



STATEMENT OF ACCOUNTS

2014 - 2015



South Kesteven District Council
STAMFORD • GRANTHAM • BOURNE • THE DEEPINGS

CONTENTS

	Page Numbers
Introduction - Councillor Bob Adams Leader of the Council	2-3
Explanatory Foreword	4 – 17
Statement of Responsibilities for the Statement of Accounts	18
Movement in Reserves Statement	19 - 20
Comprehensive Income & Expenditure Statement	21
Balance Sheet	22 - 23
Cash Flow Statement	24 - 25
Notes to the Core Financial Statements	26 - 93
 <i>Supplementary Accounting Statements</i>	
Housing Revenue Account	94
This statement shows the net cost of the Council's Housing Landlord service and how this cost has been financed from government grants and income from tenants.	
Movement on the Housing Revenue Account Statement	95
Notes to the Housing Revenue Account	96 - 103
Collection Fund Account	104
This statement summarises the transactions that have occurred as a result of our role as a billing authority	
Notes to Collection Fund	105 - 106
Annual Governance Statement	107 - 117
Auditor's Report	118 - 120
Glossary of Terms	121 - 128

Introduction – Councillor Bob Adams– Leader of the Council

Before presenting the Statement of Accounts for 2014/15 may I pay tribute to my predecessor Linda Neal for all her hard work and dedication over many years which has played a significant part in ensuring that the council is in a strong financial position.

I am fortunate to be taking over as Leader at a time of change and growth and I am looking forward to the challenges ahead, making the district a place where people want to live, work and invest.

Like all councils across the country we have not been immune to cuts in government funding but despite this we have succeeded in protecting front line services and have produced a balanced budget without the need to increase our element of the council tax bill.

This means the average Band D tax payer will continue to pay just £2.45 a week for our services and as most of the properties in our district are in Bands A and B the bill is even less at £1.63 or £1.90 respectively.

Achieving this has not been easy against a backdrop of a 45% decrease in government funding since 2010, but our efforts to reduce costs whilst retaining important services have really paid off.

Whilst we have benefited from sound financial decisions such as investing in projects with positive returns and joining the Lincolnshire business rates pool, we have also made many operational savings. We have identified savings of £431K during 2014/15 in many areas including new contractual arrangements and centralisation of key procurement activities. These savings will be carried forward into 2015/16 to help maintain a balanced medium term financial position.

Moving forward we will need to be even more commercial in our approach, look at new ways to deliver and improve, and explore different ways of providing services. We aim to do this by meeting the government's goals of enabling new homes and creating new businesses and jobs.

Some of our key projects over the last year

Grow the Economy

Despite considerable competition from other local authorities, a national food company chose to locate in our district thanks to cross-section working by SKDC. The team provided the company with all the information needed to realise that Grantham was the best deal. Hundreds of new jobs will be created.

The good news continued when Marks and Spencer announced that they were coming back to Grantham after a four year absence. This brought about positive publicity for our district as did the Gravity Fields Festival. Over five days 65,000 people were drawn to events and the economic impact was calculated at more than half a million pounds.

We also helping local businesses to grow, innovate and prosper and have worked in many ways to reach our goals including introducing a shop front improvement scheme, producing promotional films and brochures and Shop Local town maps. So far 300 businesses across the district have also been supported through our SKDC4Business pilot.

Keep SK Clean Green and Healthy

Our recycling campaign hit the streets as costume characters Sammy Silver Bin and Brian Black Bin were on hand to promote the council's education campaign to adults and children alike on what can and can't be recycled.

CCTV helped reduce fly-tipping in South Kesteven at locations across the district. Cameras were installed in both urban and rural areas and upgraded CCTV was installed along a stretch of Grantham Canal owned by the council.

SKDC continued to encourage residents to check the Food Hygiene Rating Scheme(FHRS) at food businesses in the district. Some 97 per cent are rated three or higher.

Promote leisure, arts and culture

The 2014 Gravity Fields Festival was such a success that SKDC had no hesitation in announcing that there would be another one in 2016. There were more shows, activities and talks than ever before attracting an audience of over 65,000 people who really got behind the event to celebrate the life and work of Sir Isaac Newton.

Arts centres in Grantham and Stamford continued to thrive with a combined footfall of over one million and tickets sales for their own shows and films, alongside those put on locally, of 150,000. Top acts took to the stage at Meres Live events including Strictly's Brendan Cole whose show attracted more than 1,000 customers.

Our leisure centres were extremely busy during the year with over 820,000 visitors. The Meres hosted the David Ross Educational Trust summer cup featuring an appearance by Dame Kelly Holmes, the annual summer Street Games festival and the Lincolnshire Sports Partnership's Sainsbury's Winter Games and the inspire +Mini Olympics.

A D-Day commemoration event in Grantham included music from WWII tribute singers before a flypast of the Battle of Britain Memorial Flight Dakota and Spitfire aircraft.

Support good housing for all

As work progressed towards successfully completing 33 new homes on land owned by the council, SKDC was already identifying and bringing forward the next tranche of sites with £8 million allocated in 2015/16 to build the right properties in the right location at the right time.

Fifty-eight first time buyers are now enjoying life in their new homes thanks to SKDC's mortgage support scheme which sees the council guaranteeing up to 20% of the deposit leaving applicants to find just 5%.

Owner occupiers in the private sector were also given a helping hand through Essential Home Repair Assistance - a council funded grant to improve living conditions and reduce major hazards within homes.

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 Bob Adams
Leader of the Council

EXPLANATORY FOREWORD

Political Structure

The Council holds elections for all Members once every four years. During 2014/15 there was 36 Conservatives, 13 Independent, 6 Labour, 2 UKIP and 1 unaligned. The political composition changed following the May 2015 elections.

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.

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 2015.

The accounts give a true and fair view of South Kesteven's financial position for the financial year 2014/15. 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 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 2014/15 (known as the Statement of Responsibilities) appears on page 18 of this document.

The main statements included in the accounts consist of:

Statement of Responsibilities (page 18) - 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 19-20) - This statement reconciles the total Comprehensive Income and Expenditure Statement to reserve movements in the year.

Comprehensive Income and Expenditure Statement (page 21) - 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 22-23) - The Balance Sheet summarises the Council's financial position at 31 March 2015.

Cash Flow Statement (pages 24-25) - 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 26 - 93) – Notes to the preceding financial statements, explaining and providing additional information to figures included in these statements.

Housing Revenue Account (pages 94 - 103) - 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 104 – 106) – 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 107 - 117) - 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 121 – 128**) 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: Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (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 £13.185m

This gave a Band D Council Tax of £127.47

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

- £7.108m government formula grant (including revenue support grant and redistributed business rates)
- £6.077m council tax income (excluding Parish Precepts of £1.369m)

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

Service Area	2014/2015	2014/2015	Variance
	Estimate	Actual	
	£'000	£'000	£'000
Community Assets	3,224	3,139	(85)
Operational management	941	822	(119)
Development & Growth	1,759	1,318	(441)
Environmental Services	5,049	5,021	(28)
Finance	1,621	1,565	(56)
Housing & Neighbourhoods	683	719	36
People, Projects & Performance	454	425	(29)
Legal & Democratic	1,242	1,174	(68)
Property Development	173	128	(45)
Special Expense Areas	609	566	(43)
2013/14 Set-a-sides Financing	(360)	0	360
Workforce efficiency target	(357)	-	357
Total Service Expenditure*	15,038	14,877	(161)

*The above outturn total includes a number of accounting entries that are shown at service level which distort the actual expenditure for 2014/15. Once these entries are excluded then the re-stated outturn is presented as £14.8M representing an under spend of £238K.

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

Arts and Events – The primary objective of this budget is to promote larger events outside of the arts centres. The programme is developed on an annual basis and there is a level of uncertainty in the projections of income and associated costs. For 2014/15 income is lower (£18K) than originally anticipated as fewer events have taken place in year than had been budgeted.

Bourne Corn Exchange – The Corn Exchange building has been re-valued in year which has resulted in a reduction of £64K and reduced capital charges of £27K.

Leisure Centres – The management fee has been reviewed from 1st July 2014 which has resulted in a reduced charge of £156K. Responsive works have been undertaken at the leisure centres in year to ensure compliance with health and safety requirements and anti-vandal works have been undertaken at a cost of £80K. The Grantham Meres Leisure Centre also has increased depreciation charges of £42K.

Gravity Fields Festival – The event in September 2014 attracted approximately 65,000 visitors to the 14 main events. External funding of £148K was secured from the Arts Council and the Heritage Lottery Fund and a further £37K in sponsorship. The variance of £38K will be met from the specific reserve that has been established to meet the costs of the 5 day event.

Markets – There has been a reduction in market toll income at each of the sites in year (Grantham £10K, Stamford £21K and Bourne £5K) following an overall reduction in traders. The nature of markets is that there is usually a mix of regular and transient stall-holders and because of this the demand is volatile and difficult to predict.

Sports Stadium – A review has been undertaken in year to assess the football club's use of the Sports Stadium which has resulted in the amount charged to the Grantham Special expense area reducing by £74K. Due to the re-negotiation of the leisure management contract during the year a fee reduction of £15K was achieved. The appointment of a new contractor to undertake the grounds maintenance resulted in more competitive rates and a reduction in the charge for the year of £33K compared to the budgeted level.

Stamford Arts Centre – The cinema has had a particularly successful year, screening popular films and this is reflected in film admission fees being £47K higher than budget. Admission fees were also £11K above budget due to the popularity of classical music and orchestras, which also attracted increased partnership funding of £13K. It was agreed that a floor replacement programme would be undertaken at the Arts Centre at a one off cost of £15K out of under-spends during the year.

Operational Management

Corporate Costs – A number of key budget headings were centralised in year in order to identify efficiency savings and economies of scale to reduce expenditure. This has resulted in an under spend of £90K.

Empty homes review - A review has been undertaken of empty properties in the district utilising external specialist support which has resulted in over 50 properties being brought back into occupation. The costs associated with this will be met from specific reserve established for this review. The Council will receive New Homes Bonus monies for these properties brought back into use and the corresponding Council tax income.

Development and Growth

Conservation – the £17K under spend in this area is due to a vacant Assistant Conservation Officer post. The work was undertaken utilising existing resources.

Destination SK – The expenditure relates to initiatives across the district such as promotional materials for the Aviation Day. The expenditure will be met from the specific reserve that has been established.

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 £214K taking the total income for the year to £851K. There have been a number of major applications received in year for the Southern Quadrant development and wind and solar farms, along with a 15% increase in general applications. 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 - Due to the failure of the CPO process at Station Approach, Grantham, the allocated budget for the Business Incubation Centre was not required in year (£80K). Additionally a number of economic development projects have now been incorporated into the 2015/16 budget, resulting in an under spend this financial year.

Planning Policy – there has been an under spend of £18K 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 grant will be available for funding activities during 2015/16.

Environmental Services

Private Sector Landlords – there is a variance of £121K which relates to capital expenditure that has been charged to revenue in respect of disabled facilities grants. This is an accounting requirement but is later reversed out to ensure there is no impact on the council tax payer.

Street Scene – There are a number of variances that have contributed to the overall under spend for the service. A reduction in the amount incurred with respect to fuel costs following a period of stable prices has resulted in an under spend of £35K. There has been decreased expenditure in respect of vehicle repairs (£40K) due, in part, to 3 disposals of an ageing fleet. A £25K underspend has been identified on other equipment and litter bins as this level has not been required this year.

Waste management – There has been an increase in recycling income of £59K following an extension to the contract. The percentage of waste recycled during 2014/15 was 46.3% which was 0.7% less than 2013/14. The green waste service has seen an increase of 3% in existing households renewing the service and 1,473 new households joining the service in year. This has resulted in additional income of £37K compared to the budgeted level.

Waste & Recycling Management – An under spend has occurred of £35K due to the combining of 2 roles and a deferred training programme. A set-aside has been requested to continue this work in 2015/16.

Finance

Benefits Administration – An accounting adjustment has been made in respect of retirement benefits resulting in a charge of £34K. A reserve movement will be processed to offset the cost of a £15K ICT licence purchased in year.

Council Tax Admin & Enforcement - A bad debt provision has been made for outstanding court costs (£17K) and £25K of irrecoverable costs levied on customers through enforcement action has been written off in year.

People, Projects and Performance

Communications Support – the main area contributing towards the under-spend is a reduction in the operational costs of the internal print service (£30k). There has been a review of correspondence the Authority issues with emphasis on utilising electronic channels where possible. This initiative will continue in 2015/16 with more cost savings anticipated.

