

AGENDA



For a meeting of the	
GOVERNANCE AND AUDIT COMMITTEE	
to be held on	
THURSDAY, 26 SEPTEMBER 2013	
at	
2.00 PM	
in the	
WITHAM ROOM - COUNCIL OFFICES, ST. PETER'S HILL, GRANTHAM. NG31 6PZ	
Beverly Agass, Chief Executive	

Committee Members:	Councillor Jean Bevan (Vice-Chairman), Councillor Trevor Scott, Councillor Rob Shorrocks, Councillor Ian Stokes (Chairman), Councillor Jeff Thompson, Councillor Martin Wilkins and Councillor Rosemary H Woolley
Committee Support Officer:	Jo Toomey 01476 406152 j.toomey@southkesteven.gov.uk

Members of the Committee are invited to attend the above meeting to consider the items of business listed below.

1. MEMBERSHIP

The Committee to be notified of any substitute members.

2. APOLOGIES

3. DISCLOSURE OF INTERESTS

Members are asked to disclose any interests in matters for consideration at the meeting.

4. MINUTES OF THE MEETING HELD ON 23 JULY 2013

(Enclosure)

5. UPDATES FROM PREVIOUS MEETING

The Service Manager for Human Resources and Organisational Development to give an update on the audit of flexible working arrangements.

6. ANNUAL GOVERNANCE REPORT 2012/13

ISA 260 Report 2012-13 by external audit. (Enclosure)

7. STATEMENT OF ACCOUNTS 2012/13

Report number HOF249 by the Strategic Director and Head of Finance. (Enclosure)

8. INTERNAL AUDIT PROGRESS REPORT

Report by internal audit. (Enclosure)

9. COUNTER-FRAUD ANNUAL REPORT 2012/13

Report number HOF251 by the Head of Finance. (Enclosure)

10. COUNTER-FRAUD, CORRUPTION AND BRIBERY FRAMEWORK UPDATE

Report number HOF251 by the Head of Finance. (Enclosure)

11. OMBUDSMAN ANNUAL REVIEW LETTER 2012/13

Report number LDS108 by the Head of Legal and Democratic Services. (Enclosure)

12. HEALTH AND SAFETY ANNUAL REPORT 2012/13

Report number ENV593 by the Environmental Health Services Manager. (Enclosure)

13. CUSTOMER FEEDBACK

Report number CSCL001 by the Head of People, Projects and Performance. (Enclosure)

14. ANY OTHER BUSINESS, WHICH THE CHAIRMAN, BY REASONS OF SPECIAL CIRCUMSTANCES, DECIDES IS URGENT.

MINUTES

**GOVERNANCE AND AUDIT
COMMITTEE
TUESDAY, 23 JULY 2013**



COMMITTEE MEMBERS PRESENT

Councillor Jean Bevan (Vice-Chairman)
Councillor Trevor Scott
Councillor Rob Shorrock
Councillor Ian Stokes (Chairman)

Councillor Jeff Thompson
Councillor Martin Wilkins
Councillor Rosemary H Woolley

OFFICERS

Strategic Director – Corporate Focus
(Daren Turner)
Head of Finance (Richard Wyles)
Senior Accountant (Gill Goddard)
Principal Democracy Officer (Jo Toomey)

OTHER MEMBERS

Councillor Mike Taylor (Portfolio Holder:
Strategic Resources – Well Run Council)

14. DISCLOSURE OF INTERESTS

No interests were disclosed.

15. MINUTES OF THE MEETING HELD ON 27 JUNE 2013

The minutes of the meeting held on 27 June 2013 were proposed, seconded and agreed as a correct record.

16. DRAFT STATEMENT OF ACCOUNTS 2012/13

Prior to consideration of the draft Statement of Accounts, the Head of Finance gave a presentation which began by reminding the Committee that it was charged with governance responsibilities on behalf of Council, including the approval of Statement of Accounts 2012/13.

The presentation also summarised the process for the approval of the Statement of Accounts. The Section 151 Officer was required to sign-off the accounts by the end of June. Historically there had been a requirement that the audit committee consider the draft Statement of Accounts. While the

requirement had been removed, consideration of the draft by the Governance and Audit Committee was continued as good practice.

External audit had begun their consideration of the accounts on-site between 1 July 2013 and 10 July 2013. Audit inspection work would continue off-site until mid-September 2013. Officers reported that from their perspective the transition of the external audit function from the Audit Commission to KPMG had been relatively smooth. Reports to date indicated external audit were satisfied with the composition of the draft Statement of Accounts. However it was noted that until the audit was formally completed then further changes may be required.

It was still a statutory requirement that a notice should be published stating the accounts were available for public inspection. No requests to view the accounts had been received at the date of the meeting. It was noted that the accounts would be available to view until the 31 July 2013.

The final version of the Statement of Accounts would be presented to the Committee at its meeting on 26 September 2013. It would incorporate any changes or adjustments identified from the Committee's consideration of the draft and external audit's inspection.

The presentation also provided a brief explanation of the core statements which were required for all councils (Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, Balance Sheet, Cashflow Statement and explanatory notes) and supplementary statements which were determined by the type of authority (Housing Revenue Account, Movement on the Housing Revenue Account Statement, Collection Fund, a detailed explanatory foreword and the Annual Governance Statement).

A summary of the accounts would be produced for publication. It was hoped the draft document would be available for the Committee's meeting on 26 September 2013.

In presenting report number HOF243, the Head of Finance explained that since the circulation of the draft Statement a number of small modifications (mostly typographical and presentational) had been noted by KPMG. He assured members that the audit had not, up to the time of the meeting, revealed anything of a significant or material nature.

Members were asked to consider whether the explanatory foreword reflected the financial year, was informative to the reader and was helpful in gaining an understanding of the financial year.

The Committee went through the draft Statement of Accounts thoroughly and raised a number of suggestions and queries as listed below:

- Discussion around the KiNG 31 development and overall consensus that the reference in report was a statement of fact and therefore should

remain in the Introduction section.

- The source of any statistical information included in the document should be referenced where possible
- Page 6 – page numbers for glossary to be completed when the auditor's report has been added.
- Page 8, markets – consider the wording of the paragraph to make it clearer that the figures quoted (Stamford £11k and Grantham £12k) are variances from the levels originally budgeted. Page 8 – clarify that the Corn Exchange referred to is in Bourne.
- Page 8 – underspends which funded redecoration and improvement works at Stamford Arts Centre derived from services across the authority.
- Page 8 – The document referred to increased ticket sales for arts and cultural events but did not provide a comparator figure from 2011/12.
- Page 10, Langtoft Special Expense Area (SEA) – the pavilion in Langtoft had been revalued however no change was reflected in the SEA. The revaluation caused the capital charge allocation to vary. It was charged above the line to show the true costs of the expense then reversed back out.
- Page 10, year end set-asides – it should be made clear that there were strict criteria that were followed in determining whether to allow set asides. Spending must be related to specific projects and meet prescribed timescales. Set asides could also be used to smooth significant variances that would otherwise have had an impact on council tax payers.
- Page 13 – amend BIC to Business Innovation Centre.
- Page 44, property, plant and equipment – concern was expressed about the depreciation of assets. Officers confirmed that note 5a was not a policy statement but drew the reader's attention to the Council's finite resources.
- Page 45, note 7 – it was suggested note 7 should refer to the further investment made in the Local Authority Mortgage Scheme agreed by Council at its meeting on 11 July 2013. Discussion ensued as to whether this constituted a material amount that affected the interpretation of the accounts. Officers expressed their opinion that the further extension of the LAMS scheme was a variation of the investment strategy and therefore had no material impact on the Accounts.
- Page 79, note 30 – amend typo so that the first line of the table reads "The letting of Industrial Units located within the district".
- Page 80, note 32 – details of allowances paid to members of the Council would be published following the completion of the audit.
- Page 85, capital expenditure and capital financing – add Major Repairs Reserve (MRR) to the glossary.
- Page 103, financing capital expenditure – a sum of £68k should be shown against 'plant and equipment', making expenditure £4836k not £4768k. Page 104, Housing Revenue Account Subsidy – the penultimate line in the table should be amended to read "Housing

Subsidy receivable/(payable) for the year".

- Page 121, paragraph 5 – amend the second sentence to read: "A joint customer access point has been set up with partners in Bourne..."

During discussion of the document, officers were asked whether reductions in reserves caused them concern. Officers explained that the authority was not using reserves to support the General Fund or the HRA. Instead it was being used to support delivery against the Council's priorities, particularly capital projects.

Members noted that all revaluations undertaken by the district valuer were based on tables that took account of national economic and geographical factors. They also took account of opportunities for Right to Buy as part of the social housing valuation.

The Committee also briefly discussed what savings had been achieved by buying a fuel tank and how the authority ensured it got the best price when buying fuel.

Some concern was expressed by members around matching bad debtors against new applicants for council housing. Variations in data meant that checks of applicants against bad debtors did not always correlate.

Action Point

The Committee give consideration for an audit of the lettings policy by Internal Audit as part of their annual action plan.

The Strategic Director, Corporate Focus, together with members of the Committee, thanked the officers who had put together the working papers and the draft Statement of Accounts.

17. CLOSE OF MEETING

The meeting was closed at 15:53.



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Report to those charged with governance (ISA 260) 2012/13

South Kesteven District Council

September 2013

Agenda Item 6

The contacts at KPMG in connection with this report are:

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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. The Audit Commission has issued a document entitled *Statement of Responsibilities of Auditors and Audited Bodies*. This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. We draw your attention to this document which is available on the Audit Commission's website at www.auditcommission.gov.uk.

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Tony Crawley, the appointed engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact Trevor Rees on 0161 246 4000, or by email to trevor.rees@kpmg.co.uk, who is the national contact partner for all of KPMG's work with the Audit Commission. After this, if you are still dissatisfied with how your complaint has been handled you can access the Audit Commission's complaints procedure. Put your complaint in writing to the Complaints Unit Manager, Audit Commission, 3rd Floor, Fry Building, 2 Marsham Street, London, SW1P 4DF or by email to complaints@audit-commission.gsi.gov.uk. Their telephone number is 03034448330.

This report summarises:

- the key issues identified during our audit of South Kesteven District Council's (the Authority's) financial statements for the year ended 31 March 2013; and
- our assessment of the Authority's arrangements to secure value for money (VFM) in its use of resources.

Financial statements

Our *External Audit Plan 2012/13* presented to you in April 2013 set out the four stages of our financial statements audit process.



This report focuses on the second and third stages of the process: control evaluation and substantive procedures. Our on site work for these took place in two tranches during March 2013 (interim audit) and from July 2013 (year end audit). We carried out the following work:



We are now in the final phase of the audit. Some aspects are also discharged through this report:

VFM conclusion

Our *External Audit Plan 2012/13* explained our risk-based approach to VFM work, which follows guidance provided by the Audit Commission. We have completed our work to support our 2012/13 VFM conclusion. This included:

- assessing the potential VFM risks and identifying the residual audit risks for our VFM conclusion;
- considering the results of any relevant work by the Authority, the Audit Commission, other inspectorates and review agencies in relation to these risk areas.

Structure of this report

This report is structured as follows:

- Section 2 summarises the headline messages.
- Section 3 sets out the key findings from our audit work in relation to the 2012/13 financial statements.
- Section 4 outlines the key findings from our work on the VFM conclusion.

Acknowledgements

We would like to take this opportunity to thank Officers and Members for their continuing help and co-operation throughout our audit work.

This table summarises the headline messages. The remainder of this report provides further details on each area.

Proposed audit opinion	We anticipate issuing an unqualified audit opinion by 30 September 2013. We will also report that your Annual Governance Statement is consistent with other information we are aware of from our audit.
Audit adjustments	We are pleased to report that our audit of your financial statements did not identify any material adjustments. The Authority made a small number of non-trivial adjustments, most of which were of a presentational nature. There was no impact on the General Fund.
Accounts production and audit process	The Authority has good processes in place for the production of the accounts and good quality supporting working papers. Officers dealt efficiently with audit queries and the audit process has been completed within the planned timescales. We have worked with Officers throughout the year to discuss the specific risk areas for this year's audit. The Authority addressed the issues appropriately.
Control environment	The Authority's organisation and IT control environment is effective, and controls over the key financial systems are sound. We are satisfied that internal audit are compliant with the Code of Practice for Internal Audit in Local Government and have been able to place reliance on their work where this was relevant to our work.
Completion	At the date of this report our audit of the financial statements is substantially complete. Before we can issue our opinion we require a signed management representation letter. We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.
VFM conclusion	We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We therefore anticipate issuing an unqualified VFM conclusion by 30 September 2013.

Section three – financial statements

Proposed opinion and audit differences

We have identified no issues in the course of the audit that are considered to be material.

Your Annual Governance Statement is consistent with other information we are aware of from our audit.

Proposed audit opinion

Subject to completion of the residual audit work and resolving any outstanding queries, we anticipate issuing an unqualified audit opinion by 30 September 2013.

Audit differences

In accordance with ISA 260 we are required to report uncorrected audit differences to you. We also report any material misstatements which have been corrected and which we believe should be communicated to you to help you meet your governance responsibilities.

We did not identify any material misstatements. A small number of presentational errors were identified and these are to be adjusted in the final version of the financial statements. There is no net impact on the General Fund as a result of any of the audit adjustments.

There are no specific adjustments that we need to draw to your attention.

Annual Governance Statement

We have reviewed the Annual Governance Statement and confirmed that:

- it complies with *Delivering Good Governance in Local Government: A Framework* published by CIPFA/SOLACE; and
- it is not misleading or inconsistent with other information we are aware of from our audit of the financial statements.

Section three – financial statements

Accounts production and audit process

The Authority has good processes in place for the production of the accounts and good quality supporting working papers. .

Officers dealt efficiently with audit queries and the audit process could be completed within the planned timescales.

Accounts production and audit process

ISA 260 requires us to communicate to you our views about the significant qualitative aspects of the Authority's accounting practices and financial reporting. We also assessed the Authority's process for preparing the accounts and its support for an efficient audit.

We considered the following criteria:

Element	Commentary
Accounting practices and financial reporting	The Authority has good financial reporting arrangements in place. We consider that accounting practices are appropriate.
Completeness of draft accounts	We received a complete set of draft accounts on 27 June 2013.
Quality of supporting working papers	Our <i>Accounts Audit Protocol</i>, which was discussed and agreed with the Financial Services Manager and her team, set out our working paper requirements for the audit. The quality of working papers provided met the standards specified in our <i>Accounts Audit Protocol</i>.
Critical accounting matters (key audit risks)	We have discussed with officers throughout the year the areas of specific audit risk and undertaken specific audit procedures. There are no matters to draw to your attention.

Element	Commentary
Response to audit queries	Officers resolved audit queries on the accounts in a reasonable time.

The Authority's organisation and IT control environment is effective, and controls over the key financial systems are sound.

During April 2013 we completed our control evaluation work. We did not issue an interim report as there were no significant issues arising from this work. For completeness we reflect on key findings from this work.

Organisational and IT control environment

Controls operated at an organisational level often have an impact on controls at an operational level and if there were weaknesses this would have implications for our audit. We therefore obtain an understanding of the Authority's overall control environment and determine if appropriate controls have been implemented.

The Authority also relies on information technology (IT) to support both financial reporting and internal control processes. In order to satisfy ourselves that we can rely on the use of IT, we test controls over access to systems and data, system changes, system development and computer operations.

We did not identify any specific concerns in relation to your organisational and IT control environment that we need to report to you.

Internal Audit

We work with your internal auditors to assess the control framework for certain key financial systems and seek to rely on any relevant work they have completed to minimise unnecessary duplication of work.

Where we intend to rely on internal audit's work in respect of the Authority's key financial systems, auditing standards require us to complete an overall assessment of the internal audit function and to evaluate and test aspects of their work.

We have liaised with internal audit throughout the year and we are pleased to report we did not identify any significant issues with their work.

Since April 2013, the United Kingdom Public Sector Internal Audit Standards (PSIAS) apply across the whole of the public sector, including local government. These standards are intended to promote

further improvement in the professionalism, quality, consistency and effectiveness of internal audit across the public sector.

Controls over key financial systems

Where we have determined that this is the most efficient audit approach to take, we test selected controls that address key risks within the financial systems. The strength of the control framework informs the substantive testing we complete during our final accounts visit.

We were able to rely on the controls selected and there are no specific issues or concerns that we need to report to the Authority.

We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.

Before we can issue our opinion we require a signed management representation letter.

Once we have finalised our opinions and conclusions we will prepare our *Annual Audit Letter* and close our audit.

Declaration of independence and objectivity

As part of the finalisation process we are required to provide you with representations concerning our independence.

In relation to the audit of the financial statements of South Kesteven District Council for the year ending 31 March 2013, we confirm that there were no relationships between KPMG LLP and South Kesteven District Council, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Audit Commission's requirements in relation to independence and objectivity.

We have provided a detailed declaration in Appendix 3 in accordance with ISA 260.

Management representations

You are required to provide us with representations on specific matters such as your financial standing and whether the transactions within the accounts are legal and unaffected by fraud. We have provided a template to the Director of Resources, a draft of which is reproduced in Appendix 4. We require a signed copy of your management representations before we issue our audit opinion.

Other matters

ISA 260 requires us to communicate to you by exception 'audit matters of governance interest that arise from the audit of the financial statements'.

There are no others matters which we wish to draw to your attention in addition to those highlighted in this report relating to the audit of the Authority's 2012/13 financial statements.

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

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

Background

Auditors are required to give their statutory VFM conclusion based on two criteria specified by the Audit Commission. These consider whether the Authority has proper arrangements in place for:

- securing financial resilience: looking at the Authority's financial governance, financial planning and financial control processes; and
- challenging how it secures economy, efficiency and effectiveness: looking at how the Authority is prioritising resources and improving efficiency and productivity.

We follow a risk based approach to target audit effort on the areas of greatest audit risk. We consider the arrangements put in place by the Authority to mitigate these risks and plan our work accordingly. Our approach was set out in more detail in our *External Audit Plan 2012/13*.

Risk assessment

Our initial risk assessment identified the following key business risk which was also relevant to our VFM conclusion:

- In setting its budget the Authority estimated that £1.9 m in savings needed to be achieved during 2013/14 to address the further reductions to Government funding and cost pressures on services. Against a backdrop of continued demand pressures it will become more and more difficult for the Council to deliver these savings in a way that secures longer term financial and operational sustainability.

We are satisfied that in all cases, sufficient work in relation to this risk is being carried out by the Authority to mitigate the audit risks for our VFM conclusion. We concluded that we did not need to carry out any

specific additional work ourselves.

Conclusion

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

VFM criterion	Met
Securing financial resilience	✓
Securing economy, efficiency and effectiveness	✓

The Code of Audit Practice requires us to exercise our professional judgement and act independently of both the Commission and the Authority.

Requirements

Auditors appointed by the Audit Commission must comply with the *Code of Audit Practice* (the Code) which states that:

“Auditors and their staff should exercise their professional judgement and act independently of both the Commission and the audited body. Auditors, or any firm with which an auditor is associated, should not carry out work for an audited body that does not relate directly to the discharge of auditors’ functions, if it would impair the auditors’ independence or might give rise to a reasonable perception that their independence could be impaired.”

In considering issues of independence and objectivity we consider relevant professional, regulatory and legal requirements and guidance, including the provisions of the Code, the detailed provisions of the Statement of Independence included within the Audit Commission’s Standing guidance for local government auditors (Audit Commission Guidance) and the requirements of APB Ethical Standard 1 *Integrity, Objectivity and Independence* (Ethical Standards).

The Code states that, in carrying out their audit of the financial statements, auditors should comply with auditing standards currently in force, and as may be amended from time to time. Audit Commission Guidance requires appointed auditors to follow the provisions of ISA (UK & I) 260 Communication of *Audit Matters with Those Charged with Governance* that are applicable to the audit of listed companies. This means that the appointed auditor must disclose in writing:

- Details of all relationships between the auditor and the client, its directors and senior management and its affiliates, including all services provided by the audit firm and its network to the client, its directors and senior management and its affiliates, that the auditor considers may reasonably be thought to bear on the auditor’s objectivity and independence.
- The related safeguards that are in place.

- The total amount of fees that the auditor and the auditor’s network firms have charged to the client and its affiliates for the provision of services during the reporting period, analysed into appropriate categories, for example, statutory audit services, further audit services, tax advisory services and other non-audit services. For each category, the amounts of any future services which have been contracted or where a written proposal has been submitted are separately disclosed. We do this in our Annual Audit Letter.

Appointed auditors are also required to confirm in writing that they have complied with Ethical Standards and that, in the auditor’s professional judgement, the auditor is independent and the auditor’s objectivity is not compromised, or otherwise declare that the auditor has concerns that the auditor’s objectivity and independence may be compromised and explaining the actions which necessarily follow from this. These matters should be discussed with the Audit Committee.

Ethical Standards require us to communicate to those charged with governance in writing at least annually all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place that, in our professional judgement, may reasonably be thought to bear on our independence and the objectivity of the Audit Partner and the audit team.

General procedures to safeguard independence and objectivity

KPMG’s reputation is built, in great part, upon the conduct of our professionals and their ability to deliver objective and independent advice and opinions. That integrity and objectivity underpins the work that KPMG performs and is important to the regulatory environments in which we operate. All partners and staff have an obligation to maintain the relevant level of required independence and to identify and evaluate circumstances and relationships that may impair that independence.

We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.

Acting as an auditor places specific obligations on the firm, partners and staff in order to demonstrate the firm's required independence. KPMG's policies and procedures regarding independence matters are detailed in the Ethics and Independence Manual ('the Manual'). The Manual sets out the overriding principles and summarises the policies and regulations which all partners and staff must adhere to in the area of professional conduct and in dealings with clients and others.

KPMG is committed to ensuring that all partners and staff are aware of these principles. To facilitate this, a hard copy of the Manual is provided to everyone annually. The Manual is divided into two parts. Part 1 sets out KPMG's ethics and independence policies which partners and staff must observe both in relation to their personal dealings and in relation to the professional services they provide. Part 2 of the Manual summarises the key risk management policies which partners and staff are required to follow when providing such services.

All partners and staff must understand the personal responsibilities they have towards complying with the policies outlined in the Manual and follow them at all times. To acknowledge understanding of and adherence to the policies set out in the Manual, all partners and staff are required to submit an annual Ethics and Independence Confirmation. Failure to follow these policies can result in disciplinary action.

Auditor declaration

In relation to the audit of the financial statements of South Kesteven District Council for the financial year ending 31 March 2013, we confirm that there were no relationships between KPMG LLP and South Kesteven District Council, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Audit Commission's requirements in relation to independence and objectivity.

We ask you to provide us with representations on specific matters such as whether the transactions within the accounts are legal and unaffected by fraud.

The wording for these representations is prescribed by auditing standards.

We require a signed copy of your management representations before we issue our audit opinion.

Dear Sirs

This representation letter is provided in connection with your audit of the financial statements of South Kesteven District Council ("the Authority"), for the year ended 31 March 2013, for the purpose of expressing an opinion as to whether these:

- i. give a true and fair view of the financial position of South Kesteven District Council as at 31 March 2013 and of its expenditure and income for the year then ended; and
- iii. have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

These financial statements comprise the Authority Movement in Reserves Statement, the Authority Comprehensive Income and Expenditure Statement, the Authority Balance Sheet, the Authority Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and the Collection Fund and the related notes.

The Authority confirms that the representations it makes in this letter are in accordance with the definitions set out in the Appendix to this letter.

The Authority confirms that, to the best of its knowledge and belief, having made such inquiries as it considered necessary for the purpose of appropriately informing itself:

Financial statements

1. The Authority has fulfilled its responsibilities, as set out in regulation 8 of the Accounts and Audit (England) Regulations 2011, for the preparation of financial statements that:
 - give a true and fair view of the financial position of the Authority as at 31 March 2013 and of the Authority's expenditure and income for the year then ended; and
 - have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority

Accounting in the United Kingdom 2012/13.

The financial statements have been prepared on a going concern basis.

2. Measurement methods and significant assumptions used by the Authority in making accounting estimates, including those measured at fair value, are reasonable.
3. All events subsequent to the date of the financial statements and for which the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 require adjustment or disclosure have been adjusted or disclosed.

Information provided

4. The Authority has provided you with:
 - access to all information of which it is aware, that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
 - additional information that you have requested from the Authority for the purpose of the audit; and
 - unrestricted access to persons within the Authority from whom you determined it necessary to obtain audit evidence.

We ask you to provide us with representations on specific matters such as whether the transactions within the accounts are legal and unaffected by fraud.

The wording for these representations is prescribed by auditing standards.

We require a signed copy of your management representations before we issue our audit opinion.

5. All transactions have been recorded in the accounting records and are reflected in the financial statements.
6. The Authority acknowledges its responsibility for such internal control as it determines necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In particular, the Authority acknowledges its responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

The Authority has disclosed to you the results of its assessment of the risk that the financial statements may be materially misstated as a result of fraud.

7. The Authority has disclosed to you all information in relation to:
 - a) Fraud or suspected fraud that it is aware of and that affects the Authority and involves:
 - management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements; and
 - b) allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
8. The Authority has disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
9. The Authority has disclosed to you and has appropriately accounted for and/or disclosed in the financial statements in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

10. The Authority has disclosed to you the identity of the Authority's

related parties and all the related party relationships and transactions of which it is aware and all related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

Included in the Appendix to this letter are the definitions of both a related party and a related party transaction as the Authority understands them and as defined in IAS 24, except where interpretations or adaptations to fit the public sector are detailed in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

11. On the basis of the process established by the Authority and having made appropriate enquiries, the Authority is satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities are consistent with its knowledge of the business.

The Authority further confirms that:

- a) all significant retirement benefits, including any arrangements that:
 - are statutory, contractual or implicit in the employer's actions;
 - arise in the UK and the Republic of Ireland or overseas;
 - are funded or unfunded; and
 - are approved or unapproved,

have been identified and properly accounted for; and

- a) all settlements and curtailments have been identified and properly accounted for.

This letter was tabled and agreed at the meeting of the Audit Committee on 26 September 2013.

Yours faithfully,

Chair of the Audit Committee

Strategic Director



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REPORT TO GOVERNANCE AND AUDIT COMMITTEE

REPORT OF: STRATEGIC DIRECTOR AND HEAD OF FINANCE

REPORT NO: HOF249

DATE: 26th September 2013

TITLE:	Statement of Accounts 2012/13	
KEY DECISION OR POLICY FRAMEWORK PROPOSAL:	None	
PORTFOLIO HOLDER: NAME AND DESIGNATION:	Councillor Mike Taylor Well Run Council Portfolio Holder	
CONTACT OFFICER:	Daren Turner – Strategic Director Corporate Focus. 01476 406301 Email: d.turner@southkesteven.gov.uk Richard Wyles –Head of Finance 01476 406210 Email: r.wyles@southkesteven.gov.uk	
INITIAL IMPACT ANALYSIS: Equality and Diversity	Carried out and Referred to in paragraph (7) below N/A	Full impact assessment Required: No
FREEDOM OF INFORMATION ACT:	This report is publicly available via the Your Council and Democracy link on the Council's website: www.southkesteven.gov.uk	
BACKGROUND PAPERS	HOF243	

1. RECOMMENDATIONS

It is recommended that Members of the Governance and Audit Committee:

- a. Approve the revised Statement of Accounts 2012/13
- b. Note the commentary on the outcome of the audit work
- c. Approve the publication on the summary of accounts and publish the document on the Council's website

2. PURPOSE OF THE REPORT/DECISION REQUIRED

2.1 The purpose of this report is to present the Council's Statement of Accounts for 2012/13. It covers:

- Account and Audit (England) Regulations 2011
- Section 21(2) Local Government Act 2003
- Revised Statement of Accounts
- Commentary on the outcome of the audit of the Statement of Accounts

3. DETAILS OF REPORT

3.1 Account and Audit Regulations 2011

The Statement of Accounts must be published by 30 September 2013. The District Auditor must complete his audit and issue the relevant audit opinion to ensure the statutory deadline is met. This has been undertaken and his report is a separate item on the agenda.

The purpose of the external audit of the financial statements is to give an opinion on:

- a. whether they present a true and fair view the financial position of the audited body and its expenditure and income for the year in question.
- b. whether they have been prepared properly in accordance with relevant legislation and applicable accounting standards.

Auditors must provide reasonable assurance that, subject to the concept of materiality, the financial statements

- a. are free from material misstatements, whether caused by fraud or other irregularity or error
- b. comply with the statutory and other requirements applicable to the accounts of the audited body, and
- c. comply with all relevant requirements for accounting presentation and disclosure.

3.2 Section 21(2) Local Government Act 2003

Section 21(2) of the Local Government Act 2003 requires that the Statement of Accounts is prepared in accordance with the statutory framework established by the Accounts and Audit Regulations (England) 2011. The Statement of Accounts which accompanies this report has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom

2012/13 based on International Reporting Standards, (the Code) produced by CIPFA¹ which sets out proper accounting practices required for the Statement of Accounts.

3.3 Statement of Accounts 2012/13

The Statement of Accounts was originally presented to this Committee at its meeting on 23rd July 2013 (HOF243 report refers). Following the completion of the external audit the Statement of Accounts has been revised to reflect the outcome of this work and has been updated to reflect members comments made at the meeting. An updated set of accounts is presented on the Committee agenda and a commentary setting out the main findings from the audit (and the subsequent amendments made to the accounts) is provided for members' consideration and approval.

3.4 Audit Adjustments

The majority of the changes made were minor presentational, typographical and narrative changes.

The Balance Sheet usable reserves have been adjusted to correctly separate out HRA Capital and Revenue balances.

3.5 Changes to the notes to the Accounts – Overview

The audit work has identified a number of changes that were required to the disclosure notes. The main changes that have been agreed and implemented are listed below:

Note 34 External Audit Costs – removal of costs relating to internal audit and fees relating to the previous year

HRA Note 2 Land Houses and Other Property & HRA Note 5 Financing Capital Expenditure. - £68k relating to vehicle purchases had been omitted and has now been corrected.

3.6 Conclusion

The report and enclosures represents a detailed picture of the changes made to the Statement of Accounts for 2012/13 following the audit work.

I would like to take the opportunity to thank all staff both from Accountancy Services and supporting services for their hard work in producing the Statement of Accounts.

4. OTHER OPTIONS CONSIDERED

Not applicable.

5. RESOURCE IMPLICATIONS

There are no specific financial implications arising from this report.

¹ CIPFA – Chartered Institute of Public Finance and Accountancy

6. RISK AND MITIGATION

Risk has been considered as part of this report and any specific high risks are included in the table below:

Category Risk	Action / Controls
Statutory risk	Statement of accounts compiled in accordance with statutory guidance

7. ISSUES ARISING FROM IMPACT ANALYSIS

None

8. CRIME AND DISORDER IMPLICATIONS

None

9. COMMENTS OF FINANCIAL SERVICES

These are included in the report.

10. COMMENTS OF LEGAL AND DEMOCRATIC SERVICES

In accordance with the Accounts & Audit regulations 2011 the Statement of Accounts must be approved by the Committee by 30th September 2013. The Committee has the opportunity to review the unaudited Statements prior to the statutory deadline.

11. COMMENTS OF OTHER RELEVANT SERVICES

None

12. APPENDICES:

Statement of Accounts 2012/13
Summary of Accounts 2012/13



STATEMENT OF ACCOUNTS

2012 - 2013



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

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Introduction - Councillor Linda Neal, Leader of the Council

Welcome to South Kesteven District Council's Statement of Accounts for the financial year 2012/2013.

During this year, and just before, the world of local government finance changed forever. We lost millions of pounds in government grant and were charged with doing things in a different way – which meant delivering the same services for less.

We embarked on a major consultation with local people to find out what they would be prepared to pay for and what mattered most. Based on this feedback, and soundings from key partners, stakeholders and informed experts, we established our priorities (below) and began working towards them to make the district a place of choice to live, work and invest.

Front line services have been maintained despite the cuts and so far we have saved over £1.5 million by streamlining management and back office costs - plus looked at the way we deliver our services in one of the fastest growing districts in the country.

Through our priorities we intend to deliver growth, raise aspirations and provide value for money services for all our residents. We want South Kesteven to be a place where people thrive and prosper with high expectations; and where everyone can contribute and share in the district's development.

Some of our key projects over the last year

Grow the Economy

An ambitious £2.14m redevelopment in the centre of Bourne epitomises the council's stance on investing for the future and injecting new life into its market towns.

Commerce – and jobs – are a key feature of forward planning. Grantham's Southern Quadrant includes permission for a 27 ha business park in addition to the 1.1m sq ft of distribution space known as KiNG31.

Master planning of huge swathes of new housing to the north-west and south of Grantham, providing 7,000 homes in coming years, supports our growth agenda.

Keep SK Clean, green and healthy

Over 26,000 residents signed up for the green waste collection service following a decision to charge for the scheme.

A new rating system kept customers in South Kesteven informed about hygiene standards at local restaurants, takeaways and pubs.

Solar panels at leisure centres and council-owned buildings across South Kesteven cut energy bills by thousands and reduced the district's carbon footprint.

Promote leisure, arts and culture

It was a brave move, but SKDC's support for the first ever international festival dedicated to Sir Isaac Newton called Gravity Fields symbolised a corporate readiness to take on a challenge.

More than 700 children tackled sporting challenges at a Mini Olympics event at Grantham Meres Leisure Centre attended by host of celebrities. Our cultural assets proved the envy of many districts from heritage, architecture, museums and libraries, to sporting and leisure facilities, visual and performing arts and festivals.-

Support good housing for all

Changes in housing demand prompted us to focus on the ways properties can be planned, developed and upgraded to “Lifetime Homes” to enable people to live independently as they get older or as circumstances change.

Council tenants benefited from our major investment in our houses, plus quicker repairs and quicker turn-around time between lets.

More than £1m was spent to help tenants keep warm and reduce energy bills – including new wall insulation and loft insulation plus replacement of soffits, fascias, gutter and downpipes.

Finally, I hope the explanatory foreword to these accounts helps you to understand how we have used your money to deliver the priorities that are important to you and I hope that even those of you who are not financial experts find the statement of accounts useful and informative.

A handwritten signature in black ink, reading 'Linda Neal'. The signature is fluid and cursive, with the first name 'Linda' and the last name 'Neal' clearly distinguishable.

Councillor Linda Neal
Leader of the Council

EXPLANATORY FOREWORD

District Profile

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

The population has increased to 134,100 and the overall population is projected to increase to 151,000 by 2021, mainly through a net increase in international and internal migration as well as usual population growth.

Over 80% of the total population in South Kesteven is economically active and the average earnings of residences are above the East Midlands average. The figure for unemployment of 2.8% is lower than the East Midlands at 3.7% and Great Britain 3.8%.

The number of people in the district employed in elementary occupation and process plant and machinery has reduced since 2011/12 and is currently 22.7%. However, this is still above the East Midlands and National Averages. South Kesteven Public service sector employment is slightly above the national average but the challenge we face in the district is the significantly lower 14.26% of workers in the knowledge driven sectors compared to a national average of 21.74%.

(Source: Nomis – official labour market statistics)

The range, quality and availability of industrial commercial and office land and floor-space is important to our ability to attract new and secure existing investment. The levels of industrial and retail floor-space locally are higher than the East Midlands and national averages; however, the availability of modern high quality business parks, offices and retail units is low. The estimated size of the retail catchment area for our major urban centre of Grantham is approximately 219,008 shoppers of which just 21.2% is captured by the town. This provides for enormous potential to grow the town centre economy and attract additional retail and leisure users.

(Source: Town Centre Shopper Report 2012/13 – GOAD/Exeperian)

South Kesteven has a mix of commercial, business and industrial activity. The quality of its infrastructure, with the main A1 traffic artery and the East Coast rail link between London and Edinburgh is unique within the county of Lincolnshire.

Political Structure

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

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

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

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

Performance Management

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

The Statement of Accounts

We have followed the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom in putting together our Statement of Accounts for the financial year ended 31 March 2013.

The accounts give a true and fair view of South Kesteven's financial position for the financial year 2012/2013. Our accounting policies are outlined in this document and have been fairly and consistently applied. We keep proper and up to date accounting records and take all reasonable steps to prevent and detect fraud and other irregularities.

The Strategic Director (Corporate Focus) is the statutory officer responsible for the proper administration of the Council's financial affairs (referred to in the statement as the Chief Finance Officer). He is required by law to confirm that the Council's system of internal controls can be relied upon to produce an accurate statement of accounts. His statement of assurance for 2012/2013 (known as the Statement of Responsibilities) appears on page 19 of this document.

The main statements included in the accounts consist of:

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

Movement in Reserves Statement (pages 20-21) - This statement reconciles the total Comprehensive Income and Expenditure Statement to reserve movements in the year.

Comprehensive Income and Expenditure Statement (page 22) - This statement consolidates all the gains and losses experienced by the Council in the financial year and reconciles to the overall movement in net worth.

Balance Sheet (pages 23-24) - The Balance Sheet summarises the Council's financial position at 31 March 2013.

Cash Flow Statement (pages 25-26) - The cash flow statement summarises the flows of cash that have taken place into and out of the Council's bank accounts over the financial year.

Notes to the Core Financial Statements (pages 27 - 96) – Notes to the preceding financial statements, explaining and providing additional information to figures included in these statements.

Housing Revenue Account (pages 97 - 108) - This reflects a statutory obligation to account separately for the Council's housing landlord function. It shows the major elements of housing revenue expenditure - maintenance, administration, and capital financing costs, and how these are met by rents, subsidy and other income.

Collection Fund (pages 109 – 111) – We are legally obliged to maintain this fund separately from all our other funds and accounts. It shows transactions that have arisen because we are a billing authority, collecting non-domestic rates on behalf of central government and council tax on behalf of precepting authorities – the County Council, Police Authority and Parish Councils as well as ourselves. The Collection Fund shows the money we receive from local taxpayers in relation to non-domestic rates and council tax, and illustrates the way in which this has been distributed to preceptors and the General Fund. All business rates, less a deduction for collection costs, are paid into a central government pool and redistributed to local authorities on the basis of population.

Annual Governance Statement (pages 112 - 126) - Regulation 4(2) of the Accounts and Audit Regulations 2006 requires that the Council or a Committee of the Council consider the findings of a review of the system of internal control. With effect from 2007/2008 an Annual Governance Statement is required to meet the requirement of this regulation. The governance statement covers all significant corporate systems, processes and controls, spanning the whole range of the Council's activities.

A glossary is provided (**pages 130 – 137**) to help explain the terms used.

Review of the Year

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

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

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

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

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

- Collection Fund

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

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

Comparing actual revenue spending to budget

The total budget requirement for the year was set at £13.711m

This was set with a Council Tax freeze which gave a Band D Council Tax of £122.76

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

- £7.369m government formula grant (including revenue support grant and redistributed business rates)
- £6.342m council tax income (excluding Parish Precepts of £1.399m)

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

Service Area	2012/2013 Estimate £'000	2012/2013 Actual £'000	Variance £'000
Community Assets	3,060	2,618	(442)
Operational management	815	650	(165)
Development & Growth	2,219	2,201	(18)
Environmental Services	5,716	5,724	8
Finance	1,494	1,209	(285)
Housing & Neighbourhoods	607	671	64
People, Projects & Performance	343	331	(12)
Legal & Democratic	1,144	1,054	(90)
Property Development	116	88	(28)
Special Expense Areas	594	558	(36)
Total Service Expenditure*	16,108	15,104	(1,004)

*The above outturn total includes a number of accounting entries that are shown at service level which distort the actual expenditure for the 2012/13. Once these entries are excluded then the re-stated outturn is presented as £16.009m representing a variance of £99k.

Explaining the big differences

Summary of Key Variances

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

Community Assets

Arts and events – this area has a variance of £35k. Income has not reached the targets and this has been exacerbated by the impact of the severe winter weather affecting attendance at two high profile Meres events. Music in Quiet places also fell short on income and appeared partially affected by high profile national events such as jubilee celebrations and the Olympics. However significant fringe benefits continue from live events with increased box office takings at both arts centres.

A revaluation of the Grantham Meres Leisure Centre, Deepings Leisure Centre and Stamford Leisure Centre has been undertaken by the District Valuer as part of the annual revaluation of the Council assets. This has the effect of lowering the annual depreciation capital charge and therefore a variance when compared with budgeted costs.

Guildhall Arts Centre – due to improvement works at the Centre, including the refurbishment of the clock tower, the annual capital charges have been increased by £100k resulting in a variance when compared with original budget.

Markets – both Stamford and Grantham markets have suffered during the year with particularly adverse winter weather with 7% of the markets affected. This has resulted in lower income being received than budgeted income (Stamford £11k and Grantham £12k).

Olympic torch – the costs associated with the delivery of the Olympic Torch project will be met from the events and festivals reserve.

Stamford Arts Centre – Redecoration and improvement works of £30k have been undertaken during the year which have been met from service corporate underspends.

