STATEMENT OF ACCOUNTS

2013 - 2014

South Kesteven District Council

STAMFORD • GRANTHAM • BOURNE • THE DEEPINGS

C O N T E N T S

Introduction - Councillor Linda Neal, Leader of the Council

Welcome to South Kesteven District Council's Statement of Accounts for the financial year 2013/2014.

The last year has continued to be very difficult financially throughout the country. Here in South Kesteven we protected frontline services by making the decision to raise council tax by just £5 a year on the average Band D level.

We were able to do this because the Government considered us to be a low-cost council and gave us the chance to increase our share of the bill by just under 10p a week for Band D properties.

Although we have experienced a huge loss in Government funding, we have still been able to maintain our services to our residents and invest in our priorities for the future, pushing ahead with existing plans to drive the economic regeneration of our district.

These included major development plans and projects in Grantham and Bourne as well as better street cleaning and removal of fly tipping, improved waste services and upgrading our car parks and investing in our housing stock - to mention just a few.

We have been working hard over the last few years to save money and by streamlining management, cutting back office costs and delivering services more efficiently we have achieved savings in excess of £1.50m.

Through our priorities we intend to encourage and support growth, help maintain businesses, enhance our environment and protect the most vulnerable and working families.

Some of our key projects over the last year

Grow the Economy

SKDC 4 Businesses helped more than 130 businesses by offering help and support to new start-ups and supporting enterprises that want to grow, innovate and prosper.
Funding was used to employ four apprentices to support skills development and maintain the vital construction industry locally.

Destination SK is designed to raise the profile of all four of our market towns. Films and brochures for Stamford, Market Deeping, Bourne and Grantham were produced to promote what is available to potential investors.

Keep SK Clean, Green and Healthy

CCTV cameras have recently been introduced at known fly-tipping hotspots in South Kesteven to deter individuals from blighting our countryside with rubbish.

Workshops have been organised for businesses from South Kesteven to attend sessions on food hygiene.

SKDC has been clamping down on street littering offences, warning that depositing rubbish, could result in an on the spot £75 fine.

Promote Arts, Culture and Leisure

In Stamford we launched the town's first ever Georgian Festival which attracted more than 22,000 people in to the town centre, the highest figure ever recorded, and traders reported record takings.

The Mallard came back to the Grantham to celebrate the 75th anniversary of the world steam record. Fifteen thousand people came along, increasing footfall by 25%.

Grantham's second Gravity Fields Festival has received a major financial boost with news of an £89,200 grant from the Arts Council England.

Support good housing for all

Forty-five buyers took advantage of the Local Lend a Hand Scheme which is a partnership between SKDC and Lloyds Bank in order to assist applicants to get onto the property ladder. The Council is guaranteeing a portion of the mortgage meaning the applicant only needs to find a deposit of just 5%.

We started to build our first council houses for nearly 10 years with the announcement of £3m building programme to create 33 new homes in Stamford and Grantham.

We have also improved repair times for our housing tenant customers and the efficiency of our workforce by introducing a mobile system that has enabled them to carry out their work more effectively.

I hope these examples of how we have been carefully using your money to deliver the council's priorities give you a flavour of what we have been doing and that you find the statement of accounts useful and informative.

Councillor Linda Neal
Leader of the Council

EXPLANATORY FOREWORD

District Profile

South Kesteven is located in the southwest corner of Lincolnshire, incorporating the towns of Grantham, Stamford, Bourne and an area known as the Deepings with over 100 villages and hamlets covering 365sq miles. The administrative headquarters are based in Grantham and the area is one of the fastest growing districts in the UK.

The population has increased to 135,000 and the overall population is projected to increase to 151,000 by 2021, mainly through a net increase in international and internal migration as well as normal expected population growth.

Over 81.2% of the total population in South Kesteven is economically active and the average earnings of residences are above the East Midlands average. The figure for unemployment of 5.9% is lower than the East Midlands at 7.7% and Great Britain 7.7%. (Source: Nomis – official labour market statistics)

The number of people in the district employed in elementary occupation and process plant and machinery has increased since 2012/13 and is currently 23.9%. This is still above the East Midlands and National Averages. South Kesteven Public service sector employment is slightly above the national average but the challenge we face in the district is the significantly lower figure of 14.1% of workers in professional occupations (knowledge driven sectors) when compared to a national average of 19.7%. (Source: Nomis – official labour market statistics)

The range, quality and availability of industrial commercial and office land and floor-space is important to our ability to attract new and secure existing investment. The total levels of industrial, commercial and retail floor-space locally are higher than the East Midlands and national averages; however, the availability of modern high quality business parks, offices and retail units is lower.

The estimated value of the retail catchment area for our major urban centre of Grantham is approximately £900m of which just 21.2% is captured by the town. This provides for enormous potential to grow the town centre economy and attract additional retail and leisure users. (Source: Town Centre Shopper Report 2012/13 – GOAD/Experian)

The quality of its infrastructure, which includes the main A1 and the East Coast mainline between London and Edinburgh combined with high performing schools and value for money housing places the district in a strong position within the county of Lincolnshire.

Political Structure

The Council holds elections for all Members once every four years. The last elections were held in May 2011. Following the election there were 38 Conservatives, 7 Labour and 13 Independent Members.

The Council operates with a Cabinet, three Policy Development Groups, a Scrutiny Committee and a Governance and Audit Committee responsible for corporate governance and approval of the Statement of Accounts. There is also a Development Control Committee, Alcohol & Entertainment Licensing Committee, Licensing committee and a Constitution Committee.

The Cabinet is chaired by the Leader of the Council. The Cabinet has executive decision making powers and meets monthly. Each of the members on the Cabinet has a portfolio for which they are responsible.

Although a number of areas of decision making are delegated to the Cabinet and Senior Officers, the full Council retains ultimate responsibility for the Policy and Budgetary Framework of South Kesteven District Council.

Performance Management

The Council has an established performance management framework and during the course of the year regular performance reporting has been undertaken. This framework enables the Council to monitor progress in respect of achieving key performance measures and priority actions. The Council has in place a Projects and Performance Management Office who work closely with the project managers to provide support and ensure project methodology is adhered to. Regular reports are also submitted to Cabinet during the course of the year and this is supported by the Scrutiny Committee who review performance and ensure progress is being made. Each of the Council's priority areas has an action plan, detailing the key actions, targets and measures of success against which improvement can be measured. Performance and progress is also monitored in monthly meetings between each Head of Service and a Strategic Director.

The Statement of Accounts

We have followed the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom in putting together our Statement of Accounts for the financial year ended 31 March 2014.

The accounts give a true and fair view of South Kesteven's financial position for the financial year 2013/14. Our accounting policies are outlined in this document and have been fairly and consistently applied. We keep proper and up to date accounting records and take all reasonable steps to prevent and detect fraud and other irregularities.

The International Accounting Standards Board (ISAB) issued a new version of IAS19 (the accounting standard for pensions) which applies from financial years starting on or after 1 January 2013.The key change is that the interest cost and expected return on assets components of profit are now combined into a net figure. The expected return has been replaced by a figure that would be applicable if the expected return on assets assumption was equal to the discount rate. Where appropriate the previous year comparator figures have been restated to reflect this change. This change does not affect the overall financial position of the Council, rather it is a presentational change necessary to comply with the CIPFA code requirements.

The Strategic Director (Corporate Focus) 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). He is required by law to confirm that the Council's system of internal controls can be relied upon to produce an accurate statement of accounts. His statement of assurance for 2013/14 (known as the Statement of Responsibilities) appears on page 19 of this document.

The main statements included in the accounts consist of:

Statement of Responsibilities (page 19) - The Statement of Responsibilities for the Statement of Accounts details the respective responsibilities of the Chief Finance Officer and the Council.

Movement in Reserves Statement (pages 20-22) - This statement reconciles the total Comprehensive Income and Expenditure Statement to reserve movements in the year.

Comprehensive Income and Expenditure Statement (page 23) - This statement consolidates all the gains and losses experienced by the Council in the financial year and reconciles to the overall movement in net worth.

Balance Sheet (pages 24-25) - The Balance Sheet summarises the Council's financial position at 31 March 2014.

Cash Flow Statement (pages 26-27) - The cash flow statement summarises the flows of cash that have taken place into and out of the Council's bank accounts over the financial year.

Notes to the Core Financial Statements (pages 28 - 100) – Notes to the preceding financial statements, explaining and providing additional information to figures included in these statements.

Housing Revenue Account (pages 101 - 110) - This reflects a statutory obligation to account separately for the Council's housing landlord function. It shows 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 (pages 111 – 113) – We are legally obliged to maintain this fund separately from all our other funds and accounts. It shows transactions that have arisen because we are a billing authority, collecting non-domestic rates and council tax on behalf of central government and precepting authorities – the County Council, Police Authority and Parish Councils as well as ourselves. The Collection Fund shows the money we receive from local taxpayers in relation to non-domestic rates and council tax, and illustrates the way in which this has been distributed to preceptors and the General Fund.

Annual Governance Statement (pages 114 - 124) - Regulation 4(2) of the Accounts and Audit Regulations 2006 requires that the Council or a Committee of the Council consider the findings of a review of the system of internal control. With effect from 2007/2008 an Annual Governance Statement is required to meet the requirement of this regulation. The governance statement covers all significant corporate systems, processes and controls, spanning the whole range of the Council's activities.

A glossary is provided **(pages 128 – 134)** to help explain the terms used.

Review of the Year

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

The Code of Practice on Local Authority Accounting in the UK: A Statement of Recommended Practice (the Code) sets out the core financial statements that are applicable to all local authorities whatever their function and comprises:

- Movement in Reserves Statement
- Comprehensive Income and Expenditure Statement
- Balance Sheet
- Cash Flow Statement

In addition South Kesteven, because of its functions, also has to produce the following supplementary financial statements:

- Housing Revenue Account Income and Expenditure Statement and Movement on the Housing Revenue Account Statement
- Collection Fund

Our revenue account known as the General Fund, bears the net cost of providing day-to-day services. In this section of the foreword I will:

- Compare actual spending to the budget
- Compare our treasury management performance and
- Identify where the money went.

Comparing actual revenue spending to budget

The total budget requirement for the year was set at £13.874m

This gave a Band D Council Tax of £127.47

The financing of the budget requirement for the year was as follows:

- £7.761m government formula grant (including revenue support grant and redistributed business rates)
- £6.113m council tax income (excluding Parish Precepts of £1.440m)

The table below identifies significant variances in service expenditure analysed by service area.

Service Area	2013/2014 Estimate	2013/2014 Actual	Variance
	£'000	£'000	£'000
Community Assets	2,956	3,264	308
Operational management	1,054	878	(176)
Development & Growth	2,221	1,794	(427)
Environmental Services	5,593	5,556	(37)
Finance	1,569	1,808	239
Housing & Neighbourhoods	591	715	124
People, Projects & Performance	511	450	(61)
Legal & Democratic	1,225	1,209	(16)
Property Development	227	276	49
Special Expense Areas	606	531	(75)
2012/13 Set-a-sides Financing	(577)	-	577
Workforce efficiency target	(357)	-	357
Total Service Expenditure*	**15,619**	**16,481**	**862**

. *The above outturn total includes a number of accounting entries that are shown at service level which distort the actual expenditure for 2013/14. Once these entries are excluded then the re-stated outturn is presented as £15.355m representing an under spend of £264k

Explaining the big differences

Summary of Key Variances

The following is a summary of the key variances by service area that are referred to in the above table.

Community Assets

Bourne Corn Exchange – following the introduction of the Community Point at the Corn Exchange, the valuation of the asset has been separated between the two uses. This has resulted in an additional charge of £440K being levied at the Corn Exchange to reflect the valuation 'loss'. This entry has been compensated by an increase in the valuation of the Access Point asset.

Leisure Centres – during the year the Leisure in the Community Trust obtained charitable status which resulted in a reduction in their operating costs. This, in turn, resulted in a reduced management fee of £145K for the operation of the venues which has been allocated across all the trading sites.

Markets – overall there has been an increase in the operating cost of the markets by £43K. This can largely be attributed to the reduction in income at each of the markets (Grantham £19K, Stamford £15K and Bourne £5K). Attendance has fluctuated during 2013/14 and further promotional work will be undertaken to attract new traders to the markets in 2014/15.

Operational Management

Corporate costs – during the course of year a small number of additional grants were received (totalling £44K) in respect of new responsibilities specifically Community Right to

Bid and Community Right to Challenge. There has been a vacancy that has been held in the Strategic Support team and the allocation to fund the apprenticeship scheme has been utilised with respect to the apprentices that have been employed in the Housing Repairs team.

Development and Growth

Development Management – income in respect of pre-planning advice has increased from the budgeted level of £20K to actual income received of £35K. Planning application income has increased by £151K to £893K. There have also been additional costs incurred with respect to central support costs, back scanning of documents and external consultancy advice due to the complexity of the major planning applications.

Economic Development – Additional grant income of £74k from the Arts Council England and Heritage Lottery Fund has been received during the year in respect of the Gravity Fields Festival. A set aside of £78K has been requested to carry forward a proportion of this income in conjunction with service budget to fund the festival which is programmed for September 2014. The budget for the St Peters Hill Development of £175K was not utilised during the year and the work will now be incorporated into the larger development linking to the cinema project.

Land Charges – income has increased by £35K compared to budget which reflects the upturn in the local housing market.

Planning Policy – there has been an underspend of £56K in relation to costs for a vacant Planning Officer post which was to be funded by the remaining Housing and Planning Delivery Grant. This unallocated amount will be available for funding activities during 2014/15.

Environmental Services

CCTV – there is a variance of £60K which is in relation to an increase in income received from the monitoring service and a contribution to its costs from 2nd homes receipts.

Green waste charging – there has been an increase of 8% in existing households renewing the service prior to the financial year end and 661 new households joining the service. This has resulted in an outturn figure of £680K in respect of income for 2013/14 compared to a budget of £651K. The income is offset against the operating costs of the service.

Private Sector Landlords – there is a variance of £162K of which is in relation to capital expenditure that has been charged to a revenue cost centre in respect of disabled facilities grants.

Public Conveniences – there has been a change in the valuation of the Abbey Gardens Grantham site resulting in a variance of £110K when compared to budget.

Waste management – A reduction in the amount incurred with respect to fuel costs following a period of stable prices has resulted in an underspend of £20K. There has been increased expenditure in respect of vehicle repairs (£76K) due, in part, to an ageing fleet. This will improve in 2014/15 when five 11 year old vehicles will be replaced with three new vehicles. There has been a reduction in recycling credit income of £104K following a change in the contractor. An increase in contamination rate to10% has resulted in an unanticipated loss of 1021 tonnes of recyclable material with the percentage of waste recycled during 2013/14 being 47% which was 2.5% less than 2012/13. Due to an improving claims history with respect to the insurance of waste vehicles there has been a reduction of insurance premiums to the service.

Finance

Benefits Administration – There has been a large adjustment £504K in respect of recoverable amounts due for benefits overpayment. This is an accounting adjustment and does not have an impact on the outturn position.

Wi-Fi initiatives – during the year the Council has actively engaged with Parish Councils to identify broadband improvements to their community halls in order for the parish and hirers to access a faster broadband connection and for the Council to utilise the facility as a 'drop down' point for officers. This project is now nearing completion in respect of the pilot sites of Tallington, Long Bennington, Foston and Castle Bytham. The majority of the costs will be incurred in the early part of 2014/15 and a set aside has been created within the ICT fund. It is anticipated these costs will not exceed £14K.

Housing and Neighbourhoods

Helpline – there has been a charge of £34K incurred in respect of officer time with respect to the review of the Supporting People contract proposals.

Housing Solutions – the service receives specific grant relating to the provision of the homelessness service which will be used to fund the additional expenditure incurred. For accounting reasons the grant cannot be shown at service cost centre level.

Legal and Democratic

Democratic Representation – overall there has been a variance of £12K relating to a smaller increase in central support services charge.

People, Projects and Performance

Human Resources – a total variance of £69K was incurred compared to budget partly attributable to a review of the staffing arrangements, whereby one off costs were incurred as a result of the implementation of the review. These costs will be recovered through future revenue savings that will be generated.