Legal and Democratic

Democratic Representation – There has been an under spend on internal printing charges (£15K) due to the increased electronic distribution of documents. There has also been a reduction in members' related costs (£18K) as 2 members chose not to claim members allowances with 1 member also choosing not to claim special responsibility allowance in 2014/15.

Register of Electors – The Authority received a Government grant of £83K to financially support the introduction of individual electoral registration requirements including an increase in postage costs and the necessary system changes. £32K of this has been spent in year and the remainder will be ring-fenced for use in 2015/16.

Legal Services – There is a £27K under spend on employee expenses due to vacancies within the area.

Property Development

Building Control – The Council entered into a partnership arrangement from 1 July 2014 with Rushcliffe Borough Council in order to strengthen the trading activity of the service. However, the income for the period prior to this is £29K less than the budgeted level. The financial model of the partnership aimed to return to trading surpluses over the next 2 years which would be shared between the partners. The partnership has achieved a surplus in 2014/15 of £12K which has been charged to the trading account reserve.

Bus Stations – the outturn includes a bad debt provision to reflect recovery difficulties with an operator currently utilising the facility. Discussions are underway to seek resolution to this issue with payment expected in 2015/16.

Car Parks - A revaluation of car parks has been undertaken by the District Valuer as part of the annual review. This has the effect of increasing the annual depreciation charge by 36K. Various car parks across the district have experienced an increase in ticket sales, season tickets and residents parking schemes which has generated £48K in additional income. The programme of maintenance within the car parks has reduced, resulting in an under spend of £39K.

Closed Burial Grounds – there has been an increase of £9K in grounds maintenance expenditure due to changes in service delivery since the introduction of the new contract.

Flood Prevention – Planned revetment works were delayed due to warm weather conditions. A set-a-side for £12,500 has been requested to undertake this work in 2015/16.

Footway Lighting – Health and safety works were undertaken following a programme of electrical testing at a cost of £30K.

Miscellaneous Property - A revaluation of Vantage Park, Wake House and the OAP Association building has been undertaken by the District Valuer as part of the annual revaluation of Council assets. This has the effect of lowering the annual depreciation charge, resulting in a variance of £44K when compared with budgeted costs.

Play areas and Open Spaces - there has been a reduction in the costs associated with open space grounds maintenance expenditure following the introduction of the new contract.

Assets and Facilities Management - there have been in year vacancies due to a pending service review, resulting in an under spend of £103K. There has also been a reduction in planned sub contractor work within the area of £38K as no major projects have been undertaken.

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 2014/15 financial year. Specifically these are:

Service Areas	Amount
<u>General Fund</u>	£'000
Waste & Recycling	22
Development & Growth	40
Accountancy Finance & Risk	20
Venues & Facilities	40
Environmental Health	19
Spatial & Economic Development	20
Consolidated Payment	50
Total Year End Set a Sides	<u>211</u>

The service outturn of £14.877m shown in the table on page 7 can be reconciled back to the Comprehensive Income & Expenditure Statement (CIES) on page 21 Cost of Services total of £4.696m with the following adjustments:

	£'000	
Service Expenditure Outturn	14,877	Leisure Loan interest excluded from the table on page 7
Housing Services not in General Fund	(9,864)	Housing services accounted for separately in the HRA
Drainage Board Levies	(629)	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	301	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	<u>4,696</u>	

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 £1.175m. The HRA outturn position shows a net operating surplus of £2.893m 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 £2.362m being deducted from the working balance

Description	2014/2015 Estimate £'000	2014/2015 Actual £'000	Variance £'000
Dwelling Rents & Other Income	(25,662)	(25,696)	(34)
Repairs & Maintenance	7,923	7,504	(419)
Supervision & Management	3,742	4,159	417
Repayment of Principal	3,222	3,222	0
Other Expenditure	535	1,582	1,047
Interest Payable & Similar Charges	3,342	3,331	(11)
Interest & Investment Income	(200)	(174)	26
Capital Charges (including Depreciation)	5,923	3,726	(2,197)
Other Operating Income		(547)	(547)
Deficit/ (Surplus) for the year on the HRA	(1,175)	(2,893)	(1,718)

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

Variance Analysis

Dwelling rents and other income – the performance for the collection of current year's rents has improved again slightly during this financial year (98.93% collected compared with the target of 98.4% and the previous year of 98.39%) However, there was an overall under recovery of dwelling rents of £36K compared to the budget due to two factors. The average actual void percentage rate was lower (1.1%) compared to the budgeted estimate (1.5%) which resulted in additional £100K income but this was offset by the write off of a number of former tenant debts. With respect to 'charges for services and facilities' there has been an increase in the amount collected due to the reduced number of void dwellings during the year. This resulted in additional income of £54K.

Repairs and maintenance – this budget covers expenditure on a range of work areas including insulation, painting, disabled adaptations, asbestos, gas servicing and maintenance as well as reactive and void repairs. The under spend is mainly due to work (communal doors £110K and DDA works £105K) not undertaken in 2014/15 due to delays by the council's contractors (Set asides have been proposed for these schemes in order that the work can be completed in 2015/16). Additionally a saving of £100K on gas and solid fuel

servicing and repairs was seen as a result of the new Liberty Gas contract. Additional grant income of £156K in respect of a contribution towards external wall insulation was received in the year.

Supervision and Management – this budget covers services relating to some but not all HRA tenants. It includes homelessness dwellings, sheltered housing schemes and grounds maintenance. The over spend of £350K is due to transitional costs in transferring from the supporting people to the new health and well being contract.

Capital Spending in 2014/2015

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 £8.947m (£6.977m HRA programme and £1.970m General Fund programme). This was £4.528m less than the budget.

Corporate Area	2014/2015 Estimate £'000	2014/2015 Actual £'000	Variance £'000
Grow the Economy	3,850	168	(3,682)
Support Good Housing for All	670	421	(249)
Promote Leisure Arts and Culture	153	172	19
Keep South Kesteven Clean Green and Healthy	801	612	(189)
Well Run Council	368	283	(85)
Other	0	314	314
General Fund Sub Total	5,842	1,970	(3,872)
Housing Revenue Account	7,633	6,977	(656)
Total Capital Programme	13,475	8,947	(4,528)

Variance Analysis – General Fund

Grow the Economy

St. Peter's Hill Development Project – the re-profiling of this capital scheme was agreed by Council in September 2014 and the slippage reflects the new profile as the majority of the capital works will be undertaken during 2015/16.

Strategic Land Acquisition – There were no sites identified for purchase in 2014/15 and the budget (450K) has been slipped into 2015/16.

Servicing Land at Vantage Park – At year end the land at Vantage Park was under offer of sale and therefore the works are no longer required as part of the sale.

Park Air Systems Extension – This was a new scheme with a budget of £250K that commenced in February 2015 and will be completed in 2015/16. The outturn for 2014/15 is £55K with the balance of the budget (£195K) slipping into 2015/16.

Support Good Housing for all

Housing Grant Assistance – The under spend of £122K was due to the volume of applications being lower than previously anticipated.

Disabled Facilities Grants – The under spend of £127K was due to delays in processing applications at the start of the year and more recently a backlog of occupational therapy referrals.

Promote Leisure, Arts and Culture

Additional expenditure of £47K on the Wyndham Park improvements has been funded by a WREN (Waste, Recycling and Environmental) grant. The over spend on the Stamford Arts Centre heating system (£20K) was due to additional facilitation and preparatory works.

Keep SK Clean, Green and Healthy

Street Scene Vehicle Procurement – One of the smaller freighters expected to be procured in 2014/15 was delayed and has now been delivered and paid for in April 2015 resulting in budget slippage to 2015/16.

Well Run Council

There were three new schemes identified in 2014/15 that were not in the original estimate base budget and have been subsequently approved. These projects are the procurement of software for building control and planning services (£35K), the redesign of the website and internet (£30K) and the new customer relationship and document management system (£296K). The latter two schemes are continuing into 2015/16 with slippages of £10K and £78K respectively. All of these schemes are to be funded from reserves.

5. Other

Settlement of the contract for Bourne Core area was completed in 2014/15 leading to total expenditure of £286K.

Summary of Capital Outturn

The additional slippage amounts (in addition to slippage previously approved by Council) have been identified for inclusion into the 2015/16 General Fund capital programme:-

- St. Peter's Hill Development Project £76K
- Park Air Systems budget reduction (£15K)
- Guildhall Arts Centre – Replace Outside Lighting £12K
- Deepings Leisure Centre Board & LV Panel £11K
- Grantham Offices LV Panel Replacement £25K
- Redesign Of The Website And Internet £10K

- Customer Relationship And Document Management System £78K
- Bourne Core Area - fit out of retail units £77K

Variance Analysis - HRA

Purchase of Land and Buildings

Construction of road for access at Twenty village near Bourne - there is slippage of £13K into 2015/16 in order to construct the road.

Purchase Of Strategic Land – Expenditure incurred was for the demolition of the former public house on Trent Road (£54K) and the re-purchase of a former leasehold flat at 53 Riverside Grantham (£52K).

Energy Efficiency Initiatives

There was a new scheme identified in 2014/15 that has been added to the original estimate base budget. This is to convert to LED lighting in the sheltered housing communal areas in order to achieve longer term cost savings. There was a budget of £775K in 2014/15 with £275K to be slipped into in 2015/16.

New Build Properties

The new build capital programme has progressed well in 2014/15 which has seen the completion and letting of 13 new dwellings across 4 sites. The remaining site at Lincoln Road, Stamford containing 20 new dwellings should be completed in July. The remaining budget of £300K is required to enable completion of the schemes.

IT Software

The vehicle management system (£50K) will now be implemented in 2015/16 following delays to the project. The upgrade to Opti-Time Software (£10K) will also now be completed in 2015/16. Budget provision has been made for both of these schemes.

Purchase of Vehicles

Repairs Vehicles – An additional vehicle was not delivered until 1st April therefore could not be purchased from the 2014/15 programme. The budget for this has been slipped into 2015/16.

The additional slippage amounts have been identified for inclusion into the 2015/16 HRA capital programme:-

- Construction of access road £13K
- Installation of Air Source Heat Pumps £24K
- Repairs Vehicles £15K

Where the money was invested and where the money came from

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

	£'000		£'000
Investment		Financed From	
Council Dwellings **	5,502		
Other Land and Building	55	Capital Receipts	2,764
Investment Property	289	Direct Revenue Financing	977
Vehicles Plant and Equipment **	833	Major Repairs Reserve	4,820
Non-Operational Assets	1,586	Capital Grants and Contributions	385
Rvenue Expenditure funded from Capital under Statute	423	Other Reserves	0
Intangible Assets	258		
Total	8,946		8,946

**Capital expenditure on Council Dwellings totalled £5.502M of which £4.763M was in respect of improvements to existing stock. However, the improvements were 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 £363k expenditure on Disabled Facilities Grants.

Our Treasury Management Performance

We exceeded our original investment income budget for the year of £0.350M by £0.56M which was due to average cash balances from higher than budgeted. The benchmark 7-day LIBID (London Interbank Bid rate) rate was 0.36% and the rate of return we achieved of 0.47%.

Council Tax Collection

The net collectable amount in respect of 2014/2015 Council Tax was £63.980M of which £63.154M has been received. This represents a collection rate of 98.71% (2013/2014 98.44%), Council Tax arrears (for all years), including costs and credits, amounted to £1.795m as at 31 March 2015.

Reserves and Balances

The General Fund working balance at the end of the financial year is £1.913M which will be carried over into 2015/2016 and is equivalent to 12.7% of net original base budget for 2014/2015 (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 £4.783M represents the existing revenue balance.

The Council's total working balances and reserves have increased by £5.578M and now total £43.639M.

A summary of the specific and earmarked reserve balances as at 31 March 2015 are as follows:

	£'000
Usable Cap Receipts Reserve	3,414
HRA Capital Receipts Reserve	962
Major Repairs Reserve	5,384
Earmarked GF Revenue Reserves	15,072
General Fund Unapplied Revenue Grants	645
Earmarked HRA Revenue Reserves	1,005
Earmarked GF Capital Reserve	2,099
GF Unapplied Capital Grants	15
Earmarked HRA Capital Reserves	8,347
Housing Revenue Account Balance	4,783
General Fund Balance	1,913
	<u>43,639</u>

In summary the Council remains in a stable financial position despite the year on year reduction of government grant. However, we must not be complacent, further financial pressures are expected and local government will be faced with continuing grant reductions in the medium term.

