Statement of accounts
2018/19

SOUTH KESTEVEN DISTRICT COUNCIL

C O N T E N T S

Narrative Report

Introduction

The Statement of Accounts for the year ended 31 March 2019 has been prepared in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA).

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

- Understand the financial position and outturn for 2018/19
- Have confidence that public money has been accounted for in an appropriate manner
- Be assured that the financial position of the Council is sound and secure

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

An Introduction to South Kesteven District Council

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

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

Information about the Council

Political Structure

During the financial year of reporting the Council had 56 Member wards of the District which were represented as follows: there were 42 Conservative, 6 Independent, 3 Labour, 4 SK Independent and 1 Unaligned. Following the local election held on 2 May 2019 the political composition changed to 40 Conservative, 11 Independent, 2 Labour and Co-operative, 2 Liberal Democrat and 1 Labour.

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

The Cabinet is chaired by the Leader of the Council with each member of the Cabinet being allocated a portfolio, or area of the Council's business, through the Leader's Scheme of Delegation. The Cabinet has executive decision making powers and meets on a monthly basis.

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

Services Provided by the Council

SKDC is an increasingly outward looking Council that is keen to engage and partner with external organisations. It provides a range of services to the population of approximately 140,200 residents which includes:

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

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

THE COUNCIL'S VISION PRIORITIES AND OUTCOMES

Corporate Strategy and Financial Environment

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

The current Corporate Strategy sets out the vision for the Council and seeks to serve the best interests of its residents focussing on creating communities where people want to live, work and invest. In 2018, the Council launched an ambitious £40m investment programme across five broad areas: commercial; arts and heritage; leisure and visitor economy; retail and markets; public realm and living; gateways and transport; and skills. This is being delivered through an equally ambitious programme of transformation and modernisation of the Council with the aim of reducing operating costs and increasing income streams over the medium term. The five main transformation themes are intelligent automation, digitisation, predictive analytics, operational improvements and service reviews. To achieve, this a different way of working is being adopted with the focus on growth, agility and competitiveness. The principle objective being to ensure that the Council is financially autonomous by 2025 as set out in the Corporate Strategy.

Financial planning remains difficult with continued austerity and uncertainty surrounding the future funding arrangements. Government support for the economy means that there continues to be significant reductions in funding across the public sector and this looks set to continue in the medium term in order to reduce the level of government debt. In addition, the Government has yet to conclude the findings of the fair funding review and the re-setting of the business rates funding methodology, both of which were launched in 2018. The fair funding review is intended to fundamentally challenge the current complex formula driven funding allocation to local authorities and replace it with a simplified, more transparent formula.

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

Governance and Risk

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

The Council has an effective risk and performance management framework which is embedded across all areas of business activity. This includes financial risk. Risk registers are maintained at a corporate and service area level. Corporate risks are reported to the Corporate Management Team and to the Governance and Audit Committee biannually. We have focussed performance management arrangements which enables effective monitoring, control and reporting across the programmes of activity and also supports managers and leading officers with training and project management tools, techniques and performance management advice. In accordance with the Local Government Transparency Code we publish how we spend our money, how we use our assets, how we make decisions and have regard to issues important to local people.

The Council’s internal auditors completed a review of Corporate Governance during the year and concluded that “the organisation has an adequate and effective framework for risk management, governance and internal control”. However, enhancements are being introduced to further improve and strengthen governance and the Council’s overall control framework.

The Council also has in place a comprehensive Counter Fraud Strategy, which also deals with the risk from cyber fraud.

Financial Risk

Given the national and local context, financial management and budget preparation carries significant risk, particularly in the medium term. In view of this, the latest forecasting and financial modelling techniques are used throughout the year in order to assess, anticipate and respond to ongoing uncertainty and volatility. Robust governance arrangements, including effective planning and project management have been put in place and these are integral to the budget framework due to the need to deliver the Council’s transformation programme in a timely manner, whilst maintaining a balanced financial position. Accordingly, resources have been incorporated into the budget to ensure there is sufficient capacity to drive forward the changes and initiatives in order to deliver significant savings over the medium term. In addition, the Council has discretionary earmarked reserves in place that can be called upon if necessary. Currently, these are above the average level compared to other authorities of similar size and structure.

Key Outcomes for 2018/19

Growth

A key element of the Council’s major investment programme across the district is helping to grow the local economy. Accordingly, the Council has set out ambitious plans that will grow the economy by a further £1.2 billion. This programme includes a range of projects from the creation of office space to the building of new leisure centres and a cinema complex to supporting arts, culture and heritage as part of a comprehensive place-making initiative.

During the year, DeliverSK was launched as an emerging joint venture partnership with an international investment company with the aim of creating a pipeline of development and regeneration projects and take them from concept to completion. It will enable the Council to deliver projects more rapidly and, through a more commercially oriented approach, bring in more investment into the district.

InvestSK, the economic arm of the Council and funded by the authority, continues to operates as a 'one stop shop' for local businesses offering the advice and support they need to stay, grow and thrive in South Kesteven. Also, to attract inward investment. The company has driven economic, social and cultural growth in many areas, including skills development, developing creative talent, market town enhancements, visitor economy, arts and leisure, heritage regeneration and place making, including the rural economy.

Leisure, Arts and Culture

During the year, plans for new and enhanced leisure facilities across the Council were set up, together with new initiatives for tourism. The Council has also introduced a new Cultural Strategy.

Work has continued on building the new Cinema Complex at St Peter's Hill, which is due to open in the summer

Housing

Gravitas, the Council's commercial property company, embarked on its first project with the start of a £3m development at Wherry's Lane, Bourne to provide 20 two-bedroom apartments and five three-bedroom town houses in the town centre. The Company is currently looking at a range of potential housing schemes and how these may be delivered, including the interaction with DeliverSK.

Environment

During the financial year, the Council brought in-house all grounds maintenance services previously provided by a private contractor. EnvironmentSK, a company wholly owned by the Council, was launched in March to provide an essential service while generating revenue to help pay for some of its key priorities. Council tax payers will benefit by seeing a more flexible service providing better value for money, which will also secure revenue to help continue providing other essential services for the local community.
The Council's Big Clean initiative is ongoing and specialist teams continue to establish and maintain a higher street standard for the district, tackling weeds and overgrown pavements, removing graffiti, repairing broken street furniture and cleaning street signs.

The Council has adopted the Joint Municipal Waste Management Strategy for Lincolnshire. More specifically, a food waste trial was conducted during the year - over four thousand homes across the district engaged in a twelve-month food waste recycling trial – the first in Lincolnshire – run by the Lincolnshire Waste Partnership and funded by Lincolnshire County Council. More than 85% of those invited to take part have collected over a thousand tonnes of food waste for processing into soil conditioner for farmers and electricity.

Consultation and Engagement

The Council carried out a number of consultations during 2018/19 including engagement with local businesses, residents and town and parish councils on the level of council tax to be set for the following year. Nearly 400 people responded and their feedback informed Cabinet's recommendation for a £5 a year increase, with the final decision approved by the Council in March 2019.

A residents survey was undertaken, asking residents for views of the local area, the Council and Value for Money, service satisfaction and usage. Just under 1,500 residents responded with around 75% supporting the Council's focus of providing homes and 98% supporting the improvement of surroundings. Private sector landlords were consulted on the Private Sector Housing Enforcement Policy in respect of where the policy might change including recovering the costs of enforcement, decisions over prosecution or to use civil penalties, or permission to set a civil penalty charging structure. Most landlords were in favour of the proposed changes to the policy.

Other Key Corporate Performance Measures

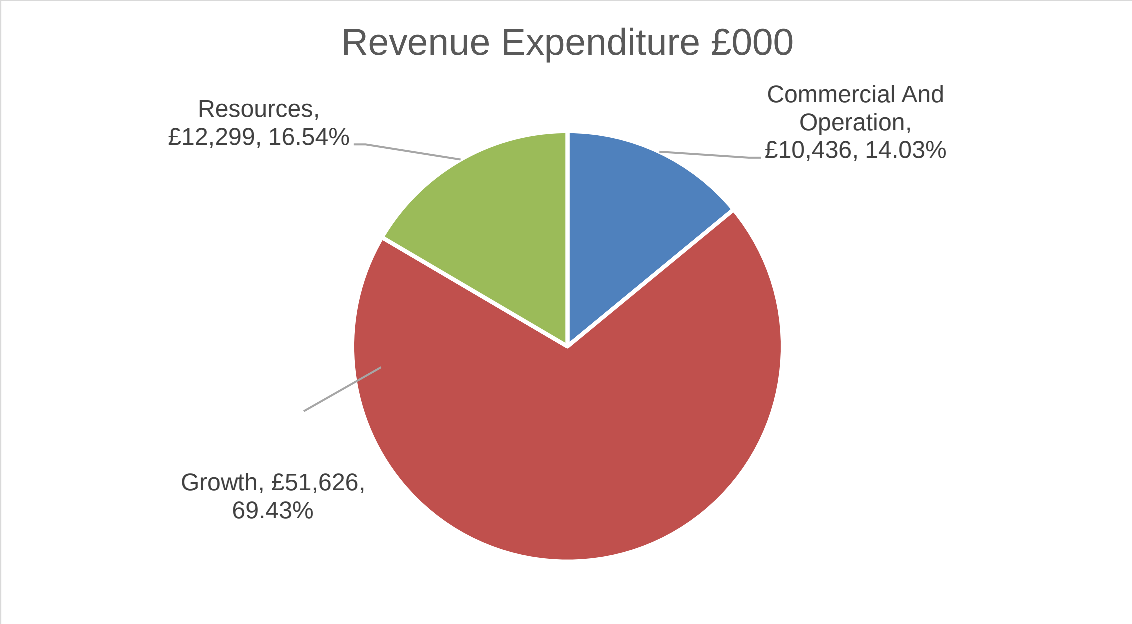
- The amounts collected from Council Tax 98.77% (2017/18 98.8%), Non-Domestic Rates 99.18% (2017/18 99.03%) and Housing Rent 98.17% (2016/17 98.5%) during the year remained at a high level.
- With the processing of planning applications, performance has consistently exceeded the target with 94% (2017/18 94%) of applications being approved.
- During the year, occupancy rates for retail premises continued achieving 98% against a target of 90% and this trend is expected to continue going forward. However, the position in Grantham remains challenging.
- Levels of recycling are following the falling national trend, 37% compared with 38.92% in 2017/18, but we are working with our Lincolnshire Waste Partnership authorities to improve this position. This involves the introduction of a food waste trial to approximately 5,000 properties along with associated education materials. This is designed to reduce contamination and boost the levels of waste recycled.

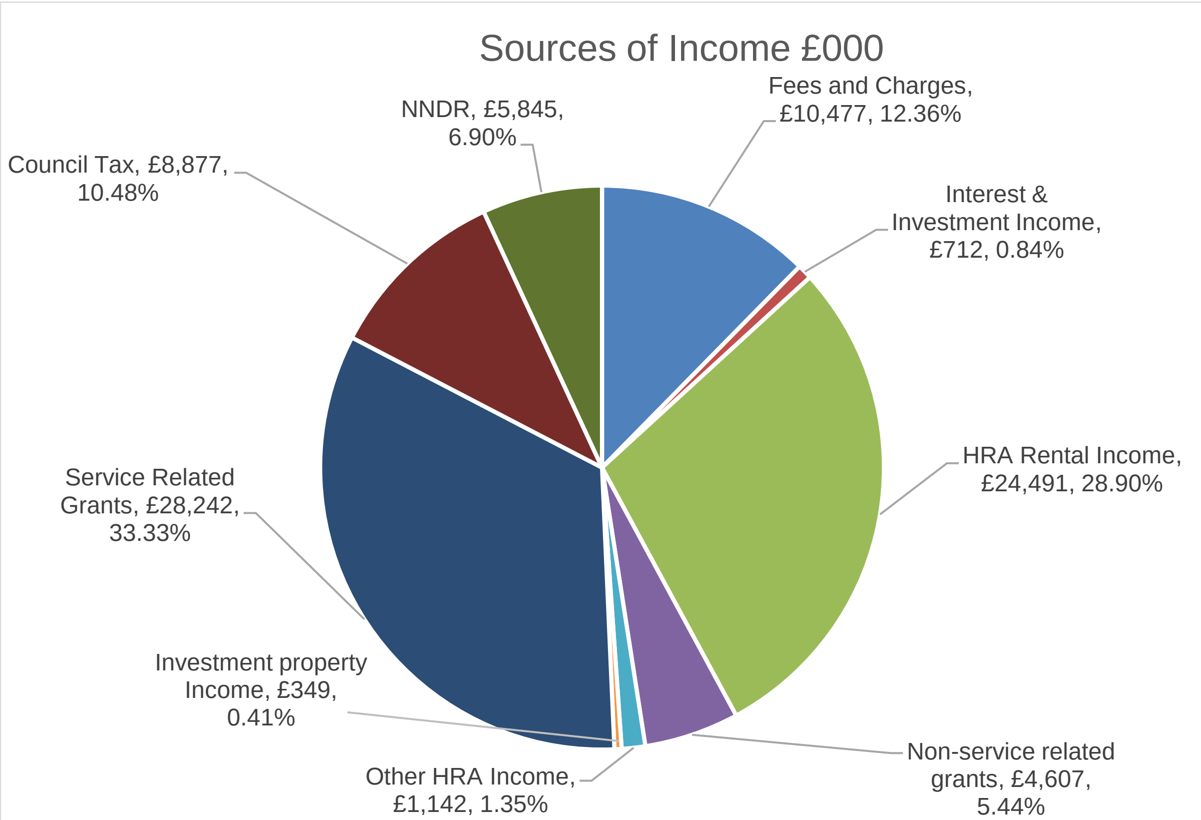
2018/19 FINANCIAL PERFORMANCE

Revenue Expenditure and Income

Revenue expenditure is generally on items that are consumed within a year and is financed by Council Tax, Government Grants, National Domestic Rates and other income. Gross Revenue expenditure in 2018/19 totalled £76.6m compared with £70.9m in 2017/18. The increase in expenditure in 2018/19 is mainly due to £4m of non-enhancing capital expenditure on Council Dwellings of £48.9m. This is a statutory accounting adjustment which has no impact on Council resources.