Bourne Corn Exchange – following the temporary closure of the facility and the associated disruption to the building whilst the Community Point was being constructed, overall income levels were reduced by £12k.

Overall participation in arts and cultural events increased during the year and 2012/13 saw 106,000 tickets sold (98,000 2011/12) for the varied programme on offer within the Arts Centres in addition to the massive participation in community events such as the Olympic Torch relay days, Gravity Fields, Meres Live and the BRM celebrations in Bourne.

Operational Management

Corporate costs – there was a saving of £41k in respect of external audit fees following the transfer of audit responsibility from Audit Commission to KPMG mid-year. There has been a saving of £27k on annual subscriptions following a review of the number of subscriptions the Authority makes during the year.

Strategic/operational management – there have been salary savings of £77k in response to the sharing of key senior staffing posts during the year and in-year vacancies in the support services.

The remainder of the overall variance of £165k relates to a reduction in support service allocations.

Development and Growth

Development Management – due to an increase in the number of major applications received there has been an increase of £88k in income during the year.

Economic Development – there have been a number of events and festivals during the year including Gravity Fields and promoting South Kesteven which were planned to be financed from earmarked reserves. £45k is to be financed from the events and festivals and £39k from destination SK. In addition to this it was also agreed to fund £15k of expenditure on the Gravity Fields festival 2014 from this year in respect of initial preparatory work.

Planning Policy – the underspend within this area is mainly related to the examination of the Grantham Area Action Plan (GAAP) and the Site Allocation and Policies Plan (SAP) which were expected to be completed by the end of March 2013. In the event, the GAAP was withdrawn by the Council in January 2013 and the examination of the SAP was suspended in March 2013 to enable some additional work to be undertaken. It is expected to recommence the examination of the SAP in June 2013 (with anticipated adoption of the Plan by the end of 2013).

Environmental Services

CCTV – there is a variance of £48k which is in relation to an increase in income received from the monitoring service and a contribution to its costs from 2nd homes receipts.

Green waste charging – following the introduction of this initiative the income received was £648k. This was largely due to the budget being set at a take up rate of 50% with the actual take up being 90%. This income was used to off-set the operational costs of providing the service and to enhance litter picking and the clearing of fly tipping by the provision of extra staff and the purchase of a further vehicle.

Private Sector Landlords – there is a variance of £194k of which is in relation to capital expenditure that has been charged to a revenue cost centre in respect of disabled facilities grants.

Waste management – the service area has utilised a set-aside sum of £50k to fund vehicle hire charges during the course of the year following the write off of a waste vehicle and reliability issues with the fleet. There has been a reduction in recycling credit income of £38k following an increase in contamination rate from a budgeted 5% to an actual rate of 9%. This resulted in an unanticipated loss of 471 tonnes of recyclable material in conjunction with an overall reduction in collectable tonnage of 490 tonnes. The percentage of waste recycled during 2012/13 (49.5%) was marginally up on the previous year and almost met the target of 50%.

Finance

Benefits Administration – Additional expenditure has been incurred in respect of the necessary system enhancements in order to implement recent the welfare reform changes. However, the authority has received government grant funding of £84k which will be used to offset this expenditure.

The Council operates an insurance fund which provides cover to meet unforeseen costs relating to insurance claims. Due to the costs of settled claims in year being lower than anticipated when compared to the internal premium allocations budgeted for, a contribution

will be made (£80k) to the reserve fund. The internal premiums will be reviewed during 2013/14 to ensure they are appropriate for the level of insurance risk being carried by the Council.

Housing and Neighbourhoods

Helpline – there has been a small deficit of £47k incurred during the year in relation to the one-off costs associated with the transfer of the monitoring arrangements to the City of Lincoln Council. Going forward the transfer will generate an annual saving of £150k for the Authority.

Housing Solutions – the service receives specific grant relating to the provision of the homelessness service which will be used fund the additional expenditure incurred.

Legal and Democratic

Democratic Representation – overall there has been a variance of £90k including an underspend on expenditure of £23k relating to 2 members not wishing to receive their permitted allowances and 2nd homes funding has been allocated to finance a new post in the Democratic team.

Property Development

Building Control – income have suffered as a result of the economic climate and income is £53k below budgeted levels for 2012/13. A service improvement action plan is being developed in order to address this continuing issue and enable the chargeable element of the service to operate on a competitive basis.

Bus Stations – A revaluation has been undertaken by the District Valuer as part of the annual re-valuation of the Council assets. This has the effect of lowering the annual depreciation capital charge and therefore a variance when compared with budgeted costs.

Miscellaneous Property – there has been additional income of £32k in respect of new leases for occupation of Council owned land and expenditure is reduced following savings of £41k in relation to non domestic rates.

Special Expense Area

Langtoft SEA – there has been a revaluation of the pavilion resulting in a reduction in capital charges. This variance will not have any impact on the Langtoft SEA reserve.

Year End Set-Asides

In order to assist services to deliver specific projects which overrun the financial year a number of service funds have been created following the closure of the 2012/13 financial year. These have been established using strict criteria that will require specific expenditure to be incurred. The set asides created are:

- ICT £73k
- Corporate Training £21k
- Private Sector Stock Condition Survey £69k
- Neighbourhood Community Planning £23k
- Street Scene £22k
- Health and Wellbeing employee programme £10k
- Back Scanning Development Control £15k

- Electoral Roll – single registration £20k

These will be utilised during the financial year 2013/14 in order to continue to fund expenditure items that were originally budgeted for spend in 2012/13.

The service outturn of £15.104m shown in the table on page 7 can be reconciled back to the Comprehensive Income & Expenditure Statement (CIES) on page 22 Cost of Services total of £9.901m with the following adjustments:

	£'000	
Service Expenditure Outturn	15,104	
Housing Services not in General Fund	(4,928)	Housing services accounted for separately in the HRA Included in Service Outturn in table on page 7 but included in Other Operating Income and Expenditure section below Cost of Services in CIES
Drainage Board Levies	(614)	Included in Service Outturn in table on page 7 but included in Financing and Investment Income and Expenditure section below Cost of Services in CIES
Trading Accounts	324	Included in Service Outturn in table on page 7 but included in Financing and Investment Income and Expenditure section below Cost of Services in CIES
Leisure Loan Interest	15	Included in Service Outturn in table on page 7 but included in Financing and Investment Income and Expenditure section below Cost of Services in CIES
Cost of Services from CIES	9,901	

Comparing actual revenue spending to budget in the Housing Revenue Account

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

This revenue account is known as the Housing Revenue Account and originally budgeted for a net operating surplus of £1.679m. The HRA outturn position shows a net operating surplus of £1.720m for the financial year. However, there are a number of accounting adjustments which have been undertaken including contribution to reserves which overall has resulted in a surplus of £828k being added to the working balance.

Description	2012/2013 Estimate £'000	2012/2013 Actual £'000	Variance £'000
Dwelling Rents & Other Income	(24,396)	(24,382)	14
Repairs & Maintenance	7,489	7,179	(310)
Supervision & Management	4,640	4,509	(131)
Repayment of Principal	1,591	0	(1,591)
Other Expenditure	409	101	(308)
Interest Payable & Similar Charges	3,592	3,617	25
Interest & Investment Income	(204)	(164)	40
Capital Charges (including Depreciation)	5,200	7,420	2,220
Deficit/ (Surplus) for the year on the HRA	(1,679)	(1,720)	(41)

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

Variance Analysis

1. Dwelling Rents & Other Income

The performance for the collection of rents has improved during the financial year (98.7% collected compared with the target of 98.2%) and the remaining rents due will continue to be recovered during 2013/14. One significant factor in the increase in rent collection is the continued improvement in void turnaround times leading to a lower level of Council housing properties being throughout the year. The average cumulative void ratio for 2012/2013 was 1.022%. The bad debt provision has been credited to reflect the position.

2. Repairs & Maintenance

This budget covers expenditure on a range of work areas including insulation, painting, digital upgrades, water testing and gas servicing. The overall underspend of £306K includes 2 specific schemes that will be undertaken during 2013/14 and a year end set-a-side will be created for this purpose. These are £184K for doors and electrical assessment works at communal dwellings and £105K for the continuation of the painting works. There was an underspend of £160K in respect of an asbestos works associated with the insulation of external walls. Detailed surveys revealed that this level of expenditure was not required. There was a £44K saving in respect of the insulation works due to an external grant being awarded to fund the programme. There has also been an increase in support charges (£84K) from the general fund to reflect the increased support to the HRA undertaken during the year.

3. Supervision & Management

There has been an underspend of £134K which represents a variance of 4% compared with original budget. An allocation of £60K relating to this underspend has been identified for a pilot project to assist tenants to manage the changes introduced by the introduction of the spare bedroom subsidy.

Capital Spending in 2012/2013

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

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

Comparing actual capital spending to budget

The final capital programme for the year was £10.370m (£4.836m HRA programme and £5.534m General Fund programme). This was £0.519m less than the original budget.

Corporate Area	2012/2013 Estimate £'000	2012/2013 Actual £'000	Variance £'000
Grow the Economy	4,080	1,107	(2,973)
Support Good Housing for All	900	1,710	810
Promote Leisure Arts and Culture	242	91	(151)
Keep South Kesteven Clean Green and Healthy	925	1,494	569
Well Run Council	330	1,132	802
General Fund Sub Total	6,477	5,534	(943)
Housing Revenue Account	4411	4836	425
Total Capital Programme	10,888	10,370	(518)

Variance Analysis – General Fund

1. Grow the Economy

Bourne Core Area – during the course of the year significant progress has been made to enable the delivery of the Bourne core area project. The first phase of the project which includes the mill conversion is due to be complete in June 2013 with deposits being received in respect of all the apartments. It is anticipated the total scheme will be completed in August 2013 and the remaining budget will be fully spent to support the completion of the works.

Grantham Growth – continues to be a priority for the Council and funding has been set aside for delivery of key components of the project, specifically these include Station approach, Business Innovation Centre, shop front schemes and the development of serviced land. These schemes will therefore continue to receive funding in 2013/14 and the underspend in 2012/13 will carry forward into 2013/14.

2. Support Good Housing for all

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

Local Authority Mortgage Scheme – In accordance with accounting treatment the £1M committed sum is treated as capital expenditure.

3. Promote Leisure, Arts and Culture

The majority of the expenditure items have been incurred in accordance with the allocated budgets. The expenditure for the new market store at Bourne will be financed by a service revenue contribution as part of the new South Kesteven Community Access Point project. No expenditure has been incurred in respect of the premises at Broad Street alterations or the replacement of the Stamford Arts Centre central heating system as both of these items are being separately considered as part of the asset management plan.

4. Keep SK Clean, Green and Healthy

Four additional vehicles have been purchased in respect of the waste and recycling service. A number of these vehicles have been purchased earlier than anticipated and the budget provision had been included in the 2013/14 financial year rather than 2012/13. Therefore the budget allocation for 2013/14 can be reduced by £576k to reflect this change to the procurement profile.

The expenditure incurred in respect of the cycle path improvements, the Sudbrook sewer works and the air quality monitoring device are all classed as revenue expenditure and have therefore these have been transferred to the revenue outturn. No expenditure has been incurred in respect of joint Authority CCTV provision as the proposed project has been deferred.

5. Well Run Council

Area Office upgrades – the South Kesteven Community Access Point became operational in March 2013 and is providing a multi agency customer facility for the residents of Bourne and the surrounding area. During the delivery of the project the opportunity was taken to include modern agile office space on the first floor and upgrade the Corn Exchange offer. These items introduced additional costs to the project which have been partly financed from further contributions from partners which total £360k. The expenditure incurred in respect of Abbey Road alterations have been financed by service revenue contributions.

The expenditure incurred in respect of ICT systems and replacements is split between £80k for the Community Point upgrade and the balance of £151k for system upgrades, implementation of a new firewall and network improvements.

Variance Analysis - HRA

Repairs and Improvement – the schemes with respect to upgrading sheltered housing schemes, replacement of the passenger lift at Rectory Close Barrowby, refurbishment works at Rectory Close Barrowby and the new scooter store at Hilary close Stamford have all been completed with an overall underspend saving of £180k. This is partially due to a reduction in

works carried out at Rectory Close, Barrowby, but also a reflection on the competitive tenders received.

Heating and ventilation – the scheduled programme of works for 2012/13 has been completed with an overspend of £67k which is a budget variance of 4.7%. This increase in expenditure reflects the cost of essential and unforeseen works on this area of the programme

Property refurbishments – Two long term voids at 25 Halfleet, Market Deeping and 2 Paddocks Estate, Horbling were refurbished following consultation with housing management. The costs of these refurbishments were £41k and £27k respectively; the decision to refurbish these properties and bring them back into the housing stock was taken due to the housing need in these areas. In addition 8 properties which became vacant during the year at Wood View, Bourne had new staircases installed at a cost of £75k. This work was necessary due to the original design of the staircases which were a health and safety risk. 88 properties were completed as major voids during 2012/13 using an external measured term contract which includes turn round timescales to further reduce void times – a report is being prepared with respect to a financial appraisal on the benefits of investing in the properties to ensure a faster turn rounds versus loss of rent. Earlier reference is made in paragraph 5.3 to the average cumulative void ratio being 1.022% for 2012/13. These properties are also brought up to the decent homes standard whilst void, which will result in a comparable reduction in decent homes expenditure for specific elements of works in 2013/14. The approximate costs of these particular works were £90k. These works resulted in an overall overspend of £622k which will be met by the Major Repairs Reserve.

Re-roofing - Additional costs have been incurred on this contract during 2012/13 due to the licensed asbestos removal of AIB soffits on a number of properties. As these works incorporate improvement works in respect of chimney works and essential works the combined budgets of £150k will be used to offset the additional £385k that has been incurred. In total an additional 222 properties were improved during last year which will reflect in proportional reductions in the Decent Homes programme of work between now and March 2015.

Re-wiring – an underspend of £55k due to a reduction in the number of properties requiring re-wiring during 2012/13 as a result of the implementation of a pre inspection testing programme.

Upgrade Tunstall system £82k – this proposal was not taken forward following the decision to transfer the monitoring of the helpline customers to City of Lincoln Council.

Vehicle Management system for repairs – the budget of £50k has been slipped in 2013/14 following the implementation of the mobile craft working project. The need for this additional systems will be evaluated once the mobile system is fully operational.

Mobilisation of craft working software – £30k of this budget has been incurred during 2012/13 (charged to revenue as non-enhancing expenditure) and the balance of £74k will be incurred in 2013/14 when the system has been installed, tested, is fully operational and capable of delivering efficiency savings.

Where the money was invested and where the money came from

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

	£'000		£'000
Investment		Financed From	
Council Dwellings (Non-Enhancing) **	4,768	Capital Reserve	3061
Other Land and Building	52	Capital Receipts	422
Other Land and Buildings (Non-Enhancing) **	777	Direct Revenue Financing	795
Vehicles Plant and Equipment **	1,865	Major Repairs Reserve	4,836
Non-Operational Assets	1,052	Capital Grants and Contributions	759
Rvenue Expenditure funded from Capital under Statute	766	Other Reserves	497
Intangible Assets	90		
Local Authority Mortgage Scheme	1,000		
Total	10,370		10,370

**Capital expenditure on Council Dwellings totalled £4.768m in respect of improvements to existing stock. However, all of this was charged to revenue in year and did not therefore result in an increase to the balance sheet values. Capital expenditure charged to revenue is also included under the Other Land & Buildings and Vehicles, Plant & Equipment headings.

Several replacement vehicles were purchased and are included in vehicles, plant and equipment. The expenditure on Intangible Assets relates to software purchased to improve efficiency. Revenue expenditure funded from capital under statute includes £452k expenditure on Disabled Facilities Grants and £258k on Home Improvement Grants. The expenditure on non-operational assets relates to the development of property in Bourne in accordance with investment plans for the area.

Our Treasury Management Performance

We exceeded our original investment income budget for the year of £0.649m by £0.147m which was due to average cash balances from higher than budgeted. The benchmark 7-day LIBID (London Interbank Bid rate) rate was 0.39% and the rate of return we achieved of 1.17% was some 0.78% above this benchmark figure.

Council Tax Collection

The net collectable amount in respect of 2012/2013 Council Tax was £59.850m of which £59.018m has been received. This represents a collection rate of 98.6% (2011/2012 98.3%), Council Tax arrears (for all years), including costs, amounted to £1.617m as at 31 March 2013.

Reserves and Balances

The General Fund working balance at the end of the financial year is £2.370m which will be carried over into 2013/2014 and is equivalent to 15% of net original base budget for 2013/2014 (net operating expenditure).

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

The Housing Revenue working balance of £10.239m represents the existing revenue balance.

The Council's total working balances and reserves have increased by £1.153m and now total £36.162m.

A summary of the specific and earmarked reserve balances as at 31 March 2013 are as follows:

	£'000
General Fund working balance	2,370
HRA working balance	10,239
GF unapplied capital grants	217
General Fund Capital Reserve	28
Useable Capital Receipts Reserve	6,982
GF Revenue Reserves	9,432
GF unapplied revenue grants	671
Housing Revenue Account Capital Reserve	3,396
Earmarked HRA reserves	2,827
Total	36,162

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

Further Information

Further information about the Statement of Accounts is available from the Financial Services section at the Council Offices, St Peter's Hill, Grantham, Lincs, NG31 6PZ, telephone 01476 406203 or accountancy@southkesteven.gov.uk. In addition, interested members of the public have a statutory right to inspect the accounts before the annual audit is completed. The availability of the accounts for inspection is advertised in the local press and on our website at www.southkesteven.gov.uk

A handwritten signature in black ink, appearing to read 'Daren Turner', with a stylized, cursive script.

Daren Turner ACCA
Strategic Director – Corporate Focus
27 June 2013

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Council's Responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has responsibility for the administration of those affairs. In this Council, that officer is the Strategic Director (Corporate Focus) - Chief Finance Officer.
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets
- approve the Statement of Accounts.

The Chief Finance Officer's Responsibilities

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

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

- selected suitable accounting policies and applied them consistently
- made judgements and estimates that were reasonable and prudent
- complied with the Local Authority Code

The Chief Finance Officer has also:

- kept proper accounting records which were up-to-date
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

CHIEF FINANCE OFFICER'S CERTIFICATE

I certify that the accounts set out in this document present a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for the year ended 31 March 2013.

This Statement of Accounts has been approved by the Governance & Audit Committee at its meeting on 26th September 2013.

DAREN TURNER ACCA
CHIEF FINANCE OFFICER
26th September 2013

COUNCILLOR IAN STOKES
CHAIRMAN OF GOVERNANCE & AUDIT COMMITTEE
26th September 2013

MOVEMENT IN RESERVES STATEMENT

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

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

For details of reserves see notes 27 and 28

MOVEMENT IN RESERVES STATEMENT Cont'd

	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2011	(2,370)	(8,808)	(8,171)	(229)	(7,951)	(5,348)	(744)	(33,621)	(203,110)	(236,731)
Movement in reserves during 2011/12										
Surplus or (deficit) on the provision of services	(522)		123,696					123,174		123,174
Other Comprehensive Income & Expenditure (see bottom of CIES)								0	5,349	5,349
Total Comprehensive Income & Expenditure	(522)	0	123,696	0	0	0	0	123,174	5,349	128,523
Adjustments between accounting basis and funding basis under regulations (Note 8)	(2,175)	0	(125,003)	0	1,254	(3,674)	268	(129,330)	129,330	0
Net (Increase)/Decrease before Transfers to	(2,697)	0	(1,307)	0	1,254	(3,674)	268	(6,156)	134,679	128,523
Transfers to/(from) Earmarked Reserves (Note 9)	2,697	(2,644)	67	(2)	(59)	4,709	0	4,768	(4,768)	0
(Increase)/Decrease in 2011/12	0	(2,644)	(1,240)	(2)	1,195	1,035	268	(1,388)	129,911	128,523
Balance at 31 March 2012 carried forward	(2,370)	(11,452)	(9,411)	(231)	(6,756)	(4,313)	(476)	(35,009)	(73,199)	(108,208)

For details of reserves see notes 27 and 28

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

2011/12				2012/13			
Gross Expenditure	Gross Income	Net Expenditure		Note	Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000			£'000	£'000	£'000
9,898	(8,629)	1,269	Central Services to the Public		10,035	(9,323)	712
4,620	(2,056)	2,564	Cultural and Related Services		5,360	(2,014)	3,346
8,539	(2,631)	5,908	Environmental and Regulatory Services		8,816	(3,328)	5,488
3,365	(1,103)	2,262	Planning Services		3,460	(1,157)	2,303
1,073	(1,366)	(293)	Highways and Transport Services		1,152	(1,310)	(158)
25,574	(23,268)	2,306	Local Authority Housing (HRA)		19,704	(24,632)	(4,928)
121,652		121,652	Settlement payment to Government for self financing		0		0
32,722	(31,869)	853	Other Housing Services		34,323	(32,766)	1,557
2,318	(748)	1,570	Corporate and Democratic Core		2,394	(714)	1,680
6	0	6	Non Distributed Costs		(99)		(99)
209,767	(71,670)	138,097	Cost Of Services		85,145	(75,244)	9,901
Other Operating Expenditure							
		(304)	(Gain)/Loss Disposal of Fixed Assets				(473)
		1,959	Precepts & Levies	10.			2,013
		475	Contribution Housing Capital Receipts to the Pool	HRA6			565
		(90)	Other Operating Income & Expenditure	11.			(12)
		2,040					2,093
Financing and Investment Income and Expenditure							
		287	Interest Payable on Debt	19.			3,650
		4,401	Pension Interest Cost	41.			4,195
		(3,972)	Expected Return on Pension Assets	41.			(3,309)
		(589)	Interest & Investment Income	19.			(749)
		54	Income & Expenditure and Movement in Fair Value of Investment Property	12.			372
		(291)	(Gain)/Loss on Trading Accounts	30			(324)
		(110)					3,835
Taxation and Non-Specific Grant Income							
		0	Recognised Capital Grants & Contributions	13.			(359)
		(7,645)	Council Tax				(7,774)
		(6,378)	Non-Domestic Rates				(7,383)
		(2,830)	Non-Service-Related Government Grants	14.			(1,669)
		(16,853)					(17,185)
		123,174	(Surplus) or Deficit on Provision of Services				(1,356)
		(1,345)	Surplus or deficit on revaluation of non-current assets				(3,388)
		6,694	Actuarial gains / losses on pension assets / liabilities	41.			6,432
		5,349	Other Comprehensive Income and Expenditure				3,044
		128,523	TOTAL COMPREHENSIVE INCOME & EXPENDITURE				1,688

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 2012		Note	At 31st March 2013
£'000			£'000
175,909	Council Dwellings	15	172,719
46,415	Other Land and Buildings	15	49,653
5,193	Plant, Vehicles and Equipment	15	5,813
227	Surplus Assets not held for sale	15	227
168	Assets Under Construction	15	1,200
429	Heritage Assets	46	429
2,590	Investment Property	16	2,203
135	Intangible Assets	17	166
3,000	Non Current Investments	47	0
289	Non Current Debtors	22	1,278
234,355	Non Current Assets		233,688
189	Current Assets Held for Sale	24	211
21,184	Current Investments	47	20,294
62	Inventories	20	86
3,374	Current Debtors	22	4,477
9,390	Cash and Cash Equivalents	23	13,114
34,199	Current Assets		38,182
(3,389)	Current Borrowing	43	(4,388)
(5,695)	Current Creditors	25	(6,546)
(253)	Current Provisions	26	(252)
(9,337)	Current Liabilities		(11,186)
(44)	Non Current Provisions	26	(120)
(120,978)	Non Current Borrowing	43	(116,726)
(29,453)	Other Non Current Liabilities	41	(36,533)
(532)	Capital Grants Receipts in Advance	35	(785)
(151,007)	Non Current Liabilities		(154,164)
108,210	Net Assets		106,520

BALANCE SHEET Cont'd

£'000			£'000
6,756	Usable Cap Receipts Reserve	27	6,982
4,313	Major Repairs Reserve	27	3,396
8,391	Earmarked GF Revenue Reserves	27	10,103
231	Earmarked HRA Revenue Reserves	27	1,142
0	Earmarked HRA Capital Reserves	27	1,685
3,061	Earmarked Capital Reserves	27	28
476	Capital Grants Unapplied	27	217
2,370	General Fund Balance	27	2,370
9,411	HRA Balance	27	10,239
35,009	Usable Reserves		36,162
98,165	Capital Adjustment Account	28	99,271
4,613	Revaluation Reserve	28	7,682
(29,453)	Pension Reserve	28	(36,533)
(201)	Short Term Accumulating Absences Account	28	(156)
5	Collection Fund adjustment Account	28	36
72	Deferred Capital Receipts	28	58
73,201	Unusable Reserves		70,358
108,210	Total Reserves		106,520

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.

2011/12 £'000		Notes	2012/13 £'000
Operating Activities			
(123,174)	Net (surplus) or deficit on the provision of services		1,356
9,186	Adjustments to net surplus or deficit on the provision of services for non-cash movements	48	11,202
(826)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		(1,167)
(471)	Reversal of operating activity items included in the net (surplus) or deficit on the provision of services that are shown separately below		2,790
	Net cash flows from Operating Activities includes		
(259)	Interest paid		(3,406)
730	Interest received		616
(114,814)	Net cash flows from Operating Activities		11,391
Investing Activities			
(6,777)	Purchase of property, plant and equipment, investment property and intangible assets		(8,611)
(22,000)	Purchase of short-term and long-term investments		(21,000)
(43)	Other payments for investing activities		(1,017)
821	Proceeds from the sale of property, plant and equipment, investment property and intangible assets		1,168
28,000	Proceeds from short-term and long-term investments		25,000
105	Other receipts from investing activities		681
106	Net cash flows from Investing Activities		(3,779)

CASH FLOW STATEMENT (CONT)

2011/12 £'000		Notes	2012/13 £'000
	Financing Activities		
121,610	Cash receipts of short- and long-term borrowing		
2,178	Other receipts from financing activities		448
(32)	Repayments of short and long-term borrowing		(3,254)
(149)	Other payments for financing activities		(1,082)
123,607	Net cash flows from Financing Activities		(3,888)
8,899	Net (increase) or decrease in cash and cash equivalents		3,724
491	Cash and cash equivalents at the beginning of the reporting period		9,390
9,390	Cash and cash equivalents at the end of the reporting period	23	13,114

1. STATEMENT OF ACCOUNTING POLICIES

I. GENERAL PRINCIPALS

The Statement of Accounts summarises the Council's transactions for the 2012/13 financial year and its position at the year-end of 31 March 2013. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011, which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the *Code of Practice on Local Authority Accounting in the United Kingdom 2012/13* and the *Service Reporting Code of Practice 2012/13*, 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 transactions and it is probable that economic benefits of service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument, rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

III. CASH AND CASH EQUIVALENTS

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

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

IV. EXCEPTIONAL ITEMS

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

V. PRIOR PERIOD ADJUSTMENTS, CHANGES IN ACCOUNTING POLICIES & ESTIMATES AND ERRORS

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

VI. CHARGES TO REVENUE FOR NON-CURRENT ASSETS

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year.

- Depreciation attributable to the assets used by the relevant service.
- Revaluation and Impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the loss can be written off.
- Amortisation of intangible assets attributable to the service.

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

Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance by way of an adjusting transaction with the

Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

VII. EMPLOYEE BENEFITS

Benefits Payable during Employment

Short-term employee benefits are those due to be settled within 12 months of the year end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non monetary benefits for current employees and are recognised as an expense for services in the year in which the employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits:

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits. They are charged on an accruals basis to the appropriate service, or where applicable, to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement where the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

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

Post-Employment Benefits

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

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

Local Government Pension Scheme

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

- The liabilities of the Lincolnshire County Council pension scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees. Financial assumptions are based on market expectations at the reporting date for the period over which they are to be settled. The scheme assets and liabilities are subject to a formal actuarial valuation every three years. Between these formal valuations, values are estimated at each Balance Sheet date using latest membership data.
- Liabilities are discounted to their value at current prices, using a discount rate calculated by the Actuaries (based on the indicative rate of return on the Bond yields and inflation rates).
- The assets of the Lincolnshire County Council pension fund attributable to the Council are included in the balance sheet at their fair value:
 - Quoted securities – current bid price
 - Unquoted securities – professional estimate
 - Unlisted securities – current bid price
 - Property - market value
- The change in the net pensions liability is analysed into seven components:
 - Current service cost – the increase in liabilities as a result of years of service earned this year – charged 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 arising from current year decisions 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
 - Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
 - Expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
 - Gains or losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs

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

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

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

Discretionary Benefits

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

VIII. EVENTS AFTER THE REPORTING PERIOD

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

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

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

IX. FINANCIAL INSTRUMENTS

Financial Liabilities

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

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

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

Financial assets are classified into two types:

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

Loans and Receivables

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

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

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

Available-for-sale Assets

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

X. FOREIGN CURRENCY TRANSACTIONS

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

XI. GOVERNMENT GRANTS & OTHER CONTRIBUTIONS

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- The Council will comply with the conditions attached to the payments, and
- The grants or contributions will be received

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contributions have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potentially embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Money advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non Specific Grant Income (non ring fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where Capital Grants are credited to the Comprehensive Income and Expenditure Statement they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure

XII. HERITAGE ASSETS

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

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

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

XIII. INTANGIBLE ASSETS

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

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

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

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

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

XIV. INVENTORIES AND LONG TERM CONTRACTS

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

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

XV. INVESTMENT PROPERTY

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

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

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

XVI. LEASES

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to the ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets

The Council as Lessee

Finance Leases:

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the leases inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor e.g. payments net of financing costs. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into the lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the period in which they are incurred.

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the

lease term if this is shorter than the assets estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight line basis over the life of the lease, even if this does not match the patterns of payments (e.g. there is a rent free period at the commencement of the lease).

The Council as Lessor

Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal) matched by a lease (long term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between

- A charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- Finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement)

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipts for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight -line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

XVII. OVERHEADS AND SUPPORT SERVICES

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the *CIPFA Service Reporting Code of Practice 2012/13 (SeRCOP)* (for example, charges are based on estimated or actual time allocations with the exception of administrative building costs – floor area basis). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate & Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early.

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

XVIII. PROPERTY, PLANT AND EQUIPMENT

Assets that have physical substance and are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property Plant and Equipment.

Recognition:

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council, over more than one year and that the cost of the item can be measured reliably. Expenditure that maintains but does not add to an assets potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Enhancement is expenditure intended to:

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

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

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

The Council does not capitalise borrowing costs incurred while assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

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

- Dwellings – fair value determined using the basis of existing use value for social housing (EUV-SH). The social housing discount applied in 2011/12 is 34%.
- Community assets and assets under construction –historical cost.
- Plant, Vehicles & Equipment – depreciated historical cost
- All other classes of assets – fair value, unless there is no market-based evidence of fair value because of the specialist nature of the asset. In this case fair value is estimated using the Depreciated Replacement Cost method.

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

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

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

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

Impairment

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

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

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

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

Depreciation

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

Depreciation is calculated on the following bases:

- Land is not depreciated as it will not have a finite life.
- Council Dwellings and Other Buildings are depreciated using the straight line method. The finite useful life is assessed by the District Valuer at the time of revaluation but for Council Dwellings is usually 50 years, and for other buildings is between 1 and 60 years.
- Plant and Equipment are also depreciated by the straight line method. Useful life is assessed by the Chief Finance Officer at the time of acquisition, usually between 3 and 10 years. Some assets have a longer life span, up to 30 years.
- Vehicles are depreciated using the reducing balance method at a rate of 25% per annum.
- Non-current assets held-for sale are not depreciated.

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

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

Componentisation:

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

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

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

Depreciation charges for non-housing assets are not proper charges to the General Fund, so are transferred to the Capital Adjustment Account and reported in the Movement in Reserves Statement. In order to calculate the real charge for HRA dwellings a notional Major Repairs Allowance (MRA) is calculated using the self-financing valuation. If the depreciation charged is higher than the notional MRA an amount equal to the difference is transferred to the HRA from the Major Repairs Reserve (MRR). If the depreciation is lower than the notional MRA the transfer is from the HRA to MRR. These transactions are reported in the Movement in Reserves Statement.

Disposals and Non-current Assets Held for Sale

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

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

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

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

the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts related to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

XIX. PROVISIONS, CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Provisions:

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

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

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

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

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

Contingent Liabilities

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

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

Contingent Assets

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

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

XX. RESERVES

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

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

XXI. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balancer to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

XXII. VAT

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

XXIII. PRINCIPAL AND AGENT TRANSACTIONS

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

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

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

2. CHANGES IN ACCOUNTING POLICY

There have been no material changes in accounting policy in 2012/13.

3. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT NOT ADOPTED

For 2012/13 the following accounting policy changes that need to be reported relate to:

- a. *Amendments to IAS 1 Presentation of Financial Statements (other comprehensive income, June 2011)* This standard only addresses presentation issues, no disclosure of the impact of the change is required
- b. *Amendments to IFRS 7 Financial Instruments: Disclosures (offsetting financial assets and liabilities, December 2011)*. This is not a change in accounting policy that will require the publication of a Balance Sheet as at the beginning of the earliest comparative period in the 2012/13 financial statements.
- c. *Amendments to IAS 12 Income Taxes* (deferred tax: recovery of underlying assets, December 2010).
- d. *Amendments to IAS 19 Employee Benefits* (June 2011). The changes will have no effect on employer reporting as changes in projected expenses will be compensated for by changes in the expected return on assets.

4. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

- a. There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of the need to close facilities and reduce levels of service provision.
- b. Investments with banks and other financial institutions are secure and will not suffer impairments.
- c. The Council has no relationships with other entities which take the form of a parent/subsidiary, associate or joint control arrangement
- d. No contracts with other bodies need to be accounted for as a service concession or contain an embedded lease.
- e. No substantial legal claims or appeals will be made against the Council in the next financial year.

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future, or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2013 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 £136k for every year that useful lives had to be reduced.

b. Pensions Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Actuaries are engaged by Lincolnshire County Council who administer the pension fund to provide expert advice about the assumptions to be adopted.

The effects on the net pensions liability of changes in individual assumptions can be measured and are shown below

	Approximate increase in Employer Liability £,000
0.5% decrease in Real Discount Rate	10,264
0.5% increase in the Salary Increase Rate	3,068
0.5% increase in the Pensions Increase Rate	3,083
1 year increase in member life expectancy	7,032

c. Arrears

At 31 March 2013 the Council had a balance of short-term debtors of £4.477m. A review of these debts suggested that an impairment for doubtful debts of approx 35.7% was appropriate, totalling £1.6m. 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, a doubling of the amount of the impairment for doubtful debts would require an additional £1.6m to be set aside for this allowance.

6. MATERIAL ITEMS OF INCOME AND EXPENDITURE

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

7. EVENTS AFTER THE REPORTING PERIOD

The Statement of Accounts was authorised for issue by the Strategic Director – Corporate Focus on 26 September 2013. Events taking place after this date are not reflected in the financial statements or notes.

8. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER STATUTE

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

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

General Fund Balance

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

Housing Revenue Account Balance

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

Major Repairs Reserve

The Council is required to maintain the Major Repairs Reserve which funds capital investment in HRA assets or the financing of historical capital expenditure by the HRA.

Capital Receipts Reserve

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

Capital Grants Unapplied

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)

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

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

2011/12	General Fund	Earmarked Revenue Reserves	HRA	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments primarily involving the Capital Adjustment Account									
Depreciation of non-current assets	(2,397)					(3,674)		(6,071)	6,071
Excess of MRA over depreciation			949					949	(949)
Amortisation of intangible assets	(30)							(30)	30
Revaluation gains/losses on PPE	929		(372)					557	(557)
Impairments charged to CIES	(110)		(4,244)					(4,354)	4,354
Movements in market value of investment properties	(55)		(15)					(70)	70
Revenue expenditure funded from capital under statute (REFCUS)	(800)							(800)	800
Financing of REFCUS	381						220	601	(601)
Capital expenditure	336				1,606		48	1,990	(1,990)
HRA Self-Financing			(121,652)					(121,652)	121,652
Statutory provision for financing of capital investment	193							193	(193)
Profit/Loss on disposal of non-current assets	(24)		328		(827)			(523)	523
Adjustments primarily involving the									
Adjustment to council tax income	(26)							(26)	26
Adjustments primarily involving the									
Adjustment of IAS 19 retirement entries for actual contributions	(135)		(75)					(210)	210
Adjustments primarily involving the									
Accrual for accumulating compensated absences	38		78					116	(116)
Adjustments between Usable Reserves									
Payments to Housing Capital Receipts Pool	(475)				475			0	0
Total Adjustments	(2,175)	0	(125,003)	0	1,254	(3,674)	268	(129,330)	129,330

9. TRANSFER TO/ FROM EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2012/13.

	General Fund	Housing Revenue Account	Usable Capital Receipts	Earmarked General Fund Reserves	HRA Revenue Reserves	Major Repairs Reserve	Unapplied Capital Grants	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Amounts set aside to provide for future expenditure										
Insurance provision	69	62		(69)	(62)			0	0	0
SEA provision	71			(71)				0	0	0
Transfer Surplus to reserves	2,372	5,402	(40)	(2,359)	(2,534)	(1,197)		1,644	(1,644)	0
Unapplied government grants								0	0	0
Repaid mortgages			(38)					(38)	38	0
Other Long-Term Debtors	31	0	(14)					17	(17)	0
Amounts transferred from reserves to support in year expenditure										
Application of other grants	(258)			245				(13)	13	0
Finance Building Control deficit	(18)			18				0	0	0
Revenue Contributions to Capital				53		4,836		4,889	(4,889)	0
Total Transfers To/(From) Earmarked Reserves	2,267	5,464	(92)	(2,183)	(2,596)	3,639	0	6,499	(6,499)	0

Transfers to/from Earmarked Reserves (Continued)

The comparative amounts in 2011/12 are set out below.

	General Fund	Housing Revenue Account	Usable Capital Receipts	Earmarked General Fund Reserves	HRA Revenue Reserves	Major Repairs Reserve	Unapplied Capital Grants	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Amounts set aside to provide for future expenditure										
Insurance provision	10	57		(66)	(2)			(1)	1	0
SEA provision	46			(46)				0	0	0
Transfer Surplus to reserves	2,899			(2,899)				0	0	0
Unapplied government grants								0	0	0
Repaid mortgages			(34)					(34)	34	0
Other Long-Term Debtors		10	(25)					(15)	15	0
Amounts transferred from reserves to support in year expenditure										
Application of other grants	(214)			214				0	0	0
Finance Building Control deficit	(34)			34				0	0	0
Revenue Contributions to Capital	(10)			119		4,709		4,818	(4,818)	0
Total Transfers To/(From) Earmarked Reserves	2,697	67	(59)	(2,644)	(2)	4,709	0	4,768	(4,768)	0

10. PRECEPTS AND LEVIES

2011/12		2012/13
£'000		£'000
1,350	Parish Council Precepts	1,399
609	Drainage Board Levies	614
1,959		2,013

11. OTHER OPERATING INCOME AND EXPENDITURE

2011/12		2012/13
£'000		£'000
(10)	Repaid Right-to-Buy Discounts	0
(80)	Repaid Grant	0
	VAT Refund	(12)
(90)		(12)

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

2011/12		2012/13
£'000		£'000
(16)	Income & Expenditure from investment properties	(15)
70	Movements in relation to changes in the fair value of investment properties	387
54		372

13. RECOGNISED CAPITAL GRANTS AND CONTRIBUTIONS

2011/12		2012/13
£'000		£'000
0	Contribution to South Kesteven Community Access Point	(359)
0		(359)

14. NON SERVICE RELATED GOVERNMENT GRANTS

2011/12		2012/13
£'000		£'000
(666)	New Homes Bonus	(1,185)
(157)	Council Tax Freeze Grant	(263)
(26)	Performance Reward Grant	0
(10)	S106 Contribution	(78)
(1,971)	Revenue Support Grant	(143)
(2,830)		(1,669)

15. PROPERTY PLANT AND EQUIPMENT

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

	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Eqpt	Surplus Assets	Assets Under Construction	Total PPE
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation at 01/04/2012	182,535	48,149	12,048	237	168	243,137
Additions	4768	830	1,865	44	1,052	8,559
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(37)	2,638		(2)		2,599
Revaluation increases/(decreases) recognised in the Surplus/Deficit on Provision of Services	(7,304)	(12)				(7,316)
Derecognition - Disposals			(170)	(44)		(214)
Assets reclassified (to)/from Assets Under Construction		20			(20)	0
Assets reclassified (to)/from Held for Sale (see Note 24)	(663)					(663)
At 31/03/2013	179,299	51,625	13,743	235	1,200	246,102
Accumulated Depreciation & Impairment at 01/04/2012	(6,626)	(1,734)	(6,855)	(10)	0	(15,225)
Depreciation charge	(2,467)	(1,713)	(1,196)	(8)		(5,384)
Depreciation written out to the Revaluation Reserve	15	701		1		717
Depreciation written out to the Comprehensive Income & Expenditure Statement	7,266	827		9		8,102
Impairment losses recognised in the Surplus/Deficit on Provision of Services	(4,768)	(53)				(4,821)
Derecognition - Disposals			121			121
At 31/03/2013	(6,580)	(1,972)	(7,930)	(8)	0	(16,490)
Net Book Value						
At 31/03/2013	172,719	49,653	5,813	227	1,200	229,612
At 31/03/2012	175,909	46,415	5,193	227	168	227,912

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

Property, Plant & Equipment (Continued)

	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Eqpt	Surplus Assets	Assets Under Construction	Total PPE
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation at 01/04/2011	186,499	47,146	10,578	245	52	244,520
Additions	4244	233	1,811		187	6,475
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(19)	366		(4)		343
Revaluation increases/(decreases) recognised in the Surplus/Deficit on Provision of Services	(7,739)	404		(4)		(7,339)
Derecognition - Disposals	(261)		(412)			(673)
Assets reclassified (to)/from Assets Under Construction			71		(71)	0
Assets reclassified (to)/from Held for Sale (see Note 24)	(189)					(189)
At 31/03/2012	182,535	48,149	12,048	237	168	243,137
Accumulated Depreciation & Impairment at 01/04/2011	(7,240)	(1,666)	(6,027)	(8)	0	(14,941)
Depreciation charge	(2,511)	(1,482)	(1,118)	(10)		(5,121)
Depreciation written out to the Revaluation Reserve		839				839
Depreciation written out to the Comprehensive Income & Expenditure Statement	7,368	685		8		8,061
Impairment losses recognised in the Surplus/Deficit on Provision of Services	(4,244)	(110)				(4,354)
Derecognition - Disposals	1	0	290			291
At 31/03/2012	(6,626)	(1,734)	(6,855)	(10)	0	(15,225)
Net Book Value						
At 31/03/2012	175,909	46,415	5,193	227	168	227,912
At 31/03/2011	179,259	45,480	4,551	237	52	229,579

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:

2011/12		2012/13
£'000		£'000
(22)	Rental income from investment property	(17)
6	Direct operating expenses arising from investment property	2
(16)		(15)

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:

2011/12		2012/13
£'000		£'000
2,660	Balance at start of year	2,590
	Additions - Purchases	
(70)	Net gains/losses from fair value adjustments	(387)
2,590	Balance at end of year	2,203

17. INTANGIBLE ASSETS

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

All licences are given a finite useful life, based on assessments of the period the software is expected to be of use to the Council. The useful lives assigned to the major software suites used by the Council are:

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

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £59k charged to revenue in 2012/2013 was charged to the following departments.