Property Development

Building Control – income has reduced during the course of the year and overall it is £50K less than the budgeted level. The chargeable element of the service should achieve a breakeven position and the deficit that has been incurred has been charged to the trading account reserve. This is shown in more detail at the Reserves Appendix D. The Council has agreed to introduce a shared service arrangement from July 2014 with Rushcliffe Borough Council in order to strengthen the trading activity of the service. The financial model of the partnership demonstrates a return to trading surpluses over the next 3 years which will then be shared between the two partners.

Car Parks - income has fluctuated during the course of the year with Stamford income outturn being £71K lower than budgeted. The car parks which have seen the largest reductions in income are St Leonards Street (26%), North Street (15%), Bath Row (13%) and Cattlemarket (6%). Works that had been budgeted to be completed at the Wharf Road multi storey car park in Grantham will now be undertaken during 2014/15 due to further survey work being required before work can commence. Following the introduction of civil parking enforcement there has been a significant increase in the number of season tickets sold resulting in an increase in income of £24K.

Maintenance Fund – this set-a-side has been fully utilised to fund capital expenditure items relating to asset maintenance expenditure.

Miscellaneous Property - income that was budgeted for during 2013/14 with respect to the Bourne Core Area project has not been received due to the completion of the works being extended. It is anticipated that the income will be received during the early part of 2014/15.

Special Expense Area

Grantham SEA – there has been a saving of £13K with respect to the maintenance budget for parks and open playing fields. Grantham cemetery has had an increase of £9K in income whilst premises expenditure is under budget by £22K due to the expenditure item being treated as capital expenditure.

Year End Set-Asides

In order to assist services to deliver specific projects which overrun the financial year a number of service funds have been created following the closure of the 2013/14 financial year. These have been established using strict criteria that will require specific expenditure to be incurred. The set asides created are:

- Property Development £108k
- ICT £99k
- Gravity Fields Festival £78k
- Training £20k
- Waste and Recycling £55k

The remaining balances on the 2012/13 setasides that are not required totalling £116K will be transferred to working balances.

The service outturn of £16.481m shown in the table on page 7 can be reconciled back to the Comprehensive Income & Expenditure Statement (CIES) on page 23 Cost of Services total of £7.009m with the following adjustments:

	£'000	
Service Expenditure Outturn	16,469	Leisure Loan interest excluded from the table on page 7
Housing Services not in General Fund	(9,166)	Housing services accounted for separately in the HRA
Drainage Board Levies	(616)	Included in Service Outturn in table on page 7 but included in Other Operating Income and Expenditure section below Cost of Services in CIES
Trading Accounts	311	Included in Service Outturn in table on page 7 but included in Financing and Investment Income and Expenditure section below Cost of Services in CIES
Leisure Loan Interest	11	Included in Service Outturn in table on page 7 but included in Financing and Investment Income and Expenditure section below Cost of Services in CIES
Cost of Services from CIES	**7,009**	

Comparing actual revenue spending to budget in the Housing Revenue Account

The Council owns council housing and is therefore required to maintain a separate revenue account for recording all income and expenditure relating to managing and maintaining this landlord function.

This revenue account is known as the Housing Revenue Account and originally budgeted for a net operating surplus of £1.144m. The HRA outturn position shows a net operating surplus of £2.967m for the financial year. However, there are a number of accounting adjustments which have been undertaken including a contribution to the loan repayment reserve of £3.331m which has resulted in £3.205m being deducted from the working balance

Description	2013/2014 Estimate £'000	2013/2014 Actual £'000	Variance £'000
Dwelling Rents & Other Income	(25,516)	(24,895)	621
Repairs & Maintenance	8,142	8,320	178
Supervision & Management	4,624	4,267	(357)
Repayment of Principal	3,222	3,222	0
Other Expenditure	14	185	171
Interest Payable & Similar Charges	3,460	3,451	(9)
Interest & Investment Income	(290)	(139)	151
Capital Charges (including Depreciation)	5,200	2,956	(2,244)
Other Operating Income	0	(334)	(334)
Deficit/ (Surplus) for the year on the HRA	**(1,144)**	**(2,967)**	**(1,823)**

Overall there are a number of variances that have contributed to this outturn position.

Variance Analysis

1. Dwelling Rents & Other Income

The performance for the collection of rents has improved during the financial year (98.39% collected compared with the target of 98.1%) but is lower than the previous financial year which had an outturn of 98.7%. However a number of former tenant debts have been written off as they are uneconomical to collect and the bad debt provision has been credited to reflect this position. With respect to charges for services and facilities there has been a charge made as part of the closure of accounts in order to reflect the changes to the Supporting People delivery arrangements and the associated accounting grant treatment.

2. Repairs & Maintenance

This budget covers expenditure on a range of work areas including insulation, painting, digital upgrades, water testing and gas servicing. The overspend of £178K compared to the revised base is mainly in respect of increased costs of central heating and solid fuel systems repairs. There have also been additional costs incurred in respect of general building and materials expenditure.

3. Supervision & Management

There has been a combined underspend of £357K when compared to the adjusted base. There are a small number of savings with respect to the expenditure headings within this area, specifically insurance recharge, central support costs and reduced costs for empty properties. An allocation of £60K relating to this underspend has been identified for a pilot project to assist tenants to manage the changes introduced by the spare room subsidy.

Capital Spending in 2013/2014

The Council's capital account shows the income and expenditure transactions we make when we:

- buy or sell land or property
- build new property
- carry out major repairs to our properties
- improve our properties
- provide grants for the above type of activity

Comparing actual capital spending to budget

The final capital programme for the year was £9.946m (£5.760m HRA programme and £4.186m General Fund programme). This was £3.256m less than the original budget.

Corporate Area	2013/2014 Estimate £'000	2013/2014 Actual £'000	Variance £'000
Grow the Economy	5,640	1,967	(3,673)
Support Good Housing for All	868	1,600	732
Promote Leisure Arts and Culture	210	70	(140)
Keep South Kesteven Clean Green and Healthy	409	387	(22)
Well Run Council	75	98	23
Other (Previous Year Scheme)	0	64	64
General Fund Sub Total	**7,202**	**4,186**	**(3,016)**
Housing Revenue Account	6000	5760	(240)
Total Capital Programme	**13,202**	**9,946**	**(3,256)**

Variance Analysis – General Fund

1. Grow the Economy

Business Innovation Centre (BIC) and Station Approach **-** due to the Compulsory Purchase Order not proceeding for Station Approach, funds will be carried forward to finance future expenditure in relation to the St. Peter's Hill development.

Serviced Land – The main focus of the capital programme for 2014/15 is in respect of the St Peters Hill development and the unallocated sum in relation to serviced land will be redirected to financially support the project.

Strategic Land Acquisition - land has been secured at Vantage Park Gonerby Moor Grantham in order to facilitate the opportunity for a business location to the district. The balance of the capital budget will be moved into 2014/15 to fund the implementation of the infrastructure (servicing etc) dependent upon the business requirements.

Shop Front Schemes – Of the £195K allocated to this scheme, £96K has been allocated during 2013/14. The scheme has been particularly successful in Grantham and Bourne with a reduced need for distribution in Stamford and Market Deeping.

2. Support Good Housing for all

Housing Improvement Grants – there are a number of specific schemes within this category that are utilised in accordance to customer demand and compliance with the scheme policy. The underspends for the current year will be carried forward to use to finance future expenditure within these headings.

Local Authority Mortgage Scheme – In July 2013 a further £1M was approved to support the second phase of the scheme due to its success. In accordance with accounting treatment the £1M committed sum is treated as capital expenditure.

3. Promote Leisure, Arts and Culture

A number of headings within this category have been identified as slippage as works have been delayed. Upgrades of the lift system and the heating system at Stamford Arts Centre are scheduled to take place in 2014/15. No expenditure has been incurred in respect of the Wyndham Park improvements and consequently the budget will be carried forward to be used in conjunction with the external funding awarded for the project.

Leisure Centre Improvements – The cost of improvement works at Bourne and the Meres have been higher than anticipated due to the nature of the works. The additional amounts for the schemes have been financed by the maintenance reserve. The works due to take place at Deepings Leisure Centre have been carried forward and the budget will be carried forward to finance the expenditure in 2014/15.

4. Keep SK Clean, Green and Healthy

Wheelie Bin Replacements – additional bins were purchased in year to meet customer demand for the garden waste scheme and to supply bins to new properties built within the district.

Budget slippages are identified for the cycle and footpath improvements (£30K) and the replacement of a low voltage panel at Grantham Council Offices (£25K) as both of these are expected to be completed during 2014/15.

5. Other

Expenditure has been incurred in relation to improvements at the Deepings Community Centre and the purchase of play equipment for Bourne Recreation Ground. This will be financed by Section 106 agreements.

Variance Analysis - HRA

Purchase of Land and Buildings

Purchase of Land for creation of road – This scheme has slipped to 2014/15 due to ongoing negotiations in respect of lease conditions.

Land and Buildings have been purchased at Trent Road, Grantham and Earlesfield Lane, Grantham for redevelopment. This expenditure will be financed by the HRA capital reserves.

New Build Properties

The new build capital programme has started during 2013/14 which will provide 33 new housing properties for the HRA for a £3M investment over a 2 year period. The remaining budget from 2013/14 has been rolled across into the following financial year.

IT Software

A vehicle management system (£50K) will now be implemented in 2014/15 following delays to the project. Work has commenced on the upgrade to Opti-Time Software and will also be completed in 2014/15. Budget provision has been created for both of these schemes.

Purchase of Vehicles

Tenancy & Care Services Vehicles – this scheme was not taken forward following the decision to transfer the monitoring of the helpline and sheltered housing customers to an external provider

Where the money was invested and where the money came from

The following table sets out this expenditure and how it was financed

Investment	£'000	Financed From	£'000
Council Dwellings (Non-Enhancing) **	4,732		
Other Land and Building	0	Capital Receipts	3311
Other Land and Buildings (Non-Enhancing) **	684	Direct Revenue Financing	1,049
Vehicles Plant and Equipment **	710	Major Repairs Reserve	4,850
Non-Operational Assets	2,109	Capital Grants and Contributions	550
Rvenue Expenditure funded from Capital under Statute	696	Other Reserves	186
Intangible Assets	15		
Local Authority Mortgage Scheme	1,000		
Total	**9,946**		**9,946**

. **Capital expenditure on Council Dwellings totalled £4.732m in respect of improvements to existing stock. However, all of this was charged to revenue in year and did not therefore result in an increase to the balance sheet values. Capital expenditure charged to revenue is also included under the Other Land & Buildings and Vehicles, Plant & Equipment headings.

Several replacement vehicles were purchased and are included in vehicles, plant and equipment. The expenditure on Intangible Assets relates to software purchased to improve efficiency. Revenue expenditure funded from capital under statute includes £139k expenditure on Disabled Facilities Grants and £461k on Home Improvement Grants. The expenditure on non-operational assets relates to the development of property in Bourne in accordance with investment plans for the area.

Our Treasury Management Performance

We exceeded our original investment income budget for the year of £0.565m by £0.36m which was due to average cash balances from higher than budgeted. The benchmark 7-day LIBID (London Interbank Bid rate) rate was 0.34% and the rate of return we achieved of 0.43% was some 0.36% above this benchmark figure.

Council Tax Collection

The net collectable amount in respect of 2013/2014 Council Tax was £62.715m of which £61.739m has been received. This represents a collection rate of 98.4% (2012/2013 98.6%), Council Tax arrears (for all years), including costs and credits, amounted to £1.768m as at 31 March 2014.

Reserves and Balances

The General Fund working balance at the end of the financial year is £1.912m which will be carried over into 2014/2015 and is equivalent to 12.2% of net original base budget for 2013/2014 (net operating expenditure).

The working balance has been maintained to provide a financial cushion should something unexpected happen that leads to significant unplanned expenditure that would not be met from other sources or by specific Central Government grants. The level of working balance is in accordance with the policy set by the Council to maintain a balance at a level equal to 10-15% of net expenditure.

The Housing Revenue working balance of £7.145m represents the existing revenue balance.

The Council's total working balances and reserves have increased by £1.787m and now total £38.061m.

A summary of the specific and earmarked reserve balances as at 31 March 2014 are as follows:

	£'000
Usable Cap Receipts Reserve	3,137
HRA Capital Receipts Reserve	1,953
Major Repairs Reserve	4,281
Earmarked GF Revenue Reserves	11,681
General Fund Unapplied Revenue Grants	618
Earmarked HRA Revenue Reserves	735
Earmarked GF Capital Reserve	1,505
GF Unapplied Capital Grants	78
Earmarked HRA Capital Reserves	5,016
Housing Revenue Account Balance	7,145
General Fund Balance	1,912
	38,061

In summary, the Council's position remains strong and the review of balances and reserves has enabled the Council to earmark additional resources for specific purposes in the future. This healthy state is as a result of sound financial management and a strong track record of striking the right balance between spending and the need to keep an adequate level of resources to support the revenue account. The state of our financial well-being is reflected in the level of reserves and working balances we hold.

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, Lincs, NG31 6PZ, telephone 01476 406203 or accountancy@southkesteven.gov.uk. In addition, interested 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 in the local press and on our website at www.southkesteven.gov.uk

Daren Turner ACCA
Strategic Director – Corporate Focus
30 June 2014

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 (Corporate Focus) - 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 2014

This Statement of Accounts has been approved by the Governance & Audit Committee at its meeting on 25th September 2014.

DAREN TURNER ACCA
CHIEF FINANCE OFFICER
25 September 2014

COUNCILLOR IAN STOKES
CHAIRMAN OF GOVERNANCE & AUDIT COMMITTEE
25th September 2014

MOVEMENT IN RESERVES STATEMENT

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

	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	**Total Usable Reserves**	Unusable Reserves	**Total Authority Reserves**
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2013	(2,370)	(10,131)	(10,239)	(2,827)	(6,982)	(3,396)	(217)	**(36,162)**	(70,358)	**(106,520)**
Movement in reserves during 2013/14										
Surplus or (deficit) on the provision of services	1,242		(6,188)					**(4,946)**		**(4,946)**
Other Comprehensive Income & Expenditure (see bottom of CIES)								**0**	(126)	**(126)**
Total Comprehensive Income & Expenditure	**1,242**	**0**	**(6,188)**	**0**	**0**	**0**	**0**	**(4,946)**	**(126)**	**(5,072)**
Adjustments between accounting basis and funding basis under regulations (Note 8)	(4,675)	186	2,190	0	1,953	(2,479)	139	**(2,686)**	2,686	**0**
Net (Increase)/Decrease before Transfers to Earmarked Reserves	**(3,433)**	**186**	**(3,998)**	**0**	**1,953**	**(2,479)**	**139**	**(7,632)**	**2,560**	**(5,072)**
Transfers to/(from) Earmarked Reserves (Note 9)	3,891	(3,859)	7,092	(2,924)	(61)	1,594	0	**5,733**	(5,733)	**0**
(Increase)/Decrease in 2013/14	**458**	**(3,673)**	**3,094**	**(2,924)**	**1,892**	**(885)**	**139**	**(1,899)**	**(3,173)**	**(5,072)**
Balance at 31 March 2014 carried forward	**(1,912)**	**(13,804)**	**(7,145)**	**(5,751)**	**(5,090)**	**(4,281)**	**(78)**	**(38,061)**	**(73,531)**	**(111,592)**

For details of reserves see notes 27 and 28

MOVEMENT IN RESERVES STATEMENT Cont'd

	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	**Total Usable Reserves**	Unusable Reserves	**Total Authority Reserves**
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2012	(2,370)	(11,452)	(9,411)	(231)	(6,756)	(4,313)	(476)	**(35,009)**	(73,199)	**(108,208)**
Movement in reserves during 2012/13										
Surplus or (deficit) on the provision of services	364		(1,720)					**(1,356)**		**(1,356)**
Other Comprehensive Income & Expenditure (see bottom of CIES)								**0**	3,044	**3,044**
Total Comprehensive Income & Expenditure	**364**	**0**	**(1,720)**	**0**	**0**	**0**	**0**	**(1,356)**	**3,044**	**1,688**
Adjustments between accounting basis and funding basis under regulations (Note 8)	(2,631)	3,504	(4,572)	0	(134)	(2,722)	259	**(6,296)**	6,296	**0**
Net (Increase)/Decrease before Transfers to	**(2,267)**	**3,504**	**(6,292)**	**0**	**(134)**	**(2,722)**	**259**	**(7,652)**	**9,340**	**1,688**
Transfers to/(from) Earmarked Reserves (Note 9)	2,267	(2,183)	5,464	(2,596)	(92)	3,639	0	**6,499**	(6,499)	**0**
(Increase)/Decrease in 2012/13	**0**	**1,321**	**(828)**	**(2,596)**	**(226)**	**917**	**259**	**(1,153)**	**2,841**	**1,688**
Balance at 31 March 2013 carried forward	**(2,370)**	**(10,131)**	**(10,239)**	**(2,827)**	**(6,982)**	**(3,396)**	**(217)**	**(36,162)**	**(70,358)**	**(106,520)**

For details of reserves see notes 27 and 28

MOVEMENT IN RESERVES STATEMENT Cont'd

The Movement in reserves statement and subsequent tables have been restated to reflect the changes in IAS 19 referred to in note 2 to these accounts.