Our track record of sound financial management planning and effective decision making will help to mitigate future challenges. The Council and its Cabinet are committed to protect front line services and to investing in their priorities. The financial environment we have been able to create should ensure that we can respond and meet that commitment..

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
25 June 2015

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 2015

This Statement of Accounts has been approved by the Governance & Audit Committee at its meeting on 24th September 2015.



DAREN TURNER ACCA
CHIEF FINANCE OFFICER
24th September 2015



COUNCILLOR IAN STOKES
CHAIRMAN OF GOVERNANCE & AUDIT COMMITTEE
24th September 2015

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 2014	(1,912)	(13,804)	(7,145)	(5,751)	(5,090)	(4,281)	(78)	(38,061)	(73,531)	(111,592)
Movement in reserves during 2014/15										
Surplus or (deficit) on the provision of services	757		(6,115)					(5,358)		(5,358)
Other Comprehensive Income & Expenditure (see bottom of CIES)								0	4,995	4,995
Total Comprehensive Income & Expenditure	757	0	(6,115)	0	0	0	0	(5,358)	4,995	(363)
Adjustments between accounting basis and funding basis under regulations (Note 8)	(5,184)	413	1,261	0	(1,204)	(2,499)	63	(7,150)	7,150	0
Net (Increase)/Decrease before Transfers to Earmarked Reserves	(4,427)	413	(4,854)	0	(1,204)	(2,499)	63	(12,508)	12,145	(363)
Transfers to/(from) Earmarked Reserves (Note 9)	4,426	(4,425)	7,216	(3,601)	1,918	1,396	0	6,930	(6,930)	0
(Increase)/Decrease in 2014/15	(1)	(4,012)	2,362	(3,601)	714	(1,103)	63	(5,578)	5,215	(363)
Balance at 31 March 2015 carried forward	(1,913)	(17,816)	(4,783)	(9,352)	(4,376)	(5,384)	(15)	(43,639)	(68,316)	(111,955)

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 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 Other Comprehensive Income & Expenditure (see bottom of CIES)	1,242		(6,188)					(4,946)		(4,946)
								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	(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

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 2014 £'000		Note	At 31st March 2015 £'000
173,360	Council Dwellings	15	175,335
49,594	Other Land and Buildings	15	51,782
5,165	Plant, Vehicles and Equipment	15	4,615
237	Surplus Assets not held for sale	15	240
3,309	Assets Under Construction	15	1,910
429	Heritage Assets	47	429
2,346	Investment Property	16	3,372
128	Intangible Assets	17	333
0	Non Current Investments	48	4,000
2,205	Non Current Debtors	22	2,164
236,773	Non Current Assets		244,180
298	Current Assets Held for Sale	24	1,068
18,076	Current Investments	48	29,136
35	Inventories	20	28
3,133	Current Debtors	22	2,823
17,125	Cash and Cash Equivalents	23	11,819
38,667	Current Assets		44,874
(3,321)	Current Borrowing	44	(3,804)
(5,285)	Current Creditors	25	(9,258)
(701)	Current Provisions	26	(920)
(9,307)	Current Liabilities		(13,982)
(220)	Non Current Provisions	26	(261)
(113,487)	Non Current Borrowing	44	(109,765)
(39,985)	Other Non Current Liabilities	42	(52,067)
(849)	Capital Grants Receipts in Advance	36	(1,024)
(154,541)	Non Current Liabilities		(163,117)
111,592	Net Assets		111,955

BALANCE SHEET Cont'd

£'000			£'000
5,090	Usable Cap Receipts Reserve	27	4,376
4,281	Major Repairs Reserve	27	5,384
12,299	Earmarked GF Revenue Reserves	27	15,717
735	Earmarked HRA Revenue Reserves	27	1,005
5,016	Earmarked HRA Capital Reserves	27	8,347
1,505	Earmarked Capital Reserves	27	2,099
78	Capital Grants Unapplied	27	15
1,912	General Fund Balance	27	1,913
7,145	HRA Balance	27	4,783
38,061	Usable Reserves		43,639
104,559	Capital Adjustment Account	28	107,259
9,030	Revaluation Reserve	28	13,902
(39,985)	Pension Reserve	28	(52,067)
(149)	Short Term Accumulated Absences Account	28	(134)
29	Collection Fund adjustment Account	28	(686)
47	Deferred Capital Receipts	28	42
73,531	Unusable Reserves		68,316
111,592	Total Reserves		111,955

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.

2013/14 £'000	Notes	2014/15 £'000
Operating Activities		
4,946		5,358
7,412	49	15,276
(2,468)		(3,047)
2,813		3,007
Net cash flows from Operating Activities includes		
(3,527)		(3,342)
714		335
9,890		17,587
Investing Activities		
(7,984)		(8,530)
(15,000)		(35,000)
(1,155)		(1,020)
2,027		2,693
17,000		20,000
890		1,589
(4,222)		(20,268)

CASH FLOW STATEMENT (CONT)

2013/14 £'000		Notes	2014/15 £'000
	Financing Activities		
2,596	Other receipts from financing activities		
(4,253)	Repayments of short and long-term borrowing		(3,238)
	Other payments for financing activities		613
(1,657)	Net cash flows from Financing Activities		(2,625)
4,011	Net increase or (decrease) in cash and cash equivalents		(5,306)
13,114	Cash and cash equivalents at the beginning of the reporting period		17,125
17,125	Cash and cash equivalents at the end of the reporting period	23	11,819

1. STATEMENT OF ACCOUNTING POLICIES

I. GENERAL PRINCIPLES

The Statement of Accounts summarises the Council's transactions for the 2014/15 financial year and its position at the year-end of 31 March 2015. 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 2014/15* and the *Service Reporting Code of Practice 2014/15*, 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

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

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

X. 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 2014/15 (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

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 2014/15 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

There have been no changes in accounting policies to be applied in 2014/15.

3. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT NOT ADOPTED

For 2014/15 the following accounting policy changes that need to be reported relate to:

- a. **IFRS 13 Fair Value Measurement** – This introduces a requirement for the concept of fair value measurement to be applied to all assets and liabilities which use fair value as a measurement basis. In respect of property, plant and equipment the only change is in the valuation of surplus property. Currently surplus property is valued at existing use value before being reclassified as surplus assets. In future surplus assets will be valued at fair value
- b. **IFRIC 12 Levies** – This clarifies the recognition point for payment of levies as the activity which triggers the payment of the levy. This standard will not have a material impact on the Statement of Accounts.
- c. **Annual Improvements to IFRs (2011-2013 cycle)** - These improvements are minor, principally providing clarification and will not have a material impact on the Statement of Accounts.

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. No contracts with other bodies need to be accounted for as a service concession or contain an embedded lease.
- d. No substantial legal claims or appeals will be made against the Council in the next financial year.

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 2015 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 £173k for every year that useful lives had to be reduced.

b. Arrears

At 31 March 2015 the Council had a balance of short-term debtors of £2.823m. A review of these debts suggested that an impairment for doubtful debts of approx 59% was appropriate, totalling £1.7m. 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 £1.7m to be set aside for this allowance.

6. MATERIAL ITEMS OF INCOME AND EXPENDITURE

The return on the assets relating to the Pension Fund has reduced due to lower bond yields this in turn increased the Pension liability resulting in a £10.162m charge to the Other Comprehensive Income and Expenditure.

7. EVENTS AFTER THE REPORTING PERIOD

The Statement of Accounts was authorised for issue by the Strategic Director – Corporate Focus on 24 September 2015. Events taking place after this date are not reflected in the financial statements or notes.

The financial statements and notes have not been adjusted for the following event which took place after 31 March 2015 as they provide information relevant to the Council financial position but do not relate to conditions at that date:

- The Chancellor announced in his 2015 summer budget that rents in social housing are to be reduced by 1% a year from April 2016 for the next four years. The Council will need to fully consider the impact that the rent reductions may have on its Housing Revenue Account and revise its HRA plan accordingly.

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)

2014/15	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	(2,944)		(233)			(2,499)		(5,676)	5,676
Amortisation of intangible assets	(53)							(53)	53
Revaluation gains/losses on PPE	260		3,672					3,932	(3,932)
Impairments charged to CIES	0		(4,763)					(4,763)	4,763
Movements in market value of investment properties	(806)		(12)					(818)	818
Revenue expenditure funded from capital under statute (REFCUS)	(423)							(423)	423
Financing of REFCUS	360						63	423	(423)
Capital expenditure	370	413	3,222		763			4,768	(4,768)
Statutory provision for financing of capital investment	173							173	(173)
Profit/Loss on disposal of non-current assets	49		511		(2,653)			(2,093)	2,093
Adjustments primarily involving the Collection Fund Adjustment Account									
Adjustment to council tax income	161							161	(161)
Adjustment to NNDR income	(876)							(876)	876
Adjustments primarily involving the Pension Fund									
Adjustment of IAS 19 retirement entries for actual contributions	(1,461)		(459)					(1,920)	1,920
Adjustments primarily involving the Accumulating Compensated Absences									
Accrual for accumulated compensated absences	6		9					15	(15)
Adjustments between Usable Reserves									
Payments to Housing Capital Receipts Pool			(686)		686			0	0
Total Adjustments	(5,184)	413	1,261	0	(1,204)	(2,499)	63	(7,150)	7,150

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 Collection Fund Adjustment Account									
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 Accumulating Compensated Absences									
Accrual for accumulated 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

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 2014/15.

2014/15

	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	(91)	(1)		91	1			0	0	0
SEA provision	(34)			34				0	0	0
Transfer Surplus to reserves	4,512	7,025		(4,511)	(3,602)	(3,424)		0	0	0
Unapplied government grants								0	0	0
Repaid mortgages			(42)					(42)	42	0
Other Long-Term Debtors		35	(40)					(5)	5	0
Amounts transferred from reserves to support in year expenditure										
Application of other grants	27			(27)				0	0	0
Finance Building Control deficit	12			(12)				0	0	0
Revenue Contributions to Capital		157	2,000			4,820		6,977	(6,977)	0
Total Transfers To/(From) Earmarked Reserves	4,426	7,216	1,918	(4,425)	(3,601)	1,396	0	6,930	(6,930)	0

Transfers to/from Earmarked Reserves (Continued)

The comparative amounts in 2013/14 are set out below.

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

10. PRECEPTS AND LEVIES

2013/14		2014/15
£'000		£'000
1,440	Parish Council Precepts	1,465
616	Drainage Board Levies	629
2,056		2,094

11. OTHER OPERATING INCOME AND EXPENDITURE

2013/14		2014/15
£'000		£'000
(20)	Maternity/Holiday Pay Adjustment	-
-	Right to Buy Discounts Repaid	(35)
(20)		(35)

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

2013/14		2014/15
£'000		£'000
(22)	Income & Expenditure from investment properties	25
(143)	Movements in relation to changes in the fair value of investment properties	818
(165)		843

13. RECOGNISED CAPITAL GRANTS AND CONTRIBUTIONS

2013/14		2014/15
£'000		£'000
(440)	Contribution to South West Bourne Road	-
(440)		0

14. NON SERVICE RELATED GOVERNMENT GRANTS

2013/14		2014/15
£'000		£'000
(2,077)	New Homes Bonus	(2,679)
-	Council Tax Freeze Grant	(67)
(495)	S31 Grant	(892)
(52)	S106 Contribution	(27)
(4,843)	Revenue Support Grant	(3,701)
(7,467)		(7,366)

15. PROPERTY PLANT AND EQUIPMENT

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

Movement in 2014/15

	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 01/04/2014	179,954	51,598	14,288	245	3,309	249,394
Additions	5,502	55	833	0	1,586	7,976
Revaluation increases/(decreases) recognised in the Revaluation Reserve	554	3,156		3		3,713
Revaluation increases/(decreases) recognised in the Surplus/Deficit on Provision of Services	(3,580)	(16)				(3,596)
Derecognition - Disposals	(868)		(997)			(1,865)
Assets reclassified (to)/from Assets Under Construction	587				(2,985)	(2,398)
Assets reclassified (to)/from Held for Sale (see Note 24)	(207)	(825)				(1,032)
At 31/03/2015	181,942	53,968	14,124	248	1,910	252,192
Accumulated Depreciation & Impairment at 01/04/2014	(6,594)	(2,004)	(9,123)	(8)	0	(17,729)
Depreciation charge	(2,499)	(1,913)	(1,255)	(8)		(5,675)
Depreciation written out to the Revaluation Reserve	15	1,644				1,659
Depreciation written out to the Comprehensive Income & Expenditure Statement	7,227	87		8		7,322
Derecognition of Non Enhancing Capital Expenditure	(4,763)					(4,763)
Derecognition - Disposals	7		869			876
At 31/03/2015	(6,607)	(2,186)	(9,509)	(8)	0	(18,310)
Net Book Value						
At 31/03/2015	175,335	51,782	4,615	240	1,910	233,882
At 31/03/2014	173,360	49,594	5,165	237	3,309	231,665

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 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 1st April 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	51,598	14,288	245	3,309	249,390
Accumulated Depreciation & Impairment at 1st April 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
Derecognition of Non Enhancing Capital Expenditure	(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 31st March 2014	173,360	49,594	5,165	237	3,309	231,665
At 31st March 2013	172,719	49,653	5,813	227	1,200	229,612

Valuation Assumptions

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

- That no high alumina cement, asbestos, or other deleterious material was used in the construction of any property and that none has been subsequently incorporated.