2011/12 £'000		2012/13 £'000
20	ICT	15
9	Finance and Risk	17
2	Central Services to the Public	11
	Culture and Related Services	2
	Environmental and Regulatory Services	14
31		59

Movements on Intangible Assets during the year were as follows:

2011/12 £'000		2012/13 £'000
	Balance at start of year:	
274	Gross carrying amount	374
(208)	Accumulated amortisation	(239)
66	Net carrying amount at start of year	135
100	Additions	90
(31)	Amortisation for the period	(59)
69		31
135	Net carrying amount at end of year	166
Comprising		
374	Gross carrying amount	464
(239)	Accumulated amortisation	(298)
135		166

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

18. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

a. Key Risks

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

- 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.

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

b. Overall Procedures for Managing Risk

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

- i. by formally adopting the requirements of the CIPFA Treasury Management Code of Practice;
- ii. by the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations;
- iii. by approving annually in advance prudential and treasury indicators for the following three years limiting:
 - the Council's overall borrowing;
 - Its maximum and minimum exposures to fixed and variable rates;
 - Its maximum and minimum for exposures within the maturity structure of its debt;
 - Its maximum annual exposures to investments maturing beyond a year.
 - by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance;

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

The annual treasury management strategy for 2012/13 which incorporates the prudential indicators was approved by Council on 1 March 2012 and is available on the Council website. The key issues within the strategy were:

- i. The Authorised Limit for 2012/13 was set at £148m. This is the maximum limit of external borrowings or other long term liabilities.
- ii. The Operational Boundary was expected to be £123m. This is the expected level of debt and other long term liabilities during the year.
- iii. The maximum amounts of fixed and variable interest rate exposure were set at £133m and £40m based on the Council's net debt.
- iv. The maximum and minimum exposures to the maturity structure of debt are:

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

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

c. Credit risk

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

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

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

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

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

The Council's maximum exposure to credit risk in relation to its investments in banks, building societies and money market funds of £34m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2013 that this was likely to crystallise.

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

Deposits with banks and financial institutions	At 31 March 2013	Historical experience of default (1)	Adjustment for market conditions	Estimated Maximum exposure to default
	£'000	%	%	£'000
AAA rated counterparties	15,380	0.00%	0.00%	0
AA rated counterparties		0.02%	0.02%	0
A rated counterparties	18,289	0.08%	0.08%	15
BBB rated counterparties		0.23%	0.23%	0
Other counterparties		0.00%	0.00%	0
Trade debtors (not including statutory debtors)	478	Local Experience	Local Experience	36
Total	34,147			51

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

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

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

The Council does not generally allow credit for its trade debtors, such that £299k of the trade debtors balance is past its due date for payment. The due amount can be analysed by age as follows:

	At 31 March 2013	At 31 March 2012	At 31 March 2011
	£'000	£'000	£'000
Under 30 Days	179	32	110
30-60 days	258	106	4
60-90 days	5	15	146
Over 90 Days	36	122	191
Total	478	275	451

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

d. Liquidity risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed.

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

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

	At 31 March 2013 £'000	At 31 March 2012 £'000	At 31 March 2011 £'000
Less than one year	33,669	30,142	27,688
Between one and two years	-	3,047	4,045
Between two and three years	-	-	0
More than three years	-	-	0
Total	33,669	33,189	31,733

e. Re-financing and Maturity Risk

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

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

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

The maturity analysis of financial liabilities is as follows:

	At 31 March 2013 £'000	At 31 March 2012 Restated £'000	Original £'000	At 31 March 2011 £'000
Less than one year	4,388	3,389	0	130
Between one and two years	3,738	4,270	1,041	32
Between two and five years	10,665	10,165	521	1,548
Between five and ten years	41,109	42,109	1,036	1,000
Between ten and fifteen years	16,109	16,109	121,690	0
Over Fifteen Years	45,105	48,326		
Total	121,114	124,368	124,288	2,710

The comparators for 31 March 2012 have been restated to properly reflect the nature of the types of long term loans held.

f. Market risk

Interest rate risk

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

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

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

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

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

	£'000
Increase in interest payable on variable rate borrowings	
Increase in interest receivable on variable rate investments	(204)
Impact on Surplus or Deficit on the Provision of Services	<u>(204)</u>
 Decrease in fair value of fixed rate borrowing liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income & Expenditure)	 <u>12,522</u>

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

Price risk

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

Foreign exchange risk

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

19. FINANCIAL INSTRUMENTS

a. Financial Instruments Balances

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

	Long-Term		Current	
	At 31 March	At 31 March	At 31 March	At 31 March
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Borrowings				
Financial Liabilities (principal amount)	116,726	120,978	4,254	3,254
Accrued Interest (will be current)			134	135
Total Borrowings	116,726	120,978	4,388	3,389
Investments				
Loans & Receivables (principal amount)	0	3,000	33,375	30,005
Accrued interest		46	294	137
Total Investments	0	3,046	33,669	30,142

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

Note 2 – Fair value has been measured by:

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

Note 3 – The Council has not made any soft loans

b. Financial instruments Gains/Losses

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

	Financial Liabilities	Financial Assets	Total
	Liabilities Measured at Amortised Cost	Loans & Receivables	
2012/13	£'000	£'000	£'000
Interest expense	3,650		3,650
Total Expense in Surplus or Deficit on the Provision of Services	3,650	0	3,650
Interest income		(749)	(749)
Total Income in Surplus or Deficit on the Provision of Services	0	(749)	(749)
Net gain/(loss) for the year	3,650	(749)	2,901
2011/12			
Interest expense	287		287
Total Expense in Surplus or Deficit on the Provision of Services	287	0	287
Interest income		(589)	(589)
Total Income in Surplus or Deficit on the Provision of Services	0	(589)	(589)
Net gain/(loss) for the year	287	(589)	(302)

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

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

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

The fair values calculated are as follows:

	At 31 March 2013		At 31 March 2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
PWLB debt	121,066	130,884	124,287	129,074
Non-PWLB debt	48	48		
Trade Creditors	2,641	2,641	3,117	3,117
Total financial liabilities	123,755	133,573	127,404	132,191
Instant Access Accounts	13,375	13,380		
Short Term Investments	20,294	20,460	30,142	32,923
Long Term investments			3,047	3,089
Trade debtors	478	478	275	275
Other Short Term Debtors	3,999	3,999	3,099	3,099
Long Term Debtors	1,278	1,278	289	289
Total loans & receivables	39,424	39,595	36,852	39,675

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

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

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

20. INVENTORIES

Details of inventories held by the Council as at 31 March 2013 are provided below:

2011/12 £'000		2012/13 £'000
	Printing Supplies	
8	Balance at start of year	9
34	Purchases	34
(33)	Recognised as an expense in year	(34)
<u>9</u>	Balance outstanding at year end	<u>9</u>
	Postage	
7	Balance at start of year	5
21	Purchases	70
(23)	Recognised as an expense in year	(70)
<u>5</u>	Balance outstanding at year end	<u>5</u>
	Housing Repairs & Maintenance Materials	
14	Balance at start of year	7
153	Purchases	485
(160)	Recognised as an expense in year	(488)
<u>7</u>	Balance outstanding at year end	<u>4</u>
	Vehicle Repairs & Maintenance Materials	
42	Balance at start of year	21
340	Purchases	364
(361)	Recognised as an expense in year	(326)
<u>21</u>	Balance outstanding at year end	<u>59</u>
	Fuel Tank	
0	Balance at start of year	20
619	Purchases	649
(599)	Recognised as an expense in year	(660)
<u>20</u>	Balance outstanding at year end	<u>9</u>

21. CAPITAL COMMITMENTS

There is an outstanding commitment to Lovell Partnership Ltd amounting to £1.4million per annum until the end of 2014/15 for roofing and chimney works to the Council's housing stock.

A commitment of £1million per annum until the end of 2014/15 with D Brown Building Contractors Ltd has been undertaken for the refurbishment of kitchens and bathrooms in the Council's housing stock.

An outstanding commitment to Foster's Property Maintenance Ltd in the sum of £200k relates to refurbishment of the Council's housing stock.

Work is being undertaken to develop Bourne town centre, providing shops and housing and there is an outstanding contractual commitment of £1.174million with Trent Valley Construction.

Major capital commitments at 31 March 2013 are in respect of the above

	£'000
Improvement to Council Dwellings :	
Kitchens & Bathrooms	2,000
Property Refurbishment	200
Roofing and Chimneys	2,800
Bourne Town Centre Development	1,174
Contract commitments at 31 March 2013	6,174

22. DEBTORS

An analysis of Debtors is shown below:

At 31st March 2012 £'000		At 31st March 2013 £'000
	Current Debtors	
1,084	Government Departments	2,163
499	Other Local Authorities	359
24	NHS	47
1,767	Other entities and individuals	1,908
3,374		4,477
	Long Term Debtors	
	Local Authority Mortgage Scheme	1,028
237	Loans for Leisure Facilities	196
52	Other	54
289		1,278

23. CASH AND CASH EQUIVALENTS

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

At 1st April 2012 £'000		At 31st March 2013 £'000
27	Cash held by the authority	60
358	Bank current accounts	(321)
9,005	Instant Access accounts	13,375
9,390	Total Cash & Cash Equivalents	13,114

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

24. ASSETS HELD FOR SALE

As at 31st March 2013, there are 7 Council Dwellings that are in the process of being sold and these are classified as Current Assets Held for Sale in the Balance Sheet.

2011/12 £'000	Non-Current Assets Held for Sale	2012/13 £'000
140	Balance at start of year	0
	Assets newly classified as held for sale:	
382	Property, Plant & Equipment	0
	Assets declassified as held for sale:	
(522)	Assets sold	0
0	Balance at end of year	0
	Current Assets Held for Sale	
0	Balance at start of year	189
189	Assets newly classified as held for sale:	663
	Property, Plant & Equipment	
	Assets declassified as held for sale:	
	Property, Plant & Equipment	
0	Assets sold	(641)
189		211

25. CREDITORS

An analysis of Creditors is shown below:

At 1st April 2012 £'000		At 31st March 2013 £'000
824	Government Departments	2,186
73	Other Local Authorities	144
0	NHS bodies	38
4,798	Other entities and individuals	4,178
5,695	Total	6,546

26. PROVISIONS

	Injury & Damage Compensation Claims £'000	Other Provisions £'000	Total £'000
2012/2013			
Balance at 01/04/2012	96	201	297
Additional provisions made in 2012/2013	201	217	418
Amounts used in 2012/2013	(43)	(201)	(244)
Unused amounts reversed in 2012/2013	(38)	(61)	(99)
Total	216	156	372

Split between:

Short-term provisions	252
Long-term provisions	120
	372

2011/2012

Balance at 01/04/2011	44	317	361
Additional provisions made in 2011/2012	77	25	102
Amounts used in 2011/2012	(8)	(116)	(124)
Unused amounts reversed in 2011/2012	(17)	(25)	(42)
Total	96	201	297

Split between:

Short-term provisions	253
Long-term provisions	44
	297

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 £216k provided at

31/03/13 £120k is expected to be settled in 2013/2014. The Council may be reimbursed by its Insurers, but until claims are actually settled no income is recognised as the insurers will only reimburse amounts above a £10k excess. The Council has decided to increase the excess on public liability claims to £25k and to self insure for Employers Liability.

The other provisions relate to money set aside to pay for accrued employee benefits earned but not taken at the balance sheet date.

27. USABLE RESERVES

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

	Balance at 1st April 2011 £'000	Transfer To Reserve £'000	Transfer From Reserve £'000	Balance at 31st March 2012 £'000	Transfer To Reserve £'000	Transfer From Reserve £'000	Balance at 31st March 2013 £'000
Usable Cap Receipts Reserve	7,951	886	(2,081)	6,756	473	(838)	6,391
HRA Capital Receipts Reserve					591		591
Major Repairs Reserve	5,348	3,674	(4,709)	4,313	714	(1,631)	3,396
Earmarked GF Revenue Reserves	6,035	2,128	(702)	7,461	3,101	(1,130)	9,432
General Fund Unapplied Revenue Grant:	1,143	134	(347)	930	31	(290)	671
Earmarked HRA Revenue Reserves	229	2		231	911		1,142
Earmarked GF Capital Reserve	1,630	1,500	(69)	3,061	28	(3,061)	28
GF Unapplied Capital Grants	744		(268)	476		(259)	217
Earmarked HRA Capital Reserves					1,685		1,685
Housing Revenue Account Balance	8,171	1,240		9,411	834	(6)	10,239
General Fund Balance	2,370			2,370			2,370
	33,621	9,564	(8,176)	35,009	8,368	(7,215)	36,162

28. UNUSABLE RESERVES

At 31st March 2012 £'000		At 31st March 2013 £'000
4,613	Revaluation Reserve	7,682
98,165	Capital Adjustment Account	99,271
(29,453)	Pensions Reserve	(36,533)
5	Collection Fund Adjustment Account	36
(201)	Accumulating Compensated Absences Adjustment Account	(156)
72	Deferred Capital Receipts	58
73,201		70,358

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.

2011/12 £'000		2012/13 £'000
3,489	Balance at start of year	4,613
1,313	Upward revaluation of assets	3,435
(33)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on Provision of Services	(111)
4,769	Surplus/Deficit on revaluation of non-current assets not posted to Surplus/Deficit on Provision of Services	7,937
(153)	Difference between fair value depreciation and historical cost depreciation	(255)
(3)	Accumulated gains on assets sold or scrapped	
(156)	Amounts written off to the Capital Adjustment Account	(255)
4,613	Balance at end of year	7,682

b. Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisation are charged to the Comprehensive income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on investment Properties and also contains revaluation gains accumulated on Property, Plant & Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

2011/12		2012/13
£'000		£'000
222,370	Balance at start of year	98,165
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income & Expenditure Statement	
(5,121)	Charges for depreciation of non-current assets	(5,385)
(4,354)	Charges for impairment of non-current assets	(4,821)
(2,764)	Revaluation losses on Property, Plant & Equipment	(2,114)
3,392	Revaluation gains reversing previous impairments charged to the Comprehensive Income & Expenditure Statement	2,890
(31)	Amortisation of intangible assets	(59)
(800)	Revenue expenditure funded from capital under statute	(766)
(556)	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	(688)
(121,652)	HRA Self-Financing Transaction	0
90,484		87,222
153	Adjusting amounts written out of the Revaluation Reserve	255
90,637	Net written out amount of the cost of non-current assets consumed in the year	87,477
	Capital financing applied in the year	
1,605	Use of the Capital Receipts Reserve to finance new capital expenditure	422
4,709	Use of the Major Repairs reserve to finance new capital expenditure	4,836
10	Capital grants and contributions credited to the Comprehensive Income & Expenditure Statement that have been applied to capital financing	
268	Application of grants to capital financing from the Capital Grants Unapplied Account	259
193	Statutory provision for the financing of capital investment charged against the General Fund & HRA balances	186
118	Self-financed capital expenditure	5,189
695	Capital expenditure charged against the General Fund and HRA balances	1,289
7,598		12,181
(70)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income & Expenditure Statement	(387)
98,165	Balance at end of year	99,271

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.

2011/12 £'000		2012/13 £'000
(22,549)	Balance at start of year	(29,453)
(6,694)	Actuarial gains or losses on pensions assets & liabilities	(6,432)
(2,381)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on Provision of Services	(2,888)
2,171	Employer's pensions contributions and direct payments to pensioners payable in the year	2,240
(29,453)	Balance at end of year	(36,533)

d. Collection Fund Adjustment Account

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

2011/12 £'000		2012/13 £'000
31	Balance at start of year	5
(26)	Amount by which council tax income credited to the Comprehensive Income & Expenditure Statement is different from council tax income calculated in accordance with statute	31
5	Balance at end of year	36

e. Accumulating Compensated Absences Adjustment Account

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

2011/12 £'000		2012/13 £'000
317	Balance at start of year	201
(24)	Settlement or cancellation of accrual made at the end of the preceding year	(61)
(92)	Amounts accrued at the end of the current year	16
201	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	156
201	Balance at end of year	156

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.

2011/12 £'000		2012/13 £'000
87	Balance at start of year	72
(15)	Repayments received in year	(14)
0	New receipts deferred	0
72	Balance at end of year	58

29. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

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

- The income & expenditure relating to the HRA is reported to Cabinet entirely separately from that for the General Fund, whereas in the Comprehensive Income & Expenditure Statement it is included as a service line within the Cost of Services.
- Drainage board levies are included within the expenditure reported under the Finance corporate area in the reports provided to Cabinet, but in the Comprehensive Income & Expenditure Statement, they are included within Other Operating Expenditure below the Cost of Services analysis.
- Income & expenditure relating to trading services (markets and industrial estates which are run on a commercial basis) is included within the Assets corporate area in Cabinet reports, but in the Comprehensive Income & Expenditure Statement, it is included within Other Operating Expenditure below the Cost of Services analysis.
- Interest received on loans made to bodies providing leisure services is also reported within the Assets corporate area in Cabinet reports, but in the Comprehensive Income & Expenditure Statement, it is included within Financing & Investment Income & Expenditure below the Cost of Services analysis.

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

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

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

The income and expenditure of the Council's corporate areas recorded in the budget reports for 2011/12 is as follows:

	Assets	Corporate	Development & Growth	Environment Services	Finance	Housing & Neighbourhds	HR & Customer Services	Legal & Democratic	Special Expense Areas	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Income										
Fees Charges & other service income	(4,200)	(59)	(1,191)	(1,944)	(961)	(986)		(181)	(89)	(9,611)
Interest & investment income	(16)				(10)					(26)
Government Grants & Contributions	(121)		(57)		(38,333)	(507)				(39,018)
Support Recharge Income	(1,584)	(1,287)		(414)	(2,558)		(1,918)	(493)		(8,254)
Total Income	(5,921)	(1,346)	(1,248)	(2,358)	(41,862)	(1,493)	(1,918)	(674)	(89)	(56,909)
Expenditure										
Employee Expenses	1,666	1,116	1,870	3,156	2,433	1,143	1,208	584	0	13,176
Other Service Expenses	4,501	359	944	2,940	39,424	412	446	719	485	50,230
Support Service Recharges	977	702	657	1,086	867	288	350	555	110	5,592
Depreciation, amortisation & Impairment	467	0	7	756	132	834	1	0	156	2,353
Total Expenditure	7,611	2,177	3,478	7,938	42,856	2,677	2,005	1,858	751	71,351
Net Expenditure	1,690	831	2,230	5,580	994	1,184	87	1,184	662	14,442

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

2011/12 £'000		2012/13 £'000
14,442	Net expenditure in the Service Analysis	15,104
2,305	Local Authority Housing HRA	(4,928)
121,652	Exceptional HRA Self-Financing Transaction	0
(609)	Drainage Board Levies	(614)
291	Trading Services	324
16	Leisure Grants & Loans Income	15
138,097	Cost of Service in Comprehensive Income & Expenditure Statement	9,901

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

	Corporate Area Analysis	Amounts not reported to management for decision making	Amounts not included in I&E	Total
2012/2013	£'000	£'000	£'000	£'000
Income				
Fees Charges & other service income	(9,540)			(9,540)
Interest & investment income	(19)			(19)
Government Grants & Contributions	(40,620)			(40,620)
Taxation & Non-Specific Grant Income		(17,185)		(17,185)
Support Recharge Income	(8,455)			(8,455)
Total Income	(58,634)	(17,185)	0	(75,819)
Expenditure				
Employee Expenses	13,309			13,309
Other Service Expenses	52,214			52,214
Support Service Recharges	5,443			5,443
Depreciation, amortisation & Impairment	2,772			2,772
Financing		4,174		4,174
Parish Precepts		1,399		1,399
Local Authority Housing HRA		(4,928)		(4,928)
Payments to the housing capital receipts pool		565		565
Gain or loss on disposal of non-current assets		(473)		(473)
Other Operating Income & Expenditure		(12)		(12)
Total Expenditure	73,738	725	0	74,463
Surplus or deficit on the provision of services	15,104	(16,460)	0	(1,356)

2011/12	Corporate Area Analysis	Amounts not reported to management for decision making	Amounts not included in I&E	Total
	£'000	£'000	£'000	£'000
Income				
Fees Charges & other service income	(9,611)			(9,611)
Interest & investment income	(26)			(26)
Government Grants & Contributions	(39,018)			(39,018)
Taxation & Non-Specific Grant Income		(16,853)		(16,853)
Support Recharge Income	(8,254)			(8,254)
Total Income	(56,909)	(16,853)	0	(73,762)
Expenditure				
Employee Expenses	3			3
Other Service Expenses	13,175			13,175
Support Service Recharges	50,228			50,228
Depreciation, amortisation & Impairment	5,592			5,592
Financing	2,353	197		2,550
Parish Precepts		1,350		1,350
Local Authority Housing HRA		2,306		2,306
Payments to the housing capital receipts pool		475		475
Gain or loss on disposal of non-current assets		(303)		(303)
Other Operating Income & Expenditure		(90)		(90)
Total Expenditure	71,351	3,935	0	75,286
Surplus or deficit on the provision of services	14,442	(12,918)	0	1,524

30. TRADING OPERATIONS

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

2011/12 £'000		2012/13 £'000
	The letting of Industrial Units located within the District	
(518)	Income	(514)
197	Expenditure	124
(321)	(Surplus)/Deficit	(390)
	Markets held weekly at Bourne, Grantham and Stamford	
(281)	Income	(270)
335	Expenditure	325
54	(Surplus)/Deficit	55
(267)	(Surplus)/Deficit	(335)

On the face of the Comprehensive Income & Expenditure Statement the trading operations show a surplus of £324k. This figure includes revaluation losses totalling £11k which have been credited to the trading operations. They have been excluded from the figures above as they are purely accounting entries and are fully reversed in the Statement of Movement on the General Fund Balance. The net impact of the trading operations in 2012/2013 was an increase to the General Fund balances of £335k.

31. AGENCY SERVICES

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

2011/12 £'000		2012/13 £'000
	Travellers Site Expenditure	
33	Management & Maintenance	36
(30)	Income from Rent & Other Charges	(36)
<u>3</u>	Net Cost	<u>0</u>
	Grass Cutting Expenditure	
85	Premises & Support Costs	89
(85)	Income from Lincolnshire County Council	(89)
<u>0</u>	Net Cost	<u>0</u>

32. MEMBERS ALLOWANCES

The Local Authorities (Members' Allowances) Regulations 2003 requires local authorities to publish the amounts paid to members under the Members' allowance scheme
The Council has 58 elected Councillors.

Members' allowances and expenses paid during the year amounted to £363,390 (2011/12 £357,719). The figure includes basic allowance, special responsibility, and other related allowances.

33. OFFICER REMUNERATION

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

2011/2012 No. of officers		2012/2013 No. of officers
	Remuneration Band	
1	£50,000 - £54,999	-
1	£55,000 - £59,999	-
1	£60,000 - £64,999	3
2	£65,000 - £69,999	2
<u>5</u>		<u>5</u>

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

		Salary, Fees and Allowances	Bonuses	Expenses Allowances	Compensation for Loss of Employment	Employers Pension contribution	Any other emolument	Total
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
Chief Executive	2012/2013	111	-	-	-	23	-	134
	2011/2012	111	-	-	-	23	-	134
Strategic Director	2012/2013	88		1		19	-	108
	2011/2012	89	-	1	-	19	-	109
Strategic Director	2012/2013	88				19		107
	2011/2012	89	-	-	-	19	-	108
Strategic Director (S151 Officer)	2012/2013	88				19	-	107
	2011/2012	89	-	-	-	19	-	108
Monitoring Officer	2012/2013	61				13		74
	2011/2012	62	-		-	13	-	75

34. EXTERNAL AUDIT COSTS

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

2011/12 £'000		2012/13 £'000
103	Fees payable to the external auditors with regard to external audit services carried out by the appointed auditor.	62
19	Fees payable to the external auditors for the certification of grant claims and returns.	8
122		70

35. GRANT INCOME

The Council credited the following grants and contributions to the Cost of Services in the Comprehensive Income and Expenditure Statement in 2012/13

2011/12 £'000		2012/13 £'000
0	Council Tax Reform	84
108	LCC 2nd Homes Funding	76
332	Disabled Facilities Grant	422
61	Arts Council Grant	115
0	Housing Benefit Transitional Funding	15
0	Welfare Reform	25
15	Support for Children & Young People	
26	Discretionary Housing Grant	
845	Housing Benefits Admin Grant	808
186	NDR Cost of Collection	180
106	Homelessness Grant	106
4	Business Rates Deferral grant	-
6	ATLAS Project Funding	1
68	Preventing Repossession	-
30	Other Grants	18
1,787		1,850

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

The balances at the year end are as follows:

2011/12	Capital Grants	2012/13
	Receipts in Advance	
532	S106 Contributions	785

36. RELATED PARTIES

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

Central Government has effective control (significant influence) over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions the Council has with third parties e.g. housing benefits. Details of transactions with government departments are set out in Notes 13,14 & 35 relating to grant income.

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

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

Payments made during the year were as follows:

2011/12		2012/13
£'000		£'000
1,350	Town and Parish Councils	1,399
103	Upper Witham Drainage Board	106
56	Black Sluice Drainage Board	56
450	Welland and Deepings Drainage Board	452
1,959		2,013

37. CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

2011/12 £'000		2012/13 £'000
7,016	Opening Capital Finance Requirement	128,479
	Capital Investment	
123	Other land & buildings	777
1,865	Vehicles, plant & equipment	1,865
0	Investment properties	
134	Assets under construction	1,052
4,353	Capital expenditure	4,820
100	Intangible Assets	90
800	Revenue expenditure charged to capital under statute	766
121,652	HRA Self-Financing transaction	
	Local Authority Mortgage Scheme	1,000
	Sources of Finance	
(1,605)	Capital receipts	(422)
(659)	Capital grants & contributions	(759)
(5,300)	Sums set aside from revenue	(9,375)
	Sums set aside from MRR	(1,631)
128,479	Closing Capital Financing Requirement	126,662
	Explanation of movements in year	
121,463	Increase/(Decrease) in underlying need to borrow (supported by government financial assistance)	(1,817)
	Increase/ (Decrease) in underlying need to borrow (unsupported by government financial assistance)	
	Assets acquired under finance leases	
121,463	Increase/ (Decrease) in Capital Financing Requirement	(1,817)

38. LEASES

a. Council as Lessee

Finance Leases

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

At 31st March 2012	Carrying Value	At 31st March 2013
£'000		£'000
2,038	Other Land & Buildings	2,189

None of these properties are sublet.

Operating Leases

The Council has acquired various buildings under operating leases. The future minimum lease payments and sublease receipts 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 2012	Future Minimum Lease Payments Due	At 31st March 2013
£'000		£'000
30	Not later than one year	39
51	Between one & five years	52
7	Later than 5 years	6
88		97
	Future Minimum Sublease Receipts Due	
14	Not later than one year	
33	Between one & five years	
47		0
At 31st March 2012	Expenditure charged to Comprehensive Income & Expenditure Account	At 31st March 2013
£'000		£'000
19	Planning Services	19
23	Central Services	25
(14)	Sub-lease payments receivable	
28		44

b. Council as Lessor

Finance Leases

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

Gross Investment in the Lease					
At 31st March					At 31st March
2012	Finance Lease Debtor (net present value				2013
£'000	of minimum lease payments)				£'000
0	Current				0
15	Non-Current				15
61	Unearned finance income				60
1,740	Unguaranteed residual value of property				1,740
1,816	Gross Investment in the Lease				1,815

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	At 31st	At 31st	At 31st
	March 2013	March 2012	March 2013	March 2012
	£'000	£'000	£'000	£'000
Not later than one year	1	1	0	0
Between one & five years	5	5	(1)	(1)
Later than 5 years	1811	1,810	17	16
	1,817	1,816	16	15

	Gross Investment in the Lease		Minimum Lease Payments	
	At 31st	At 31st	At 31st	At 31st
	March 2012	March 2011	March 2012	March 2011
	£'000	£'000	£'000	£'000
Not later than one year	1	1	0	0
Between one & five years	5	5	(1)	(1)
Later than 5 years	1,810	1,811	16	17
	1,816	1,817	15	16

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

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2011/12 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 2012 £'000		At 31st March 2013 £'000
572	Not later than one year	571
1,692	Between one & five years	1,268
666	Later than 5 years	2,389
2,930		4,228

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 2012/13 no contingent rents were receivable by the Council.

39. IMPAIRMENT LOSSES

The Council recognised no impairment losses during 2012/13.

40. TERMINATION BENEFITS

The Council terminated the contracts of a number of employees in 2012/13, incurring liabilities of £188k as part of the Council's review of services. All payments were made before 31 March 2013 and no commitments were outstanding at the year end.

41. DEFINED BENEFIT PENSION SCHEME

a. Participation in Pension Scheme

As part of the terms and conditions of employment of its officers and other employees, the Council makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that needs to be disclosed 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 member Authorities, and their employees, pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets.

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 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.

2011/12 £'000		2012/13 £'000
Comprehensive Income and Expenditure Statement		
Cost of Services		
1,952	- Current Service Cost	1,982
0	- Past Service Cost/ (Gains)	
0	- Curtailments and Settlements	20
Financing & Investment Income & Expenditure		
4,401	- Interest Cost	4,195
(3,972)	- Expected return on assets in the scheme	(3,309)
2,381	Total Post Employment Benefit charged to the Surplus or Deficit on the Provision of Services	2,888
Other Post Employment Benefit charged to the Comprehensive Income & Expenditure Statement		
6,694	- Actuarial gains & losses	6,432
9,075	Total Post Employment Benefit charged to the Comprehensive Income & Expenditure Statement	9,320
Movement in Reserves Statement		
(2,381)	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(2,888)
Actual amount charged against the General Fund Balance for pensions in the year.		
2,171	- Employers' contributions payable to scheme.	2,240

The estimated employers' contributions payable in 2013/14 are £2,092k.

c. Assets and Liabilities in Relation to Retirement Benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation)

2011/12		2012/13
£'000		£'000
80,340	Opening Balance at 1 April	87,646
1,952	Current Service Cost	1,982
4,401	Interest on Obligation	4,195
649	Contributions by Members	646
3,563	Actuarial Losses/(Gains)	10,954
0	Past Service Costs/(Gains)	
0	Losses/(Gains) on Curtailments	20
(67)	Estimated Unfunded Benefits Paid	(66)
(3,192)	Estimated Benefits Paid	(3,101)
87,646		102,276

Reconciliation of fair value of the scheme assets:

2011/12		2012/13
£'000		£'000
57,791	Opening Balance at 1 April	58,193
3,972	Expected return on assets	3,309
(3,131)	Actuarial gains/(losses)	4,522
2,104	Contributions by the employer	2,174
67	Contributions in respect of Unfunded Benefits	66
649	Contributions by scheme participants	646
(67)	Estimated Unfunded Benefits Paid	(66)
(3,192)	Estimated Benefits paid	(3,101)
58,193	Closing Balance at 31 March	65,743

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year for the period from 1 April 2012 to 31 December was 3.1% and the estimated return for the remainder of the year was 13.5%. (2011/12 1.5%)

Scheme History

	31st March 2009	31st March 2010	31st March 2011	31st March 2012	31st March 2013
	£'000	£'000	£'000	£'000	£'000
Present Value of Liabilities	(61,963)	(100,544)	(80,340)	(87,646)	(102,276)
Fair Value of Assets in the Local Government Pension Scheme	41,856	54,520	57,791	58,193	65,743
Surplus/(deficit) in the scheme	(20,107)	(46,024)	(22,549)	(29,453)	(36,533)

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement benefits). The total liability of £102.276m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a negative overall balance of £36.533m. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy. The deficit on the scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary.

There are no material prepaid or accrued pension contributions at 31 March 2013.

d. Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The County Council Fund liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, estimates for the Fund being based on the latest full valuation of the scheme as at 31 March 2010. The next full valuation of the scheme is due in March 2013 which will be used in the 2013/14 statements.

The principal assumptions used by the actuary have been:

	2012/13	2011/12
Long term expected rate of return on assets in the Scheme		
Equity Investments	4.5%	6.2%
Bonds	4.5%	4.4%
Property	4.5%	4.4%
Cash	4.5%	3.5%
Mortality Assumptions		
Longevity at 65 for current pensioners:		
Men	21.2	21.2 years
Women	23.4	23.4 years
Longevity at 65 for future pensioners:		
Men	23.7	23.7 years
Women	25.7	25.7 years
Rate of inflation	2.8%	3.6%
Rate of increase in salaries	5.1%	4.8%
Rate of Increase in Pensions	2.8%	2.5%
Rate for discounting scheme liabilities	4.5%	4.8%
Take-up of option to convert annual pension into retirement lump sum		
Pre-April 2008 service	25%	25%
Post- April 2008 service	63%	63%

The Fund's assets consist of the following categories, by proportion of the total assets held by the Fund.

31 March 2012		31 March 2013
%		%
74.0	Equities	77.0
13.0	Bonds	13.0
12.0	Property	10.0
1.0	Cash	
<u>100.0</u>		<u>100.0</u>

e. History of Experience Gains & Losses

The actuarial gains identified as movements on the Pensions Reserve in 2011/12 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2013

	2008/09	2009/10	2010/11	2011/12	2012/13
	%	%	%	%	%
Difference between the expected and actual return on assets	(32.2)	17.7	(0.6)	5.4	6.9
Experience gains and losses on liab	0.0	0.0	4.5	(1.3)	0.2
Changes in assumptions underlying the Present Value of the scheme liabilities	9.2	(35.0)	15.5	(2.8)	(10.9)

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

42. CONTINGENT ASSETS AND LIABILITIES

There are no material contingent assets or liabilities as at 31 March 2013.

43. BORROWING

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

2011/12	2011/12		2012/13
£'000	(RESTATED) £'000		£'000
120,930	120,931	Analysis of Loans by Source	116,710
48	48	PWLB	16
120,978	120,979	Salix Financing	116,726
£'000	£'000	Analysis of Loans by Maturity	£'000
1,048	4,270	Between 1 and 2 Years	3,738
500	10,165	Between 2 and 5 Years	10,665
26,000	42,109	Between 5 and 10 Years	41,109
93,430	16,109	Between 10 and 15 Years	16,109
	48,326	Over 15 years	45,105
120,978	120,979		116,726

Current Borrowing represents borrowing repayable within one year.

2011/12	2011/12		2012/13
£'000	(RESTATED) £'000		£'000
130	130	Balance at start of year	3,389
3,222	3,222	Borrowing taken out during year	
(130)	(130)	Borrowing repaid during year	(3,389)
		Transferred from Non-Current	
32	32	Borrowing	4,254
135	135	Accrued interest at end of year	134
3,389	3,389	Balance at end of year	4,388

44. AUTHORISATION OF ACCOUNTS FOR ISSUE

The date that the Statement of Accounts was authorised for issue was 27th June 2013. This is the date up to which events after the Balance Sheet date have been considered. The name of the person who gave the authorisation was Daren Turner (Chief Finance Officer).

45. SPECIAL EXPENSE AREAS - SEAs

Special Expense Areas are used to budget for non-strategic services provided for a particular local community as opposed to the whole District. The Special Expense Area charge is levied only on those people living in the relevant area. To ensure that this money is spent entirely for the benefit of the specific area in which it was raised, the Council has set up Reserves to retain any underspend of precepts so that they may be used in future years. For 2012/13 a contribution was paid to the reserve amounting to £18k, bringing the total to £98k.

46. HERITAGE ASSETS

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

	Assets held at value		Assets held at cost	Total Assets
	Antiques	Miscellaneous Artifacts	Orrery	
	£'000	£'000	£'000	£'000
Cost or Valuation				
1st April 2011	216	193	0	409
Additions in year	0	0	20	20
Disposals in Year				0
31st March 2012	216	193	20	429
Additions in year				0
Disposals in Year				0
31st March 2013	216	193	20	429

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

a. Antiques

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

b. Miscellaneous Artefacts

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

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

c. Orrery

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

d. Historic

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

St Leonard Priory, Stamford
Conduit, Grantham

12th Century Priory, listed ancient monument
16th Century Well Head

St Wulfram's War Memorial, Grantham
Dysart Park Band Stand, Grantham
Wyndham Park Shelter, Grantham

World War 1 memorial
Victorian wrought iron band stand
World War 1 memorial shelter

Currently the Council has no intangible Heritage Assets

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

47. INVESTMENTS

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

Non-Current Investments		
2011/12		2012/13
£'000		£'000
4,000	Balance at start of year	3,000
3,000	Investments made during year	
0	Investments redeemed during year	(3,000)
(4,000)	Transferred to Current Investments	
3,000	Balance at end of year	0

Current investments are held for periods less than one year.

Current Investments		
2011/12		2012/13
£'000		£'000
26,323	Balance at start of year	21,184
27,000	Investments made during year	24,000
(36,323)	Investments redeemed during year	(25,184)
4,000	Transferred from Non-Current Investments	0
184	Accrued interest at end of year	294
21,184	Balance at end of year	20,294

48. CASH FLOW STATEMENT

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

2011/12		2012/13
£'000		£'000
5,121	Depreciation	5,385
3,793	Impairment & downward valuations	4,107
31	Amortisation	59
220	Increase/(decrease) in impairment for bad debts	174
(433)	Increase/Decrease in Creditors	(473)
(485)	Increase/Decrease in Debtors	(521)
9	Increase/Decrease in Stock	(24)
210	Movement in pension liability	774
522	Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	688
198	Other non-cash items charged to the net surplus or deficit on the provision of services	1,033
9,186		11,202

HOUSING REVENUE ACCOUNT

INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2013

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.