	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	**Total Usable Reserves**	Unusable Reserves	**Total Authority Reserves**
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2012	(2,370)	(11,452)	(9,411)	(231)	(6,756)	(4,313)	(476)	**(35,009)**	(73,199)	**(108,208)**
Movement in reserves during 2012/13										
Surplus or (deficit) on the provision of services	1,720		(1,720)					**0**		**0**
Other Comprehensive Income & Expenditure (see bottom of CIES)								**0**	0	**0**
Total Comprehensive Income & Expenditure	**1,720**	**0**	**(1,720)**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Adjustments between accounting basis and funding basis under regulations (Note 8)	(3,153)	3,504	(4,572)	0	(134)	(2,722)	259	**(6,818)**	6,818	**0**
Net (Increase)/Decrease before Transfers to Earmarked Reserves	**(1,433)**	**3,504**	**(6,292)**	**0**	**(134)**	**(2,722)**	**259**	**(6,818)**	**6,818**	**0**
Transfers to/(from) Earmarked Reserves (Note 9)	2,267	(2,183)	5,464	(2,596)	(92)	3,639	0	**6,499**	(6,499)	**0**
(Increase)/Decrease in 2012/13	**834**	**1,321**	**(828)**	**(2,596)**	**(226)**	**917**	**259**	**(319)**	**319**	**0**
Balance at 31 March 2013 carried forward	**(1,536)**	**(10,131)**	**(10,239)**	**(2,827)**	**(6,982)**	**(3,396)**	**(217)**	**(35,328)**	**(72,880)**	**(108,208)**

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. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

2012/13 Gross Expenditure	2012/13 Gross Income	2012/13 Net Expenditure		Note	2013/14 Gross Expenditure	2013/14 Gross Income	2013/14 Net Expenditure
£'000	£'000	£'000			£'000	£'000	£'000
10,035	(9,323)	712	Central Services to the Public		2,540	(1,370)	1,170
5,360	(2,014)	3,346	Cultural and Related Services		6,404	(2,314)	4,090
8,816	(3,328)	5,488	Environmental and Regulatory Services		8,686	(3,355)	5,331
3,460	(1,157)	2,303	Planning Services		3,238	(1,266)	1,972
1,152	(1,310)	(158)	Highways and Transport Services		1,219	(1,341)	(122)
19,704	(24,632)	(4,928)	Local Authority Housing (HRA)		15,977	(25,143)	(9,166)
34,323	(32,766)	1,557	Other Housing Services		33,592	(32,089)	1,503
2,394	(714)	1,680	Corporate and Democratic Core		2,721	(490)	2,231
(99)		(99)	Non Distributed Costs				0
85,145	**(75,244)**	**9,901**	**Cost Of Services**		**74,377**	**(67,368)**	**7,009**
		RESTATED *1	**Other Operating Expenditure**				
		(473)	(Gain)/Loss Disposal of Fixed Assets				(783)
		2,013	Precepts & Levies	10.			2,056
		565	Contribution Housing Capital Receipts to the Pool	HRA6			662
		(12)	Other Operating Income & Expenditure	11.			(20)
		2,093					**1,915**
			Financing and Investment Income and Expenditure				
		3,650	Interest Payable on Debt	19.			3,476
		1,408	Net Interest on the net defined benefit liability (asset)				1,651
		(749)	Interest & Investment Income	19.			(463)
		372	Income & Expenditure and Movement in Fair Value of Investment Property	12.			(165)
		(324)	(Gain)/Loss on Trading Accounts	30			(311)
		4,357					**4,188**
			Taxation and Non-Specific Grant Income				
		(359)	Recognised Capital Grants & Contributions	13.			(440)
		(7,774)	Council Tax				(7,466)
		(7,383)	Non-Domestic Rates				(2,685)
		(1,669)	Non-Service-Related Government Grants	14.			(7,467)
		(17,185)					**(18,058)**
		(834)	**(Surplus) or Deficit on Provision of Services**				**(4,946)**
		(3,388)	Surplus or deficit on revaluation of non-current assets				(1,555)
		5,910	Actuarial gains / losses on pension assets / liabilities	41.			1,429
		2,522	**Other Comprehensive Income and Expenditure**				**(126)**
		1,688	**TOTAL COMPREHENSIVE INCOME & EXPENDITURE**				**(5,072)**

*1The presentation of the Comprehensive Income & Expenditure Statement has changed from the 2012-13 Statement of Accounts due to a prior period adjustment arising from the revision to IAS19 retirement benefits (see Note 41)

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 2013 £'000		Note	At 31st March 2014 £'000
172,719	Council Dwellings	15	173,360
49,653	Other Land and Buildings	15	49,594
5,813	Plant, Vehicles and Equipment	15	5,165
227	Surplus Assets not held for sale	15	237
1,200	Assets Under Construction	15	3,309
429	Heritage Assets	46	429
2,203	Investment Property	16	2,346
166	Intangible Assets	17	128
1,278	Non Current Debtors	22	2,205
233,688	**Non Current Assets**		**236,773**
211	Current Assets Held for Sale	24	298
20,294	Current Investments	47	18,076
86	Inventories	20	35
4,477	Current Debtors	22	3,133
13,114	Cash and Cash Equivalents	23	17,125
38,182	**Current Assets**		**38,667**
(4,388)	Current Borrowing	43	(3,321)
(6,546)	Current Creditors	25	(5,285)
(252)	Current Provisions	26	(701)
(11,186)	**Current Liabilities**		**(9,307)**
(120)	Non Current Provisions	26	(220)
(116,726)	Non Current Borrowing	43	(113,487)
(36,533)	Other Non Current Liabilities	41	(39,985)
(785)	Capital Grants Receipts in Advance	35	(849)
(154,164)	**Non Current Liabilities**		**(154,541)**
106,520	**Net Assets**		**111,592**

BALANCE SHEET Cont'd

£'000			£'000
6,982	Usable Cap Receipts Reserve	27	5,090
3,396	Major Repairs Reserve	27	4,281
10,103	Earmarked GF Revenue Reserves	27	12,299
1,142	Earmarked HRA Revenue Reserves	27	735
1,685	Earmarked HRA Capital Reserves	27	5,016
28	Earmarked Capital Reserves	27	1,505
217	Capital Grants Unapplied	27	78
2,370	General Fund Balance	27	1,912
10,239	HRA Balance	27	7,145
36,162	**Usable Reserves**		**38,061**
99,271	Capital Adjustment Account	28	104,559
7,682	Revaluation Reserve	28	9,030
(36,533)	Pension Reserve	28	(39,985)
(156)	Short Term Accumulating Absences Account	28	(149)
36	Collection Fund adjustment Account	28	29
58	Deferred Capital Receipts	28	47
70,358	**Unusable Reserves**		**73,531**
106,520	**Total Reserves**		**111,592**

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.

2012/13 £'000		Notes	2013/14 £'000
	Operating Activities		
834	Net (surplus) or deficit on the provision of services		4,946
11,202	Adjustments to net surplus or deficit on the provision of services for non-cash movements	48	7,412
(1,167)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		(2,468)
2,790	Reversal of operating activity items included in the net (surplus) or deficit on the provision of services that are shown separately below		2,813
	Net cash flows from Operating Activities includes		
(3,406)	Interest paid		(3,527)
616	Interest received		714
10,869	**Net cash flows from Operating Activities**		**9,890**
	Investing Activities		
(8,611)	Purchase of property, plant and equipment, investment property and intangible assets		(7,984)
(21,000)	Purchase of short-term and long-term investments		(15,000)
(1,017)	Other payments for investing activities		(1,155)
1,168	Proceeds from the sale of property, plant and equipment, investment property and intangible assets		2,027
25,000	Proceeds from short-term and long-term investments		17,000
681	Other receipts from investing activities		890
(3,779)	**Net cash flows from Investing Activities**		**(4,222)**

CASH FLOW STATEMENT (CONT)

2012/13 £'000		Notes	2013/14 £'000
	Financing Activities		
448	Other receipts from financing activities		2,596
(3,254)	Repayments of short and long-term borrowing		(4,253)
(1,082)	Other payments for financing activities		
(3,888)	**Net cash flows from Financing Activities**		**(1,657)**
3,202	**Net (increase) or decrease in cash and cash equivalents**		**4,011**
9,390	Cash and cash equivalents at the beginning of the reporting period		13,114
13,114	Cash and cash equivalents at the end of the reporting period	23	17,125

1. STATEMENT OF ACCOUNTING POLICIES

I. GENERAL PRINCIPALS

The Statement of Accounts summarises the Council's transactions for the 2013/14 financial year and it's position at the year-end of 31 March 2014. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011, which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the *Code of Practice on Local Authority Accounting in the United Kingdom 2013/14* and the *Service Reporting Code of Practice 2013/14,* 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. EXCEPTIONAL ITEMS

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

V. 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.

VI. 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.

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 benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits:

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy 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. A liability is recognised at the earlier of the following events. When the Council can no longer withdraw the offer of benefits and when the Council recognises costs for the restructuring that involves the payment of termination benefits. Where the employee makes the decision the liability is recognised at the earlier of the following events; when the employee accepts the offer and when a restriction on the Council's ability to withdraw the offer takes effect.

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

Post-Employment Benefits

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

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 projections of 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:

  - 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.

  - 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 appropriations 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

The Council does not hold any Available-for-Sale assets.

X. FOREIGN CURRENCY TRANSACTIONS

Where the Council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

XI. 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

XII. 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.

XIII. 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 asset 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.

XIV. INVENTORIES AND LONG TERM CONTRACTS

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

Where the output of Long-term contracts is in the form of a service rather than goods, work in progress is measured at the cost of its production, primarily consisting of the labour and other personnel costs incurred in providing the service.

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

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

XVI. 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.

XVII. OVERHEADS AND SUPPORT SERVICES

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Service Reporting Code of Practice 2013/14 (SeRCOP)* (for example, charges are based on estimated or actual time allocations with the exception of administrative building costs – floor area basis). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early.

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

XVIII. 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 – fair value determined using the basis of existing use value for social housing (EUV-SH). The social housing discount applied in 2013/14 is 34%.
- Community assets and assets under construction - historical cost.
- Plant, Vehicles & Equipment – depreciated historical cost
- All other classes of assets – fair 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 fair 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 previously 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 is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of 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.

XIX. 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 in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties

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

Where some or all of the payment required to settle a provision is expected to be recovered from another party (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.

XX. 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 appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes 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.

XXI. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Expenditure incurred during the year that may be capitalised under statutory provisions but that 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.

XXII. VAT

Income and expenditure excludes any amounts related to VAT, as in the main, VAT collected is payable to HM Revenue & Customs and VAT paid is recoverable from them. 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.

XXIII. PRINCIPAL AND AGENT TRANSACTIONS

In its capacity as a billing authority the Council acts as an agent - council tax income is collected and distributed by the Council both on its own behalf and as an agent for Lincolnshire County Council and Lincolnshire Police Authority. Non Domestic Rate (NDR) income is collected on behalf of the Government.

Where the Council is acting as an agent, transactions are not reflected in the financial statements, except where cash is collected or expenditure is incurred on behalf of the other bodies. In this case a debtor or creditor will be raised.

Council Tax income is included in the Comprehensive Income & Expenditure Account on an accruals basis.

2. CHANGES IN ACCOUNTING POLICY

The International Accounting Standards Board (ISAB) issued a new version of IAS19 (the accounting standard for pensions) which applies from financial years starting on or after 1 January 2013.

The key change is that the interest cost and expected return on assets components of profit are now combined into a net figure. The expected return has been replaced by a figure that would be applicable if the expected return on assets assumption was equal to the discount rate.

The standard has removed some disclosure requirements and added others including :-

a. Enhanced descriptions of the nature of the scheme, the regulatory regime under which it operates, third parties responsible for scheme governance and the risks posed to the employer.

b. Illustration of the sensitivity of the scheme's pension liabilities to changes in actuarial assumptions

c. Information about the profile of the scheme's liabilities, including the weighted average duration of the pension obligation

d. Details of the scheme's funding policy, including expected contributions to the scheme in the following year

e. A more detailed breakdown of scheme assets to split assets into classes that distinguish the nature and risk of those assets and to provide a detailed breakdown showing those with a quoted price in an active market and those that do not

3. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT NOT ADOPTED

For 2013/14 the following accounting policy changes that need to be reported relate to:

a. IFRS 10 Consolidated Financial Statements

b. IFRS 11 Joint Arrangements

c. IFRS 12 Disclosure of Interests in other entities

d. IAS 27 Separate Financial Statements (as amended in 2011)

e. IAS 28 Investments in Associates and Joint Ventures (as amended in 2011)

f. IAS 32 Financial instruments: Presentation – Offsetting Financial assets and Financial Liabilities (as amended in December 2011)

g. IAS 1 Presentation of financial Statements – (as amended in May 2011)

4. 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. 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. The Council has no relationships with other entities which take the form of a parent/subsidiary, associate or joint control arrangement
d. No contracts with other bodies need to be accounted for as a service concession or contain an embedded lease.
e. No substantial legal claims or appeals will be made against the Council in the next financial year.

5. 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 2014 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 £107k for every year that useful lives had to be reduced.

b. Arrears

At 31 March 2014 the Council had a balance of short-term debtors of £3.133m. A review of these debts suggested that an impairment for doubtful debts of approx 44% was appropriate, totalling £1.4m. 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, a doubling of the amount of the impairment for doubtful debts would require an additional £1.448m to be set aside for this allowance.

6. MATERIAL ITEMS OF INCOME AND EXPENDITURE

There are no material items of Income and Expenditure however the Council has decided to place a further £1m with a mortgage provider to assist first time buyers in obtaining a mortgage. This is included in the Balance Sheet as a long term debtor.

7. EVENTS AFTER THE REPORTING PERIOD

The Statement of Accounts was authorised for issue by the Strategic Director – Corporate Focus on 25 September 2014. Events taking place after this date are not reflected in the financial statements or notes.

8. 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. For housing authorities, 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.

