your council working for you

Statement of accounts 2015/16

C O N T E N T S

Introduction – Councillor Bob Adams– Leader of the Council

Welcome to the Statement of Accounts for the financial year 2015/16 which show that the Council has once again been able to deliver our priorities for the benefit of the people of South Kesteven.

SKDC has a proven track record of keeping its part of the council tax bill as low as possible with a zero increase in 2015/16. For the current year the Council has increased its part of the Council Tax by 3.58% which equates to £5 a year (less than 10pence a week) on an average Band D property and even less for the majority of properties in our district which are in lower bands.

This increase is required in order to respond to the reductions in formula grant from the Government and the need to move towards becoming self financing against the continued back drop of increasing demand for services.

Throughout the difficult financial environment we have maintained front line services throughout this period by cutting our overheads, being more efficient and introducing new income streams such as letting out our office space and investing in commercial assets.

We have also been through a management review which has resulted in a more cost effective organisation. We have put in place fundamental changes to the way we conduct our business. Invest to save policies have been introduced which will not only reduce costs but will in many cases generate income for the council in future years.

Moving forward, our Fit for the Future programme has seen the implementation of a commercial investment strategy, work to create a Local Authority Controlled Company (LACC), service transformation and partnering of services.

The LACC will help us to provide new homes by focussing on private sector housing and will also give us an opportunity to change the way services are delivered, provide more choice and reduce overall costs. All this will help us bridge future budget gaps as funding allocations continue to reduce.

Despite this challenging financial background we have achieved much over the last year. Here are just a few of the highlights.

- We recognised the need for more social housing in South Kesteven and have built 20 new council homes during 2015/16 across the district including houses and apartments, with a further 27 in the pipeline.

- Our new-look website was launched with the aim of being ‘open for business’ when our customers need us. Residents can now pay for more services online and over the coming months we will be making it easier for people to report and track service requests.

- One of our most visible successes was the second Stamford Georgian Festival which was even bigger attracting 53,000 visitors the town over the weekend bringing in almost £981K to the local economy.

- Great work has also been happening at our leisure centres across the district. At the Meres in Grantham a £400K investment by the council and operators 1Life has seen a bigger and improved gym open – and its one millionth visitor. Market Deeping, Bourne and Stamford also have 3,300 youngsters taking part in swim schools.

- Business growth and the local economy are top of our agenda so we were delighted when work started on the first phase of the Grantham Southern Relief Road. The second phase will see the new road linked to the A1 taking heavy lorries out of the town centre.

- Our Community Fund is giving projects around South Kesteven much needed support to make local communities truly benefit from our dedicated £300K allocation. So far funding has been awarded to projects such as Grantham Poverty Concern's Community Hub and Day Centre, a new ball games facility for Hough-on-the-Hill, a hall refurbishment at playing fields in Baston, a heating upgrade for Braceborough Village Hall and the renovation of the local hall in Dunsby.

Finally I would like to take this opportunity to thank all of our staff who have worked throughout the year to enable the Council to balance our budget and provide high quality services to our residents. The continued innovation of the Council enables us to move forward with a high degree of confidence against a backdrop of financial challenges.

W.R. Adams.

Councillor Bob Adams
Leader of the Council

Narrative Report

Political Structure

The Council holds elections for all Members once every four years. During 2015/16 there was 45 Conservatives, 6 Independent, 3 Labour, 1 UKIP and 1 unaligned.

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

Although a number of areas of decision making are delegated to the Executive 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 2016.

The accounts give a true and fair view of South Kesteven's financial position for the financial year 2015/16. 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 2015/16 (known as the Statement of Responsibilities) appears on page 14 of this document.

The main statements included in the accounts consist of:

Statement of Responsibilities (page 14) - 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 15-16) - This statement reconciles the total Comprehensive Income and Expenditure Statement to reserve movements in the year.

Comprehensive Income and Expenditure Statement (page 17) - 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 18-19) - The Balance Sheet summarises the Council's financial position at 31 March 2016.

Cash Flow Statement (pages 20-21) - 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 22-90) – Notes to the preceding financial statements, explaining and providing additional information to figures included in these statements.

Housing Revenue Account (pages 91-100) - 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 101-104) – 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 105-115) - Regulation 2(6) of the Accounts and Audit Regulations 2015 requires that the Council or a Committee of the Council consider the findings of a review of the system of internal control. The governance statement covers all significant corporate systems, processes and controls, spanning the whole range of the Council's activities.

A glossary is provided **(pages 119-126)** to help explain the terms used.

Review of the Year

The 2015/16 financial year saw the Council continue to implement its transformation and efficiency plans which is delivering reductions in the operating costs of the Council without impacting on front line service quality. The Plan has also seen the Council introduce a more business like approach and has introduced a number of commercial initiatives specifically the creation of a local authority company, an investment strategy, a Building Control partnership and the letting of office space at a market rent. These initiatives will continue into 2016/17 and beyond as the Council moves towards self financing by 2019/20.

The financial performance and key variance explanations of the General Fund are provided and they are intended to demonstrate how the Council has used its resources to deliver priority outcomes. The explanation only focuses on the key movements in order to explain any changes between budget and actual expenditure.

The table below shows the Comprehensive Income & Expenditure Statement (CIES) for the General Fund at £16.493M and reconciles back to the Service Outturn of £14.817M.

Priority	2015/16 Original Base A £'000	2015/16 Adjusted Base B £'000	2015/16 Net cost of services C £'000	2015/16 Removal of Accounting Adjustments D £'000	2015/16 Outturn E C+D £'000	2015/16 Variance E-B £'000
Corporate	4,139	4,593	3,925	8	3,933	(660)
Culture	2,893	2,941	4,251	(1,261)	2,990	49
Environment	6,104	6,182	6,499	(252)	6,247	65
Growth	963	987	728	(99)	629	(358)
Housing	992	1,102	1,090	(72)	1,018	(84)
Workforce Efficiency Target	0	(357)	0	0	0	357
Net Cost Total	**15,091**	**15,448**	**16,493**	**(1,676)**	**14,817**	**(631)**

Summary of Key Variances

Growth Priority Heading – Adjusted Variance (£358K)

Car Parks –Various car parks across the district have experienced an increase in usage which has generated £93K in additional income (7.9% of total income budget). The programme of maintenance has continued during the year and has delivered a saving of £52K through contractor efficiencies.

Development Management – Income in respect of pre-planning advice has increased from the budgeted level of £35K to actual income of £56K as a result of a higher number of enquiries from larger development sites. This income offsets the operational costs of providing the service. Planning application income has increased by £233K taking the total income for the year to £1M. This is as a result of a number of major applications received in year together with 6 applications for wind and solar farms.

Economic Development – A number of economic development projects have been rescheduled resulting in an under spend of £76K. These include the Business Incubation

Centre (BIC) and Town Centre Regeneration projects as further research and evidence gathering was necessary to support the revised Economic Development Strategy.

Markets – There has been a reduction in market toll income at each of the sites in year (Grantham £25K, Stamford £11K, Bourne £7K) following an overall reduction in the occupation of stalls and pitches (Grantham 22%, Stamford 2%, Bourne 8.5%) which is difficult to predict. Grantham market has recently under gone a review of stall positioning and there are specialist events organised for 2016/17 to try to alleviate the decline in stall holders.

<u>Environment Priority Heading – Adjusted variance £65K</u>

CCTV – Confirmation was received in year from North Kesteven District Council that they will no longer require the CCTV surveillance service which has resulted in a reduction in income totalling £28K. Following a change of criteria for second homes funding this can no longer be used for community safety initiatives.

Footpath Lighting – A programme of electrical testing was undertaken in year which identified the need for minor repairs to lighting columns throughout the district which has resulted in increased expenditure of £26K.

<u>Culture Priority Heading – Adjusted variance £49K</u>

Arts and Events – The primary objective of this budget is to promote larger events outside of the arts centres. Even though an increased programme of shows were held in 2015/16, the associated costs were also higher and this resulted in the net income from these events reducing to a 4% surplus from a 30% budgeted level, resulting in an over spend of £20K.

Miscellaneous Property – Updated timings of the St Peter's Hill project has resulted in budgeted rental income of £19K not being received in year and additional revenue costs that could not be capitalised of £148K. Premises expenditure of £30K has been incurred to improve Broad Street, Stamford (funded by the Maintenance Fund) to allow it to be used as rentable premises which commenced in August 2015. Rental income of £30K p.a. is forecast to be achieved from 2016/17.

<u>Corporate – Adjusted variance (£660K)</u>

Emergency Planning – A contribution has been made to LCC (£8K) to support the Prevent Strategy which works towards the prevention of terrorism. This payment may be recovered in 2016/17 from Central Government.

Register of Electors – Grant funding received in year of (£66K) is to be transferred to a new Individual Electoral Registration reserve for use in future years.

Legal Services – An under spend of £33K has occurred in year due to a vacant Admin Support Officer post and the temporary resourcing of a vacant Team Leader role. Additional income has been received (£13K) due to successful litigations.

People & Organisational Development – 2 vacant posts have resulted in an under spend of £23k on employee costs. Both of these posts have now been recruited.

Property Management – Income has been received (£32K) in respect of a project officer secondment to LCC for 9 months. There is an under spend of £143k on employee costs due to vacancies during a restructure of the business area which took place in year. A General

Fund asset review continues into 2016/17 and a set-a-side request for £22K has been requested to fund this.

Waste & Recycling Management – £50K of income has been received for additional cleansing works undertaken in Stamford. The operational costs for this service are included within the Waste Management line which offset this income stream.

HOUSING REVENUE ACCOUNT

The Housing Revenue Account (HRA) relates to the Council's Landlord functions in respect of the social rented sector it owns. Revenue raised by rents and service charges must be sufficient to match the expenditure costs1` of the service. A summary table explaining the outturn compared to budget is detailed below:

		2015/16 Adjusted Base £'000	2015/16 Outturn £'000	2015/16 Variance Adjusted £'000
	INCOME			
1	Dwelling Rents	(25,552)	(25,600)	(48)
2	Non Dwelling Rents	(297)	(297)	0
3	Charges for Services and Facilities	(566)	(587)	(21)
4	Other Income	(63)	(69)	(6)
5	**TOTAL INCOME**	(26,478)	(26,553)	(75)
	EXPENDITURE			
6	Repair and Maintenance	8,035	7,300	(735)
7	Supervision and Management - General	2,564	2,527	(37)
8	Supervision and Management - Special	1,093	1,008	(85)
9	HRA share of Corporate and Democratic Costs	357	359	2
10	Depreciation and Impairment of Fixed Assets	2,778	7,398	4,620
11	Revaluation Losses (Gains)	0	(5,842)	(5,842)
12	Debt Management Expenses	25	34	9
13	Provision for bad debts	517	41	(476)
14	HRA Internal Insurance	0	47	47
15	**TOTAL EXPENDITURE**	15,369	12,872	(2,497)
16	**NET COST OF HRA SERVICES**	(11,109)	(13,681)	(2,572)

Income – the performance of the collection of rents has been sustained during this financial year (98.57% collected compared with the target of 98.3%). There was an overall over recovery of dwelling rents of £48K compared to the budget due to two factors. The average actual void percentage rate was again lower (1.2%) compared to the budgeted estimate (1.5%) which resulted in an additional £80K income. However this was offset by the write off's during the year.

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. Various projects were deferred to 2016/17 due to additional survey works being required or delays in appointing contractors including sound insulation (£103K) & detectors (126K).

CAPITAL EXPENDITURE 2015/16

During 2015/16 the Council's total capital investment was £8.077M. A summary of the expenditure is set out below and is compared to the updated base programme.

	Corporate Area	**2015/16 Updated Base £'000**	**2015/16 Outturn £'000**	**2015/16 Variance £'000**
1	Growth	6,099	573	(5,526)
2	Housing	1,043	460	(583)
3	Culture	460	615	155
4	Environment	752	622	(130)
5	Corporate	338	156	(182)
6	Other (including previous year schemes)	0	86	86
7	**General Fund Sub Total**	**8,692**	**2,512**	**(6,180)**
8	Housing Revenue Account	7,423	5,565	(1,858)
9	**Total Capital Programme**	**16,115**	**8,077**	**(8,038)**

Variance Analysis – General Fund

Growth Priority Heading

St. Peter's Hill development – following additional specialist advice being received a revised approach has been identified as part of the over-arching ambition of creating a highly attractive sub-regional leisure destination and cultural offer in Grantham. Therefore further slippage £189K has been moved into the 2016/17 capital programme.

Strategic Land Acquisition – There were no sites identified for purchase in 2015/16 leading to an underspend of £900K. This budget is no longer required as the Council has allocated £5M for Property Investment in 2016/17 as part of it Commercial Investment Strategy.