2011/12		2012/13	
£'000	£'000	£'000	£'000
	Income		
	Gross Rental Income		
(21,379)	- Dwelling Rents		(22,734)
(261)	- Non-Dwelling Rents		(292)
(1,259)	Charges for Services and Facilities		(1,298)
(369)	Other Income		(308)
<u>(23,268)</u>			<u>(24,632)</u>
	Expenditure		
6,142	Repairs and Maintenance	7,429	
4,114	Supervision and Management	4,509	
0	Rent, rates, taxes and other charges		
7,717	Housing Revenue Account Subsidy		
29	Increase/Decrease in Prov'n for Doubtful Debts	30	
7,244	Depreciation and impairment of Non-Current Assets	7,420	
22	Debt Management Costs	20	
10	Subsidy Limitation - Transfer to the General Fund		
<u>146,930</u>	<u>121,652</u>	<u>0</u>	<u>19,408</u>
123,662	Net Cost of HRA Services		(5,224)
296	HRA share of Corporate and Democratic Core		296
123,958	Net Cost of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement		(4,928)
(328)	(Gain)/loss on sale of HRA assets		(497)
(10)	Other Operating Income (Repaid RTB)		0
131	Interest payable and similar charges		3,617
(174)	Interest and Investment Income		(164)
117	Pension Interest Costs and Expected Return on Assets		252
<u>123,694</u>	(Surplus)/Deficit for the year on HRA		<u>(1,720)</u>

MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT

2011/12 Net £'000		Note	2012/13 Net £'000
(8,171)	Balance on the HRA at the end of the previous year		(9,411)
	(Surplus)/Deficit for the year on the HRA Income & Expenditure		
123,694	Statement		(1,720)
	Adjustments between Accounting Basis and Funding Basis under		
(125,003)	statute	9	(4,572)
	Net (increase) or decrease before		
(1,307)	transfers to or from reserves		(6,292)
	67 Transfers to or (from) reserves	9	5,464
(1,240)	(Increase)/Decrease in year		(828)
<u>(9,411)</u>	Balance on HRA at the end of the current year		<u>(10,239)</u>

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 6,246 dwellings during 2012/13. The housing stock and changes during the year are as follows:

	At 1st April 2012	Additions	Disposals /Sales	At 31st March 2013
Rentable Stock				
- Houses	3,438		18	3,420
- Bungalows	1,513		1	1,512
- Flats	1,280		3	1,277
Shared Ownership	26			26
Total	6,257	0	22	6,235

2. LAND HOUSES AND OTHER PROPERTY

Analysis of Housing Fixed Assets

	Operational Assets			Non Operation	Total
	Dwellings	Other Land and Buildings	Vehicles, Plant & Equipment	Surplus Assets	
	£'000	£'000	£'000	£'000	£'000
Cost or Valuation at 1 April 2012	182,535	2,976	1,125	664	187,300
Additions	4,768		68	44	4,880
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(37)	(40)			(77)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on Provision of Services	(7,304)	92		(2)	(7,214)
Derecognition - Disposals			(22)	(44)	(66)
Assets reclassified to/from Held for Sale	(663)				(663)
Gross Book Value as at 31/3/2012	179,299	3,028	1,171	662	184,160
Depreciation & Impairments					
At 1 April 2012	(6,626)	(92)	(388)	0	(7,106)
Depreciation charge	(2,467)	(101)	(150)		(2,718)
Depreciation written out to the revaluation reserve	15	54			69
Depreciation written out to the CI&E	7,263	37			7,300
Impairment losses/(reversals) recognised in the Revaluation Reserve					0
Impairment losses/(reversals) recognised in the Surplus/Deficit on Provision of Services	(4,768)				(4,768)
Derecognition - Disposals			17		17
Other movements in Depreciation & Impairments					0
At 31 March 2013	(6,583)	(102)	(521)	0	(7,206)
Balance Sheet Amount at 31 March 2013	172,716	2,926	650	662	176,954
Balance Sheet Amount at 31 March 2012	175,909	2,884	737	664	180,194

The vacant possession value of dwellings at 1 April 2013 was £513.794m (£530.900m at 1 April 2012). Each council dwelling owned, in full or part, by the Council has been valued by the Valuation Office Agency in accordance with the guidance issued by CLG. The vacant possession value of dwellings must be adjusted to reflect the social housing status of local authority dwellings i.e. that social housing is available to tenants at less than open market rents. The predetermined adjustment factor for social housing in the East Midlands is 34%.

3. HRA REVALUATION LOSS

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

Due to accounting rules, the Revaluation Reserve was set up with an opening balance of zero at 1 April 2007. The closing position on the Reserve at 31 March 2013 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.

2011/12		2012/13
£'000		£'000
2,728	Depreciation	2,718
272	Revaluation Loss/(Gain)	81
4,244	Impairment Losses	4,768
7,244		7,567

4. MAJOR REPAIRS RESERVE

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

2011/12			2012/13	
£'000	£'000		£'000	£'000
5,348		Opening balance on the Major Repairs Reserve		4,313
		Transfer to the Major Repairs Reserve		
2,725		- Capital Adjustment Account		2,722
		Transfer from the Major Repairs Reserve to the Housing Revenue Account		
		Transfer to Self financing Reserve		(1,631)
	(208)	Non Dwelling depreciation	(246)	
		Shortfall of depreciation on dwellings over Major		
949	<u>1,157</u>	Repairs Allowance	<u>3,074</u>	2,828
(4,709)		Financing of Capital Expenditure		(4,836)
<u>4,313</u>		Closing balance on the Major Repairs Reserve		<u>3,396</u>

5. FINANCING CAPITAL EXPENDITURE

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

2011/12 £'000		2012/13 £'000
	Expenditure	
	- Land	
4,244	- Council Dwellings	4,768
0	- Other property	0
465	- Plant and Equipment	68
4,709	Total	4,836
	Financed from:	
	- Major Repairs Reserve	4,836
0	- Revenue Contributions	0
0	- Capital Receipts Reserve	0
4,709		4,836

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..

2011/2012

	Receipt in Year £'000	*Allowable Deductions £'000	Element Pooled £'000	Useable Element £'000
Sale of Land	40			40
Sale of Council Dwellings	1,099	(26)	(555)	518
Repayment of discounts	0		0	0
Mortgage Repayments	13		(10)	3
Total	1,152	(26)	(565)	561

A transaction cost of £1,300 per completed RTB sale has been deducted before calculating the apportionment between pooled and useable.

7. HOUSING REVENUE ACCOUNT SUBSIDY

The national Housing Revenue Account subsidy system was abolished from 31st March 2012. Prior to this date the Council had to pay a contribution to the subsidy pool from the Housing Revenue Account based upon notional calculations representing the Government's assessment of what the Council should be collecting and spending.

The notional Housing Revenue Account for 2011/12 which includes the final year of the scheme is shown below:

2011/12 £'000		2012/13 £'000
	Income	
21,084	- Rents	0
3	- Interest on Receipts	0
21,087	Total	0
	Expenditure	
8,999	- Management and Maintenance Allowance	0
3,673	- Major Repairs Allowance	0
634	- Capital Charges	0
43	- Additional Self Financing Interest	0
0	- Other Items	0
13,349	Total	0
7,738	Housing Subsidy Payable	0

The amount of subsidy debited to the Housing Revenue Account comprises the following elements

2011/12 £'000		2012/13 £'000
(7,738)	Housing Subsidy receivable/(payable) for the year	0
27	Prior year adjustment	0
(7,711)		0

8. PENSION COSTS

Note 41 to the Core Financial Statements provide a detailed explanation of the accounting requirements for pension costs.

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

2011/12 £'000		2012/13 £'000
	Net Cost of Services	
532	- Current Service Cost	563
0	- Past Service Cost/(Gain)	
	Net Operating Expenditure	
1,199	- Interest Cost	1,192
(1,082)	- Expected return on assets in the scheme	(940)
<u>649</u>		<u>815</u>
	Statement of Movement of the Housing Revenue Balance	
(649)	- Reversal of net charges made for retirement benefits in accordance with IAS19	(815)
	Actual amount charged to revenue accounts for Pensions in the year	
<u>574</u>	- Employers' contributions payable to the scheme	<u>594</u>

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

2011/12 £'000	Movement on the Housing Revenue Account Statement	2012/13 £'000
	Adjustments between Accounting and Funding Basis:	
(649)	- IAS 19	(815)
574	- Pension Costs Charged to Rent Income	594
(4,244)	- Non-Enhancing Capital Expenditure	(4,768)
328	- Gains/losses on disposal of non current assets	497
(387)	Revaluation gains/losses on PPE	(98)
949	- Excess of MRA over Depreciation	
(121,652)	- Self Financing Borrowing	
78	- Accrued Employee Benefits	18
(125,003)		(4,572)
	Transfers to/from Earmarked Reserves:	
57	- Insurance Surplus	62
	- Transfers to/from reserves	2,574
	- Transfers to/ from Major Repairs Reserve	2,828
10	- Transfer to Unapplied Capital Receipts	0
67		5,464

10. RENT ARREARS

An analysis of rent arrears is shown below:

At 31st March 2012 £'000		At 31st March 2013 £'000
437	Current Tenants	450
419	Former Tenants	437
856	Gross Rent Arrears	887
(583)	Bad Debt Impairment	(613)

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

11. INCOME

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

- Dwelling rents. These are calculated in accordance with government guidelines for rent restructuring. For 2012/2013 on average rents increased by 7.65% (a maximum increase of 6.10% plus £2 for individual cases). The figure within the HRA statement is the total rent collectable after an allowance has been made for empty properties where no rent is being charged.
- Non-dwelling rents. This is comprised of plots, garages, HRA shops and way leaves. Rent on garages and plots were increased by 5.60% for 2012/13.
- Charges for services and facilities include:
 - Supported housing charges for the provision of the warden support service;
 - Communal room charge to cover the cost of providing communal lounges, kitchens and use of laundry equipment;
 - Communal facilities charge covers the costs of cleaning, fire alarms and the provision of lifts to living areas;
 - Heating charges for communal heating systems; and
 - Water charges to cover the cost of water consumption in communal areas as well as servicing tenants' dwellings from the same meter.

Charges for services and facilities were increased by 5.60% for 2012/2013.

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

12. EXPENDITURE

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

Repairs and Maintenance	Original	Revised	Actuals
	Budget	Budget	
	2012/13	2012/13	
	£	£	£
Expenditure	7,744,455	7,744,455	7,429,483
Number of Properties (as at 1 April 2012)	6,231	6,231	6,231
Average cost per dwelling	£1,242.89	£1,242.89	£1,192.34

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

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

Supervision and Management	Original Budget 2012/13 £	Revised Budget 2012/13 £	Actuals 2012/13 £
Expenditure	2,637,722	2,637,722	2,592,103
Number of Properties (as at 1 April 2012)	6,257	6,257	6,257
Average cost per dwelling	£421.56	£421.56	£414.27

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

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

COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2013

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.

2011/12		2012/13	
£'000	£'000	£'000	£'000
	Income		
58,777	Council Tax		59,785
	Transfers from General Fund		
7,286	Council Tax Benefits		7,367
37,249	Business Ratepayers		36,701
<u>103,312</u>			<u>103,853</u>
	Expenditure		
	Precepts and demands		
	49,815 - Lincolnshire County Council	50,200	
	8,354 - Lincolnshire Police Authority	8,780	
65,810	7,641 - South Kesteven District Council	<u>7,742</u>	66,722
	Business Rates		
	37,066 - Payment to national pool	36,521	
37,248	182 - Costs of collection	<u>180</u>	36,701
	Impairments of debts		
287	- Write Offs		130
(68)	- Allowance for impairment		29
	Contributions towards previous years' Collection Fund Surplus		
	193 - Lincolnshire County Council	9	
	32 - Lincolnshire Police Authority	2	
255	30 - South Kesteven District Council	<u>1</u>	<u>12</u>
<u>103,532</u>			<u>103,594</u>
(220)	Movement on Fund Balance		259
261	Balance at start of year		41
	Balance at end of year, before allocation		
<u>41</u>			<u>300</u>
	Allocations		
(31)	- Lincolnshire County Council		(224)
(5)	- Lincolnshire Police Authority		(40)
	Balance at end of year (applicable to this Council)		
<u>5</u>			<u>36</u>

NOTES TO THE COLLECTION FUND

1. GENERAL

These accounts represent the statutory requirements for billing authorities to maintain a separate Collection Fund. The Collection Fund accounts independently for income relating to Council Tax and Business Rates on behalf of those bodies (including the Council's own General Fund) for whom the income has been raised.

2. COUNCIL TAX

Council Tax income derives from charges raised according to the value of residential properties that have been classified into eight Valuation Bands (A to H). Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Lincolnshire County Council, Lincolnshire Police Authority and South Kesteven District Council together with each parish requirement and dividing this by the Council Tax base i.e. the number of properties in each valuation band converted to an equivalent number of band D dwellings and adjusted for discounts. The basic amount of Council Tax for a band D property including an average parish charge, £1404.54 (2011/2012 £1396.53), is multiplied by the ratio specified for the particular band to give an individual amount due.

The Council Tax base was calculated as follows:

Band	Estimated No. of Taxable Properties After Effect of Discounts	Ratio	Band D Equivalent Dwellings
A	15,146.50	6/9	10,097.7
B	11,862.75	7/9	9,226.6
C	9,558.25	8/9	8,496.2
D	7,974.50	9/9	7,974.5
E	4,861.00	11/9	5,941.2
F	2,459.25	13/9	3,552.3
G	973.00	15/9	1,621.7
H	62.00	18/9	124.0
Band A entitled to Disabled Relief Reduction	26.25	5/9	14.6
			47,048.8
Ministry of Defence Properties			57.0
Council Tax Base			<u>47,105.8</u>

3. BUSINESS RATES

Under the arrangements for Non-Domestic Rates, the Council collects rates for its area based upon local rateable values (determined by the Valuation Office Agency, an executive agency of HM Revenue & Customs) multiplied by the multiplier (determined by Government). For 2012/2013 there are two multipliers, the small business non-domestic rating multiplier of 45.0p and the non-domestic rating multiplier of 45.8p. The total non-domestic rates due, less certain reliefs and deductions, is paid into a National Non-Domestic Rate Pool which is administered by the Government. The Government redistributes the sums paid into the pool back to Local Authorities' General Funds on the basis of a fixed amount per head of population.

The total Non-Domestic Rateable Value at 31 March 2013 was £101.136m (31 March 2012 £101.937m).

4. COLLECTION FUND SURPLUS

The surplus on the Collection Fund is available for financing the expenditure of Lincolnshire County Council, Lincolnshire Police Authority and South Kesteven District Council and will be distributed in future financial years as follows:

2011/12		2012/13
£'000		£'000
31	Lincolnshire County Council	224
5	Lincolnshire Police Authority	40
5	South Kesteven District Council	36
41		300

5. SIGNIFICANT PRECEPT OR DEMAND ON THE FUND

2011/12		2012/13
£'000		£'000
49,815	Lincolnshire County Council	50,200
8,354	Lincolnshire Police Authority	8,780
58,169		58,980

SOUTH KESTEVEN DISTRICT COUNCIL ANNUAL GOVERNANCE STATEMENT 2012/2013

INTRODUCTION

The Council is committed to ensuring good governance principles and management practices are adopted throughout the Council. This Annual Governance Statement (AGS) conforms with the governance requirements of the CIPFA Statement on the Role of the Chief Financial officer in Local Government as set out in the Application Note to the “Delivering Good Governance in Local Government: Framework” and meets the statutory requirement set out in Regulation 4(3) of the Accounts and Audit (England) Regulations 2011.

The statement is an open and honest review of the effectiveness of the Council's system of internal control, including performance across all of its activities. It is inevitable that during a rigorous and robust review of the Council's operations issues will be identified to be addressed. Therefore, a key element of good governance is to ensure that there is a clear action plan for addressing these issues and this reflects the approach taken by this Council, i.e. the AGS sets out the actions being taken or required in the future to address areas of concern identified.

The AGS covers all significant corporate systems, processes and controls, spanning the whole range of the Council's activities, including the following:

- The Council's policies are implemented in practice
- High quality services are delivered efficiently and effectively
- The Council's values and ethical standards are met
- Laws and regulations are complied with
- Required processes are adhered to
- Financial statements and other published performance information are accurate and reliable
- Human, financial, environmental and other resources are managed efficiently and effectively.

The self-assessment contained within this statement has been produced taking into account reports by Internal Audit together with a wide range of external sources, including the Audit Commission's Annual Audit Letter and Annual Governance Report that feature the results of the annual audit of the accounts and the Council's arrangements for securing value for money in its use of resources. The statement has also been prepared by taking into account assurances from both Heads of Service and Service Managers from across the organisation together with regular reviews of risk management. In addition to this in preparing this statement account has been taken of both the statutory codes and the delivery of good governance in Local Government framework addendum published by CIPFA in December 2012

THE IMPORTANCE OF GOOD GOVERNANCE

Good governance leads to good management, good performance, good stewardship of public money, good public engagement and ultimately, good outcomes for residents and service users. Good governance enables the Council to pursue its vision effectively as well as underpinning that vision with mechanisms for control and management of risk.

Good governance means:

- Focusing on the purpose of the Council and outcomes for the community and creating and implementing a vision for the local area
- Members and officers working together to achieve a common purpose with clearly defined functions and roles

- Promoting the values of the Council and demonstrating the values of good governance through upholding high standards of conduct and behaviour
- Taking informed and transparent decisions which are subject to effective scrutiny and managing risk
- Developing the capacity and capability of members and officers to be effective
- Engaging with local people and other stakeholders to ensure robust public accountability.

SCOPE OF RESPONSIBILITY

The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs including the management of risk. Whilst the Cabinet and Senior Managers are responsible for delivering the Council's services and activities within these arrangements, the Governance and Audit Committee is responsible for reviewing the effectiveness of these arrangements on behalf of the Council. It is also responsible for making any recommendations necessary as a result of its review together with any issues identified as a result of reports from external review bodies such as the External Audit or the Local Government Ombudsman.

The Council has approved and adopted a Local Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework "Delivering Good Governance in Local Government". A copy of the Code is available on our website at www.southkesteven.gov.uk of which the most recent version was reviewed, updated and approved by the Governance and Audit Committee at its meeting on 29th June 2012. The statement explains how the Council has complied with the code and also meets the requirements of Accounts and Audit (England) Regulations 2011, regulation 4(3), which required all relevant bodies to prepare an annual governance statement.

PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems and processes, and culture and values by which the Council is directed and controlled and its activities through which it accounts to, engages with, and leads its communities. It enables the Council to monitor the achievement of its strategic objectives and to consider whether this has led to the delivery of appropriate services and value for money.

The Council's system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives. It evaluates the likelihood of those risks coming to fruition and their impact should they do so, and identifies ways to manage them efficiently, effectively and economically.

The governance framework has been in place throughout the financial year which ended on 31 March 2013 and continues to be in place up to the date of the approval of the Statement of Accounts.

THE GOVERNANCE FRAMEWORK

Outlining the vision and monitoring performance

The Council has realigned its visions and priorities for the future by establishing a 2021 vision for South Kesteven which is a place that has vibrant communities where people want to live, work and invest (healthier, wealthier, happier, safer people). Underpinning the Council's vision is the corporate plan for 2011-15 which was approved by Council at its meeting on 1st March 2012 and provides the strategic direction over the coming years.

Putting customers at the heart of all we do is the focus of the Council's priorities which encompass 4 themes: Grow the Economy, Keep SK Clean, Green and Healthy, Promote Leisure, Arts and Culture and Support Good Housing for All. These themes allow us to focus on what really matters to local residents and businesses and to deliver on the things that make a difference to them. We will continue to consult and engage with the local community to make sure we focus on creating the right environment to deliver the Council's vision which is all underpinned by the ethos of a Well Run Council.

The Council recognizes that it can only achieve its ambitions through the hard work of its staff and in order to support them through these tough but exciting times it has developed a Business Plan. This brings together all the information about our agenda for the forthcoming year so staff can share in the vision and how we plan to meet it with teams in order for everyone to understand and be engaged in the exciting journey on which South Kesteven has embarked.

Progress against these priorities is monitored by both the Cabinet and the Management Team, through a process of regular monitoring and reviewing key performance measures and data. The Council has in place a Programme and Performance board (PPMB) which has strengthened the performance management arrangements for all Council activities. The board provides leadership, direction and management of the Council's overall performance, ensuring momentum on key projects and review strategic performance measures. Governance arrangements have been developed to ensure that the necessary controls and assurance processes are in place to support successful delivery of the Programme. The Programme and Performance Management Office (PPMO) provides monitoring, control and reporting across the programmes of activity and have also supported managers and leading officers with training on Project Management tools and techniques.

The Council will be looking to publish an Annual Report for 2012/13 which provides an overall view of performance. Feedback on the report is encouraged and the form and content is changed taking into account the needs of local residents. In addition, a summary of accounts is produced annually that is simple for residents to understand.

Measuring the quality of services for users

During 2012/13 the Council has been working on developing an over arching Customer Access Strategy which is derived from the values and behaviours identified in the Council's Unlocking Potential programme that will be used to really drive improvements and efficiencies for our customers. At South Kesteven putting customers at the heart of everything we do is the way we want to do business. We want to provide high quality, accessible services to our customers in a manner that is appropriate to their needs. The strategy will apply to people who live, visit or work in South Kesteven of which we want to deliver exceptional services to all our customers and allow them to easily interact with us. The customer access strategy will set out our approach and details a number of challenging targets that will see the way we interact with our customers change and is underpinned by a detailed action plan which shows the steps we will take to achieve our vision. We

will be looking at developing an action plan to support delivery of the strategy over the coming year, however we still have made a number of key achievements this year which include:

- We have made substantial changes to the way we operate, streamlining management and back office costs, as well as delivering services differently to improve things for our customers. This has included joining up with other councils to share management expertise.
- We have enhanced our service provision in the south of the district and unveiled plans to make further improvements over the coming year. This includes introducing a community access point that will see both County Council and District Council services provided under one roof.
- We have changed the way that we consult with residents by getting out and about in the district. Traditional questionnaires have also helped us to gather views on development ideas, community safety issues and travel patterns.
- 85% of our customers tell us that we get it right first time and 93% are happy with the advice and information we provide
- We have reduced the time it takes us to process new housing/council tax benefit claims and changes. These have further reduced from 9.5 days to 7.14 days.
- Satisfaction figures for our website show that the improvements we are making are taking us in the right direction, with satisfaction levels rising to 75%. We now have 1,000 visits daily.
- Our customer service team answered more than 162,000 calls and dealt with over 63,000 enquiries at our offices.

We have also established a citizens panel of 1000 people to get residents involved in their local community and who are passionate about the place they live and want to share their views to help improve local services. Members of the panel will be contacted up to four times a year and asked to comment on a whole host of services provided by the council, whether they think South Kesteven is doing a good job, and what they would like the authority to focus on in the future. The majority of people will be contacted by telephone, but some people have been recruited on-street to make sure that the panel is representative of the local population by age, gender, ethnic group and geography. From the initial work undertaken with the panel 79% said they were very or fairly satisfied with the way the council run things.

The Council also has in place a customer feedback process which monitors the level of both positive and negative comments from residents in the delivery of council services. This is tracked through the corporate performance management system in order to provide meaningful data to the PPMB. The added benefit of using this system is to identify common themes, specific areas of improvement but to also celebrate success in the positive way we do things.

Following consultation with users the Council specifies service standards for those aspects of service delivery which are reflected in new Corporate Service Plans. In the preparation of the corporate service plans, Head of Service and Service Managers have established a key number of value for money indicators to monitor the efficiency of service delivery.

The budget process for 2013/14 was supplemented by community drop in sessions during the early part of 2013 which engaged with the community around those areas which the Council is focusing it's service delivery to ensure this meet the needs of the local community. The drop in sessions also consulted with the public over the level of council tax to be charged alongside an online survey of which supported the budget proposals to Council.

Since 2010, South Kesteven has suffered a reduction in grant of £2.4m in government grant following the Comprehensive Spending Review together with a reduction in income from fees and

charges such as planning income and growth in costs in some areas. In March 2013 the Government announced a further 1% real cash reduction for most Government departments on top of the previous savings targets already announced. Whilst indicative grant allocations have been given for 2014/15 the additional requirement for further savings announced in the March 2013 Budget have yet to feed through with a new funding formula due for 2015/16 onwards. The financial crisis continues to bite in Europe and the Austerity measures in the UK continue to be enforced and with the increasing demand for its services, the financial position of the Council remains challenging. Despite this, the Council is doing everything it can to continue to provide high quality services to local residents whilst maintaining a sound financial base. For 2012/13, a balanced budget was achieved with no reduction in the level or quality of services.

Despite the large cut in the Councils grant from central government the Council has been working hard to minimise the impact on local people through a carefully managed programme of spending reduction. There have been substantial changes to the way we operate, streamlining management and 'back office' costs, as well as delivering services differently, including joining up with the other councils to share management expertise, all of which has saved £1.5m so far. Rather than just passing on government cuts, we are putting money behind our priorities and pushing ahead with existing projects to drive economic regeneration making South Kesteven a great place to live, work and invest. Growing the economy continues to be an important focus with just under £2m spent during 2012/13 on redevelopment projects within Grantham and Bourne and a further £7m allocated in future years. Some of our key achievements for 2012/13 are:

- Number of days that our housing properties has been void for letting or repairs has reduced by 4 days to only 26 days
- We have seen an increase in the number of visitors to our leisure centres, up by over 30,000 to 786,144 for 2012/13
- 98% of Council homes are now classed as meeting decent standard which exceeded the target for the year
- Sickness absence has reduced by 11% from the previous year
- 90% of our residents have continued to participate in the green waste scheme following the introduction of charges
- The council has achieved green flag status at one of its parks
- Over 92% of all local suppliers are paid within 10 working days which again is an improvement when compared to 2011/12

The Council has established an ambitious Corporate Plan which sets out our Strategic direction over the coming years and reflects the four focus priorities areas. A copy of the corporate plan is available on our website at www.southkesteven.gov.uk. We will also continuously monitor our progress against delivery to ensure ongoing service quality and value for money in the delivery of local services. In order to support the successful achievement of our ambitions the Councils has strengthened its performance management framework through the establishment of a Performance Programme Board.

Value for Money

The Audit Commission in its 2011/12 Annual Audit Letter published in December 2012, confirmed that "the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources". As part of the Annual Governance Report prepared by the Audit Commission it assessed the Council's corporate arrangements regarding Value for Money which focused on 2 main areas; Financial Resilience and Securing economy, efficiency and effectiveness.

- **Financial resilience** – the Audit Commission reviewed whether the Council has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables the Council to operate for the foreseeable future. The Commission concluded there were proper arrangements in place to secure resilience and identified no significant risks. The monitoring of financial performance during the year maintained a stable position with the council successfully managing the HRA self-financing transition.
- **Securing economy, efficiency and effectiveness** – the focus was on prioritising resources within tighter budgets, for example achieving cost reductions and by improving efficiency and productivity. The council was found to have proper arrangements in place for challenging value for money with specific modelling undertaken around the self financing, localising of support for council tax and business rate retention.

The Council has plans in place to secure continuous improvement in all these areas. It is tackling the issues that local people recognise as priorities and has plans in place for improving services and performance that are actively monitored. As part of the corporate service plans developed by Heads of Service these contain VFM indicators to measure the efficiency of service areas. Performance and progress is also monitored in monthly meetings between each Head of Service and a Strategic Director.

Alongside the performance measures outlined in the corporate service plans a suite of performance measures have been collated as part of the SK Business Plan which has been developed to align with each of the priorities and is used to monitor our performance to ensure our direction of travel is moving positively towards improving our district. The Council's Corporate Performance Management system is being effectively used as a tool to manage performance data; risk; and the project management of key projects.

The roles and responsibilities of members and officers

The Council's Constitution defines the responsibilities of the members and officers involved in building and maintaining high standards of governance. Also, the Constitution defines the role of the various Member forums, including the role of the Cabinet, Policy Development Groups, Scrutiny Committee and the Governance and Audit Committee. These will continue to be developed to reflect the changing needs and requirements of the Council. There is a specific area on the Council's website on 'becoming a councillor' which contains information on what they do and the role of councillors in general.

Standards of behaviour for members and staff

The Council has adopted codes of conduct for both members and staff and these are detailed within the Council's Constitution. Compliance with the member's Code of Conduct is currently monitored by the Monitoring Officer. The Council has put in place arrangements at a local level to maintain high levels of conduct and ethical behaviour amongst its members. The new code of conduct is consistent with the 7 principles of standards in public life and the introduction of 'Disclosable Pecuniary Interests' was reviewed and adopted in July 2012 in accordance with the Localism Act 2011.

The Council has also approved and adopted a Local Code of Corporate Governance. The most recent version was reviewed, updated and approved by the Governance and Audit Committee at its meeting in June 2012.

The Constitution, Financial Regulations, Scheme of Delegation and Contract Procurement Procedure Rules

The Council's Constitution is updated to ensure it remains fit for purpose and reflects legislative change, etc and is currently being reviewed. There have been amendments during the year which have been considered and approved by the Council based on the recommendations from the Constitution Committee.

The Council's Financial Regulations are regularly reviewed and updated by the Head of Finance to ensure they remain fit for purpose. These were updated during the course of 2011 with the proposed amendments being endorsed by the Governance and Audit Committee prior to formal approval by Council at its meeting on the 20th October 2011.

During 2012/13 the Council took the opportunity to update its Contract and Procurement Procedure Rules which introduced support for Local Suppliers with the proposed amendments being endorsed by the Governance and Audit Committee prior to formal approval by Council at its March 2013 meeting. This also gave the Council opportunity to undertake some refresher training with officers around the Contract and Procurement Procedure Rules which also complemented the roll out of a new electronic contract's register database.

Ensuring the Council's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010)

The Council's financial management arrangements complied in all respects with the governance requirements of the above Statement. In particular:

- the role of the Chief Financial Officer (CFO) is undertaken by the Strategic Director – a professionally qualified accountant with direct access to the Chief Executive, Leader of the Council and other Cabinet Members. They also have direct access to the Governance and Audit Committee and external audit
- through the Head of Finance, who is also a professionally qualified accountant, the CFO has a line of professional accountability for all finance staff and the finance function is fit for purpose
- the Council has established robust arrangements to manage its finances, including, a Medium Term Financial Plan, annual budget process and compliance with CIPFA's Codes and Guidance on a Prudential Framework for Capital Finance; Treasury Management; and the management of reserves, etc.
- the Council maintains an effective internal audit service and an effective risk management system is in place

Undertaking the core functions of an Audit Committee.

The Governance and Audit Committee has been well established for a number of years now with its terms of reference prepared to ensure that it complies fully with the guidance provided by CIPFA¹. The key areas covered by the committee's terms of reference are Audit Activity; risk management, governance, counter fraud and bribery, regulatory framework; accounts and financial reporting; and ombudsman. In addition to this it also receives annual reports for health & safety, business continuity and partnerships.

¹ Audit Committees – Practical Guidance for Local Authorities published 2005

Members of the Committee are required to undertake some mandatory training including training on the role of an effective Audit Committee and its terms of reference. As part of the Committee's ongoing development, external Treasury training was undertaken by the Council's external treasury advisors.

The Committee undertook a self assessment to determine their effectiveness and ensure their ability to fulfill their terms of reference. This assessment was facilitated by internal audit and has resulted in an action plan that will be implemented during 2013/14.

At the meeting of Council in April 2013, members considered the Chairman of the Committee's Annual Report on the key outcomes arising from the work of the Governance and Audit Committee for 2012/13. Members acknowledged that these outcomes had helped to improve and strengthen the Council's overarching control environment and governance arrangements. In line with best practice and to ensure that Members become better informed and therefore engaged with the work of the Committee, an indicative annual work plan and timetable for 2013/14 was also presented to Council at the same meeting. In order to strengthen the role of the committee additional meeting dates have been agreed to ensure sufficient opportunity is available throughout the year to report and discuss Governance issues.

Compliance with laws, regulations and internal policies and procedures

Matters arising in respect of Governance are regularly received and discussed with senior officers of the council at its management team meetings. Reports to Council, Cabinet, Policy and Development Groups, Governance and Audit Committee, Scrutiny Committee and Portfolio holders for non key decisions contain comments from Legal & Democratic Services and from Financial Services. Reports are also reviewed for compliance with internal policies. The Member Report Template for key and non-key decisions is regularly reviewed and updated to ensure it remains fit for purpose. During 2012/13 the reporting template has been updated to place more emphasis on raising member awareness of key risks to further strengthen the decision making process.

The Council has procedures in place to identify and implement new and changing legislation. More specifically, changes to policies and procedures as a result of the Localism Act (2011) are being closely monitored at service and corporate level which actions being taken to implement the requirements. The Council has adopted procedures during the year to manage applications from the public on the community right to challenge and community right to bid processes. We have also prepared an annual pay statement which articulates the policies on the pay of its workforce which was approved by full Council at its meeting on the 1st March 2013.

Service managers and Heads of Service have continued to complete Quarterly Assurance Statements in relation to the effectiveness or otherwise of the systems and controls in operation on a day to day basis. The outcomes of these are discussed in the monthly meetings with heads of service and strategic directors and where required these will be escalated to PPMB.

Whistle-blowing and Investigating complaints from the public.

The Council's Counter Fraud, Corruption & Bribery Framework was reviewed, updated and approved by the Governance & Audit Committee in March 2011 with specific reference to the new requirements relating to the Bribery Act 2010 and the addition of a fraud response plan. This incorporated the following 5 key elements:

- Seven principles of public life
- Whistle-blowing Policy
- Housing Benefit & Council Tax – Counter Fraud Policy
- Fraud Response Plan

- Anti-Money Laundering Policy

The Council's whistle-blowing policies and any complaints from the public regarding governance matters are considered, where appropriate, by the Management Team. Training is provided as part of the Induction programme for new employees on Counter Fraud and Whistle blowing. The latest version of the framework was rolled out to all staff via the council's policy management software to ensure they have been read and understood.

The Council also takes part in the Audit Commission's National Fraud Initiative and has set procedures in place for dealing with any highlighted data matches identified by this process.

A range of customer information is produced, including the level of customer feedback received in connection with various services in order that issues of concern can be addressed and lessons learnt. The number of enquiries and complaints received by the Ombudsman has fallen to a relatively low level in recent years of which the last report stated there were no findings of maladministration. There has also been a continued improvement in response times with the Council recognising that it needs to do all that it can to ensure enquiries are dealt with efficiently and effectively and complaints resolved as quickly as possible.

Training for members and senior officers

During 2012/13 relevant members of Council Committees have attended training courses that deal with corporate governance as well as other corporate issues. The Council has recognised that it is important to ensure that all Members are actively engaged in helping to improve and strengthen the Council's governance arrangements in all areas of their work for the local community. During 2013/14 a review and update of the member training programme will be undertaken to ensure those members elected in May 2011 are continued to be supported in performing their roles.

The training needs of all employees are formally assessed through their Performance Development Reviews with specific training has been provided for officers in respect of risk management and understanding the governance framework.

During 2012/13 the Council rolled out its Unlocking our Potential programme which is centred around providing opportunities for staff to grow and develop through a learning and development plan. This is built around three main themes which are work force planning, leadership and management development and all staff training. Some of the initiatives delivered to staff during the year included developing a coaching culture, team leader programme, hearts and minds workshops building on the art of brilliance and customer service focused skills sessions. This will be further strengthened with the development of a People Strategy during the coming year.

Communication and consultation

Under the Localism Act (2011), there is a greater requirement for consultation and engagement with local communities. One of the main provisions resulting from the act is the ability for the public to require a local referendum to be held on any issue that they thought important, specifically around Council Tax increases.

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

This year's consultation events have been on key strategic issues including major growth plans for the town of Grantham and on more local issues including how a paddling pool in a local park should be redeveloped. There are also various community events which the Council attend to provide an opportunity to engage with residents which are all outlined in the councils Consultation Calendar.

Following the call on local authorities to provide greater openness and transparency, all elements of the transparency agenda, including the publishing of payments to suppliers over £250, member's allowances and headcount of staff are now published on the website each month so that the public can access the information.

The Council's newspaper "SKtoday" is the principal method for communicating with the Council's 131,200 residents on the roles and responsibilities of the Council. According to the Audit Commission, the Council communicates well with residents, as it uses consultation with stakeholders to prioritise resources in line with the South Kesteven vision.

The Council has also responded to the growth in social media and use of website. From a standing start we now have 213 Facebook followers and 1,800 people who regularly message us on Twitter. Our website now carries all our news and information items and we are making our own films to promote and record events which last year included major festivals and the Olympic Torch Relay.

Telephone answering has improved with more calls being answered within 28 seconds by staff thanks to targeted training which has meant the customer services team answered over 162,000 calls. A joint customer access point has been set up with partners in Bourne which will provide customers with a range of council services alongside the County Council and Town Council.

The Council's improved communications with tenants has been maintained and the resident involvement strategy has been updated. Involvement of all individuals is monitored and checked against base line tenant data to ensure they are representative and any under-represented groups are identified and targeted to ensure that there is a fair access for all customers. No barriers to involvement were identified in a recent equality impact assessment. Work is ongoing to comply with the localism act and tenant scrutiny obligations and increase on-line remote accessibility.

The Council will continue to develop external accountability through continuing to seek stakeholder views and incorporate information in relation to the Council's environmental footprint. It will also continue to improve the way information is made more accessible to customers by developing its website publication scheme and consulting on the form and content of the information provided.

Governance arrangements for partnerships

The Council has participated in a number of partnerships aimed at improving the services it provides to the community such as the South Lincolnshire Community Safety Partnership and Grantham Growth Point.

When drawing together different partners with varying organisational cultures and methodologies for handling governance issues, it is important that clear protocols are established at an early stage to minimise and manage risk. Accordingly, a Protocol on Partnerships has been approved by the Governance and Audit Committee.

The Council routinely reviews the performance of significant partnerships to ensure that they are achieving their aims and objectives but further work is required to ensure they are providing good value for money and remain fit for purpose. The Lincolnshire Bridge partnership toolkit is used for assessing partnerships and the Council produces an annual report on the performance of partnerships, including an action plan.

The Council has in place procedures for assessing the risks of partnerships, including the compilation of joint plans and joint risk registers. Following a recommendation by Internal Audit the Council also strengthened its reporting arrangement on partnerships with the production of a Partnerships Annual Report. This was reviewed by Governance and Audit Committee at its meeting on the 25th September 2012.

With the gradual introduction of Local Enterprise Partnerships, some of the Council's partnership arrangements may be subject to change. Governance, performance reporting, data quality and information sharing for significant partnerships will continue to be reviewed in light of future requirements.

Internal and External Audit

Internal audit files and reports for key financial systems are reviewed annually by the External Audit (previously Audit Commission now KPMG) in order for them to place reliance on this work. As in previous years, it is expected that they will be able to place full reliance on the work of internal audit and any recommendations made by KMPG will be consistent with those made by internal audit.

The Council has in place recommendation tracking software to record, track and follow-up internal audit recommendations which has facilitated more accurate monitoring and reporting of the progress made by service managers in implementing audit recommendations. It is also used by our Internal Auditors to support a more efficient follow up review process with service areas.

In August 2010, the government announced its intention to bring forward legislation to abolish the Audit Commission and put in place a new framework for local public audit. In March 2011 the government published a consultation paper and, in January 2012, announced its response to that. Subsequently a procurement exercise was undertaken which meant all of the Commission's in-house work will be outsourced in time for the audit of 2012/13 accounts

Members of the Governance and Audit Committee have been kept informed of developments throughout the year and at their meeting in June 2012 were notified that KMPG has been awarded the contract from 2012/13 to 2016/17 for the provision of external audit services with effect from 1st November 2012.

Risk Management

The Council has in place a process for identifying, assessing, managing and reviewing the key areas of risk and uncertainty that could impact on the achievement of its objectives and priorities. In particular, risk management is an integral part of the corporate, service and budget planning process. The current risk management strategy was revised and updated and approved by the Governance & Audit Committee in June 2012.

There are risk registers in place for corporate, service, project and partnership risk and these are updated on a regular basis. The Governance & Audit Committee receives a regular briefing on corporate risks and the latest Annual Report will be presented in June 2013 together with an updated version of the Corporate Risk Register. This report details the activity undertaken and provides a summary of the direction risk management will take for the financial year 2013/14. The committee also receives updates on risk management during the course of the year

During 2012/13 the risk management group met on a number of occasions with discussions focusing on all aspects of managing Risk including peer challenge within the group of key service risk. The group also looked at other governance and risk areas such as internal audit, insurance and counter fraud.

The Civil Contingencies Act 2004 places a statutory duty on local authorities to maintain plans that ensure they can continue to perform their functions in the event of an emergency, so far as is reasonably practicable. As defined by the Act, South Kesteven is a Category 1 responder and is subject to the full set of civil protection duties. In order to support the achievement of these duties the Council has a service level agreement (SLA) with the Lincolnshire County Council Emergency Planning Unit for the provision of an emergency planning service; this provides the council with a dedicated officer who carries out Emergency Planning and Business Continuity work. The SLA also makes provisions for the support of the County Emergency Planning Team during emergencies and exercises, including gold standard training for strategic level officers.