The following charts shows the directorate's in which money was spent during 2018/19 and the sources of funding which the Council received:





Revenue Budget

Each year the Council produces a 3 year budget which is approved by Full Council each March, this budget is then monitored and adjusted throughout the year to reflect where expenditure is expected to be incurred and as new priorities are approved. Table 1 shows the adjusted revenue budget compared with the actual net expenditure by directorate at 31 March 2019:

Table 1

Directorate	2018/19 Original Base £'000	2018/19 Adjusted Base £'000	2018/19 Draft Outturn £'000	2018/19 Variance (Adjusted) £'000
Commercial and Operations	6,296	6,468	6,532	64
Growth	6,544	7,177	6,944	(233)
Resources	4,321	5,857	5,161	(696)
Subtotal	**17,161**	**19,502**	**18,637**	**(865)**
Housing Revenue Account	(9,256)	(9,094)	(5,933)	3,161
Net Cost of Services Total	**7,905**	**10,408**	**12,704**	**2,296**
Internal Drainage* Board			(676)	
Trading Accounts*			238	
Interest*			3	
Adjusted Net Cost of Services Total			**12,269**	

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

General Fund Outturn

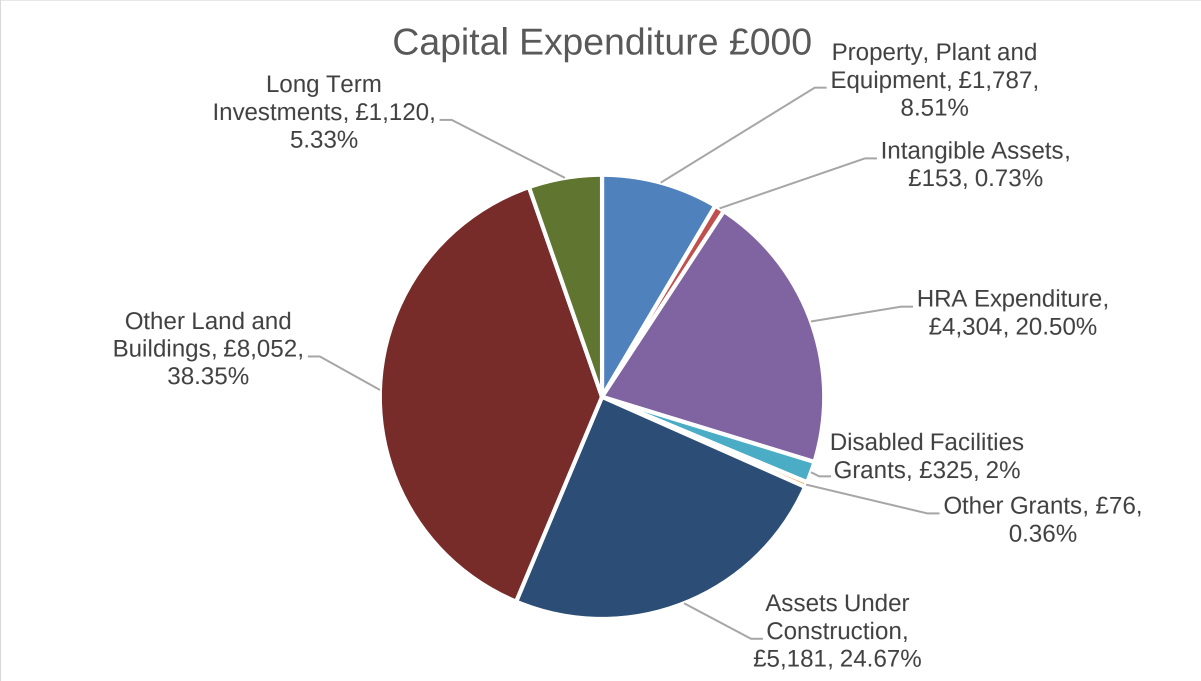
The outturn position shown at table 1 details a net underspend of £0.865m when compared with the adjusted budget. This underspend includes a number of statutory accounting adjustments which are reversed out to ensure there is no impact on the tax payer. There were also a number of grants received in 2018/19 which will be utilised in 2019/20. The outturn position following the removal of the accounting adjustments, budget carry forwards and grant income results in an overspend of £0.686m. There are a number of under and over spends which account for this variance which are detailed in the 2018/19 Capital and Revenue Outturn report.

Housing Revenue Account Outturn

The outturn position for the HRA shown at table 1 details an in year deficit of £3.161m (2017/18 £3.667m surplus) when compared with the adjusted budget. The difference between 2017/18 and 2018/19 mainly relates to a revaluation gain in 2017/18 of £9.6m compared with a reduced gain of only £2.5m, these gains are reversed using statutory accounting adjustments so there is no impact on Council resources. There are a number of under and over spends which account for this variance which are detailed in the 2018/19 Capital and Revenue Outturn report.

Capital Expenditure

Capital expenditure is defined as expenditure incurred on assets which have a life exceeding one year. The Council incurred expenditure totalling £20.998m in 2018/19 compared with £12.592m in 2017/18. This difference mainly relates to the investment in a strategic land acquisition in Stamford. The following chart details the capital expenditure incurred in 2018/19.



It can be seen from the chart that 38% of the capital expenditure was spent on other land and buildings as the council invested a strategic site in Stamford.

Expenditure on Assets Under Construction is the next largest spend at 25%. £4.721m expenditure relates to the development of a new Cinema in Grantham town centre and the associated public realm works. The remaining £460k has been invested in developing new homes in the HRA.

Expenditure on the HRA accounts for 20% of the total capital expenditure, of the £4.304m incurred, £4.018m related to enhancing Council dwellings, for example replacing kitchens and bathrooms and £286k related to the purchase of an HRA dwelling.

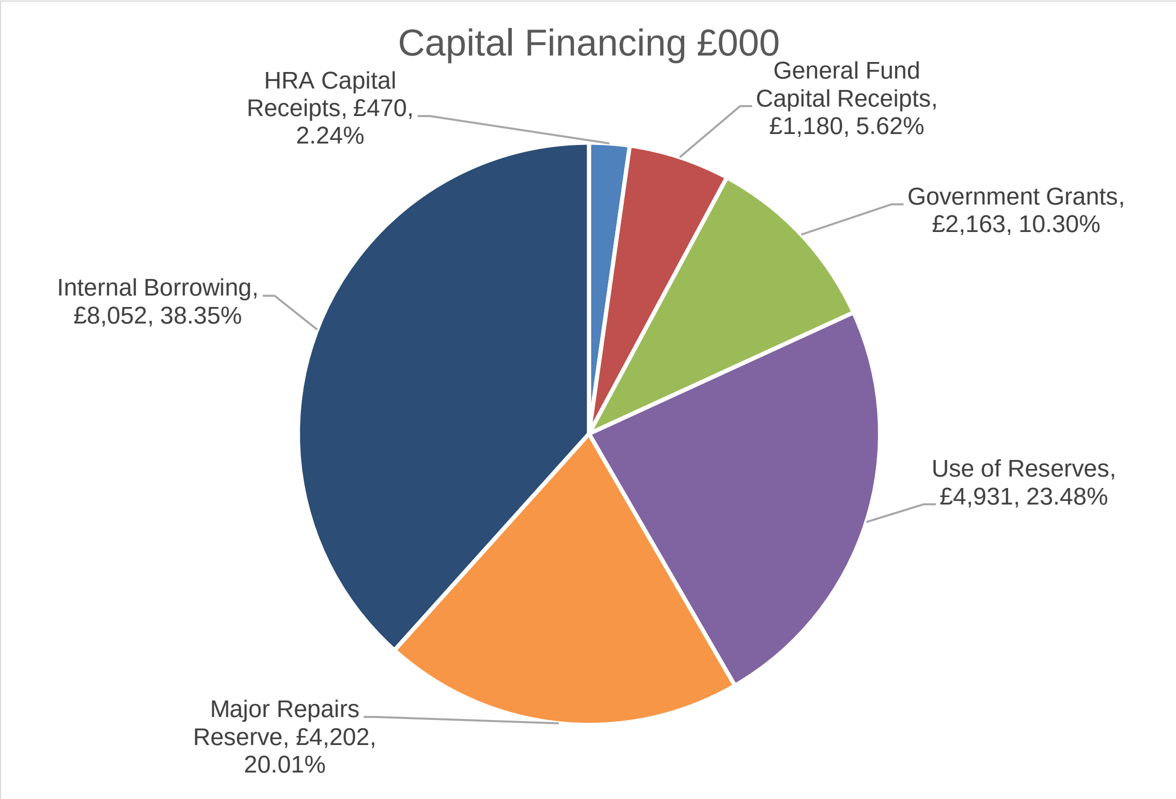
Vehicle, Plant and Equipment account for 9% of the expenditure incurred. The main element of this expenditure is the investment of £1.459m in vehicles, £1.275m relates to the General Fund which includes £527k of vehicles which were purchased and then sold to EnvironmentSK and £184k to the HRA.

Long term investments accounts for 5% of the expenditure, which relates to the purchase of share capital in Gravitas.

The other forms of capital expenditure relate to capital grants released to finance capital assets owned by third parties and intangible assets. £318k was incurred on Disabled Facilities Grants and £7k on Housing Grant Assistance which are both financed by Governments Grants.

Capital Financing

The Council has funded the 2018/19 Capital Programme from Capital Receipts, Government Grants, the Major Repairs Reserve, Other Grants and Contributions and Use of Reserves. The following charts details the financing of the capital expenditure:



Note - £3.222m of HRA loan repayment and £0.154m Minimum Revenue Provision were also financed from working balances.

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

The Council released £4.931m of reserves to finance 23.48% of the remaining expenditure. The main use of these reserves was the construction of the new Cinema complex and associated public realm works at St Peter's Hill, Grantham and the long term investment in Gravitas Housing Ltd.

The council undertook £8.025m of internal borrowing which accounts for 38% of the remaining expenditure to finance the strategic site purchased in Stamford.

The council utilised £2.163m of government grants of which £1.443m was used to finance the cinema and public realm works.

At 31 March 2019 the balance on the ring-fenced Major Repairs Reserve was £12.658m which will be invested in continuing to enhance Council dwellings and other HRA assets. The balance of £6.660m on the HRA capital receipts reserve will be used to increase Council housing stock. The General Fund capital receipts reserve had a balance of £2.586m. The Council continues to generate its own resources through the disposal of assets deemed to be surplus. During 2018/19 £0.866m of General Fund capital receipts were received which relate mainly to the disposal of vehicles and £3.798m of HRA capital receipts which mainly relate to the sale of Council dwellings.

Capital and Revenue Budget Monitoring

The Council monitors its capital and revenue budgets on a monthly basis and produces quarterly monitoring reports which during the year were presented to the Growth Overview and Scrutiny Committee. These reports highlight significant under and overspends so that members are aware of any potential financial pressures that may arise from these variances. Any financial pressures which are expected to impact on future years are incorporated into the Medium Term Financial Strategy and the budget report for the following year. The 2018/19 Revenue and Capital Outturn report which will be submitted to Governance and Audit Committee on 21 June 2019 provides further detail on the variances between the adjusted budget and actual spend.

LOOKING FORWARD

Strategic Direction - Vision

The current Corporate Strategy (2018-2025) will continue to be implemented during 2019 and this sets out the vision of how the Council will serve the best interests of its residents by:

- **Culture shift** – better understanding and aligning our culture; '*the way we do things around here'*
- **Developing a commercial approach –** building a comprehensive understanding of cost, value, margin and how to better leverage resources to the benefit of our residents
- **Innovation and transformation –** finding new solutions to complex challenges and creating more efficient and effective processes in designing and delivering services
- **Strategic partnering** – identifying genuine partners with whom we can generate value
- **Driving Productivity** – increasing our level of output through improved managerial techniques and better use of knowledge.

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

Sustainable Financial Autonomy

Sustainable financial autonomy is the Council's core strategic goal and this represents a significant challenge when considered alongside the Council's ambitious plans to grow the economy and transform the way it does business. Government grant is being phased out and there is uncertainty surrounding the future funding from other key income streams, including business rates and new homes bonus. Therefore, success in meeting this challenge is dependent on securing a favourable financial position over the medium term by delivering the outcomes of its approach to becoming self-financing. Accordingly, the Council is committed to:

- An ongoing, robust and detailed review of the assumptions that underpin the Medium Term Financial Strategy. In particular, the careful management of any potential shortfall in funding from 2020/21 onwards
- Ensuring a balanced budget position is achieved through the transformation, modernisation and service review programme which is designed to reduce costs, drive efficiencies and ensure that resources are deployed effectively and directed to where they are most needed

- Delivering in full, budget reductions and savings included within annual budgets
- Maximising key income streams, including business rates, new homes bonus, fees and charges, investment income, etc.
- The prudent use of reserves and balances, as these can only be used once.
- Assessing the impact of changes in funding mechanisms, particularly in relation to business rates retention and new homes bonus. Also the impact of any changes arising from the outcome of the Government's Fair Funding Review that are likely to come into effect in 2020/21.
- Ensuring that the Capital Strategy is used as the governing framework for developing and delivering the Council's capital programme that includes details of the capital cost and financing of many of its growth plans
- Delivering growth and investment in directorates and expanding the programme of commercial activities
- Commissioning services that are relevant to the community and valued by those who use them
- Delivering services that are commercially competitive, high quality, good value and contribute positively to the daily lives of residents
- Reviewing the costs and performance of operating assets
- Keeping under review the likely impact of Brexit on project funding bids and on the local economy generally

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

EXPLANATION OF THE FINANCIAL STATEMENTS

The 2018/19 Statement of Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting 2018/19, issued by the Chartered Institute of Public Finance and Accountancy and the Accounts and Audit Regulations 2017. The Code requires that core and supplementary statements are produced together with disclosure notes and the style and format of the accounts complies with the local authority accounting standards. As recommended by CIPFA and our external auditors the Council continues to 'de-clutter 'the accounts by annually reviewing the content and removing unnecessary detail.

The accounts give a true and fair view of South Kesteven's financial position for the financial year 2018/19. The accounting policies are outlined on pages 23 to 36 and have been fairly and consistently applied. Proper and up-to-date accounting records are maintained and all reasonable steps are taken to prevent and detect fraud and other irregularities.

The Strategic Director of Resources is the statutory officer responsible for the proper administration of the Council's financial affairs (referred to in the statement as the Chief Finance Officer). They are required by law to confirm that the Council's system of internal controls can be relied upon to produce an accurate statement of accounts. The statement of assurance for 2018/19 (known as the Statement of Responsibilities) appears on page 14 of this document.

The Core Financial Statements are:

- **Movement in Reserves Statement (Page 16) –** this shows the movement in the year of the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure) and 'unusable reserves' (those that an authority is not able to utilise to provide services).

- **Comprehensive Income and Expenditure Statement (Page 18) -** this shows the accounting cost in the year of providing services in accordance with IFRS rather than the amount to be funded from taxation.

  The Net Cost of Service has increased from £4.025m in 2017/18 to £12.269m in 2018/19 which is mainly due to a decrease in the revaluation gain on HRA dwellings. There was a marked increase in the value of properties in the South of the District in 2017/18 which contributed towards the total revaluation gain of £9m compared with £2.5m in 2018/19. There has also been a reduction in the amount of income received in Growth which primarily relates to a reduction in the amount of Housing Benefit Subsidy received but this is offset by the amount of Housing Benefit expenditure incurred.

