council's risk management, governance and internal control arrangements. With regard to internal control, 10 reviews were undertaken during 2017/18 plus four follow-up reviews and five advisory reviews. The 10 reviews resulted in an assurance opinion summarised below:

6	4	0	0
Substantial assurance	Reasonable assurance	Partial assurance	No assurance

For the twelve months ended 31 March 2018, based on the work undertaken, internal audit's opinion below details the adequacy and effectiveness of the Council's risk management, governance and internal control arrangements:

"The Council has an adequate and effective framework for risk management, governance and internal control. However, our work has identified further enhancements to the framework of risk management, governance and internal control to ensure that it remains adequate and effective."

With regard to the issues raised by the Head of Internal Audit in their Annual Report to the Governance and Audit Committee in June 2016, action plans have been put in place to address these, particularly in those areas where management concerns have also been raised and further work is required to strengthen the control framework.

External audit

The Council's external auditors, KPMG, in their 2016/17 Annual Audit Letter identified one area of focus, as part of their Value for Money audit work, regarding the Council's arrangements for securing financial resilience. A capital programme for 2016/17 of £21.5m was set but only £7.3m was spent during the year. The slippage into the 2017/18 budget was significant and therefore capacity to deliver the programme and progress have been closely monitored during 2017/18.

Internal audit files and reports for key financial systems are reviewed annually by external audit in order for them to place reliance on this work. As in previous years, it is expected that they will be able to place full reliance on the work of internal audit and any recommendations made by the external auditor will be consistent with those made by internal audit. External audit issued an unqualified Value for Money Conclusion and an unqualified opinion was given on the 2016/17 annual accounts:

"We issued an unqualified conclusion on the Authority's arrangements to secure value for money (VFM conclusion) for 2016-17 on 25 September 2017. This means we are satisfied that during the year the Authority had appropriate arrangements for securing economy, efficiency and effectiveness in the use of its resources."

Follow up of last year's key areas of focus

Last year's Annual Governance Statement identified three areas of focus and the table below sets out the action taken to address those areas:

Key area of focus identified for 2017/18	Action taken
Review and implement savings, efficiency and change programmes and ensure the Medium Term Financial Strategy reflects the financial climate and supports the delivery of the Council's ambitions	During the financial year active budget management has been undertaken to manage financial resources within the context of the budget framework.
Continue to work with the Lincolnshire Counter Fraud Partnership in order to deliver mutually beneficial outcomes	Delivery of Fraud Awareness eLearning providing information on how fraud occurs, signs that may indicate fraud and how to raise suspicions about activity that may be fraudulent. The Partnership continues to share fraud intelligence, counter fraud best practice and training opportunities in order to increase fraud resilience.
Implementation and embedding of the People Strategy outcomes	The People Strategy actions were implemented and the focus has now moved to the delivery of the actions within the Human Resources Strategy.

Governance issues

For the financial year 2017/18 there has been **no significant governance issues** identified by audit or ourselves. However, we continue to enhance and improve our governance arrangements and relevant actions are listed in the table below:

Key area of focus for 2018/19
Continue to review and monitor the budgeted savings and additional income streams and ensure the Medium Term Financial Strategy reflects the financial climate and supports the delivery of the Council's ambitions
Strengthening governance arrangements around fraud Delivery of the counter fraud action plan including a Fraud Health Check using the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption
Delivery of the Human Resources Strategy The aim of Human Resources Strategy is to provide an immediate and on-going and long term framework for engaging, sustaining, developing and managing our people to be fit for purpose in supporting the Council's vision, goals and the aspirations outlined in the Corporate Strategy.

Conclusion

We give our assurance that the Council is satisfied that appropriate governance arrangements are in place. We are committed to continuous improvement and believe that we have established excellent foundations on which to build further capacity to enable us to continue to develop and strengthen our governance arrangements.

Cllr Matthew Lee
The Leader of the Council

Aidan Rave
The Chief Executive

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOUTH KESTEVEN DISTRICT COUNCIL

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of South Kesteven District Council ('the Authority') for the year ended 31 March 2018 which comprise the Authority Comprehensive Income and Expenditure Statement, the Authority Balance Sheet, the Authority Movement in Reserves Statement, the Authority Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund and the related notes, including the accounting policies in note1.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2018 and of the Authority's expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Authority in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Other information published with the financial statements

The Chief Finance Officer is responsible for the other information published with the financial statements, including the Narrative Report and the Annual Governance Statement. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information. In our opinion the other information published with the financial statements for the financial year is consistent with the financial statements.