No significant Business Continuity or Declared Emergency incidents arose during the year 2012/13 however the Olympic Torch relay travelling through the district in the year did draw upon resources on an unprecedented level. This provided a good indication as to the flexibility we can expect from our staff should it ever be necessary to deliver critical services in response to a significant business continuity incident. During 2012/13 the councils Emergency Plan has been reviewed and updated and a mutual aid agreement is now in place between all districts within Lincolnshire. A desktop business continuity event was held in November 2012 with service managers to test elements of the Corporate Business Continuity Plan which was also updated during the year and a major multi-agency live exercise has taken place during 2013/14. During the course of the year a Business Continuity Annual Report was presented to the Governance and Audit Committee at its meeting on the 6th December 2012.

REVIEW OF EFFECTIVENESS

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

The process applied in maintaining and reviewing the effectiveness of the governance framework

The key players in the process may be summarised as:

Key Players	Role and Activity during the year
Council	○ Approve Constitution including Codes of Conduct; ○ Approve the budget and policy framework
Cabinet	○ Priority setting in line with the council's vision and recommending the budget proposals to council that underpin their delivery. ○ Financial, performance and risk management of service delivery within the Budget and Policy Framework set by Council ○ At least monthly public meetings ○ Monthly briefings and development days
Governance and Audit Committee	○ Six scheduled meetings per annum to: ○ review Financial Regulations and Contract Procedure Rules ○ review and scrutinise the Council's governance arrangements, including the outcome of Internal and External audit reports and those of other external agencies such as the Ombudsman

	○ review the arrangements for managing risk throughout the Council including Health and Safety and business continuity ○ scrutinise and approve the Financial Statements on behalf of the Council
Scrutiny Committee	○ To provide a “critical friend” challenge to the Cabinet as well as external authorities and agencies ○ To reflect the voice and concerns of the public and its communities
Strategic Director (s151 Officer) and Head of Finance (Deputy s151 Officer)	○ Overseeing financial strategy and operations and contributing to the effective corporate management and governance of the Council
Internal Audit	○ Set overall internal audit strategy to meet the Council’s overall strategic direction ○ Undertake an annual programme of audits ○ Present progress reports against the plan ○ Make recommendations for improvement in systems and controls and value for money
Performance and Programme Board (includes senior officers of the council from Management Team)	○ Monthly review of projects including: ○ Progress against milestones ○ Resource allocation ○ Risks ○ Performance measures ○ Evaluation of new and emerging projects ○ Monthly review of budget, performance and risk management ○ Consider issues arising out of: ○ the assurance statements ○ review of risk registers
Risk Management Group	○ Officer meetings (membership drawn from service areas) to review operational risks, business continuity, insurance and any other governance and risk areas
Service Managers & Heads of Service	○ Complete Quarterly Assurance statements covering: Risk Management; Staff - PDRs, risk and fraud awareness, and awareness and access to core governance documents and guidance; Health Safety; Business Continuity; External reviews; and performance monitoring arrangements

Internal Audit:

In accordance with the Accounts and Audit Regulations and CIPFA Code of Practice on Internal Audit, the Council’s Head of Internal Audit (HIA) is required to provide an opinion on the overall adequacy and effectiveness of the Council’s risk management, control and governance processes. In particular, we have been advised by the HIA of the issues highlighted in his Annual Report to the Governance & Audit Committee in June 2012 and this is set out below.

Internal Audit has completed the program of internal audit work for the year ended 31 March 2013 comprising 24 reviews (plus 5 advisory reviews and 3 follow-up reviews. Overall, this resulted in 16 ‘Substantial’ assurance opinions (green), 5 ‘Reasonable’ assurance opinions (amber) and 3 ‘Limited’ assurance opinions (red). From the 24 reports a total of 112 recommendations were put forward of which all were accepted by management.

Accordingly, based on the work undertaken, the HIA opinion regarding the adequacy and effectiveness of the Council's arrangements for governance, risk management and internal control is as follows:

- **Governance** – the Council received effective assurance in relation to its governance arrangements with a positive green opinion being awarded. The implementation and management agreement to the recommendations raised during the course of the year was an important contributing factor when assessing the assurance opinion on Governance. The HIA noted it was pleasing management appear receptive to recommendations made and work towards implementing and addressing the issues identified and raised within internal audit reports. Three follow up reviews were undertaken during the year which overall resulted in 'good' progress being made to implement audit recommendations.
- **Risk Management** – the Council received effective assurance. Internal Audit found that Risk Management continues to be embedded within the culture of the Council and there were marked improvements within the area. The advisory review of Risk Management did not identify any major weaknesses. In addition to the advisory review on Risk Management audit were able to confirm the Risk Management culture within the Council through other internal audit work and were satisfied that management understand the importance of identifying and addressing risk. Therefore they were able to grant a green traffic light rating within this area again this year.
- **Control** – The Council has adequate control arrangements; however it was identified some areas where it is considered that the control environment could be improved and recommendations were raised within reports to highlight these areas. Based on the reviews undertaken this resulted in 16 substantial, 5 reasonable and 3 limited assurance opinions. Last year there were no red ratings awarded and five amber assurance ratings awarded. Whilst this year has seen some improvements within areas it has also identified areas within the Council where the control environment is currently considered weak. Management are working towards improving these areas and it is anticipated these controls will have been strengthened and the next internal audit review will identify the strengthened control framework. Overall audit have raised 12 high risk recommendations, 45 medium risk recommendations and 55 low risk recommendations

SIGNIFICANT GOVERNANCE ISSUES

Action Plan

In addition, to the effectiveness review underpinning this Governance Statement it has also identified the following key areas for improvement and these will be addressed during 2013/14. Accordingly, there is a need to:

- Keep under review the relationship between performance and costs with further potential cuts in Government grant funding with an update and refresh of the Medium Term Financial Plan.
- Further improve the learning and development of members and staff - linked to corporate priorities and staff roles in the 'unlocking their potential' programme and People Strategy.
- Strengthen the links between the overarching corporate plan and service delivery plans with the continuation of an annual South Kesteven Business Plan and production of an annual report.

- Continue to improve and strengthen the engagement and service delivery models to meet customer demand and expectation through the development of a Customer Access Strategy.
- Improve the arrangements for tackling fraud by engaging with the Fighting Fraud Locally initiative and production with an Annual report on Counter Fraud.
- Further develop the governance and risk framework by undertaking a review of assurance mapping, risk register formats and reporting to management.
- Implement any required improvements arising from the Governance and Audit committed effectiveness review action plan
- Keep under review the issues flowing from the Localism Act and consider the impact on the Council's policies and procedures
- Undertake an independent peer review assessment on how well the Council is doing in its overall achievement of its vision and priorities.

Our commitment to continuous improvement

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

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

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

Signed: **Cllr Mrs L. Neal, Leader of the Council**

Signed: **B. Agass, Chief Executive**

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

We have audited the financial statements of South Kesteven District Council for the year ended 31 March 2013 on pages 20 to 111. 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 2012/13.

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

Respective responsibilities of the Chief Finance Officer and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2013 and of the Authority's expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

Matters on which we are required to report by exception

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

- the annual governance statement set out on pages 112 to 126 does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- the information given in the explanatory foreword for the financial year for which the financial statements are prepared is not consistent with the financial statements; or
- any matters have been reported in the public interest under section 8 of Audit Commission Act 1998 in the course of, or at the conclusion of, the audit; or
- any recommendations have been made under section 11 of the Audit Commission Act 1998; or
- any other special powers of the auditor have been exercised under the Audit Commission Act 1998.

We have nothing to report in respect of these matters

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

Authority's responsibilities

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

Auditor's responsibilities

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

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

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

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in November 2012, as to whether the Authority has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in November 2012, we are satisfied that, in all significant respects, South Kesteven District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2013.

Certificate

Due to work on the WGA Return not being completed by the 30 September 2013

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

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

September 2013

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

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

Balance Sheet

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

Budget

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

CAA

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

Capital Charges

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

Capital Expenditure

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

Capital Receipts

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

Carrying Amount

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

Cash Flow Statement

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

CIES

Comprehensive Income & Expenditure Statement

CIPFA

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

Code (the)

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

Collection Fund

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

Community Assets

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

Current Service Cost

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

Curtailment

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

Contingent Liabilities

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

Council Tax

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

Creditors

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

Current Liabilities

Amounts payable that become due during the next financial year.

DCLG

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

Debtors

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

Deferred Charges

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

Deferred Credits

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

Depreciation

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

Emoluments

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

Earmarked Reserves

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

Expected Rate of Return

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

Explanatory Foreword

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

Finance Leases

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

Financial Year

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

FRS

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

General Fund

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

Government Grants

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

Housing Benefits

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

Housing Revenue Account

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

IAS

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

IFRS

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

Income

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

Impairment

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

Intangible Assets

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

Interest on Pension Scheme Liabilities

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

Investments

Cash deposits with approved institutions.

Key Prudential Indicator

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

Liability

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

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

Long Term Debtor

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

Materiality

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

Minimum Revenue Provision

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

MIRS

Movement in Reserves Statement

MRA

Major Repairs Allowance.

MRR

Major Repairs Reserve

Net Book Value (NPV)

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

Non Distributed Costs

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

Non Domestic Rates

Tax charged on the rateable value of non-domestic properties (business properties). The rate of tax is set by the Government. The proceeds are pooled nationally and are redistributed on the basis of a fixed amount per head of population.

Non-Exchange Transactions

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

Non-Operational Assets

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

Operational Assets

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

Operating Leases

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

Past Service Cost

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

Pension Fund

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

Performance Management

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

Pooling of Capital Receipts

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

PPE

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

Precepts

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

Provisions

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

PWLB

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

Related Party Transactions

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

Reserves

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

Revaluation Reserve

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

Revenue Expenditure

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

Revenue Expenditure Funded from Capital Under Statute

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

Revenue Support Grant

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

SeRCOP

The Service Reporting Code of Practice.

Treasury Management

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



SUMMARY OF ACCOUNTS

2012 - 2013



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

STATEMENT BY STRATEGIC DIRECTOR CORPORATE FOCUS

As Chief Finance Officer, I am pleased to introduce the summary of accounts for the year ending 31 March 2013.

The summary of accounts gives a brief overview of our spending and income and shows our financial position for the last financial year. It is based on our more detailed statement of accounts document, which is required by law.

It includes:

- the cost of providing services
- a balance sheet
- a cash flow statement
- details of major capital projects
- council tax collection performance

My focus during the year has been to secure a financially sound base so that we can continue to deliver quality services that support and underpin the delivery of our priority themes. These are:

- Grow the economy
- Promote leisure, arts and culture
- Support good housing for all
- Keep SK clean, green and healthy

I hope you find this publication interesting.

If you have any queries or would like to know more please contact Accountancy Services on 01476 406218 or by email: accountancy@southkesteven.gov.uk

Our more detailed statement of accounts is available on request or via our website www.southkesteven.gov.uk

**Daren Turner
Strategic Director Corporate Focus (s151 Officer)**



WHAT DID WE SPEND THE MONEY ON?

The table below provides a summary of our income and expenditure for the 2012/2013 year against the different services the council provides.

The accounts we must tell you about by law	Services include	2012/2013 Net £ thousands
Central services to the public	Collecting council tax and business rates, council tax benefit, elections, land charges	712
Cultural and related services	Arts and leisure facilities, parks and open spaces, tourism	3,346
Environmental services	Cemeteries, environmental health, community safety, street cleaning, waste collection and recycling	5,488
Planning services	Building and development control, planning policy, economic and community development	2,303
Highways, roads and transport services	Car parking, bus stations	(158)
Housing services	Managing council housing, housing benefit, housing policy, homelessness	(3,371)
Corporate and democratic core	Corporate management, democratic services	1,680
Non-distributed Costs	Costs that do not directly relate to the above headings	(99)
Net cost of services		9,901
Net corporate costs	Interest paid minus interest received, profit from trading activities, capital and pension account adjustments, investment income	5,928
Net operating spending		15,829
Money into our account from government grants and local tax		2012/2013 Net £ thousands
General government grants	Money provided by central government to help pay for some of the services we provide	(2,028)
Council tax income	Our share (11.6%) of council tax collected	(7,774)
Non-domestic rate income	Money from the national pool based on a fixed amount for each person	(7,383)
Net surplus for 2012/2013		(1,356)

On 31 March 2013, the general fund working balance was £2.4million.

WHAT ARE WE WORTH?

At the end of each financial year, we draw up a balance sheet that shows our overall financial position. It includes the value of assets, what we owe, what is owed to us, how much cash we have and how this is financed from reserves and balances.

Balance at 31 March 2013	£ thousands
Assets such as land and buildings we own	232,410
Investments	20,294
Cash and money in our bank accounts	13,114
Stocks and work in progress	297
Money owed to us	5,755
Money we owe (see note 1 below)	(165,350)
Total assets less liabilities	106,520
Financed by:	
Financial balances for capital spending	99,271
Revaluation reserve	7,682
Pensions reserve – our share of the Lincolnshire County pension fund	(36,533)
Reserves available to cover future spending:	
For specific purposes	23,455
Working balances	12,645
Total	106,520

Note: This includes our pension liability of £36.5 million as at 31 March 2013, valued in line with general accountancy practice.

The cashflow for 2012/2013 is money in our bank account as at the end of the financial year based on all the money coming in and going out during the year.

Cash flow	£ thousands
Cash in our bank accounts on 1 April 2012	9,390
Cash in	43,261
Cash out	(39,537)
Cash in our bank accounts on 31 March 2013	13,114

CAPITAL INVESTMENT – WHAT DID WE SPEND?

In addition to our day-to-day spending we also spend money on specific projects that will benefit the district over a number of years.

This is known as capital investment which is funded from a mixture of grants, reserves and contributions from revenue.

During the 2012/13 financial year we spent:

	£ thousands
Local Authority Mortgage Scheme	1,000
Bourne Town Centre Development	1,052
Home Improvement Grants	766
Council House Improvements	4,768

HOW DID WE PERFORM?

As a billing authority we collect council tax for the whole of the district. This is then shared between Lincolnshire County Council, Lincolnshire Police Authority and the town and parish councils. We keep what is left to provide district services.

	2010/2011	2011/2012	2012/2013
Number of Band D equivalents	46,254	46,744	47,106
Percentage of council tax we collected	98.3%	98.3%	98.6%
Percentage of council tax collected nationally	97.3%	97.3%	97.4%
Amount of council tax we collected	£57.46m	£57.98m	£59.78m

Note: Properties are grouped into eight valuation bands (A to H). Band D equivalents relate to the average number of properties across all bands on which council tax is charged. This is known as the council tax base.

Alternative formats and languages

South Kesteven has a rich and diverse culture - a community made up of people from different cultures, with differing backgrounds, beliefs or experiences. This diversity is one of the things that make South Kesteven such a great place to live and work.

To ensure all residents of South Kesteven have access to our information material, our information is available in a range of different languages and formats, including large print, Braille, audio tape and computer disc.

To request a document in a specific language or format, you can ring us, email us or fax us on: 01476 40 61 27 - 01476 40 60 12 - communications@southkesteven.gov.uk

Large print, Braille, audio tape or computer disc

This information can be made available in large print, Braille, on audio tape or computer disc. If you, or someone you know, might benefit from this service, please contact us.

Latviski / Latvian

Šo informāciju var iegūt arī latviešu valodā. Ja Jums vai kādai no Jūsu paziņai šādi pakalpojumi nāktu par labu, lūdzu kontaktēties mūs.

Lietuviškai / Lithuanian

Šią informaciją galite gauti lietuvių kalba. Prašome kreiptis į mus, jei jums arba jūsų pažįstamiems ši paslauga galėtų būti naudinga.

Polski / Polish

Informacja ta może być dostępna w języku polskim. Jeżeli Państwo albo ktoś kogo Państwo znają, może z tej usługi skorzystać, proszę nas kontaktować.

Português / Portuguese

Esta informação pode ser disponibilizada em português. Se você, ou alguém que conhecer, beneficiar com este serviço, por favor contacte-nos.

繁体中文 / Cantonese

本資料有繁体中文版，若你本人或你認識的甚麼人會受益於此版本，敬請聯絡我們。



South Kesteven District Council

Internal Audit Progress Report

Audit Committee Meeting: 26 September 2013

Introduction

The internal audit plan for 2013/14 was approved by the Audit Committee on 14th March 2013. This report provides an update on progress against that plan and summarises the results of our work to date.

Since the start of the financial year we have finalised eleven reports including the first follow up report which was presented at the June 2013 Committee meeting and the remaining finalised reports are being presented at this meeting.

Final Reports Issued

Assignment <i>Reports considered today are shown in italics</i>	Status	Opinion	Recommendations Agreed (by priority)			Total	Agreed
			High	Medium	Low		
Audits to address specific risks							
<i>Pool Cars (1.13/14)</i>	<i>FINAL</i>	AMBER RED	0	4	3	7	7
<i>Corporate Governance (3.13/14)</i>	<i>FINAL</i>	GREEN	0	0	2	2	2
<i>Code of Conduct and Register of Interests (4.13/14)</i>	<i>FINAL</i>	GREEN	0	0	1	1	1
<i>Fleet Management (5.13/14)</i>	<i>FINAL</i>	AMBER GREEN	0	3	3	6	6
<i>Disabled Facilities Grants (6.13/14)</i>	<i>FINAL</i>	GREEN	0	0	1	1	1
<i>Car Parks (Enforcement) (7.13/14)</i>	<i>FINAL</i>	AMBER GREEN	0	4	3	7	7
<i>Income Collection (8.13/14)</i>	<i>FINAL</i>	GREEN	0	0	3	3	3
<i>Leisure Management Contract (9.13/14)</i>	<i>FINAL</i>	AMBER GREEN	0	3	1	4	4
<i>Waste and Recycling (10.13/14)</i>	<i>FINAL</i>	AMBER GREEN	0	4	2	6	6
<i>Reactive Repairs and Maintenance (11.13/14)</i>	<i>FINAL</i>	GREEN	0	1	4	5	5

Planning and Liaison:

At the time of this Committee fieldwork has been completed for the Absence Management review and a draft report will be issued shortly. Fieldwork is also underway for the reviews of Licensing, Asset Management Plan and Planning – pre applications charges.

Internal Audit Plan 2013/14- Change Control:

Action	Date	Agreed By
3 extra days for Stamford Car Parks Income Review	September 2013	Head of Finance

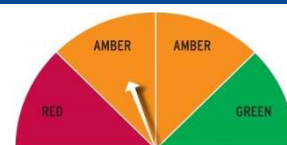
Internal Audit Performance

Assignment	Debrief date	Draft report issued	Management responses received	Final report issued
Pool Cars (1.13/14)	10 May 2013	28 June 2013	31 July 2013	1 August 2013
Corporate Governance (3.13/14)	29 May 2013	4 June 2013	11 June 2013	12 June 2013
Code of Conduct and Register of Interests (4.13/14)	13 June 2013	25 June 2013	25 June 2013	25 June 2013
Fleet Management (5.13/14)	21 June 2013	5 July 2013	6 August 2013	7 August 2013
Disabled Facilities Grants (6.13/14)	26 June 2013	5 July 2013	29 July 2013	29 July 2013
Car Parks (Enforcement) (7.13/14)	3 July 2013	9 July 2013	31 July 2013	5 August 2013
Income Collection (8.13/14)	5 July 2013	17 July 2013	12 August 2013	13 August 2013
Leisure Management Contract (9.13/14)	19 July 2013	1 August 2013	15 August 2013	16 August 2013
Waste & Recycling (10.13/14)	19 July 2013	7 August 2013	3 September 2013	05 September 2013
Reactive Repairs and Maintenance (11.13/14)	9 August 2013	28 August 2013	3 September 2013	4 September 2013

Key Findings from Internal Audit Work

Assignment: Pool Cars (1.13/14)

Opinion: Amber Red



Headline Findings:

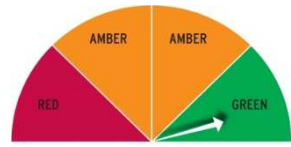
Our review identified that the control framework in place was generally robust however areas of non-compliance with controls were noted and as a result of our work **four 'medium' risk** and **three 'low' risk** recommendations have been raised. All of which were accepted by management.

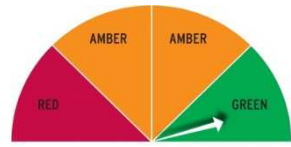
These medium risk recommendations related to:

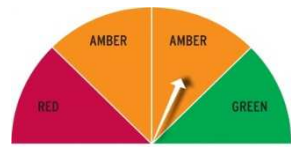
- There is currently no formal Pool Car policy in place. The Pool Car Policy is only in draft form and will need to be approved once the option agreed by Members for the future of the Pool Car Scheme has been implemented.
- Driving licence checks are not being undertaken in a consistent manner across different departments. Copies of paper and card licences are not signed to confirm originals were seen.
- Staff who request a pool car and are not allocated one, are not given sufficient time to make alternative travel arrangements.
- Examples were witnessed of the keys for vehicles being collected but the vehicle not being removed from the car park.

Action	Responsible Officer	Date
Recommendation 1 - Medium Risk Once the pool car scheme has been revised, based on the options documented within the Pool Car Usage and Management Business Case, an overarching Pool Car policy should be developed to include: ➤ booking and allocation of vehicles; ➤ resulting actions for failure to use booked vehicles; ➤ recharging of usage; ➤ responsibilities for cleanliness; ➤ vehicles being used in a safe and responsible manner; ➤ vehicle log sheet completion; ➤ condition checks and defect reporting; and ➤ driving license checks. All pool car users should sign to accept the terms and conditions as stated in the policy. The policy should be reviewed bi-annually and updated as required.	Team Leader Operations	30 September 2013
Recommendation 3 - Medium Risk Management should ensure that driving licences are checked for all Pool Car users and a log is retained and updated on an annual basis. Copies of both paper and photo card licence should be held on file and countersigned by a delegated manager to confirm original have been seen. Management should ensure that staff are made aware of the need to disclose any penalty points or conditions imposed by the DVLA.	Team Leader Operations	30 September 2013

Recommendation 5 - Medium Risk Officers making a booking should be allocated to a pool car at the time of making the request rather than being placed on a waiting list. This way, Officers will be informed at the time of booking whether there is a car available, and if not, have sufficient time to make alternative travel arrangements.	Team Leader Operations	30 September 2013
Recommendation 6 - Medium Risk Management should ensure that staff are made aware of the need to only book Pool cars when required for visits/ appointments. Management should consider a minimum charge for all bookings to be incurred when a pool car is booked, which is not refundable when a booking is cancelled.	Team Leader Operations	31 March 2014

Assignment: Corporate Governance (3.13/14)	Opinion: Green	
Headline Findings: Our review identified that there were sufficient and robust controls in place which were being consistently applied. Two 'low' risk recommendations were raised both of which were accepted by management.		

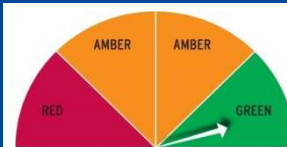
Assignment: Code of Conduct (4.13/14)	Opinion: Green	
Headline Findings: Our work in this area confirmed that there is a robust control framework in place and that the controls are being applied. One 'low' risk recommendation was raised which was accepted by management.		

Assignment: Fleet Management (5.13/14)	Opinion: Amber Green	
Headline Findings: Overall the control framework in place was robust however our work identified instances of non-compliance with the controls in place. As a result of the work undertaken three 'medium' and three 'low' risk recommendations were raised. All of which were accepted by management. The medium risk recommendations related to: ▪ The Council has in place the Roadbase system; however this is not used to record details of service undertaken and therefore service schedules are produced manually based on paper records. ▪ The Vehicle Replacement Programme has not been subject to review and shared with all relevant departments. ▪ It was found that driving licence checks had not been carried out on all staff driving Council vehicles and there is currently no Council policy regarding penalty points.		

Action	Responsible Officer	Date
Recommendation 2- Medium Risk The Council should utilise the Roadbase system to record details of all Fleet Vehicles and to use the system as a Fleet Management system. This should include recording all service and MOT dates to ensure that schedules can be produced based on system data.	Transport Manager	30 September 2013
Recommendation 4- Medium Risk a) The Vehicle Replacement Programme should clearly state the actual expected replacement date for each vehicle, including those which have been extended from original expectation dates. b) The Programme should be formally reported to the Service Director for approval and should be shared with all relevant Service Managers who have been assigned use of Council vehicles.	Transport Manager	30 September 2013
Recommendation 5 - Medium Risk Staff should be reminded to submit their Driving licences for checking on a regular basis. The Council should consider its current policy with regards to the requirement for staff to inform their line manager immediately of any penalty points obtained to ensure the manager can make an informed decision on whether the staff member remains appropriate to drive Council Fleet. This should apply to the checking process where penalty points are noted on the drivers licence, guidance should be developed to state whether action needs to be taken when penalty points are received.	Operations Director / Head of Environment Services	30 September 2013

Assignment: Disabled Facilities Grants (6.13/14)

Opinion: Green

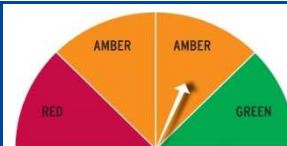


Headline Findings:

Our review identified that there were sufficient and robust controls in place which were being consistently applied. **One 'low'** risk recommendation was raised which was accepted by management.

Assignment: Car Parks (Enforcement) (7.13/14)

Opinion: Amber Green

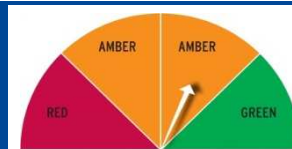


Headline Findings:

As a result of our audit discussions and testing undertaken we raised **four 'medium'** and **three 'low'** risk recommendations. All recommendations were accepted by management.

The medium risk recommendations raised related to the following:

- Discrepancies in income received against the machine audit ticket over £5.00 in value are documented but no investigation takes place. Staff within the car parks administration team receive cash collection records but do not review these as they were not aware of the content.
- Agreed patrol routes have not been documented by APCOA and made available to the Council.
- Invoices received from APCOA do not contain sufficient detail including a clear and precise breakdown of patrols within car parks in both Stamford and Grantham showing an accumulative total of hours spent within each individual car park.
- Clear photographs of the vehicle windscreen are not always provided within the evidence file to support the penalty charge notice issued.

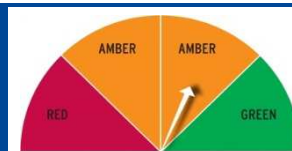
**Headline Findings:**

Overall there is a sound control framework in place but our testing did identify areas where the control framework and application of these controls could be strengthened. As a result of our work **three 'medium'** and **one 'low'** risk recommendations have been raised. All of which were accepted by management.

The medium risk recommendations relate to the following:

- Leisure Centre inspections are not always being carried out weekly as required. Additionally inspections are not being carried out in the absence of the designated officer;
- Monitoring checks are not being undertaken to ensure that the weekly inspections are being undertaken; and
- For the period February – June 2013, it was confirmed that of the 88 inspections carried out, only 83 (94%) inspections were recorded on the Month End Rectifications Points summary sheet. In one case there was an error made in recording the potential penalty points on the Month End Rectifications Points summary sheet.
- No monitoring is currently carried out by the Council to ensure that valid DBS (Disclosure and Barring Service) checks have been undertaken by the Contractor for all staff employed at the leisure centres

Action	Responsible Officer	Date
Recommendation 2 - Medium Risk a) The Council should undertake a review to determine the frequency of the site inspections and the inspections should be carried out in accordance to this frequency; b) Monitoring arrangements should be put into place to ensure that the site inspections are being carried out as required; and c) To ensure that there is continuity in the inspection process; arrangements should be put into place for the inspections to be carried out in the absence of the designated officer.	Team Leader – Leisure & Amenities	31 October 2013
Recommendation 3 - Medium Risk To ensure that all site inspections as well as the potential and outstanding points are recorded accurately on the Month End Rectifications Points summary sheet and to also minimise the risk or errors being made in recording the data, a review should be undertaken by the Council on how best to capture all the data from the inspection reports to the Month End Rectifications Points summary sheet.	Team Leader – Leisure & Amenities	31 October 2013
Recommendation 4 - Medium Risk Monitoring checks should be undertaken during the site inspection to confirm DBS checks have been carried out by the Contractor on all staff employed at the leisure centres.	Team Leader – Leisure & Amenities	31 January 2014

**Headline Findings:**

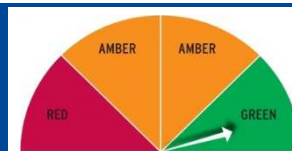
Our review identified that the control framework in place was generally sound however areas of non-compliance with controls were noted and as a result of our work **four 'medium' risk** and **'two' low risk** recommendations have been raised. All of which were accepted by management.

These medium risk recommendations related to:

- The current Waste and Recycling policy which covers matters such as missed bin collections is in draft format only.
- Random, unannounced spot checks should be undertaken broadly in line with procedure, every three months. Sample testing identified that all vehicles within the waste and recycling fleet had been inspected at least once since January 2013. However 10/36 vehicles had been inspected only once.
- It also cannot be confirmed that any issues or non-conformances identified during these inspections were subsequently resolved.
- One new starter (from nine) was not assessed 'on the job' by the service training crew before being allowed to drive a refuse collection vehicle.

This review of the Waste and Recycling service was undertaken following a limited assurance opinion being provided during the previous audit review in November 2012. Six recommendations (One high risk, two medium risks, and three low risks) were raised during the previous review which resulted in an overall red/amber assurance status for the service. Of the six previously raised recommendations, four were considered to be implemented to a satisfactory standard. The remaining two recommendations are not considered to have been implemented to the required standard and the matters have therefore been raised again. As a result, management should place focus upon continuing to develop and finalise the Waste & Recycling Policy (Medium Risk) and ensure that complaints are responded to within the designated timescales (Low Risk).

Action	Responsible Officer	Date
Recommendation 1 - Medium Risk Management should ensure the Refuse and Waste Collection policy is finalised and approved by the responsible Strategic Director and then reviewed every three years.	Service Manager/ Head of Service/ Operations Director	30 September 2013
Recommendation 2 - Medium Risk Spot checks should be undertaken at least every quarter, as per the procedure.	Service Manager	Embedded by 31 August 2013
Recommendation 3 - Medium Risk The monitoring spreadsheet should be reviewed to include extra columns for 'issues identified/non- conformances', and 'action taken', to record the information on the monitoring forms. This would then enable the Operations Team Leader to maintain an overview of the issues requiring rectification, and a central point of reference to identify where improvements are required and the actions taken.	Service Manager	31 August 2013
Recommendation 4 - Medium Risk All new starters should be reassessed 'on the job' to ensure they fully understand their induction and can safely apply the principles taught.	Service Manager	31 August 2013

**Headline Findings:**

Our review identified that there was a sound control framework in place however areas of non-compliance with controls were noted and as a result of our work **one 'medium' risk** and **'four' low risk** recommendations have been raised. All of which were accepted by management.

The medium risk recommendation related to:

- Post inspection of the repairs the operatives are working on (which are carried out at the same time as the vehicle and driver health and safety checks) are not always being carried out.

Action	Responsible Officer	Date
Recommendation 2 - Medium Risk Post inspection of repairs should be carried out as required.	Team Leader / Assistant Service Manager	31 December 2013

The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required. Whilst every care has been taken to ensure that the information provided in this report is as accurate as possible, based on the information provided and documentation reviewed, no complete guarantee or warranty can be given with regard to the advice and information contained herein. Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

This report is prepared solely for the use of Authority and senior management of South Kesteven District Council. Details may be made available to specified external agencies, including external auditors, but otherwise the report should not be quoted or referred to in whole or in part without prior consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended for any other purpose.

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REPORT TO GOVERNANCE AND AUDIT COMMITTEE

REPORT OF: HEAD OF FINANCE

REPORT NO: HOF250

DATE: 26 September 2013

TITLE:	Counter Fraud Annual Report 2012/13	
KEY DECISION OR POLICY FRAMEWORK PROPOSAL:	None	
PORTFOLIO HOLDER: NAME AND DESIGNATION:	Councillor Paul Carpenter Governance and Communication Portfolio Holder	
CONTACT OFFICER:	David Scott Finance Support Manager d.scott@southkesteven.gov.uk Tracey Elliott Governance & Risk Officer t.elliott@southkesteven.gov.uk Tel: (01476) 406038	
INITIAL IMPACT ASSESSMENT:	Carried out and Referred to in paragraph (7) below:	Full impact assessment Required:
Equality and Diversity	N/A	No
FREEDOM OF INFORMATION ACT:	This report is publicly available via the Your Council and Democracy link on the Council's website: www.southkesteven.gov.uk	
BACKGROUND PAPERS	HOF155 – Counter Fraud and Corruption Framework HOF188 – Governance and Risk Update The above reports can be located by putting their reference number in the search section of the committee website via the link below: http://moderngov.southkesteven.gov.uk/ieDocSearch.aspx?bcr=1	

1. RECOMMENDATION

The Governance & Audit Committee is requested to:

1. note the contents of this report
2. approve the proposed action plan

2. PURPOSE OF THE REPORT

As part of the Committee's terms of reference, Counter Fraud is one of the key areas of focus. In order to develop greater awareness around this area and in line with best practice (as with have done with other areas such as risk management), a review of the counter fraud arrangements has been undertaken. This has resulted in the production of an annual report covering the 2012/13 period which details the various aspects of work delivered during the course of the year.

3. DETAILS OF REPORT

Background

Like any organisation of significant size and complexity, South Kesteven District Council is inherently vulnerable to risks of fraud and corruption. With reducing Government funding and the current economic downturn it is vital that we maintain strong defenses against fraud and make best use of our information and intelligence in order to ensure we have effective fraud prevention procedures in place. The annual report provides a summary of the outcomes of the functions within Governance & Risk and Revenues & Benefits services.

Protecting the Public Purse

The Audit Commission¹ publishes an annual report (in November each year) on fraud and corruption in local government called 'Protecting the Public Purse' (PPP). PPP gives details on the amounts of detected fraud, warns of emerging fraud risks and promotes best practice. Much of the information for PPP is obtained from the annual fraud and corruption survey of local government. The results of the survey also inform the National Fraud Authority's annual assessment of the total value of fraud in the UK. As an Authority we are required to submit the information under section 48 of the Audit Commission Act 1998. The authority undertook and completed this survey in May 2012 and again in May 2013.

Following the publication of the next PPP annual report in November 2013 it may be possible to arrange for the Audit Commission to present an overview of the outcomes to members as part of the Committee's ongoing development and awareness in this area.

National Fraud Initiative

Since 1996 the Audit Commission has run the National Fraud Initiative (NFI), a compulsory national data exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud. This includes police authorities, local probation boards, fire and rescue authorities as well as local councils and a number of private sector bodies.

¹ Whilst for external audit arrangements the Audit Commission has been abolished it still continues to exist for other activities such as Fraud and Corruption with its work around Protecting the Public Purse and National Fraud Initiatives.

NFI 2010/11 helped trace almost £229 million in fraud, error and overpayments in England. Since the initiative's start in 1996, the programme has helped identify £939 million in fraud or error and the initiative has attracted international recognition.

It is a tool that is helpful in assisting local authorities to identify potential fraud in areas such as council tax, housing benefit, pensions, payroll and housing tenancy. Public bodies such as DWP, UK Border agency and Local authorities provide a number of data files via a secure portal to the Audit Commission who then run a matching exercise across all the data information provided. Any data matches which may warrant further investigation are made available through the secure portal for the participating public bodies to investigate for fraud or other irregularities.

The 2012/13 NFI data matching exercise has nearly concluded. The current status is summarised below:

Number of matches received	1,985
Number of matches processed to date	1,155
Number cleared with no issue being identified	1,129
Number identified as requiring investigation	290
Number of errors currently found	26
Number still under investigation	21

NFI data matching currently operates over a two year cycle, but is moving towards more real-time and near real-time fraud prevention activity. Building on the successes of the NFI so far, there is potential to develop this tool into a real-time counter fraud checking service for local authorities. The NFI can also directly support the implementation of this strategy through targeting its matches to these areas of identified fraud risk.

Summary of Housing Benefit & Council Tax Support and/or Universal Credit Fraud Performance

The Council's Revenues & Benefits Service employs two full time fraud investigators.

During the year ending 31 March 2013, there were 1,064 fraud referrals of which 982 of these were investigated resulting in the following:

	Number	Total Value	Average Value
Cautions	14	£15,330	1,095
Penalties	25	£81,144	3,246
Prosecutions	6	£35,602	5,934
Value identified	45	£132,076	
Caseload figures	11,133		

Referrals can be made from:

- the public, staff or Councillors
- data matching ie Housing Benefit Matching Service or the NFI
- joint working with the DWP but can be other Authorities as well
- internal referrals eg Benefits, Council Tax, Rents or Housing

The outcome of the referrals can result in:

- no fraud found
- being below the figure that would be investigated – currently set at £800
- overpayments – where a letter will be sent confirming no action to be taken other than recovery of the overpayment
- classification as fraud

Counter Fraud, Bribery and Corruption Framework

In order to ensure the framework is up to date and fit for purpose the Committee will be asked at this meeting, under a separate agenda item, to review and approve amendments to the current framework which was last updated in March 2011. The main changes relate to incorporating the new requirements under the Enterprise and Regulatory Reform Act 2013 within the Whistleblowing policy and ensuring the Counter Fraud Policy has recognition for the changes around Universal Credit.

Whistleblowing Investigation

One whistleblowing case was reported to the Council and was investigated by internal audit. The case was thoroughly investigated and a conclusion was reached that there was no evidence to support the suspicions made.

Insurance

A number of professional organisations and insurance sector companies have suggested that in times of recession there is often a corresponding correlation in levels of crime, including fraud and burglaries. Local authorities experienced over 7,000 fraudulent claims in the last five years resulting in over £82 million in fraud savings since 2008.

Zurich Municipal received an average of over 1,400 fraudulent claims a year since 2008 amounting to an average annual tally of £16.5 million. Claims range from casualty and personal injury, through to property and motor. Both the volume and value of fraudulent claims made have increased during the five year period. In 2008 Zurich received 1,058 fraudulent claims referrals totalling just under £12 million, but by the end of 2012 these had risen to 1,719 and £22 million respectively – increases of 62% and 83%.

While it is difficult to determine whether the increase in claim referrals is due to better detection or a higher incidence of baseline fraud, the amount being saved by local authorities is nonetheless significant.

As predicted, the Council has seen an increase in suspicious claims. In response to this the Council has proactively worked with its insurers, Zurich Municipal, to review any claims which they may consider suspicious. Any claim that appears suspicious (eg scenarios which are very unusual or perhaps an over exaggeration of injury etc) is flagged to our insurers and the claim is passed to their dedicated Claims Investigation Unit whose role it is to investigate suspicious claims, gathering and sharing intelligence, as well as raising awareness amongst their employees, customers and distributors.

Due to the increase in the number of claims where we had concerns, a workshop was run in March in conjunction with our insurers. A number of officers from across the Council attended the workshop and feedback was very positive. They were given a detailed presentation of the claims investigation process and the Council's Governance & Risk Officer had also prepared some detailed case studies of claims that were under investigation. These were discussed amongst the group and it helped to put our concerns into context.

As a result of the Council's proactive work five public liability claims (out of a total of 73 over the past three years) have been under a more thorough investigation. The total insurance reserve for these claims is £125,000. One of the claims has now been successfully defended as a result of officers working together and sharing information that was critical.

Training and Awareness

Underpinning any preventative approach should be a strong anti-fraud culture that is driven and implemented from the top down. It requires continuous active promotion and needs to include staff, members of the public and suppliers. An anti-fraud culture should seek to motivate staff and ensure that they understand the importance of tackling fraud, are able to recognise fraud and abuse and know how and where to report suspicions of fraud.

The most effective anti-fraud cultures change people's attitudes and behaviours towards fraud, positively reinforcing their responsibility in preventing, detecting and reporting fraud and deterring criminals from committing fraud in the first place.

In order to raise the awareness of counter fraud, the following activities are planned:

- A week-long "Fraud: Spot it, Stop it" campaign to increase fraud awareness among all staff. The activity is planned for late October/early November. The material to be used has been developed by the National Fraud Authority and the campaign frequently uses the **STOP** mnemonic:



Spot loopholes that fraudsters could exploit

Tell your line manager if you suspect fraud

Own the problem – it is everyone's responsibility to stop fraud

Pass the test on the counter fraud and corruption e-learning package

- In conjunction with the above campaign, counter fraud and corruption e-learning will be rolled out to staff as part of the corporate training programme to support the Council's anti-fraud culture.

Action Plan

The following actions are planned to be undertaken over the coming 12 months.