  The movement in Financing and Investment Income and Expenditure is technical in nature. The reduction of £0.693m consists of an increase in investment income of £0.13m, an increase in the net income received from investment properties following the acquisition of Alpha Court in 2017/18 and a revaluation gain of £0.362m due to the movement in the fair value of investment properties.

  There has been an increase of £1.650m in the income received from taxation and non-specific grants. There was an increase of £3.401m in NNDR and the associated S31 grant income between 2017/18 and 2018/19 which was due to the council piloting the 100% business rates retention scheme. This is offset by a reduction in the receipt of government grant income of £1.362m as the council did not receive any revenue support grant and there was a reduction in the New Homes Bonus of £1.09m.

  The combination of these variances means there has been a reduction of £5.185m in the surplus on the 'Provision of Services'. Non-current assets have been revalued during the year and this has resulted in a surplus of £6.111m (Surplus of £12.013m in 17/18) being recognised in the CIES. This relates mostly to the upward revaluation of leisure centres of £3m and the arts centre of £1m. Changes in actuarial assumptions in the pension fund have resulted in a loss of £5.797m (17/18 surplus of £2.414m) mostly resulting from a change in methodology for estimating the discount rate and inflation forecasts.

- **Balance Sheet (Page 19) –** The Balance Sheet shows the Council's assets and liabilities at 31 March each year, in accordance with the Council's Accounting Policies. There is an inverse relationship between the Council's net worth and in particular pension liabilities i.e. as pension liabilities increase the Council's net worth reduces and vice versa. The net assets have increased by £3.5m largely due to:

  - an increase of £9.414m in other land and buildings due to a strategic acquisition in Stamford, Council asset acquisitions;
  - an increase of £5.181m in assets under construction which relates to the new cinema and associated public realm work at St Peters Hill;
  - an increase in current borrowing (loans repayable within one year) of £25m which is offset by a reduction of £28m in non-current borrowing as the council repays £3m of PWLB borrowing annually and has a £25m loan which is repayable within the next 12 months;
  - an increase of £3.795m in current creditors which mainly relates to an overpayment of the Housing Benefit Subsidy grant of £2.3m and Lincolnshire County Council's share of the NNDR surplus of £0.935m;

- an increase of £8.765m in other non-current liabilities which relates to an increase in the pension liabilities.

- **Cash-flow Statement (Page 21)** – this shows the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes**.**

- **Expenditure and Funding Analysis (page 39)** - this statement shows which service areas the statutory adjustments (for capital and pension and collection fund purposes) have originally been charged against, and reconciles the Surplus/Deficit on the Provision of Services position between the funding position charges levied on the General Fund and the accounting position. This shows a deficit of £0.933m, 7.5% of net cost of service (£12.269m).

- **Notes (pages 23-94) –** these provide supporting context to the above Statements.

Supplementary Financial Statements

- **Housing Revenue Account (pages 95-101)** - This reflects a statutory obligation to account separately for the Council's housing landlord function. It details the major elements of housing revenue expenditure – maintenance, administration and capital financing costs and how these are met by rents and other income. It is noted that the surplus was £4.279m in 2018/19 (£11.232m in 2017/18) this reduction is mainly due to the revaluation gain of £9m in 2017/18 compared with £2.5m in 2018/19.

- **Collection Fund (pages 102-104) –** this reflects the statutory requirement for the Council to maintain a separate account providing details of receipts of Council Tax and Business Rates and any associated payments to precepting authorities and central government. It is noted that there is now a surplus of £2.590m on the Business Rates section of the Collection Fund. There are a number of variables that affect this including valuation appeals by businesses to the Valuation Office and collection rates.

Glossary of Terms (page 116-123) – This explains key terms used throughout the document further.

Further Information

Further information about the Statement of Accounts is available from accountancy@southkesteven.gov.uk or Finance Team, The Council Offices, St Peter's Hill, Grantham, Lincolnshire, NG31 6PZ, telephone 01476 406208. In addition, members of the public have a statutory right to inspect the accounts before the annual audit is completed. The availability of the accounts for inspection is advertised on our website at http://www.southkesteven.gov.uk/CHttpHandler.ashx?id=25080&p=0

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Council's Responsibilities

The Council is required to:

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

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

- approve the Statement of Accounts.

The Chief Finance Officer’s Responsibilities

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

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

- selected suitable accounting policies and applied them consistently

- made judgements and estimates that were reasonable and prudent

- complied with the Local Authority Code

The Chief Finance Officer has also:

- kept proper accounting records which were up-to-date

- taken reasonable steps for the prevention and detection of fraud and other irregularities.

CHIEF FINANCE OFFICER’S CERTIFICATE

I certify that the accounts set out in this document present a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for the year ended 31 March 2019.

Richard Wyles CPFA, ACMA
CHIEF FINANCE OFFICER
26 July 2019

Councillor Ian Stokes
Chairman of Governance & Audit Committee
26 July 2019

MOVEMENT IN RESERVES STATEMENT

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

	General Fund Balance (including Earmarked Reserves)	Housing Revenue Account (including Earmarked Reserves)	Capital Receipts Reserve	Major Repairs Reserve	**Total Usable Reserves**	Unusable Reserves	**Total Authority Reserves**
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2018 carried forward	(26,880)	(20,285)	(7,125)	(10,328)	**(64,618)**	(150,413)	**(215,031)**
Movement in reserves during 2018/19							
Total Comprehensive Income and Expenditure	1,078	(4,279)	0	0	**(3,201)**	(314)	**(3,515)**
Transfers between Reserves	(1,893)	3,232	865	(3,234)	**(1,030)**	1,030	**0**
Adjustments from income & expenditure charged under the accounting basis to the funding basis	2,203	1,931	(2,986)	903	**2,051**	(2,051)	**0**
(Increase) or Decrease in 2018/19	1,388	884	(2,121)	(2,331)	**(2,180)**	(1,335)	**(3,515)**
Balance at 31 March 2019 carried forward	**(25,492)**	**(19,401)**	**(9,246)**	**(12,659)**	**(66,798)**	**(151,748)**	**(218,546)**

For details of reserves see notes 26 and 27

MOVEMENT IN RESERVES STATEMENT Continued

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

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

2017/18 Gross Expenditure	2017/18 Gross Income	2017/18 Net Expenditure		Note	2018/19 Gross Expenditure	2018/19 Gross Income	2018/19 Net Expenditure
£'000	£'000	£'000			£'000	£'000	£'000
10,317	(4,303)	6,014	Commercial		10,436	(3,534)	6,902
52,954	(35,089)	17,865	Growth		51,626	(32,468)	19,158
7,677	(27,531)	(19,854)	Resources		12,299	(26,090)	(13,791)
70,948	**(66,923)**	**4,025**	**Cost Of Services**		**74,361**	**(62,092)**	**12,269**
			Other Operating Expenditure				
0	(916)	(916)	(Gain)/Loss Disposal of Fixed Assets		0	(1,675)	(1,675)
2,282	0	2,282	Precepts & Levies	12	2,335	0	2,335
803	0	803	Contribution Housing Capital Receipts to the Pool	HRA6	803	0	803
0	(10)	(10)	Other Operating Income and Expenditure		(20)	0	(20)
3,085	**(926)**	**2,159**			**3,118**	**(1,675)**	**1,443**
			Financing and Investment Income and Expenditure				
2,947	0	2,947	Interest Payable on Debt		2,814	0	2,814
1,265	0	1,265	Net Interest on the net defined benefit liability (asset)	40	1,332	0	1,332
0	(582)	(582)	Interest & Investment Income		0	(712)	(712)
0	(264)	(264)	Income & Expenditure and Movement in Fair Value of Investment Property	13	0	(780)	(780)
525	(782)	(257)	(Gain)/Loss on Trading Accounts	28	520	(758)	(238)
4,737	**(1,628)**	**3,109**			**4,666**	**(2,250)**	**2,416**
			Taxation and Non-Specific Grant Income				
0	(8,487)	(8,487)	Council Tax		0	(8,877)	(8,877)
0	(3,223)	(3,223)	Non-Domestic Rates		0	(5,845)	(5,845)
0	(5,969)	(5,969)	Non-Service-Related Government Grants	14	0	(4,607)	(4,607)
0	**(17,679)**	**(17,679)**			**0**	**(19,329)**	**(19,329)**
		(8,386)	**(Surplus) or Deficit on Provision of Services**				**(3,201)**
		(12,013)	(Surplus) or deficit on revaluation of non-current assets				(6,111)
		(2,414)	Remeasurement of Defined Pension Liability	40			5,797
		(14,427)	**Other Comprehensive Income and Expenditure**				**(314)**
		(22,813)	**TOTAL COMPREHENSIVE INCOME & EXPENDITURE**				**(3,515)**

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 2018 £'000		Note	At 31st March 2019 £'000
233,277	Council Dwellings	15	231,273
62,610	Other Land and Buildings	15	72,024
4,274	Plant, Vehicles and Equipment	15	4,278
197	Surplus Assets not held for sale	15	198
845	Assets Under Construction	15	6,026
522	Heritage Assets	44	522
5,701	Investment Property	16	5,912
286	Intangible Assets	16	335
6,000	Long Term Investments	19	5,120
24	Long Term Debtors	21	24
313,736	**Long Term Assets**		**325,712**
667	Current Held for Sale	23	532
49,190	Short Term Investments	19	45,847
14	Inventories		19
5,552	Short Term Debtors	21	6,552
9,623	Cash and Cash Equivalents	22	11,694
65,046	**Current Assets**		**64,644**
(3,245)	Short Term Borrowing	42	(28,244)
(7,523)	Short Term Creditors	24	(11,318)
(1,013)	Provisions	25	(944)
(11,781)	**Current Liabilities**		**(40,506)**
(803)	Provisions	25	(1,079)
(99,100)	Long Term Borrowing	42	(70,878)
(48,563)	Other Long Term Liabilities	40	(57,328)
(3,504)	Capital Grants Receipts in Advance	34	(2,019)
(151,970)	**Long Term Liabilities**		**(131,304)**
215,031	**Net Assets**		**218,546**

BALANCE SHEET Cont’d

At 1st April 2018 £'000		Note	At 31st March 2019 £'000
7,125	Usable Cap Receipts Reserve	26	9,246
10,328	Major Repairs Reserve	26	12,659
19,963	Earmarked GF Revenue Reserves	26	18,905
1,446	Earmarked HRA Revenue Reserves	26	1,321
16,350	Earmarked HRA Capital Reserves	26	16,073
4,082	Earmarked GF Capital Reserves	26	3,752
2,835	General Fund Balance	26	2,835
2,489	HRA Balance	26	2,007
64,618	**Usable Reserves**		**66,798**
165,510	Capital Adjustment Account	27	167,809
33,969	Revaluation Reserve	27	39,810
(48,563)	Pension Reserve	27	(57,328)
(131)	Short Term Accumulated Absences Account	27	(131)
(399)	Collection Fund adjustment Account	27	1,565
27	Deferred Capital Receipts	27	23
150,413	**Unusable Reserves**		**151,748**
215,031	**Total Reserves**		**218,546**

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.

2017/18 £'000		Notes	2018/19 £'000
	Operating Activities		
8,386	Net surplus or (deficit) on the provision of services		3,201
8,230	Adjustments to net surplus or deficit on the provision of services for non-cash movements	45	17,491
(5,006)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		(8,530)
2,365	Reversal of operating activity items included in the net (surplus) or deficit on the provision of services that are shown separately below		2,102
	Net cash flows from Operating Activities includes		
(2,947)	Interest paid		(2,814)
582	Interest received		712
11,610	**Net cash flows from Operating Activities**		**12,162**
	Investing Activities		
(12,126)	Purchase of property, plant and equipment, investment property and intangible assets		(19,286)
(69,000)	Purchase of short-term and long-term investments		(89,760)
(180)	Other payments for investing activities		(1,718)
4,210	Proceeds from the sale of property, plant and equipment, investment property and intangible assets		5,443
67,000	Proceeds from short-term and long-term investments		94,000
3,136	Other receipts from investing activities		4,348
(6,960)	**Net cash flows from Investing Activities**		**(6,973)**

CASH FLOW STATEMENT (CONT)

2017/18 £'000		Notes	2018/19 £'000
	Financing Activities		
(4,222)	Repayments of short and long-term borrowing		(3,222)
747	Other payments for financing activities		104
(3,475)	**Net cash flows from Financing Activities**		**(3,118)**
1,175	**Net increase or (decrease) in cash and cash equivalents**		**2,071**
8,448	Cash and cash equivalents at the beginning of the reporting period		9,623
9,623	Cash and cash equivalents at the end of the reporting period	22	11,694

1. STATEMENT OF ACCOUNTING POLICIES

I. GENERAL PRINCIPLES

The Statement of Accounts summarises the Council’s transactions for the 2018/19 financial year and its position at the year-end of 31 March 2019. 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 2018/19* and 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.

- The impact of IFRS15: Revenue from Contracts with Customers has been considered and deemed to have no material impact.

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. 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.

V. COUNCIL TAX AND NON-DOMESTIC RATES

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

Accounting for Council TAX and NDR

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

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

VI. 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. These expenses are charged on an accruals basis to the relevant service line of the Comprehensive Income and Expenditure Statement.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits. They are charged on an accruals basis to the appropriate service, or where applicable, to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of those benefits or when the council recognises costs for a restructuring.

Post-Employment Benefits

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

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

Local Government Pension Scheme

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

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

- The assets of the Lincolnshire County Council pension fund attributable to the Council are included in the balance sheet at their fair value.

The change in the net pensions liability is analysed into the following components:

- Service Cost comprising:

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

    - Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs

- Net interest on the net defined pension liability (asset) i.e. net interest expense for the Council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. Remeasurement comprising:

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

- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumption – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

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

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards.

In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Council 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.

VII. 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.

Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI).

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (ie where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

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

Interest is credited to the Financing and Investment Income and Expenditure line in the CIES at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the CIES to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

Expected Credit Loss Model

The Council recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Council.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

Financial Assets Measured at Fair Value through Profit of Loss

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

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

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

VIII. 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.

IX. 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.

X. INTANGIBLE ASSETS

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

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

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

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

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

XI. INTERESTS IN COMPANIES AD OTHER ENTITIES

The Council has a material interest in Gravitas Housing Limited, Invest SK and Environment SK. The nature of these relationship has been assessed and they are deemed to be subsidiaries. The Council is not currently required to produce group accounts on the grounds of materiality.

XII. 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.

XIII. INVESTMENT PROPERTY

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

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

XIV. 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).

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 and replaced by a long-term debtor in the Balance Sheet valued on the future income due under the finance lease.