Chief Finance Officer's responsibilities

As explained more fully in the statement set out on page 14, the Chief Finance Officer is responsible for the preparation of the Authority's 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 2017/18. They are also responsible for: such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting on the assumption that the functions of the Authority will continue in operational existence for the foreseeable future.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities

REPORT ON OTHER LEGAL AND REGULATORY MATTERS

Report on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Conclusion

On the basis of our work, having regard to the guidance issued by the Comptroller and Auditor General in November 2017, we are satisfied that, in all significant respects, South Kesteven District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Respective responsibilities in respect of our review of arrangements for securing economy, efficiency and effectiveness in the use of resources

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.

We are required under Section 20(1) (c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. 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.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether South Kesteven District Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether South Kesteven District Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Statutory reporting matters

The Code of Audit Practice requires us to report to you if:

- any matters have been reported in the public interest under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of, the audit;
- any recommendations have been made under Section 24 of the Local Audit and Accountability Act 2014;
- an application has been made to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- an advisory notice has been issued under Section 29 of the Local Audit and Accountability Act 2014;
- an application for judicial review has been made under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects

THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. 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.

CERTIFICATE OF COMPLETION OF THE AUDIT

We certify that we have completed the audit of the financial statements of South Kesteven District Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

J.R. Cornett

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30 July 2018

GLOSSARY OF TERMS

Accounting Period

The length of time covered by the Council's accounts. This is twelve months commencing on 1 April. The end of the accounting period is the balance sheet date.

Accounting Policies

Those principles, conventions, rules and practices applied by the council that specify how the effects of transactions and other events are to be reflected in the financial statements through

- Recognising
- Selecting measurement bases for, and
- Presenting assets, liabilities, gains, losses and changes to reserves

Accrual Concept

This is one of the main accounting concepts and ensures that income and expenditure are shown in the accounting period that they are earned not as money is received or paid.

Actuarial Gains and Losses

For a defined pension scheme, the changes in actuarial deficits or surpluses that arise because:

(a) events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses), or

(b) the actuarial assumptions have changed

Amortisation

The writing down in value of intangible assets, which is charged to service revenue accounts to reflect the cost of such assets, used in the provision of those services. This is the equivalent of depreciation for non-current assets.

Annual Governance Statement

A statement, updated annually, detailing all significant corporate systems, processes and controls covering all the Council's activities.

Asset

An asset is something that the Council owns that has monetary value. Assets are either "current" or "non-current".

- A **current asset** is one that will be used or cease to have material value by the end of the next financial year e.g. stock or debtors
- A **non-current asset** provides benefits for a period of more than one year e.g. Council Offices.
- An **intangible asset** is those non-monetary assets that cannot be seen, touched or physically measured and which are created through time and/or effort e.g. IT software.

Audit of Accounts

An audit is an examination by an independent expert of an organisation's financial affairs to check that the relevant legal obligations and codes of practice have been followed.

Bad Debt Provision

Outstanding amounts owed to the Council which are highly unlikely to be collected.

Balance Sheet

The Balance Sheet summarises the Council's financial position at the end of each financial year i.e. 31st March.

Budget

The Council's plans set out in financial terms. Both revenue and capital budgets are prepared, and are used to control and monitor expenditure and performance.

CAA

Capital Adjustment Account. The Capital Adjustment Account contains the amounts that are required by Statute to be set aside from capital receipts and revenue for the repayment of external loans as well as amounts of revenue, useable capital receipts and contributions that have been used to fund capital expenditure. It also accumulates depreciation, impairment and write-off of non-current assets on disposal.

Capital Charges

A charge to service revenue accounts to reflect the cost of non-current assets used in the provision of services, i.e. depreciation.

Capital Expenditure

Expenditure on the acquisition of a non-current asset or expenditure which adds to and not merely maintains the value of an existing non-current asset.

Capital Receipts

Money received from the disposal of a non-current asset. Capital receipts cannot be used to fund revenue services.