- That the properties are not subject to any unusual or especially onerous restrictions, encumbrances or outgoings and the good titles can be shown.
- The properties and their values are unaffected by any matters which would be revealed by a local search or inspection of any register and that use and occupation are both legal.
- The inspection of those parts which have not been inspected would cause the Valuer to alter their opinion of value.
- The land and properties are not contaminated nor adversely affected by radon.
- No allowances have been made for any rights obligations or liabilities arising from the Defective Premises Act 1972.

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:

2013/14 £'000		2014/15 £'000
(22)	Rental income from investment property	(25)
	Direct operating expenses arising from investment property	50
<u>(22)</u>		<u>25</u>

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:

2013/14 £'000		2014/15 £'000
2,203	Balance at start of year	2,346
-	Additions - Purchases	289
143	Net gains/losses from fair value adjustments	(818)
-	Disposals	(843)
-	Transfers	2,398
<u>2,346</u>	Balance at end of year	<u>3,372</u>

Residential and commercial property under construction by the Council in Bourne town centre was completed in 2014/15 and transferred into investment property holdings.

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.

Movements on Intangible Assets during the year were as follows:

2013/14 £'000		2014/15 £'000
	Balance at start of year:	
464	Gross carrying amount	479
(298)	Accumulated amortisation	(351)
<u>166</u>	Net carrying amount at start of year	<u>128</u>
15	Additions	258
(53)	Amortisation for the period	(53)
<u>(38)</u>		<u>205</u>
128	Net carrying amount at end of year	333
	Comprising	
479	Gross carrying amount	737
(351)	Accumulated amortisation	(404)
<u>128</u>		<u>333</u>

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 2014/15 which incorporates the prudential indicators was approved by Council on 1 March 2014 and is available on the Council website. The key issues within the strategy were:

- i. The Authorised Limit for 2014/15 was set at £133m. This is the maximum limit of external borrowings or other long term liabilities.
- ii. The Operational Boundary was expected to be £117m. 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	0	40
Between 1 & 2 years	0	40
Between 2 & 5 years	0	100
Between 5 & 10 years	0	100
More than 10 years	0	100

These policies are implemented by a central treasury 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 £45m 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 2015 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 2015	Historical experience of default (1)	Adjustment for market conditions	Estimated Maximum exposure to default
	£'000	%	%	£'000
AAA rated counterparties	4,655	0.00%	0.00%	-
AA rated counterparties	-	0.02%	0.20%	-
A rated counterparties	33,101	0.09%	0.09%	30
BBB rated counterparties	6,002	0.20%	0.20%	12
Other counterparties	-	0.00%	0.00%	-
Trade debtors (not including statutory debtors)	1,241	Local Experience	Local Experience	184
Total	44,999			226

(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 its counterparties in relation to deposits and bonds.

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

The Council does not generally allow credit for its trade debtors, such that £1,241k 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 2015	At 31 March 2014	At 31 March 2013
	£'000	£'000	£'000
Under 30 Days	55	17	179
30-60 days	971	244	258
60-90 days	31	13	5
Over 90 Days	184	34	36
Total	1,241	308	478

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 2015 £'000	At 31 March 2014 £'000	At 31 March 2013 £'000
Less than one year	39,758	34,399	33,669
Between one and two years	4,000	-	-
Between two and three years	-	-	-
More than three years	-	-	-
Total	43,758	34,399	33,669

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 2015 £'000	At 31 March 2014 £'000	At 31 March 2013 £'000
Less than one year	3,804	3,321	4,388
Between one and two years	3,222	3,722	3,738
Between two and five years	35,665	10,665	10,665
Between five and ten years	16,109	41,109	41,109
Between ten and fifteen years	16,109	16,109	16,109
Over Fifteen Years	38,660	41,882	45,105
Total	113,569	116,808	121,114

f. Market risk

Interest rate risk

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

- Borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Account will rise;

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

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

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

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

	£'000
Increase in interest payable on variable rate borrowings	0
Increase in interest receivable on variable rate investments	<u>(336)</u>
Impact on Surplus or Deficit on the Provision of Services	<u>(336)</u>
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)	<u>27,412</u>

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 2015 £'000	At 31 March 2014 £'000	At 31 March 2015 £'000	At 31 March 2014 £'000
Borrowings				
Financial Liabilities (principal amount)	109,765	113,487	3,722	3,238
Accrued Interest	-	-	82	83
Total Borrowings	109,765	113,487	3,804	3,321
Investments				
Loans & Receivables	-	-	33,653	34,355
Accrued interest	-	-	136	76
Available for Sale Assets	4,000	-	6,000	-
Total Investments	4,000	0	39,789	34,431

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

Note 2 – The Council has not made any soft loans

Note 3 – Available for Sale Assets are Certificates of Deposits taken out by the Council during 2014/15.

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
	Liabilities Measured at Amortised Cost	Loans & Receivables	
	£'000	£'000	£'000
2014/15			
Interest expense	3,351		3,351
Total Expense in Surplus or Deficit on the Provision of Services	3,351	0	3,351
Interest income		(406)	(406)
Total Income in Surplus or Deficit on the Provision of Services	0	(406)	(406)
Net gain/(loss) for the year	3,351	(406)	2,945
2013/14			
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

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 2015		At 31 March 2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
PWLB debt	113,569	128,220	116,792	116,957
Non-PWLB debt	-	-	16	16
Trade Creditors	3,324	3,324	2,461	2,461
Total financial liabilities	116,893	131,544	119,269	119,434
Instant Access Accounts	10,653	10,657	16,355	16,361
Short Term Investments	29,136	29,132	18,076	18,064
Long Term Investments	4,000	4,000	-	-
Trade debtors	1,241	1,241	308	308
Other Short Term Debtors	1,582	1,582	2,825	2,825
Long Term Debtors	2,164	2,164	2,205	2,205
Total loans & receivables	48,776	48,776	39,769	39,763

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 2015 are provided below:

2013/14		2014/15
£'000		£'000
8	Printing Supplies	9
4	Postage	1
3	Housing Repairs & Maintenance Materials	3
20	Fuel Tank	15
35	Balance outstanding at year end	28

21. CAPITAL COMMITMENTS

There are no outstanding commitments.

22. DEBTORS

An analysis of Debtors is shown below:

At 31st March		At 31st March
2014		2015
£'000		£'000
	Current Debtors	
565	Government Departments	582
645	Other Local Authorities	293
1	NHS	9
1,922	Other entities and individuals	1,939
3,133		2,823
	Long Term Debtors	
2,000	Local Authority Mortgage Scheme	2,000
154	Loans for Leisure Facilities	120
51	Other	44
2,205		2,164

23. CASH AND CASH EQUIVALENTS

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

At 31st March 2014 £'000		At 31st March 2015 £'000
86	Cash held by the authority	43
684	Bank current accounts	1,123
16,355	Instant Access accounts	10,653
17,125	Total Cash & Cash Equivalents	11,819

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 2015, there are 6 Council Dwellings & land at Vantage Park 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.

2013/14 £'000		2014/15 £'000
211	Balance at start of year	298
	Assets newly classified as held for sale:	
298	Property, Plant & Equipment	1,032
(211)	Assets sold	(262)
298		1,068

25. CREDITORS

An analysis of Creditors is shown below:

At 31st March 2014 £'000		At 31st March 2015 £'000
1,488	Government Departments	3,444
146	Other Local Authorities	1,191
-	NHS bodies	6
3,651	Other entities and individuals	4,617
5,285	Total	9,258

26. PROVISIONS

	Injury & Damage Compensation Claims £'000	Business Rates Appeals £'000	Accrued Employee Benefits £'000	Total £'000
2014/15				
Balance at 1st April 2014	263	509	149	921
Additional provisions made in 2014/15	148	602	134	884
Amounts used in 2014/15	(62)	(418)	(149)	(629)
Unused amounts reversed in 2014/15	(76)	81		5
Total	273	774	134	1,181

Split between:

Short-term provisions	920
Long-term provisions	261
	1181

2013/2014

Balance at 01/04/2013	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

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 £273k provided at 31st March 2015 £184k 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 2013	Transfer To Reserve	Transfer From Reserve	Balance at 31st March 2014	Transfer To Reserve	Transfer From Reserve	Balance at 31st March 2015
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
GF Cap Receipts Reserve	6,391		(3,254)	3,137	277		3,414
HRA Capital Receipts Reserve	591	1,362		1,953		(991)	962
Major Repairs Reserve	3,396	885		4,281	1,103		5,384
Earmarked GF Revenue Reserves	9,432	2,249		11,681	3,391		15,072
General Fund Unapplied Revenue Grant:	671		(53)	618	27		645
Earmarked HRA Revenue Reserves	1,142		(407)	735	270		1,005
Earmarked GF Capital Reserve	28	1,477		1,505	594		2,099
GF Unapplied Capital Grants	217		(139)	78		(63)	15
Earmarked HRA Capital Reserves	1,685	3,331		5,016	3,331		8,347
Housing Revenue Account Balance	10,239		(3,094)	7,145		(2,362)	4,783
General Fund Balance	2,370		(458)	1,912	1		1,913
	36,162	9,304	(7,405)	38,061	8,994	(3,416)	43,639

28. UNUSABLE RESERVES

At 31st March 2014 £'000		At 31st March 2015 £'000
9,030	Revaluation Reserve	13,902
104,559	Capital Adjustment Account	107,259
(39,985)	Pensions Reserve	(52,067)
29	Collection Fund Adjustment Account	(686)
(149)	Accumulated Absences Adjustment Account	(134)
47	Deferred Capital Receipts	42
73,531		68,316

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.

REVALUATION RESERVE

2013/14 £'000		2014/15 £'000
7,682	Balance at start of year	9,030
1,930	Upward revaluation of assets	5,126
(437)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on Provision of Services	(24)
9,175	Surplus/Deficit on revaluation of non-current assets not posted to Surplus/Deficit on Provision of Services	14,132
(145)	Difference between fair value depreciation and historical cost depreciation	(230)
(145)	Accumulated gains on assets sold or scrapped Amounts written off to the Capital Adjustment Account	(230)
9,030	Balance at end of year	13,902

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.

2013/14 £'000		2014/15 £'000
99,271	Balance at start of year	104,559
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income & Expenditure Statement	
(5,525)	Charges for depreciation of non-current assets	(5,676)
(4,732)	Charges for impairment of non-current assets	(4,763)
(627)	Revaluation losses on Property, Plant & Equipment	(383)
4,541	Revaluation gains reversing previous impairments charged to the Comprehensive Income & Expenditure Statement	4,379
(53)	Amortisation of intangible assets	(53)
(696)	Revenue expenditure funded from capital under statute	(423)
(1,245)	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	(2,093)
<hr/> 90,934		<hr/> 95,547
145	Adjusting amounts written out of the Revaluation Reserve	230
<hr/> 91,079	Net written out amount of the cost of non-current assets consumed in the year	<hr/> 95,777
	Capital financing applied in the year	
3,311	Use of the Capital Receipts Reserve to finance new capital expenditure	2,764
4,850	Use of the Major Repairs reserve to finance new capital expenditure	4,820
359	Capital grants and contributions credited to the Comprehensive Income & Expenditure Statement that have been applied to capital financing	360
139	Application of grants to capital financing from the Capital Grants Unapplied Account	63
178	Statutory provision for the financing of capital investment charged against the General Fund & HRA balances	173
3,408	Self-financed capital expenditure	3,635
1,092	Capital expenditure charged against the General Fund and HRA balances	485
<hr/> 13,337		<hr/> 12,300
143	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income & Expenditure Statement	(818)
<hr/> 104,559	Balance at end of year	<hr/> 107,259

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.