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).

XV. OVERHEADS AND SUPPORT SERVICES

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

XVI. 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.

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 2018/19 is 42%.
- Community assets and assets under construction – historic 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 31 March 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.

Disposals and Non-current Assets Held for Sale

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

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

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

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

Amounts for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts related to housing disposals is payable to the Government. The balance of receipts remains within the Capital Receipts Reserve and can then only be used for new capital investment or set aside to reduce the Council’s underlying need to borrow (the capital financing requirement).

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.

XVII. 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.

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

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

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the obligation is settled.

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

Contingent Liabilities

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

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

Contingent Assets

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

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

XVIII. RESERVES

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

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

XIX. 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.

XX. VAT

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

XXI. FAIR VALUE MEASUREMENT

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

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

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

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

2. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT NOT ADOPTED

The Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code) requires the disclosure of information relating to the expected impact on the accounting change that will be required by a new standard that has been issued but not yet adopted by the Code for the relevant financial year. This applies to the adoption of the following new or amended standards within the 2019/20 code:

- amendments to IAS 40 Investment Property: Transfers of Investment Property
- Annual Improvements to IFRS Standards 2014-2016 Cycle
- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation.
- These are financial assets where the contractual terms permit the borrower to prepay the instrument
- before maturity but where the prepayment amount could be less than the unpaid principal and interest.

- The amendments allow for such assets to be held at amortised cost or at Fair Value through Other
- Comprehensive Income rather than at Fair Value through Profit and Loss.
- IFRIC 23 Uncertainty over Income Tax Treatments

It is not anticipated that the changes above will have a material impact on the information provided in the Council's financial statements.

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

a. There is a high degree of uncertainty about future levels of funding for local government and the impact of the decision for Britain to leave the European Union remains unclear. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of the need to close facilities and reduce levels of service provision.
b. Investments with banks and other financial institutions are secure and will not suffer impairments.
c. No contracts with other bodies need to be accounted for as a service concession or contain an embedded lease.
d. No substantial legal claims or appeals will be made against the Council in the next financial year.
e. Following a recent ruling by the Court of Appeal relating to public sector pension liabilities (McCloud Judgement) there will be an increase to the Council's future pension liability. The level of the Council's liability has been estimated by Hymans Robertson LLP (the Council's Actuaries) as not material and so the accounts have not been adjusted to reflect this.

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future, or that are otherwise uncertain. Estimates are made taking account of 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 2019 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 £0.311m for every year that useful lives had to be reduced.

b. Arrears

At 31 March 2019 the Council had a balance of short-term debtors of £9.3m. A review of these debts suggested that an expected credit loss of approximately 28**%** was appropriate, totalling £2.6m. This impairment is included in the net amount shown on the balance sheet. The impairment is calculated based on the different types of debt included (council tax, business rates, rents, trade debtors etc.). However, in the current economic climate there is no certainty that this allowance will be sufficient.

If collection rates were to deteriorate by 5%, the amount of the impairment for doubtful debts would require an additional £0.465m to be set aside for this allowance.

5. MATERIAL ITEMS OF INCOME AND EXPENDITURE

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

6. EVENTS AFTER THE REPORTING PERIOD

The Statement of Accounts was authorised for issue by the Director of Finance on 26 July 2019. Events taking place after this date are not reflected in the financial statements or notes.

7. EXPENDITURE AND FUNDING ANALYSIS

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

	2018/19		
	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£'000	£'000	£'000
Commercial	4,955	(1,947)	6,902
Growth	14,042	(5,116)	19,158
Resources	(18,327)	(4,536)	(13,791)
Net Cost of Services	**670**	**(11,599)**	**12,269**
Other Income & Expenditure	263	15,733	(15,470)
(Surplus) or Deficit on Provision of Services	**933**	**4,134**	**(3,201)**

	Total	General Fund	HRA
	£'000	£'000	£'000
Opening General Fund and HRA Balance	(47,165)	(26,880)	(20,285)
Less/Plus Surplus or (Deficit) on General Fund and HRA Balance in Year	934	3,282	(2,348)
Transfers to/ from reserves	1,339	(1,893)	3,232
Closing General Fund and HRA Balance	**(44,892)**	**(25,491)**	**(19,401)**

2017/18 Restated to reflect the revised priority reporting structure

	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£'000	£'000	£'000
Commercial	4,191	(1,824)	6,014
Growth	13,618	(4,247)	17,865
Resources	(18,797)	1,057	(19,854)
Net Cost of Services	**(988)**	**(5,014)**	**4,025**
Other Income & Expenditure	(840)	11,571	(12,411)
(Surplus) or Deficit on Provision of Services	**(1,829)**	**6,557**	**(8,386)**

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

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

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

8. NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

Adjustments between Funding and Accounting Basis 2018/19

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (Note a)	Net change for the Pensions Adjustments (Note b)	Other Differences (Note c)	Total Adjustments
	£'000	£'000	£'000	£'000
Commercial	(1,045)	(902)	0	(1,947)
Growth	(3,787)	(1,329)	0	(5,116)
Resources	(5,131)	595	0	(4,536)
Net Cost of Services	**(9,963)**	**(1,636)**	**0**	**(11,599)**
Other Income and expenditure from the Expenditure and Funding Analysis	15,101	(1,332)	1,964	15,733
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**5,138**	**(2,968)**	**1,964**	**4,134**

Adjustments between Funding and Accounting Basis 2017/18 Restated to reflect the directorate reporting structure

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (Note a)	Net change for the Pensions Adjustments (Note b)	Other Differences (Note c)	Total Adjustments
	£'000	£'000	£'000	£'000
Commercial	(1,088)	(736)	0	(1,824)
Growth	(3,079)	(1,168)	0	(4,247)
Resources	1,237	(180)	0	1,057
Net Cost of Services	**(2,930)**	**(2,084)**	**0**	**(5,014)**
Other Income and expenditure from the Expenditure and Funding Analysis	12,351	(1,265)	485	11,571
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**9,421**	**(3,349)**	**485**	**6,557**

Adjustments between Funding and Accounting Basis 2017/18

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

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

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

a) **Net Change for the Pension Adjustments** – the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:
   - **For services** this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
   - For **Financing and investment income and expenditure** – the net interest on the defined benefit liability is charged to the Comprehensive Income and Expenditure Statement (CIES).

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

9. EXPENDITURE AND INCOME ANALYSED BY NATURE

Expenditure and Income Analysed by Nature

2017/18 £'000	Expenditure/Income	2018/19 £'000
	Expenditure	
21,362	Employee benefits expenses	16,119
38,284	Other services expenses	41,433
8,523	Support service recharges	7,356
2,778	Depreciation, amortisation, impairment	9,453
70,947	**Total expenditure**	**74,361**
	Income	
(11,881)	Fees, charges and other service income	(8,423)
(5)	Interest and investment income	(6)
(29,895)	Government grants and contributions	(28,362)
(24,790)	Dwelling Rents	(24,200)
(351)	Non- Dwelling rents	(1,101)
(66,922)	**Total income**	**(62,092)**
4,025	**Net cost of services**	**12,269**

10. 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)

2018/19	General Fund £'000	HRA £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Total Usable Reserves £'000	Unusable Reserves £'000
Adjustments primarily involving the Capital Adjustment Account						
Depreciation of non-current assets	(3,999)	(339)	0	(3,299)	(7,637)	7,637
Amortisation of intangible assets	(100)	(4)	0	0	(104)	104
Revaluation gains/losses on PPE	(352)	2,549	0	0	2,197	(2,197)
Impairments charged to CIES	0	(4,018)	0	0	(4,018)	4,018
Movements in market value of investment properties	427	34	0	0	461	(461)
Revenue expenditure funded from capital under statute (REFCUS)	(401)	0	0	0	(401)	401
Financing of REFCUS	401				401	(401)
Capital expenditure	6,416	3,499	1,650	4,202	15,767	(15,767)
Statutory provision for financing of capital investment	154	0	0	0	154	(154)
Profit/Loss on disposal of non-current assets	(53)	1,728	(5,439)	0	(3,764)	3,764
Adjustments primarily involving the Collection Fund Adjustment Account						
Adjustment to council tax income	19	0	0	0	19	(19)
Adjustment to NNDR income	1,945	0	0	0	1,945	(1,945)
Adjustments primarily involving the Pension Fund						
Adjustment of IAS 19 retirement entries for actual contributions	(2,254)	(715)	0	0	(2,969)	2,969
Adjustments between Usable Reserves						
Payments to Housing Capital Receipts Pool	0	(803)	803	0	0	0
Total Adjustments	**2,203**	**1,931**	**(2,986)**	**903**	**2,051**	**(2,051)**

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

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

11. Transfers to/from Earmarked Reserves

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

2018/19

	General Fund	Housing Revenue Account	Usable Capital Receipts	Earmarked General Fund Reserves	HRA Revenue Reserves	Major Repairs Reserve	**Total Usable Reserves**	Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Amounts set aside to provide for future expenditure								
Insurance provision	(28)	0	0	28	0	0	0	0
SEA provision	39			(39)			0	0
Transfer Surplus to reserves	1,279	3,108	893	(2,172)	125	(3,234)	(1)	1
Repaid mortgages	0	0	(25)	0	0	0	(25)	25
Other Long-Term Debtors	0	(1)	(3)	(1,000)	0	0	(1,004)	1,004
Amounts transferred from reserves to support in year expenditure								
Finance Building Control deficit	37	0	0	(37)	0	0	0	0
Total Transfers To/(From) Earmarked Reserves	**1,327**	**3,107**	**865**	**(3,220)**	**125**	**(3,234)**	**(1,030)**	**1,030**

Transfers to/from Earmarked Reserves (Continued)

2017/18

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

12. PRECEPTS AND LEVIES

.

2017/18 £'000		2018/19 £'000
1,620	Parish Council Precepts	1,659
662	Drainage Board Levies	676
2,282		**2,335**

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

2017/18 £'000		2018/19 £'000
(164)	Income & Expenditure from investment properties	(319)
(99)	Movements in relation to changes in the fair value of investment properties	(461)
(263)		**(780)**

14. NON SERVICE RELATED GOVERNMENT GRANTS

2017/18 £'000		2018/19 £'000
(3,176)	New Homes Bonus	(2,086)
(1,732)	S31 Grant	(2,511)
(104)	S106 Contribution	(10)
(957)	Revenue Support Grant	0
(5,969)		**(4,607)**

15. PROPERTY PLANT AND EQUIPMENT (PPE)

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

Movement in 2018/19

	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Surplus Assets	Assets Under Construction	Total PPE
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation at 01/04/2018	**236,604**	**65,523**	**15,658**	**209**	**845**	**318,839**
Additions	4,304	8,052	1,787	0	5,181	19,324
Revaluation increases/(decreases) recognised in the Revaluation Reserve	496	2,068	0	1	0	2,565
Revaluation increases/(decreases) recognised in the Surplus/Deficit on Provision of Services	(4,178)	(289)	0	0	0	(4,467)
Derecognition - Disposals	(2,512)	0	(1,539)	0	0	(4,051)
Assets reclassified (to)/from Held for Sale (see Note 23)	(142)	0	0	0	0	(142)
At 31/03/2019	**234,572**	**75,354**	**15,906**	**210**	**6,026**	**332,068**
Accumulated Depreciation & Impairment at 01/04/2018	**(3,327)**	**(2,913)**	**(11,384)**	**(12)**	**0**	**(17,636)**
Depreciation charge	(3,299)	(3,268)	(1,057)	(13)	0	(7,637)
Depreciation written out to the Revaluation Reserve	718	2,738	0	13	0	3,469
Depreciation written out to the Comprehensive Income & Expenditure Statement	6,627	113	0	0	0	6,740
Derecognition of Non Enhancing Capital Expenditure	(4,018)	0	0	0	0	(4,018)
Derecognition - Disposals	0	0	813	0	0	813
At 31/03/2019	**(3,299)**	**(3,330)**	**(11,628)**	**(12)**	**-**	**(18,269)**
Net Book Value						
At 31/03/2019	**231,273**	**72,024**	**4,278**	**198**	**6,026**	**313,799**
At 31/03/2018	**233,277**	**62,610**	**4,274**	**197**	**845**	**301,203**

Property, Plant & Equipment (Continued)

Movement in 2017/18

	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Surplus Assets	Assets Under Construction	Total PPE
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation at 01/04/2017	**225,740**	**58,473**	**15,134**	**202**	**2,124**	**301,673**
Additions	4,827	0	1,437	-	2,677	**8,941**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	2,338	6,610	0	7	0	**8,955**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on Provision of Services	2,230	117	0	0	0	**2,347**
Derecognition - Disposals	(1,854)	0	(913)	0	0	**(2,767)**
Assets reclassified (to)/from Held for Sale (see Note 23)	(310)	0	0	0	0	**(310)**
Assets reclassified to/(from) Asset under construction	3,633	323	0	0	(3,956)	**0**
At 31/03/2018	**236,604**	**65,523**	**15,658**	**209**	**845**	**318,839**
Accumulated Depreciation & Impairment at 01/04/2017	**(3,174)**	**(2,397)**	**(11,197)**	**(11)**	**0**	**(16,779)**
Depreciation charge	(3,327)	(2,858)	(1,015)	(13)	0	**(7,213)**
Depreciation written out to the Revaluation Reserve	561	2,249	0	12	0	**2,822**
Depreciation written out to the Comprehensive Income & Expenditure Statement	7,342	93	0	0	0	**7,435**
Derecognition of Non Enhancing Capital Expenditure	(4,729)	0	0	0	0	**(4,729)**
Derecognition - Disposals	0	0	828	0	0	**828**
At 31/03/2018	**(3,327)**	**(2,913)**	**(11,384)**	**(12)**	**0**	**(17,636)**
Net Book Value						
At 31/03/2018	**233,277**	**62,610**	**4,274**	**197**	**845**	**301,203**
At 31/03/2017	**222,566**	**56,076**	**3,937**	**191**	**2,124**	**284,894**

Valuation Assumptions

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

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

16. INVESTMENT PROPERTIES

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

2017/18 £'000		2018/19 £'000
(201)	Rental income from investment property	(349)
37	Direct operating expenses arising from investment property	30
(164)		**(319)**

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:

2017/18 £'000		2018/19 £'000
2,529	**Balance at start of year**	5,701
3,073	Additions - Purchases	0
99	Net gains/losses from fair value adjustments	461
0	Disposals	(250)
5,701	**Balance at end of year**	**5,912**

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.