Carrying Amount

The value of an asset or liability as shown in the Balance Sheet.

Cash Flow Statement

A statement that forms part of the Core Financial Statements and summarises the cash flows within the Council's bank accounts that have taken place within the financial year.

Certificate of Deposit

A savings certificate with a set maturity date offering a fixed rate of interest which can be traded on the money markets.

CIES

Comprehensive Income & Expenditure Statement

CIPFA

The Chartered Institute of Public Finance and Accountancy. The professional accounting body concerned with Local Government and the Public Sector.

Code (the)

The Code of Practice on Local Authority Accounting in the UK: A Statement of Recommended Practice.

Collection Fund

A separate account to record the income and expenditure collected from council tax and Non-Domestic Rates, including outstanding community charges.

Community Assets

Assets that the Council intends to hold in perpetuity that have no determinable useful life and that may have restrictions regarding their sale. Examples of such items are parks and historic buildings.

Current Service Cost

The increase in the present value of the pension scheme liabilities expected to arise from employee service in the current period.

Curtailment

Curtailments will show the cost of the early payment of pension benefits if any employee has been made redundant in the previous financial year.

Contingent Liabilities

Potential losses for which a future event will establish whether a liability exists for which it is appropriate to set up a provision in the accounts.

Council Tax

This is a banded property tax set by local authorities in order to meet their budget requirements. There are eight bands (Band A-Band H), set by the District Valuer according to the value of the property. The amount of tax each household pays depends on the band of the property.

Creditors

Amounts owed by the Council for work done, goods received or services rendered before the end of the accounting period but for which payment was not made by the end of the accounting period.

Current Liabilities

Amounts payable that become due during the next financial year.

DCLG

Department for Communities and Local Government, a central government department.

Debtors

Amounts due to the Council for goods or services provided before the end of the accounting period, but for which actual payments had not been received by the end of the accounting period.

Deferred Charges

Expenditure that may properly be deferred but which does not result in, or remain matched with, assets controlled by the Council.

Deferred Credits

This term is applied to deferred capital receipts. These transactions arise when non-current assets are sold and the amounts owed by the purchasers are repaid over a number of years, such as by way of mortgages. The balance is reduced by the principal amounts repayable in any financial year.

Depreciation

An estimate of the loss in value of a non-current asset due to age, wear and tear or obsolescence over a period of time.

Emoluments

Sums paid to an employee and sums due by way of expenses allowances and the money value of any other benefits received other than in cash. Pension contributions payable are excluded.

Earmarked Reserves

These are reserves set aside for specific purposes, a type of service or type of expenditure.

Expected Rate of Return

The average rate of return expected over the remaining life of the related obligation on the actual assets held by the pension scheme

Explanatory Foreword

A simplified introduction to the Statement of Accounts and its contents.

Finance Leases

Arrangements whereby the lessee is treated as the owner of the leased asset and is required to include such assets within the non-current assets on the Balance Sheet.

Financial Year

The period over which the Council reports its financial activity. Currently this is 1st April to 31st March.

FRS

Financial Reporting Standards, a reference to the accounting treatments that companies in the UK (and Local Authorities) would generally be expected to apply in the preparation of the Financial Statements.

General Fund

The total services of the council except for the Housing Revenue Account and Collection Fund. The day to day spending on services is met from the fund.

Government Grants

Grants made by central government towards either revenue or capital expenditure to help with the cost of providing services and capital projects. Some government grants have restrictions on how they may be used whilst others are general purpose.

Housing Benefits

This is a national system for giving financial assistance to individuals towards certain housing costs. The cost of the service is subsidised by central government.

Housing Revenue Account (HRA)

A separate account to the General Fund recording all the transactions relating to the provision of social housing.

Joint Operation

This is an arrangement whereby all parties have joint control of the assets and liabilities to the operation.

IAS

International Accounting Standards, a reference to accounting treatments that companies in the UK (and Local Authorities) would generally be expected to apply in the preparation of the Financial Statements.

IFRS

International Financial Reporting Standards, a reference to accounting treatments that companies in the UK and Local Authorities would generally be expected to apply in the preparation of the Financial Statements.