- Delivery of a Single Person Discount review project over a 3 month period in partnership with an external provider, to review single person status in properties by cross-referencing with other sources of information about their household – commencing in September 2013
- Delivery of the 'Spot it, Stop it' fraud campaign across the Council in order to raise awareness as part of a strong anti-fraud culture – October 2013
- Rollout of the a Counter Fraud e-learning package to staff as part of ongoing training and development amongst officers – November 2013
- Continue to work through the remainder of the NFI data matches to ensure there are no instances of fraud – November 2013
- Liaise with the audit commission with a view to them providing a update to members on the outcomes of the Protecting Public Purse review – January 2014

Conclusion

In summary, the Council has a number of processes in place which help to identify and tackle fraud such as the NFI and housing benefit fraud team work. This is underpinned by a robust Counter Fraud and Corruption framework which is regularly review and updated to ensure it is in line with current legalisation. There are a number of proposed actions which the Council is looking to deliver over the next 12 months which should further embed and strengthen the current arrangements in place.

4. OTHER OPTIONS CONSIDERED

None

5. RESOURCE IMPLICATIONS

This report has no direct impact on the Council's resources, including finance/ budget, people, land/property etc.

6. RISK AND MITIGATION (INCLUDING HEALTH AND SAFETY AND DATA QUALITY)

None

7. ISSUES ARISING FROM EQUALITY IMPACT ASSESSMENT

None

8. CRIME AND DISORDER IMPLICATIONS

None

9. COMMENT OF FINANCIAL SERVICES

These are contained within the report.

10. COMMENT OF LEGAL AND DEMOCRATIC SERVICES

This report provides details of the Councils performance in respect of Counter Fraud. Members should note the performance and scrutinise any elements to assist the role of the Governance and Audit Committee in its review of the Counter Fraud and Corruption Framework.

11. COMMENTS OF OTHER RELEVANT SERVICE MANAGER

None

12. APPENDICES:

REPORT TO GOVERNANCE AND AUDIT COMMITTEE

REPORT OF: HEAD OF FINANCE

REPORT NO: HOF251

DATE: 26 September 2013

TITLE:	Counter Fraud, Corruption & Bribery Framework	
KEY DECISION OR POLICY FRAMEWORK PROPOSAL:	None	
PORTFOLIO HOLDER: NAME AND DESIGNATION:	Councillor Paul Carpenter Governance & Communication Portfolio Holder	
CONTACT OFFICER:	David Scott Finance Support Manager d.scott@southkesteven.gov.uk Tel: (01476) 406218 Tracey Elliott Governance & Risk Officer t.elliott@southkesteven.gov.uk Tel: (01476) 406038	
INITIAL IMPACT ASSESSMENT:	Carried out and Referred to in paragraph (7) below:	Full impact assessment Required:
Equality and Diversity	N/A	No
FREEDOM OF INFORMATION ACT:	This report is publicly available via the Your Council and Democracy link on the Council's website: www.southkesteven.gov.uk	
BACKGROUND PAPERS	HOF155 – Counter Fraud and Corruption Framework HOF188 – Governance and Risk Update The above reports can be located by putting their reference number in the search section of the committee website via the link below: http://moderngov.southkesteven.gov.uk/ieDocSearch.aspx?bcr=1	

1. RECOMMENDATION

The Governance & Audit Committee is requested to approve the contents of this report.

2. PURPOSE OF THE REPORT

In accordance with the terms of reference of the Committee it is a requirement to review and update the Counter Fraud, Bribery & Corruption Framework every two years.

3. DETAILS OF REPORT

Background

The Counter Fraud, Corruption and Bribery Framework was last reviewed in March 2011. Minor changes have been made to the framework generally and in particular the following annexes have been amended:

- Annex 2 – Whistleblowing Policy
- Annex 3 – Housing Benefit/Council Tax Support and/or Universal Credit – Counter Fraud Policy

Annex 2 – Whistleblowing Policy: The policy has been amended to include changes as brought about by the introduction of the Enterprise and Regulatory Reform Act 2013, which is further explained below.

Legal protection for whistleblowers was introduced by the Public Interest Disclosure Act in 1998. Since then the legislation has been subject to serious scrutiny and wide interpretation by the Employment Tribunals. Case law has highlighted the lack of protection for whistleblowers that, as a result of making a protected disclosure, are victimised and harassed by their colleagues, but not their employer.

The Enterprise and Regulatory Reform Act 2013, which came into force on 25 June 2013, seeks to limit the abuses of the whistleblowing legislation by self-interested claimants but also to protect genuine whistleblowers from abusive colleagues.

The following changes have been captured within the Whistleblowing Policy of the Counter Fraud, Bribery and Corruption Framework:

- **Introducing the public interest requirement**
Despite its title (Public Interest Disclosure Act 1998), there has, until now, been no specific requirement that a protected disclosure be made in the “public interest”. This has enabled workers who complain about their individual employment contracts or make the most minor grumbles to claim protection under the whistleblowing rules. The Government has said this was not what the whistleblowing legislation was intended to achieve and that “this loophole” should be closed.
- **Removing the good faith requirement**
The requirement that protected disclosures are made “in good faith” has been removed.

- **Personal liability of employees and vicarious liability of employers**

Recent case law shows that employers could not be held vicariously liable in cases where an employee victimises a whistleblower colleague. This, however, has left whistleblowers who are bullied by other colleagues with little remedy. As a result, the law introduces both personal liability on employees who victimise their whistleblowing colleagues, and vicarious liability on the employer for the same.

Whistleblowers will now have the right:

- Not to be subjected to any detriment by any fellow worker or agent of their employer as a result of their whistleblowing
- To bring a claim in a tribunal against such person as well as their employer
- To treat any such act as done also by the employer, whether done with or without the employer's knowledge or approval

To protect employees, they won't be personally liable for their actions if they have reasonably acted in reliance on a statement by the employer. Most importantly for employers, there is a new defence that they took all reasonable steps to prevent the other worker from victimising the whistleblower.

Annex 3 – Housing Benefit/Council Tax Support and/or Universal Credit – Counter Fraud Policy: The policy has been updated to reflect current legislation and definitions, namely the localisation of Council Tax Support. Specifically the main changes relate to the recovery of overpayments and prosecution policy in relation to the calculation of administrative penalties.

4. OTHER OPTIONS CONSIDERED

None

5. RESOURCE IMPLICATIONS

This report has no direct impact on the Council's resources, including finance/budget, people, land/property etc.

6. RISK AND MITIGATION (INCLUDING HEALTH AND SAFETY AND DATA QUALITY)

None

7. ISSUES ARISING FROM EQUALITY IMPACT ASSESSMENT

None

8. CRIME AND DISORDER IMPLICATIONS

None

9. COMMENT OF FINANCIAL SERVICES

These are contained within the report.

10. COMMENT OF LEGAL AND DEMOCRATIC SERVICES

As part of a robust corporate governance framework it is important that the Council's Counter Fraud and Corruption Framework is reviewed on a regular basis to monitor the outcomes of the Policy and to review its effectiveness. As such the framework is reviewed via a report to the Council's Governance and Audit Committee on a bi-annual basis.

11. COMMENTS OF OTHER RELEVANT SERVICE MANAGER

None

12. APPENDICES:

Appendix A – Counter Fraud, Corruption & Bribery Framework incorporating:

Annex 1 – Seven Principles of Public Life

Annex 2 – Whistleblowing Policy

**Annex 3 – Housing Benefit / Council Tax Support and/or Universal Credit
Counter Fraud Policy**

Annex 4 – Fraud Response Plan

Annex 5 – Anti-money Laundering Policy



Counter Fraud, Corruption & Bribery Framework

September 2013

Incorporating:

- | | |
|----------------|---|
| Annex 1 | Seven Principles of Public Life |
| Annex 2 | Whistleblowing Policy |
| Annex 3 | Housing Benefit/Council Tax Support and/or Universal Credit
Counter Fraud Policy |
| Annex 4 | Fraud Response Plan |
| Annex 5 | Anti-Money Laundering Policy |

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1. Introduction

South Kesteven District Council is determined to maintain its reputation as a Council, which will not tolerate theft, fraud, corruption, bribery or abuse of position for personal gain in any area of its organisation or activities.

The Council has therefore adopted this Counter-Fraud, Corruption and Bribery Framework which is designed to:

- Promote a culture of openness, integrity and accountability on the part of its Members and employees
- Eliminate, as far as possible, opportunities for theft, fraud, corruption, bribery and abuse of position to take place
- Establish effective arrangements for the detection and investigation of any malpractice that does occur and for the imposition of appropriate sanctions against offenders
- Provide suitable information and training for Members and employees to ensure that they are aware of their duty and responsibility to assist the Council to achieve these objectives

The Framework applies to all employees, contractors and any persons or organisations doing business with the Council. It applies to all aspects of the Council's business. The Council may actively involve the Police, pursue prosecution and consider disciplinary action against employees where fraud, corruption and bribery are suspected or identified.

In adopting this framework the Council aims to reflect the values set out in the Seven Principles of Public Life formulated by the Nolan Committee. These principles are set out in Annex 1.

The Council will act swiftly and firmly to deal with any person who is suspected of theft, fraud, corruption, bribery or abuse of their position. Disciplinary action will be taken as necessary and the Police will be involved where appropriate.

The Council will always seek to ensure that persons subject to investigation are treated fairly and will comply with all applicable legal safeguards.

2. Definitions

2.1 Theft is defined as "intentional and dishonest borrowing, misappropriation or misuse of Council assets or facilities, including actions that may fall short of offences under criminal law".

2.2 Fraud: The Fraud Act 2006, effective from January 2007, states that the offence of fraud can be committed in three ways:

- **Fraud by false representation** (Section 2 of the Act) - representation must be made dishonestly and made with the intention of making a gain or causing a loss, or risk of loss, to another. A representation is defined as false if it is untrue or misleading and the person making it knows that it is, or might be, untrue or misleading. Representation can be stated by words or communicated by conduct ie written, spoken or by electronic means

- **Fraud by failing to disclose information** (Section 3 of the Act) - failing to disclose information details that a fraud will have been committed if a person fails to declare information which he/she has a legal duty to disclose. There is a requirement that the person acts dishonestly and intends to make a gain for himself/herself, cause a loss to another or expose another to a risk of loss
- **Fraud by abuse of position** (Section 4 of the Act) - requires a person who is in a privileged position to act dishonestly by abusing the position held; and by doing so, fails to disclose to another person, information which he/she is legally required to disclose. The dishonest act must be with the intention of making a gain for him/herself or another. Alternatively, it may be with the intention of causing a loss or risk of loss to another. The offence may be committed by omitting to make a declaration as well as by an act.

Further information may be obtained from the internet under 'The Fraud Act 2006'.

- 2.3 Corruption:** Where someone is influenced by bribery, payment or benefit-in-kind to unreasonably use their position to give some advantage to another.
- 2.4 Irregularity:** An irregularity may be any significant matter or issue, other than fraud or corruption, which may warrant consideration or investigation. An example of an irregularity may be where a member of staff makes a genuine error or mistake in the course of their duties/responsibilities but where this error or mistake is subsequently hidden perhaps to the on-going detriment of the Council. Additionally, an irregularity may involve consideration of the possible inappropriate use of the Council funds or assets which may or may not constitute fraud, theft or corruption
- 2.5 Bribery:** The Bribery Act 2010 reforms the criminal law to provide a new, modern and comprehensive scheme of bribery offences that will enable courts and prosecutors to respond more effectively to bribery at home or abroad. The Bribery Act will apply to all organisations based or operating in the UK. The Act covers all forms of bribery, directly or indirectly, whether or not it involves a public official in the UK or abroad. There are offences for individuals and a corporate offence for organisations and partnerships. Penalties for non-compliance are serious. In the past bribery has been viewed within the definition given above for corruption.

The Bribery Act introduces four main offences:

Note – A 'financial' or 'other advantage' may include money, assets, gifts, hospitality or services.

- 1. Offences of bribing another person** – A person is guilty of an offence if he/she offers, promises or gives a financial or other advantage to another person.
- 2. Offences relating to being bribed** – A person is guilty of an offence if he/she requests, agrees to receive or accepts a financial or other advantage. It does not matter whether the recipient of the bribe receives it directly or through a third party, or whether it is for the recipient's ultimate advantage or not.
- 3. Bribery of a foreign public official** – A person who bribes a foreign public official is guilty of an offence if the person's intention is to influence the foreign public official in their capacity, duty or role as a foreign public official.

- 4. Failure of commercial organisations to prevent bribery** – Organisations, which includes Local Authorities, must have adequate procedures in place to prevent bribery in relation to the obtaining or retaining of business.

Further information may be obtained from the internet under 'Bribery Act 2010'. To protect yourself and the Council, any Council Officer who is offered a bribe by way of money, assets, gifts, hospitality or services must advise their line manager immediately.

All gifts and hospitality must be declared and registered.

- 2.6 Abuse of position for personal gain** is defined as: "making, contributing to or influencing a decision of the authority to take or to avoid any action, when such a course is motivated by improper consideration of financial or other advantage for the individual concerned or for any other person."

3. Maintaining Effective Corporate Governance

The Council is committed to promoting an environment of effective corporate governance (the way in which we manage our affairs) through the openness, integrity and accountability of its Members and employees.

Members and employees are expected to adhere at all times to legally sound and honest procedures and practices.

The Counter Fraud, Corruption and Bribery Framework underpins the commitment already made by the Council to provide the highest quality of services to all of our residents and customers by:

- Promoting clear and positive community leadership
- Consulting with and listening to local people in its planning and decision making
- Making the most efficient and effective use of public resources through the rigorous application of value for money principles
- Encouraging co-operative and partnership working with public, private and voluntary organisations
- Supporting, valuing and developing its Members and staff thereby enabling them to contribute to the continuous improvement of the quality of services

Elected Members set the tone for the Council as a whole. By being seen to take seriously all matters involving financial probity and standards of personal conduct, Members will provide a clear lead to all persons involved with the Council in any capacity.

The following senior officers have statutory responsibilities for regulating the conduct of the Council.

- The Chief Executive responsible for the overall management and direction of the Council
- The Section 151 Officer responsible for the financial management and financial probity of the Council
- The Monitoring Officer responsible for the legal probity of the Council

The Chief Executive, Strategic Directors and Heads of Service have responsibility for the proper organisation and conduct of their services. The Council expects them to maintain an environment in which employees and others feel comfortable in raising issues relating to the way in which business is conducted.

The Council expects and requires all of its employees to display honesty and integrity in their personal dealings with the Council, both as members of staff and as users of Council services. The good sense and alertness of employees can also prove vital in drawing management attention to any areas of systems weakness which could provide opportunities for fraud.

The Council also expects and requires all individuals and organisations (such as contractors, voluntary bodies and service users) with which it comes into contact to act towards the Council with honesty and integrity.

All Members and employees must ensure always that they avoid situations where there is potential for a conflict of interest. Such situations can arise with externalisation of services, licensing, tendering and planning and land issues. Effective role separation will ensure that decisions are seen to be based on impartial advice and avoid concern about the improper disclosure of confidential information.

4. Raising Concerns

Anyone who has a genuine concern about potential fraud, corruption, bribery, or weak financial systems within the Council is encouraged to bring it to the Council's attention (in confidence) through any of the following channels:

- The Chief Executive
- The Section 151 Officer
- Head of Finance
- The Monitoring Officer
- Any other Strategic Director or Head of Service
- Governance & Risk Officer
- The Council's internal auditors

All of the above are required by the Council to take such concerns seriously and to ensure that they are properly investigated.

If you are not certain as to the extent of the problem you have identified you should still report it. What appears, on initial consideration, to be only a minor incident can sometimes turn out to be much more serious after investigation.

The only circumstance in which someone raising an issue could face criticism or (in the case of employees) disciplinary action is where they have made a malicious or vexatious allegation which they know to be untrue.

If, for any reason, you feel unable to raise your concern through any of the contacts listed above, you can also approach any of the following:

- A councillor (name and telephone numbers are available on the internet/intranet or from Democratic Services)
- The External Audit Manager (the external auditor is not a Council employee and is not subject in any way to the Council's control). Telephone: 0115 935 3545
- The Local Government Ombudsman. Telephone: 01904 380200

The Council has adopted a **Whistleblowing Policy** to encourage and enable members of staff to raise serious concerns. The Whistleblowing Policy is set out in full as **Annex 2**.

In addition, members of the public are encouraged to report any concerns. If any person genuinely believes that someone is committing a crime they should immediately report their suspicions.

Lincolnshire Councils now have one confidential hotline:

0800 0853716

and one confidential email address:

whistleblowing@lincolnshire.gov.uk

5. Prevention

The Council recognises that prevention is better than cure. Fraud, corruption and bribery will be minimised where proper procedures are followed, sound financial systems are in place and effective arrangements are made for oversight and monitoring.

The Council has developed a comprehensive network of procedures and systems to provide deterrence against fraud, corruption and bribery and to assist in their detection. These arrangements will be reviewed and developed as necessary to keep pace with future developments.

The following paragraphs provide a summary of the arrangements that the Council currently has in place:

5.1 Members of the Council

All Members of the Council are required to comply with relevant legislation, with the Member Code of Conduct and with the Council's Standing Orders including those relating to Finance and Contracts. These are set out in the Council's Constitution.

Members sign to indicate that they have read and understood the Member Code when they take office. Conduct and ethical matters are specifically covered within Members' induction and refresher training.

Members are required to register financial and other interests in the Register of Members' Interests maintained by the Monitoring Officer. Members are responsible for ensuring that the information recorded about them in the Register is kept up to date.

Members are required, at the earliest opportunity, to declare their personal and prejudicial interests in respect to matters being discussed at meetings of full Council, the Cabinet, Committees, Boards and Panels. They are also expected to comply with the Member Code when representing the Council on external bodies.

Members are required to declare the receipt of all gifts and hospitality over the value of £50 in a separate Register maintained by the Monitoring Officer. Items of a lower value can also be entered in the Voluntary Register.

Member behaviour is also governed by the Planning Code of Good Practice and the Member/Officer Relationship Protocol, which form part of the Constitution.

The Council's Standards Committee sets and monitors standards of conduct. It includes independent Members who are neither Members nor employees and is chaired by an independent Member.

5.2 Employees

A key preventative measure is for managers to take effective steps at the recruitment stage to establish, as far as possible, the suitability, honesty and integrity of potential employees. Temporary and contract appointments need to be considered in this context as well as permanent appointments.

Managers should consider whether criminal records checks are appropriate for particular appointments. Further advice on the relevant procedures can be obtained from the Monitoring Officer and/or Human Resources.

The Council's Code of Conduct for Employees sets out the Council's expectations and requirements for personal conduct including a policy statement on personal interests. Employees are reminded that they should not use their professional position within the Council to seek advantage. A copy of the Employee Code is available on the intranet and reproduced within the Constitution.

Employees must declare to the Monitoring Officer any pecuniary and/or non-pecuniary interests in Council contracts in accordance with Section 117 of the Local Government Act 1972.

Employees are not permitted to accept any fees or rewards whatsoever other than their proper remuneration. Where any gifts, other than small value gifts freely available at conferences/seminars etc, or hospitality are accepted on behalf of the Council these must be recorded in the appropriate Gifts and Hospitality Register which is maintained by the Monitoring Officer.

The Council has Disciplinary Procedures in place which are applicable to all employees. This procedure will be used in the event of any action taken against an employee of the Council

All managers must actively promote the Council's counter fraud culture. They must pay particular attention to cases where employees, for example, do not regularly take annual leave and to situations where recognised checking mechanisms have broken down due to sickness or vacancies. Such situations could point to the existence of, or lead on to, fraud, corruption and bribery.

5.3 The Monitoring Officer

The Council has designated the Head of Legal and Democratic Services as being its Monitoring Officer in accordance with the requirements of the Local Government Act 2000. The Monitoring Officer is under a duty to report to the Council if at any time it appears to her that any act, proposal, decision or omission by the Council is contrary to law.

5.4 Financial Systems & Procedures

The Council has appointed the Strategic Director (Corporate Focus) and the Head of Finance as the officers responsible for making arrangements for the proper administration of its financial affairs under the provisions of Section 151 of the Local Government Act 1972.

These officers also have responsibilities under Section 114 of the Local Government Act 1988 to make a formal report to the Council in the event that it appears to them that it has incurred, or may incur, unlawful expenditure or expenditure in excess of the resources available to the Council.

The Council's approved financial procedures are set out in:

- Financial Regulations and accompanying guidance notes
- Standing Orders in Relation to Contracts (linked to the Councils Contract Procurement and Procedure Rules).

These procedures are binding on all employees and on all Members of the Council.

It is the responsibility of Directors, Heads of Service and Service Managers to ensure that the procedures operated by their staff comply with the requirements set out in these two documents. Advice can be obtained from the Head of Finance whenever needed.

The Financial Regulations form the basis on which systems have been designed to cover all aspects of the Council's financial administration. A key element is the requirement for separation of duties to ensure that errors and opportunities for fraud are minimised. Heads of Service and Service Managers are responsible for ensuring that the financial systems used in their sections are properly followed and documented, and that the appropriate controls are maintained.

In accordance with the requirements of the Accounts and Audit Regulations, the Council maintains an effective internal audit service. The Council's internal audit service is supplied on a contract basis.

Internal audit provide an independent review as to whether financial systems are being operated in an appropriate and effective manner. Any weaknesses identified are reported to management who have the duty to take corrective action.

It is a requirement that Local Authorities alert all acts of fraud and/or corruption exceeding £10,000 in value. The Council's Head of Finance will co-ordinate the completion of the appropriate documentation which will be sent to External Audit. Managers are required to notify the Head of Finance of all acts of fraud and/or corruption exceeding £10,000 in value and complete the relevant paperwork.

5.5 Housing and Council Tax Benefits

In relation to Housing Benefit fraud, the Council has a dedicated Housing Benefit Investigation Team which is responsible for the investigation of potential benefit fraud. The Council recognises it faces special challenges in ensuring the financial integrity of the benefits system, whilst maintaining a quality service for law abiding applicants and landlords. It has therefore adopted a detailed Counter-Fraud Policy for the benefits service, which is integral to the overall policy framework set out in this document (see Annex 3).

5.6 IT Security

The Council's IT arrangements are designed to ensure the secure use of systems for their approved purposes. Specific policies have been developed to regulate the following areas of risk:

- Unauthorised access to and use of Council equipment and systems
- Disclosure of confidential information
- Importing of unapproved data and programs
- The threats posed by virus infections
- Improper use of e-mails and the internet

5.7 External Safeguards

The Council's external auditors are required to comply with their own Code of Audit Practice.

The Council is committed to maintaining a positive and constructive relationship with its external auditors. The Code emphasises the responsibility of the authority's own management to prevent and detect fraud, corruption and bribery. An important part of the role of external audit is to review the effectiveness of the Council's arrangements for meeting this responsibility.

The Council co-operates with other local authorities and other bodies in combating fraud, corruption and bribery. Data may be exchanged with these organisations where appropriate and subject to compliance with the Data Protection Act 1998. These bodies include:

- The Council's External Auditor
- Chartered Institute of Public Finance and Accountancy
- The Local Government Ombudsman
- HM Revenue and Customs
- Lincolnshire Constabulary
- The Department for Work & Pensions (DWP)
- Department of Communities and Local Government
- Other local authorities

Information obtained direct from members of the public is also important in bringing issues to the Council's attention. This can include complaints lodged under the Council's complaints procedure and questions raised with the External Auditor during the audit of the Council's accounts.

6. Money Laundering

Any Service within the Council that receives money from an external person or body is potentially vulnerable to a money laundering operation. The need for vigilance is vital and if there is any suspicion concerning the appropriateness of a cash transaction this must be reported to the Head of Finance, the Council's nominated Money Laundering Reporting Officer, without alerting the payee.

The possibility of money laundering through corporate borrowing and lending is minimised through the application of best practice in the Council's Treasury Management Function. The Council's Treasury Management Strategy complies with the CIPFA (Chartered Institute of Public Finance & Accountancy) publication, Treasury Management in the Public Services – Code of Practice and Cross Sectoral Guidance Notes.

The Council's Legal Services have their own professional guidance in relation to Money Laundering which places a duty on solicitors to report any suspicions. These may override their legal professional privilege and confidentiality.

The Council's current Anti-Money Laundering Policy is attached as Annex 5.

7. Detection and Investigation

7.1 Detection

Internal control procedures are designed to deter fraud and can also provide indicators of where fraudulent activity may be occurring. Where large amounts of

data are involved statistical analysis can also highlight individual transactions that fall outside normally expected parameters and are worthy of examination.

It is often the alertness of Members, employees and members of the public to potential fraud that enables detection to occur and appropriate action to take place.

All employees have a duty to report suspected irregularities to their Service Manager or through the other channels that are set out in this framework. It is essential that these channels are seen to be fully supported by all managers.

7.2 Investigation

Strategic Directors, heads of service and Service Managers must report all instances of potential fraud or corruption immediately to the S151 Officer or Head of Finance. This duty applies even where the amount of money involved may appear to be relatively trivial as an apparently minor matter can turn out to be much more significant after investigation.

In consultation with the Chief Executive, the Section 151 Officer/Head of Finance will determine how a potential instance of fraud or corruption will be investigated. The options available to them include:

- Conducting an internal investigation by Council staff
- Asking Internal Audit to investigate
- Asking the External Auditor to investigate
- Referring the matter to the Police

The Council may also work in co-operation with one or more of the following bodies who will assist in scrutinising the Council's systems and defend against fraud, corruption and bribery:

- Local Government Ombudsman
- Central Government Departments, Inspectorates
- HM Customs and Excise
- Inland Revenue
- Department For Works and Pensions
- Police

Whichever investigation route is chosen senior management will ensure the full co-operation and support of Council staff. Council contractors will also be expected to co-operate with an investigation where appropriate.

Where an investigation includes reference to the actions or conduct of Members full cooperation will be expected from the Members concerned.

All investigations undertaken by the Council will comply with relevant legislation and codes of practice, in particular the:

- Police and Criminal Evidence Act 1984
- Criminal Procedure and Investigations Act 1996
- Human Rights Act 1998
- Regulation of Investigatory Powers Act 2000 (RIPA) - limited use and confined to serious crime only as directed by local Magistrates
- Data Protection Act 1998

Specific investigation procedures involving direct or covert surveillance carried out by Council employees or agents will be properly authorised, documented and reported in accordance with RIPA. Employees are expected to fully comply with the Surveillance Guidelines and Procedures issued by the Council.

Investigations will also have full regard to the provisions of the Council's Equalities Policy.

Where the outcome of an investigation indicates improper conduct on the part of an employee the Council's disciplinary procedures will be applied. Referral of any matter to the Police will not be a bar to disciplinary action.

Where financial impropriety is discovered or suspected the Council may call the Police in. Following a Police investigation the Police themselves and the Crown Prosecution Service will determine whether to pursue a criminal prosecution.

Where a suspected irregularity is material, or could seriously affect the reputation of the Council, then the Leader, Deputy Leader and relevant Cabinet Member must be informed.

The type and nature of reports to management will vary according to the type of alleged fraud being investigated. These reports although confidential may need to be forwarded to specified individuals eg the Police, other Government Agencies, Heads of Service and Executive Directors.

The Council may initiate prosecutions in the case of benefit fraud, as detailed in its Benefit Counter-Fraud Policy (see Annex 3).

The Council may also decide to initiate civil legal action to recover any losses it has suffered.

Where a court conviction has been secured the Council will normally issue a press release to assist the local media in covering the story. The Council believes that such publicity can serve as a deterrent to the commission of other offences.

8. Training & Awareness

The Council recognises that the continuing success of the counter-fraud framework will depend to a considerable extent on the effectiveness of its training programmes and the responsiveness of its Members and employees. With that in mind, training programmes will be used to reinforce counter-fraud awareness throughout the authority.

Member induction courses will stress the need for Members to set the tone for the authority by full compliance with ethical and conduct standards.

Directors, Heads of Service and Service Managers are reminded of their special responsibility for ensuring that opportunities for fraud, corruption and bribery are minimised within their areas of responsibility and, that where such problems are suspected, they are promptly reported to the S151 Officer or Head of Finance.

Induction courses for employees do generally include some coverage of conduct issues including conflicts of interest, gifts and hospitality, and an explanation of the Whistleblowing Policy, although this should be explained in more detail by the Line Manager.

For employees involved in internal control systems, the importance of adhering to authorised procedures, particularly in relation to separation of duties is stressed.

9. National Fraud Initiative (NFI)

The Council also participates in the National Fraud Initiative (NFI) which is a sophisticated data matching exercise that matches electronic data within and between participating bodies to prevent and detect fraud. The Council may also participate in similar initiatives run by other bodies such as the Inland Revenue.

This section acts as notification to employees that their data will be provided, upon request, to comply with the requirements of the NFI and in conjunction with the Fair Processing Notice.

Participants in the NFI data matching exercise must inform individuals that their data will be processed as required by the Data Protection Act 1998. This is known as the Fair Processing Notice. The Fair Processing Notice, which is published on the Council's website, must clearly set out an explanation that their data may be disclosed for the purpose of preventing and detecting fraud and that their data will be provided for this purpose as well as where to obtain more information about the processing in question.

10. Monitoring

This framework forms part of the Council's arrangements for Corporate Governance. There is a requirement for the Council to monitor the outcome of this framework and review its effectiveness. As such the framework is periodically reviewed, updated and reported to the Governance and Audit Committee.

Seven Principles of Public Life as formulated by The Nolan Committee (The Committee on Standards in Public Life)

1. Selflessness

Holders of public office should take decisions solely in terms of public interest. They should not do so in order to gain financial or other material benefits for themselves, their family or their friends.

2. Integrity

Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might influence them in the performance of their official duties.

3. Objectivity

In carrying out public business, including making public appointments, awarding contracts or recommending individuals for rewards or benefits, holders of public office should make choices on merit.

4. Accountability

Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.

5. Openness

Holders of public office should be as open as possible about all decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands.

6. Honesty

Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.

7. Leadership

Holders of public office should promote and support these principles by leadership and example.

Whistleblowing Policy

Introduction

At South Kesteven District Council we want to make sure that we are providing excellent services to the residents of the district. Our staff, Councillors, partners and contractors have an important role to play in achieving this goal and we expect everyone to be committed to our high standards of service which are based on the principles of honesty, openness and accountability.

We know that we face the risk that something may go wrong or that someone may ignore our policies, our procedures or the law resulting in some very serious consequences. Experience shows that staff, or others who work on behalf of an organisation, often have worries or suspicions and could, by reporting their concerns at an early stage, help put things right or identify and stop potential wrongdoing.

A **Whistleblower** is generally a term used for a person who works in or for an organisation and raises an honest and reasonable concern, in the public interest, about a possible fraud, crime, danger or other serious risk that could threaten colleagues, service users, customers, members of the public or the success and reputation of the organisation.

We want you to feel that it is safe and acceptable to tell us about your concerns so that we can investigate and take action as soon as possible. We recognise that you may be worried about reporting for a number of reasons:

- fear of reprisal or victimisation (eg loss of job)
- too much to lose (reputation, damage to career etc)
- feelings of disloyalty
- worries about who may be involved
- you have no proof only suspicions
- fear of repercussions if there is no evidence or you are proved wrong

We welcome all genuine concerns and will treat your issues seriously - this policy explains how to raise a concern, the types of activity you should report, the protection we can provide, confidentiality, our response and how you can take matters further, if necessary.

We want to assure you that there is no reason to remain silent. Your decision to talk to us may be difficult but, if what you are saying is true, you have nothing to fear as you are following the Council's Code of Conduct and helping to protect the users of our services and the residents of South Kesteven. We will not allow any harassment or victimisation and we will take action to protect those of you who raise concerns in the public interest.

This policy does not replace our existing employment policies: grievance, equal opportunities and disciplinary and capability. You should use these policies if you have a personal grievance or are unhappy with the way you are being treated. Our Whistleblowing arrangements are not intended to give you a further opportunity to pursue a grievance or complaint once you have exhausted the relevant employment procedures.

You may be a member of the public with concerns or information which you think we should know about or look into. You should, however, follow the Complaints process if your concern is about a particular service that we have provided you.

Scope

You can use our Whistleblowing arrangements if you are: a Councillor, Council employee, a contractor, partner or member of the public. Our policy also applies to agency staff, contractor staff and suppliers providing goods or services to, or on behalf of, the Council.

Our Whistleblowing arrangements do not replace the following:

- Safeguarding Children Policy & Procedure
- Complaints Policy
- Disciplinary and Capability Procedure
- Grievance Procedure
- Equal Opportunities Policy

You should only consider raising concerns through our Whistleblowing arrangements if:

- there is a public interest aspect
- you have genuine reasons why you cannot use the above policies and procedures
- you have reason to believe that these policies are failing or are not being properly applied

Protection and Confidentiality

The Whistleblowing law is contained in the Public Interest Disclosure Act 1998 (PIDA) and the Enterprise and Regulatory Reform Act 2013. Public bodies, such as this Council, are required to have a Whistleblowing policy and to ensure that employees are not victimised or dismissed for raising their concerns internally. This also applies to those who, as a last resort, feel the need to take their concerns to an outside body, such as the Local Government Ombudsman.

We will not tolerate any harassment or victimisation (including informal pressure) and we will take action to protect you when you raise a concern in good faith. We will take any disciplinary or corrective action should anyone attempt to victimise the whistleblower or prevent concerns being raised.

You may feel that the only way you can raise your concerns is if we protect your identity. We will respect your confidentiality as far as we possibly can but there are times when we cannot guarantee this, for example, where a criminal offence is involved or if there are child protection issues.

If we proceed to a formal investigation we may require you to give evidence along with other employees and witnesses; we are, in some circumstances, able to do this without disclosing the identity of the whistleblower. A statement from you may also be required as part of criminal proceedings or Employment Tribunal – this depends on the nature of the concern.

We will attempt to ensure the whistleblower's identity is not disclosed to third parties without a court order. If the information you provide includes personal information about another person, then that person may be entitled to access it under subject access provisions of the Data Protection Act. If releasing that information could reveal details about the whistleblower, we will always ask for your consent prior to releasing the information.

If your whistleblowing disclosure results in an internal investigation and you provide a witness statement under that process, your statement may be used for disciplinary purposes. This means your statement may be given to the subject as part of a disciplinary hearing. An employee subject to the disciplinary process can ask to see personal information held about them at any time under the subject access provisions of the Data Protection Act – this may include information within your statement. If it is possible to provide access to personal information within your statement without revealing any information about you, we will do so. If this is not possible, we will always seek your consent before releasing any information.

If your statement is not required for disciplinary purposes it will be:

- held confidentially on our case file (until the case file is destroyed after 7 years)
- released only with your consent or a Police/Court Order

The Council:

- does not expect you to give us your consent – this is your decision alone – but we are required by law to ask you
- does not need a reason should you choose to refuse the request

If you find yourself the subject of a whistleblowing disclosure and a decision is made to investigate, the Council will follow the appropriate employment procedure: equal opportunities, grievance or disciplinary and capability. This means you will have all the rights contained in that procedure, such as, the opportunity to respond to the allegation and representation at the investigatory interview.

What you should report

We encourage you to use our whistleblowing arrangements for issues such as:

- conduct which is a criminal offence or breach of law eg suspected fraud or corruption
- a breach of our Code of Conduct for staff or Councillors
- sexual, physical or verbal abuse of our customers, employees or public
- dangerous procedures risking the health & safety of our clients, employees or public
- unauthorised use of public funds
- damage to the environment (eg land, buildings, highways, water, air, waste, energy, transport, natural habitat etc)
- unethical or improper conduct
- services that fall seriously below approved standards or practice
- failure to follow the Council's policies and procedures

NB This is not an exhaustive list

Anonymous or untrue allegations

We do not encourage anonymous reporting as the concerns are more difficult to investigate and are generally less powerful. We would like you to put your name to the allegations whenever possible and remind you of the protection we can provide if we know who you are.

Anonymous whistleblowing referrals will be considered at the discretion of the officers handling your concern, in consultation with the service area, where appropriate. This discretion will be based on the:

- seriousness of the issues raised
- credibility of the concern

- likelihood of confirming the allegation from an attributable source
- evidence base

It may be that our investigations do not confirm your allegation. We take all concerns seriously and can assure you that no action will be taken against you if you have raised the concern in good faith.

If we find that you have made the allegation maliciously or for personal gain we will take action and you will not be eligible for protection under PIDA.

How to raise a concern

We encourage you initially to raise your concern internally – this allows the Council the opportunity to right the wrong and give an explanation for the behaviour or activity. We also advise staff to report any allegation to their line manager. We recognise that your first actions will depend upon the seriousness and sensitivity of the issues and who you believe to be involved. We advise that you make it clear that you are raising your concerns under the Council's whistleblowing arrangements – this will help managers respond in line with this policy.

If you are in any doubt about what you should do, you can contact:

- | | |
|--------------------------|---------------|
| • S151 Officer | 01476 406301 |
| • Monitoring Officer | 01476 406105 |
| • Head of Internal Audit | 0115 948 9400 |

You may wish to raise the matter in person and you can do this by using one of the contact numbers above or alternatively you can contact the Council's confidential freephone whistleblowing number on 0800 0853716.

The Investigations Team at Lincolnshire County Council operate this dedicated reporting line during normal working hours (9am to 5pm). If you call this number out of hours you can leave a message on the answer phone which is located in a secure area.

Concerns are better submitted in writing – we need the background and history of your concern, giving names, dates and places (where possible). We would like you to explain why you are concerned about the situation – we do not expect you to prove the truth of an allegation but you will need to show that there are sufficient grounds for your concern.

You can write directly to one of the officers named above or you can use the confidential PO Box or email address (which is monitored by a nominated officer within the Investigations Team).

Lincolnshire County Council
PO Box 640
Lincoln
LN1 1WF

email address: whistleblowing@lincolnshire.gov.uk

Staff can also invite their trade union representative or a work colleague to raise a concern on their behalf.

Remember the earlier you raise the concern, the easier it is to take action.

How we will respond

Our response will depend on the nature of the concern raised and may be:

- advice only
- resolved by agreed action without the need for investigation
- investigated internally (by management, internal audit or other independent investigators)
- referred to the relevant safeguarding team (child protection or vulnerable adults)
- referred to the Police
- referred to the external auditor
- the subject of an independent inquiry

We may carry out initial enquiries in order to protect individuals or employees and those accused of wrongdoing. We will use the results of these enquiries to decide whether an investigation is needed and if so, what form it should take. If urgent action is required this will be taken before we start any investigation.

We will acknowledge your whistleblowing disclosure within 5 working days. Within the next 10 working days we will write and explain how we propose to deal with the matter. The whistleblower will be:

- given an estimate of how long it will take to provide a final response
- told if initial enquiries have been made
- told if further investigation is required, and if not, why not (where appropriate)
- given details of support mechanisms
- advised of the investigating officer (where appropriate)
- advised how we will inform you of progress

The amount of contact between you and the Officer considering your whistleblowing disclosure will depend on the nature of the concerns raised. For example, if further investigation is required, the investigator may need to seek additional information from you.

If a meeting is necessary, this can be held off site if you prefer. If you are an employee you will have a right to be accompanied – this will be a union representative or work colleague (not involved in the area where the concern exists). If you are not an employee you may wish to bring a friend with you – a neutral venue can be arranged, where required.

We will help with any difficulties you may experience as a result of raising a concern – we will, for example, provide advice if you are required to give evidence for criminal or disciplinary proceedings. Sometimes whistleblowers have counter-allegations made against them. The Council has a duty to investigate any concerns that it receives and that will apply in these circumstances. However this will not detract from the principles, as set out in this policy, which govern how the Council will respond to whistleblowers. The over-riding objective will be to establish the truth.

Records will be retained of all work carried out and actions taken to address the concerns raised by the whistleblower, including the investigator's case file, where relevant. All files will be held securely and confidentially, in accordance with the Council's retention of records policy.

At the end of our investigations we will provide feedback to the whistleblower (if known) on actions taken and limited detail on the outcome of investigations. Feedback will be subject to legal constraints but we do recognise the importance of providing you with assurances that the matter has been dealt with properly.

Taking the matter further

If you have genuine concerns about how we have handled your whistleblowing disclosure you can raise this with the investigating officer(s) and/or the Monitoring Officer. We hope that you will be able to reach a suitable conclusion to the matter but if you remain dissatisfied you can contact the Council's external auditors at:

KPMG LLP
St Nicholas House
31 Park Row
Nottingham
NG1 6FQ

Tel: 0115 935 3545

You may also refer your concern to the Local Government Ombudsman but they generally do not take any action until the matter has been dealt with internally first. They can be contacted at:

The Local Government Ombudsman
PO Box 4771
Coventry
CV4 0EH

Tel: 0300 061 0614 (Advice Team)

We would like to remind you that employees are not to report any Council related issues to the media – to do so may be considered a breach of the Council's Disciplinary Policy and Code of Conduct.

Monitoring

The Head of Finance will provide an annual report to the Council's Governance & Audit Committee which has responsibilities for overseeing the effectiveness of the Council's governance arrangements. All reporting will be anonymised and will only identify common themes, numbers of disclosures year on year and will highlight actions taken to improve systems and policies.

Housing Benefit/Council Tax Support and/or Universal Credit Counter-Fraud Policy

Statement of Intent

South Kesteven District Council is committed to the delivery of Housing Benefit/Council Tax Support and/or Universal Credit to all eligible residents in the District. Benefits are for those who are most vulnerable in society and should be assessed and paid within Government Guidelines.