17. INTANGIBLE ASSETS

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

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

Movements on Intangible Assets during the year were as follows:

2017/18 £'000		2018/19 £'000
	Balance at start of year:	
839	Gross carrying amount	879
(505)	Accumulated amortisation	(593)
334	Net carrying amount at start of year	286
40	Additions	153
(88)	Amortisation for the period	(104)
(48)		**49**
0	Disposals	(87)
0	Amortisation written back	87
0		**0**
286	Net carrying amount at end of year	335
Comprising		
879	Gross carrying amount	945
(593)	Accumulated amortisation	(610)
286		**335**

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

18. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council;
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments;
- Re-financing risk – the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- Market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates movements.

The Council's overall risk management procedures focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services and is based on the framework set out in the Local Government Act 2003 and the associated regulations.

As directed by the Act, the Council has formally adopted the CIPFA Treasury Management Code of Practice and complied with the CIPFA Prudential code. As part of the adoption of the Treasury Management Code, the Council annually approves a Treasury Management Strategy prior to the commencement of the year to which it relates. This strategy sets out the parameters for the management of risks associated with financial instruments.

The Council's Treasury Management strategy for 2018/19 is available on the Council's website at:

http://moderngov.southkesteven.gov.uk/documents/s19685/CFM453%20Appendix%20F%20TM%20Strategy%202018-19.pdf

The strategy also includes an Annual Investment Strategy for the forthcoming year, setting out the Council's criteria for both investing and selecting investment counterparties.

These strategies are implemented by the 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.

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 is available on the Council's website.

The Council's credit risk management practices are set out on pages 11 to 12 of the Annual Investment Strategy. With particular regard to determining whether the credit risk of financial instruments has increase significantly since initial recognition.

The Annual Investment Strategy 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 Poor's Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits with a financial institution located in each category.

The Council uses the creditworthiness service provided by Link. This service uses a sophisticated modeling approach with credit ratings from all three rating agencies – Fitch, Moody's and Standard and Poors, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- Credit watches and credit outlooks from credit rating agencies
- Credit Default Swap spreads to give early warning of likely changes in credit ratings.
- Sovereign ratings to select counterparties from only the most creditworthy countries

The full Investment Strategy was approved by Full Council on 1 March 2018 and is available on the Council's website.

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 £60.414m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2018 that this was likely to crystallise.

Amounts Arising from Expected Credit Losses

We have assessed the Council's short and long term investments and concluded tjat the expected credit loss is not material therefore no allowances have been made.

A summary of the credit quality of the Council's investments at 31 March 2019 is shown below, along with the potential maximum exposure to credit rick, based on experience of default and uncollectability.

	Link Asset Services - Colour banding	Lowest Long Term Rating	Balance at 31 March 2019 £'000	Historical Experience of Default %	Estimated maximum exposure to default and uncollectability at 31 March 2019 £'000
Deposits with Banks and Financial Institutions					
Sumitomo Mitsui Banking Corporation Europe Ltd	Red	A	3,000	0.000%	0
Nottingham Building Society	No Colour	BBB+	2,000	0.001%	0
West Bromwich Building Society	No Colour	BB-	1,000	0.022%	0
Qatar National Bank	Green	A	1,000	0.004%	0
DBS Bank Ltd	Orange	AA-	3,000	0.002%	0
Qatar National Bank	Green	A	4,000	0.009%	0
Qatar National Bank	Green	A	1,000	0.009%	0
Santander UK Plc	Red	A	9,100	0.014%	1
Lloyds Bank Plc	Orange	A+	7,540	0.014%	1
Standard Chartered Bank	Red	A	2,000	0.014%	0
Goldman Sachs International Bank	Red	A	1,000	0.015%	0
Cumberland Building Society	No Colour	Not Rated	2,000		0
Newcastle Building Society	No Colour	Not Rated	2,000		0
Landesbank Hessen-Thueringen Girozentrale (Helaba)	Orange	A	3,000	0.032%	1
Close Brothers Ltd	Red	A	1,000	0.033%	0
Principality Building Society	No Colour	BBB+	2,000	0.122%	2
Lloyds Bank Plc	Orange	A+	1,000	0.047%	0
Northamptonshire County Council	Yellow	AA-	2,000	0.025%	0
Close Brothers Ltd	Red	A	1,000	0.075%	1
Close Brothers Ltd	Red	A	1,000	0.089%	1
Aberdeen Standard Investments MMF*	Yellow	AAA	2,811	0.000%	0
Invesco MMF*	Yellow	AAA	5,000	0.000%	0
LGIM MMF*	Yellow	AAA	2,963	0.000%	0
Total Investments			**60,414**	**0.016%**	**7**

*Money Market Funds

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

The Council does not generally allow extended credit for its trade debtors, but some of the current balance is past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

	At 31 March 2019	At 31 March 2018	At 31 March 2017
	£'000	£'000	£'000
Under 30 Days	157	118	65
30-60 days	2,235	663	1826
60-90 days	53	50	39
Over 90 Days	451	307	169
Total	**2,896**	**1,138**	**2,099**

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

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

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

	At 31 March 2019	At 31 March 2018	At 31 March 2017
	£'000	£'000	£'000
Less than one year	56,414	57,975	53,958
Between one and two years	4,000	6,000	7,000
Between two and three years	0	0	0
More than three years	0	0	0
Total	**60,414**	**63,975**	**60,958**

Re-financing and Maturity Risk

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

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

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

The maturity analysis of financial liabilities is as follows:

	At 31 March 2019	At 31 March 2018	At 31 March 2017
	£'000	£'000	£'000
Less than one year	28,244	3,245	4,280
Between one and two years	3,221	3,221	3,221
Between two and five years	9,665	34,665	34,665
Between five and ten years	16,109	16,109	16,109
Between ten and fifteen years	16,109	16,109	16,109
Over Fifteen Years	25,774	28,996	32,217
Total	**99,122**	**102,345**	**106,601**

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	283
Impact on Surplus or Deficit on the Provision of Services	283
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 and Expenditure)	8,854

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 but does have shareholdings in the Gravitas Housing Limited which is a wholly owned Local Authority Controlled Company. Whilst these holdings are generally illiquid, the Council is consequently exposed to losses arising from movements in the prices of the shares.

As the shareholdings have arisen in the acquisition of specific interests, the Council is not in a position to limit its exposure to price movements by diversifying its portfolio. Instead it only acquires shareholdings in return for "open book" arrangements with the company concerned so that the Council can monitor factors that might cause a fall in the value of specific shareholdings.

The shares in Gravitas Housing Limited have been elected as Fair Value through Other Comprehensive Income, meaning that all movements in prices will impact on gains and losses recognized in the Financial Instruments Revaluation Reserve. A general shift of 5% in the general price of the shares (positive or negative) would have resulted in a £56k gain or loss being recognised in the Financial Instrument Revaluation reserve.

Foreign exchange risk

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

19. FINANCIAL INSTRUMENTS

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instruments of another entity. Non exchange transactions, such as those relating to taxes and government grants, do not give rise to financial instruments.
The following categories of financial instrument are carried in the Balance Sheet:

Financial Assets

	Non-Current				Current			
	Investments		Debtors		Investments		Debtors	
	31-Mar-19	31-Mar-18	31-Mar-19	31-Mar-18	31-Mar-19	31-Mar-18	31-Mar-19	31-Mar-18
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Amortised Cost								
Principal	4,000	6,000	24	24	45,640	49,000	3,902	3,666
Investment Accrued Interest	0	0	0	0	207	190	0	0
Cash and cash equivalents (CCE)	0	0	0	0	11,694	9,623	0	0
Fair value through other comprehensive income - other	1,120	0	0	0	0	0	0	0
Total financial assets	**5,120**	**6,000**	**24**	**24**	**57,541**	**58,813**	**3,902**	**3,666**
Non-financial assets	0	0	0	0	0	0	2,651	1,886
Total	**5,120**	**6,000**	**24**	**24**	**57,541**	**58,813**	**6,553**	**5,552**

Financial Liabilities

	Non-Current		Current			
	Investments		Investments		Creditors	
	31-Mar-19	31-Mar-18	31-Mar-19	31-Mar-18	31-Mar-19	31-Mar-18
	£'000	£'000	£'000	£'000	£'000	£'000
Amortised Cost						
Principal	70,878	99,100	28,222	3,222	5,651	4,425
Interest	0	0	22	23	0	0
Total financial liabilities	**70,878**	**99,100**	**28,244**	**3,245**	**5,651**	**4,425**
Non-financial liabilities	0	0	0	0	5,665	3,098
Total	70,878	99,100	28,244	3,245	11,316	7,523

Designated to fair value through other comprehensive income

The Council has a 100% shareholding in Gravitas Housing Limited which is a wholly owned Local Authority Controlled Company. These shares were purchased on 22 March 2019. With the adoption of accounting standard IFRS 9 Financial Instruments requires that investments in equity to are classified as fair value through profit and loss unless there is an irrevocable election to designate the asset as fair value through other comprehensive income. The investment in Gravitas Housing Limited is an equity instrument and as such, the default valuation method is any gains and losses on changes in fair value would be recognised through profit and loss.

The Gravitas Housing Limited shareholding is a strategic investment to stimulate housing growth in the District and are not held for trading and therefore the Council has opted to designate it as fair value through Other Comprehensive Income. This means that there is no impact on the revenue budget and the decision to designate to fair value through other comprehensive income is irrevocable. Any gains or losses on the valuation of the shareholding will therefore be transferred to a Financial Instruments Revaluation Reserve. As the shares were purchased on 22 March 2019 the fair value is deemed to be the purchase price. The investment will be revalued at the end of each reporting year taking into consideration the assets and liabilities of the company.

	31-Mar-19	31-Mar-18
Description	£'000	£'000
Gravitas Housing Limited	1,120	0
Total	1,120	0

The Fair Values of Financial Assets and Financial Liabilities that are not measured at Fair Value

Except for the financial assets carried at fair value (described in the table above), all other financial liabilities and financial assets represented by amortised cost and long-term debtors and creditors are carried on the balance sheet at amortised cost. 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.

	31-Mar-19		31-Mar-18	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
PWLB	99,122	115,529	102,345	116,526
Short Term Creditors	5,665	5,665	3,098	3,098
Total	104,787	121,194	105,443	119,624

The fair value of the liabilities is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2019) arising from a commitment to pay interest to lenders above current market rates.

The fair value of Public Works Loan Board (PWLB) loans of £115.529m 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.

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/reduced] 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 £99.122m would be valued at £107.176. 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 £115.529m.

	31-Mar-19		31-Mar-18	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Cash and Cash Equivalents	11,694	11,694	9,623	9,623
Short Term Investments	45,847	45,847	49,190	49,190
Long Term Investments	4,000	4,041	6,022	5,979
Short Term Debtors	3,902	3,902	3,666	3,666
Long Term Debtors	24	24	24	24
Total	65,467	65,508	68,525	68,482

The fair value of the financial assets in 2018/19 is higher than the carrying amount because the authority's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is higher than the rates available for similar loans at the Balance Sheet date.

The fair value measurement of the financial assets and liabilities are all hierarchy level 2 - other significant observable inputs.

20. CAPITAL COMMITMENTS

At 31 March 2019, the authority has entered into 1 contract for the construction or enhancement of property, plant and equipment in 2019/20. There were no similar commitments at 31 March 2018.

The major commitment is:

Public Realm Project - Contractor: G F Tomlinson £1,549,053.09

21. DEBTORS

An analysis of Debtors is shown below:

At 31st March 2018 £'000		At 31st March 2019 £'000
	Current Debtors	
1,454	Government Departments	2,163
295	Other Local Authorities	294
(3)	NHS	(3)
3,806	Other entities and individuals	4,098
5,552		**6,552**
	Long Term Debtors	
24	Other	24
24		**24**

22. CASH AND CASH EQUIVALENTS

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

At 31st March 2018 £'000		At 31st March 2019 £'000
30	Cash held by the authority	103
808	Bank current accounts	817
8,785	Short Term Deposits	10,774
9,623	**Total Cash & Cash Equivalents**	**11,694**

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

2017/18		2018/19
£'000		£'000
1,695	Balance at start of year	667
	Assets newly classified as held for sale:	
446	Property, Plant & Equipment	315
(1,338)	Assets sold	(277)
(136)	Withdrawn sales transferred back to PPE	(173)
667		**532**

24. CREDITORS

An analysis of Creditors is shown below:

At 31st March 2018		At 31st March 2019
£'000		£'000
553	Government Departments	3,122
788	Other Local Authorities	2,645
6,182	Other entities and individuals	5,551
7,523	**Total**	**11,318**

25. PROVISIONS

	Injury & Damage Compensation Claims	Business Rates Appeals	Total
2018/19	£'000	£'000	£'000
Balance at 1st April 2018	301	1,515	1,816
Adjusted split due to 100% rates retenti	0	757	757
Additional provisions made in 2018/19	139	0	139
Amounts used in 2018/19	(115)	(329)	(444)
Unused amounts reversed in 2018/19	(40)	(205)	(245)
Total	**285**	**1,738**	**2,023**
Split between:			
Short-term provisions	202	742	944
Long-term provisions	83	996	1,079
	285	**1,738**	**2,023**
2017/18			
Balance at 1st April 2017	333	1,306	1,639
Additional provisions made in 2017/18	149	801	950
Amounts used in 2017/18	(87)	(592)	(679)
Unused amounts reversed in 2017/18	(94)	0	(94)
Total	**301**	**1,515**	**1,816**
Split between:			
Short-term provisions			1,013
Long-term provisions			803
			1,816

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 £285k provided at 31st March 2019 £202k is expected to be settled in 2019/20.

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 60% share of this liability along with Lincolnshire County Council being responsible for a 40%.

26. USABLE RESERVES

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

	Balance at 1st April 2017 £'000	Transfer To Reserve £'000	Transfer From Reserve £'000	Balance at 31st March 2018 £'000	Transfer To Reserve £'000	Transfer From Reserve £'000	Balance at 31st March 2019 £'000
GF Capital Receipts Reserve	2,924	869		3,793		(1,207)	2,586
HRA Capital Receipts Reserve	2,853	479		3,332	3,328		6,660
Major Repairs Reserve	8,875	1,453		10,328	2,331		12,659
Earmarked GF Revenue Reserves	23,312		(3,780)	19,532		(1,775)	17,757
General Fund Unapplied Revenue Grants	233	198		431	717		1,148
Earmarked HRA Revenue Reserves	1,779		(333)	1,446		(125)	1,321
Earmarked GF Capital Reserve	2,792	1,290		4,082		(330)	3,752
Earmarked HRA Capital Reserves	14,000	2,350		16,350		(277)	16,073
Housing Revenue Account Balance	3,626		(1,137)	2,489		(482)	2,007
General Fund Balance	1,798	1,037		2,835			2,835
	62,192	**7,676**	**(5,250)**	**64,618**	**6,376**	**(4,196)**	**66,798**

27. UNUSABLE RESERVES

At 31st March 2018 £'000		At 31st March 2019 £'000
33,969	Revaluation Reserve	39,810
165,510	Capital Adjustment Account	167,809
(48,563)	Pensions Reserve	(57,328)
(399)*	Collection Fund Adjustment Account	1,565
(131)	Accumulated Absences Adjustment Account	(131)
27	Deferred Capital Receipts	23
150,413		**151,748**

a. Revaluation Reserve

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

- Re-valued downwards or impaired and the gains are lost
- Used in the provision of services and the gains are consumed through depreciation or
- Disposed of and the gains are realised

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

REVALUATION RESERVE

2017/18 £'000		2018/19 £'000
22,551	Balance at start of year	33,969
11,909	Upward revaluation of assets	6,256
(46)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on Provision of Services	(223)
34,414	Surplus/Deficit on revaluation of non-current assets not posted to Surplus/Deficit on Provision of Services	40,002
(436)	Difference between fair value depreciation and historical cost depreciation	(144)
(9)	Accumulated gains on assets sold or scrapped	(48)
(445)	Amounts written off to the Capital Adjustment Account	(192)
33,969	Balance at end of year	**39,810**

b. Capital Adjustment Account (CAA)

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisation are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert current 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.