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)

2013/14	General Fund £'000	Earmarked Revenue Reserves £'000	HRA £'000	Earmarked HRA Reserves £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000
Adjustments primarily involving the Capital Adjustment Account									
Depreciation of non-current assets	(2,789)		(257)			(2,479)		(5,525)	5,525
Amortisation of intangible assets	(53)							(53)	53
Revaluation gains/losses on PPE	(535)		4,388					3,853	(3,853)
Impairments charged to CIES	0		(4,732)					(4,732)	4,732
Movements in market value of investment properties	254		(111)					143	(143)
Revenue expenditure funded from capital under statute (REFCUS)	(696)							(696)	696
Financing of REFCUS	498	59					139	696	(696)
Capital expenditure	52	127	3,220		3,311			6,710	(6,710)
Statutory provision for financing of capital investment	178							178	(178)
Profit/Loss on disposal of non-current assets	(42)		825		(2,020)			(1,237)	1,237
Adjustments primarily involving the									
Adjustment to council tax income	(7)							(7)	7
Adjustments primarily involving the Pension Fund									
Adjustment of IAS 19 retirement entries for actual contributions	(1,532)		(491)					(2,023)	2,023
Adjustments primarily involving the									
Accrual for accumulating compensated absences	(3)		10					7	(7)
Adjustments between Usable Reserves									
Payments to Housing Capital Receipts Pool			(662)		662			0	0
Total Adjustments	**(4,675)**	**186**	**2,190**	**0**	**1,953**	**(2,479)**	**139**	**(2,686)**	**2,686**

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

2012/13	General Fund	Earmarked Revenue Reserves	HRA	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments primarily involving the Capital Adjustment Account									
Depreciation of non-current assets	(2,663)					(2,722)		(5,385)	5,385
Amortisation of intangible assets	(59)							(59)	59
Revaluation gains/losses on PPE	772		(96)					676	(676)
Impairments charged to CIES	(53)		(4,768)					(4,821)	4,821
Movements in market value of investment properties	(385)		(2)					(387)	387
Revenue expenditure funded from capital under statute (REFCUS)	(766)							(766)	766
Financing of REFCUS	477	29					259	765	(765)
Capital expenditure	818	3,475			422			4,715	(4,715)
Statutory provision for financing of capital investment	186							186	(186)
Profit/Loss on disposal of non-current assets	(24)		497		(1,121)			(648)	648
Adjustments primarily involving the Collection Fund Adjustment Account									
Adjustment to council tax income	31							31	(31)
Adjustments primarily involving the Pension Fund									
Adjustment of IAS 19 retirement entries for actual contributions	(427)		(221)					(648)	648
Adjustments primarily involving the Accumulating Compensated Absences									
Accrual for accumulating compensated absences	27		18					45	(45)
Adjustments between Usable Reserves									
Payments to Housing Capital Receipts Pool	(565)				565			0	0
Total Adjustments	**(2,631)**	**3,504**	**(4,572)**	**0**	**(134)**	**(2,722)**	**259**	**(6,296)**	**6,296**

2012/13 (RESTATED)	General Fund £'000	Earmarked Revenue Reserves £'000	HRA £'000	Earmarked HRA Reserves £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000
Adjustments primarily involving the Capital Adjustment Account									
Depreciation of non-current assets	(2,663)					(2,722)		(5,385)	5,385
Amortisation of intangible assets	(59)							(59)	59
Revaluation gains/losses on PPE	772		(96)					676	(676)
Impairments charged to CIES	(53)		(4,768)					(4,821)	4,821
Movements in market value of investment properties	(385)		(2)					(387)	387
Revenue expenditure funded from capital under statute (REFCUS)	(766)							(766)	766
Financing of REFCUS	477	29					259	765	(765)
Capital expenditure	818	3,475			422			4,715	(4,715)
Statutory provision for financing of capital investment	186							186	(186)
Profit/Loss on disposal of non-current assets	(24)		497		(1,121)			(648)	648
Adjustments primarily involving the Collection Fund Adjustment Account									
Adjustment to council tax income	31							31	(31)
Adjustments primarily involving the Pension Fund									
Adjustment of IAS 19 retirement entries for actual contributions	(949)		(221)					(1,170)	1,170
Adjustments primarily involving the Accumulating Compensated Absences Account									
Accrual for accumulating compensated absences	27		18					45	(45)
Adjustments between Usable Reserves									
Payments to Housing Capital Receipts Pool	(565)				565			0	0
Total Adjustments	**(3,153)**	**3,504**	**(4,572)**	**0**	**(134)**	**(2,722)**	**259**	**(6,818)**	**6,818**

9. TRANSFER 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 2013/14.

	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	(65)	(43)		65	43			0	0	0
SEA provision	57			(57)				0	0	0
Transfer Surplus to reserves	3,973	6,222		(3,972)	(2,967)	(3,256)		0	0	0
Unapplied government grants								0	0	0
Repaid mortgages			(41)					(41)	41	0
Other Long-Term Debtors	31	2	(20)					13	(13)	0
Amounts transferred from reserves to support in year expenditure										
Application of other grants	(53)			53				0	0	0
Finance Building Control deficit	(52)			52				0	0	0
Revenue Contributions to Capital		911				4,850		5,761	(5,761)	0
Total Transfers To/(From) Earmarked Reserves	**3,891**	**7,092**	**(61)**	**(3,859)**	**(2,924)**	**1,594**	**0**	**5,733**	**(5,733)**	**0**

Transfers to/from Earmarked Reserves (Continued)

The comparative amounts in 2012/13 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	69	62		(69)	(62)			0	0	0
SEA provision	71			(71)				0	0	0
Transfer Surplus to reserves	2,372	5,402	(40)	(2,359)	(2,534)	(1,197)		1,644	(1,644)	0
Unapplied government grants								0	0	0
Repaid mortgages			(38)					(38)	38	0
Other Long-Term Debtors	31	0	(14)					17	(17)	0
Amounts transferred from reserves to support in year expenditure										
Application of other grants	(258)			245				(13)	13	0
Finance Building Control deficit	(18)			18				0	0	0
Revenue Contributions to Capital				53		4,836		4,889	(4,889)	0
Total Transfers To/(From) Earmarked Reserves	**2,267**	**5,464**	**(92)**	**(2,183)**	**(2,596)**	**3,639**	**0**	**6,499**	**(6,499)**	**0**

10. PRECEPTS AND LEVIES

.

2012/13 £'000		2013/14 £'000
1,399	Parish Council Precepts	1,440
614	Drainage Board Levies	616
2,013		**2,056**

11. OTHER OPERATING INCOME AND EXPENDITURE

2012/13 £'000		2013/14 £'000
(12)	VAT Refund	
	Maternity Pay Adjustment	(20)
(12)		**(20)**

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

2012/13 £'000		2013/14 £'000
(15)	Income & Expenditure from investment properties	(22)
387	Movements in relation to changes in the fair value of investment properties	(143)
372		**(165)**

13. RECOGNISED CAPITAL GRANTS AND CONTRIBUTIONS

2012/13 £'000		2013/14 £'000
-	Contribution to South West Bourne Road	(440)
(359)	South Kesteven Community Access Point	-
(359)		**(440)**

14. NON SERVICE RELATED GOVERNMENT GRANTS

2012/13 £'000		2013/14 £'000
(1,185)	New Homes Bonus	(2,077)
(263)	Council Tax Freeze Grant	
	S31 Grant	(495)
(78)	S106 Contribution	(52)
(143)	Revenue Support Grant	(4,843)
(1,669)		**(7,467)**

15. PROPERTY PLANT AND EQUIPMENT

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

Movement in 2013/14	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Eqpt	Surplus Assets	Assets Under Construction	Total PPE
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation at 01/04/2013	**179,299**	**51,625**	**13,743**	**235**	**1,200**	**246,102**
Additions	4,732	684	710		2,109	**8,235**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	15	(103)		5		(83)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on Provision of Services	(2,817)	(608)		5		(3,420)
Derecognition - Disposals	(981)		(165)			(1,146)
Assets reclassified (to)/from Assets Under Construction						0
Assets reclassified (to)/from Held for Sale (see Note 24)	(298)					(298)
At 31/03/2014	**179,950**	**51598**	**14,288**	**245**	**3,309**	**249,390**
Accumulated Depreciation & Impairment at 01/04/2013	**(6,580)**	**(1,972)**	**(7,930)**	**(8)**	**0**	**(16,490)**
Depreciation charge	(2,478)	(1,738)	(1,300)	(8)	0	(5,524)
Depreciation written out to the Revaluation Reserve	14	1,614				1,628
Depreciation written out to the Comprehensive Income & Expenditure Statement	7,182	92		8		7,282
Impairment losses recognised in the Surplus/Deficit on Provision of Services	(4,732)					(4,732)
Derecognition - Disposals	4		107			111
At 31/03/2014	**(6,590)**	**(2,004)**	**(9,123)**	**(8)**	**0**	**(17,725)**
Net Book Value						
At 31/03/2014	**173,360**	**49,594**	**5,165**	**237**	**3,309**	**231,665**
At 31/03/2013	**172,719**	**49,653**	**5,813**	**227**	**1,200**	**229,612**

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 2012/13

	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Eqpt	Surplus Assets	Assets Under Construction	Total PPE
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation at 1st April 2012	**182,535**	**48,149**	**12,048**	**237**	**168**	**243,137**
Additions	4,768	830	1,865	44	1,052	**8,559**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(37)	2,638		(2)		**2,599**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on Provision of Services	(7,304)	(12)				**(7,316)**
Derecognition - Disposals			(170)	(44)		**(214)**
Assets reclassified (to)/from Assets Under Construction		20			(20)	**0**
Assets reclassified (to)/from Held for Sale (see Note 24)	(663)					**(663)**
At 31/03/2012	**179,299**	**51,625**	**13,743**	**235**	**1,200**	**246,102**
Accumulated Depreciation & Impairment at 1st April 2012	**(6,626)**	**(1,734)**	**(6,855)**	**(10)**	**0**	**(15,225)**
Depreciation charge	(2,467)	(1,713)	(1,196)	(8)		**(5,384)**
Depreciation written out to the Revaluation Reserve	15	701		1		**717**
Depreciation written out to the Comprehensive Income & Expenditure Statement	7,266	827		9		**8,102**
Impairment losses recognised in the Surplus/Deficit on Provision of Services	(4,768)	(53)				**(4,821)**
Derecognition - Disposals			121			**121**
At 31/03/2012	**(6,580)**	**(1,972)**	**(7,930)**	**(8)**	**0**	**(16,490)**
Net Book Value						
At 31st March 2013	**172,719**	**49,653**	**5,813**	**227**	**1,200**	**229,612**
At 31st March 2012	**175,909**	**46,415**	**5,193**	**227**	**168**	**227,912**

16. 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:

2012/13 £'000		2013/14 £'000
(17)	Rental income from investment property	(22)
2	Direct operating expenses arising from investment property	
(15)		**(22)**

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:

2012/13 £'000		2013/14 £'000
2,590	**Balance at start of year**	2,203
	Additions - Purchases	
(387)	Net gains/losses from fair value adjustments	143
2,203	**Balance at end of year**	**2,346**

17. 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. The useful lives assigned to the major software suites used by the Council are:

3 Years	Event Pro Box office Software
5 Years	Microsoft Windows
	Microsoft Office
	Academy
	Protectdrive
	Safego
	Northgate NDR
	Bartec Waste Management System
	Optitime
	Flare Asset Management System
10 Years	Cedar Financial System

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £53k charged to revenue in 2013/14 was charged to the following departments.

2012/13 £'000		2013/14 £'000
15	ICT	0
17	Finance and Risk	19
11	Central Services to the Public	15
2	Culture and Related Services	2
14	Environmental and Regulatory Services	14
0	Local Authority Housing (HRA)	3
59		**53**

Movements on Intangible Assets during the year were as follows:

2012/13 £'000		2013/14 £'000
	Balance at start of year:	
374	Gross carrying amount	464
(239)	Accumulated amortisation	(298)
135	Net carrying amount at start of year	166
90	Additions	15
(59)	Amortisation for the period	(53)
31		**(38)**
166	Net carrying amount at end of year	128
Comprising		
464	Gross carrying amount	479
(298)	Accumulated amortisation	(351)
166		**128**

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

18. 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 2013/14 which incorporates the prudential indicators was approved by Council on 23 February 2013 and is available on the Council website. The key issues within the strategy were:

i. The Authorised Limit for 2013/14 was set at £136m. This is the maximum limit of external borrowings or other long term liabilities.

ii. The Operational Boundary was expected to be £120m. 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:

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

These policies are implemented by a central treasury team. The Council maintains written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash through 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 Capita Asset Services. 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 £34m 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 2014 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 2014	Historical experience of default (1)	Adjustment for market conditions	Estimated Maximum exposure to default
	£'000	%	%	£'000
AAA rated counterparties	24,365	0.00%	0.00%	0
AA rated counterparties		0.02%	0.02%	0
A rated counterparties	10,034	0.08%	0.08%	8
BBB rated counterparties		0.23%	0.23%	0
Other counterparties		0.00%	0.00%	0
Trade debtors (not including statutory debtors)	308	Local Experience	Local Experience	34
Total	**34,707**			**42**

(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 £291k 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 2014	At 31 March 2013	At 31 March 2012
	£'000	£'000	£'000
Under 30 Days	17	179	32
30-60 days	244	258	106
60-90 days	13	5	15
Over 90 Days	34	36	122
Total	**308**	**478**	**275**

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 2014 £'000	At 31 March 2013 £'000	At 31 March 2012 £'000
Less than one year	34,399	33,669	30,142
Between one and two years	-		3,047
Between two and three years	-		-
More than three years	-		-
Total	**34,399**	**33,669**	**33,189**

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 placed 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 2014 £'000	At 31 March 2013 £'000	At 31 March 2012 £'000
Less than one year	3,321	4,388	3,389
Between one and two years	3,722	3,738	4,270
Between two and five years	10,665	10,665	10,165
Between five and ten years	41,109	41,109	42,109
Between ten and fifteen years	16,109	16,109	16,109
Over Fifteen Years	41,882	45,105	48,326
Total	**116,808**	**121,114**	**124,368**

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	
Increase in interest receivable on variable rate investments	(289)
Impact on Surplus or Deficit on the Provision of Services	(289)
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)	165

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.

19. 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 2014 £'000	At 31 March 2013 £'000	At 31 March 2014 £'000	At 31 March 2013 £'000
Borrowings				
Financial Liabilities (principal amount)	113,487	116,726	3,238	4,254
Accrued Interest (will be current)			83	134
Total Borrowings	**113,487**	**116,726**	**3,321**	**4,388**
Investments				
Loans & Receivables (principal amount)	0	0	34,355	33,375
Accrued interest			76	294
Total Investments	**0**	**0**	**34,431**	**33,669**

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 – Fair value has been measured by:

- Direct reference to published price quotations in an active market and/or
- Estimating using a valuation technique.

Note 3 – The Council has not made any soft loans

b. Financial instruments Gains/Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

	Financial Liabilities	Financial Assets	Total
2013/14	Liabilities Measured at Amortised Cost	Loans & Receivables	
	£'000	£'000	£'000
Interest expense	3,476		3,476
Total Expense in Surplus or Deficit on the Provision of Services	**3,476**	**0**	**3,476**
Interest income		(463)	(463)
Total Income in Surplus or Deficit on the Provision of Services	**0**	**(463)**	**(463)**
Net gain/(loss) for the year	**3,476**	**(463)**	**3,013**
2012/13			
Interest expense	3,650		3,650
Total Expense in Surplus or Deficit on the Provision of Services	**3,650**	**0**	**3,650**
Interest income		(749)	(749)
Total Income in Surplus or Deficit on the Provision of Services	**0**	**(749)**	**(749)**
Net gain/(loss) for the year	**3,650**	**(749)**	**2,901**

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

Financial liabilities and financial assets represented by loans and receivables are carried on the balance sheet at amortised cost (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 2014		At 31 March 2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
PWLB debt	116,792	116,957	121,066	130,884
Non-PWLB debt	16	16	48	48
Trade Creditors	2,461	2,461	2,641	2,641
Total financial liabilities	**119,269**	**119,434**	**123,755**	**133,573**
Instant Access Accounts	16,355	16,361	13,375	13,380
Short Term Investments	18,076	18,064	20,294	20,460
Trade debtors	308	308	478	478
Other Short Term Debtors	2,825	2,825	3,999	3,999
Long Term Debtors	2,205	2,205	1,278	1,278
Total loans & receivables	**39,769**	**39,763**	**39,424**	**39,595**

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 is greater than the carrying amount because the Council’s portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date.

The fair values for loans and receivables have been determined by reference to similar practices, as above, which provide a good approximation for the fair value of a financial instrument and includes accrued interest. The comparator market rates prevailing have been taken from indicative investment rates at each balance sheet date. In practice rates will be determined by the size of the transaction and the counterparty, but it is impractical to use these figures, and the difference is likely to be immaterial.