Servicing Land At Vantage Park – The sale is proceeding but there are conditions which have delayed the completion. The budget (£220K) has been slipped into 2016/17.

Housing Priority Heading

Housing Grant Assistance – The under spend of £72K was due to the volume of applications being lower than previously anticipated.

Disabled Facilities Grants – Applications are dependent on an assessment carried out by an occupational therapist at the County Council, these are then processed by the Lincolnshire Home Independence Agency. The reduced number of referrals for applications has resulted in an under spend of £138K.

Culture Priority Heading

The over spend in culture relates to two schemes, the installation of Astroturf pitch at Meres Leisure Centre £144K funded through grant funding from the Football Association. The second scheme is a new PA System (23K) installed at the Guildhall Arts Centre.

Environment Priority Heading

There is an under spend on wheelie bins of £23K due to delivery delays by the supplier, this is to be slipped into 2016/17. There was a saving of £18K on vehicle purchases. The Wyndham Park footpath improvements were completed in year (£22K) and street lighting schemes (£64K). Both were moved to revenue expenditure at year end due to accounting adjustments resulting in an under spend of £89K.

Corporate Priority Heading

The ICT infrastructure budget (£144K) has been delayed in 2015/16 due to programming of works this budget will be slipped into 2016/17. The scheme under the heading of the Customer Access Strategy (£28K) has been delayed due timing of projects and is to be slipped into 2016/17.

Variance Analysis – Housing Revenue Account

Purchase Of Strategic Land

The only expenditure incurred was for the buy back of the leasehold flat (£84K). This resulted in an under spend of £114K which has been slipped into the 2016/17 stock growth and acquisitions programme.

New Build Properties

The new build capital programme has seen the completion and letting of 20 new dwellings at Lincoln Road, Stamford. The under spend of £1,060M is due to delays in evaluating new sites for developments. This budget has been slipped into 2016/17.

Kitchen & Bathroom Refurbishments

There was an under spend of £157K due to delays in completing the programme of works, however during 2015/16 232 and 165 kitchens and bathrooms were completed respectively. The underspend is to be slipped into 2016/17 to enable the remaining properties to be done.

External Wall Insulation

This scheme was under spent by £135K. Slippage of £38K is to be utilised on properties not able to be completed in 2015/16 and pre-surveys/evaluation of properties in the 2016/17 programme.

IT Software

The vehicle management system (£50K) will now be implemented in 2016/17 following delays to the project and the budget has been slipped. A system upgrade has been completed with a saving of £23K.

Where the money was invested and where the money came from

The following table sets out the capital investment and how it was financed;

Investment	£'000	**Financed From**	£'000
Council Dwellings **	5,518		
Other Land and Building	904	Capital Receipts	2,535
Investment Property	80	Direct Revenue Financing	161
Vehicles Plant and Equipment **	931	Major Repairs Reserve	4,726
Revenue Expenditure funded	497	Capital Grants and Contributions	455
Intangible Assets	147	Other Reserves	200
Total	**8,077**		**8,077**

Cashflow

At the 31st March 2016 the Council had a strong cash position as detailed below;

	31st March 2016 £'000	**31st March 2015 £'000**
Cash & Cash Equivalents	7,598	11,819
Short Term Investments	29,136	37,305
Long Term Investments	4,000	5,000
	40,734	**54,124**

The main factors that could affect cash in the future are:

- Acquisition and disposals relating to capital programme
- The value of reserve balances
- Grants & contributions unapplied
- HRA rental income reducing
- Repayment of borrowing

Reserves & Balances

The Council maintains working balances for both the General Fund and the Housing Revenue Account. 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. 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 General Fund working balance at the end of the financial year is £1.913M which is 12.7% of net original base budget for 2015/16 (net operating expenditure). The Housing Revenue Account working balance of £4.823M represents the existing revenue balance.

The Councils total working balances and reserves have increased by £8.8M and now total £52.5M. The reserves have specific policies relating to their use and are allocated in order to fund capital and revenue expenditure that support the delivery of Council priorities. The increase in balances is the result of a reprofiled capital programme and the setting a side of funds for the repayment of a HRA loan in 2020. The budget framework each year sets out how the funding from the reserves will be used to contribute towards spending proposals.

A summary of the specific and earmarked reserve balances as at 31 March 2016 are as follows:

	£'000
Usable Cap Receipts Reserve	2,540
HRA Capital Receipts Reserve	1,780
Major Repairs Reserve	6,775
Earmarked GF Revenue Reserves	18,624
General Fund Unapplied Revenue Grants	381
Earmarked HRA Revenue Reserves	1,579
Earmarked GF Capital Reserve	3,095
GF Unapplied Capital Grants	0
Earmarked HRA Capital Reserves	10,977
Housing Revenue Account Balance	4,823
General Fund Balance	1,913
	52,487

Treasury Management Performance

We exceeded our original investment income budget for the year of £346K by £209K which was due to a combination of higher than budgeted cash balances and securing higher than anticipated investment rates following a diversification of the investment portfolio.

Pension Liabilities

The Council has net pension liabilities of £38.3M in the balance sheet. This reflects the value of pension liabilities which the Council is required to pay in the future as they fall due, offset by the value of the assets invested in the pension fund.

Council Performance 2015/16

The Council has a range of performance measures it uses to monitor and track progress towards achieving its strategic priorities. The following measures are an extract of performance measures for the year and show a positive direction of travel between 2014/15 and 2015/16.

Performance Measure	Priority Area	2014/15 Result	2015/16 Result
% of Non Domestic Rates Collected	Growth	98.37%	98.63%
% Household waste sent for reuse, recycling and composting	Environment	47.03%	43.20%
Number of Visits through our Leisure Centres	Culture	823,671	1,125,883
Number of Affordable homes delivered	Housing	92	160
% of Council Tax Collected	Growth	98.71%	98.74%
% of Rent Collected against annual collection target	Housing	98.83%	98.57%
% of Planning Applications Approved	Growth	92.4%	92%

Financial Challenges Going Forward

The Council's medium term financial modelling has been updated to reflect the indicative four-year Funding Settlement that has been announced by Government. The forecast also takes into account inflation (both pay and contract), pay and pension assumptions as well as allowances for specific and general cost increases. The current estimated future funding gap is in line with previous predictions and co-incides with the withdrawal of revenue support grant by the financial year 2019/20.

The Council is considering the impact of the UK's vote to leave the European Union (EU) on 23rd June 2016. The vote to leave is likely to have significant implications for the UK's economic outlook. The referendum result will have an impact on financial planning for the Council for the coming years and will be considered as part of the medium term financial planning of the Authority. The Chancellor has indicator that he may revise government spending plans in this year's Autumn Statement. The potential to reset fiscal policy creates a substantial level of uncertainty for the public sector and local government as it awaits the Autumn Statement announcements.

Further Information

Further information about the Statement of Accounts is available from the Financial Services section at the Council Offices, St Peter's Hill, Grantham, Lincolnshire, NG31 6PZ, telephone 01476 406203 or accountancy@southkesteven.gov.uk. In addition, 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
23rd September 2016

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 2016

This Statement of Accounts has been approved by the Governance & Audit Committee at its meeting on 23rd September 2016.

DAREN TURNER ACCA
CHIEF FINANCE OFFICER
23rd September 2016

COUNCILLOR NICK NEILSON
CHAIRMAN OF GOVERNANCE & AUDIT COMMITTEE
23rd September 2016

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 2015	(1,913)	(17,816)	(4,783)	(9,352)	(4,376)	(5,384)	(15)	**(43,639)**	(68,316)	**(111,955)**
Movement in reserves during 2015/16										
Surplus or (deficit) on the provision of services	2,007		(10,495)					**(8,488)**		**(8,488)**
Other Comprehensive Income & Expenditure (see bottom of CIES)								**0**	(23,977)	**(23,977)**
Total Comprehensive Income & Expenditure	**2,007**	**0**	**(10,495)**	**0**	**0**	**0**	**0**	**(8,488)**	**(23,977)**	**(32,465)**
Adjustments between accounting basis and funding basis under regulations (Note 8)	(6,476)	185	3,688	0	(734)	(2,552)	15	**(5,874)**	5,874	**0**
Net (Increase)/Decrease before Transfers to Earmarked Reserves	**(4,469)**	**185**	**(6,807)**	**0**	**(734)**	**(2,552)**	**15**	**(14,362)**	**(18,103)**	**(32,465)**
Transfers to/(from) Earmarked Reserves (Note 9)	4,469	(4,469)	6,767	(3,204)	790	1,161	0	**5,514**	(5,514)	**0**
(Increase)/Decrease in 2015/16	**0**	**(4,284)**	**(40)**	**(3,204)**	**56**	**(1,391)**	**15**	**(8,848)**	**(23,617)**	**(32,465)**
Balance at 31 March 2016 carried forward	**(1,913)**	**(22,100)**	**(4,823)**	**(12,556)**	**(4,320)**	**(6,775)**	**0**	**(52,487)**	**(91,933)**	**(144,420)**

For details of reserves see notes 26 and 27

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 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	**(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 26 and 27

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

2014/15 Gross Expenditure	2014/15 Gross Income	2014/15 Net Expenditure		Note	2015/16 Gross Expenditure	2015/16 Gross Income	2015/16 Net Expenditure
£'000	£'000	£'000			£'000	£'000	£'000
2,520	(1,454)	1,066	Central Services to the Public		2,706	(1,476)	1,230
6,246	(2,355)	3,891	Cultural and Related Services		6,473	(2,325)	4,148
8,185	(3,172)	5,013	Environmental and Regulatory Services		8,011	(2,458)	5,553
2,981	(1,659)	1,322	Planning Services		4,574	(2,065)	2,509
1,350	(1,402)	(52)	Highways and Transport Services		1,205	(1,449)	(244)
16,246	(26,110)	(9,864)	Local Authority Housing (HRA)		13,128	(26,809)	(13,681)
32,806	(31,694)	1,112	Other Housing Services		32,539	(31,760)	779
2,960	(752)	2,208	Corporate and Democratic Core		2,608	(447)	2,161
73,294	**(68,598)**	**4,696**	**Cost Of Services**		**71,244**	**(68,789)**	**2,455**
			Other Operating Expenditure				
		(560)	(Gain)/Loss Disposal of Fixed Assets				(1,012)
		2,094	Precepts & Levies	10.			2,168
		686	Contribution Housing Capital Receipts to the Pool	HRA6			850
		(35)	Other Operating Income & Expenditure	11.			0
		2,185					**2,006**
			Financing and Investment Income and Expenditure				
		3,351	Interest Payable on Debt	18			3,223
		1,723	Net Interest on the net defined benefit liability (asset)				1,679
		(406)	Interest & Investment Income	18			(555)
		843	Income & Expenditure and Movement in Fair Value of Investment Property	12.			(4)
		(301)	(Gain)/Loss on Trading Accounts	29			(276)
		5,210					**4,067**
			Taxation and Non-Specific Grant Income				
		(7,629)	Council Tax				(7,782)
		(2,454)	Non-Domestic Rates				(2,121)
		(7,366)	Non-Service-Related Government Grants	13			(7,113)
		(17,449)					**(17,016)**
		(5,358)	**(Surplus) or Deficit on Provision of Services**				**(8,488)**
		(5,167)	Surplus or deficit on revaluation of non-current assets				(7,772)
		10,162	Actuarial gains / losses on pension assets / liabilities	41			(16,205)
		4,995	**Other Comprehensive Income and Expenditure**				**(23,977)**
		(363)	**TOTAL COMPREHENSIVE INCOME & EXPENDITURE**				**(32,465)**

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 2015 £'000		Note	At 31st March 2016 £'000
175,335	Council Dwellings	14	178,765
51,782	Other Land and Buildings	14	57,953
4,615	Plant, Vehicles and Equipment	14	4,312
240	Surplus Assets not held for sale	14	191
1,910	Assets Under Construction	14	376
429	Heritage Assets	46	429
3,372	Investment Property	15	2,595
333	Intangible Assets	16	380
4,000	Non Current Investments	47	5,000
2,164	Non Current Debtors	21	2,103
244,180	**Non Current Assets**		**252,104**
1,068	Current Assets Held for Sale	23	1,420
29,136	Current Investments	47	37,305
28	Inventories	19	11
2,823	Current Debtors	21	3,298
11,819	Cash and Cash Equivalents	22	7,598
44,874	**Current Assets**		**49,632**
(3,804)	Current Borrowing	43	(3,274)
(9,258)	Current Creditors	24	(6,483)
(920)	Current Provisions	25	(1,208)
(13,982)	**Current Liabilities**		**(10,965)**
(261)	Non Current Provisions	25	(85)
(109,765)	Non Current Borrowing	43	(106,543)
(52,067)	Other Non Current Liabilities	41	(38,306)
(1,024)	Capital Grants Receipts in Advance	35	(1,417)
(163,117)	**Non Current Liabilities**		**(146,351)**
111,955	**Net Assets**		**144,420**

BALANCE SHEET Cont'd

At 1st April 2015 £'000		Note	At 31st March 2016 £'000
4,376	Usable Cap Receipts Reserve	26	4,320
5,384	Major Repairs Reserve	26	6,775
15,717	Earmarked GF Revenue Reserves	26	19,005
1,005	Earmarked HRA Revenue Reserves	26	1,579
8,347	Earmarked HRA Capital Reserves	26	10,977
2,099	Earmarked GF Capital Reserves	26	3,095
15	Capital Grants Unapplied	26	0
1,913	General Fund Balance	26	1,913
4,783	HRA Balance	26	4,823
43,639	**Usable Reserves**		**52,487**
107,259	Capital Adjustment Account	27	110,725
13,902	Revaluation Reserve	27	21,116
(52,067)	Pension Reserve	27	(38,306)
(134)	Short Term Accumulated Absences Account	27	(131)
(686)	Collection Fund adjustment Account	27	(1,507)
42	Deferred Capital Receipts	27	36
68,316	**Unusable Reserves**		**91,933**
111,955	**Total Reserves**		**144,420**

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.