2013/14 £'000		2014/15 £'000
Original		
(36,533)	Balance at start of year	(39,985)
(1,429)	Remeasurement of the net defined benefit liability/ (asset)	(10,162)
(4,322)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on Provision of Services	(4,335)
2,299	Employer's pensions contributions and direct payments to pensioners payable in the year	2,415
(39,985)	Balance at end of year	(52,067)

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.

2013/14 £'000		2014/15 £'000
36	Balance at start of year	29
-	Amount by which council tax income credited to the Comprehensive Income & Expenditure Statement is different from council tax income calculated in accordance with statute	161
(7)	Amount by which council tax and NNDR income credited to the CIES is different from council tax and NNDR income calculated for the year in accordance with statutory requirements	(876)
29	Balance at end of year	(686)

e. Accumulated 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.

2013/14 £'000		2014/15 £'000
156	Balance at start of year	149
(7)	Amounts accrued at the end of the current year	(15)
	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		134
149	Balance at end of year	134

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.

2013/14 £'000		2014/15 £'000
58	Balance at start of year	47
(11)	Repayments received in year	(5)
47	Balance at end of year	42

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 2014/15 is as follows:

	Community As £'000	Operational Management £'000	Development & Growth £'000	Environment Services £'000	Finance £'000	Housing & Neighbourhds £'000	People Project: and Performan £'000	Legal & Democratic £'000	Property Development £'000	Special Expen: Areas £'000	Total £'000
Income											
Fees Charges & other service income	(1,561)	(12)	(1,151)	(2,651)	(813)	(67)	(73)	(27)	(2,691)	(92)	(9,138)
Interest & investment income	(10)				(6)						(16)
Government Grants & Contributions	(227)	(24)	(307)	(313)	(31,908)			(210)	(50)	1	(33,038)
Support Recharge Income	(155)	(1,756)	(89)	(525)	(2,381)		(1,668)	(484)	(1,398)		(8,456)
Total Income	(1,953)	(1,792)	(1,547)	(3,489)	(35,108)	(67)	(1,741)	(721)	(4,139)	(91)	(50,648)
Expenditure											
Employee Expenses	1,055	1,454	1,332	3,788	2,465	405	1,455	552	988	0	13,494
Other Service Expenses	2,266	291	858	2,148	33,278	258	425	785	2,365	527	43,201
Support Service Recharges	409	869	673	1,205	803	123	280	554	650	104	5,670
Depreciation, amortisation & Impairment	1,362		2	1,369	127		6	4	264	26	3,160
Total Expenditure	5,092	2,614	2,865	8,510	36,673	786	2,166	1,895	4,267	657	65,525
Net Expenditure	3,139	822	1,318	5,021	1,565	719	425	1,174	128	566	14,877

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

	Community As £'000	Operational Management £'000	Development & Growth £'000	Environment Services £'000	Finance £'000	Housing & Neighbourhds £'000	People Project: and Performan £'000	Legal & Democratic £'000	Property Development £'000	Special Expen: Areas £'000	Total £'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 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:

2013/14		2014/15
£'000		£'000
16,469	Net expenditure in the Service Analysis	14,877
(9,166)	Local Authority Housing HRA	(9,864)
(616)	Drainage Board Levies	(629)
311	Trading Services	301
11	Leisure Grants & Loans Income	11
7,009	Cost of Service in Comprehensive Income & Expenditure Statement	4,696

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.

2014/15	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	(9,138)			(9,138)
Interest & investment income	(16)			(16)
Government Grants & Contributions	(33,038)			(33,038)
Taxation & Non-Specific Grant Income		(17,449)		(17,449)
Support Recharge Income	(8,456)			(8,456)
Total Income	(50,648)	(17,449)	0	(68,097)
Expenditure				
Employee Expenses	13,494			13,494
Other Service Expenses	43,201			43,201
Support Service Recharges	5,670			5,670
Depreciation, amortisation & Impairment	3,160			3,160
Financing		5,522		5,522
Parish Precepts		1,465		1,465
Local Authority Housing HRA		(9,864)		(9,864)
Payments to the housing capital receipts pool		686		686
Gain or loss on disposal of non-current assets		(560)		(560)
Other Operating Income & Expenditure		(35)		(35)
Total Expenditure	65,525	(2,786)	0	62,739
Surplus or deficit on the provision of services	14,877	(20,235)	0	(5,358)

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:

2013/14 £'000		2014/15 £'000
	The letting of Industrial Units located within the District	
(517)	Income	(517)
129	Expenditure	137
<u>(388)</u>	(Surplus)/Deficit	<u>(380)</u>
	Markets held weekly at Bourne, Grantham and Stamford	
(261)	Income	(251)
341	Expenditure	324
<u>80</u>	(Surplus)/Deficit	<u>73</u>
<u>(308)</u>	(Surplus)/Deficit	<u>(307)</u>

On the face of the Comprehensive Income & Expenditure Statement the trading operations show a surplus of £301k. This figure includes revaluation losses totalling £7k 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 2014/15 was an increase to the General Fund balances of £307k.

31. JOINT OPERATION

On the 1st July 2014 South Kesteven District Council entered a Joint Operation with Rushcliffe Borough Council to form a Building Control Partnership. Partnership represented net expenditure of £110k activity represents 2.3% of our net cost of services and therefore is not deemed to be material.

32. 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.

2013/14 £'000		2014/15 £'000
	Travellers Site Expenditure	
34	Management & Maintenance	35
(34)	Income from Rent & Other Charges	(35)
<u>0</u>	Net Cost	<u>0</u>
	Grass Cutting Expenditure	
92	Premises & Support Costs	111
(92)	Income from Lincolnshire County Council	(111)
<u>0</u>	Net Cost	<u>0</u>

33. MEMBERS ALLOWANCES

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

The Council had 58 elected Councillors as at 31st March 2015.

Members' allowances and expenses paid during the year amounted to £369,300 (2013/14 £370,351). The figure includes basic allowance, special responsibility, and other related allowances.

34. 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:

2013/14 No. of officers		2014/15 No. of officers
	Remuneration Band	
-	£50,000 - £54,999	-
1	£55,000 - £59,999	1
3	£60,000 - £64,999	2
4	£65,000 - £69,999	4
-	£70,000 - £74,999	2
-	£75,000 - £79,999	2
1	£80,000 - £84,999	-
-	£85,000 - £89,999	-
-	£90,000 - £94,999	1
<u>9</u>		<u>12</u>

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

		Salary, Fees and Allowances	Expenses Allowances	Compensation for Loss of Employment	Employers Pension contribution	Any other emolument	Total
		£'000	£'000	£'000	£'000	£'000	£'000
Chief Executive	2014/2015	118			21		139
	2013/2014	112			24		136
Strategic Director	2014/2015						0
	2013/2014	5	1		1		7
Strategic Director	2014/2015	90			15		105
	2013/2014	89			19		108
Strategic Director	2014/2015	63			11		74
	2013/2014						0
Strategic Director (S151 Officer)	2014/2015	90			15		105
	2013/2014	89			19		108
Monitoring Officer	2014/2015	64			11		75
	2013/2014	62			13		75

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

35. EXTERNAL AUDIT COSTS

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

2013/14 £'000		2014/15 £'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.	6
<u>70</u>		<u>68</u>

36. GRANT INCOME

The Council credited the following grants and contributions to the Cost of Services in the Comprehensive Income and Expenditure Statement in 2014/15

2013/14 £'000		2014/15 £'000
67	Council Tax Reform	83
117	LCC 2nd Homes Funding	-
290	Disabled Facilities Grant	300
95	Arts Council Grant	95
15	Orchestra Live	-
15	English Heritage	5
28	Efficiency Support for Service in Sparse Areas	-
29	Heritage Lottery Fund	-
11	Housing Benefit Transitional Funding	-
24	Welfare Reform	27
731	Housing Benefits Admin Grant	521
15	Local Authority Data Sharing	2
-	FERIS & Single Fraud Service Project	10
-	Local Council Tax Admin Subsidy	137
-	New Burdens	13
-	IER Funding	83
-	LA Capacity Funding	88
-	Decentralisation & Neighbourhood Planning	20
-	Second Homes	115
-	European Elections	178
25	Other Grants	52
<u>1,462</u>		<u>1,729</u>

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:

2013/14	Capital Grants	2014/15
	Receipts in Advance	
<u>849</u>	S106 Contributions	<u>1,024</u>

37. 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 36 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:

2013/14		2014/15
£'000		£'000
1,440	Town and Parish Councils	1,465
107	Upper Witham Drainage Board	110
56	Black Sluice Drainage Board	57
453	Welland and Deepings Drainage Board	462
<u>2,056</u>		<u>2,094</u>

38. 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.

2013/14 £'000		2014/15 £'000
126,662	Opening Capital Finance Requirement	123,271
	Capital Investment	
	Council Dwellings	739
684	Other land & buildings	55
710	Vehicles, plant & equipment	833
	Investment properties	289
2,109	Assets under construction	1,586
4,732	Capital expenditure	4,763
15	Intangible Assets	258
696	Revenue expenditure charged to capital under statute	423
1,000	Local Authority Mortgage Scheme	0
	Sources of Finance	
(3,311)	Capital receipts	(2,764)
(550)	Capital grants & contributions	(385)
(9,476)	Sums set aside from revenue	(9,193)
<u>123,271</u>	Closing Capital Financing Requirement	<u>119,875</u>
	Explanation of movements in year	
<u>(3,391)</u>	Increase/(Decrease) in underlying need to borrow (supported by government financial assistance)	<u>(3,396)</u>
<u>(3,391)</u>	Increase/ (Decrease) in Capital Financing Requirement	<u>(3,396)</u>

39. 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 2014	Carrying Value	At 31st March 2015
£'000		£'000
<u>1,803</u>	Other Land & Buildings	<u>1,726</u>

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 2014	Future Minimum Lease Payments Due	At 31st March 2015
£'000		£'000
24	Not later than one year	10
11	Between one & five years	1
6	Later than 5 years	6
<u>41</u>		<u>17</u>

At 31st March 2014	Expenditure charged to Comprehensive Income & Expenditure Account	At 31st March 2015
£'000		£'000
19	Planning Services	10
25	Central Services	7
<u>44</u>		<u>17</u>

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:

At 31st March 2014			At 31st March 2015	
£'000			£'000	
0	Finance Lease Debtor (net present value of minimum lease payments)		0	
14	Current		14	
59	Non-Current		58	
1,740	Unearned finance income		1,740	
1,813	Unguaranteed residual value of property		1,812	
	Gross Investment in the Lease			

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 2015	At 31st March 2014	At 31st March 2015	At 31st March 2014
	£'000	£'000	£'000	£'000
Not later than one year	1	1		
Between one & five years	5	5	1	1
Later than 5 years	1806	1807	14	14
	1,812	1,813	15	15

	Gross Investment in the Lease		Minimum Lease Payments	
	At 31st March 2014	At 31st March 2013	At 31st March 2014	At 31st March 2013
	£'000	£'000	£'000	£'000
Not later than one year	1	1		0
Between one & five years	5	5	1	(1)
Later than 5 years	1807	1,811	14	17
	1,813	1,817	15	16

No allowance for uncollectible amounts has been set aside as at 31 March 2015.

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 2014/15 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 2014 Restated £'000			At 31st March 2015 £'000	
541	Not later than one year		507	
786	Between one & five years		350	
491	Later than 5 years		432	
1,818			1,289	

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 2014/15 no contingent rents were receivable by the Council.

40. IMPAIRMENT LOSSES

The Council recognised no impairment losses during 2014/15

41. TERMINATION BENEFITS

The Council terminated the contracts of a number of employees in 2014/15, incurring liabilities of £645K as part of the Council's review of services. All payments were made before 31 March 2015 and no commitments were outstanding at the year end.

Exit Package cost bands (including special payments)	Number of compulsory redundancies		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15
	No.	No.	No.	No.	£'000	£'000
£0-£20,000	2	35	2	35	26	341
£20,001 - £40,001	3	5	3	5	95	127
£40,000 - £60,001		4	0	4		177
Total Cost included in bandings					121	645
Amounts provided for in CIES not included in bandings						
Total Cost included in CIES					121	645

42. 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.