20. INVENTORIES

Details of inventories held by the Council as at 31 March 2014 are provided below:

2012/13 £'000		2013/14 £'000
	Printing Supplies	
9	Balance at start of year	9
34	Purchases	30
(34)	Recognised as an expense in year	(31)
9	Balance outstanding at year end	**8**
	Postage	
5	Balance at start of year	5
70	Purchases	53
(70)	Recognised as an expense in year	(54)
5	Balance outstanding at year end	**4**
	Housing Repairs & Maintenance Materials	
7	Balance at start of year	4
485	Purchases	496
(488)	Recognised as an expense in year	(497)
4	Balance outstanding at year end	**3**
	Vehicle Repairs & Maintenance Materials	
21	Balance at start of year	59
364	Purchases	251
(326)	Recognised as an expense in year	(310)
59	Balance outstanding at year end	**0**
	Fuel Tank	
20	Balance at start of year	9
649	Purchases	609
(660)	Recognised as an expense in year	(598)
9	Balance outstanding at year end	**20**

21. CAPITAL COMMITMENTS

There is an outstanding commitment to Balfour Buildings of £1.7m in respect of new build social housing.

22. DEBTORS

An analysis of Debtors is shown below:

At 31st March 2013 £'000		At 31st March 2014 £'000
	Current Debtors	
2,163	Government Departments	565
359	Other Local Authorities	645
47	NHS	1
1,908	Other entities and individuals	1,922
4,477		**3,133**
	Long Term Debtors	
1,028	Local Authority Mortgage Scheme	2,000
196	Loans for Leisure Facilities	154
54	Other	51
1,278		**2,205**

23. CASH AND CASH EQUIVALENTS

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

At 31st March 2013 £'000		At 31st March 2014 £'000
60	Cash held by the authority	86
(321)	Bank current accounts	684
13,375	Instant Access accounts	16,355
13,114	**Total Cash & Cash Equivalents**	**17,125**

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.

24. ASSETS HELD FOR SALE

As at 31st March 2014, there are 10 Council Dwellings that are in the process of being sold and these are classified as Current Assets Held for Sale in the Balance Sheet. The details of the assets held for sale are shown below.

2012/13 £'000		2013/14 £'000
189	Balance at start of year	211
663	Assets newly classified as held for sale: Property, Plant & Equipment	298
	Assets declassified as held for sale: Property, Plant & Equipment	
(641)	Assets sold	(211)
211		**298**

25. CREDITORS

An analysis of Creditors is shown below:

At 31st March 2013 £'000		At 31st March 2014 £'000
2,186	Government Departments	1,488
144	Other Local Authorities	146
38	NHS bodies	
4,178	Other entities and individuals	3,651
6,546	**Total**	**5,285**

26. PROVISIONS

	Injury & Damage Compensation Claims	Business Rates Appeals	Accrued Employee Benefits	Total
2013/2014	£'000	£'000	£'000	£'000
Balance at 1st April 2013	216		156	372
Additional provisions made in 2013/14	152	509	149	810
Amounts used in 2013/14	(29)		(156)	(185)
Unused amounts reversed in 2013/14	(76)			(76)
Total	**263**	**509**	**149**	**921**
Split between:				
Short-term provisions				701
Long-term provisions				220
				921
2012/2013				
Balance at 01/04/2012	96		201	297
Additional provisions made in 2012/13	201		217	418
Amounts used in 2012/13	(43)		(201)	(244)
Unused amounts reversed in 2012/13	(38)		(61)	(99)
Total	**216**	**0**	**156**	**372**
Split between:				
Short-term provisions				252
Long-term provisions				120
				372

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 £263k provided at 31st March 2014 £144k is expected to be settled in 2014/15. The Council may be reimbursed by its Insurers, but until claims are actually settled no income is recognised as the insurers will only reimburse amounts above a £25k excess.

27. USABLE RESERVES

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

	Balance at 1st April 2012 £'000	Transfer To Reserve £'000	Transfer From Reserve £'000	Balance at 31st March 2013 £'000	Transfer To Reserve £'000	Transfer From Reserve £'000	Balance at 31st March 2014 £'000
Usable Cap Receipts Reserve	6,756	473	(838)	6,391		(3,254)	3,137
HRA Capital Receipts Reserve		591		591	1,362		1,953
Major Repairs Reserve	4,313	714	(1,631)	3,396	885		4,281
Earmarked GF Revenue Reserves	7,461	3,101	(1,130)	9,432	2,249		11,681
General Fund Unapplied Revenue Grants	930	31	(290)	671		(53)	618
Earmarked HRA Revenue Reserves	231	911		1,142		(407)	735
Earmarked GF Capital Reserve	3,061	28	(3,061)	28	1,477		1,505
GF Unapplied Capital Grants	476		(259)	217		(139)	78
Earmarked HRA Capital Reserves		1,685		1,685	3,331		5,016
Housing Revenue Account Balance	9,411	834	(6)	10,239		(3,094)	7,145
General Fund Balance	2,370			2,370		(458)	1,912
	35,009	**8,368**	**(7,215)**	**36,162**	**9,304**	**(7,405)**	**38,061**

28. UNUSABLE RESERVES

At 31st March 2013 £'000		At 31st March 2014 £'000
7,682	Revaluation Reserve	9,030
99,271	Capital Adjustment Account	104,559
(36,533)	Pensions Reserve	(39,985)
36	Collection Fund Adjustment Account	29
(156)	Accumulating Compensated Absences Adjustment Account	(149)
58	Deferred Capital Receipts	47
70,358		**73,531**

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.

2012/13 £'000		2013/14 £'000
4,613	Balance at start of year	7,682
3,435	Upward revaluation of assets	1,930
(111)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on Provision of Services	(437)
7,937	Surplus/Deficit on revaluation of non-current assets not posted to Surplus/Deficit on Provision of Services	9,175
(255)	Difference between fair value depreciation and historical cost depreciation	(145)
	Accumulated gains on assets sold or scrapped	
(255)	Amounts written off to the Capital Adjustment Account	(145)
7,682	Balance at end of year	**9,030**

b. Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and 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.

2012/13 £'000		2013/14 £'000
98,165	Balance at start of year	99,271
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income & Expenditure Statement	
(5,385)	Charges for depreciation of non-current assets	(5,525)
(4,821)	Charges for impairment of non-current assets	(4,732)
(2,114)	Revaluation losses on Property, Plant & Equipment	(627)
2,890	Revaluation gains reversing previous impairments charged to the Comprehensive Income & Expenditure Statement	4,541
(59)	Amortisation of intangible assets	(53)
(766)	Revenue expenditure funded from capital under statute	(696)
(688)	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	(1,245)
87,222		90,934
255	Adjusting amounts written out of the Revaluation Reserve	145
87,477	Net written out amount of the cost of non-current assets consumed in the year	91,079
	Capital financing applied in the year	
422	Use of the Capital Receipts Reserve to finance new capital expenditure	3,311
4,836	Use of the Major Repairs reserve to finance new capital expenditure	4,850
	Capital grants and contributions credited to the Comprehensive Income & Expenditure Statement that have been applied to capital financing	359
259	Application of grants to capital financing from the Capital Grants Unapplied Account	139
186	Statutory provision for the financing of capital investment charged against the General Fund & HRA balances	178
5,189	Self-financed capital expenditure	3,408
1,289	Capital expenditure charged against the General Fund and HRA balances	1,092
12,181		13,337
(387)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income & Expenditure Statement	143
99,271	Balance at end of year	**104,559**

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.

2012/13			2013/14
£'000	£'000		£'000
Restated	Original		
(29,453)	(29,453)	Balance at start of year	(36,533)
(5,910)	(6,432)	Remeasurement of the net defined benefit liability/ (asset)	(1,429)
(3,410)	(2,888)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on Provision of Services	(4,322)
2,240	2,240	Employer's pensions contributions and direct payments to pensioners payable in the year	2,299
(36,533)	**(36,533)**	Balance at end of year	**(39,985)**

d. Collection Fund Adjustment Account

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

2012/13		2013/14
£'000		£'000
5	Balance at start of year	36
31	Amount by which council tax income credited to the Comprehensive Income & Expenditure Statement is different from council tax income calculated in accordance with statute	(7)
36	Balance at end of year	**29**

e. Accumulating Compensated Absences Adjustment Account

The Accumulating Compensated Absences Adjustment 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.

2012/13 £'000		2013/14 £'000
201	Balance at start of year	156
(61)	Settlement or cancellation of accrual made at the end of the preceding year	0
16	Amounts accrued at the end of the current year	(7)
156	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	149
156	Balance at end of year	**149**

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.

2012/13 £'000		2013/14 £'000
72	Balance at start of year	58
(14)	Repayments received in year	(11)
0	New receipts deferred	0
58	Balance at end of year	**47**

29. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Council's Cabinet on the basis of budget reports analysed across corporate areas. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- The income & expenditure relating to the HRA is reported to Cabinet entirely separately from that for the General Fund, whereas in the Comprehensive Income & Expenditure Statement it is included as a service line within the Cost of Services.

- Drainage board levies are included within the expenditure reported under the Finance corporate area in the reports provided to Cabinet, but in the Comprehensive Income & Expenditure Statement, they are included within Other Operating Expenditure below the Cost of Services analysis.

- Income & expenditure relating to trading services (markets and industrial estates which are run on a commercial basis) is included within the Assets corporate area in Cabinet reports, but in the Comprehensive Income and Expenditure Statement, it is included within Other Operating Expenditure below the Cost of Services analysis.

- Interest received on loans made to bodies providing leisure services is also reported within the Assets corporate area in Cabinet reports, but in the Comprehensive Income & Expenditure Statement, it is included within Financing & Investment Income & Expenditure below the Cost of Services analysis.

The reconciliation below shows how the figures in the analysis of corporate area income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement:

The income and expenditure of the Council's corporate areas recorded in the budget reports for 2013/14 is as follows:

	Community Assets	Operational Management	Development & Growth	Environment Services	Finance	Housing & Neighbourhds	People Projects and Performance	Legal & Democratic	Property Development	Special Expense Areas	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Income											
Fees Charges & other service income	(1,683)	(8)	(1,225)	(2,744)	(788)	(348)	(57)	(235)	(2,323)	(98)	(9,509)
Interest & investment income	(12)				(4)						(16)
Government Grants & Contributions	(72)	(44)	(126)	(294)	(31,963)				(4)	(6)	(32,509)
Support Recharge Income	(143)	(1,598)	(124)	(601)	(2,386)		(1,835)	(579)	(1,544)		(8,810)
Total Income	(1,910)	(1,650)	(1,475)	(3,639)	(35,141)	(348)	(1,892)	(814)	(3,871)	(104)	(50,844)
Expenditure											
Employee Expenses	1,022	1,307	1,490	3,656	2,511	367	1,614	584	823		13,374
Other Service Expenses	2,030	298	994	2,613	33,608	330	437	752	2,213	458	43,733
Support Service Recharges	376	923	689	1,296	667	362	290	683	721	119	6,126
Depreciation, amortisation & Impairment	1,734		96	1,630	163	4	1	4	390	58	4,080
Total Expenditure	5,162	2,528	3,269	9,195	36,949	1,063	2,342	2,023	4,147	635	67,313
Net Expenditure	**3,252**	**878**	**1,794**	**5,556**	**1,808**	**715**	**450**	**1,209**	**276**	**531**	**16,469**

The income and expenditure of the Council's corporate areas recorded in the budget reports for 2012/13 is as follows:

	Community Assets	Operational Management	Development & Growth	Environment Services	Finance	Housing & Neighbourhds	People Projects and Performance	Legal & Democratic	Property Development	Special Expense Areas	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Income											
Fees Charges & other service income	(1,489)	(2)	(858)	(2,656)	(1,007)	(898)	(39)	(172)	(2,336)	(83)	(9,540)
Interest & investment income	(14)				(5)						(19)
Government Grants & Contributions	(68)	(13)	(92)	(377)	(39,957)	(106)			(5)	(2)	(40,620)
Support Recharge Income	(140)	(1,450)	(116)	(476)	(2,532)		(1,643)	(533)	(1,565)		(8,455)
Total Income	(1,711)	(1,465)	(1,066)	(3,509)	(43,501)	(1,004)	(1,682)	(705)	(3,906)	(85)	(58,634)
Expenditure											
Employee Expenses	1,014	1,234	1,441	3,396	2,440	994	1,316	539	935		13,309
Other Service Expenses	2,278	213	1,115	3,229	41,307	417	441	690	2,057	467	52,214
Support Service Recharges	365	668	655	1,076	816	259	256	526	715	107	5,443
Depreciation, amortisation & Impairment	672		56	1,532	147	5		4	287	69	2,772
Total Expenditure	4,329	2,115	3,267	9,233	44,710	1,675	2,013	1,759	3,994	643	73,738
Net Expenditure	**2,618**	**650**	**2,201**	**5,724**	**1,209**	**671**	**331**	**1,054**	**88**	**558**	**15,104**

The reconciliation below shows how the figures in the analysis of corporate area income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement:

2012/13 £'000		2013/14 £'000
15,104	Net expenditure in the Service Analysis	16,469
(4,928)	Local Authority Housing HRA	(9,166)
(614)	Drainage Board Levies	(616)
324	Trading Services	311
15	Leisure Grants & Loans Income	11
9,901	Cost of Service in Comprehensive Income & Expenditure Statement	**7,009**

The reconciliation below shows how the figures in the analysis of corporate area income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2013/14	Corporate Area Analysis £'000	Amounts not reported to management for decision making £'000	Amounts not included in I&E £'000	Total £'000
Income				
Fees Charges & other service income	(9,509)			(9,509)
Interest & investment income	(16)			(16)
Government Grants & Contributions	(32,509)			(32,509)
Taxation & Non-Specific Grant Income		(18,058)		(18,058)
Support Recharge Income	(8,810)			(8,810)
Total Income	(50,844)	(18,058)	0	(68,902)
Expenditure				
Employee Expenses	13,374			13,374
Other Service Expenses	43,733			43,733
Support Service Recharges	6,126			6,126
Depreciation, amortisation & Impairment	4,080			4,080
Financing		4,510		4,510
Parish Precepts		1,440		1,440
Local Authority Housing HRA		(9,166)		(9,166)
Payments to the housing capital receipts pool		662		662
Gain or loss on disposal of non-current assets		(783)		(783)
Other Operating Income & Expenditure		(20)		(20)
Total Expenditure	67,313	(3,357)	0	63,956
Surplus or deficit on the provision of services	**16,469**	**(21,415)**	**0**	**(4,946)**

2012/13	Corporate Area Analysis	Amounts not reported to management for decision making	Amounts not included in I&E	Total
	£'000	£'000	£'000	£'000
Income				
Fees Charges & other service income	(9,540)			(9,540)
Interest & investment income	(19)			(19)
Government Grants & Contributions	(40,620)			(40,620)
Taxation & Non-Specific Grant Income		(17,185)		(17,185)
Support Recharge Income	(8,455)			(8,455)
Total Income	(58,634)	(17,185)	0	(75,819)
Expenditure				
Employee Expenses	13,309			13,309
Other Service Expenses	52,214			52,214
Support Service Recharges	5,443			5,443
Depreciation, amortisation & Impairment	2,772			2,772
Financing		4,174		4,174
Parish Precepts		1,399		1,399
Local Authority Housing HRA		(4,928)		(4,928)
Payments to the housing capital receipts pool		565		565
Gain or loss on disposal of non-current assets		(473)		(473)
Other Operating Income & Expenditure		(12)		(12)
Total Expenditure	73,738	725	0	74,463
Surplus or deficit on the provision of services	**15,104**	**(16,460)**	**0**	**(1,356)**

30. 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:

2012/13		2013/14
£'000		£'000
	The letting of Industrial Units located within the District	
(514)	Income	(517)
124	Expenditure	129
(390)	(Surplus)/Deficit	(388)
	Markets held weekly at Bourne, Grantham and Stamford	
(270)	Income	(261)
325	Expenditure	341
55	(Surplus)/Deficit	80
(335)	(Surplus)/Deficit	**(308)**

On the face of the Comprehensive Income & Expenditure Statement the trading operations show a surplus of £311k. This figure includes revaluation losses totalling £3k which have been credited 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 2013/14 was an increase to the General Fund balances of £308k.

31. AGENCY SERVICES

The Council has an agency agreement with Lincolnshire County Council to manage Spittlegate Hill Travellers Site, Grantham, for which it is paid a management fee. The fee covers the cost of maintaining the land and collection of rents. The council also provides a grass cutting service cutting 34 hectares of verges around the district seven times a year, under a highways agency agreement Lincolnshire County Council reimburses the cost of these cuts.