2014/15 £'000		Notes	2015/16 £'000
	Operating Activities		
5,358	Net surplus or (deficit) on the provision of services		8,488
15,276	Adjustments to net surplus or deficit on the provision of services for non-cash movements	48	5,827
(3,047)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		(3,324)
3,007	Reversal of operating activity items included in the net (surplus) or deficit on the provision of services that are shown separately below		2,837
	Net cash flows from Operating Activities includes		
(3,342)	Interest paid		(3,223)
335	Interest received		386
17,587	**Net cash flows from Operating Activities**		**10,991**
	Investing Activities		
(8,530)	Purchase of property, plant and equipment, investment property and intangible assets		(7,226)
(35,000)	Purchase of short-term and long-term investments		(39,000)
(1,020)	Other payments for investing activities		
2,693	Proceeds from the sale of property, plant and equipment, investment property and intangible assets		3,206
20,000	Proceeds from short-term and long-term investments		30,000
1,589	Other receipts from investing activities		591
(20,268)	**Net cash flows from Investing Activities**		**(12,429)**

CASH FLOW STATEMENT (CONT)

2014/15 £'000		Notes	2015/16 £'000
	Financing Activities		
(3,238)	Repayments of short and long-term borrowing		(3,751)
613	Other payments for financing activities		968
(2,625)	**Net cash flows from Financing Activities**		**(2,783)**
(5,306)	**Net increase or (decrease) in cash and cash equivalents**		**(4,221)**
17,125	Cash and cash equivalents at the beginning of the reporting period		11,819
11,819	Cash and cash equivalents at the end of the reporting period	22	7,598

1. STATEMENT OF ACCOUNTING POLICIES

I. GENERAL PRINCIPLES

The Statement of Accounts summarises the Council's transactions for the 2015/16 financial year and its position at the year-end of 31 March 2016. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the *Code of Practice on Local Authority Accounting in the United Kingdom 2015/16* and the *Service Reporting Code of Practice 2015/16,* 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 the earlier of when the Council can no longer withdraw the offer of those benefits or when the council recognises costs for a restructuring.

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

Post-Employment Benefits

Employees of the Council are members of the Local Government Pension 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 transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

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

VIII. EVENTS AFTER THE REPORTING PERIOD

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

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

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

IX. FINANCIAL INSTRUMENTS

Financial Liabilities

Financial Liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

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

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

Financial assets are classified into two types:

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

Loans and Receivables

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

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

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

Available-for-sale Assets

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

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

X. 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.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the provision of services with the value of works and services received under the contract during the financial year.

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, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. 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 2015/16 (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 and impairment losses chargeable on Assets Held for Sale.

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

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 – current value determined using the basis of existing use value for social housing (EUV-SH). The social housing discount applied in 2015/16 is 34%.
- Community assets and assets under construction – historical cost.
- Plant, Vehicles & Equipment – depreciated historical cost
- All other classes of assets – current value, unless there is no market-based evidence of fair value because of the specialist nature of the asset. In this case fair value is estimated using the Depreciated Replacement Cost method.

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

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

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

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

Impairment

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

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

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement,

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

Depreciation

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

Depreciation is calculated on the following bases:

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

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

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

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

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

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

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

Componentisation:

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

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

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

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

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is classified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to a fair value less costs to sell, the loss is posted in the Other Operating Expenditure line in the Comprehensive Income and Expenditure statement. Gains in fair value are recognised only up to the amount of any 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 does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

XXII. VAT

Income and expenditure excludes any amounts related to VAT, as in the main, VAT collected is payable to HM Revenue & Customs and VAT paid is recoverable from them. VAT is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

XXIII. PRINCIPAL AND AGENT TRANSACTIONS

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

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

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

2. CHANGES IN ACCOUNTING POLICY

The only change to the Council's accounting policies for 2015/16 is the introduction of IFRS 13 Fair Value Measurement. This accounting policy had an impact on Investment Property and Financial Instruments.

3. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT NOT ADOPTED

For 2015/16 the following accounting policy changes that need to be reported relate to:

a. Amendments to IAS 19 Employee Benefits (Defined Benefit Plans: Employee Contributions)
b. Annual Improvements to IFRSs 2010 – 2012 Cycle
c. Amendment to IFRS 11 Joint Arrangements (Accounting for Acquisitions of Interests in Joint Operations)
d. Amendment to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets (Clarification of Acceptable Methods of Depreciation and Amortisation)
e. Annual Improvements to IFRSs 2012 – 2014
f. Amendment to IAS 1 Presentation of Financial Statements (Disclosure Initiative)
g. The changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and the introduction of the new Expenditure and Funding Analysis

It is not anticipated that the above amendments will have a material impact on the information provided in local authority financial statements i.e. there is unlikely to be a change to the reported information in the reported net cost of services or the Surplus or Deficit on the Provision of Services. However, in the 2016/17 year the comparator 2015/16 Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement will reflect the new formats and reporting requirements as a result of the Telling the Story review of the presentation of local authority financial statements.

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 2016 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 £193k for every year that useful lives had to be reduced.

b. Arrears

At 31 March 2016 the Council had a balance of short-term debtors of £5.203m. A review of these debts suggested that an impairment for doubtful debts of approx 37**%** was appropriate, totalling £1.9m. 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 £1.9m 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 23rd September 2016. Events taking place after this date are not reflected in the financial statements or notes.

8. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER STATUTE

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

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

General Fund Balance

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

Housing Revenue Account Balance

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

Major Repairs Reserve

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

Capital Receipts Reserve

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

Capital Grants Unapplied

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

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

2015/16	General Fund £'000	Earmarked GF 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	(3,313)		(232)			(2,552)		(6,097)	6,097
Amortisation of intangible assets	(89)		(11)					(100)	100
Revaluation gains/losses on PPE	(723)		5,841					5,118	(5,118)
Impairments charged to CIES	0		(4,694)					(4,694)	4,694
Movements in market value of investment properties	162		(137)					25	(25)
Revenue expenditure funded from capital under statute (REFCUS)	(496)							(496)	496
Financing of REFCUS	411	70					15	496	(496)
Capital expenditure	205	115	3,222		1,696			5,238	(5,238)
Statutory provision for financing of capital investment	166							166	(166)
Profit/Loss on disposal of non-current assets	(128)		1,140		(3,280)			(2,268)	2,268
Adjustments primarily involving the Collection Fund Adjustment Account									
Adjustment to council tax income	117							117	(117)
Adjustment to NNDR income	(938)							(938)	938
Adjustments primarily involving the Pension Fund									
Adjustment of IAS 19 retirement entries for actual contributions	(1,853)		(591)					(2,444)	2,444
Adjustments primarily involving the Accumulating Compensated Absences									
Accrual for accumulated compensated absences	3		-					3	(3)
Adjustments between Usable Reserves									
Payments to Housing Capital Receipts Pool			(850)		850			0	0
Total Adjustments	**(6,476)**	**185**	**3,688**	**0**	**(734)**	**(2,552)**	**15**	**(5,874)**	**5,874**

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

2014/15	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	(2,944)		(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	-		(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**

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 2015/16.

2015/16

	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	(50)	(50)		50	50			0	0	0
SEA provision	41			(41)				0	0	0
Transfer Surplus to reserves	4,739	6,818		(4,739)	(3,254)	(3,565)		(1)	1	0
Unapplied government grants								0	0	0
Repaid mortgages			(45)					(45)	45	0
Other Long-Term Debtors		(1)	(5)					(6)	6	0
Amounts transferred from reserves to support in year expenditure										
Application of other grants	(264)			264				0	0	0
Finance Building Control deficit	3			(3)				0	0	0
Revenue Contributions to Capital			840			4,726		5,566	(5,566)	0
Total Transfers To/(From) Earmarked Reserves	**4,469**	**6,767**	**790**	**(4,469)**	**(3,204)**	**1,161**	**0**	**5,514**	**(5,514)**	**0**

Transfers to/from Earmarked Reserves (Continued)

The comparative amounts in 2014/15 are set out below.

	General Fund	Housing Revenue Account	Usable Capital Receipts	Earmarked General Fund Reserves	HRA Revenue Reserves	Major Repairs Reserve	Unapplied Capital Grants	**Total Usable Reserves**	Unusable Reserves	**Total Authority Reserves**
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Amounts set aside to provide for future expenditure										
Insurance provision	(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
								0		
Amounts transferred from reserves to support in year expenditure								0		
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**

10. PRECEPTS AND LEVIES

.

2014/15 £'000		2015/16 £'000
1,465	Parish Council Precepts	1,529
629	Drainage Board Levies	639
2,094		**2,168**

11. OTHER OPERATING INCOME AND EXPENDITURE

2014/15 £'000		2015/16 £'000
(35)	Right to Buy Discounts Repaid	-
(35)		**0**

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

2014/15 £'000		2015/16 £'000
25	Income & Expenditure from investment properties	21
818	Movements in relation to changes in the fair value of investment properties	(25)
843		**(4)**

13. NON SERVICE RELATED GOVERNMENT GRANTS

2014/15 £'000		2015/16 £'000
(2,679)	New Homes Bonus	(3,332)
(67)	Council Tax Freeze Grant	-
(892)	S31 Grant	(1,090)
(27)	S106 Contribution	(79)
(3,701)	Revenue Support Grant	(2,612)
(7,366)		**(7,113)**

14. PROPERTY PLANT AND EQUIPMENT

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

Movement in 2015/16

	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 01/04/2015	**177,828**	**53,729**	**14,124**	**248**	**1,910**	**247,839**
Additions	5,518	904	931			7,353
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(938)	5,593		18		4,673
Revaluation increases/(decreases) recognised in the Surplus/Deficit on Provision of Services	(926)	268		(233)		(891)
Derecognition - Disposals	(1,282)	(2)	(83)			(1,367)
Assets reclassified to/(from) Surplus Assets		(169)		169		0
Assets reclassified (to)/from Held for Sale (see Note 23)	(416)					(416)
Assets reclassified to/(from) Asset under construction	1,534				(1,534)	0
At 31/03/2016	**181,318**	**60,323**	**14,972**	**202**	**376**	**257,191**
Accumulated Depreciation & Impairment at 01/04/2015	**(2,493)**	**(1,947)**	**(9,509)**	**(8)**	**-**	**(13,957)**
Depreciation charge	(2,552)	(2,329)	(1,205)	(12)		(6,098)
Depreciation written out to the Revaluation Reserve	69	1,819		11		1,899
Depreciation written out to the Comprehensive Income & Expenditure Statement	7,117	80		5		7,202
Derecognition of Non Enhancing Capital Expenditure	(4,694)					(4,694)
Derecognition - Disposals			54			54
Other Movements in Depreciation and Impairment		7		(7)		0
At 31/03/2016	**(2,553)**	**(2,370)**	**(10,660)**	**(11)**	**-**	**(15,594)**
Net Book Value						
At 31/03/2016	**178,765**	**57,953**	**4,312**	**191**	**376**	**241,597**
At 31/03/2015	**175,335**	**51,782**	**4,615**	**240**	**1,910**	**233,882**

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) Restated

Movement in 2014/15 restated	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	**175,840**	**51,359**	**14,288**	**245**	**3,309**	**245,041**
Additions	5,502	55	833	-	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 23)	(207)	(825)				**(1,032)**
At 31/03/2015	**177,828**	**53,729**	**14,124**	**248**	**1,910**	**247,839**
Accumulated Depreciation & Impairment at 01/04/2014	**(2,480)**	**(1,765)**	**(9,123)**	**(8)**	**-**	**(13,376)**
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	**(2,493)**	**(1,947)**	**(9,509)**	**(8)**	**-**	**(13,957)**
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**

The 2014/15 Property Plant & Equipment Note has been restated to rectify a historic error dating back to 2011/12. The compensating error has been corrected and the net book values have not altered. For comparative purposes the original note is below.