27b CAA Continued

2017/18 £'000		2018/19 £'000
156,086	Balance at start of year	165,510
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income & Expenditure Statement	
(7,213)	Charges for depreciation of non-current assets	(7,637)
(4,729)	Charges for impairment of non-current assets	(4,018)
(364)	Revaluation losses on Property, Plant & Equipment	(2,685)
10,152	Revaluation gains reversing previous impairments charged to the Comprehensive Income & Expenditure Statement	4,957
(88)	Amortisation of intangible assets	(104)
(537)	Revenue expenditure funded from capital under statute	(401)
(3,269)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	(3,716)
150,038		151,906
436	Adjusting amounts written out of the Revaluation Reserve	144
150,474	Net written out amount of the cost of non-current assets consumed in the year	152,050
	Capital financing applied in the year	
2,095	Use of the Capital Receipts Reserve to finance new capital expenditure	1,650
5,068	Use of the Major Repairs reserve to finance new capital expenditure	4,202
388	Capital grants and contributions credited to the Comprehensive Income & Expenditure Statement that have been applied to capital financing	1,767
161	Statutory provision for the financing of capital investment charged against the General Fund & HRA balances	154
7,983	Self-financed capital expenditure	8,106
(1,000)	Long Term Debtor written down	(1,000)
242	Capital expenditure charged against the General Fund and HRA balances	419
14,937		15,298
99	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income & Expenditure Statement	461
165,510	Balance at end of year	**167,809**

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.

2017/18 £'000 Original		2018/19 £'000
(47,628)	Balance at start of year	(48,563)
2,414	Remeasurement of the net defined benefit liability/ (asset)	(5,797)
(6,310)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on Provision of Services	(6,837)
2,961	Employer's pensions contributions and direct payments to pensioners payable in the year	3,869
(48,563)	Balance at end of year	**(57,328)**

d. Collection Fund Adjustment Account

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

2017/18 £'000		2018/19 £'000
(884)	Balance at start of year	(399)
92	Amount by which council tax income credited to the Comprehensive Income & Expenditure Statement is different from council tax income calculated in accordance with statute	19
393	Amount by which NNDR income credited to the CIES is different from council tax and NNDR income calculated for the year in accordance with statutory requirements	1,945
(399)*	Balance at end of year	**1,565**

***This 2017/18 includes £195K renewable energy income variance.

e. Accumulated Absences Account

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

2017/18 £'000		2018/19 £'000
131	Balance at start of year	131
	Amounts accrued at the end of the current year	
0	Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statute	0
131	Balance at end of year	**131**

f. Deferred Capital Receipts

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

2017/18 £'000		2018/19 £'000
32	Balance at start of year	27
(5)	Repayments received in year	(4)
27	Balance at end of year	**23**

28. 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:

2017/18 £'000		2018/19 £'000
	The letting of Industrial Units located within the District	
(559)	Income	(545)
33	Expenditure	28
(526)	(Surplus)/Deficit	(517)
	Markets held weekly at Bourne, Grantham and Stamford	
(223)	Income	(213)
324	Expenditure	351
101	(Surplus)/Deficit	138
(425)	(Surplus)/Deficit	**(379)**

On the face of the Comprehensive Income & Expenditure Statement the trading operations show a surplus of £238k. This figure includes revaluation gains, depreciation & IAS 19 entries totalling £141k which have been charged to the trading operations. They have been excluded from the figures above as they are purely accounting entries and are fully reversed in the Statement of Movement on the General Fund Balance.

29. JOINT OPERATION

South Kesteven District Council are members with Newark and Sherwood District Council and Rushcliffe Borough Council of the Building Control Partnership. The partnership's net expenditure in 2017/18 is £149,987 of which £49,995 is attributable to South Kesteven District Council which has been accounted for within the Council's Comprehensive Income and Expenditure Statement.

30. INTEREST IN OTHER COMPANIES AND ENTITIES

South Kesteven District Council wholly owns Gravitas Housing Ltd, Invest SK Limited and Environment SK Limited.

Gravitas Housing Limited

The registered name of the company is Gravitas Housing Limited, and this is a wholly owned subsidiary of South Kesteven District Council. The company was incorporated on 30 January 2017 and exists to "deliver commercial benefits in the housing and property services market that will have a positive social impact on the residents and communities of South Kesteven".

The company as at 18/19 had assets under construction for £0.879m. The accounts can be obtained from Gravitas Housing Ltd, Council Offices, St Peters Hill, Grantham, Lincolnshire, NG31 6PZ.
During 2018/19 the Council paid across £1.120m to Gravitas Housing Limited for shares in the company. South Kesteven District Council are the parent shareholder of the company owning 100% of the shares.

Invest SK Limited

The registered name of the company is Invest SK Limited, and this is a wholly owned subsidiary of South Kesteven District Council. The company was incorporated on 13 June 2018 and exists to “lead South Kesteven’s ambitious economic development agenda, support local business to grow, deliver new inwards investment, boost the arts, heritage, town centre and visitor economy offers”. The company is a Private company limited by guarantee without share capital

The net assets of the Company at 31 March 2019 are £0.804m.The accounts can be obtained from Invest SK, 2nd Floor, The Maltings, Wharf Road, Grantham, NG31 6BH.

During 2018/19 the Council paid £1.150m, including a funding contribution to the company of £102k.

Environment SK Limited

The registered name of the company is Environment SK Limited, and this is a wholly owned subsidiary of South Kesteven District Council. The company was incorporated on 1 March 2019 and exists to “offer a range of quality, environmental services”.

The net assets of the Company as at 31 March 2019 are £0.686m. The accounts can be obtained from Environment SK Ltd, Council Offices, St Peters Hill, Grantham, Lincolnshire, NG31 6PZ.

During 2018/19 the Council spent £63k on services with Environment SK Ltd. At the 31 March 2019 the Council owed £6k to Environment SK Ltd.

31. 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 2019.

Members’ allowances and expenses paid during the year amounted to £515,724 (2017/18 £465,530). The figure includes basic allowance, special responsibility, and other related allowances.

32. 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:

2017/18 No. of officers	Remuneration Band	2018/19 No. of officers
5	£50,000 - £54,999	6
1	£55,000 - £59,999	5
0	£60,000 - £64,999	2
1	£65,000 - £69,999	0
2	£70,000 - £74,999	0
3	£75,000 - £79,999	2
12		**15**

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

		Note	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 (1)	2018/19		0	0	0	0	0	0
	2017/18	1	31	0	0	6	8	45
Chief Executive (2)	2018/19		125	0	0	21	0	146
	2017/18	2	97	0	0	17	0	114
Strategic Director	2018/19		76	0	30	204	3	313
	2017/18		94	0	0	17	8	119
Strategic Director	2018/19		88	0	11	237	0	336
	2017/18		94	0	0	16	0	110
Strategic Director	2018/19		98	0	0	16	0	114
	2017/18		0	0	0	0	0	0
Strategic Director	2018/19		22	0	0	4	0	26
	2017/18		0	0	0	0	0	0
Strategic Director (S151 Officer)	2018/19		68	0	0	11	0	79
	2017/18		61	0	141	10	0	212
Assistant Chief Executive	2018/19		15	0	0	3	0	18
	2017/18							0
Monitoring Officer (1)	2018/19		50	0	57	79	0	186
	2017/18		71	0	0	12	4	87
Assistant Chief Executive (Monitoring Officer)	2018/19	3	78	0	0	13	0	91
	2017/18		0	0	0	0	0	0

1. Beverly Agass left the Council's employment on 2nd July 2017.
2. Aidan Rave joined the council as Chief Executive on 16th June 2017.
3. The officer designated as the Council's as Monitoring Officer changed on 31st January 2019

33. 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.

2017/18 £'000		2018/19 £'000
47	Fees payable to the external auditors with regard to external audit services carried out by the appointed auditor.	36
4	Fees payable to the external auditors for the certification of grant claims.	5
	CFO Insights	10
4	Fees payable to external auditors for the certification of returns	5
55		**56**

34. GRANT INCOME

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

2017/18 £'000		2018/19 £'000
27,278	Benefits Subsidy	22,834
135	Local Council Tax Admin Subsidy	454
358	Housing Benefits Admin Grant	325
0	Discretionary Housing Payment	78
108	Welfare Reform	377
34	IER Funding	27
30	Custom Build Grant	0
244	HCA Spittlegate Heather Garden Village	0
260	Neighbourhood Planning Grant	169
735	Disabled Facilities Grant	890
155	Homelessness	254
0	Rogue Landlord Enforcement Grant	50
0	Refugee Funding	10
0	LGA Cyber Resilience Programme	12
0	Greater Lincolnshire Local Enterprise Partnership	1,800
313	Arts and Recreation Grants	883
38	Other Grants	60
29,688		**28,223**

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:

2017/18	Capital Grants	2018/19
£'000	**Receipts in Advance**	£'000
3,504	S106 Contributions	**2,019**

35. 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 14 and 34 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.

Wholly owned companies of the Council have members and senior officers on the board of Directors. The boards are constituted as follows:

Gravitas Limited – Director of Finance, Assistant Director of Growth, Assistant Director Housing
Environment SK – Cabinet Member for Commercial and Operations, Assistant Director of Commercial and Operations
Invest SK – Leader of the Council, Deputy Leader of the Council, Chief Executive.

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:

2017/18 £'000		2018/19 £'000
1,620	Town and Parish Councils	1,659
123	Upper Witham Drainage Board	130
58	Black Sluice Drainage Board	58
481	Welland and Deepings Drainage Board	488
2,282		**2,335**

36. 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.

2017/18 £'000		2018/19 £'000
113,309	**Opening Capital Finance Requirement**	109,926
	Capital Investment	
98	Council Dwellings	286
0	Other land & buildings	8,052
1,437	Vehicles, plant & equipment	1,787
3,073	Investment properties	0
2,677	Assets under construction	5,181
4,730	Capital expenditure	4,018
40	Intangible Assets	153
0	Long Term Investment	1,120
537	Revenue expenditure charged to capital under statute	401
	Sources of Finance	
(2,095)	Capital receipts	(1,650)
(388)	Capital grants & contributions	(1,768)
(13,492)	Sums set aside from revenue	(12,904)
109,926	**Closing Capital Financing Requirement**	**114,602**
	Explanation of movements in year	
(3,383)	Increase/(Decrease) in underlying need to borrow (supported by government financial assistance)	4,676
(3,383)	**Increase/ (Decrease) in Capital Financing Requirement**	**4,676**

37. 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 2018 £'000	Carrying Value	At 31st March 2019 £'000
2,094	Other Land & Buildings	**2,106**

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 2018 £'000	Future Minimum Lease Payments Due	At 31st March 2019 £'000
55	Not later than one year	3
27	Between one & five years	1
2	Later than 5 years	2
84		**6**

At 31st March 2018 £'000	Expenditure charged to Comprehensive Income & Expenditure Account	At 31st March 2019 £'000
4	Cultural	3
80	Corporate	3
84		**6**

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 2018 £'000	Finance Lease Debtor (net present value of minimum lease payments)	At 31st March 2019 £'000
13	Non-Current	13
56	Unearned finance income	55
1,740	Unguaranteed residual value of property	1,740
1,809	Gross Investment in the Lease	**1,808**

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 2019 £'000	At 31st March 2018 £'000	At 31st March 2019 £'000	At 31st March 2018 £'000
Not later than one year	1	1	0	0
Between one & five years	5	5	1	1
Later than 5 years	1,802	1,803	13	13
	1,808	**1,809**	**14**	**14**

	Gross Investment in the Lease		Minimum Lease Payments	
	At 31st March 2018 £'000	At 31st March 2017 £'000	At 31st March 2018 £'000	At 31st March 2017 £'000
Not later than one year	1	1	0	0
Between one & five years	5	5	1	1
Later than 5 years	1,803	1,804	13	13
	1,809	**1,810**	**14**	**14**

No allowance for uncollectible amounts has been set aside as at 31 March 2019.

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 2018/19 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 2018		At 31st March 2019
£'000		£'000
576	Not later than one year	582
2,111	Between one & five years	2,174
1,529	Later than 5 years	1,031
4,216		**3,787**

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

38. IMPAIRMENT LOSSES

The Council recognised no impairment losses during 2018/19

39. TERMINATION BENEFITS

Exit Package cost bands (including special payments)	Number of compulsory redundancies		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2017/18 No.	2018/19 No.	2017/18 No.	2018/19 No.	2017/18 £'000	2018/19 £'000
£0-£20,000	0	0	1	10	4	59
£20,001 - £40,000	0	1	0	3	0	80
£40,001 - £60,000	0	0	1	0	41	0
£60,001 - £80,000	0	0	0	0	0	0
£80,001 - £100,000	0	0	0	0	0	0
£100,001 - £150,000	0	0	1	1	142	126
£150,000 and above	0	0	0	3	0	640
Total Cost included in bandings	0	1	3	17	187	905
Amounts provided for in CIES not included in bandings						
Total Cost included in CIES					**187**	**905**

40. 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.