2013/14 £'000		2014/15 £'000
	Comprehensive Income and Expenditure Statement	
	Cost of Services	
2,581	- current service cost	2,522
90	- past service cost	90
-	- (gain)/loss from settlements	
	Financing & Investment Income & Expenditure	
4,599	- Net interest expense	4,669
(2,948)	-Expected return on assets in the scheme	(2,946)
4,322	Total Post-employment benefits charged to the Surplus or Deficit on the Provision of Services	4,335
	Other Post-employment benefits charged to the Comprehensive Income and Expenditure Statement	
	Remeasurement of the net defined benefit liability comprising:	
(523)	-return on plan assets (excluding the amount included in the net interest expense)	(5,811)
2,195	-Actuarial gains and losses arising on changes in demographic assumptions	-
(560)	-Actuarial gains and losses arising on changes in financial assumptions	16,967
317	-Other	(994)
5,751	Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement	14,497
	Movement in Reserves Statement	
(2,023)	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(1,920)
	Actual amount charged against the General Fund Balance for pensions in the year.	
2,299	- Employers' contributions payable to scheme.	2,415

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:

2013/14 £'000 Original		2014/15 £'000
108,837	Present Value of the defined benefit obligation	129,106
<u>(68,852)</u>	Fair value of plan assets	<u>(77,039)</u>
39,985	Sub-total	52,067
-	Other movements in the liability (asset)	-
<u>39,985</u>	Net liability arising from defined benefit obligation	<u>52,067</u>

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

2013/14 £'000		2014/15 £'000
65,743	Opening fair value of scheme assets	68,852
2,948	Interest income	2,946
	Remeasurement gain/ (loss):	
	The return on plan assets, excluding the amount	
523	included in net interest	5,811
	Other	
	The effect of changes in foreign exchange rates	
2,299	Contributions from employer	2,415
666	Contributions from employees into the scheme	686
<u>(3,327)</u>	Benefits paid	<u>(3,671)</u>
<u>68,852</u>	Closing fair value of scheme assets	<u>77,039</u>

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

2013/14		2014/15
£'000		£'000
Original		
102,276	Opening balance at 1 April	108,837
2,581	Current Service Cost	2,522
4,599	Interest cost	4,669
666	Contributions from scheme participants	686
	Remeasurement (gains) and losses:	
	Actuarial gains/ losses arising from changes in demographic assumptions	
2,195	Actuarial gains/ losses arising from changes in financial assumptions	16,967
(560)	Other	(994)
317	Past Service cost	90
90	Losses/(gains) on curtailment	
	Liabilities assumed on entity combinations	
(3,327)	Benefits paid	(3,671)
	Liabilities extinguished on settlements	
108,837	Closing Balance at 31st March	129,106

f. Local Government Pension Scheme assets comprised

2013/14	Fair Value of Scheme Assets	2014/15
£'000		£'000
1,062	Cash and Cash equivalents	1,102
	Equity instruments by industry type:	
12,668	Consumer	14,713
2,326	Manufacturing	2,152
5,056	Energy and utilities	4,755
8,135	Financial institutions	9,129
1,881	Information technology	2,917
8,743	Other	9,105
<u>38,809</u>	Sub Total Equity	<u>42,771</u>
	Debt Securities	
2,146	Corporate Bonds (Investment Grade)	2,566
	Corporate Bonds (Non-Investment Grade)	5,021
1,266	UK Government	1,462
822	Other	1,005
<u>4,234</u>	Sub-total bonds	<u>10,054</u>
<u>3,773</u>	Private Equity:	<u>3,290</u>
	Real Estate	
6,473	UK Property	7,561
1,042	Overseas Property	883
<u>7,515</u>	Sub-total Property	<u>8,444</u>
	Investment Funds and Unit Trusts	
3,216	Equities	3,984
4,342	Bonds	0
5,901	Other	7,394
<u>13,459</u>	Sub-total other investment funds	<u>11,378</u>
<u>68,852</u>	Total Assets	<u>77,039</u>

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 2014.

The significant assumptions used by the actuary have been:

2013/14		2014/15
	Long term expected rate of return on assets in the Scheme	
7.1%	Equity Investments	3.2%
7.1%	Bonds	3.2%
7.1%	Property	3.2%
7.1%	Cash	3.2%
	Mortality Assumptions	
	Longevity at 65 for current pensioners:	
22.2	Men	22.2
24.4	Women	24.4
	Longevity at 65 for future pensioners:	
24.5	Men	24.5
26.8	Women	26.8
4.1%	Rate of increase in salaries	3.8%
2.8%	Rate of Increase in Pensions	2.4%
4.3%	Rate for discounting scheme liabilities	3.2%

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)	3,873
Rate of increase in salaries (increase or decrease by 1%)	4,381
Rate of increase in pensions (increase or decrease by 1%)	8,756
Rate of discounting scheme liabilities (Increase or decrease by 1%)	13,423

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 £2,272K expected contributions to the scheme in 2015/16.

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).

43. CONTINGENT ASSETS AND LIABILITIES

There are no material contingent assets or liabilities as at 31 March 2015.

44. BORROWING

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

2013/14		2014/15
£'000	Analysis of Loans by Source	£'000
113,487	PWLB	109,765
113,487		109,765
£'000	Analysis of Loans by Maturity	£'000
3,722	Between 1 and 2 Years	3,222
10,665	Between 2 and 5 Years	35,665
41,109	Between 5 and 10 Years	16,109
16,109	Between 10 and 15 Years	16,109
41,882	Over 15 years	38,660
113,487		109,765

Current Borrowing represents borrowing repayable within one year.

£'000		£'000
4,388	Balance at start of year	3,321
	Borrowing taken out during year	
(4,388)	Borrowing repaid during year	(3,321)
3,238	Transferred from Non-Current Borrowing	3,722
83	Accrued interest at end of year	82
3,321	Balance at end of year	3,804

45. AUTHORISATION OF ACCOUNTS FOR ISSUE

The date that the Statement of Accounts was authorised for issue was 24th September 2015. 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).

46. 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 2014/15 a contribution was paid to the reserve amounting to £34K, bringing the total to £121K.

47. HERITAGE ASSETS

Reconciliation of the Carrying Value of tangible Heritage Assets held by the Council

Cost or Valuation	Assets held at value		Assets held at cost	Total Assets
	Antiques	Miscellaneous Artifacts	Orrery	
	£'000	£'000	£'000	£'000
1st April 2013	216	193	20	429
Additions in year				0
Disposals in Year				0
31st March 2014	216	193	20	429
Additions in year				0
Disposals in Year				0
31st March 2015	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.

48. INVESTMENTS

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

Non-Current Investments		
2013/14		2014/15
£'000		£'000
-	Balance at start of year	-
-	Investments made during year	4,000
-	Investments redeemed during year	-
-	Transferred to Current Investments	-
0	Balance at end of year	4,000

Current investments are held for periods less than one year.

Current Investments		
2013/14		2014/15
£'000		£'000
20,294	Balance at start of year	18,076
20,000	Investments made during year	31,000
(22,294)	Investments redeemed during year	(20,076)
-	Transferred from Non-Current Investments	-
76	Accrued interest at end of year	136
18,076	Balance at end of year	29,136

49. 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;

2013/14		2014/15
£'000		£'000
5,525	Depreciation	5,676
882	Impairment & downward valuations	766
54	Amortisation	53
(426)	Increase/(Decrease) in impairment for bad debts	200
141	Increase/(Decrease) in Creditors	3,728
(1,388)	(Increase)/Decrease in Debtors	(187)
51	(Increase)/Decrease in Stock	8
1,651	Movement in pension liability	1,920
1,241	Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	2,093
(319)	Other non-cash items charged to the net surplus or deficit on the provision of services	1,019
7,412		15,276

HOUSING REVENUE ACCOUNT

INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2015

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.

2013/14 £'000 Original	2014/15 £'000
Income	
Gross Rental Income	
(23,366) - Dwelling Rents	(24,745)
(291) - Non-Dwelling Rents	(289)
(1,172) Charges for Services and Facilities	(585)
(314) Other Income	(491)
(25,143) Total Income	(26,110)
Expenditure	
8,335 Repairs and Maintenance	7,912
4,270 Supervision and Management	4,165
Rent, rates, taxes and other charges	
Housing Revenue Account Subsidy	
(192) Increase/(Decrease) in Prov'n for Doubtful Debts	66
3,187 Depreciation and impairment of Non-Current Assets	3,726
27 Debt Management Costs	36
15,627	15,905
(9,516) Net Cost of HRA Services	(10,205)
350 HRA share of Corporate and Democratic Core	341
(9,166) Net Cost of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement	(9,864)
(825) (Gain)/loss on sale of HRA assets	(511)
- Contribution Housing Capital Receipts to the Pool	686
Other Operating Income	
3,451 Interest payable and similar charges	3,331
(139) Interest and Investment Income	(176)
491 Pension Interest Costs and Expected Return on Assets	454
(6,188) (Surplus)/Deficit for the year on HRA	(6,115)

MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT

2013/14 £'000		Note	2014/15 £'000
(10,239)	Balance on the HRA at the end of the previous year		(7,145)
(6,188)	(Surplus)/Deficit for the year on the HRA Income & Expenditure Statement		(6,115)
2,190	Adjustments between Accounting Basis and Funding Basis under statute	8	1,261
(3,998)	Net (increase) or decrease before transfers to or from reserves		(4,854)
7,092	Transfers to or (from) reserves	9	7,216
(7,145)	Balance on HRA at the end of the current year		(4,783)

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 6,185 dwellings during 2014/15. The housing stock and changes during the year are as follows:

	At 1st April 2014	Additions	Disposals /Sales	At 31st March 2015
Rentable Stock				
- Houses	3,385	3	36	3,352
- Bungalows	1,509	4	1	1,512
- Flats	1,277	7		1,284
Shared Ownership	26		1	25
Total	6,197	14	38	6,173

2. LAND HOUSES AND OTHER PROPERTY

Analysis of Housing Fixed Assets

	Operational Assets				Operational Assets		Total
	Dwellings	Other Land a Buildings	Vehicles, Pla Equipment	Investment Properties	Assets Undr Constructio		
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation at 1 April 2014	179,954	3,015	1,274	551	910		185,704
Additions	5,502				1,476		6,978
Revaluation increases/(decreases) recognised in the Revaluation Reserve	554	2					556
Revaluation increases/(decreases) recognised in the Surplus/Deficit on Provision of Services	(3,580)	49					(3,531)
Derecognition - Disposals	(868)		(77)				(945)
Assets reclassified to/from Held for Sale	(207)						(207)
Assets reclassified (to)/from Assets Under Construction	587				(587)		
Gross Book Value as at 31/3/2015	181,942	3,066	1,197	551	1,799		188,555
Depreciation & Impairments							
At 1 April 2014	(6,594)	(112)	(659)	0	0		(7,365)
Depreciation charge	(2,499)	(116)	(117)				(2,732)
Depreciation written out to the revaluation reserve	15	79					94
Depreciation written out to the CI&E	7,227	32					7,259
Impairment losses/(reversals) recognised in the Revaluation Reserve	-						0
Impairment losses/(reversals) recognised in the Surplus/Deficit on Provision of Services	(4,763)						(4,763)
Derecognition - Disposals	7						7
Other movements in Depreciation &							0
At 31 March 2015	(6,607)	(117)	(776)	0	0		(7,500)
Balance Sheet Amount at 31 March 2015	175,335	2,949	421	551	1,799		181,055
Balance Sheet Amount at 31 March 2014	173,360	2,903	615	551	910		178,339

The vacant possession value of dwellings at 1 April 2014 was £517.405 (£517.502m at 1 April 2013). 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 2015 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.