Movement in 2014/15 Historic

	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	-	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 23)	(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)**	**-**	**(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)**	**-**	**(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**

Valuation Assumptions

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

- No potentially deleterious or hazardous materials were used in the construction of the assets and non has subsequently been 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.

15. INVESTMENT PROPERTIES

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

2014/15 £'000		2015/16 £'000
(25)	Rental income from investment property	(48)
50	Direct operating expenses arising from investment property	69
25		**21**

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:

2014/15 £'000		2015/16 £'000
2,346	**Balance at start of year**	3,372
289	Additions - Purchases	80
(818)	Net gains/losses from fair value adjustments	25
(843)	Disposals	(882)
2,398	Transfers	-
3,372	**Balance at end of year**	**2,595**

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

16. INTANGIBLE ASSETS

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

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

Movements on Intangible Assets during the year were as follows:

2014/15 £'000		2015/16 £'000
	Balance at start of year:	
479	Gross carrying amount	737
(351)	Accumulated amortisation	(404)
128	Net carrying amount at start of year	333
258	Additions	147
(53)	Amortisation for the period	(100)
205		**47**
333	Net carrying amount at end of year	380
Comprising		
737	Gross carrying amount	884
(404)	Accumulated amortisation	(504)
333		**380**

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

17. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

a. Key Risks

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

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

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

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

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

b. Overall Procedures for Managing Risk

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

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

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

iii. by approving annually in advance prudential and treasury indicators for the following three years limiting:

- the Council's overall borrowing;
- Its maximum and minimum exposures to fixed and variable rates;
- Its maximum and minimum for exposures within the maturity structure of its debt;
- Its maximum annual exposures to investments maturing beyond a year.

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

These are required to be reported and approved at or before the Council's annual Council Tax setting budget or before the start of the year to which they relate. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported twice annually to Members.

The annual treasury management strategy for 2015/16 which incorporates the prudential indicators was approved by Council on 2nd March 2015 and is available on the Council website. The key issues within the strategy were:

i. The Authorised Limit for 2015/16 was set at £129.99m. This is the maximum limit of external borrowings or other long term liabilities.

ii. The Operational Boundary was expected to be £113.49m. 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 department. The Council maintains written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash through Treasury Management Practices (TMPs). These TMPs are a requirement of the Code of Practice and are reviewed periodically.

c. Credit risk

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

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

The Council uses the creditworthiness service provided by 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 £48.8m 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 2016 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 2016	Historical experience of default (1)	Adjustment for market conditions	Estimated Maximum exposure to default
	£'000	%	%	£'000
AAA rated counterparties	3,497	0.00%	0.00%	-
AA rated counterparties	-	0.01%	0.01%	-
A rated counterparties	37,162	0.06%	0.06%	23
BB rated counterparties	2,012	0.15%	0.15%	3
BBB rated counterparties	6,129	0.15%	0.15%	9
Trade debtors (not including statutory debtors)	1,300	Local Experience	Local Experience	231
Total	**50,100**			**266**

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

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

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

The Council does not generally allow credit for its trade debtors, such that £1,300k 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 2016	At 31 March 2015	At 31 March 2014
	£'000	£'000	£'000
Under 30 Days	59	55	17
30-60 days	971	971	244
60-90 days	39	31	13
Over 90 Days	231	184	34
Total	**1,300**	**1,241**	**308**

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 2016 £'000	At 31 March 2015 £'000	At 31 March 2014 £'000
Less than one year	43,800	39,758	34,399
Between one and two years	5,000	4,000	-
Between two and three years	-	-	-
More than three years	-	-	-
Total	**48,800**	**43,758**	**34,399**

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 2016 £'000	At 31 March 2015 £'000	At 31 March 2014 £'000
Less than one year	3,274	3,804	3,321
Between one and two years	4,221	3,222	3,722
Between two and five years	34,665	35,665	10,665
Between five and ten years	16,109	16,109	41,109
Between ten and fifteen years	16,109	16,109	16,109
Over Fifteen Years	35,439	38,660	41,882
Total	**109,817**	**113,569**	**116,808**

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	(293)
Impact on Surplus or Deficit on the Provision of Services	(293)
Decrease in fair value of fixed rate borrowing liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income & Expenditure)	10,901

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

Price risk

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

Foreign exchange risk

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

18. FINANCIAL INSTRUMENTS

a. Financial Instruments Balances

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

	Long-Term		Current	
	At 31 March 2016 £'000	At 31 March 2015 £'000	At 31 March 2016 £'000	At 31 March 2015 £'000
Borrowings				
Financial Liabilities (principal amount)	106,543	109,765	3,222	3,722
Accrued Interest	-	-	52	82
Total Borrowings	**106,543**	**109,765**	**3,274**	**3,804**
Investments				
Loans & Receivables	5,000	-	39,495	33,653
Accrued interest	-	0	305	136
Available for Sale Assets	-	4,000	4,000	6,000
Total Investments	**5,000**	**4,000**	**43,800**	**39,789**

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 and due to mature in 2016/17.

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
2015/16	Liabilities Measured at Amortised Cost	Loans & Receivables	
	£'000	£'000	£'000
Interest expense	3,223		3,223
Total Expense in Surplus or Deficit on the Provision of Services	**3,223**	**0**	**3,223**
Interest income		(555)	(555)
Total Income in Surplus or Deficit on the Provision of Services	**0**	**(555)**	**(555)**
Net gain/(loss) for the year	**3,223**	**(555)**	**2,668**
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**

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 2016		At 31 March 2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
PWLB debt	109,817	124,657	113,569	128,220
Non-PWLB debt	-	-	-	-
Trade Creditors	2,979	2,979	3,324	3,324
Total financial liabilities	**112,796**	**127,636**	**116,893**	**131,544**
Instant Access Accounts	6,495	6,495	10,653	10,657
Short Term Investments	37,305	37,319	29,136	29,132
Long Term Investments	5,000	5,000	4,000	4,000
Trade debtors	1,300	1,300	1,241	1,241
Other Short Term Debtors	1,998	1,998	1,582	1,582
Long Term Debtors	2,103	2,103	2,164	2,164
Total loans & receivables	**54,201**	**54,215**	**48,776**	**48,776**

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

The fair value of Public Works Loan Board (PWLB) loans of £124.7m measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value measures the additional interest that the authority will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

However, the authority has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets. A supplementary measure of the additional interest that the authority will pay as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB. If a value is calculated on this basis, the carrying amount of £109.8m would be valued at £114.3m. But, if the authority were to seek to avoid the projected loss by repaying the loans to the PWLB, the PWLB would raise a penalty charge for early redemption in addition to charging a premium for the additional interest that will not now be paid. The exit price for the PWLB loans including the penalty charge would be £124.7m.

19. INVENTORIES

Details of inventories held by the Council as at 31 March 2016 are provided below:

2014/15 £'000		2015/16 £'000
28	Balance as at year end	**11**

From 2015/16 the only inventories held were for fuel stocks.

20. CAPITAL COMMITMENTS

There are no outstanding commitments.

21. DEBTORS

An analysis of Debtors is shown below:

At 31st March 2015 £'000		At 31st March 2016 £'000
	Current Debtors	
582	Government Departments	431
293	Other Local Authorities	362
9	NHS	21
1,939	Other entities and individuals	2,484
2,823		**3,298**
	Long Term Debtors	
2,000	Local Authority Mortgage Scheme	2,000
120	Loans for Leisure Facilities	63
44	Other	40
2,164		**2,103**

22. CASH AND CASH EQUIVALENTS

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

At 31st March 2015 £'000		At 31st March 2016 £'000
43	Cash held by the authority	14
1,123	Bank current accounts	1,089
10,653	Instant Access accounts	6,495
11,819	**Total Cash & Cash Equivalents**	**7,598**

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.

23. ASSETS HELD FOR SALE

As at 31st March 2016, there are 19 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.

2014/15 £'000		2015/16 £'000
298	Balance at start of year	1,068
	Assets newly classified as held for sale:	
1,032	Property, Plant & Equipment	559
(262)	Assets sold	(72)
	Withdrawn sales transferred back to PPE	(135)
1,068		**1,420**

24. CREDITORS

An analysis of Creditors is shown below:

At 31st March 2015 £'000		At 31st March 2016 £'000
3,444	Government Departments	1,728
1,191	Other Local Authorities	201
6	NHS bodies	-
4,617	Other entities and individuals	4,554
9,258	**Total**	**6,483**

25. PROVISIONS

	Injury & Damage Compensation Claims	Business Rates Appeals	Accrued employee Benefits *	Total
2015/16	£'000	£'000	£'000	£'000
Balance at 1st April 2015	273	774	134	1,181
Additional provisions made in 2015/16	141	984		1,125
Amounts used in 2015/16	(79)	(774)		(853)
Unused amounts reversed in 2015/16	(26)		(134)	(160)
Total	**309**	**984**	**0**	**1,293**
Split between:				
Short-term provisions				1,208
Long-term provisions				85
				1,293
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
				1,181

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 £309k provided at 31st March 2016 £93k is expected to be settled in 2016/17.

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

*The provision for accrued employee benefits absences has in the past been misclassified as a provision rather than a creditor. In 2015/16 the treatment has been corrected.

26. USABLE RESERVES

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

	Balance at 1st April 2014 £'000	Transfer To Reserve £'000	Transfer From Reserve £'000	Balance at 31st March 2015 £'000	Transfer To Reserve £'000	Transfer From Reserve £'000	Balance at 31st March 2016 £'000
GF Cap Receipts Reserve	3,137	277		3,414		(874)	2,540
HRA Capital Receipts Reserve	1,953		(991)	962	818		1,780
Major Repairs Reserve	4,281	1,103		5,384	1,391		6,775
Earmarked GF Revenue Reserves	11,681	3,391		15,072	3,552		18,624
General Fund Unapplied Revenue Grants	618	27		645		(264)	381
Earmarked HRA Revenue Reserves	735	270		1,005	574		1,579
Earmarked GF Capital Reserve	1,505	594		2,099	996		3,095
GF Unapplied Capital Grants	78		(63)	15		(15)	0
Earmarked HRA Capital Reserves	5,016	3,331		8,347	2,630		10,977
Housing Revenue Account Balance	7,145		(2,362)	4,783	40		4,823
General Fund Balance	1,912	1		1,913			1,913
	38,061	**8,994**	**(3,416)**	**43,639**	**10,001**	**(1,153)**	**52,487**

27. UNUSABLE RESERVES

At 31st March 2015 £'000		At 31st March 2016 £'000
13,902	Revaluation Reserve	21,116
107,259	Capital Adjustment Account	110,725
(52,067)	Pensions Reserve	(38,306)
(686)	Collection Fund Adjustment Account	(1,507)
(134)	Accumulated Absences Adjustment Account	(131)
42	Deferred Capital Receipts	36
68,316		**91,933**

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.

2014/15 £'000		2015/16 £'000
9,030	Balance at start of year	13,902
5,126	Upward revaluation of assets	8,399
(24)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on Provision of Services	(753)
14,132	Surplus/Deficit on revaluation of non-current assets not posted to Surplus/Deficit on Provision of Services	21,548
(230)	Difference between fair value depreciation and historical cost depreciation	(430)
	Accumulated gains on assets sold or scrapped	(2)
(230)	Amounts written off to the Capital Adjustment Account	(432)
13,902	Balance at end of year	**21,116**

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.

2014/15 £'000		2015/16 £'000
104,559	Balance at start of year	107,259
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income & Expenditure Statement	
(5,676)	Charges for depreciation of non-current assets	(6,097)
(4,763)	Charges for impairment of non-current assets	(4,694)
(383)	Revaluation losses on Property, Plant & Equipment	(3,498)
4,379	Revaluation gains reversing previous impairments charged to the Comprehensive Income & Expenditure Statement	8,743
(53)	Amortisation of intangible assets	(100)
(423)	Revenue expenditure funded from capital under statute	(496)
(2,093)	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	(2,267)
95,547		98,850
230	Adjusting amounts written out of the Revaluation Reserve	430
95,777	Net written out amount of the cost of non-current assets consumed in the year	99,280
	Capital financing applied in the year	
2,764	Use of the Capital Receipts Reserve to finance new capital expenditure	2,535
4,820	Use of the Major Repairs reserve to finance new capital expenditure	4,726
360	Capital grants and contributions credited to the Comprehensive Income & Expenditure Statement that have been applied to capital financing	376
63	Application of grants to capital financing from the Capital Grants Unapplied Account	15
173	Statutory provision for the financing of capital investment charged against the General Fund & HRA balances	166
3,635	Self-financed capital expenditure	3,407
485	Capital expenditure charged against the General Fund and HRA balances	195
12,300		11,420
(818)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income & Expenditure Statement	25
107,259	Balance at end of year	**110,725**

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.