2017/18 £'000		2018/19 £'000
	Comprehensive Income and Expenditure Statement	
	Cost of Services	
5,017	- current service cost	5,211
28	- past service cost	294
	Financing & Investment Income & Expenditure	
3,665	- Net interest expense	3,896
(2,400)	-Expected return on assets in the scheme	(2,564)
6,310	Total Post-employment benefits charged to the Surplus or Deficit on the Provision of Services	6,837
	Other Post-employment benefits charged to the Comprehensive Income and Expenditure Statement	
	Remeasurement of the net defined benefit liability comprising:	
281	-return on plan assets (excluding the amount included in the net interest expense)	(6,004)
0	-Actuarial gains and losses arising on changes in demographic assumptions	0
(2,698)	-Actuarial gains and losses arising on changes in financial assumptions	11,891
3	-Other	(90)
3,896	**Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement**	**12,634**
	Movement in Reserves Statement	
(3,349)	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	**(2,968)**
	Actual amount charged against the General Fund Balance for pensions in the year.	
2,961	- Employers' contributions payable to scheme.	**3,869**

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:

2017/18 £'000 Original		2018/19 £'000
143,088	Present Value of the defined benefit obligation	161,451
(94,525)	Fair value of plan assets	(104,123)
48,563	Sub-total	57,328
48,563	**Net liability arising from defined benefit obligation**	**57,328**

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

2017/18 £'000		2018/19 £'000
92,354	Opening fair value of scheme assets	94,525
2,400	Interest income	2,564
	Remeasurement gain/ (loss:	
(281)	The return on plan assets, excluding the amount included in net interest	6,004
2,961	Contributions from employer	3,869
794	Contributions from employees into the scheme	875
(3,703)	Benefits paid	(3,714)
94,525	**Closing fair value of scheme assets**	**104,123**

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

2017/18 £'000 Original		2018/19 £'000
139,982	Opening balance at 1 April	143,088
5,017	Current Service Cost	5,211
3,665	Interest cost	3,896
794	Contributions from scheme participants	875
	Remeasurement (gains) and losses:	
0	Actuarial gains/ losses arising from changes in demographic assumptions	0
(2,698)	Actuarial gains/ losses arising from changes in financial assumptions	11,891
3	Other	(90)
28	Past Service cost	294
(3,703)	Benefits paid	(3,714)
143,088	**Closing Balance at 31st March**	**161,451**

f. Local Government Pension Scheme assets comprised

2017/18	Fair Value of Scheme Assets	2018/19
£'000		£'000
1,156	Cash and Cash equivalents	992
	Equity instruments by industry type:	
6,944	Consumer	11,286
5,374	Manufacturing	4,434
2,621	Energy and utilities	2,535
6,500	Financial institutions	6,244
7,353	Information technology	6,882
4,022	Other	4,674
32,814	Sub Total Equity	36,055
1,530	Private Equity:	1,170
	Real Estate	
8,011	UK Property	8,594
706	Overseas Property	666
8,717	Sub-total Property	9,260
	Investment Funds and Unit Trusts	
26,226	Equities	28,378
11,174	Bonds	12,541
1,377	Infrastructure	1,967
11,531	Other	13,760
50,308	Sub-total other investment funds	56,646
94,525	**Total Assets**	**104,123**

All scheme assets have quoted prices in active markets.

g. Basis of Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit cost method, an estimate of the pensions that will be payable in future years dependant on assumptions about mortality rates, salary levels etc.

Both the Local Government Pension Scheme and discretionary benefits liabilities have been estimated by Hymans Robertson, an independent firm of actuaries, estimates for the Lincolnshire County Council Fund being based on the latest full valuation of the scheme as at 31 March 2016.

The significant assumptions used by the actuary have been:

2017/18		2018/19
	Long term expected rate of return on assets in the Scheme	
	Mortality Assumptions	
	Longevity at 65 for current pensioners:	
22.1	Men	22.1
24.4	Women	24.4
	Longevity at 65 for future pensioners:	
24.1	Men	24.1
26.6	Women	26.6
2.8%	Rate of increase in salaries	2.9%
2.4%	Rate of Increase in Pensions	2.5%
2.7%	Rate for discounting scheme liabilities	2.4%

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

Impact on the Defined Benefit Obligation in the Scheme	Increase/ Decrease in Assumption £000
Longevity (increase or decrease in 1 year)	0
Rate of increase in salaries (increase or decrease by 0.5%)	2,051
Rate of increase in pensions (increase or decrease by 0.5%)	14,153
Rate of discounting scheme liabilities (Increase or decrease by 0.5%)	16,457

h. Impact on the Council’s Cash Flows

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

The Council is anticipated to pay £3.31m expected contributions to the scheme in 2019/20.

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

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

41. CONTINGENT ASSETS AND LIABILITIES

There were no material contingent assets or liabilities as at 31 March 2019.

42. BORROWING

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

2017/18		2018/19
£'000	Analysis of Loans by Source	£'000
99,100	PWLB	70,878
99,100		**70,878**

£'000	Analysis of Loans by Maturity	£'000
3,221	Between 1 and 2 Years	3,221
34,665	Between 2 and 5 Years	9,665
16,109	Between 5 and 10 Years	16,109
16,109	Between 10 and 15 Years	16,109
28,996	Over 15 years	25,774
99,100		**70,878**

Current Borrowing represents borrowing repayable within one year.

2017/18		2018/19
£'000		£'000
4,280	Balance at start of year	3,245
0	Borrowing taken out during year	0
(4,280)	Borrowing repaid during year	(3,245)
3,222	Transferred from Non-Current Borrowing	28,222
23	Accrued interest at end of year	22
3,245	Balance at end of year	**28,244**

43. AUTHORISATION OF ACCOUNTS FOR ISSUE

The date that the Statement of Accounts was authorised for issue was 26 July 2019. This is the date up to which events after the Balance Sheet date have been considered. The name of the person who gave the authorisation was Debbie Muddimer (Chief Finance Officer).

44. HERITAGE ASSETS

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

	Assets held at value		Assets held at cost	Total Assets
	Antiques	Miscellaneous Artefacts	Orrery	
	£'000	£'000	£'000	£'000
Cost or Valuation				
1st April 2017	216	193	20	429
Revaluations	22	71	0	93
Disposals in Year	0	0	0	0
31st March 2018	238	264	20	522
Revaluations	0	0	0	0
Additions in year	0	0	0	0
Disposals in Year	0	0	0	0
31st March 2019	238	264	20	522

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

a. Antiques

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

b. Miscellaneous Artefacts

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

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

c. Orrery

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

d. Historic

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

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

Wyndham Park Shelter, Grantham	World War 1 memorial shelter

Currently the Council has no intangible Heritage Assets

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

45. CASH FLOW STATEMENT

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

2017/18 £'000		2018/19 £'000
7,213	Depreciation	7,637
(4,909)	Impairment & downward valuations	1,825
88	Amortisation	104
(1,427)	Increase/(Decrease) in Creditors	3,751
564	(Increase)/Decrease in Debtors	(2,300)
(2)	(Increase)/Decrease in Stock	(5)
3,347	Movement in pension liability	2,968
3,278	Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	3,765
78	Other non-cash items charged to the net surplus or deficit on the provision of services	(254)
8,230		**17,491**

HOUSING REVENUE ACCOUNT

INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2019

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.

2017/18 £'000		2018/19 £'000
	Income	
	Gross Rental Income	
(24,780)	- Dwelling Rents	(24,186)
(293)	- Non-Dwelling Rents	(305)
(632)	Charges for Services and Facilities	(667)
(425)	Other Income	(475)
(26,130)	**Total Income**	**(25,633)**
	Expenditure	
8,638	Repairs and Maintenance	9,110
4,187	Supervision and Management	4,812
(15)	Rent, rates, taxes and other charges	14
226	Increase/(Decrease) in Prov'n for Doubtful Debts	269
(1,358)	Depreciation and impairment of Non-Current Assets	5,111
36	Debt Management Costs	40
11,714		**19,356**
(14,416)	**Net Cost of HRA Services**	**(6,277)**
393	HRA share of Corporate and Democratic Core	344
(14,023)	**Net Cost of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement**	**(5,933)**
(976)	(Gain)/loss on sale of HRA assets	(1,728)
803	Contribution Housing Captial Receipts to the Pool	803
(10)	Other operating income (Right to Buy Discount Repaid)	0
2,943	Interest payable and similar charges	2,815
(228)	Interest and Investment Income	(384)
(36)	Investment Property Income and Expenditure	(59)
295	Pension Interest Costs and Expected Return on Assets	207
(11,232)	**(Surplus)/Deficit for the year on HRA services**	**(4,279)**

MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT

2017/18 £'000		Note	2018/19 £'000
(3,626)	Balance on the HRA at the end of the previous year		(2,490)
(11,232)	(Surplus)/Deficit for the year on the HRA Income & Expenditure Statement		(4,279)
7,147	Adjustments between Accounting Basis and Funding Basis under statute	7	1,654
(4,085)	**Net (increase) or decrease before transfers to or from reserves**		**(2,625)**
5,221	Transfers to or (from) reserves	7	3,108
(2,490)	Balance on HRA at the end of the current year		**(2,007)**

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 6,048 dwellings during 2018/19. The housing stock and changes during the year are as follows:

	At 1st April 2018	Additions	Disposals /Sales	At 31st March 2019
Rentable Stock				
- Houses	3,252	2	(57)	3,197
- Bungalows	1,502	0	(4)	1,498
- Flats	1,301	2	(3)	1,300
Shared Ownership	23	0	(1)	22
Total	**6,078**	**4**	**(65)**	**6,017**

2. LAND HOUSES AND OTHER PROPERTY

Analysis of Housing Fixed Assets

	Operational Assets			Non Operational Assets		
	Dwellings	Other Land and Buildings	Vehicles, Plant & Equipment	Investment Properties	Assets Under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation at 1 April 2018	236,604	3,591	1,571	440	8	242,214
Additions	4,304	0	184	0	461	4,949
Revaluation increases/(decreases) recognised in the Revaluation Reserve	496	134	0	0	0	630
Revaluation increases/(decreases) recognised in the Surplus/Deficit on Provision of Services	(4,178)	120	0	34	0	(4,024)
Derecognition - Disposals	(2,512)	0	(358)	0	0	(2,870)
Assets reclassified to/from Held for Sale	(142)	0	0	0	0	(142)
Gross Book Value as at 31/3/2019	234,572	3,845	1,397	474	469	240,757
Depreciation & Impairments						
At 1 April 2018	(3,327)	(157)	(1,092)	0	0	(4,576)
Depreciation charge	(3,299)	(191)	(148)	0	0	(3,638)
Depreciation written out to the revaluation reserve	718	102	0	0	0	820
Depreciation written out to the CI&E	6,627	53	0	0	0	6,680
Impairment losses/(reversals) recognised in the Surplus/Deficit on Provision of Services	(4,018)	0	0	0	0	(4,018)
At 31 March 2019	(3,299)	(193)	(1,240)	0	0	(4,732)
Balance Sheet Amount at 31 March 2019	**231,273**	**3,652**	**157**	**474**	**469**	**236,025**
Balance Sheet Amount at 31 March 2018	**233,277**	**3,434**	**479**	**440**	**8**	**237,638**

The vacant possession value of dwellings at 31 March 2019 was £560.74m (£555.92m at 31 March 2018). Each council dwelling owned, in full or part, by the Council has been valued by the Valuation Office Agency in accordance with the guidance issued by DCLG. The vacant possession value of dwellings must be adjusted to reflect the social housing status of local authority dwellings i.e. that social housing is available to tenants at less than open market rents. The predetermined adjustment factor for social housing in the East Midlands is 42%.

3. HRA REVALUATION LOSS

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

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

2017/18 £'000		2018/19 £'000
3,624	Depreciation	3,638
(9,601)	Revaluation Loss/(Gain)	(2,583)
4,729	Impairment Losses	4,018
(1,248)		**5,073**

4. MAJOR REPAIRS RESERVE

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

2017/18 £'000		2018/19 £'000
8,875	Opening balance on the Major Repairs Reserve	10,328
	Transfer to/ (from) the Major Repairs Reserve	
3,327	Capital Adjustment Account	3,299
3,194	Shortfall of depreciation on dwellings over Major Repairs Allowance	3,233
(5,068)	Financing of Capital Expenditure	(4,202)
10,328	**Closing balance on the Major Repairs Reserve**	**12,658**

5. FINANCING CAPITAL EXPENDITURE

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

2017/18 £'000		2018/19 £'000
	Expenditure	
4,827	Council Dwellings	4,304
338	Plant and Equipment	184
1,997	Assets Under Construction	461
7,162	**Total**	**4,949**
	Financed from:	
5,068	Major Repairs Reserve	4,202
2,094	Capital Receipts	470
0	Property Development Reserve	277
7,162		**4,949**

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

6. CAPITAL RECEIPTS

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

	Receipt in Year £'000	Element Pooled £'000	Useable Element £'000
Sale of Vehicles	80	0	80
Sale of Council Dwellings	4,387	(800)	3,587
Sale of Shared Ownership Dwellings	130	0	130
Mortgage Repayments	3	(3)	0
Total	**4,600**	**(803)**	**3,797**

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

2017/18	Movement on the Housing Revenue Account Statement	2018/19
£'000		£'000
	Adjustments between Accounting and Funding Basis:	
(1,470)	IAS 19	(1,062)
664	- Pension Costs Charged to Rent Income	348
(4,729)	- Non-Enhancing Capital Expenditure	(4,018)
3,222	Capital Expenditure	3,222
976	Gains/losses on disposal of non current assets	1,728
9,601	Revaluation gains/(losses) on PPE	2,583
(803)	Payments to Housing Capital Receipts Pool	(803)
(313)	Depreciation of non-current assets	(343)
(1)	Other Adjustment	(1)
7,147		**1,654**
	Transfers to/from Earmarked Reserves:	
(100)	- Insurance Surplus	0
2,127	- Transfers to/(from) reserves	(125)
3,194	- Transfers to/(from) Major Repairs Reserve	3,233
0	- Transfer to Unapplied Capital Receipts	0
5,221		**3,108**

8. RENT ARREARS

An analysis of rent arrears is shown below:

At 31st March 2018		At 31st March 2019
£'000		£'000
677	Current Tenants	1,086
532	Former Tenants	711
1,209	**Gross Rent Arrears**	**1,797**
(847)	**Impairment Provision for Bad & Doubtful Debt**	**(1,116)**

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

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COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2019

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.