2013/14 £'000		2014/15 £'000
2,735	Depreciation	2,732
(4,371)	Revaluation Loss/(Gain)	(3,660)
4,732	Impairment Losses	4,763
<u>3,096</u>		<u>3,835</u>

4. MAJOR REPAIRS RESERVE

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

2013/14 £'000		2014/15 £'000
3,396	Opening balance on the Major Repairs Reserve	4,281
	Transfer to/ (from) the Major Repairs Reserve	
2,479	Capital Adjustment Account	2,499
3,256	Shortfall of depreciation on dwellings over Major Repairs Allowance	3,424
(4,850)	Financing of Capital Expenditure	(4,820)
<u>4,281</u>	Closing balance on the Major Repairs Reserve	<u>5,384</u>

5. FINANCING CAPITAL EXPENDITURE

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

2013/14 £'000	Expenditure	2014/15 £'000
4,732	- Council Dwellings	5,502
4	- Intangibles	-
114	- Plant and Equipment	-
910	- Assets Under Construction	1,476
<u>5,760</u>	Total	<u>6,978</u>
Financed from:		
4,850	- Major Repairs Reserve	4,820
-	- Capital Receipts	2,000
910	- Revenue Contributions	158
<u>5,760</u>		<u>6,978</u>

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	8	-	8
Sale of Vehicles	13		13
Sale of Council Dwellings	1,637	(686)	951
Repayment of discounts	35	-	35
Mortgage Repayments	42	-	42
Total	<u>1,735</u>	<u>(686)</u>	<u>1,049</u>

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 42 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.

2013/14 £'000		2014/15 £'000
Original	Net Cost of Services	
768	- Current Service Cost	660
	Net Operating Expenditure	
491	- Interest Cost	459
<u>1,259</u>		<u>1,119</u>
	Statement of Movement of the Housing Revenue Balance	
	- Reversal of net charges made for retirement benefits in accordance with IAS19	
<u>(1,259)</u>		<u>(1,119)</u>
	Actual amount charged to revenue accounts for Pensions in the year	
<u>768</u>	- Employers' contributions payable to the scheme	<u>660</u>

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

2013/14	Movement on the Housing Revenue Account Statement	2014/15
£'000		£'000
	Adjustments between Accounting and Funding Basis:	
(1,259)	IAS 19	(1,119)
768	- Pension Costs Charged to Rent Income	660
(4,732)	- Non-Enhancing Capital Expenditure	(4,763)
3,220	Capital Expenditure	3,222
825	Gains/losses on disposal of non current assets	511
4,277	Revaluation gains/(losses) on PPE	3,660
(662)	Payments to Housing Capital Receipts Pool	(686)
(257)	Depreciation of non-current assets	(233)
10	Accrued Employee Benefits	9
2,190		1,261
	Transfers to/from Earmarked Reserves:	
(43)	- Insurance Surplus	(1)
3,877	- Transfers to/(from) reserves	3,758
3,256	- Transfers to/ (from) Major Repairs	3,424
2	- Transfer to Unapplied Capital Receipts	35
7,092		7,216

9. RENT ARREARS

An analysis of rent arrears is shown below:

At 31st March 2014 £'000		At 31st March 2015 £'000
254	Current Tenants	299
303	Former Tenants	354
557	Gross Rent Arrears	653
(421)	Bad Debt Provision	(487)

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

10. INCOME

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

- Dwelling rents. These are calculated in accordance with government guidelines for rent restructuring. For 2014/15 on average rents increased by 5.13% (a maximum increase of 3.7% 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 3.2% for 2014/15.
- Charges for services and facilities include:
 - Communal room charge to cover the cost of providing communal lounges, kitchens and use of laundry equipment;
 - Communal facilities charge covers the costs of cleaning, fire alarms and the provision of lifts to living areas;
 - Heating charges for communal heating systems; and
 - Water charges to cover the cost of water consumption in communal areas as well as servicing tenants' dwellings from the same meter.Charges for services and facilities were increased by 3.2% for 2014/15
- Other income. This comes from a number of sources, including the recharge of repairs and maintenance, court and legal costs and insurance recharges.

11. EXPENDITURE

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

Repairs and Maintenance	Original	Revised	
	Budget	Budget	Actuals
	2014/15	2014/15	2014/15
	£	£	£
Expenditure	7,923,674	8,001,690	7,503,696
Number of Properties (as at 1 April 2014)	6,171	6,171	6,171
Average cost per dwelling	1,284	1,297	1,216

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 2014/15 £	Revised Budget 2014/15 £	Actuals 2014/15 £
Expenditure	2,521,274	2,567,926	2,589,149
Number of Properties (as at 1 April 2014)	6,171	6,171	6,171
Average cost per dwelling	£408.57	£416.13	£419.57

(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 2015**

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.

2013/14 £'000		Note	2014/15 £'000
Income			
62,692	Council Tax		63,905
39,476	Business Ratepayers		38,623
<u>102,168</u>			<u>102,528</u>
Expenditure			
Precepts and demands			
62,441	Council Tax	3	62,263
37,379	Business Rates	3	39,483
<u>99,820</u>			<u>101,746</u>
52	Transitional Protection Payment : Business Rates		167
Impairments of debts			
163	Council Tax	4	86
1,817	Business Rates	4	811
<u>1,980</u>			<u>897</u>
179	Cost of Collection charged to General Fund for Business Rates		180
Contributions towards previous years' estimated Collection Fund Surplus			
317	Council Tax	5	181
-	Business Rates	5	172
<u>317</u>			<u>353</u>
<u>102,348</u>			<u>103,343</u>
Movement of the Fund			
300	Opening fund balance	5	120
(180)	Movement on Fund	5	(814)
<u>120</u>	Surplus/ (Deficit) Closing Fund Balance	5	<u>(694)</u>
Allocation of Surplus/ (Deficit)			
25	Central Government	5	(1,070)
56	Lincolnshire County Council	5	865
10	Lincolnshire Police & Crime Commissioner	5	197
29	South Kesteven District Council	5	(686)
<u>120</u>			<u>(694)</u>

NOTES TO THE COLLECTION FUND

1. COUNCIL TAX

Council Tax income derives from charges raised according to the value of residential properties that have been classified into eight Valuation Bands (A to H). Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Lincolnshire County Council, Office of the Police and Crime Commissioner for Lincolnshire and South Kesteven District Council together with each parish requirement and dividing this by the Council Tax base i.e. the number of properties in each valuation band converted to an equivalent number of band D dwellings and adjusted for discounts. The basic amount of Council Tax for a band D property including an average parish charge, £1,420.73 (2013/14 £1,413.84), 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	11,395.03	6/9	7,596.7
B	10,895.55	7/9	8,474.3
C	9,262.43	8/9	8,233.3
D	7,828.64	9/9	7,828.6
E	4,869.79	11/9	5,952.0
F	2,508.66	13/9	3,623.6
G	973.01	15/9	1,621.7
H	62.50	18/9	125.0
Band A entitled to Disabled Relief Reduction		5/9	10.2
			43,465.4
Ministry of Defence Properties			57.0
Council Tax Base			<u>43,522.4</u>

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 2014/15 there are two multipliers, the small business non-domestic rating multiplier of 47.1p and the non-domestic rating multiplier of 48.2p.

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 2015 was £100.872m (31 March 2014 £100.839m).

3. PRECEPTS AND DEMANDS

2013/14			2014/15		
£'000	£'000	£'000	£'000	£'000	£'000
Council Tax	Business Rates	Total	Council Tax	Business Rates	Total
	18,689	18,689	0	19,742	19,742
46,663	3,738	50,401	46,381	3,948	50,329
8,323		8,323	8,437	-	8,437
7,455	14,952	22,407	7,445	15,793	23,238
62,441	37,379	99,820	62,263	39,483	101,746

4. IMPAIRMENTS OF DEBTS

2013/14		2014/15	
£'000		£'000	
Council Tax			
222	Write Offs	116	
(59)	Allowance for impairment	(30)	
163		86	
Business Rates			
445	Write Offs	273	
101	Allowance for impairment - debts	(125)	
1,271	Allowance for impairment - appeals	663	
1,817		811	

5. COLLECTION FUND

2013/14			2014/15		
£'000	£'000	£'000	£'000	£'000	£'000
Council Tax	Business Rates	Total	Council Tax	Business Rates	Total
Contribution towards Previous Years estimated surplus					
			0	86	86
238	-	238	134	17	151
42	-	42	25	-	25
37	-	37	22	69	91
317	0	317	181	172	353
300	-	300	71	49	120
(229)	49	(180)	1,375	(2,189)	(814)
71	49	120	1,446	(2,140)	(694)
Allocations					
	25	25	0	(1,070)	(1,070)
51	5	56	1,079	(214)	865
10	-	10	197	-	197
10	19	29	170	(856)	(686)
71	49	120	1,446	(2,140)	(694)



Annual Governance Statement 2014/2015

Introduction by Chief Executive Beverly Agass

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 Executive Managers and Business 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 and 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 its 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 which was approved by Council at its meeting in March 2012 and provides the strategic direction. This will be updated duly after listening to the views of our residents, taking into account some of the issues for our district and the context we are operating in. A copy of the 2015 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 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 good strategic leadership and clarity in decision making from members and the hard work of its staff and in order to support them through these tough but exciting times it has developed priority plans. This brings together all the information about our objectives for the forthcoming year so staff can be clear about their part in delivering the vision.

Progress against delivering is monitored by the Cabinet, the wider member cohort and Strategic Management Team through a process of regular monitoring and reviewing key performance measures and data. The Council has in place Performance Reviews which has strengthened the performance management arrangements for all Council activities. This 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, techniques and performance management.

The Annual Report for 2014/15 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 simplified summary of accounts is produced annually for residents.

Consultation and communication

We want to make sure that the people who live, work and invest in our area are included and involved in the decisions that we make. We undertake consultations in response to specific service requirements and also manage and maintain a citizens’ panel to help us do this.

Our citizens’ panel assist with a series of planned consultation and is made up of 1,000 local people that are selected to reflect the characteristics of our area in terms of age, gender, geography, ethnicity and disability. This means we can be confident that the view of the panel reflects the views of the population of the district as a whole.

The panel has been up and running for just over two years and the feedback we have received from our panel members has been very helpful in improving and shaping how we do things and informing our plans.

For example, the customer access survey asked panel members to tell us how they use new technology and also how they might choose to use it when dealing with the Council. Their responses were used to inform the customer access strategy.

Citizens’ Panel have been asked about:

- Customer access
- The Council’s priorities
- Being a member of the citizens panel
- The design of the Council’s new website

Consultations included:

- Wyndham Park, Grantham – Choosing a new paddling pool design. Choosing a sculpture to commemorate the advent of the First World War. Collecting baseline data for the Council’s Heritage Lottery Fund (HLF) application
- Tissington Road, Grantham – Choosing a design for a public open space
- Asking local people about council tax levels for 2015/16
- Finding out what tenants, businesses, claimants and council tax payers would like to see on our new website

The priorities survey presented panel members with details on each of the projects the Council is working on and asked them which they thought were the most important. The results have been used to inform the way forward for the Council as demands on resources become more pressing.

The consultation undertaken in relation to the Council’s website has been very informative. It gathered views from both website users and non users and has been used to inform the design and operation of the new website, thereby achieving channel shift from “off line” to “on line” methods.

Further details on each of these consultations, the outcomes from them and the newsletters we send to panel members are available on the consultation pages of the council’s website: www.southkesteven.gov.uk

We do our best to ensure the 136,000 people who live in our district are kept informed about what we are doing. We produce a number of publications on a regular basis:

- **SKtoday** is sent quarterly to around 62,000 properties
- **Parish Update** is sent to all 78 town and parish councils four times a year
- **Skyline** is sent twice a year to 6,000 tenants

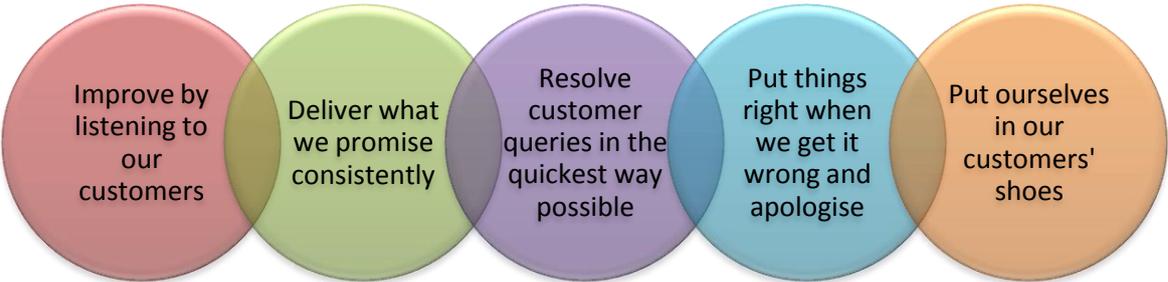
Social Media channels are used to respond to enquiries and disseminate information. These include Twitter, Facebook and YouTube. Current user numbers are:

 3,718  587

We helped to organise, promote and market a number of festivals and events. These include the Georgian Festival, the Gravity Fields Festival, Enterprise Week and Aviation Heritage.