2014/15 £'000 Original		2015/16 £'000
(39,985)	Balance at start of year	(52,067)
(10,162)	Remeasurement of the net defined benefit liability/ (asset)	16,205
(4,335)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on Provision of Services	(4,890)
2,415	Employer's pensions contributions and direct payments to pensioners payable in the year	2,446
(52,067)	Balance at end of year	**(38,306)**

d. Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and non-domestic rates income 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.

2014/15 £'000		2015/16 £'000
29	Balance at start of year	(686)
161	Amount by which council tax income credited to the Comprehensive Income & Expenditure Statement is different from council tax income calculated in accordance with statute	117
(876)	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	(938)
(686)	Balance at end of year	**(1,507)**

e. Accumulated Absences Account

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

2014/15 £'000		2015/16 £'000
149	Balance at start of year	134
(15)	Amounts accrued at the end of the current year	(3)
134	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	131
134	Balance at end of year	**131**

f. Deferred Capital Receipts

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

2014/15 £'000		2015/16 £'000
47	Balance at start of year	42
(5)	Repayments received in year	(6)
42	Balance at end of year	**36**

28. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. 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 Council has changed the way that it reports financial performance from 2015/16 to reflect the Council's priorities. This change is reflected for 2015/16 and has been restated for 2014/15 to facilitate comparison. The analysis originally included for 2014/15 is also included.

Corporate Area Income & Expenditure 2015/16 by Priority	Corporate	Culture	Environment	Growth	Housing	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Income						
Fees Charges & other service income	(1,885)	(1,318)	(2,146)	(3,210)	(471)	(9,030)
Interest & investment income	(7)	(7)	0	0	0	(14)
Government Grants & Contributions	(31,666)	(217)	(54)	(327)	(671)	(32,935)
Support Recharge Income	(8,683)	0	0	0	0	(8,683)
Total Income	(42,241)	(1,542)	(2,200)	(3,537)	(1,142)	(50,662)
Expenditure						
Employee Expenses	7,598	790	3,328	1,419	871	14,006
Other Service Expenses	35,403	2,007	2,867	1,785	493	42,555
Support Service Recharges	2,867	362	1,504	833	407	5,973
Depreciation, amortisation & Impairment	297	2,633	1,000	229	461	4,620
Total Expenditure	46,165	5,792	8,699	4,266	2,232	67,154
Net Expenditure	3,924	4,250	6,499	729	1,090	16,492

Corporate Area Income & Expenditure 2014/15 by Priority	Corporate	Culture	Environment	Growth	Housing	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Income						
Fees Charges & other service income	(1,518)	(1,346)	(2,791)	(3,006)	(446)	(9,107)
Interest & investment income	(6)	(10)	0	0	0	(16)
Government Grants & Contributions	(31,860)	(80)	(147)	(370)	(612)	(33,069)
Support Recharge Income	(8,456)	0	0	0	0	(8,456)
Total Income	(41,840)	(1,436)	(2,938)	(3,376)	(1,058)	(50,648)
Expenditure						
Employee Expenses	7,041	710	3,236	1,455	1,052	13,494
Other Service Expenses	35,606	1,979	3,202	1,834	580	43,201
Support Service Recharges	2,807	333	1,424	754	352	5,670
Depreciation, amortisation & Impairment	271	1,253	974	237	425	3,160
Total Expenditure	45,725	4,275	8,836	4,280	2,409	65,525
Net Expenditure	3,885	2,839	5,898	904	1,351	14,877

The income and expenditure of the Council's corporate areas recorded in the budget reports for 2014/15 is as follows:

	Community Assets	Operational Management	Development & Growth	Environment Services	Finance	Housing & Neighbourhds	People Projects and Performance	Legal & Democratic	Property Development	Special Expense Areas	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Income											
Fees Charges & other service income	(1,561)	(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 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:

2014/15 £'000		2015/16 £'000
14,877	Net expenditure in the Service Analysis	16,492
(9,864)	Local Authority Housing HRA	(13,681)
(629)	Drainage Board Levies	(639)
301	Trading Services	276
11	Leisure Grants & Loans Income	7
4,696	Cost of Service in Comprehensive Income & Expenditure Statement	**2,455**

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.

2015/16	Corporate Area Analysis £'000	Amounts not reported to management for decision making £'000	Amounts not included in I&E £'000	Total £'000
Income				
Fees Charges & other service income	(9,030)			(9,030)
Interest & investment income	(14)			(14)
Government Grants & Contributions	(32,935)			(32,935)
Taxation & Non-Specific Grant Income		(17,016)		(17,016)
Support Recharge Income	(8,683)			(8,683)
Total Income	(50,662)	(17,016)	0	(67,678)
Expenditure				
Employee Expenses	14,006			14,006
Other Service Expenses	42,555			42,555
Support Service Recharges	5,973			5,973
Depreciation, amortisation & Impairment	4,620			4,620
Financing		4,350		4,350
Parish Precepts		1,529		1,529
Local Authority Housing HRA		(13,681)		(13,681)
Payments to the housing capital receipts pool		850		850
Gain or loss on disposal of non-current assets		(1,012)		(1,012)
Other Operating Income & Expenditure		0		0
Total Expenditure	67,154	(7,964)	0	59,190
Surplus or deficit on the provision of services	**16,492**	**(24,980)**	**0**	**(8,488)**

29. 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:

2014/15 £'000		2015/16 £'000
	The letting of Industrial Units located within the District	
(517)	Income	(534)
137	Expenditure	162
(380)	(Surplus)/Deficit	(372)
	Markets held weekly at Bourne, Grantham and Stamford	
(251)	Income	(229)
324	Expenditure	318
73	(Surplus)/Deficit	89
(307)	(Surplus)/Deficit	**(283)**

On the face of the Comprehensive Income & Expenditure Statement the trading operations show a surplus of £276k. This figure includes revaluation gains & IAS 19 entries 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 2015/16 was an increase to the General Fund balances of £283k.

30. JOINT OPERATION

South Kesteven District Council are in a Joint Operation with Rushcliffe Borough Council for the Building Control Partnership. The partnership represented net expenditure of £114k during 2015/16 in the net cost of services and therefore is not deemed to be material for reporting.

31. AGENCY SERVICES

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

2014/15 £'000		2015/16 £'000
	Travellers Site Expenditure	
35	Management & Maintenance	37
(35)	Income from Rent & Other Charges	(37)
0	Net Cost	**0**
	Grass Cutting Expenditure	
111	Premises & Support Costs	110
(111)	Income from Lincolnshire County Council	(110)
0	Net Cost	**0**

32. MEMBERS ALLOWANCES

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

The Council had 56 elected Councillors as at 31st March 2016.

Members' allowances and expenses paid during the year amounted to £368,231 (2014/15 £369,300). The figure includes basic allowance, special responsibility, and other related allowances.

33. OFFICER REMUNERATION

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

2014/15 No. of officers	Remuneration Band	2015/16 No. of officers
-	£50,000 - £54,999	3
1	£55,000 - £59,999	2
2	£60,000 - £64,999	-
4	£65,000 - £69,999	-
2	£70,000 - £74,999	4
2	£75,000 - £79,999	-
-	£80,000 - £84,999	-
-	£85,000 - £89,999	-
1	£90,000 - £94,999	-
12		**9**

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

		Salary, Fees and Allowances	Bonuses & Expenses Allowances	Compensation for Loss of Employment	Employers Pension contribution	Any other emolument	Total
		£'000	£'000	£'000	£'000	£'000	£'000
Chief Executive	2015/2016	120	1		21		142
	2014/2015	118			21		139
Strategic Director	2015/2016	82	2		14		98
	2014/2015	90			15		105
Strategic Director	2015/2016	88	1		15		104
	2014/2015	63			11		74
Strategic Director (S151 Officer)	2015/2016	92	2		16		110
	2014/2015	90			15		105
Monitoring Officer	2015/2016	68			12		80
	2014/2015	64			11		75

34. EXTERNAL AUDIT COSTS

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

Restated 2014/15 £'000		2015/16 £'000
63	Fees payable to the external auditors with regard to external audit services carried out by the appointed auditor.	47
7	Fees payable to the external auditors for the certification of grant claims.	5
0	Fees payable to external auditors for the certification of returns	3
70		**55**

35. GRANT INCOME

The Council credited the following grants and contributions to the Cost of Services in the Comprehensive Income and Expenditure Statement in 2015/16

2014/15 £'000 Restated		2015/16 £'000
96	New Burdens	140
137	Local Council Tax Admin Subsidy	125
88	LA Capacity Funding	176
521	Housing Benefits Admin Grant	482
180	Discretionary Housing Payment	132
115	Second Homes	108
27	Welfare Reform	24
178	European Elections	99
83	IER Funding	88
300	Disabled Facilities Grant	376
100	Arts and Recreation Grants	254
84	Other Grants	108
1,909		**2,112**

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

The balances at the year end are as follows:

2014/15	**Capital Grants**	2015/16
£'000	**Receipts in Advance**	£'000
1,024	S106 Contributions	1,417

36. RELATED PARTIES

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

Central Government has effective control (significant influence) over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions the Council has with third parties e.g. housing benefits. Details of transactions with government departments are set out in Notes 13 and 35 relating to grant income.

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

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

Payments made during the year were as follows:

2014/15 £'000		2015/16 £'000
1,465	Town and Parish Councils	1,529
110	Upper Witham Drainage Board	112
57	Black Sluice Drainage Board	57
462	Welland and Deepings Drainage Board	470
2,094		**2,168**

37. CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

2014/15 £'000		2015/16 £'000
123,271	**Opening Capital Finance Requirement**	119,875
	Capital Investment	
739	Council Dwellings	824
55	Other land & buildings	904
833	Vehicles, plant & equipment	931
289	Investment properties	80
1,586	Assets under construction	0
4,763	Capital expenditure	4,694
258	Intangible Assets	147
423	Revenue expenditure charged to capital under statute	496
0	Local Authority Mortgage Scheme	0
	Sources of Finance	
(2,764)	Capital receipts	(2,535)
(385)	Capital grants & contributions	(455)
(9,193)	Sums set aside from revenue	(8,475)
119,875	**Closing Capital Financing Requirement**	**116,486**
	Explanation of movements in year	
(3,396)	Increase/(Decrease) in underlying need to borrow (supported by government financial assistance)	(3,389)
(3,396)	**Increase/ (Decrease) in Capital Financing Requirement**	**(3,389)**

38. LEASES

a. Council as Lessee

Finance Leases

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

At 31st March 2015 £'000	Carrying Value	At 31st March 2016 £'000
1,726	Other Land & Buildings	**1,969**

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 2015 £'000	Future Minimum Lease Payments Due	At 31st March 2016 £'000
10	Not later than one year	8
1	Between one & five years	19
6	Later than 5 years	5
17		**32**

At 31st March 2015 £'000	Expenditure charged to Comprehensive Income & Expenditure Account	At 31st March 2016 £'000
10	Planning Services	2
7	Central Services	30
17		**32**

b. Council as Lessor

Finance Leases

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

Gross Investment in the Lease

At 31st March 2015 £'000	Finance Lease Debtor (net present value of minimum lease payments)	At 31st March 2016 £'000
0	Current	0
14	Non-Current	13
58	Unearned finance income	58
1,740	Unguaranteed residual value of property	1,740
1,812	Gross Investment in the Lease	**1,811**

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 2016 £'000	At 31st March 2015 £'000	At 31st March 2016 £'000	At 31st March 2015 £'000
Not later than one year	1	1		-
Between one & five years	5	5	1	1
Later than 5 years	1,805	1,806	14	14
	1,811	**1,812**	**15**	**15**

	Gross Investment in the Lease		Minimum Lease Payments	
	At 31st March 2015 £'000	At 31st March 2014 £'000	At 31st March 2015 £'000	At 31st March 2014 £'000
Not later than one year	1	1	-	-
Between one & five years	5	5	1	1
Later than 5 years	1,806	1,807	14	14
	1,812	**1,813**	**15**	**15**

No allowance for uncollectible amounts has been set aside as at 31 March 2016.

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 2015/16 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 2015		At 31st March 2016
£'000		£'000
507	Not later than one year	249
350	Between one & five years	384
432	Later than 5 years	396
1,289		**1,029**

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 2015/16 no contingent rents were receivable by the Council.

39. IMPAIRMENT LOSSES

The Council recognised no impairment losses during 2015/16

40. TERMINATION BENEFITS

The Council did not terminate the contracts of any employees in 2015/16.