The Council is committed to ensuring that claimants receive the benefits to which they are entitled and will seek to ensure that benefits are taken up by all those people who are entitled to them.

However, the Council recognises that some people will obtain benefits to which they are **not** entitled. Where this occurs the Council will consider prosecution with reference to the Code for Crown Prosecutors, the Social Security Administration Act (1992) or other relevant legislation.

Benefit Administration and Counter-Fraud Action

The Council believes that it is important to discourage and prevent fraud from taking place in the first instance and will implement rigorous procedures for the verification of claims. The minimum standard for verification will be the guidelines given in the Department of Works and Pensions (DWP) Verification Framework. However, although claims for benefit will be subject to close scrutiny, the Council is committed to delivering benefit within the official government time scales. Assistance will be given by the Council to claimants of benefits in completing and applying for benefit and to maximise take-up.

Procedures have been developed to ensure that all post and documents received by the Council are handled in a secure manner.

The Council's application form for Housing Benefit/Council Tax Support and/or Universal Credit includes questions and instructions in plain language giving the customer clear directions as to what is required of them. The form carries warnings and information, so that the claimants will understand the risks, should they choose to misinform the Council of their personal circumstances. The form contains all the information that applicants will require to understand their rights.

The Council has put in place systems which allow customers to request assistance to complete their application form and to inform the Council of changes to their circumstances.

The Council is committed to controls designed to prevent fraud being perpetrated by its own staff. Therefore, all staff employed in the Benefits and Investigation Units will be rigorously vetted at the time of application and throughout their employment. If misrepresentation is found to have occurred on the application form or interview or during their employment, disciplinary action will be considered.

Claimants of Housing Benefit/Council Tax Support and/or Universal Credit will be asked to attend interviews, complete regular postal reviews or be visited at home by a visiting officer in accordance with the DWP Verification Framework. Third parties may be contacted to verify information given to the Council in accordance with the Council's

Data Protection Act Registration, Social Security Acts and Police and Criminal Evidence Act.

Where it is deemed necessary the Council will allow for:

- an interpreter or relevant support mechanisms to ensure a fair and consistent level of understanding
- flexibility, where possible, in scheduling meetings to accommodate childcare or parental responsibilities/issues
- suitable rooms with easy access for those with disabilities, hearing loop service/sign language support and an appropriate adult for those with learning difficulties or under the age of 18
- flexibility in scheduling meetings to accommodate religious days and beliefs

Working in Partnership with other Organisations

Working in Partnership

The Council will work with other organisations such as those indicated below to protect public funds and prevent, detect, investigate and prosecute cases of benefit fraud.

- The Police
- DWP
- HM Revenue and Customs
- Other Councils
- Other Council departments

The Council is committed to the exchange of information with other organisations, either on a case basis or through the mechanism of data-matching, and will observe the law on Data Protection and the rules of confidentiality at all times.

Data Matching Exercises

The Council uses the DWP Housing Benefit Matching Service, which checks claims for benefits against other local authority and government databases. The Council also uses the National Fraud Initiative which allows comparison of Housing Benefit data against other data sources. The Council will also run data matching exercises against its own databases, which will include databases holding information on Council employees and Council Members.

At all times, the Council will observe the advice and guidance of the Data Protection Registrar in the area of Data Matching.

Resources

The Head of Finance will appoint Fraud Investigators and provide training to enable these officers to carry out investigations in a skilled and professional manner.

The Chief Executive, as Head of Paid Service, is also empowered to appoint inspectors giving powers of entry and inspection in accordance with S.110 of the Social Security Administration Act 1992. Fraud investigators who are deemed to be fit and proper persons and trained to exercise S.110 powers will be appointed as Inspectors with a warrant card under this specific provision. The warrants may be withdrawn in the event of abuse, misconduct, termination of employment or transfer from fraud duties. Inspectors may inspect business premises and documents and interview persons who may have information relevant to a Housing Benefit/Council Tax Support and/or Universal Credit claim.

Fraud investigators and appointed inspectors may be subject to vetting prior to appointment and throughout their employment to demonstrate their integrity and probity. An external organisation may be contracted to provide these services.

Publicity

- A balanced approach to publicity will be adopted ensuring that those who qualify for benefits take up their entitlement, but that misrepresentation and abuse of the benefits system will not be tolerated
- The existence of an investigation team will be advertised in Council publications and notifications and through other media where appropriate
- A **Counter Fraud Hotline 01476 406262** to enable the public to report suspected benefit fraud will be maintained. The Hotline will treat all calls received on a strictly confidential basis
- Fraud investigators will investigate information received
- Successful prosecutions will be reported to the media. Joint publicity activity with other organisations may be appropriate where prosecutions have been undertaken jointly with one or more organisations

Whistleblowing

The Council will investigate all allegations received and investigations will be carried out in accordance with the Council's Whistleblowing Policy and Fraud Response Plan. (See Annex 2 & Annex 4)

Data Protection Act

The Council will be registered under the Data Protection Acts for the purposes of detecting, investigating and prosecution of benefit fraud. The Council will also use the exemptions granted under the Acts for investigating criminal offences.

Duties and Considerations of Counter-Fraud Officers

When investigating fraud, Council fraud investigators, inspectors and visiting officers will work within the guidelines of the Police and Criminal Evidence Act and apply the Council's policies on equal opportunities and customer care. The Council's officers will at all times apply appropriate procedures to maintain confidentiality.

It is the duty of the fraud investigators, inspectors and visiting officers to investigate all referrals of suspected or alleged benefit fraud and to establish the facts of each case.

Duties and Considerations of all Council Employees

The Council requires **all** Council officers involved in the administration of finance and/or benefits to report to the Head of Finance details of any property that they are renting to tenants and any benefit claims to which they have some connection. This may be a benefit claim where the officer is the landlord, the claimant, a partner, dependant or non-dependant on the application. If a benefits officer has knowledge of a claim where they are a "relative", as described by Regulation 2 of the Housing Benefit Regulations, they must report the case to Head of Finance¹.

¹ Housing Benefit Regulations 2006 Reg. 2

"Relative" means a close relative, grandparent, grandchild, uncle, aunt, nephew or niece

"Close relative" means a parent, parent-in-law, son, son-in-law, daughter, daughter-in-law, step-parent, step-son, step-daughter, brother, sister, or if any of the preceding persons is one member of a couple, the other member of that couple.

Council Officers involved in finance and/or benefits will also need to declare any secondary employment to ensure that it does not conflict with their Council employment.

All Council officers are reminded on appointment of the rules of confidentiality and Data Protection Acts. Any breach may be subject to disciplinary proceedings and may also be the subject of a criminal proceeding under the Social Security Acts.

The interest of a member of the benefits staff in a benefit claim must be registered in the Register of Interests in accordance with established procedures. Council officers must remain above suspicion when dealing with benefit claims. They must not administer, determine or investigate a claim where the claimant or household is known personally to them. To avoid conflicts of interest these claims must be handled by another officer decided by the Head of Finance.

Gifts and hospitality offered to Council employees as a consequence of their role as an employee of the Council must be reported to a senior officer and registered in the Register of Gifts and Hospitality in accordance with established procedures. This recognises that Council Officers should not be placed in a position which may affect their impartiality in dealing with customers and their claims.

Any Council officer found to be involved in an offence under the Social Security Act 1992, or any other criminal offence involving claims of benefit either at this Council, any other Council or the Benefits Agency will be disciplined under the Council's Disciplinary Procedures, in addition to any prosecution proceedings that may occur.

Training

The Council will expect its fraud investigators to be fully trained and to maintain this training. Obtaining suitable qualifications will be encouraged. Investigators will be reviewed regularly and their training needs identified to maintain professional skills, up-to-date knowledge and to comply with best practice.

All Council employees dealing with benefit claims will receive fraud awareness training to enable them to prevent and detect potential fraud and abuse.

Recovery of Overpayments

Only in exceptional cases will the Council **not** seek to recover a benefit overpayment or excess reduction (in relation to Council Tax Support) resulting from misrepresentation of facts or fraud. It is not the Council's intention to cause individual hardship, but failure to make reasonable arrangements to repay overpayments or excess reductions will result in civil recovery action through the Courts. In certain cases, mainly where the overpayment or excess reduction is less than £2,000, where the suspect agrees to an Administrative Penalty instead of prosecution, the penalty will be recoverable along with the original overpayment.

It is recognised that successful recovery of overpayments is an effective deterrent to further abuse taking place and recovers public funds otherwise lost from the system.

Prosecution Policy

Investigation officers will approach every investigation with an open mind and gather evidence and information to either prove or disprove the suspicion of fraud or abuse. The Police and Criminal Evidence Act and Codes of Practice will be observed at **all** times.

When deciding whether to prosecute the amount of the overpayment or excess reduction will be taken into account along with any extenuating circumstances. Therefore the following policy is a guide only as issued by the Department for Work & Pensions.

- **Over £2,000 overpaid benefit**

Prosecution will be considered and undertaken if appropriate

- **Under £2,000 overpaid benefit**

- Fraud Investigator makes sure the case is suitable for proceedings and undertakes an IUC
- If suitable evidence exists to instigate proceedings consider issuing an Administrative Penalty as an alternative to prosecution
- Offence occurs wholly or partly prior to 8 May 2012, an Administrative Penalty will be calculated at a rate of 30%, subject to the 'less than £50' de-minimis
- Offence occurs wholly on or after 8 May 2012, an Administrative Penalty will be calculated at a rate of 50% subject to a minimum penalty of £350 and a maximum penalty of £2,000 in relation to Housing Benefit and a minimum penalty of £100 and a maximum penalty of £1,000 in relation to Council Tax Support
- If the claimant does not accept the offer of an Administrative Penalty consider the case for prosecution

Any extenuating circumstances are considered before deciding on prosecution. Extenuating circumstances include:

- Amount of money obtained, the duration and number of offences
- Suspect's physical and mental condition (in respect of which medical reports may be sought)
- Voluntary disclosure
- Any previous incidence of fraud
- Social factors
- How clear-cut the evidence is
- Failure in investigation
- Failure in benefit administration

Summary

- The Council is committed to ensuring that its residents receive all the benefits to which they are entitled
- The Council will act decisively against those people who obtain benefits to which they are not entitled
- As a general rule the council will seek to recover all overpayments
- The Council will respect the Civil Liberties of all persons involved in an investigation of alleged fraud
- The Council will undertake to implement effective detection, investigation and deterrence procedures against benefit fraud

Fraud Response Plan

1. Introduction

This document provides guidance to employees and management in the event of them becoming aware of, or suspecting a fraudulent or corrupt act being committed against the Council by employees, contractors or service users. Its objective is to ensure that timely and appropriate action is taken.

The Council has policies and procedures in place that minimise the likelihood and opportunity of Fraud occurring. These include the Council's Constitution, Financial Regulations, Delegation of Powers, Counter Fraud, Corruption & Bribery Framework, Whistleblowing Policy and documented procedures and systems of internal control. The Council is determined to develop a culture of honesty and counter fraud with zero tolerance. All of the above policies are available on the Intranet.

One of the basic principles of public sector organisations is to ensure the proper use of public funds. Therefore, it is important that all those who work in the public sector are aware of the risks of Fraud, Corruption & Bribery and the measures in place for embedding and enforcing the procedures and rules in relation to fraud, corruption and bribery and other illegal acts involving dishonesty or damage to property. For simplicity all such offences are hereafter referred to as "fraud" except where the context indicates otherwise.

This Fraud Response Plan reinforces the Council's robust approach to countering fraud by setting out ways in which employees or members of the public can voice their concerns about suspected fraud and/or corruption. This Fraud Response Plan is also intended to provide general direction and help to officers who are appointed to deal with alleged cases of theft, fraud, corruption and bribery. The Fraud Response Plan provides a framework for response and advice on the various aspects and implications of an investigation. This document is not intended to provide direction on the prevention of fraud.

The arrangements for housing benefit fraud are subject to separate procedures where suspected or actual cases are investigated by the in-house Benefit Fraud Team – see Annex 3.

2. Objectives

The objectives of the Fraud Response Plan are to ensure that once a fraud is reported, timely and effective action can be taken to:

- minimise the risk of inappropriate action taking place which would compromise an investigation
- ensure there is a clear understanding over who will lead any investigation and to ensure relevant managers and Human Resources are involved as appropriate
- secure evidence and ensure containment of any information or knowledge of any investigation into the matter reported
- prevent further losses of funds or other assets where fraud has occurred and maximise recovery of losses
- ensure there is justification and/or corroborative evidence to support any allegation against an employee before that employee is subject to disciplinary action

- minimise the effect of a fraudulent or corrupt act by taking appropriate and timely action at an early stage
- identify all individuals involved and secure sound evidence to support disciplinary/legal action taken
- minimise any adverse publicity for the Council as a result of the fraud
- reduce adverse impacts on the business of the Council.

3. Definitions & Law Relating to Fraud

Reference to these can be found in Section 2 of the Counter Fraud, Corruption & Bribery Framework.

4. What to do if you Suspect Fraud, Corruption, Bribery or Malpractice

Those who wish to raise concerns over fraud, corruption, bribery or malpractice should adhere to the following guidelines:

- Make an immediate note of your concerns – there must be reasonable grounds
- Note all relevant details, such as what has occurred, the date, time and name of any parties involved
- Report your suspicions promptly to the relevant manager – any delay may cause the Council to suffer further financial loss
- Do not ignore the matter
- Do not be afraid of raising your concerns – you will not suffer recrimination
- Do not approach or accuse individuals directly
- Do not try to investigate the matter yourself
- Do not convey your suspicions to anyone other than those with proper authority.
- Do not illegally record a conversation
- If you believe that a manager is involved, you are advised to report your suspicions to the Chief Executive, Strategic Director or Head of Finance at South Kesteven District Council, Council Offices, St Peter's Hill, Grantham, NG31 6PZ

Any concerns raised regarding an employee in relation to inappropriate, abusive or unprofessional behaviour against vulnerable groups **must** always be referred to the Designated Person for Safeguarding Children and the Manager of Human Resources.

Employees may wish to consider discussing their concerns with a colleague first and they may find it easier to raise the matter if there are two (or more) employees who have had the same experience or concerns. Employees may invite a Council work colleague to be present during any meetings or interviews in connection with the concerns they have raised.

Individuals who raise a concern outside the direct employment of the Council may elect to bring a friend with them to attend any meetings.

Employees with a disability or learning difficulties can contact Human Resources for further assistance in raising their concern(s).

Members of staff who have concerns over a possible irregularity can also report these under the Council's Whistleblowing Policy. The Council has a designated email address to which concerns may be reported:

whistleblowing@lincolnshire.gov.uk

In addition, the Council has joined forces with all other Lincolnshire authorities to combat fraud and corruption and a protocol has been put in place whereby suspicions can be reported through one confidential hotline (**0800 0853716**) managed by Lincolnshire County Council (LCC). The process is as follows:

- LCC will assign a unique security number for the referral and enter brief details in a log (accessible only to staff who operate the hotline)
- The unique number will be given to the whistleblower and they can then quote this in all future contacts
- LCC will obtain as much information about the suspected fraud from the whistleblower (including contact numbers and addresses etc)
- LCC will inform the whistleblower that they will receive confirmation (if not an anonymous caller) and details of who within the Council will be handling the matter
- LCC will pass on the fraud referral to the Council's nominated officer(s) initially via phone but will follow this up with email confirmation
- LCC will forward any documentation received in support of the initial fraud referral but the whistleblower will be advised to pass on any potential documentary evidence they have direct to the Council's nominated officer
- Once LCC have passed the fraud referral to the Council's nominated officer that will be the end of their involvement
- LCC will only share the fraud referral with the Council's nominated officer(s) detailed in this fraud response plan

5. How the Council will Respond - Managing the Investigation

The action taken by the Council will depend on the nature of the concern. The matters raised may be investigated internally by internal audit, management or through the disciplinary process and, if necessary:

- be referred to the Police
- be referred to social services
- be referred to the external Auditor or
- form the subject of an independent inquiry

Reporting to the Head of Finance, the Governance & Risk Officer will record details of the reported irregularity immediately on a log. The log will contain details of all reported suspicions, including those dismissed as minor or otherwise not investigated. The log will also contain details of actions taken and conclusions reached.

The Governance & Risk Officer will undertake preliminary discussions with the Head of Finance and Human Resources to determine whether an investigation is required based on the information provided. Concerns or allegations which fall within the scope of specific procedures (for example, harassment or discrimination issues) will normally be referred for consideration under those procedures, eg Disciplinary Policy etc.

The Governance & Risk Officer and/or Head of Finance will notify all relevant Officers of any suspected irregularity, including Senior Management Team in all significant cases.

Within ten working days of a concern being received, the Council will write to the individual in confidence:

- acknowledging that the concern has been received
- indicating how it proposes to deal with the matter
- giving an estimate of how long it will take to provide a final response

- informing the individual whether any initial enquiries have been made
- informing the individual whether further investigations will take place and, if not, why not and
- where appropriate, giving the individual information on staff support mechanisms in place

Where it is decided that an investigation is to be undertaken, the Governance & Risk Officer and/or Head of Finance will meet with Human Resources to determine whether the investigation is to be undertaken by the Service area or by the Governance & Risk Officer – possibly with help from internal audit. Depending on the circumstances of the fraud or irregularity, a joint investigation with the Police and other authorities may be appropriate.

If the Service area or nominated officer undertakes the investigation they will be responsible for gathering the evidence to support or disprove the allegation. The nominated Investigating Officer will be responsible for keeping the Governance & Risk Officer informed of the progress of the case to formally report the findings of the investigation and any action to be taken. The Governance & Risk Officer will retain responsibility for monitoring and advising the nominated Investigator.

Discussions will also be held on how communication will be conducted. The amount of contact between the Investigating Officer considering the issues and the individual will depend on the nature of the matters raised, the potential difficulties involved and the clarity of the information provided. If necessary the Investigating Officer will seek further information from the individual. Where a meeting is arranged this can be off-site if the individual wishes.

If the Governance & Risk Officer is to undertake the investigation he/she will initiate a Diary of Events to record the progress of the investigation and will be responsible for ensuring that the investigations log is kept up to date.

Before the investigation is started the purpose and nature of the investigation must be defined by establishing the:

- terms of engagement of the Investigating Officer, including the responsibilities, objective, scope, timing and possible outcomes of the investigation
- nature of the allegations being investigated
- location and nature of potential evidence sources
- resource requirements for investigation

During the investigation the Governance & Risk Officer will keep the Head of Finance and any other relevant officers informed of the progress of the investigation.

6. Involving the Police

The Council should decide whether Police action is necessary or appropriate. If it is believed that a criminal act has taken place the Police should be contacted immediately prior to any detailed investigations being undertaken. Approval must be sought from the Section 151 Officer/Head of Finance prior to contacting the Police.

In the first instance, the Council's Governance & Risk Officer should contact the local Police Station (Grantham), telephone number 101, and explain the nature of the irregularity and what action the Council proposes to take. The Police may then contact the CID Division and inform them of the Council's concerns. Depending on the nature and the seriousness of the irregularity CID may take on the investigation, help with the Council's investigation or give advice on the Council's investigation.

Where the Police agree to investigate or help with the Council's investigation the Governance & Risk Officer should liaise with the Police and provide them with the necessary documentation and information to support or disprove the allegation.

If Police assistance is requested but is not considered appropriate by the Police this does not mean that all further enquiries or investigations will cease. Further internal investigations may well be necessary.

There are instances where it may be appropriate for the Police to be contacted without approval of the S151 Officer or Head of Finance. These will include break in, threat to staff safety or when an incident happens over the weekend. In these circumstances, the S151 Officer or Head of Finance should be notified as soon as practically possible.

7. Gathering Evidence

Evidence of Fraud usually takes the form of documents or statements by witnesses. It may also include computer based or CCTV/Video evidence. Any surveillance work must be undertaken in line with the Human Rights Act and RIPA. The Council has a RIPA policy detailing how and when authorisation to conduct surveillance work may be applied for. Accordingly, the Investigating Officer must be aware of how to obtain evidence properly and lawfully as well as how to conduct interviews of witnesses and related parties. Appropriate advice will be given by the Head of Legal & Democratic Services.

Prior to the commencement of the gathering of evidence an action plan should be prepared. This should detail the evidence required to prove or disprove the allegations. The action plan should be kept up to date.

In addition, a chronology of events should be commenced early in the investigation. The purpose is to establish the chain of events leading to the evidence, provide an audit trail and demonstrate a timely investigation.

The investigation working papers must demonstrate that proper procedures have been followed for:

- Securing evidence
- Reviewing evidence
- Interviewing personnel
- Evaluating findings

8. Reporting the Results of the Investigation

Once evidence has been obtained and the appropriate witnesses have been interviewed, the Investigating Officer is responsible for writing a clear, accurate and unbiased report reflecting the nature of the fraud and the findings of the Investigation. The report ultimately may be used by management, Police, lawyers and others to determine the facts.

Once the investigation has been completed, the evidence assembled and the report written the investigator may be called to testify/give evidence about the findings, either before judicial proceedings or at a disciplinary hearing. The Council's disciplinary procedures must be followed in any disciplinary case/action taken by the Council towards/against an employee (including dismissal).

9. Learn From Past Experience

Make changes to policies and procedures and internal control and review the risk profile of service area affected

10. Recovery of Losses

Seek legal advice to recover financial losses.

11. Publicity & Dealing with the Media

Consult with legal and the Communications Team and optimise publicity opportunities

12. Training

At the commencement of employment with the Council, all staff are required to undertake fraud awareness training. Managers should ensure that all staff receive refresher fraud awareness training throughout the duration of their employment. Fraud awareness training will be arranged by the Governance & Risk Officer.

13. Roles & Responsibilities

- **Strategic Director (Corporate Focus):** Section 151 Officer
- **Head of Finance:** Deputy Section 151 Officer with day to day responsibility for the Council's response to fraud
- **Heads of Service:** Specific directorate responsibility
- **Service Managers & Team Leaders:** Specific service responsibility under the direction of the Head of Service
- **Governance & Risk Officer:** Investigating fraud, reporting on individual fraud cases and advising on appropriate action
- **Designated Investigating Officers:** Investigating and reporting on individual fraud cases under the direction of the Governance & Risk Officer
- **Employees:** Act in accordance with Officer Code of Conduct and promptly report all suspected or actual cases of fraud
- **Human Resources & Legal:** Provide employment and legal advice and guidance as required
- **Partners/External Contractors/Third Parties:** Promptly report all suspected or actual cases of fraud to the relevant Service Manager
- **Councillors:** Act in accordance with Member Code of Conduct

14. Contact Details

Daren Turner, Strategic Director (Corporate Focus) & Section 151 Officer
d.turner@southkesteven.gov.uk
01476406301

Richard Wyles, Head of Finance & Deputy Section 151 Officer
r.wyles@southkesteven.gov.uk
01476 406210

David Scott, Finance Support Manager (Finance & Risk)
d.scott@southkesteven.gov.uk
01476 406218

Tracey Elliott, Governance & Risk Officer
t.elliott@southkesteven.gov.uk
01476 406038

Anti-Money Laundering Policy (June 2009)

1. Introduction

The Proceeds of Crime Act 2002, the Terrorism Act 2000 and the Money Laundering Regulations 2007 place obligations on the Council and its employees with respect to suspected money laundering.

This Council will do all it can to prevent the Council and its staff being exposed to money laundering, to identify the potential areas where it may occur and to comply with all legal and regulatory requirements, especially with regard to the reporting of actual or suspected cases.

This policy applies to all employees of the Council and aims to maintain the high standards of conduct which currently exist by preventing criminal activity through money laundering. The Policy sets out the procedures which must be followed (for example the reporting of suspicions of money laundering and activity) to enable the Council to comply with its legal obligations.

This Policy forms part of the Council's Counter Fraud, Corruption & Bribery Framework and sits alongside the Whistleblowing Policy and other governance policies and strategies.

Failure by a member of staff to comply with the procedures set out in this Policy may lead to disciplinary action being taken against them. Any disciplinary action will be dealt with in accordance with the Council's Disciplinary & Capability Procedure.

2. What is Money Laundering?

Money laundering is the term used for a number of offences involving the proceeds of crime or terrorism funds and these apply to all persons in the United Kingdom in a personal or professional capacity. The following acts constitute the act of money laundering:

- concealing, disguising, converting, transferring criminal property or removing it from the UK (section 327 of the Proceeds of Crime Act 2002)
- entering into or becoming concerned in an arrangement which you know or suspect facilitates the acquisition, retention, use or control of criminal property by or on behalf of another person (section 328)
- acquiring, using or possessing criminal property (section 329)

These are the primary money laundering offences, and are thus prohibited acts under the legislation. There are also two secondary offences – failure to disclose any of the three primary offences and tipping off. Tipping off is where someone informs a person or people who are, or who are suspected of being involved in money laundering, in such a way as to reduce the likelihood of their being investigated or prejudicing an investigation.

Any member of staff could potentially be caught by the money laundering provisions if they suspect money laundering and either become involved with it in some way and/or do nothing about it. This policy sets out how any concerns should be raised.

While the risk to the Council of contravening the legislation is low, it is important to put in place appropriate and proportionate anti-money laundering safeguards and reporting

arrangements. These are designed to enable the Council to detect and avoid involvement in the crimes described in the legislation and regulations.

3. Policy Statement

Our policy is to do all we can to prevent, wherever possible, the Council and its staff being exposed to money laundering, to identify the potential areas where it may occur and to comply with all legal and regulatory requirements, especially with regard to the reporting of actual or suspected cases. We cannot stress too strongly, however, that it is every member of staff's responsibility to be vigilant.

4. The Money Laundering Reporting Officer (MLRO)

The officer nominated to receive disclosures about money laundering activity within the Council is the Head of Finance. He can be contacted as follows:

Richard Wyles
South Kesteven District Council
St Peter's Hill
Grantham
NG31 6PZ
Tel: 01476 406210
email: r.wyles@southkesteven.gov.uk

5. Procedures

5.1 Reporting

Any employee who suspects money laundering activity must report their suspicion promptly to the MLRO using the attached form (Appendix). If you would prefer you can discuss your suspicions with the MLRO first.

The employee must follow any subsequent directions of the MLRO and must not themselves make any further enquiries into the matter. They must not take any further steps in any related transaction without authorisation from the MLRO.

The employee must not disclose or otherwise indicate their suspicions to the person suspected of the money laundering. They must not discuss the matter with others or note on the file that a report has been made to the MLRO in case this results in the suspect becoming aware of the situation.

The MLRO must promptly evaluate any Disclosure Report to determine whether it should be reported to the Serious and Organised Crime Agency (SOCA).

The MLRO must, if they so determine, promptly report the matter to SOCA on their **standard report form** and in the prescribed manner. Up to date forms can be downloaded from the SOCA website at [**www.soca.gov.uk**](http://www.soca.gov.uk).

The MLRO will commit a criminal offence if they know or suspect, or have reasonable grounds to do so, through a disclosure being made to them, that another person is engaged in money laundering and they do not disclose this as soon as practicable to SOCA.

5.2 Customer Due Diligence

Where the Council is carrying out certain regulated activities then extra care needs to be taken to check the identity of the customer or client – this is known

as carrying out Customer Due Diligence. "Regulated activity is defined as the provision 'by way of business' of: advice about tax affairs, accounting services; treasury management; investment or other financial services; audit services; legal services; estate agency; services involving the formation, operation or arrangement of a company or trust or; dealing in goods wherever a transaction involves a cash payment of 15,000 or more Euros".

The regulations regarding customer due diligence are detailed and complex but there are some simple questions that will help you decide if it is necessary:

- Is the service a regulated activity (see the list above)?
- Is the Council charging for the service ie is it 'by way of business'?
- Is the service being provided to a customer other than a UK public authority?

If the answer to all these questions is **yes** then you must carry out customer due diligence **before** any business is undertaken for that client. If you are unsure whether you need to carry out customer due diligence then you should contact the MLRO.

It is not expected that work of the Council will fall under the definition of "relevant business" but staff must be aware of the need to carry out appropriate checks on new partners in accordance with the Council's Standing Orders and Financial Regulations

If at any time you suspect that a client or customer for whom you are currently, or are planning to carry out a regulated activity, is carrying out money laundering or terrorist financing, or has lied about their identity, then you must report this to the MLRO.

In certain circumstances enhanced customer due diligence must be carried out, for example, where:

- The customer has not been physically present for identification
- The customer is a politically exposed person ie an individual who at any time in the preceding year has held a prominent public function outside of the UK, and EU or international institution/body, their immediate family members or close associates
- There is a beneficial owner who is not the customer – a beneficial owner is any individual who holds more than 20% of the shares, voting rights or interest in a company, partnership or trust

Enhanced customer due diligence could include any additional documentation, data or information that will confirm the customer's identity and/or the source of the funds to be used in the business relationship transaction. If you believe that enhanced customer due diligence is required then you must consult the MLRO prior to carrying it out.

6. Guidance and Training

In support of the policy and procedure the Council will:

- make all staff aware of the requirements and obligations placed on the Council and on themselves as individuals by the anti-money laundering legislation and
- give targeted training to those most likely to encounter money laundering

7. Summary of Key Points

- The Council is committed to the prevention, detection and reporting of money laundering
- All employees must be vigilant for the signs of money laundering
- Any employee who suspects money laundering activity must report this promptly to the Money Laundering Reporting Officer (MLRO)
- Where the Council is carrying out certain regulated activities by way of business then the customer due diligence procedure must be followed
- The Money Laundering Regulations are detailed and complex – if you are in any doubt about the application of this Policy please contact the MLRO

8. Review

This Anti-Money Laundering Policy will be reviewed as required, having regard to legislative changes etc.

9. Further Information

Further information can be obtained from the MLRO and the following sources:

www.soca.gov.uk	Serious and Organised Crime Agency
www.cipfa.org.uk	"Proceeds of Crime (Anti-Money Laundering) – Practical Guidance for Public Service Organisations" – CIPFA
www.ccab.org.uk	"Anti-Money Laundering (Proceeds of Crime and Terrorism) – Second Interim Guidance for Accountants" – CCAB
www.lawsociety.org.uk	Money Laundering Guidance

SI 2007 No. 2157 The Money laundering Regulations 2007 at
http://www.hm-treasury.gov.uk/consultations_and_legislation/money_laundering_directive/consult_moneylaundering_2007.cfm

C O N F I D E N T I A L**Report to Money Laundering Reporting Officer
re Money Laundering Activity****To:** Richard Wyles, Head of Finance**From:** _____
[insert name of employee]**Directorate:** _____
[insert post title and service area]**Tel No:** _____**Urgent** ☐ Yes ☐ No

Date by which response needed: _____

Details of suspected offence:**Name(s) and address(es) of persons involved:**

(if a company/public body please include details of nature of business)

Nature, value and timing of activity involved:

(Please include full details eg what, when, where, how. Continue on a separate sheet if necessary)

Nature of suspicions regarding such activity:

(Please continue on a separate sheet if necessary)

Has any investigation been undertaken (as far as you are aware)?

Please tick relevant box:

☐

Yes

☐

No

If yes, please include details below:

Have you discussed your suspicions with anyone else?

Please tick relevant box:

☐

Yes

☐

No

If yes, please specify below, explaining why such discussion was necessary:

Have you consulted any supervisory body guidance re Money laundering? (eg The Law Society)

Please tick relevant box:

☐

Yes

☐

No

If yes, please specify below:

Do you feel you have a reasonable excuse for not disclosing the matter to the SOCA? (eg are you a Lawyer and wish to claim legal professional privilege)

Please tick relevant box:

☐

Yes

☐

No

If yes, please set out full details below:

Are you involved in a transaction which might be a prohibited act under sections 327-329 of the Act and which requires appropriate consent from the SOCA ?

Please tick relevant box:

☐

Yes

☐

No

If yes, please enclose details in the box below:

Please set out below any other information you feel is relevant:

Signed: _____ Dated: _____

Please do not discuss the content of this report with anyone you believe to be involved in the suspected money laundering activity described. To do so may constitute a tipping off offence which carries a maximum penalty of 5 years' imprisonment.

THE FOLLOWING PART OF THIS FORM IS FOR COMPLETION BY THE MLRO

Date report received: _____

Date receipt of report acknowledged: _____

Consideration of Disclosure

Action Plan:

Outcome of Consideration of Disclosure

Are there reasonable grounds for suspecting money laundering activity?

If there are reasonable grounds for suspicion, will a report be made to the SOCA ?

Please tick relevant box:

☐

Yes

☐

No

If yes, please confirm date of report to SOCA: _____ **and complete the box below:**

Details of liaison with the SOCA regarding the report:

Notice period: _____ **to** _____

Moratorium Period: _____ **to** _____

Is consent required from the SOCA to any ongoing or imminent transactions which would otherwise be prohibited acts ?

Please tick relevant box:

☐

Yes

☐

No

If yes, please confirm full details in the box below:

Date consent received from SOCA: _____

Date consent given by you to employee: _____

If there are reasonable grounds to suspect money laundering, but you do not intend to report the matter to the SOCA, please set out below the reasons(s) for non-disclosure:

(Please set out any reasonable excuse for non-disclosure)

Date consent given by you to employee for any prohibited act transactions to proceed: _____

Other relevant information:

Signed: _____ **Dated:** _____

THIS REPORT TO BE RETAINED FOR AT LEAST FIVE YEARS

REPORT TO GOVERNANCE AND AUDIT COMMITTEE

REPORT OF: HEAD OF LEGAL AND DEMOCRATIC SERVICES

REPORT NO: LDS108

DATE: 26 September 2013

TITLE:	OMBUDSMAN ANNUAL REVIEW LETTER 2012/2013	
KEY DECISION OR POLICY FRAMEWORK PROPOSAL:	Not applicable	
PORTFOLIO HOLDER: NAME AND DESIGNATION:	Councillor Paul Carpenter – Portfolio Holder for Governance and Communication	
CONTACT OFFICER:	Lucy Youles Head of Legal and Democratic Services l.youles@southkesteven.gov.uk Tel:01476 406105	
INITIAL IMPACT ANALYSIS: Equality and Diversity	Carried out and Referred to in paragraph (7) below Not applicable	Full impact assessment Required: Not applicable
FREEDOM OF INFORMATION ACT:	This report is publicly available via the Your Council and Democracy link on the Council's website: www.southkesteven.gov.uk	
BACKGROUND PAPERS	None	

1. RECOMMENDATIONS

- 1.1 It is recommended the Governance and Audit Committee note the contents of Ombudsman Annual Review Letter for the period 1st April 2012 to the 31st March 2013 which is attached to this report at Appendix A.

2. PURPOSE OF THE REPORT

- 2.1 The purpose of the report is to inform the Committee of the contents of the Ombudsman Annual Review Letter. Members should note the change in format of the Review Letter. Previous review letters have given details of the types of complaints, numbers of premature complaints and details of the time taken to respond to investigations. This information is no longer held by the Ombudsman and a fact sheet of response to queries about this is attached at Appendix B

3. DETAILS OF REPORT

- 3.1 The Ombudsman has confirmed a total of 6 complaints have been made about this Council for the period 1st April 2012 to the 31st March 2013. This figure does not include premature complaints or enquiries. I can confirm that a further 5 premature complaints were referred to the Council to be dealt with through our complaints process. We are not aware that any of those complaints have subsequently been referred to the Ombudsman for investigation. This compares favourably with previous years' complaints when the total number of complaints investigated and premature complaints has been in the high teens.
- 3.2 We are not aware of any delayed responses to the Ombudsman. The Ombudsman does apply strict time limits to responses and will inform us if they encounter any delay.
- 3.2 Of the 6 complaints investigated by the Ombudsman, 3 related to planning matters, 1 related to building control, 1 to a housing matter and 1 to revenues and benefits. No findings of maladministration were made. Investigations were discontinued or findings of "outside the Ombudsman's jurisdiction" were made.

4. OTHER OPTIONS CONSIDERED

- 4.1 No other options have been considered in respect of the Annual Review Letter. Members may wish to comment on the content of the Annual Review Letter for feedback to the Ombudsman.

5. RESOURCE IMPLICATIONS

- 5.1 There are no resource implications relating to this report.

6. RISK AND MITIGATION

- 6.1 Risk has been considered as part of this report. No significant risks were identified.

7. ISSUES ARISING FROM IMPACT ANALYSIS

7.1 Equality impact analysis not required

8. CRIME AND DISORDER IMPLICATIONS

8.1 No crime and disorder implications

9. COMMENTS OF FINANCIAL SERVICES

9.1 There are no financial implications associated with this report.

10. COMMENTS OF LEGAL AND DEMOCRATIC SERVICES

10.1 There are no legal or democratic implications arising from this report.

11. COMMENTS OF OTHER RELEVANT SERVICES

11.1 None relevant.

12. Appendices

- Appendix A - LGO Annual Review Letter 2012/2013
- Appendix B - Ombudsman response to queries about the content of the review letter.

16 July 2013

By email

Ms Beverley Agass
Chief Executive
South Kesteven District Council

Dear Ms Agass

Annual Review Letter

I am writing with our annual summary of statistics on the complaints made to the Local Government Ombudsman (LGO) about your authority for the year ended 31 March 2013. This year we have only presented the total number of complaints received and will not be providing the more detailed information that we have offered in previous years.

The reason for this is that we changed our business processes during the course of 2012/13 and therefore would not be able to provide you with a consistent set of data for the entire year.

In 2012/13 we received 6 complaints about your local authority. This compares to the following average number (recognising considerable population variations between authorities of a similar type):

District/Borough Councils-	10 complaints
Unitary Authorities-	36 complaints
Metropolitan Councils-	49 complaints
County Councils-	54 complaints
London Boroughs-	79 complaints

Future development of annual review letters

We remain committed to sharing information about your council's performance and will be providing more detailed information in next year's letters. We want to ensure that the data we provide is relevant and helps local authorities to continuously improve the way they handle complaints from the public and have today launched a consultation on the future format of our annual letters.

I encourage you to respond and highlight how you think our data can best support local accountability and service improvements. The consultation can be found by going to www.surveymonkey.com/s/annualletters

LGO governance arrangements

As part of the work to prepare LGO for the challenges of the future we have refreshed our governance arrangements and have a new executive team structure made up of Heather Lees, the Commission Operating Officer, and our two Executive Directors Nigel Ellis and Michael King. The Executive team are responsible for the day to day management of LGO.

Since November 2012 Anne Seex, my fellow Local Government Ombudsman, has been on sick leave. We have quickly adapted to working with a single Ombudsman and we have formally taken the view that this is the appropriate structure with which to operate in the future. Our sponsor department is conducting a review to enable us to develop our future governance arrangements. Our delegations have been amended so that investigators are able to make decisions on my behalf on all local authority and adult social care complaints in England.

Publishing decisions

Last year we wrote to explain that we would be publishing the final decision on all complaints on our website. We consider this to be an important step in increasing our transparency and accountability and we are the first public sector ombudsman to do this. Publication will apply to all complaints received after the 1 April 2013 with the first decisions appearing on our website over the coming weeks. I hope that your authority will also find this development to be useful and use the decisions on complaints about all local authorities as a tool to identify potential improvement to your own service.

Assessment Code

Earlier in the year we introduced an assessment code that helps us to determine the circumstances where we will investigate a complaint. We apply this code during our initial assessment of all new complaints. Details of the code can be found at:

www.lgo.org.uk/making-a-complaint/how-we-will-deal-with-your-complaint/assessment-code

Annual Report and Accounts

Today we have also published *Raising the Standards*, our Annual Report and Accounts for 2012/13. It details what we have done over the last 12 months to improve our own performance, to drive up standards in the complaints system and to improve the performance of public services. The report can be found on our website at www.lgo.org.uk

Yours sincerely

A handwritten signature in black ink, appearing to read 'Jane Martin', with a horizontal line underneath.

Dr Jane Martin
Local Government Ombudsman
Chair, Commission for Local Administration in England

From: Press [Press@lgo.org.uk]
Sent: 23 July 2013 09:53
To: Nicky Watson
Subject: LGO Link newsletter - July 13

LGO Link

Keeping Link Officers up-to-date on developments at the LGO

July 2013

Annual review letters

Our annual review letters were sent out last week; if you haven't received yours please [email](#) us.

We've received queries from some councils about the statistics and the process, so have decided to put together answers to the most common questions being asked for all councils to see.

1 Will you be providing any other statistics or more detailed data?

No, this year we will only provide the number of complaints received. During the last 12 months we have made considerable changes to our business processes. As a result we do not have a consistent set of data for the entire year so are not able to provide the same level of data as in previous years. However, our annual letters next year will provide more detailed statistics.

2 The number of complaints you've quoted in your letter doesn't tally with the statistics we've recorded. Can you give us more information so we can check?