Measuring the quality of services for users

The Council is continuing to deliver its objectives whilst maintaining excellent customer service. A redesigned website will support online transactions, enabling customers to interact with the Council at a time and place that suits them. The Council is responding to the changes in customer expectations and using feedback from customers to learn and improve. Being smarter in our approach, and providing good customer service, is enabling a more efficient organisation. The Council is making use of smarter technologies to enable those who can to do business with us electronically, whilst still providing support to those who have a need for a greater level of assistance.



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.

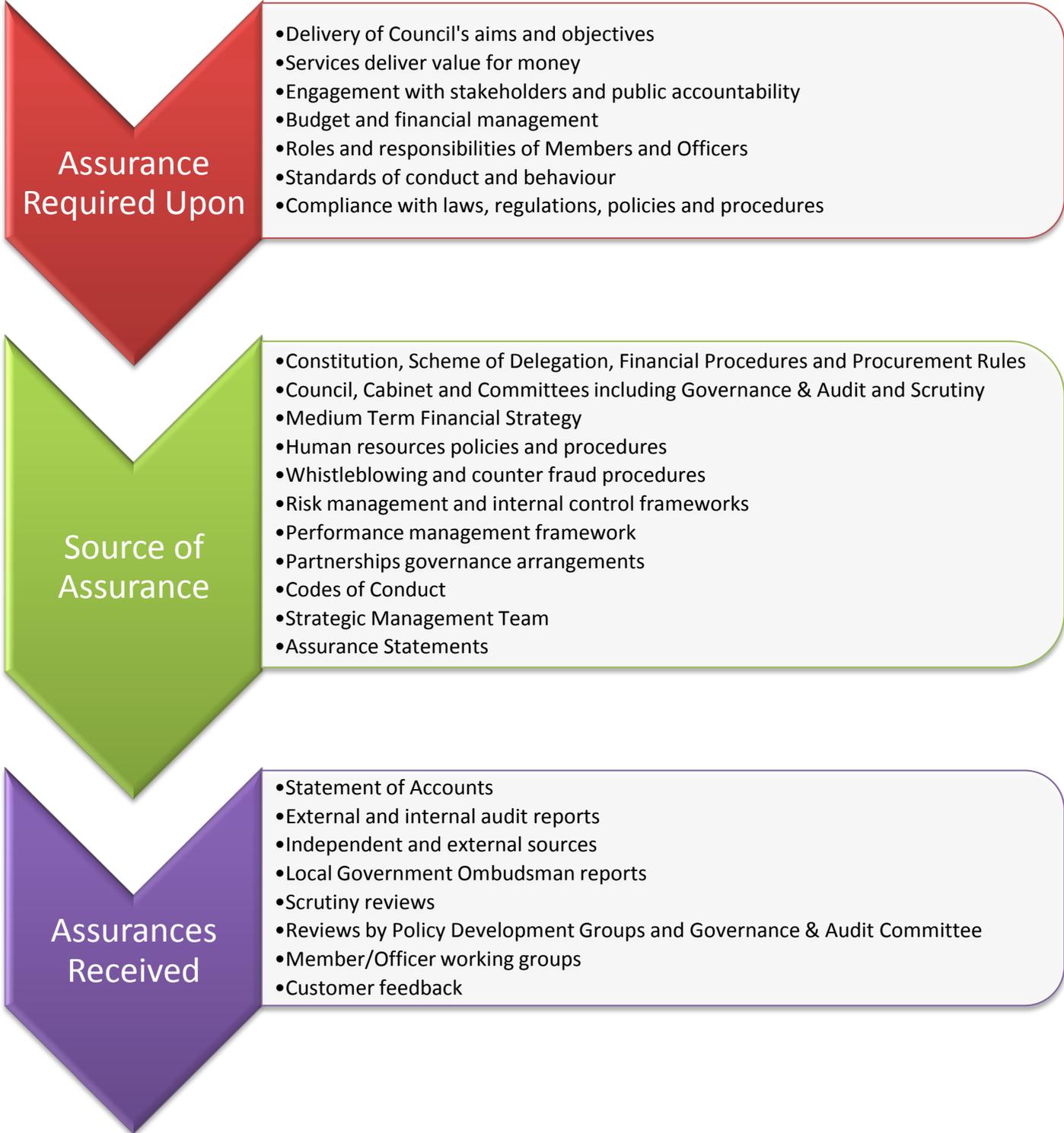
Corporate governance

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 and Audit Committee at its meeting on 29 June 2012. CIPFA/SOLACE are currently reviewing the framework with the aim to publish an updated framework and guidance in late 2015. The Council will review their Local Code of Corporate Governance in accordance with the revised framework.

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 below has been in place throughout the financial year which ended on 31 March 2015 and continues to be in place up to the date of the approval of the Statement of Accounts.

CODE OF CORPORATE GOVERNANCE



ANNUAL GOVERNANCE STATEMENT

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 – Commercial is the designated Chief Financial Officer. He is a professionally qualified accountant and a member of the Chief Executive's Strategic Management Team. He also has direct access to the Governance and Audit Committee and External and Internal Audit.

Through the Corporate Finance Manager, 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 Corporate Finance Manager 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 and Audit Committee

The Governance and 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 the ombudsman process. In addition, it receives annual reports for health and safety, business continuity and partnerships.

At the meeting of Council in May 2015, members considered the Chairman of the Committee's Annual Report on the key outcomes arising from the work of the Governance and Audit Committee for 2014/15. 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 2015/16 was also presented to Council at the same meeting.

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).

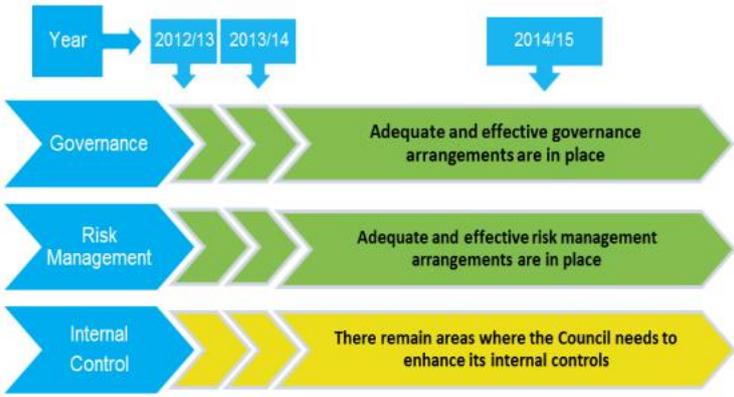
Internal audit

The Council's Internal Auditors, Baker Tilly, are required to provide an opinion on the overall adequacy and effectiveness of the Council's governance, risk management and internal control arrangements. Baker Tilly reported that "Adequate and effective arrangements were in place for governance and risk management."

With regard to internal control, 19 reviews were undertaken during 2014/15, plus 3 follow-up and 2 advisory reviews. The 19 reviews resulted in an assurance opinion, summarised overleaf.



For the 12 months ended 31 March 2015, based on the work undertaken, internal audit’s opinion below details the adequacy and effectiveness of the Council’s risk management, internal control and governance arrangements.



With regard to the issues raised by the Head of Internal Audit in their Annual Report to the Governance and Audit Committee in June 2015, 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 (PSIAS) 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 assessed against the standards which includes the requirement of an Internal Audit Charter. The charter establishes the purpose, authority and responsibilities for the internal audit service. This was reported to the Governance and Audit Committee in March 2015 as part of the Annual Audit Plan.

External audit

The External Auditor, in the 2013/14 Annual Audit Letter, concluded that there were good financial reporting arrangements in place and proper arrangements to secure financial resilience and no significant risks were identified. 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. Further, the External Auditor 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. External Audit issued an unqualified Value for Money Conclusion and an unqualified opinion was given on the annual accounts:

“We issued an unqualified conclusion on the Authority’s arrangements to secure value for money (VFM conclusion) for 2013/14 on 26 September 2014. This means we are satisfied that you have proper arrangements for securing financial resilience and challenging how you secure economy, efficiency and effectiveness.

To arrive at our conclusion we looked at your financial governance, financial planning and financial control processes, as well as how you are prioritising resources and improving efficiency and productivity.”

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 and Audit Committee in June 2015.

The Council's Corporate Risk Register was reviewed quarterly by Management Team and reported to Governance and Audit Committee twice during the year.

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 2014/15.

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. The Council is committed to the highest standards of quality, probity, openness and accountability.

There is a new CIPFA Code of Practice on Managing the Risk of Fraud and Corruption and the Council's Counter Fraud Framework will be reviewed and updated to reflect this.

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.

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 and Audit Committee each year. The report is available on the Council's website.



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 below as the summary of the key stakeholders in the process.

Council	<ul style="list-style-type: none"> • approve Constitution including Codes of Conduct • approve the Corporate Plan • approve the budget and policy framework
Cabinet	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • provide a <i>critical friend</i> challenge to the Cabinet as well as external authorities and agencies • reflect the voice and concerns of the public and its communities
Strategic Director (Commercial)	<ul style="list-style-type: none"> • oversee financial strategy and operations • oversee the governance and control environment of the Council
Internal Audit	<ul style="list-style-type: none"> • 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
Strategic Management Team	<ul style="list-style-type: none"> • six weekly review of performance management and projects including progress against milestones, resource allocation, risks and performance measures • evaluate new and emerging projects • review quarterly performance reports
Risk Management Group	<ul style="list-style-type: none"> • officer meetings to review governance, service risks, internal audit, counter fraud, insurance and business continuity
Executive Managers & Business Managers	<ul style="list-style-type: none"> • complete quarterly Assurance Statements covering all areas of governance • contribute to the effective corporate management and governance of the Council

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 2015/16:

Key improvement area

Continue to review and implement savings, efficiency and change programmes. Ensuring the maintenance of a sustainable medium term financial strategy

Incorporate governance and risk training into the overarching corporate training programme for employees and members utilising appropriate training tools such as e-learning

Continue to work with internal audit to review and improve the system and controls for the procurement of goods and services, including the management of contracts and official orders

Review and implement a new Local Code of Corporate Governance in accordance with the revised CIPFA/SOLACE Framework "Delivering Good Governance in Local Government: Framework"

Review and implement the Counter Fraud Framework in accordance with the new CIPFA Code of Practice on Managing the Risk of Fraud and Corruption

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 and 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 Bob Adams

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 2015 on pages 19 to 106. 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 2014/15.

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 2015 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 2014/15.

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 107 to 117 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 2014, 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 2015.

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 2014, 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 2015.

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

24th September 2015

GLOSSARY OF TERMS

Accounting Period

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

Accounting Policies

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

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

Accrual Concept

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

Actuarial Gains and Losses

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

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

Amortisation

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

Annual Governance Statement

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

Asset

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

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

Audit of Accounts

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

Bad Debt Provision

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

Balance Sheet

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

Budget

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

CAA

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

Capital Charges

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

Capital Expenditure

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

Capital Receipts

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

Carrying Amount

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

Cash Flow Statement

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

Certificate of Deposit

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

CIES

Comprehensive Income & Expenditure Statement

CIPFA

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

Code (the)

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

Collection Fund

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

Community Assets

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

Current Service Cost

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

Curtailment

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

Contingent Liabilities

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

Council Tax

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

Creditors

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

Current Liabilities

Amounts payable that become due during the next financial year.

DCLG

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

Debtors

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

Deferred Charges

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

Deferred Credits

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

Depreciation

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

Emoluments

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

Earmarked Reserves

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

Expected Rate of Return

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

Explanatory Foreword

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

Finance Leases

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

Financial Year

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

FRS

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

General Fund

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

Government Grants

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

Housing Benefits

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

Housing Revenue Account (HRA)

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

Joint Operation

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

IAS

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

IFRS

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

Income

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

Impairment Losses

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

Intangible Assets

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

Interest on Pension Scheme Liabilities

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

Investments

Cash deposits with approved institutions.

Key Prudential Indicator

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

Liability

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

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

Long Term Debtor

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

Materiality

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

Minimum Revenue Provision

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

MIRS

Movement in Reserves Statement

MRA

Major Repairs Allowance.

MRR

Major Repairs Reserve

Net Book Value (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.

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.

Soft Loan

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

Treasury Management

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