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	
	2014/15 No.	2015/16 No.	2014/15 No.	2015/16 No.	2014/15 £'000	2015/16 £'000
£0-£20,000	35	-	35	-	341	-
£20,001 - £40,001	5	-	5	-	127	-
£40,000 - £60,001	4	-	4	-	177	-
Total Cost included in bandings					645	-
Amounts provided for in CIES not included in bandings						
Total Cost included in CIES					**645**	-

41. DEFINED BENEFIT PENSION SCHEME

a. Participation in Pension Scheme

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

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

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

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

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

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

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

b. Transactions Relating to Post-employment Benefits

The Council recognises the cost of retirement benefits in the cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Council is required to make against council tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund and Housing Revenue Account via the Movement in Reserves Statement. The reversal of the IAS19 transactions ensures that there is no effect on the amounts to be met from government grant and the local taxpayers. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year.

2014/15 £'000		2015/16 £'000
	Comprehensive Income and Expenditure Statement	
	Cost of Services	
2,522	- current service cost	3,211
90	- past service cost	0
0	- (gain)/loss from settlements	
	Financing & Investment Income & Expenditure	
4,669	- Net interest expense	4,139
(2,946)	-Expected return on assets in the scheme	(2,460)
4,335	Total Post-employment benefits charged to the Surplus or Deficit on the Provision of Services	4,890
	Other Post-employment benefits charged to the Comprehensive Income and Expenditure Statement	
	Remeasurement of the net defined benefit liability comprising:	
(5,811)	-return on plan assets (excluding the amount included in the net interest expense)	1,590
-	-Actuarial gains and losses arising on changes in demographic assumptions	-
16,967	-Actuarial gains and losses arising on changes in financial assumptions	(16,153)
(994)	-Other	(1,642)
14,497	**Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement**	**(11,315)**
	Movement in Reserves Statement	
(1,920)	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	**(2,444)**
	Actual amount charged against the General Fund Balance for pensions in the year.	
2,415	- Employers' contributions payable to scheme.	**2,446**

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:

2014/15 £'000 Original		2015/16 £'000
129,106	Present Value of the defined benefit obligation	115,909
(77,039)	Fair value of plan assets	(77,603)
52,067	Sub-total	38,306
-	Other movements in the liability (asset)	-
52,067	**Net liability arising from defined benefit obligation**	**38,306**

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

2014/15 £'000		2015/16 £'000
68,852	Opening fair value of scheme assets	77,039
2,946	Interest income	2,460
	Remeasurement gain/ (loss:	
5,811	The return on plan assets, excluding the amount included in net interest	(1,590)
	Other	
	The effect of changes in foreign exchange rates	
2,415	Contributions from employer	2,446
686	Contributions from employees into the scheme	703
(3,671)	Benefits paid	(3,455)
77,039	**Closing fair value of scheme assets**	**77,603**

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

2014/15 £'000 Original		2015/16 £'000
108,837	Opening balance at 1 April	129,106
2,522	Current Service Cost	3,211
4,669	Interest cost	4,139
686	Contributions from scheme participants	703
	Remeasurement (gains) and losses:	
	Actuarial gains/ losses arising from changes in demographic assumptions	
16,967	Actuarial gains/ losses arising from changes in financial assumptions	(16,153)
(994)	Other	(1,642)
90	Past Service cost	
	Losses/(gains) on curtailment	
	Liabilities assumed on entity combinations	
(3,671)	Benefits paid	(3,455)
	Liabilities extinguished on settlements	
129,106	**Closing Balance at 31st March**	**115,909**

f. Local Government Pension Scheme assets comprised

2014/15	**Fair Value of Scheme Assets**	2015/16
£'000		£'000
1,102	Cash and Cash equivalents	838
	Equity instruments by industry type:	
14,713	Consumer	16,077
2,152	Manufacturing	1,723
4,755	Energy and utilities	4,205
9,129	Financial institutions	8,372
2,917	Information technology	2,879
9,105	Other	8,610
42,771	Sub Total Equity	41,866
	Debt Securities	
2,566	Corporate Bonds (Investment Grade)	2,658
5,021	Corporate Bonds (Non-Investment Grade)	4,910
1,462	UK Government	1,605
1,005	Other	1,086
10,054	Sub-total bonds	10,259
3,290	Private Equity:	2,835
	Real Estate	
7,561	UK Property	8,258
883	Overseas Property	843
8,444	Sub-total Property	9,101
	Investment Funds and Unit Trusts	
3,984	Equities	4,378
0	Bonds	
7,394	Other	8,326
11,378	Sub-total other investment funds	12,704
77,039	**Total Assets**	**77,603**

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:

2014/15		2015/16
	Long term expected rate of return on assets in the Scheme	
3.2%	Equity Investments	1.1%
3.2%	Bonds	1.1%
3.2%	Property	1.1%
3.2%	Cash	1.1%
	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
3.8%	Rate of increase in salaries	3.1%
2.4%	Rate of Increase in Pensions	2.2%
3.2%	Rate for discounting scheme liabilites	3.5%

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)	3,477
Rate of increase in salaries (increase or decrease by 1%)	3,482
Rate of increase in pensions (increase or decease by 1%)	8,458
Rate of discounting scheme liabilities (Increase or decrease by 1%)	12,084

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 Council is anticipated to pay £2,486K expected contributions to the scheme in 2016/17.

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 Pension Fund Manager, Lincolnshire County Council, County Offices, Newland, Lincoln, LN1 1YE (Tel: 01522 553656).

42. CONTINGENT ASSETS AND LIABILITIES

There are no material contingent assets or liabilities as at 31 March 2016.

43. BORROWING

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

2014/15 £'000	Analysis of Loans by Source	2015/16 £'000
109,765	PWLB	106,543
109,765		**106,543**

£'000	Analysis of Loans by Maturity	£'000
3,222	Between 1 and 2 Years	4,221
35,665	Between 2 and 5 Years	34,665
16,109	Between 5 and 10 Years	16,109
16,109	Between 10 and 15 Years	16,109
38,660	Over 15 years	35,439
109,765		**106,543**

Current Borrowing represents borrowing repayable within one year.

2014/15 £'000		2015/16 £'000
3,321	Balance at start of year	3,804
	Borrowing taken out during year	
(3,321)	Borrowing repaid during year	(3,804)
3,722	Transferred from Non-Current Borrowing	3,222
82	Accrued interest at end of year	52
3,804	Balance at end of year	**3,274**

44. AUTHORISATION OF ACCOUNTS FOR ISSUE

The date that the Statement of Accounts was authorised for issue was 23rd September 2016. This is the date up to which events after the Balance Sheet date have been considered. The name of the person who gave the authorisation was Daren Turner (Chief Finance Officer).

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45. SPECIAL EXPENSE AREAS - SEAs

Special Expense Areas are used to budget for non-strategic services provided for a particular local community as opposed to the whole District. The Special Expense Area charge is levied only on those people living in the relevant area. To ensure that this money is spent entirely for the benefit of the specific area in which it was raised, the Council has set up Reserves to retain any underspend of precepts so that they may be used in future years. For 2015/16 a contribution was paid to the reserve amounting to £41K, bringing the total to £161K.

46. HERITAGE ASSETS

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

	Assets held at value		Assets held at cost	Total Assets
	Antiques	Miscellaneous Artifacts	Orrery	
	£'000	£'000	£'000	£'000
Cost or Valuation				
1st April 2014	216	193	20	429
Additions in year				0
Disposals in Year				0
31st March 2015	216	193	20	429
Additions in year				0
Disposals in Year				0
31st March 2016	216	193	20	429

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

a. Antiques

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

b. **Miscellaneous Artefacts**

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

Valuations were undertaken in January 2008 for insurance purposes by Anthony Marriott, Fine Art Consultant & Valuer.

c. Orrery

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

d. Historic

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

St Leonard Priory, Stamford	12th Century Priory, listed ancient monument
Conduit, Grantham	16th Century Well Head
St Wulfram's War Memorial, Grantham	World War 1 memorial
Dysart Park Band Stand, Grantham	Victorian wrought iron band stand
Wyndham Park Shelter, Grantham	World War 1 memorial shelter

Currently the Council has no intangible Heritage Assets

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

47. INVESTMENTS

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

2014/15 £'000	Non-Current Investments	2015/16 £'000
-	Balance at start of year	4,000
4,000	Investments made during year	5,000
-	Investments redeemed during year	-
-	Transferred to Current Investments	(4,000)
4,000	Balance at end of year	**5,000**

Current investments are held for periods less than one year.

2014/15 £'000	Current Investments	2015/16 £'000
18,076	Balance at start of year	29,136
31,000	Investments made during year	38,000
(20,076)	Investments redeemed during year	(34,136)
-	Transferred from Non-Current Investments	4000
136	Accrued interest at end of year	305
29,136	Balance at end of year	**37,305**

48. CASH FLOW STATEMENT

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

2014/15 £'000		2015/16 £'000
5,676	Depreciation	6,097
766	Impairment & downward valuations	(551)
53	Amortisation	100
200	Increase/(Decrease) in impairment for bad debts	248
3,728	Increase/(Decrease) in Creditors	(4,226)
(187)	(Increase)/Decrease in Debtors	(652)
8	(Increase)/Decrease in Stock	16
1,920	Movement in pension liability	2,444
2,093	Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	2,267
1,019	Other non-cash items charged to the net surplus or deficit on the provision of services	84
15,276		**5,827**

HOUSING REVENUE ACCOUNT

INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2016

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.

2014/15 £'000 Original		2015/16 £'000
	Income	
	Gross Rental Income	
(24,745)	- Dwelling Rents	(25,600)
(289)	- Non-Dwelling Rents	(297)
(585)	Charges for Services and Facilities	(587)
(491)	Other Income	(325)
(26,110)	**Total Income**	**(26,809)**
	Expenditure	
7,912	Repairs and Maintenance	7,549
4,165	Supervision and Management	3,542
	Rent, rates, taxes and other charges	47
66	Increase/(Decrease) in Prov'n for Doubtful Debts	41
3,726	Depreciation and impairment of Non-Current Assets	1,556
36	Debt Management Costs	34
15,905		**12,769**
(10,205)	**Net Cost of HRA Services**	**(14,040)**
341	HRA share of Corporate and Democratic Core	359
(9,864)	**Net Cost of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement**	**(13,681)**
(511)	(Gain)/loss on sale of HRA assets	(1,140)
686	Contribution Housing Captial Receipts to the Pool	850
(35)	Other Operating Income	0
3,331	Interest payable and similar charges	3,183
(176)	Interest and Investment Income	(222)
	Investment Property Income and Expenditure	119
454	Pension Interest Costs and Expected Return on Assets	396
(6,115)	**(Surplus)/Deficit for the year on HRA**	**(10,495)**

MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT

2014/15 £'000		Note	2015/16 £'000
(7,145)	Balance on the HRA at the end of the previous year		(4,783)
(6,115)	(Surplus)/Deficit for the year on the HRA Income & Expenditure Statement		(10,495)
1,261	Adjustments between Accounting Basis and Funding Basis under statute	8	3,688
(4,854)	**Net (increase) or decrease before transfers to or from reserves**		**(6,807)**
7,216	Transfers to or (from) reserves	9	6,767
(4,783)	Balance on HRA at the end of the current year		**(4,823)**

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 6,163 dwellings during 2015/16. The housing stock and changes during the year are as follows:

	At 1st April 2015	Additions	Disposals /Sales	At 31st March 2016
Rentable Stock				
- Houses	3,352	12	35	3,329
- Bungalows	1,512		5	1,507
- Flats	1,284	9	1	1,292
Shared Ownership	25			25
Total	**6,173**	**21**	**41**	**6,153**

2. LAND HOUSES AND OTHER PROPERTY

Analysis of Housing Fixed Assets

	Operational Assets			Operation al Assets		
	Dwellings	Other Land a Buildings	Vehicles, Pla Equipment	Investment Properties	Assets Und Constructio	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation at 1 April 2015 *	177,828	3,066	1,197	551	1,799	184,441
Additions	5,518		15			5,533
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(938)	69				(869)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on Provision of Services	(926)	106		(137)		(957)
Derecognition - Disposals	(1,282)	(2)	(23)			(1,307)
Assets reclassified to/from Held for Sale	(416)					(416)
Assets reclassified (to)/from Assets Under Construction	1,534				(1,534)	0
Gross Book Value as at 31/3/2016	181,318	3,239	1,189	414	265	186,425
Depreciation & Impairments						
At 1 April 2015 *	(2,493)	(117)	(776)	0	0	(3,386)
Depreciation charge	(2,552)	(139)	(93)			(2,784)
Depreciation written out to the revaluation reserve	69	83				152
Depreciation written out to the CI&E	7,117	32				7,149
Impairment losses/(reversals) recognised in the Revaluation Reserve	-					0
Impairment losses/(reversals) recognised in the Surplus/Deficit on Provision of Services	(4,694)					(4,694)
Derecognition - Disposals	0		17			17
Other movements in Depreciation &						0
At 31 March 2016	(2,553)	(141)	(852)	0	0	(3,546)
Balance Sheet Amount at 31 March 2016	**178,765**	**3,098**	**337**	**414**	**265**	**182,879**
Balance Sheet Amount at 31 March 2015	**175,335**	**2,949**	**421**	**551**	**1,799**	**181,055**

* Opening gross book value and opening depreciation balances have been restated. See Note 15 Property Plant & Equipment for details

The vacant possession value of dwellings at 31 March 2016 was £534.119m (£517.405m at 1 April 2014). 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 2016 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.