2012/13 £'000		2013/14 £'000
	Travellers Site Expenditure	
36	Management & Maintenance	34
(36)	Income from Rent & Other Charges	(34)
0	Net Cost	**0**
	Grass Cutting Expenditure	
89	Premises & Support Costs	92
(89)	Income from Lincolnshire County Council	(92)
0	Net Cost	**0**

32. 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 has 58 elected Councillors.

Members' allowances and expenses paid during the year amounted to £370,351 (2012/13 £363,390). The figure includes basic allowance, special responsibility, and other related allowances.

33. 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:

2012/13 No. of officers	Remuneration Band	2013/14 No. of officers
-	£50,000 - £54,999	
-	£55,000 - £59,999	1
3	£60,000 - £64,999	3
2	£65,000 - £69,999	4
	£80,000 - £84,999	1
5		**9**

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

		Salary, Fees and Allowances	Bonuses	Expenses Allowances	Compensation for Loss of Employment	Employers Pension contribution	Any other emolument	Total
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
Chief Executive	2013/2014	112				24		136
	2012/2013	111				23		134
Strategic Director	2013/2014	5		1		1		7
	2012/2013	88		1		19		108
Strategic Director	2013/2014	89				19		108
	2012/2013	88				19		107
Strategic Director (S151 Officer)	2013/2014	89				19		108
	2012/2013	88				19		107
Monitoring Officer	2013/2014	62				13		75
	2012/2013	61				13		74

Nb. One Strategic Director post listed above represents a role which was vacated in April 2013.

34. EXTERNAL AUDIT COSTS

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

2012/13 £'000		2013/14 £'000
62	Fees payable to the external auditors with regard to external audit services carried out by the appointed auditor.	62
8	Fees payable to the external auditors for the certification of grant claims and returns.	8
70		**70**

35. GRANT INCOME

The Council credited the following grants and contributions to the Cost of Services in the Comprehensive Income and Expenditure Statement in 2013/14

2012/13 £'000		2013/14 £'000
84	Council Tax Reform	67
76	LCC 2nd Homes Funding	117
422	Disabled Facilities Grant	290
115	Arts Council Grant	95
	Orchestra Live	15
	English Heritage	15
	Efficiency Support for Service in Sparse Areas	28
	Heritage Lottery Fund	29
15	Housing Benefit Transitional Funding	11
25	Welfare Reform	24
808	Housing Benefits Admin Grant	731
	Local Authority Data Sharing	15
180	NDR Cost of Collection	0
106	Homelessness Grant	0
1	ATLAS Project Funding	0
18	Other Grants	25
1,850		**1,462**

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 to the giver.

The balances at the year end are as follows:

2012/13	**Capital Grants Receipts in Advance**	2013/14
785	S106 Contributions	849

36. 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, 14 and 35 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:

2012/13 £'000		2013/14 £'000
1,399	Town and Parish Councils	1,440
106	Upper Witham Drainage Board	107
56	Black Sluice Drainage Board	56
452	Welland and Deepings Drainage Board	453
2,013		**2,056**

37. 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.

2012/13 £'000		2013/14 £'000
128,479	**Opening Capital Finance Requirement**	126,662
	Capital Investment	
777	Other land & buildings	684
1,865	Vehicles, plant & equipment	710
	Investment properties	
1,052	Assets under construction	2,109
4,820	Capital expenditure	4,732
90	Intangible Assets	15
766	Revenue expenditure charged to capital under statute	696
1,000	Local Authority Mortgage Scheme	1,000
	Sources of Finance	
(422)	Capital receipts	(3,311)
(759)	Capital grants & contributions	(550)
(9,375)	Sums set aside from revenue	(9,476)
(1,631)	Sums set aside from MRR	0
126,662	**Closing Capital Financing Requirement**	**123,271**
	Explanation of movements in year	
(1,817)	Increase/(Decrease) in underlying need to borrow (supported by government financial assistance)	(3,391)
	Increase/ (Decrease) in underlying need to borrow (unsupported by government financial assistance)	
	Assets acquired under finance leases	
(1,817)	**Increase/ (Decrease) in Capital Financing Requirement**	**(3,391)**

38. 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 2013 £'000	Carrying Value	At 31st March 2014 £'000
2,189	Other Land & Buildings	**1,803**

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 2013 £'000	Future Minimum Lease Payments Due	At 31st March 2014 £'000
39	Not later than one year	24
52	Between one & five years	11
6	Later than 5 years	6
97		**41**

At 31st March 2013 £'000	Expenditure charged to Comprehensive Income & Expenditure Account	At 31st March 2014 £'000
19	Planning Services	19
25	Central Services	25
	Sub-lease payments receivable	
44		**44**

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 2013 £'000	Finance Lease Debtor (net present value of minimum lease payments)	At 31st March 2014 £'000
0	Current	0
15	Non-Current	14
60	Unearned finance income	59
1,740	Unguaranteed residual value of property	1,740
1,815	Gross Investment in the Lease	**1,813**

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 2014 £'000	At 31st March 2013 £'000	At 31st March 2014 £'000	At 31st March 2013 £'000
Not later than one year	1	1		0
Between one & five years	5	5	1	(1)
Later than 5 years	1807	1811	14	17
	1,813	**1,817**	**15**	**16**

	Gross Investment in the Lease		Minimum Lease Payments	
	At 31st March 2013 £'000	At 31st March 2012 £'000	At 31st March 2013 £'000	At 31st March 2012 £'000
Not later than one year	1	1	0	0
Between one & five years	5	5	(1)	(1)
Later than 5 years	1,811	1,810	17	16
	1,817	**1,816**	**16**	**15**

No allowance for uncollectible amounts has been set aside as at 31 March 2013.

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 2013/14 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 2013 £'000		At 31st March 2014 £'000
571	Not later than one year	541
1,268	Between one & five years	786
2,389	Later than 5 years	1,817
4,228		**3,144**

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 2013/14 no contingent rents were receivable by the Council.

39. IMPAIRMENT LOSSES

The Council recognised no impairment losses during 2013/14

40. TERMINATION BENEFITS

The Council terminated the contracts of a number of employees in 2013/14, incurring liabilities of £121k as part of the Council's review of services. All payments were made before 31 March 2014 and no commitments were outstanding at the year end.

41. 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.

2012/13 £'000 Restated	2012/13 £'000 Original		2013/14 £'000
		Comprehensive Income and Expenditure Statement	
		Cost of Services	
1,982	1,982	- current service cost	2,581
20	20	- past service cost	90
0	0	- (gain)/loss from settlements	
		Financing & Investment Income & Expenditure	
4,195	4,195	- Net interest expense	4,599
(2,787)	(3,309)	-Expected return on assets in the scheme	(2,948)
3,410	2,888	Total Post-employment benefits charged to the Surplus or Deficit on the Provision of Services	4,322
		Other Post-employment benefits charged to the Comprehensive Income and Expenditure Statement	
		Remeasurement of the net defined benefit liability comprising:	
(5,044)		-return on plan assets (excluding the amount included in the net interest expense)	(523)
		-Actuarial gains and losses arising on changes in demographic assumptions	2,195
11,115	6,432	-Actuarial gains and losses arising on changes in financial assumptions	(560)
(161)		-Other	317
9,320	**9,320**	**Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement**	**5,751**
		Movement in Reserves Statement	
(1,170)	**(648)**	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	**(2,023)**
		Actual amount charged against the General Fund Balance for pensions in the year.	
2,240	**2,240**	- Employers' contributions payable to scheme.	**2,299**

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:

2012/13			2013/14
£'000	£'000		
Restated	Original		£'000
102,276	102,276	Present Value of the defined benefit obligation	108,837
(65,743)	(65,743)	Fair value of plan assets	(68,852)
36,533	36,533	Sub-total	39,985
		Other movements in the liability (asset)	
36,533	**36,533**	**Net liability arising from defined benefit obligation**	**39,985**

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

2012/13			2013/14
£'000	£'000		£'000
Restated	Original		
58,193	58,193	Opening fair value of scheme assets	65,743
2,787	3,309	Interest income	2,948
		Remeasurement gain/ (loss:	
5,044	4,522	The return on plan assets, excluding the amount included in net interest	523
		Other	
		The effect of changes in foreign exchange rates	
2,240	2,240	Contributions from employer	2,299
646	646	Contributions from employees into the scheme	666
(3,167)	(3,167)	Benefits paid	(3,327)
65,743	**65,743**	**Closing fair value of scheme assets**	**68,852**

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

2012/13			2013/14
£'000	£'000		£'000
Restated	Original		
87,646	87,646	Opening balance at 1 April	102,276
1,982	1,982	Current Service Cost	2,581
4,195	4,195	Interest cost	4,599
646	646	Contributions from scheme participants	666
		Remeasurement (gains) and losses:	
		Actuarial gains/ losses arising from changes in demographic assumptions	2,195
11,115	11,115	Actuarial gains/ losses arising from changes in financial assumptions	(560)
(161)	(161)	Other	317
20	20	Past Service cost	90
		Losses/(gains) on curtailment	
		Liabilities assumed on entity combinations	
(3,167)	(3,167)	Benefits paid	(3,327)
		Liabilities extinguished on settlements	
102,276	**102,276**	**Closing Balance at 31st March**	**108,837**

f. Local Government Pension Scheme assets comprised

2012/13	Fair Value of Scheme Assets	2013/14
£'000		£'000
744	Cash and Cash equivalents	1,062
	Equity instruments by industry type:	
12,252	Consumer	12,668
2,715	Manufacturing	2,326
5,345	Energy and utilities	5,056
7,051	Financial institutions	8,135
2,356	Information technology	1,881
7,464	Other	8,743
37,183	Sub Total Equity	38,809
	Debt Securities	
2,125	Corporate Bonds (Investment Grade)	2,146
1,303	UK Government	1,266
857	Other	822
4,285	Sub-total bonds	4,234
4,360	Private Equity:	3,773
	Real Estate	
5,626	UK Property	6,473
1,219	Overseas Property	1,042
6,845	Sub-total Property	7,515
	Investment Funds and Unit Trusts	
3,267	Equities	3,216
3,881	Bonds	4,342
5,178	Other	5,901
12,326	Sub-total other investment funds	13,459
65,743	**Total Assets**	**68,852**

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 1st April 2013

The significant assumptions used by the actuary have been:

2012/13		2013/14
	Long term expected rate of return on assets in the Scheme	
4.5%	Equity Investments	7.1%
4.5%	Bonds	7.1%
4.5%	Property	7.1%
4.5%	Cash	7.1%
	Mortality Assumptions	
	Longevity at 65 for current pensioners:	
21.2	Men	22.2
23.4	Women	24.4
	Longevity at 65 for future pensioners:	
23.7	Men	24.5
25.7	Women	26.8
5.1%	Rate of increase in salaries	4.1%
2.8%	Rate of Increase in Pensions	2.8%
4.5%	Rate for discounting scheme liabilites	4.3%

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)	3,265
Rate of increase in salaries (increase or decrease by 1%)	6,592
Rate of increase in pensions (increase or decease by 1%)	14,304
Rate of discounting scheme liabilities (Increase or decrease by 1%)	21,166

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 2016

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31st March 2014 (or service after 31st March 2015 for other main existing public sector pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The Council anticipated to pay £2,255K expected contributions to the scheme in 2014/15.

The weighted average duration of the defined benefit obligation for scheme members is 18.5 years.

Further information can be found in Lincolnshire County Council's Pension Fund Annual Report which is available upon request from the County Treasurer, Lincolnshire County Council, County Offices, Newland, Lincoln, LN1 1YE (Tel: 01522 552222).

42. CONTINGENT ASSETS AND LIABILITIES

There are no material contingent assets or liabilities as at 31 March 2014.

43. BORROWING

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

2012/13		2013/14
£'000	Analysis of Loans by Source	£'000
116,710	PWLB	113,487
16	Salix Financing	
116,726		**113,487**

£'000	Analysis of Loans by Maturity	£'000
3,738	Between 1 and 2 Years	3,722
10,665	Between 2 and 5 Years	10,665
41,109	Between 5 and 10 Years	41,109
16,109	Between 10 and 15 Years	16,109
45,105	Over 15 years	41,882
116,726		**113,487**

Current Borrowing represents borrowing repayable within one year.

2012/13 £'000		2013/14 £'000
3,389	Balance at start of year	4,388
	Borrowing taken out during year	
(3,389)	Borrowing repaid during year	(4,388)
4,254	Transferred from Non-Current Borrowing	3,238
134	Accrued interest at end of year	83
4,388	Balance at end of year	**3,321**

44. AUTHORISATION OF ACCOUNTS FOR ISSUE

The date that the Statement of Accounts was authorised for issue was 25th September 2014. 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 Daren Turner (Chief Finance Officer).

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45. SPECIAL EXPENSE AREAS - SEAs

Special Expense Areas are used to budget for non-strategic services provided for a particular local community as opposed to the whole District. The Special Expense Area charge is levied only on those people living in the relevant area. To ensure that this money is spent entirely for the benefit of the specific area in which it was raised, the Council has set up Reserves to retain any underspend of precepts so that they may be used in future years. For 2013/14 a contribution was paid to the reserve amounting to £57k, bringing the total to £155k.

46. 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 Artifacts	Orrery	
	£'000	£'000	£'000	£'000
Cost or Valuation				
1st April 2012	216	193	20	429
Additions in year	0	0	0	0
Disposals in Year				0
31st March 2013	216	193	20	429
Additions in year				0
Disposals in Year				0
31st March 2014	216	193	20	429

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 January 2008 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.

47. INVESTMENTS

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

2012/13 £'000	Non-Current Investments	2013/14 £'000
3,000	Balance at start of year	0
	Investments made during year	
(3,000)	Investments redeemed during year	
	Transferred to Current Investments	
0	Balance at end of year	**0**

Current investments are held for periods less than one year.

2012/13 £'000	Current Investments	2013/14 £'000
21,184	Balance at start of year	20,294
24,000	Investments made during year	20,000
(25,184)	Investments redeemed during year	(22,294)
0	Transferred from Non-Current Investments	0
294	Accrued interest at end of year	76
20,294	Balance at end of year	**18,076**

48. 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;

2012/13 £'000		2013/14 £'000
5,385	Depreciation	5,525
4,107	Impairment & downward valuations	882
59	Amortisation	54
174	Increase/(decrease) in impairment for bad debts	(426)
(473)	Increase/Decrease in Creditors	141
(521)	Increase/Decrease in Debtors	(1,388)
(24)	Increase/Decrease in Stock	51
774	Movement in pension liability	1,651
688	Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	1,241
1,033	Other non-cash items charged to the net surplus or deficit on the provision of services	(319)
11,202		**7,412**

HOUSING REVENUE ACCOUNT

INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2014

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.