Income

This is the money that the council receives or expects to receive from any source, including fees, charges, sales, grants and interest.

Impairment Losses

A reduction in the value of a non-current asset to below its carrying amount on the Balance Sheet, as a result of damage, obsolescence or a general decrease in market value.

Intangible Assets

Capital expenditure that does not result in the creation of a tangible asset but which gives the Council a controllable access to future economic benefit , e.g. computer software licences.

Interest on Pension Scheme Liabilities

The increase in the present value of the pension scheme liabilities expected to arise from employee service in the current period.

Investments

Cash deposits with approved institutions.

Key Prudential Indicator

One of the indicators required under the Prudential Code for the measuring of the Council's Treasury Management activities.

Liability

A liability arises when the Council owes money to others and it must be included in financial statements. There are two types of liability:

- A **current liability** is a sum of money that will or might be payable during the next accounting period e.g. creditors or cash overdrawn
- A **deferred liability** is a sum of money that will not become payable until some point after the next accounting period or is paid off over a number of accounting periods.

Long Term Debtor

Amounts due to the Council more than one year after the Balance Sheet date.

Materiality

This is one of the main accounting concepts. It ensures that the statement of accounts includes all the transactions that, if omitted, would lead to a significant distortion of the financial position at the end of the accounting period.

Minimum Revenue Provision

The minimum amount which must be charged to the Council's revenue accounts each year and set aside for debt repayment. New guidance in 2008 allows the Council to set aside the amount it considers "prudent" instead of following a formula calculation as in the past.

MIRS

Movement in Reserves Statement

MRA

Major Repairs Allowance.

MRR

Major Repairs Reserve

Net Book Value (NBV)

The value of a non-current asset less the accumulated amount of depreciation/amortisation.

Non Distributed Costs

These are overheads for which no user benefits and should not be apportioned to services.

Non Domestic Rates

Tax charged on the rateable value of non-domestic properties (business properties). The rate of tax is set by the Government.

Non-Exchange Transactions

In a non-exchange transaction an entity either gives or receives value to or from another without directly giving or receiving equal value in exchange.

Non-Operational Assets

Non-current assets held by the Council that are not directly used in the delivery of services.

Operational Assets

Non-current assets held by the Council that are used in direct delivery of services (another term for working capital).

Operating Leases

A lease where the lessor retains all the risks and rewards of ownership of a non-current asset.

Past Service Cost

Discretionary benefits awarded on early retirement are treated as past service costs. This includes added years and unreduced pension benefits covered by the rule of 85.

Pension Fund

An employee's pension fund maintained by a Council or group of councils in order to primarily make pension payments on the retirement of participating employees. It is financed by contributions from the employing authority, the employees and investment income.

Performance Management

A technique which assists the Council to monitor progress in achieving key performance measures and priority actions.

PPE

Property, Plant & Equipment. Assets other than Council dwellings, Assets under Construction and Investment Properties.

Precepts

The amount of Council Tax income that Councils, Police Authorities, Parish Councils and Fire Authorities need to provide their service. The amount for all local authorities providing services in an area appears on council tax bills.

Provisions

This is a sum of money that has been put aside in the accounts for liabilities that are due but where the amount or the timing of the payment is not known with any certainty.

PWLB

Public Works Loans Board. A central government agency that provides lending facilities to local authorities.

Related Party Transactions

A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge has been made.

Reserves

Amounts set aside to meet capital or revenue expenditure which do not fall under the definition of Provisions.

Revaluation Reserve

The Revaluation Reserve records the accumulated gains from the increase in the revaluation of assets. It also records any reduction in the value of assets subject to the limits of the previous increases in value of the same asset.

Revenue Expenditure

Expenditure that is incurred on the day to day costs of running local authority services, for example, staff costs, utility charges, rent and business rates.

Revenue Expenditure Funded from Capital Under Statute

This is expenditure treated as capital expenditure but which does not result in a non-current asset belonging to the council. An example of this is a Disabled Facilities Grant paid to a homeowner to fund adaptations to their own home.

Revenue Support Grant

A general grant paid by central government to local authorities as a contribution towards the cost of their services.

Soft Loan

A soft loan is a loan with a below market rate of interest.

Treasury Management

The process by which the Council manages its day to day cash requirements.