2014/15 £'000		2015/16 £'000
2,732	Depreciation	2,784
(3,660)	Revaluation Loss/(Gain)	(5,704)
4,763	Impairment Losses	4,694
3,835		**1,774**

4. MAJOR REPAIRS RESERVE

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

2014/15 £'000		2015/16 £'000
4,281	Opening balance on the Major Repairs Reserve	5,384
	Transfer to/ (from) the Major Repairs Reserve	
2,499	Capital Adjustment Account	2,552
3,424	Shortfall of depreciation on dwellings over Major Repairs Allowance	3,565
(4,820)	Financing of Capital Expenditure	(4,726)
5,384	**Closing balance on the Major Repairs Reserve**	**6,775**

5. FINANCING CAPITAL EXPENDITURE

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

2014/15 £'000		2015/16 £'000
	Expenditure	
5,502	- Council Dwellings	5,518
-	- Intangibles	32
-	- Plant and Equipment	15
1,476	- Assets Under Construction	0
6,978	**Total**	**5,565**
	Financed from:	
4,820	- Major Repairs Reserve	4,726
2,000	- Capital Receipts	839
158	- Revenue Contributions	
6,978		**5,565**

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	4		4
Sale of Vehicles	8		8
Sale of Council Dwellings	2,490	(849)	1,641
Repayment of discounts			0
Mortgage Repayments	5	(1)	4
Total	**2,507**	**(850)**	**1,657**

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.

Housing Revenue Account Pension Cost

2014/15 £'000 Original		2015/16 £'000
	Net Cost of Services	
660	- Current Service Cost	758
	Net Operating Expenditure	
459	- Interest Cost	396
1,119		1,154
	Statement of Movement of the Housing Revenue Balance	
(1,119)	- Reversal of net charges made for retirement benefits in accordance with IAS19	(1,154)
	Actual amount charged to revenue accounts for Pensions in the year	
660	- Employers' contributions payable to the scheme	563

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

2014/15	Movement on the Housing Revenue Account Statement	2015/16
£'000		£'000
	Adjustments between Accounting and Funding Basis:	
(1,119)	IAS 19	(1,154)
660	- Pension Costs Charged to Rent Income	563
(4,763)	- Non-Enhancing Capital Expenditure	(4,694)
3,222	Capital Expenditure	3,222
511	Gains/losses on disposal of non current assets	1,140
3,660	Revaluation gains/(losses) on PPE	5,704
(686)	Payments to Housing Capital Receipts Pool	(850)
(233)	Depreciation of non-current assets	(243)
9	Accrued Employee Benefits	-
1,261		**3,688**
	Transfers to/from Earmarked Reserves:	
(1)	- Insurance Surplus	(50)
3,758	- Transfers to/(from) reserves	3,252
3,424	- Transfers to/ (from) Major Repairs	3,565
35	- Transfer to Unapplied Capital Receipts	-
7,216		**6,767**

9. RENT ARREARS

An analysis of rent arrears is shown below:

At 31st March 2015		At 31st March 2016
£'000		£'000
299	Current Tenants	740
354	Former Tenants	194
653	**Gross Rent Arrears**	**934**
(487)	**Bad Debt Provision**	**(527)**

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 2015/16 average rents increased by 3.56% (a maximum increase of 2.2% plus £2 for individual cases). The figure within the HRA statement is the total rent collectable after an allowance has been made for empty properties where no rent is being charged.

- Non-dwelling rents. This is comprised of plots, garages, HRA shops and wayleaves. Rent on garages and plots were increased by 2.3% for 2015/16.

- 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 2.3% for 2015/16

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

11. EXPENDITURE

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

Repairs and Maintenance	Original Budget	Revised Budget	Actuals
	2015/16	2015/16	2015/16
	£	£	£
Expenditure	8,034,614	8,218,440	7,549,113
Number of Properties (as at 1 April 2015)	6,148	6,148	6,148
Average cost per dwelling	£1,306.87	£1,336.77	£1,227.90

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 2015/16 £	Revised Budget 2015/16 £	Actuals 2015/16 £
Expenditure	2,564,589	2,472,805	2,535,371
Number of Properties (as at 1 April 2015)	6,148	6,148	6,148
Average cost per dwelling	£417.14	£402.21	£412.39

(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.

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COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2016

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.

2014/15 £'000		Note	2015/16 £'000
	Income		
63,905	Council Tax		65,894
38,623	Business Ratepayers		38,176
102,528			**104,070**
	Expenditure		
	Precepts and demands		
62,263	Council Tax	3	65,128
39,483	Business Rates	3	39,845
101,746			104,973
167	Transitional Protection Payment : Business Rates		179
	Impairments of debts		
86	Council Tax	4	(28)
811	Business Rates	4	651
897			623
180	Cost of Collection charged to General Fund for Business Rates		196
	Contributions towards previous years' estimated Collection Fund Surplus		
181	Council Tax	5	1,629
172	Business Rates	5	(780)
353			849
103,343			**106,820**
	Movement of the Fund		
120	Opening fund balance	5	(694)
(814)	Movement on Fund	5	(2,751)
(694)	Surplus/ (Deficit) Closing Fund Balance	5	**(3,445)**
	Allocation of Surplus/ (Deficit)		
(1,070)	Central Government	5	(2,028)
865	Lincolnshire County Council	5	50
197	Lincolnshire Police & Crime Commissioner	5	83
(686)	South Kesteven District Council	5	(1,550)
(694)			**(3,445)**

NOTES TO THE COLLECTION FUND

1. COUNCIL TAX

Council Tax income derives from charges raised according to the value of residential properties that have been classified into eight Valuation Bands (A to H). Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Lincolnshire County Council, Office of the Police and Crime Commissioner for Lincolnshire and South Kesteven District Council together with each parish requirement and dividing this by the Council Tax base i.e. the number of properties in each valuation band converted to an equivalent number of band D dwellings and adjusted for discounts.

The Council Tax base was calculated as follows:

Band	Estimated No. of Taxable Properties After Effect of Discounts	Ratio	Band D Equivalent Dwellings
A	11,899.10	6/9	7,932.7
B	11,186.49	7/9	8,700.6
C	9,475.60	8/9	8,422.8
D	8,004.52	9/9	8,004.5
E	4,981.97	11/9	6,089.1
F	2,585.01	13/9	3,733.9
G	1,003.03	15/9	1,671.7
H	64.85	18/9	129.7
Band A entitled to Disabled Relief Reduction	20.10	5/9	11.2
			44,696.2
Ministry of Defence Properties			57.0
Council Tax Base			**44,753.2**

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 2015/16 there are two multipliers, the small business non-domestic rating multiplier of 48.0p and the non-domestic rating multiplier of 49.3p.

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 2016 was £101.076m (31 March 2015 £100.872m).

3. PRECEPTS AND DEMANDS

2014/15 £'000 Council Tax	2014/15 £'000 Business Rates	2014/15 £'000 Total		2015/16 £'000 Council Tax	2015/16 £'000 Business Rates	2015/16 £'000 Total
-	19,742	19,742	Central Government	-	19,901	19,901
46,381	3,948	50,329	Lincolnshire County Council	48,599	3,980	52,579
8,437	-	8,437	Lincs Police & Crime Commissioner	8,845	-	8,845
7,445	15,793	23,238	South Kesteven District Council	7,684	15,964	23,648
62,263	**39,483**	**101,746**		**65,128**	**39,845**	**104,973**

4. IMPAIRMENTS OF DEBTS

2014/15 £'000		2015/16 £'000
	Council Tax	
116	Write Offs	(214)
(30)	Allowance for impairment	186
86		**(28)**
	Business Rates	
273	Write Offs	(269)
(125)	Allowance for impairment - debts	394
663	Allowance for impairment - appeals	526
811		**651**

5. COLLECTION FUND

2014/15				2015/16		
£'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	Central Government	0	(390)	(390)
134	17	151	Lincolnshire County Council	1213	(78)	1,135
25	-	25	Lincs Police & Crime Commissioner	221	(312)	(91)
22	69	91	South Kesteven District Council	195	0	195
181	**172**	**353**		**1,629**	**(780)**	**849**
71	49	120	Opening Fund Balance	1,446	(2,140)	(694)
1,375	(2,189)	(814)	Movement in Year	(835)	(1,916)	(2,751)
1,446	**(2,140)**	**(694)**	Closing Fund Balance	**611**	**(4,056)**	**(3,445)**
			Allocations			
-	(1,070)	(1,070)	Central Government	-	(2,028)	(2,028)
1079	(214)	865	Lincolnshire County Council	456	(406)	50
197	-	197	Lincs Police & Crime Commissioner	83	-	83
170	(856)	(686)	South Kesteven District Council	72	(1,622)	(1,550)
1,446	**(2,140)**	**(694)**		**611**	**(4,056)**	**(3,445)**

Annual Governance Statement 2015/2016

Introduction

South Kesteven District Council is committed to improving the lives of local people and creating opportunities and prosperity for residents and businesses.

This ambition is supported by our Corporate Plan and the key principles of being open for business and being commercial and customer focussed.

Good governance and financial arrangements will give us a solid foundation on which to build our programmes of work and services and to deliver against the aspirations of this council and its residents.

This Annual Governance Statement covers all significant corporate systems, processes and controls spanning the whole range of the Council's activities. It provides an overview of the Council's key governance systems and explains how they are tested and the assurances that can be relied on to show that the systems are working effectively.

This statement explains how the Council has complied with the Code of Corporate Governance, and the core governance principles, and builds on the work 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.

Making sure we continue to deliver

Our vision is to make South Kesteven a destination of choice where everyone has a good quality of life. Like all local authorities we have been affected by large reductions in central government funding and we have responded with a Fit for the Future programme which will allow us to continue to serve local people with services that they value.

We have talked to residents who have told us what they want us to concentrate on and this has confirmed that they agree with our priorities of Growth, Culture, Environment and Housing.

We are also changing the way that we work and one of the major achievements has been the re-launch of our website which is now far more transactional than it used to be and it allows people to do business with us when they want to and not simply during office hours.

We are continually looking at how we can work with our customers in the way they want to work with us and we are also making much better use of our assets particularly office accommodation, therefore creating new income streams.

We are harnessing new technology to enable staff to carry out their duties in our 365 square mile district with much greater efficiency.

We have made great strides but we also know there is much more to be done if we are to be self sufficient by our target date of 2019. Progress is being monitored by the Executive, the Wider Management Cohort and the Strategic Management Team when key performance is measured. This provides leadership, direction and management of the Council's overall performance ensuring momentum of key projects and reviews of strategic measures.

Governance arrangements have been developed to ensure that the necessary controls and assurance processes are in place to support the successful delivery of the programme. The Programme and Performance Management Team provide monitoring, control and reporting across the programmes of activity and also supports managers and leading officers with training and project management tools, techniques and performance management advice.

The Annual Report for 2015/16 provides an overall view of performance. Feedback on the report is welcomed.

A summary of the accounts is also available on request.

Consultation and communication

As a Council we want to ensure that local people, businesses and other stakeholders are included and involved in the decisions that we make. This is achieved in a variety of different ways.

We manage and maintain a Citizens' Panel of around 1,000 local people and have used it to find out what residents think of a number of different issues – panel members have been asked what their priorities are and also what they think of the market in Grantham. The people on our panel have been chosen to reflect the demographic characteristics of our area in terms of age, gender, ethnicity, disability and geography. This means that the panel's views will be representative of the district as a whole and they are used to help inform the decisions that our councillors make on a range of issues.

We also undertake a number of service specific consultations. These vary year on year according to need and can include asking people what they think of strategies, development plans or changes to services.

Consultations during 2015/16

local people and businesses were asked about:

- Development planned for Trent Road, Grantham
- Economic Development Strategy
- Council Tax levels for 2016/17
- Development planned for Westry Close, Barrowby
- Levels of air quality
- Wyndham Park, Grantham

Over 1,800 properties were contacted by post about the development planned for Trent Road, Grantham during November 2015 and invited to either attend a drop in on or complete a survey either by post or on line. Their feedback was used to prepare a statement of community involvement which was submitted with the developer's planning application.