2012/13			2013/14
£'000	£'000		£'000
Restated	Original		
		Income	
		Gross Rental Income	
(22,734)	(22,734)	- Dwelling Rents	(23,366)
(292)	(292)	- Non-Dwelling Rents	(291)
(1,298)	(1,298)	Charges for Services and Facilities	(1,172)
(308)	(308)	Other Income	(314)
(24,632)	**(24,632)**	**Total Income**	**(25,143)**
		Expenditure	
7,429	7,429	Repairs and Maintenance	8,335
4,509	4,509	Supervision and Management	4,270
		Rent, rates, taxes and other charges	
		Housing Revenue Account Subsidy	
30	30	Increase/Decrease in Prov'n for Doubtful Debts	(192)
7,420	7,420	Depreciation and impairment of Non-Current Assets	3,187
20	20	Debt Management Costs	27
19,408	**19,408**		**15,627**
(5,224)	**(5,224)**	**Net Cost of HRA Services**	**(9,516)**
296	296	HRA share of Corporate and Democratic Core	350
(4,928)	**(4,928)**	**Net Cost of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement**	**(9,166)**
(497)	(497)	(Gain)/loss on sale of HRA assets	(825)
3,617	3,617	Interest payable and similar charges	3,451
(164)	(164)	Interest and Investment Income	(139)
400	252	Pension Interest Costs and Expected Return on Assets	491
(1,572)	**(1,720)**	**(Surplus)/Deficit for the year on HRA**	**(6,188)**

MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT

2012/13 £'000 Restated	2012/13 £'000 Original		Note	2013/14 £'000
(9,411)	(9,411)	Balance on the HRA at the end of the previous year		(10,239)
(1,572)	(1,720)	(Surplus)/Deficit for the year on the HRA Income & Expenditure Statement		(6,188)
(4,720)	(4,572)	Adjustments between Accounting Basis and Funding Basis under statute	8	2,190
(6,292)	**(6,292)**	**Net (increase) or decrease before transfers to or from reserves**		**(3,998)**
5,464	5,464	Transfers to or (from) reserves	9	7,092
(10,239)	**(10,239)**	Balance on HRA at the end of the current year		**(7,145)**

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 6,216 dwellings during 2013/14. The housing stock and changes during the year are as follows:

	At 1st April 2013	Additions	Disposals /Sales	At 31st March 2014
Rentable Stock				
- Houses	3,420		35	3,385
- Bungalows	1,512		3	1,509
- Flats	1,277			1,277
Shared Ownership	26			26
Total	**6,235**	**0**	**38**	**6,197**

2. LAND HOUSES AND OTHER PROPERTY

Analysis of Housing Fixed Assets

	Operational Assets			Non Operation		
	Dwellings	Other Land and Buildings	Vehicles, Plant & Equipment	Surplus Assets	Assets Under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation at 1 April 2013	179,299	3,028	1,171	662		184,160
Additions	4,732		114		910	5,756
Revaluation increases/(decreases) recognised in the Revaluation Reserve	15	2				17
Revaluation increases/(decreases) recognised in the Surplus/Deficit on Provision of Services	(2,817)	(15)		(111)		(2,943)
Derecognition - Disposals	(981)		(11)			(992)
Assets reclassified to/from Held for Sale	(298)					(298)
Gross Book Value as at 31/3/2014	179,950	3,015	1,274	551	910	185,700
Depreciation & Impairments						
At 1 April 2013	(6,580)	(102)	(521)	0	0	(7,203)
Depreciation charge	(2,478)	(111)	(146)	0	0	(2,735)
Depreciation written out to the revaluation reserve	14	60				74
Depreciation written out to the CI&E	7,182	41				7,223
Impairment losses/(reversals) recognised in the Revaluation Reserve	(4,732)					(4,732)
Impairment losses/(reversals) recognised in the Surplus/Deficit on Provision of Services						0
Derecognition - Disposals	4		8			12
Other movements in Depreciation &						0
At 31 March 2014	(6,590)	(112)	(659)	0	0	(7,361)
Balance Sheet Amount at 31 March 2014	**173,360**	**2,903**	**615**	**551**	**910**	**178,339**
Balance Sheet Amount at 31 March 2013	**172,719**	**2,926**	**650**	**662**	**0**	**176,957**

The vacant possession value of dwellings at 1 April 2013 was £517.502m (£513.79m at 1 April 2012). 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 CLG. 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 34%.

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 2014 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.

2012/13 £'000		2013/14 £'000
2,718	Depreciation	2,735
81	Revaluation Loss/(Gain)	(4,371)
4,768	Impairment Losses	4,732
7,567		**3,096**

4. MAJOR REPAIRS RESERVE

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

2012/13 £'000		2013/14 £'000
4,313	Opening balance on the Major Repairs Reserve	3,396
	Transfer to/ from the Major Repairs Reserve	
2,722	Capital Adjustment Account	2,479
(1,631)	Transfer to Self financing Reserve	0
(246)	Non Dwelling depreciation	0
3,074	Shortfall of depreciation on dwellings over Major Repairs Allowance	3,256
(4,836)	Financing of Capital Expenditure	(4,850)
3,396	**Closing balance on the Major Repairs Reserve**	**4,281**

5. FINANCING CAPITAL EXPENDITURE

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

2012/13 £'000		2013/14 £'000
	Expenditure	
4,768	- Council Dwellings	4,732
	- Intangibles	4
68	- Plant and Equipment	114
	- Assets Under Construction	910
4,836	**Total**	**5,760**
	Financed from:	
4,836	- Major Repairs Reserve	4,850
	- Revenue Contributions	910
4,836		**5,760**

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 Land			0
Sale of Council Dwellings	2,013	(660)	1,353
Repayment of discounts			0
Mortgage Repayments	10	(2)	8
Total	**2,023**	**(662)**	**1361**

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 41 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.

2012/13			2013/14
£'000	£'000		£'000
Restated	Original	**Net Cost of Services**	
563	563	- Current Service Cost	768
		- Past Service Cost/(Gain)	
		Net Operating Expenditure	
1,192	1,192	- Interest Cost	491
(792)	(940)	- Expected return on assets in the scheme	
963	815		1,259
		Statement of Movement of the Housing Revenue Balance	
(963)	(815)	- Reversal of net charges made for retirement benefits in accordance with IAS19	(1,259)
		Actual amount charged to revenue accounts for Pensions in the year	
594	594	- Employers' contributions payable to the scheme	768

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

2012/13		Movement on the Housing Revenue Account Statement	2013/14
£'000	£'000		£'000
Restated	Original	**Adjustments between Accounting and Funding Basis:**	
(963)	(815)	IAS 19	(1,259)
594	594	- Pension Costs Charged to Rent Income	768
(4,768)	(4,768)	- Non-Enhancing Capital Expenditure	(4,732)
		Capital Expenditure	3,220
497	497	Gains/losses on disposal of non current assets	825
(98)	(98)	Revaluation gains/losses on PPE	4,277
		Payments to Housing Capital Receipts Pool	(662)
		Depreciation of non-current assets	(257)
18	18	Accrued Employee Benefits	10
(4,720)	**(4,572)**		**2,190**
		Transfers to/from Earmarked Reserves:	
	62	- Insurance Surplus	(43)
	2,574	- Transfers to/from reserves	3,877
	2,828	- Transfers to/ from Major Repairs Reserve	3,256
	0	- Transfer to Unapplied Capital Receipts	2
	5,464		**7,092**

9. RENT ARREARS

An analysis of rent arrears is shown below:

At 31st March 2013 £'000		At 31st March 2014 £'000
450	Current Tenants	254
437	Former Tenants	303
887	**Gross Rent Arrears**	**557**
(613)	**Bad Debt Impairment**	**(421)**

A bad debt impairment 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 2013/14 on average rents increased by 5.13% (a maximum increase of 3.10% plus £2 for individual cases). 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 2.60% for 2013/14.

- Charges for services and facilities include:
    - Supported housing charges for the provision of the warden support service;
    - 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.

  Charges for services and facilities were increased by 2.60% for 2013/14

- Other income. This comes from a number of sources, including the recharge of minor capital works, 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 2013/14 £	Revised Budget 2013/14 £	Actuals 2013/14 £
Expenditure	7,781,004	8,141,564	8,319,640
Number of Properties (as at 1 April 2013)	6,209	6,209	6,209
Average cost per dwelling	£1,253.18	£1,311.25	£1,339.93

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.

Supervision and Management	Original Budget 2013/14 £	Revised Budget 2013/14 £	Actuals 2013/14 £
Expenditure	2,536,313	2,634,896	2,313,643
Number of Properties (as at 1 April 2013)	6,235	6,235	6,235
Average cost per dwelling	£406.79	£422.60	£371.07

(N.B. Number of properties includes shared ownership properties for calculation of supervision and management subsidy)

- 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 2014

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.

2012/13 £'000		Note	2013/14 £'000
	Income		
59,785	Council Tax		62,692
36,701	Business Ratepayers		39,476
7,367	Council Tax Benefits Transfered from General Fund		
103,853			**102,168**
	Expenditure		
	Precepts and demands		
66,722	Council Tax	3	62,441
0	Business Rates	3	37,379
66,722			99,820
	Transitional Protection Payment : Business Rates		52
	Impairments of debts		
159	Council Tax	4	163
0	Business Rates	4	1,817
159			1,980
180	Cost of Collection charged to General Fund for Business Rates		179
36,521	Payment to National Pool for Business Rates		
	Contributions towards previous years' estimated Collection Fund Surplus		
12	Council Tax	5	317
0	Business Rates	5	0
12			317
103,594			**102,348**
	Movement of the Fund		
41	Opening fund balance	5	300
259	Movement on Fund	5	(180)
300	Surplus/ (Deficit) Closing Fund Balance	5	**120**
	Allocation of Surplus/ (Deficit)		
0	Central Government	5	25
224	Lincolnshire County Council	5	56
40	Lincolnshire Police & Crime Commissioner	5	10
36	South Kesteven District Council	5	29
300			**120**

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, Lincolnshire Police Authority 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 basic amount of Council Tax for a band D property including an average parish charge, £1,413.84 (2012/13 £1,404.54), is multiplied by the ratio specified for the particular band to give an individual amount due.

The Council Tax base was calculated as follows:

Band	Estimated No. of Taxable Properties After Effect of Discounts	Ratio	Band D Equivalent Dwellings
A	15,159.00	6/9	10,106.0
B	12,006.25	7/9	9,338.2
C	9,657.25	8/9	8,584.2
D	7,984.25	9/9	7,984.3
E	4,904.25	11/9	5,994.1
F	2,492.25	13/9	3,599.9
G	974.50	15/9	1,624.2
H	61.75	18/9	123.5
Band A entitled to Disabled Relief Reduction	27.25	5/9	15.1
			47,369.5
Ministry of Defence Properties			57.0
Council Tax Base			**47,426.5**

2. BUSINESS RATES

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 2013/14 there are two multipliers, the small business non-domestic rating multiplier of 46.2p and the non-domestic rating multiplier of 47.1p.

The business rates retention scheme became effective from the 1st April 2014. Under this new 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.

The total Non-Domestic Rateable Value at 31 March 2014 was £100.839m (31 March 2013 £101.136m).

3. PRECEPTS AND DEMANDS

2012/13 £'000 Council Tax	2012/13 £'000 Business Rates	2012/13 £'000 Total		2013/14 £'000 Council Tax	2013/14 £'000 Business Rates	2013/14 £'000 Total
			Central Government		18,689	18,689
50,200	0	50,200	Lincolnshire County Council	46,663	3,738	50,401
8,780	0	8,780	Lincs Police & Crime Commissioner	8,323		8,323
7,742	0	7,742	South Kesteven District Council	7,455	14,952	22,407
66,722	**0**	**66,722**		**62,441**	**37,379**	**99,820**

4. IMPAIRMENTS OF DEBTS

2012/13 £'000		2013/14 £'000
	Council Tax	
130	Write Offs	222
29	Allowance for impairment	(59)
159		**163**
	Business Rates	
0	Write Offs	445
0	Allowance for impairment - debts	101
0	Allowance for impairment - appeals	1,271
0		**1,817**

5. COLLECTION FUND

2012/13 £'000 Council Tax	2012/13 £'000 Business Rates	2012/13 £'000 Total		2013/14 £'000 Council Tax	2013/14 £'000 Business Rates	2013/14 £'000 Total
			Contribution towards Previous Years estimated surplus			
9	0	9	Lincolnshire County Council	238	0	238
2	0	2	Lincs Police & Crime Commissioner	42	0	42
1	0	1	South Kesteven District Council	37	0	37
12	**0**	**12**		**317**	**0**	**317**
41	0	41	Opening Fund Balance	300	0	300
259	0	259	Movement in Year	(229)	49	(180)
300	**0**	**300**	Closing Fund Balance	**71**	**49**	**120**
			Allocations			
		0	Central Government		25	25
224	0	224	Lincolnshire County Council	51	5	56
40	0	40	Lincs Police & Crime Commissioner	10	0	10
36	0	36	South Kesteven District Council	10	19	29
300	**0**	**300**		**71**	**49**	**120**

Annual Governance Statement 2013/2014

Introduction by Beverly Agass
Chief Executive

“Good corporate governance is about 'intellectual honesty' and not just sticking to rules and regulations.”

Mervyn King (Chairman: King Report on Corporate Governance)

Governance is about ensuring that the Council is run properly. Like much of the public sector, the Council is facing a series of financial challenges where difficult decisions have to be made. The Annual Governance Statement (AGS) covers all significant corporate systems, processes and controls, spanning the whole range of the Council’s activities.

This AGS provides an overview of the Council’s key governance systems and explains how they are tested and the assurances that can be relied upon to show those systems are working effectively.

The self-assessment contained within this statement has been produced taking into account reports by Internal Audit together with a wide range of external sources, including the External Audit Annual Letter and Annual Governance Report that feature the results of the Annual Audit of the Accounts and the Council’s arrangements for securing value for money in its use of resources. The statement also takes into account assurances from both Heads of Service and Service Managers from across the organisation together with regular reviews of risk management.

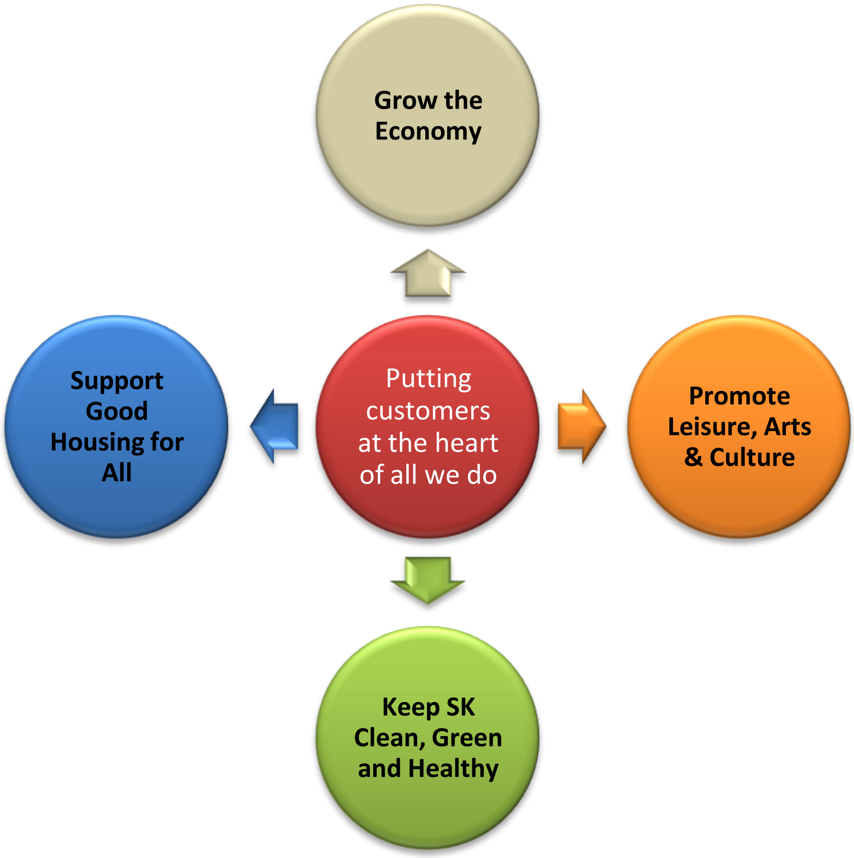
This statement explains how the Council has complied with the Code, and the core governance principles, and builds upon those of previous years. It has been considered, discussed and challenged by members of the Council’s Governance & Audit Committee and is an open and honest review of the effectiveness of the Council’s system of internal control, including performance across all of its activities.

Beverly Agass

Chief Executive
South Kesteven District Council

Putting customers at the heart of all we do

The Council has realigned it visions and priorities for the future by establishing a 2021 vision for South Kesteven which is a place that has vibrant communities where people want to live, work and invest (healthier, wealthier, happier, safer people). Underpinning the Council's vision is the corporate plan for 2011-15 which was approved by Council at its meeting in March 2012 and provides the strategic direction over the coming years. A copy of the corporate plan is available on our website at **www.southkesteven.gov.uk**



Putting customers at the heart of all we do is the focus of the Council's priorities which encompass four themes.

These themes allow us to focus on what really matters to local residents and businesses and to deliver on the things that make a difference to them. We will continue to consult and engage with the local community to make sure we focus on creating the right environment to deliver the Council's vision which is all underpinned by the ethos of a Well Run Council.

The Council recognises that it can only achieve its ambitions through the hard work of its staff and in order to support them through these tough but exciting times it has developed a Business Plan. This brings together all the information about our agenda for the forthcoming year so staff can share in the vision and how we plan to meet it.

Progress against delivering the vision and priorities is monitored by both the Cabinet and the Management Team through a process of regular monitoring and reviewing key performance measures and data. The Council has in place a Programme and Performance Monitoring Board which has strengthened the performance management arrangements for all Council activities. The Board provides leadership, direction and management of the Council's overall performance ensuring momentum on key projects and reviews of strategic performance measures.