2017/18 Business Rates £'000	2017/18 Council Tax £'000	2017/18 Total £'000		Note	2018/19 Business Rates £'000	2018/19 Council Tax £'000	2018/19 Total £'000
			Income				
0	72,722	72,722	Council Tax Payers		0	77,167	77,167
40,610	0	40,610	Business Ratepayers		42,380	0	42,380
			Apportionment of Previous Year Deficit -				
932	0	932	Central Government		496	0	496
745	0	745	South Kesteven District Council		397	0	397
186	0	186	Lincolnshire County Council		99	0	99
42,473	72,722	115,195	**Total Income**		43,372	77,167	120,539
			Expenditure				
39,756	72,024	111,780	Precepts and Demands	3	40,804	76,186	116,990
177	0	177	Costs of Collection		177	0	177
165	0	165	Transitional Protection Payment		(91)	0	(91)
			Bad and doubtful Debts -				
126	199	325	Write Offs		146	70	216
(82)	10	(72)	Provisions		(20)	89	69
520	0	520	Appeals		(890)	0	(890)
			Apportionment of Previous Year Surplus -				
0	36	36	South Kesteven District Council		0	74	74
0	225	225	Lincolnshire County Council		0	501	501
0	42	42	Lincolnshire Police & Crime Commissioner		0	83	83
40,662	72,536	113,198	**Total Expenditure**		40,126	77,003	117,129
1,811	186	1,997	**Movement on Fund**		3,246	164	3,410
(2,467)	360	(2,107)	Balance at the Beginning of the Year		(656)	546	(110)
(656)	546	(110)	**Surplus/(Deficit) on Fund at End of Year**		2,590	710	3,300
			Allocated to -				
(328)	0	(328)	Central Government		168	0	168
(262)	59	(203)	South Kesteven District Council		1,487	78	1,565
(66)	420	354	Lincolnshire County Council		935	533	1,468
0	67	67	Lincolnshire Police & Crime Commissioner		0	99	99
(656)	546	(110)			2,590	710	3,300

NOTES TO THE COLLECTION FUND

1. COUNCIL TAX

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

The Council Tax base for 2018/19 increased to 46,519.3 (46,119.4 in 2017/18)

The Council Tax base was calculated as follows:

Band	Estimated No. of Taxable Properties After Effect of Discounts	Ratio	Band D Equivalent Dwellings
A	12,666.10	6/9	8,444.1
B	11,646.40	7/9	9,058.3
C	9,709.90	8/9	8,631.0
D	8,227.60	9/9	8,227.6
E	5,216.90	11/9	6,376.2
F	2,704.20	13/9	3,906.1
G	1,006.70	15/9	1,677.8
H	64.80	18/9	129.6
Band A entitled to Disabled Relief Reduction	17.30	5/9	9.6
			46,460.3
Ministry of Defence Properties			59.0
Council Tax Base			**46,519.3**

2. BUSINESS RATES

During 2018/19 SKDC were part of the Lincolnshire 100% rates retention pilot scheme so no business rates were payable to Central Government. Under this scheme SKDC and Lincolnshire County Council (LCC) retained the total non-domestic rates due, less certain reliefs and deductions, which were distributed on the ratio of 60:40 for SKDC and LCC. The business rates retention scheme is designed to encourage economic growth and incentivise Councils by allowing them to keep a proportion of any business rates growth achieved during the year.

Under the arrangements for Non-Domestic Rates, the Council collects rates for its area based upon local rateable values (determined by the Valuation Office Agency, an executive agency of HM Revenue & Customs) multiplied by the multiplier (determined by Government). For 2018/19 there are two multipliers:

Full	49.3p (47.9p for 2017/18)
Small Business	48.0p (46.6p for 2017/18)

The total Non-Domestic Rateable Value at 31 March 2019 was £110.310m (31 March 2018 £108.903m).

3. PRECEPTS AND DEMANDS

2017/18 Council Tax £'000	2017/18 Business Rates £'000	2017/18 Total £'000		2018/19 Council Tax £'000	2018/19 Business Rates £'000	2018/19 Total £'000
0	19,878	19,878	Central Government	0	0	0
54,117	3,976	58,093	Lincolnshire County Council	57,287	16,322	73,609
9,476	0	9,476	Lincs Police & Crime Commissioner	10,115	0	10,115
8,431	15,902	24,333	South Kesteven District Council	8,784	24,482	33,266
72,024	**39,756**	**111,780**		**76,186**	**40,804**	**116,990**

WWI Memorial Park Opening

LotterySK Ticket Launch


Brian Cox at Gravity Fields

Annual Governance Statement

SOUTH KESTEVEN DISTRICT COUNCIL

Introduction

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

Key elements of the Council's governance framework

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

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

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

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

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

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

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

How we comply with the CIPFA/Solace Framework

The Council has approved and adopted a Local Code of Corporate Governance based on the requirements of the CIPFA/Solace Delivering Good Governance in Local Government Framework 2016. Set out below is how the Council has complied with the seven principles set out in the CIPFA/Solace Framework during 2018/19.

Principle A

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

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

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

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

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

Principle B

Ensuring openness and comprehensive stakeholder engagement

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

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

We have carried out a number of consultations during 2018/19 including engagement with local businesses, residents and town and parish councils on the level of council tax to be set for the following year. Nearly 400 people responded and their feedback informed Cabinet’s recommendation for a £5 a year increase, with the final decision approved by the Council in March 2019.

Residents were consulted on their views of the local area, the Council and Value for Money and service satisfaction. Just under 1,500 residents responded with around 75% supporting the Council’s focus of growing the District, providing more homes and supporting the improvement of surroundings.

Private sector landlords were consulted on the Private Sector Housing Enforcement Policy in respect of where the policy might change including recovering the costs of enforcement, decisions over prosecution or to use civil penalties, or permission to set a civil penalty charging structure. Most landlords were in favour of the changes to the policy.

Principles C & D

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

DeliverSK

DeliverSK was announced in January 2019 as a new partnership with an international investment company to create a pipeline of development and regeneration projects and take them from the concept stage through to completion.

DeliverSK will enable the Council to deliver projects more rapidly, and with more commercial thinking, bringing in vital external investment into the District.

EnvironmentSK

The Council has brought in-house all grounds maintenance services previously provided by a private contractor.

EnvironmentSK, a company wholly owned by the Council, was launched in March 2019 to provide an essential service while generating revenue to help pay for some of its key priorities. Council tax payers will benefit by seeing a more flexible service providing better value for money, which will also secure revenue to help continue providing other essential services for the community.

InvestSK

Following the creation of InvestSK in 2017, the company has driven economic, social and cultural growth with business support and engagement, inward investment, skills development, funding advice, market town enhancements, visitor economy, arts and culture, heritage regeneration and place-making.

InvestSK has supported companies to grow and new businesses to set up, hosted networking events, promoted development opportunities to national businesses, delivered the District's very first skills summit and invested in the heritage and arts with funding programmes to support regeneration, build capacity and develop creative talent.

Gravitas

LotterySK

Food waste trial

Gravitas, the Council’s commercial housing development company, embarked on its first project with the start of a £3m development at Wherry’s Lane, Bourne to provide 20 two-bedroom apartments and 5 three-bedroom town houses in the town centre.

LotterySK was launched as a true people’s Lottery, registering 83 charities and community groups with more than £74,000 being raised for good causes within months of the first draw – co-incidentally netting one lucky ticket holder the maximum £25,000 prize pot.

Over four thousand homes across the District engaged in a twelve-month food waste recycling trial – the first in Lincolnshire – run by the Lincolnshire Waste Partnership and funded by Lincolnshire County Council.

More than 85% of those invited to take part have collected over a thousand tonnes of food waste for processing into soil conditioner for farmers and electricity.

Principle E

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

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

We have arrangements in place for individuals to raise concerns where they believe these values and behaviours are not being lived.

We have a Counter Fraud Strategy, which incorporates bribery and corruption, and a Whistleblowing Policy which provides protection for individuals to raise concerns in confidence and ensures that any concerns raised are investigated properly.

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

The Council is committed to the rule of the law and adherence to all laws and regulations underpinning its work.

All council decisions consider the legal implications, and these are captured within all Council reports, along with a quality impact analysis and consideration of any risks and mitigations.

Principle F

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

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

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

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

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

Financial management is a key element of the structure and processes that comprise the Council's governance arrangements.

Underpinning the delivery of our Corporate Strategy and priorities is the ethos of a well-run Council. This includes effective financial management to achieve efficiencies and savings in the short and medium terms.

Principle G

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

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

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

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

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

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

Governance framework for 2018/19
The Governance Framework shown below has been in place throughout the financial year which ended on 31 March 2019 and continues to be in place up to the date of the approval of the Statement of Accounts.

Assurances required

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

Sources of assurance

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

Assurances received

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

Review of effectiveness

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

Governance and Audit Committee

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

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

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

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

At the Council meeting in June 2019, Members will consider the Chairman of the Committee's Annual Report on the key outcomes arising from the work of the Governance and Audit Committee for 2018/19. The outcomes have 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 2019/20 will also be presented to Council at the same meeting.

Internal audit

The Council's internal auditors, RSM, are required to provide an opinion on the overall adequacy and effectiveness of the Council's risk management, governance and internal control arrangements.

14 reviews were undertaken during 2018/19 plus two follow-up reviews. The 14 reviews resulted in an assurance opinion summarised below:

8	5	1	0
Substantial assurance	Reasonable assurance	Partial assurance	No assurance

For the twelve months ended 31 March 2019, based on the work undertaken, internal audit's opinion below details the adequacy and effectiveness of the Council's risk management, governance and internal control arrangements:

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

With regard to the issues raised by the Head of Internal Audit in their Annual Report to the Governance and Audit Committee in June 2018, action plans have been put in place to address these, particularly in those areas where management concerns have also been raised and further work is required to strengthen the control framework.

External audit

The Council's external auditors, KPMG, concluded that the Authority had made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

The following significant Value for Money audit risk was identified:

Financial resilience – As a result of reductions in central government funding, and other pressures, the Authority continues to face similar financial pressures and uncertainties to those experienced by others in the local government sector. At the same time the Authority is investing a significant level of funding to support its economic growth objectives and other strategic priorities.

Internal audit files and reports for key financial systems are reviewed annually by external audit 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 2017/18 annual accounts:

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

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

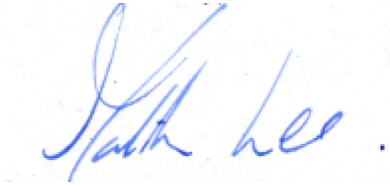
Key area of focus identified for 2018/19	Action taken
Continue to review and monitor the budgeted savings and additional income streams and ensure the Medium Term Financial Strategy reflects the financial climate and supports the delivery of the Council's ambitions	During the financial year active budget management has been undertaken to manage financial resources within the context of the budget framework.
Strengthening governance arrangements around fraud Delivery of the counter fraud action plan including a Fraud Health Check using the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption	Delivery of fraud awareness elearning providing information on how fraud occurs, signs that may indicate fraud, and how to raise suspicions about activity that may be fraudulent. The Partnership continues to share fraud intelligence, counter fraud best practice and training opportunities to increase resilience.
Delivery of the Human Resources Strategy The aim of Human Resources Strategy is to provide an immediate and on-going and long term framework for engaging, sustaining, developing and managing our people to be fit for purpose in supporting the Council's vision, goals and the aspirations outlined in the Corporate Strategy.	The Action Plan for the Human Resources Strategy 2018/19 have been completed. The Action Plan has been reviewed and refreshed, in line with the new Corporate Strategy, the Vision and Values, and the outcomes of the annual staff survey. These have been agreed with the Portfolio Holder for Human Resources.

Governance issues
For the financial year 2018/19 there has been **no significant governance issues** identified by audit. However, we continue to enhance and improve our governance arrangements and relevant actions are listed in the table below:

Key area of focus for 2019/20
Continue to review and monitor the budgeted savings and additional income streams and ensure the Medium Term Financial Strategy reflects the financial climate and supports the delivery of the Council's ambitions
Complete a comprehensive review of the Council's Constitution to ensure that it provides effective governance and supports the ambitions of the organisation. This will include the evaluation of the Council's arrangements against the best practice recommendations arising from the *Local Government Ethical Standards: A Review by the Committee on Standards in Public Life* and plan improvements where required
Review and update the Council's Financial Regulations and the Contract and Procurement Procedure Rules to support the constitutional review

Conclusion

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



Cllr Matthew Lee
The Leader of the Council

Aidan Rave
The Chief Executive

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of South Kesteven District Council (the 'Authority') for the year ended 31 March 2019 which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund Statement and the notes to the financial statements, including a summary of significant accounting policies. The notes to the financial statements include the Notes to the Core Statements, Notes to the Housing Revenue Account Statement and Notes to the Collection Fund Statement. 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 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2019 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Finance Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Chief Finacne Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts, ther than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the Authority obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report 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
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters**.**

Responsibilities of the Authority, the Chief Finance Officer and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities for the statement of accounts set out on page 15, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Chief Finance Officer. 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 2018/19, for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Finance Officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Governance and Audit Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements - Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed our work to give our conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources. We are unable to issue our conclusion until we have completed our consideration of matters that have been brought to our attention. We are satisfied that these matters do not have a material effect on the financial statements

Use of our report

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 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members 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 Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

John Gregory

John Gregory, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

Birmingham

30 July 2019

GLOSSARY OF TERMS

Accounting Period

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

Accounting Policies

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

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

Accrual Concept

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

Actuarial Gains and Losses

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

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

Amortisation

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

Annual Governance Statement

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

Asset

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

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

Audit of Accounts

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

Bad Debt Provision

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

Balance Sheet

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

Budget

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

CAA

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

Capital Charges

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

Capital Expenditure

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

Capital Receipts

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

Carrying Amount

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

Cash Flow Statement

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

Certificate of Deposit

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

CIES

Comprehensive Income & Expenditure Statement

CIPFA

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

Code (the)

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

Collection Fund

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

Community Assets

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

Current Service Cost

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

Curtailment

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

Contingent Liabilities

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

Council Tax

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

Creditors

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

Current Liabilities

Amounts payable that become due during the next financial year.

DCLG

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

Debtors

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

Deferred Charges

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

Deferred Credits

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

Depreciation

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

Emoluments

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

Earmarked Reserves

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

Expected Rate of Return

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

Explanatory Foreword

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

Finance Leases

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

Financial Year

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

FRS

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

General Fund

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

Government Grants

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

Housing Benefits

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

Housing Revenue Account (HRA)

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

Joint Operation

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

IAS

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

IFRS

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

Income

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

Impairment Losses

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

Intangible Assets

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

Interest on Pension Scheme Liabilities

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

Investments

Cash deposits with approved institutions.

Key Prudential Indicator

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

Liability

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

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

Long Term Debtor

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

Materiality

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

Minimum Revenue Provision

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

MIRS

Movement in Reserves Statement

MRA

Major Repairs Allowance.

MRR

Major Repairs Reserve

Net Book Value (NBV)

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

Non Distributed Costs

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

Non Domestic Rates

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

Non-Exchange Transactions

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

Non-Operational Assets

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

Operational Assets

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

Operating Leases

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

Past Service Cost

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

Pension Fund

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

Performance Management

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

PPE

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

Precepts

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

Provisions

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

PWLB

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

Related Party Transactions

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

Reserves

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

Revaluation Reserve

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

Revenue Expenditure

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

Revenue Expenditure Funded from Capital Under Statute

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

Revenue Support Grant

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

Soft Loan

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

Treasury Management

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