Local people and businesses were consulted on the new Economic Development Strategy. They were asked if they supported each of the strategy themes and what they thought we should be concentrating on under each of those themes.

Over 230 people told us what they thought of Wyndham Park last summer. This gave us valuable baseline data for the park's Heritage Lottery Fund bid. Further consultation is planned to measure the impact and effect of the bid should we be successful in our application.

The Council uses social media channels to communicate information and promote ongoing consultations. Facebook has been used to encourage people in the local area to participate in consultations and the Council is looking at innovative ways of explaining and promoting more difficult concepts using a flexible animation software package.

The services provided going forward will be delivered against a backdrop of increasing demand and unprecedented financial challenges. In this environment, the case for intelligence-led decision making that includes local people and other stakeholders becomes even more important.

The Council wants to ensure that the people who live in the district are kept up to date. A number of publications are produced including:

- SK today – Sent to over 60,000 households four times a year
- Skyline – Sent to around 6,000 tenants twice a year
- Parish Update – Sent to all town and parish councils quarterly

We organise and promote a number of events including the Gravity Fields and Georgian Festivals, the Aviation Heritage Trail and Enterprise week. Other events attended or organised to promote the area include the British Travel and Tourism Show and the Taste of Stamford Lunch.

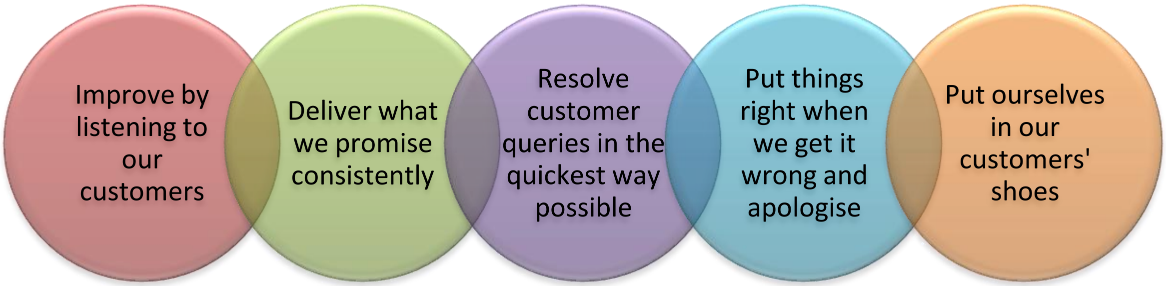
Social Media

channels are used to respond to enquiries and disseminate information. Current user numbers are:

4,636 1,139

Measuring the quality of services for users

The Council has continued to redesign and improve service provision to enable more choice, support the vulnerable and maintain excellent levels of customer service. Our website has been redesigned which will enable customers to transact online at a time which is convenient to them. It links seamlessly with smarter technologies that make it easier to do business with us electronically and allows individuals to track the progress of their transaction through a personal account. Customer feedback is helping to shape the way that things are done and the Council are creating a single customer view so that the information customers need is held in one place. This, together with a smarter approach, is enabling a more efficient organisation.



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.

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 the corporate governance 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.

CIPFA/SOLACE published a new governance framework in April 2016 and the Council will review their Local Code of Corporate Governance during 2016-17 in accordance with the revised framework.

The Governance Framework shown below has been in place throughout the financial year which ended on 31 March 2016 and continues to be in place up to the date of the approval of the Statement of Accounts.

CODE OF CORPORATE GOVERNANCE

Assurance Required Upon

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

Source of Assurance

- Constitution, Scheme of Delegation, financial procedures and procurement rules
- Council, Executive and Committees including Governance & Audit and Scrutiny
- Medium Term Financial Strategy
- Human resources policies and procedures
- Whistleblowing and counter fraud procedures
- Risk management and internal control frameworks
- Performance management framework
- Partnerships governance arrangements
- Codes of Conduct
- Strategic Management Team
- Assurance Statements

Assurances Received

- Statement of Accounts
- External and internal audit reports
- Independent and external sources
- Local Government Ombudsman reports
- Scrutiny reviews
- Reviews by Policy Development Groups and Governance & Audit Committee
- Member/Officer working groups
- Customer feedback

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 – Corporate Focus is the designated CFO. As a professionally qualified accountant and a member of the Chief Executive's Strategic Management Team the CFO 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 – Corporate Focus and Corporate Finance Manager have been involved 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 on health and safety and business continuity.

At the meeting of Council in April 2016, 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 2015/16. 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 2016/17 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 (RSM) and external auditors (KPMG).

Internal audit

The Council's internal auditors, RSM, are required to provide an opinion on the overall adequacy and effectiveness of the Council's risk management, governance and internal control arrangements. RSM reported that "The Council has an adequate and effective framework for risk management, governance and internal control."

With regard to internal control, 18 reviews were undertaken during 2015/16, plus three follow-up and one advisory reviews. The 18 reviews resulted in an assurance opinion summarised overleaf.

0 limited assurance	0 some assurance	5 reasonable assurance	13 substantial assurance

For the 12 months ended 31 March 2016, based on the work undertaken, internal audit's opinion below details the adequacy and effectiveness of the Council's risk management, governance and internal control.

Head of internal audit opinion 2015/2016

The Council has an adequate and effective framework for risk management, governance and internal control.

However, our work has identified further enhancements to the framework of internal control to ensure that it remains adequate and effective.

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

Internal audit practice is assessed against the Public Sector Internal Audit Standards (PSIAS) which includes the requirement of an Internal Audit Charter. The charter establishes the purpose, authority and responsibilities for the internal audit service. The standards are intended to promote further improvement in the professionalism, quality and effectiveness of internal audit across the public sector. Compliance to the standards was reported to the Governance and Audit Committee in March 2016 as part of the Annual Audit Plan.

Following a procurement exercise in autumn 2015 the Council appointed RSM as their internal auditors for a period of five years.

External audit

The External Auditor, in the 2014/15 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 2014/15 on 28 September 2015. 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 desire to develop a risk appetite that promotes innovation and allows new ideas to be explored. Risk management is an integral part of the corporate, service and budget planning process. The current Risk Management Framework was approved by Governance and Audit Committee in September 2015.

The Council's Corporate Risk Register was reviewed quarterly by Strategic Management Team and reported to Governance and Audit Committee twice during the year. The register underwent a fundamental review in March 2016. The review focused on removing specifically described corporate risks and exchanging them for broader headings that will have a longer term time line.

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 2015/16.

Managing the risk of fraud

In accordance with the Counter Fraud Strategy, 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.

CIPA published a new Code of Practice on Managing the Risk of Fraud and Corruption in April 2015 and the Council's Counter Fraud Strategy has been reviewed and updated to reflect this. This was approved by Governance and Audit Committee in March 2016.

There is a whistleblowing policy, which is part of the Counter Fraud Strategy, that 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 and email that allows people to raise concerns about wrong doing.

Whistleblowing Hotline: 0800 0853716 email: whistleblowing@lincolnshire.gov.uk

Due to the nature of whistleblowing 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.

The Council, along with the other authorities within Lincolnshire, are part of the Lincolnshire Counter Fraud Partnership which was established in April 2015 to create the framework for a county-wide anti-fraud approach. It provides a forum for counter fraud specialists and subject area experts from Lincolnshire County Council and the seven district councils to develop and deliver proactive exercises and investigate fraud.

The key aims of the Group are to:

- deliver joint fraud proactive exercises across Lincolnshire
- deliver savings and achieve outcomes which will reduce fraud within the county
- develop and deliver an effective co-ordinated fraud awareness programme
- share intelligence, investigative resource, expertise and best practice

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 External Auditor 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	• approve Constitution including Codes of Conduct • approve the Corporate Plan • approve the budget and policy framework
Executive	• priority setting in line with the Council's vision and recommend budget proposals to underpin delivery • financial, performance, risk management of service delivery within budget and policy framework set by Council • hold at least monthly public meetings and undertake monthly briefings and development days
Governance & Audit Committee	• review Financial Regulations and Contract Procedure Rules • scrutinise and approve the Financial Statements on behalf of the Council • review and scrutinise the governance arrangements including internal and external audit reports • review the arrangements for managing risk including Health and Safety and Business Continuity
Scrutiny Committee	• provide a *critical friend* challenge to the Executive as well as external authorities and agencies • reflect the voice and concerns of the public and its communities
Strategic Director	• oversee financial strategy and operations • oversee the governance and control environment of the Council
Internal Audit	• set overall internal audit strategy to meet the Council's overall strategic direction • undertake an annual programme of audits and present progress reports against the plan • make recommendations for improvement in systems and controls and value for money
Strategic Management Team	• 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	• quarterly Business Manager meetings to review governance, business risks, internal audit, counter fraud, insurance and business continuity
Executive Managers & Business Managers	• complete quarterly Assurance Statements covering all areas of governance • contribute to the effective corporate management and governance of the Council

Significant governance issues

For the financial year 2015/2016 there has been no significant governance issues identified by audit and ourselves. However we continue to enhance and improve our governance arrangements and these are listed in the table below:

Key area of focus
Continue to review and implement savings, efficiency and change programmes and ensure the Medium Term Financial Strategy reflects the financial climate and supports the delivery of the Council's ambitions
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"
Undertake the Counter Fraud Assessment Tool to assist with the measurement of our counter fraud arrangements against the 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 we will further enhance our governance arrangements.

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 2016 on pages 15 to 104. 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 2015/16.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the members of the Authority, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

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 the financial statements 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 Narrative Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2016 and of the Authority's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

Matters on which we are required to report by exception

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

- the Annual Governance Statement set out on pages 105 to 115 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 Narrative Report 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 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of, the audit; or
- any recommendations have been made under Section 24 of the Local Audit and Accountability Act 2014; or
- any other special powers of the auditor have been exercised under the Local Audit and Accountability Act 2014.

We have nothing to report in respect of these matters.

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

Authority's responsibilities

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

Auditor's responsibilities

We are required under Section 20(1) (c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Comptroller and Auditor General (C&AG) requires us to report to you our conclusion relating to proper arrangements.

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 review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by C&AG in November 2015, as to whether South Kesteven District Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The C&AG determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether South Kesteven District Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

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, South Kesteven District Council 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 issued by the C&AG in November 2015, we are satisfied that, in all significant respects, South Kesteven District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

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 Local Audit and Accountability Act 2014 and the Code of Audit Practice.

John Cornett
Director

for and on behalf of KPMG LLP, Appointed Auditor

Chartered Accountants

Director
KPMG LLP (UK)
St Nicholas House
31 Park Row
Nottingham
NG1 6FQ

29th September 2016

GLOSSARY OF TERMS

Accounting Period

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

Accounting Policies

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

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

Accrual Concept

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

Actuarial Gains and Losses

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

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

(b) the actuarial assumptions have changed

Amortisation

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

Annual Governance Statement

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

Asset

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

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

Audit of Accounts

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

Bad Debt Provision

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

Balance Sheet

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

Budget

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

CAA

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

Capital Charges

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

Capital Expenditure

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

Capital Receipts

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

Carrying Amount

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

Cash Flow Statement

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

Certificate of Deposit

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

CIES

Comprehensive Income & Expenditure Statement

CIPFA

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

Code (the)

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

Collection Fund

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

Community Assets

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

Current Service Cost

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

Curtailment

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

Contingent Liabilities

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

Council Tax

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

Creditors

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

Current Liabilities

Amounts payable that become due during the next financial year.

DCLG

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

Debtors

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

Deferred Charges

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

Deferred Credits

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

Depreciation

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

Emoluments

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

Earmarked Reserves

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

Expected Rate of Return

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

Explanatory Foreword

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

Finance Leases

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

Financial Year

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

FRS

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

General Fund

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

Government Grants

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

Housing Benefits

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

Housing Revenue Account (HRA)

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

Joint Operation

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

IAS

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

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

Income

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

Impairment Losses

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

Intangible Assets

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

Interest on Pension Scheme Liabilities

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

Investments

Cash deposits with approved institutions.

Key Prudential Indicator

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

Liability

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

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

Long Term Debtor

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

Materiality

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

Minimum Revenue Provision

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

MIRS

Movement in Reserves Statement

MRA

Major Repairs Allowance.

MRR

Major Repairs Reserve

Net Book Value (NBV)

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

Non Distributed Costs

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

Non Domestic Rates

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

Non-Exchange Transactions

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

Non-Operational Assets

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

Operational Assets

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

Operating Leases

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

Past Service Cost

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

Pension Fund

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

Performance Management

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

PPE

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

Precepts

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

Provisions

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

PWLB

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

Related Party Transactions

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

Reserves

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

Revaluation Reserve

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

Revenue Expenditure

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

Revenue Expenditure Funded from Capital Under Statute

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

Revenue Support Grant

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

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.