Governance arrangements have been developed to ensure that the necessary controls and assurance processes are in place to support successful delivery of the Programme. The Programme and Performance Management Office provides monitoring, control and reporting across the programmes of activity and has also supported managers and leading officers with training on project management tools and techniques.

The Annual Report for 2013/14 will provide an overall view of performance. Feedback on the report is encouraged and, in future, the form and content will be amended to take into account the needs of local residents. In addition, a summary of accounts is produced annually that is simple for residents to understand.

Communication and Consultation

The Council is already committed to consulting and engaging with the local community and has a Consultation Strategy and toolkit in place to facilitate this. There is a clear framework for consulting with its communities through resident drop in sessions held during the year which have also been supplemented by specific consultation events.

Citizens' Panel

1,000 members were contacted for three separate consultations. The first took place as part of the recruitment process, the second was centred on customer access and the third was to establish the views of the panel members on council tax levels and priorities.

In addition to this, the Council has established a Citizens' Panel to strengthen its processes for consulting with our community. This Citizens' Panel has now been up and running for a year which has been very successful.

The customer access survey was the first consultation designed around a particular topic and undertaken in full with by the consultation team. This consultation provided the Council with a significant amount of useful information particularly in relation to how people use new technology. Much of the detail from this survey was used to inform the 2013/14 Customer Access Strategy and the subsequent actions, particularly in relation to the potential for channel shift from traditional methods of interaction to on-line options.

The purpose of the third consultation was to help the Council understand what is most important to the residents in terms of priorities and also to ascertain the degree of support, or otherwise, for a proposed increase of 1.75% on Council's element of the council tax.

The results from the separate consultations can be found on the Council's website along with the Citizens' Panel newsletters.

A number of factors need to be considered to identify potential topics for consultation for the Citizens' Panel for the future. Clearly there will be difficult budget decisions ahead and the Citizens' Panel could be used to help shape and inform these. Doing so alongside current and future priorities is likely to provide a more rounded picture of what residents' value. One of the benefits of the Citizens' Panel is the ability to have an ongoing dialogue with members of the public who have a greater understanding of the challenges facing the Council.

Through the marketing, promotion and arrangement of various festivals and events including Gravity Fields, the Mallard Festival of Speed, the Georgian Festival, Enterprise Week and the Lincolnshire Age of Scientific Discovery, there has been an increase in footfall and spending within our towns and the gain of national publicity for the district.

According to the External Auditor, the Council communicates well with residents as it uses consultation with stakeholders to prioritise resources.

Publications

SKtoday is the principal method for communicating with the Council's 133,000 residents. It is distributed four times a year to 62,000 homes across the district.

Parish Update is a quarterly newsletter that is received by all 78 parish councils.

Skyline is produced twice a year and keeps tenants at our 6,000 council properties up to date with what's happening.

Social Media

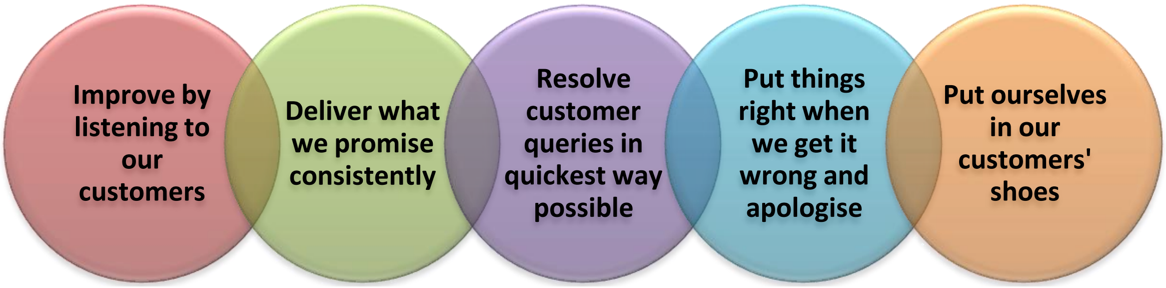
The Council is committed to reaching as many different people in the district through as many formats as possible including Twitter, Facebook and YouTube.

Current numbers are:

Twitter 2,695 Facebook 408

Measuring the quality of services for users

The Council continues to deliver its vision of being known for excellent customer service. The Customer Access Strategy will help better meet the needs of customers both now and in the future. It is recognised that good customer service makes for an efficient organisation and it is acknowledged that customer expectations are increasing. Smarter technologies will be used to really deliver the values and meet customer needs, enabling those who can to transact and by providing support to those who need a greater level of assistance. The Council's customer values are:



A single customer view will be created so that the information customers need is held in one place. Activities will cover five strands:

It will be easier to transact through whichever channel a customer chooses and ensure that teams have the skills and resources necessary to provide an excellent service.

What is Corporate Governance?

The Council is committed to ensuring good governance principles and management practices are adopted throughout the Council. This Annual Governance Statement (AGS) conforms to the Council's Local Code of Corporate Governance and is closely aligned to the CIPFA/SOLACE Framework "Delivering Good Governance in Local Government: Framework". A copy of the Code is available on our website at www.southkesteven.gov.uk of which the most recent version was reviewed, updated and approved by the Governance & Audit Committee at its meeting on 29 June 2012.

The corporate 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 leads the local community. It enables the Council to monitor the achievement of its strategic objectives. The Council's system of internal control is a significant part of that framework and is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives. It evaluates the likelihood of those risks coming to fruition and their impact, should they do so, and identifies ways to manage them efficiently, effectively and economically.

The Governance Framework shown overleaf has been in place throughout the financial year which ended on 31 March 2014 and continues to be in place up to the date of the approval of the Statement of Accounts.

CODE OF CORPORATE GOVERNANCE

Assurance Required Upon

- 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, policies and procedures

Source of Assurance

- Constitution, Scheme of Delegation, Financial Procedures and Procurement Rules
- Council, Cabinet and Committees including Governance & Audit and Scrutiny
- Medium Term Financial Strategy
- Human resources policies and procedures
- Whistleblowing and counter fraud procedures
- Risk management and internal control frameworks
- Performance management framework
- Governance arrangements for partnerships
- Codes of Conduct
- Senior Management Team
- Assurance Statements

Assurances Received

- Statement of Accounts
- External and internal audit reports
- Independent and external sources
- Local Government Ombudsman reports
- Scrutiny reviews
- Effectiveness reviews
- Member/Officer working groups
- Customer feedback

Chief Financial Officer

The Council's financial management arrangements complied in all respects with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010). The Council has a Chief Financial Officer (CFO). This is a statutory post, responsible for delivering and overseeing the financial management arrangements of the Council. The Strategic Director (Corporate Focus) is the Chief Financial Officer. He is a professionally qualified accountant and a member of the Chief Executive's Management Team. He also has direct access to the Governance and Audit Committee and External and Internal Audit.

Through the Head of Finance, who is also a professionally qualified accountant, the CFO has a line of professional accountability for all finance staff and ensures the finance function is fit for purpose. The Strategic Director and Head of Finance have been involved in developing the Council's Code of Corporate Governance and in preparing this Statement from an early stage. They are satisfied with the arrangements in place and consider that no matters of significance have been omitted.

The Governance & Audit Committee

The Governance & Audit Committee is well established and its terms of reference comply fully with the guidance provided by CIPFA. The key areas covered by the Committee's terms of reference are audit activity, risk management, governance, counter fraud and bribery, regulatory framework, accounts and financial reporting and ombudsman. In addition, it receives annual reports for health and safety, business continuity and partnerships.

At the meeting of Council in April 2014, members considered the Chairman of the Committee's Annual Report on the key outcomes arising from the work of the Governance & Audit Committee for 2013/14. 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 2014/15 was also presented to Council at the same meeting.

During 2014/15, the terms of reference of the Committee will be reviewed against the new guidance issued by CIPFA in December 2013.

Internal and External Audit Assurance

The Council receives a substantial amount of assurance from the work that is undertaken by its internal auditors (Baker Tilly) and external auditors (KPMG).

Internal Audit

The Council's Head of Internal Audit (HIA) is required to provide an opinion on the overall adequacy and effectiveness of the Council's risk management, control and governance processes. He reported that adequate and effective arrangements were in place for governance and risk management.

With regard to control, 25 reviews were undertaken during 2013/14, plus 3 follow-up and 2 advisory reviews.

25 reviews resulted in an assurance opinion – summarised below:

1 limited assurance → **9 reasonable assurance** → **15 substantial assurance** → **AMBER reasonable overall assurance**

With regard to the issues raised by the HIA in his Annual Report to the Governance & Audit Committee in June 2014, 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.

New Public Sector Internal Audit Standards came into effect from 1 April 2013 and these are mandatory. The new standards are intended to promote further improvement in the professionalism, quality and effectiveness of internal audit across the public sector. Audit practice is being assessed against the new standards and the current position was reported to the Governance & Audit Committee in June 2014.

External Audit

The External Auditor, in its 2012/13 Annual Audit Letter, concluded that there were good financial reporting arrangements in place and proper arrangements to secure financial resilience and identified no significant risks. In particular, the External Auditor acknowledged that the Council was working hard to deliver a balanced budget year on year against the background of further reductions in Government funding and cost pressures on services, etc.

It reported that the Authority's organisation and IT control environment was effective and controls over the key financial systems were sound.

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.

Therefore External Audit issued an unqualified Value for Money Conclusion and an unqualified opinion was given on the annual accounts.

KPMG

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

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

Risk Management

The Council has in place a process for identifying, assessing, managing and reviewing the key areas of risk and uncertainty that could impact on the achievement of its objectives and priorities. Where appropriate, risks are viewed as opportunities and there is a will to develop a risk appetite that promotes innovation and allows new ideas to be explored. In particular, risk management is an integral part of the corporate, service and budget planning process. The current Risk Management Strategy was revised, updated and approved by the Governance & Audit Committee in March 2013.

The Council's Corporate Risk Register is reviewed quarterly by Management Team and reported to Governance & Audit Committee twice a year. An example of a risk that is captured within the Corporate Risk Register is that "A sustainable Medium Term Financial Plan is not achieved". The consequence of this risk, if it were not managed, is that there would be a reduction in and ability to collect income due to the Council which could compromise the delivery of Council priorities.

In accordance with the Civil Contingencies Act 2004 the Council has a service level agreement (SLA) with the Lincolnshire County Council Emergency Planning Unit for the provision of an emergency planning service. This provides the Council with a dedicated officer who carries out Emergency Planning and Business Continuity work. No significant Business Continuity or Declared Emergency incidents arose during the year 2013/14.

Managing the Risk of Fraud

In accordance with its Counter Fraud Framework, incorporating Bribery and Money Laundering and its Fraud Response Plan, the Council investigates both welfare and non-welfare fraud.

As part of the Counter Fraud Framework there is a whistleblowing policy which positively encourages employees and others, with serious concerns about any aspect of the Council's work, to come forward and make those concerns known. Full details of how concerns are dealt with can be found on the Council's website. The policy is reviewed at least biennially or updated as and when required to bring it in line with best practice. The Council is committed to the highest standards of quality, probity, openness and accountability.

Whistleblowing cases

During 2013-14 seven whistleblowing concerns were reported. All were thoroughly investigated and appropriate action was taken where necessary. Where the identity of the whistleblower has been known, the outcome of these investigations has been reported back to them.

There is also a confidential whistleblowing telephone hotline that allows people to raise concerns about wrong doing. Due to the nature of these concerns they are not made public. A report detailing both the activity and the general nature of the whistleblowing allegations received is presented to the Governance & Audit Committee each year. The report is available on the Council's website.

During November 2013 a Counter Fraud "Spot it, stop it" awareness campaign was run across the authority. This consisted of weekly articles in the staff newsletters, a poster campaign and all officers undertook e-learning training.

Whistleblowing Hotline
0800 0853716

Review of Effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review is determined by the work of the senior managers within the Council who have responsibility for the development and maintenance of the governance environment and is also informed by the Internal Audit Annual Report, comments by the External Auditors and other review agencies and inspectorates. The process applied in maintaining and reviewing the effectiveness of the governance framework is shown overleaf as the summary of the key players in the process.

Council	•approve Constitution including Codes of Conduct •approve the budget and policy framework
Cabinet	•priority setting in line with the Council's vision and recommend budget proposals to underpin delivery •financial, performance, risk management of service delivery within Budget and Policy Framework set by Council •hold at least monthly public meetings and undertake monthly briefings and development days
Governance & Audit Committee	•review Financial Regulations and Contract Procedure Rules •scrutinise and approve the Financial Statements on behalf of the Council •review and scrutinise the governance arrangements including internal and external audit reports •review the arrangements for managing risk including Health and Safety and Business Continuity
Scrutiny Committee	•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
Strategic Director Corporate Focus & Head of Finance	•oversee financial strategy and operations •contribute to the effective corporate management and governance of the Council
Internal Audit	•set overall internal audit strategy to meet the Council's overall strategic direction •undertake an annual programme of audits and present progress reports against the plan •make recommendations for improvement in systems and controls and value for money
Programme Board and Senior Management Team	•monthly review of projects including progress against milestones, resource allocation, risks and performance measures •evaluate new and emerging projects
Risk Management Group	•officer meetings to review governance, service risks, internal audit, counter fraud, insurance and business continuity
Service Managers & Heads of Service	•complete Quarterly Assurance statements covering all areas of governance
Management Team	•receive quarterly governance reports and consider issues arising out of the assurance statements •review budget and performance

Significant Governance Issues

In addition to the effectiveness review underpinning this Governance Statement it has also identified the following key areas for improvement and these will be addressed during 2014/15:

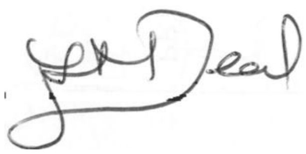
Key improvement area
Continue the service review programme with the key objective of ensuring value for money is being achieved whilst ensuring quality services are delivered
Review and implement the savings and transformation programme ensuring the savings being delivered are sustainable and contribute towards maintaining a sustainable medium term financial plan
Incorporate governance and risk training into the overarching corporate training programme for employees utilising appropriate training tools such as e-learning
Introduce 'back to basics' manager training to all key post holders ensuring appropriate levels of competency for governance areas such as procurement, financial regulations, risk management and contract procedure rules
Continue to work with internal audit to review goods ordering systems and contract and procurement activity to ensure internal controls are robust

Our commitment to continuous improvement

The challenges and changes, both financial and otherwise, faced by the Council over the next few years will require the maintenance of sound and effective governance arrangements. The overarching assurance framework, including the Governance & Audit Committee, is working well but improvements can still be made to further enhance and mitigate the risks of further significant change and uncertainty.

Against this background, we propose over the coming year to take steps to address all of the above areas where improvement is required to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

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



Cllr Mrs Linda Neal

Leader of the Council
Signed on behalf of South Kesteven District Council

Beverly Agass

Chief Executive

Independent auditor's report to the members of South Kesteven District Council

We have audited the financial statements of South Kesteven District Council for the year ended 31 March 2014 on pages 20 to 113. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

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

Respective responsibilities of the Chief Finance Officer and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2014 and of the Authority's expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

Matters on which we are required to report by exception

The Code of Audit Practice 2010 for Local Government Bodies requires us to report to you if:

- the annual governance statement set out on pages 114 to 124 does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- the information given in the explanatory foreword for the financial year for which the financial statements are prepared is not consistent with the financial statements; or

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

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

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

We have nothing to report in respect of these matters

Conclusion on South Kesteven's arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's responsibilities

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

Auditor's responsibilities

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

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

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2013, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2013, 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 ending 31 March 2014.

Certificate

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

Tony Crawley
Director
for and on behalf of KPMG LLP, Appointed Auditor
Chartered Accountants
Director
KPMG LLP (UK)
1 Waterloo Way
Leicester
LE1 6LP
26 September 2014

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.

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.

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

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 (NPV)

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.

Pooling of Capital Receipts

Since 1 April 2004, under the new capital financing requirements, authorities have to pay over to central government 75% of all housing right to buy capital receipts and 50% of all other housing capital receipts.

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.

SeRCOP

The Service Reporting Code of Practice.

Treasury Management

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