We understand that our figures may not always match the data collected by local authorities. However, we are satisfied that the figures provided in your annual letter accurately reflect the data we hold for the last 12 months. As a result we will be unable to provide any more information about them.

3 In previous years you sent us draft data to comment upon. Why hasn't this happened this year?

The approach taken in previous years diverted a significant amount of resource from our core work of resolving individual complaints that are raised

by the public. We have ensured that our data accurately reflects the work of our organisation. Whilst it may not match data held by local authorities we are satisfied that the annual letters correctly record the data we hold.

4 What's included in the complaint figure?

The figure we have provided for 'complaints received' does not include enquiries we received or any matters referred to us prematurely.

5 How can we help shape the future content of the annual review letters?

We remain committed to sharing information about your council's performance and providing data which helps local authorities continuously improve the way they handle complaints.

We have launched a [consultation](#) on the future format of our annual review letters. This is your opportunity to highlight how you think our data can best support local accountability and service improvements so please respond as soon as you can.

Stay in touch

Visit our [news page](#) to see newly published investigation reports, or [register](#) your details.

To be added to the distribution list
for further *LGO Link* newsletters,
email policyandcomms@lgo.org.uk

NOTICE - This message contains information relating to the
addressee named above. If you have received this message in error please
advise us at once and do not make any use of the information.

REPORT TO GOVERNANCE AND AUDIT COMMITTEE

REPORT OF: Environmental Health Services Manager

REPORT NO: ENV593

DATE: 26 September 2013

TITLE:	Corporate Health and Safety Annual Report	
KEY DECISION OR POLICY FRAMEWORK PROPOSAL:	N/A	
PORTFOLIO HOLDER: NAME AND DESIGNATION:	Councillor John Smith Portfolio Holder: Healthy Environment	
CONTACT OFFICER:	David Price Environmental Health Services Manager Tel: 01476 40 63 28 E-mail: d.price@southkesteven.gov.uk Helen Kettle Corp. Health and Safety Advisor Tel: 01476 40 63 16 E-mail: h.kettle@southkesteven.gov.uk	
INITIAL IMPACT ANALYSIS: Equality and Diversity	Carried out and Referred to in paragraph (7) below N/A	Full impact assessment Required: N/A
FREEDOM OF INFORMATION ACT:	This report is publicly available via the Your Council and Democracy link on the Council's website: www.southkesteven.gov.uk	
BACKGROUND PAPERS	See attached report	

1. RECOMMENDATIONS

- 1.1 That the content of the Corporate Health and Safety Annual Report be noted.

2. PURPOSE OF THE REPORT

- 2.1 To provide the Governance and Audit Committee with an overview of the council's performance in respect of health and safety during the period April 2012 to March 2013, and to set out the plan for 2013-14.

3. DETAILS OF REPORT

- 3.1 As part of our absolute ongoing commitment to embedding effective health and safety practices within the organisation, the 2012/13 plan sets out a number of important work streams. Good progress has been made in respect of both the policy and procedure reviews and the individual service reviews. These are detailed in the report.
- 3.2 A stated aim in last year's plan was to explore and develop methods by which an improved health and safety culture could be encouraged within the council. An option explored has been using assessment against a recognised standard that is over and above the legal minimum. To further develop this approach an advisory review was carried out in the period with a focus on Property Services and Property Development. This review was to assess these services against the OHSAS (Occupational Health & Safety Advisory Services) 18001 standard, which is a higher standard than the statutory minimum. The review identified strong health and safety management and staff awareness above legal minimums and some areas of exemplary standards. There was an overall positive result from the review and an action plan is being developed to take recommendations forward. A cultural survey of staff is part of the review and this will provide a bench mark against which to assess progress. This project has provided a template for further similar planned reviews in high risk areas, which will drive improvement actions both within service areas and emerging themes across the organisation. A comprehensive section on training outlines formal training carried out during the period and that e learning is also being used.
- 3.3 The report also identifies outturn figures for accidents to enable a comparison with previous years and to assist with assessing the impact of corporate health and safety approaches and the effectiveness of management.
- 3.4 Finally, the forward plan directs the activities of the corporate health and safety team over the forthcoming year. Key focus has been on the review and updating of existing policies, procedures and systems of work together with an ongoing commitment to the delivery of general and service specific training. Whilst this approach helps to keep the organisation on track further improvements to performance are only likely if effective health and safety management is placed at the heart of the operating culture. A continuing review of the experience of other organisation's approaches to developing positive health and safety cultures will enable the authority to learn from best practice. In addition opportunities to embed the management of health and safety will be considered as part of the delivery of key corporate programmes and initiatives such as Unlocking our Potential and plans to enhance staff wellbeing.

4. OTHER OPTIONS CONSIDERED

- 4.1 The achievement of good health and safety standards is a key part of a well run council and reduces the risk of injury and illness arising from council activity as well as minimising the risk of legal action against the council.

5. RESOURCE IMPLICATIONS

- 5.1 In order to support the continuous health and safety requirements at Waste and Recycling the council are currently recruiting a service dedicated Health and Safety Compliance and Training Officer who will be in post by November.

6. RISK AND MITIGATION

- 6.1 Risk has been considered as part of this report.

7. ISSUES ARISING FROM IMPACT ANALYSIS

- 7.1 Not applicable. This report provides a retrospective summary of health and safety activity in 2012-13.

8. CRIME AND DISORDER IMPLICATIONS

- 8.1 Not applicable

9. COMMENTS OF FINANCIAL SERVICES

- 9.1 Members are reminded that the terms of reference for the Governance and Audit Committee include the responsibility to review the annual report and the effectiveness of the Council's health and safety arrangements. Risk management and health and safety are closely aligned and preventative actions and control measures should be regularly reviewed to ensure arrangements are operating effectively.

10. COMMENTS OF LEGAL AND DEMOCRATIC SERVICES

- 10.1 The report is for note and feedback. The Committee have been given delegated authority by Council to review the report and consider the effectiveness of the Council's health and safety arrangements. From the information in this report and the Corporate Health and Safety Annual report attached the Committee should be able to determine whether or not those arrangements in place are effective.

11. COMMENTS OF OTHER RELEVANT SERVICES

- 11.1 Not applicable.

12. APPENDICES:

- Appendix 1 Annual Corporate Health & Safety Report 2013



CORPORATE HEALTH AND SAFETY ANNUAL REPORT

1 April 2012 to 31 March 2013

Contents

- 1. Introduction**
- 2. Policies and Procedures**
- 3. Training**
- 4. Accident/Incident Recording and Reporting**
- 5. Health & Safety Progress & Achievements**
- 6. Forward Plan 2013/14 and Performance Measures**
- 7. Conclusion**

1. INTRODUCTION

This annual report summarises South Kesteven District Council's corporate health and safety performance during the year 1 April 2012 to 31 March 2013. The purpose of the report is to:

- Provide an update regarding the performance of the council in the management of health and safety.
- Highlight corporate health and safety areas for additional focus to drive further improvement.

2. POLICIES AND PROCEDURES

In line with its health and safety duties and responsibilities the council holds a number of policies, procedures and guidelines to support effective health and safety management. These are as follows:

Existing

- Health & Safety Policy – June 2011
- Risk Assessment Manual & Procedure – revision completed January 2013
- Unacceptable Behaviour Policy – January 2012
- Contractor Health & Safety Managers Guidance & Evaluation Procedure – June 2011
- Blood Borne Viruses (A Guide for Employees) – revised February 2013
- Bomb Threat and Suspect Package/Letter Procedure – revised February 2013

New

- Accident & Incident Guide – February 2013

Pending / Under Review

- Asbestos Management Policy – July 2010 – under review
- Lone Worker Operational Procedure – March 2011 – under review
- Fire Safety Protocol – under development (Operational procedures already in place)
- Legionella Management Protocol – under development

The policies and procedures help to ensure robust and proactive measures are in place to support and protect both staff and where appropriate those who may be affected by the business of the Council. They also assist in ensuring that service managers and employees are aware of their role with regards to health and safety. The policies and procedures are further supported, where appropriate, by service specific arrangements and documentation and also training. Policies, procedures and guidelines are reviewed every 2 years or as deemed necessary through legislative changes with revisions made where appropriate.

3. TRAINING

Health and safety training needs are identified under policies and procedures, following health and safety audit/review and/or through other processes such as PDR, 121s. The corporate health and safety adviser assists with the appropriate development and presentation of such training in order to provide consistency and compliance with the duties and legal responsibilities. Recent developments have been the use of e-learning for subjects such as display screen equipment and fire safety. This has proved popular with staff and is convenient for those with computer access. A further benefit is easy identification of those who have received training. This e-learning supplements an extensive more traditional training programme.

The following health and safety and related training was delivered between 1 April 2012 and 31 March 2013.

Training	Provider	No. of attendees
Health & Safety for Employees – mandatory induction for all levels of employees	Corporate H&S Adviser	60
Workstation Safety Plus – e-learning & assessment programme – mandatory for all Display Screen Equipment (DSE) users	Corporate H&S /Cardinus	52
Fire Safety Plus for all Staff e-learning package	Corporate H&S /Cardinus	265
Fire Safety for Fire Check Staff	Chubb	36
Manual Handling Training for Trainers– Pass on the Principles (POPs)	Pristine Condition	35
Manual Handling Training	Pristine Condition	69
Work with Non Licensed Asbestos – specific to works operatives and project officers	Jason Borley – Global Environmental Consultancy	47
Needle stick Awareness and Handling	All Things Training	72
First Aid at Work Certificate – either to fulfil site or job role needs	British Red Cross	5
First Aid – refresher training to maintain the first aid at work certificate		3

The following training is available on a needs basis:

- Drugs & Alcohol Awareness
- Asbestos Awareness & Management
- Legionella Awareness & Management

Corporate health and safety works closely with the learning and development adviser in HR&OD to develop and maintain comprehensive health and safety and wellbeing training.

The training is also supported by significant on the job and job specific training within service areas and in particular where training needs are identified as part of the risk assessment process.

4. ACCIDENT/INCIDENT RECORDING AND REPORTING

All service areas hold an Accident and Incident Book and service managers are required to investigate, record and report accidents and incidents in accordance with the council's Accident & Incident Guide. The revised Guide was introduced to all service areas through the Health & Safety Group in March 2013 together with the reviewed Accident and Incident Book. The Guide provides clarity and explanation particularly regarding responsibility, near miss reporting, investigation procedure and RIDDOR. The Accident and Incident Book now clearly enables non-injury incidents to be recorded and also where there is injury the length of absence from work. Copies of all reports are provided to the corporate health & safety adviser for assessment and recording.

The following table gives a numerical breakdown of completed accident/incident report forms received. These figures include staff and public but do not include numbers for the leisure centres.

	20010/11	2011/12	2012/13
Waste & Recycling	25	6	26
Waste & Recycling (vehicle non injury)		8	8
Works Team	14	15	4
Art Centres	20	26	15
All Other service areas (see detailed breakdown of accidents by service areas on page 7)	50	29	57
Total	109	84	110

Matters of note from the table:

Waste & Recycling indicates a significant increase in injury related accidents although these figures are more indicative of a high risk service area. It was also found that whilst recorded there was under reporting of accidents to corporate health & safety during 2011/12. There has been an increased focus on the service area by corporate health & safety over 2012/13 with the introduction of health and safety processes including a specific process chart for accident/incidents. This will also have contributed to more accurate recording and reporting arrangements. It is anticipated with the increased level of corporate health and safety intervention over 2012/13 that accident numbers will reduce should all control measures be implemented and maintained.

This Waste & Recycling (vehicle non injury) category was introduced in 2011 and figures remain the same. The service area has completed route risk assessments and is currently introducing automatic banksman to the vehicles which should eliminate all reversing accidents and assist in reducing vehicle accidents generally.

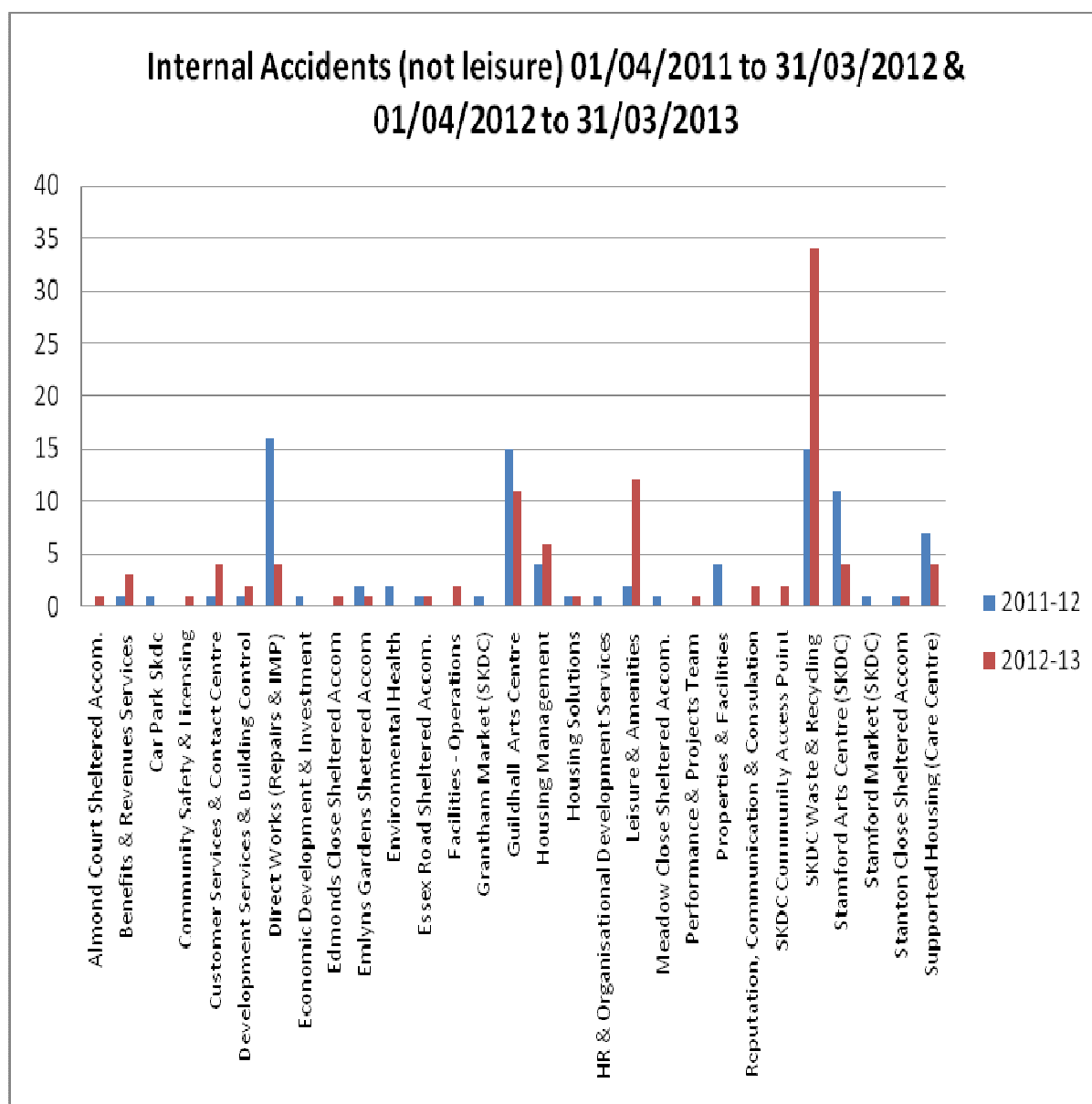
Works Team (Property Services HRA) shows a significant decrease in accident numbers from the previous 2 years. During 2012/13 Property Services HRA gave a considerable commitment in resource, time and effort which was focused on health and safety. The team have undertaken a major review of their risk assessments and safe systems of work. Monitoring arrangements are in place in order to assess both reactively and proactively health and safety of operatives who are working off site. Training has also been very focused with key employees receiving manual handling training for trainers which was a key area of accidents for 2011/12.

Art Centres have shown a good decrease in numbers reported with the majority of these involving slips, trips and falls of members of the public. The art centres have wide and varied activities and visitor types including children's events. None of the accident reports involving members of the public required reporting to HSE under the RIDDOR requirements. During 2012/13 there was a combined throughput of around 800,000 public for the Guildhall and Stamford Art Centres. When considering the throughput and activities against the number of accident reports this is an extremely low percentage.

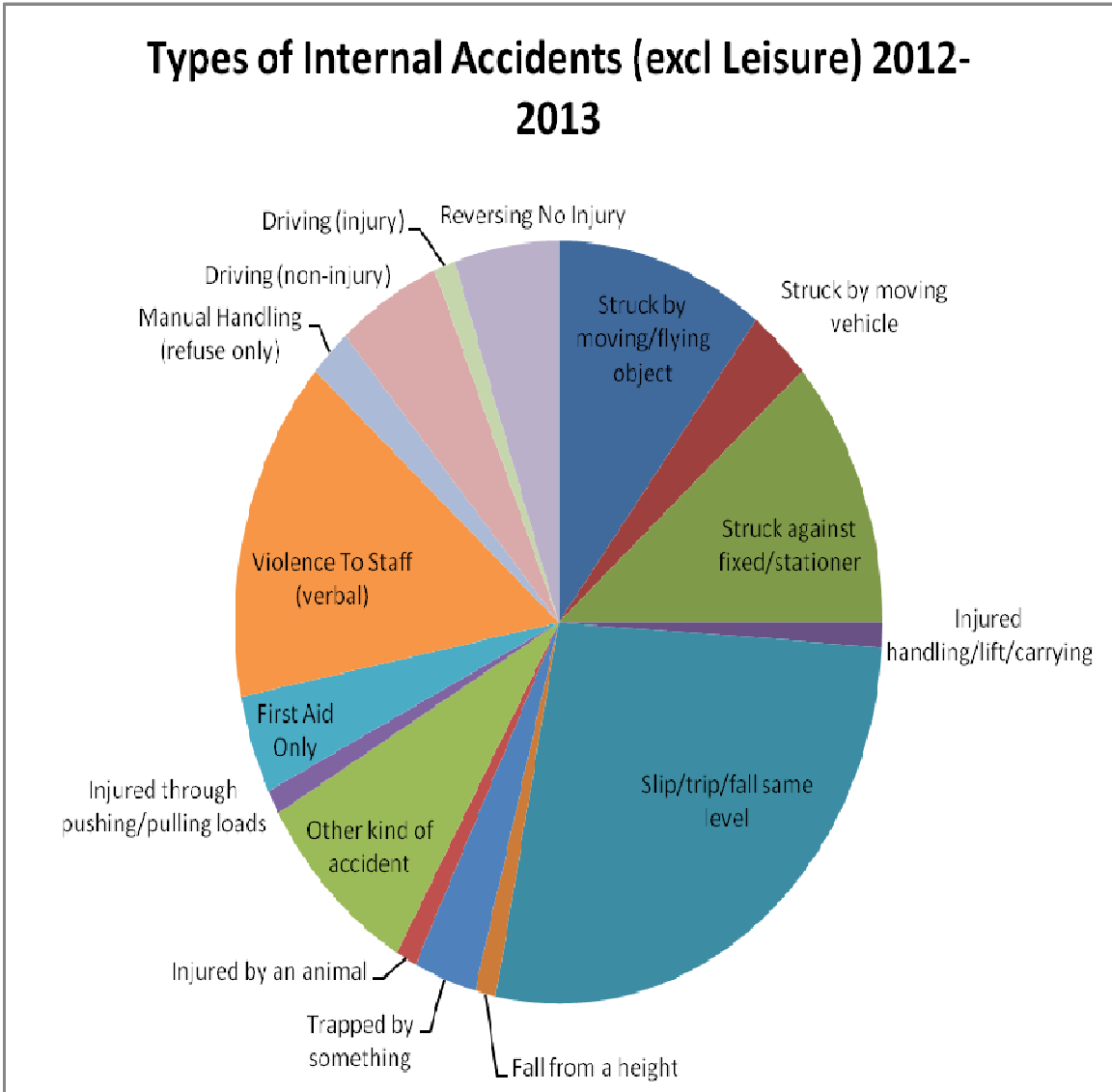
Some areas of council activity are intrinsically of a higher risk nature due to the work carried out. We are working closely with these areas to drive further improvement in health and safety performance. To assess continued improvement measures have been developed. These are identified in the forward plan.

Events there were a number of significant events one of which Gravity Fields had extremely large attendance and it should be noted that during the actual set up and duration of this event there were no recorded accidents.

The following chart summarises the accidents involving staff and members of the public by service area/ premises.



The following chart identifies the types of accidents by category from the 2012/13 total of 110 completed accident reports.



The types of accidents are as expected within a diverse work environment with members of the public accidents impacting on a number of categories. The slip/trip/fall same level category is the largest area of public accidents associated with public areas such as the art centres, parks, public open spaces.

Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR)

These regulations require the reporting of certain specified accidents, ill health and dangerous occurrences. They previously covered:

- Fatalities and major injuries
- Incapacity to work for more than 3 days
- Specified diseases
- Dangerous occurrences

The criteria for reporting accidents under RIDDOR changed on 6th April 2012. The over-three-day reporting requirement for people injured whilst at work changed to injuries that lead to a worker being incapacitated for **more than seven consecutive days** as the result of an occupational accident or injury.

The numbers of RIDDOR notifications made to the enforcing authority were as follows:

Type	2011/2012	2012/2013
Fatality	0	0
Major Injury	0	0
Over 3 day/7 day	3	3
Member of Public To Hospital	3	1
Total	6	4

Leisure Centres

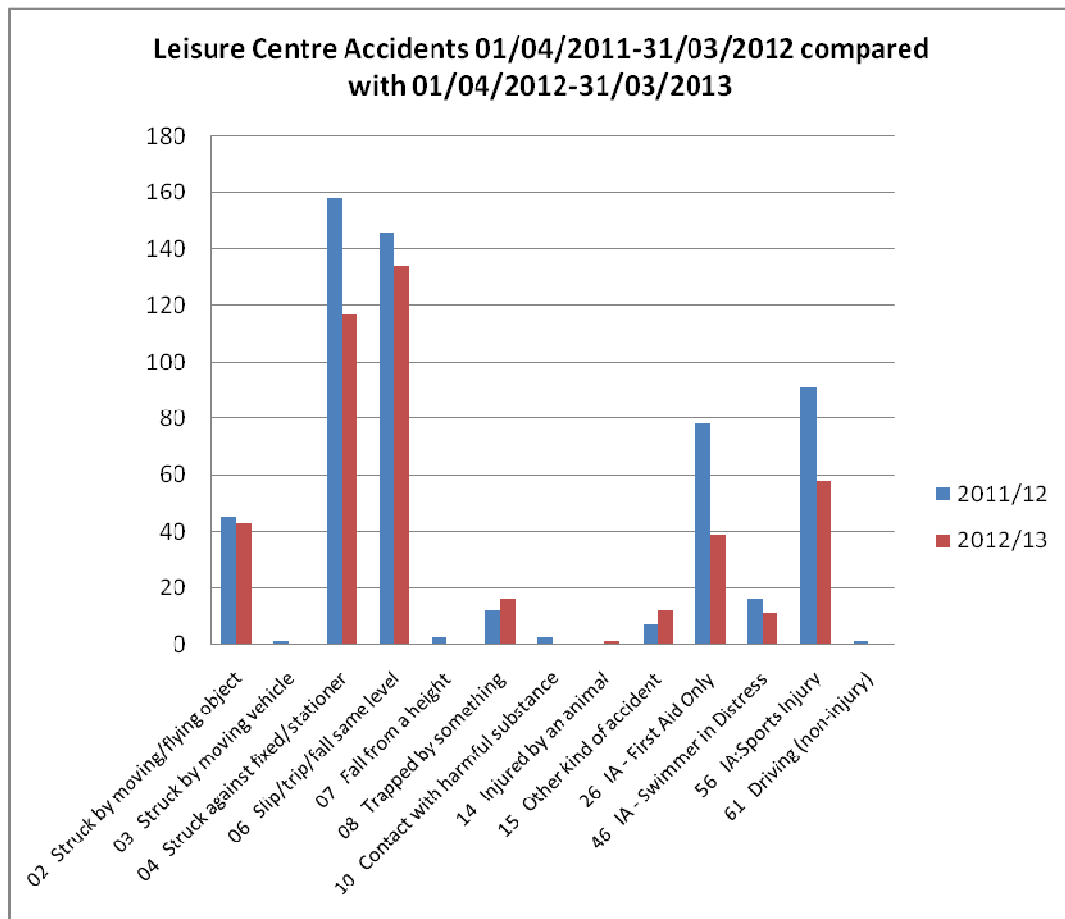
The leisure centres (Grantham Meres, Stamford, Bourne and The Deepings) are under contract to Leisure Connection and consequently responsibility for the management of health and safety lies with that company. As part of the client monitoring arrangements, the council receives copies of all completed accident reports from each centre. The accidents are assessed, monitored and where appropriate discussed with the site management.

In addition the contractor, Leisure Connection maintains their own accident records and carries out analysis of total accidents together with compiling company statistics

A planned review of the future arrangements for carrying out monitoring and auditing of health and safety for the 4 leisure centres by the

corporate health & safety adviser forms part of the forward plan for corporate health and safety for 2013/14.

The following are the total numbers of accidents for all four leisure centres.



As can be seen from the graph above there were decreases in the number of accidents reported throughout the incident categories except for three areas. In total there were 435 accidents reported for 2012/13 compared to 560 for the previous year 2011/12. Four of the accidents were reported by Leisure Connection to the HSE under RIDDOR. The numbers of accidents are an extremely low percentage based upon throughput for the leisure centres. As an indication the approximate throughput for all four sites for 2012/13 was in excess of 750,000 when compared to the total number of accidents for this year of 435 (0.058%), which confirms the extremely low percentage.

5. HEALTH & SAFETY PROGRESS AND ACHIEVEMENTS

The corporate health & safety action plan forms the focus point for proactive health and safety and delivery is in the main through the corporate health & safety adviser.

Update of the Corporate Health & Safety Action Plan 2012/13

Key planned activities were completed during the year as follows:

1. *Waste & Recycling* —
 - review all H&S arrangements with the provision of a fully documented risk assessment manual and file of H&S processes for key arrangements such as training, monitoring, accidents/incidents etc. - **completed**
2. *Risk Assessment Manual* —
 - review the risk assessment management procedure including all generic risk assessments,— **completed and distributed**
3. *Covalent (software database)* —
 - develop a health & safety risk assessment section on covalent and input all generic risk assessments - **completed**
 - develop service areas and ensure service specific risk assessments are populated on covalent - **ongoing**
4. *Accidents & Incidents*
 - review the existing procedure and develop further guidance and clarity regarding responsibilities, near miss incidents and procedure – **guide completed and distributed**
 - review the existing accident book to include near miss records and injury absence duration and changes to RIDDOR- **completed and distributed.**
5. *Asbestos*
 - review the existing asbestos management policy to include changes to the Control of Asbestos at Work Regulations. – **completed.**
6. *Blood Borne Virus Guidance*
 - review the existing guidance - **completed**
7. *Bomb Threat/Suspicious Package Guidance*
 - review the existing guidance- **completed**

8. *Corporate Health & Safety Branding*

- review of H&S booklets in order to provide a consistent and more engaging style and design which should be more appealing to staff and encourage – **agreed and completed**
- review of the H&S page on the intranet to encompass the new branding – **complete although limitations of the intranet**

9. *Manual handling*

- develop a generic manual handling assessment form and guidance – **completed and distributed**
- assess the needs of high risk areas and develop a training programme for general and service specific delivery – **completed and delivered**

10. *Event Management Planning*

- provide technical advice, support and guidance specifically for the Olympic Torch Relay, Gravity Fields and Mid Lent Fairs – **delivered**

11. *Property Services (HRA) & Property Development (Facilities & Assets)*

- carry out an occupational H&S review of these high risk areas **completed, action plan being developed**
- as part of the review undertake a cultural survey and analyse results – **completed, results as part of ongoing plan.**

6. **FORWARD PLAN 2013/14**

The corporate health and safety action plan outlines the work activity for 2013/14. This has been developed with input through the Health & Safety Group and the Management Team. Key focus has been on the review and updating of existing policies, procedures and systems of work together with an ongoing commitment to the delivery of general and service specific training. Whilst this approach helps to keep the organisation on track further improvements to performance are only likely if effective health and safety management is placed at the heart of the operating culture. A continuing review of the experience of other organisation's approaches to developing positive health and safety cultures will enable the authority to learn from best practice.

In addition opportunities to embed the management of health and safety will be considered as part of the delivery of key corporate programmes and

initiatives such as Unlocking our Potential and plans to enhance staff wellbeing.

The following table contains the key elements of the 2013/14 action plan

Actions	Lead	Start date	Completion date
Legionella Management Protocol - develop the protocol in line with existing management procedures and legislative requirements to include training programme and delivery	Corporate H&S Adviser Project Officer (Property Services HRA)	May 2013	August 2013
Corporate H&S - review the approach undertaken in order to continue to drive forward H&S throughout all service areas incorporating third party reviews where appropriate and self service audits.	Corporate H&S Adviser	May 2013	August 2013
Health & Safety Policy -planned review to incorporate all new and revised actions undertaken	Corporate H&S Adviser	June 2013	September 2013
Training - develop a comprehensive training programme for all H&S and related training and embed this within a corporate HR plan	Corporate H&S Adviser HR&OD Service Manager	June 2013	August 2013
Cultural Survey and Service Self Assessment - roll out the cultural questionnaire and revised service self assessment to key higher concern areas and evaluate results to include an action plan and evaluation of tools to be used	Corporate H&S Adviser	July/August 2013	December 2013
Lone Worker Operational Procedure	Environmental Health	(a) July 2013	(a) July 2013

-planned review to (a) amend procedure after roll out of new devices and (b) assessment of benefits and use of the new devices	Service Manager	(b) Jan 2014	(b) Jan 2014
Fire Safety Protocol - complete the review - assess protocol in relation to existing management arrangements and procedures	Corporate H&S Adviser	August 2013	October 2013
Contractors - develop corporate standards for contractor monitoring to sit with the existing contractor evaluation and assessment guidance	Corporate H&S Adviser Property Services (HRA Manager Property Development Manager	September 2013	October 2013
Display Screen Equipment - review the on line assessment & training package against service compliance and instigate planned changes to the system	Corporate H&S Adviser Corporate H&S Technical Support Officer	October 2013	December 2013
Leisure Management Contract - carry out client led H&S audits of the contractor and 4 leisure centres	Corporate H&S Adviser Leisure & Amenities Team Leader	October 2013	December 2013
Grounds Maintenance Contract - carry out client led H&S audit	Corporate H&S Adviser Facilities Team Leader	January 2014	February 2014
Event management planning – Continue to provide technical H&S support and guidance for event safety to include training, of note Stamford Georgian Festival, mid lent fairs and Gravity	Corporate H&S Adviser Economic Development Service Manager Leisure &	On going	On going

Fields 2014	Amenities Team Leader		
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Performance Measures

Measurement of health and safety performance will form a key part of the ongoing health and safety arrangements at the council. Following the evaluation of the cultural questionnaire and assessment of the various other cultural and performance tools available, a suite of measures will be identified to measure and assist in driving forward performance. In addition the following data will be assessed to provide a baseline against which to measure progress and provide opportunities to learn and revise relevant operating factors.

- A targeted reduction in all accidents by 10% within waste services.
- Attendance at corporate induction health and safety training- target of 100% within 6 months of starting work (service specific health and safety induction is provided by line managers in accordance with service requirements)
- All managers and where required team leaders to hold IOSH managing safely qualification
- Near miss incidents now more clearly recorded and enabling assessment
- Requests for advice made to corporate health and safety recorded
- Lost time due to accidents at work notified via internal accident procedures
- Monitor the number of RIDDOR notifications
- Number of employers liability insurance claims
- Numbers and results of internal H&S reviews of specific service areas and activities, particularly towards the OHSAS 18001 requirements and improving results from health and safety cultural surveys

7. CONCLUSION

Levels of awareness and commitment in relation to the management of health and safety remain high which is of particular note within the initial evaluation of the cultural questionnaires completed as part of the occupational H&S review of Property Services (HRA) and Property Development (Facilities & assets) . The use of a review undertaken to a recognised national H&S standard such OHSAS 18001 of the council's high risk service areas has demonstrated strong H&S management and staff awareness above legal minimums, showing in a number of areas exemplary standards. Our approach is also applicable in our management of external contractors ensuring the H&S standards required and promoted are part of the normal procurement arrangements. The council continues to take a lead with a number of

health and safety matters through the Lincolnshire wide health and safety related groups.

The level of input into both reactive and planned activities has further demonstrated and highlighted to staff and management the importance of health and safety and the absolute commitment of the council in embedding an effective health and safety culture at all levels of the council.

END OF REPORT

REPORT TO GOVERNANCE AND AUDIT COMMITTEE

REPORT OF: Head of People, Projects and Performance

REPORT NO: CSCL001

DATE: 26 September 2013

TITLE:	Customer Feedback	
KEY DECISION OR POLICY FRAMEWORK PROPOSAL:	Not applicable	
PORTFOLIO HOLDER: NAME AND DESIGNATION:	Concillor Paul Carpenter Portfolio: Governance and Communication	
CONTACT OFFICER:	S Griffiths (01476) 406104 s.griffiths@southkesteven.gov.uk L Sirdifield (01476) 406524 lee.sirdifield@southkesteven.gcsx.gov.uk	
INITIAL IMPACT ANALYSIS: Equality and Diversity	Carried out and Referred to in paragraph (7) below	Full impact assessment Required:
FREEDOM OF INFORMATION ACT:	This report is publicly available via the Your Council and Democracy link on the Council's website: www.southkesteven.gov.uk	
BACKGROUND PAPERS	<i>Presentation to Engagement PDG – 18 July 2013</i> http://moderngov.southkesteven.gov.uk/mgConvert2PDF.aspx?ID=11960	

1. RECOMMENDATIONS

- 1.1 Governance and Audit approve the amendments to the customer feedback process.

2. PURPOSE OF THE REPORT

- 2.1 The report details proposals for the councils customer feedback process to ensure that a consistent approach is adopted across the council and to raise the standards of service to our residents and stakeholders.
- 2.2 The report details the way in which customer feedback will be handled to minimise the number of complaints that are escalated and to ensure that we can capture and share good practice and lessons learnt across the organisation.

3. DETAILS OF REPORT

- 3.1 In September 2012 it was agreed that officers would begin to analyse how well the council manages customer feedback. A review of existing processes was undertaken and this work has lead to a revised customer feedback process being proposed. Evidence from our review showed that we did not have an overall consistent approach to managing customer feedback, whether it is a comment, compliment or complaint.
- 3.2 Whilst pockets of good practice exist, the ethos of how to deal with customer feedback is not explicit and compliments are not always being recorded. Difficulties have also been experienced when managing cross service complaints as they have not been seen to be owned by a particular manager. The standard of our responses to customer varied across the organisation. Some were excellent, but this good practice was not always shared.
- 3.3 Since September 2012 officers have reviewed all customer feedback in detail on a weekly basis. This has enabled us to identify trends in complaints and home in on the areas of high and low performance. Feedback has been shared with Service Managers and officers to help departments understand what they do and how they could improve.
- 3.4 Whilst undertaking this work, research has been completed to identify good practice from other Local Authorities. Training has been commissioned to develop the skills within the organisation and a suite of letters have been developed to provide a more comprehensive, high quality response to those taking the time to offer feedback to us. A customer focus group has also been established to enable officers to continue to gain more feedback, understanding and expertise.
- 3.5 We are now in a position where departments capture much more information about our customer feedback through our performance management software. This is allowing us to share the lessons that we have learnt and respond to all types of feedback, including compliments. We now thank customers for taking the time to praise our staff as well as telling us about things when they go wrong.
- 3.6 The revised processes are detailed in appendix 1 to this report. They will ensure that complaints are handled more swiftly and reduce the likelihood of a complaint escalating. This will be achieved by better management of complaints at the first stage of the process with a higher quality, more comprehensive response being sent to customers within agreed time periods. The process helps to clarify what a

complaint is and ensures that where other routes are available, that these routes are exhausted in the first instance. For example a customer may wish to question a planning decision. Whilst many customers will communicate this to us by way of a complaint, the correspondence is really a challenge against the decision that the authority has made. A statutory appeals and dispute process exists for these cases, so cases of this nature would be channelled through that route.

- 3.7 On occasion, customers wish to challenge a decision and complain about their customer experience. In these circumstances we would investigate and respond to the matters that are truly a complaint and advise the customer that the other items will be considered through the formal appeals channel.
- 3.8 Our improved procedure is based on best practice and the research that we have completed. It links directly into our values and behaviours to ensure that we listen and respond to our customers. Clear time scales are set out in the process so both officers and customers know what is expected. The procedure sets out the following stages:
- Stage 1: Response from Service Manager with Head of Service reviewing all letters
 - Stage 2: Response from independent Head of Service review (within 3 months of initial complaint)
 - Stage 3: Response from independent Director – thorough review prior to Local Government Ombudsman
 - *For Housing Complaints a housing panel will consider cases after stage 3*
- 3.9 During each of these stages we have recognised that good communication with our customers is essential to effectively manage their complaint. At all stages we will acknowledge receipt of their complaint within three days of receipt. For stage 1 and stage 2 of the process we will complete a full response within 15 days of the complaint being made, unless otherwise agreed with the customer. To be escalated between stages a customer must indicate that they are unhappy with the outcome within three calendar months.
- 3.10 We also want to make sure that we tackle repeated failures in service delivery. Where a customer reports the same complaint within a two month time period it will usually relate to a repeated service failure. In these cases, the complaint will be re-opened at stage 2 of the process. However, if more than two months have elapsed since the original complaint we will treat it as a new complaint and work from stage 1 of the process.
- 3.11 The Council must also ensure that it meets the requirements of the Localism Act 2011 in relation to complaints from tenants. Stage 4 of our process ensures these requirements are met. This legislation provides tenants with a right to a “democratic filter” to assist in their complaints about housing being resolved at a more local level. The democratic filter enables a tenant to bring their complaint before a tenant panel once stage three of the process has been exhausted. Specially trained tenants will hear the complaint and try and help to get a resolution. Tenants will still have a right to complain to the Local Government Ombudsman if they are still unhappy after the panel has considered their case.

- 3.12 The revised procedure provides customers and the authority with an increase level of independence at an earlier stage. This brings fresh eyes to the problem and allows a greater level of challenge. The senior managers involved in the process will be able to change procedures or policies if they are causing problems and help to show that we act on the feedback that we are given.
- 3.13 Having clear timescales within the process will help to ensure that customer feedback is dealt with in a timely manner. It will prevent customers escalating their complaint at a later date when there has been a significant delay in the customer responding to our correspondence. The process also enables a quicker route to the Ombudsman for those who feel that they have a serious grievance.
- 3.14 The process removes the requirement for complaints to be passed to a member panel. Feedback from customers, members and other organisations is that the panels typically met infrequently and operated in an adversarial manner. There were concerns from customers that the hearing was not truly independent and often members would have limited powers to make amendments. This change was discussed at the Engagement PDG on 18th July 2013 and received support from that group. It was also agreed that an annual report detailing customer feedback would be made available to members to ensure that they continue to have visibility of our customers' views.
- 3.15 Member feedback will be provided by way of an annual report to cabinet and scrutiny committee, together with a copy of the Ombudsman letter for the authority. A clear procedure will be introduced to enable members to help their residents with complaints. Members will be able to make recommendations from the feedback provided and be confident that the feedback process operated by the council conforms to best practice. Feedback will also be provided on a monthly basis to the Performance Board.
- 3.16 The revised process will provide customers with refreshed documentation clearly detailing our approach to customer feedback. An example leaflet will be available to the Governance and Audit Committee. The process will be accessible through our website and through each of our customer facing offices as will a revised leaflet detailing the feedback process.

4. OTHER OPTIONS CONSIDERED

- 4.1 As detailed earlier in the report, officers have evaluated existing processes and those operated by others to identify best practice. These findings have been used to develop the proposed customer feedback process.

5. RESOURCE IMPLICATIONS

- 5.1 The introduction of the new Customer Feedback process will ensure that existing resources are used effectively to manage the customer experience. No additional resources will be required as a result of this change.

6. RISK AND MITIGATION

- 6.1 Risk has been considered as part of this report and any specific high risks are included in the table below:

Category Risk	Action / Controls
Reputational	Failure to respond to complaints in a timely manner can result in complaints escalating and a poor image for the organisation. This process ensures that customer feedback is dealt with in a timely manner.
Legislative	There is a requirement to ensure that our process meets the requirements of the Localism Act 2011. A failure to update our processes would result in us not meeting our statutory obligations. This process ensures that our obligations are met.

7. ISSUES ARISING FROM IMPACT ANALYSIS

- 7.1 An initial impact assessment has been completed. This is shown as appendix 2. There are no adverse impacts from this change in process.

8. CRIME AND DISORDER IMPLICATIONS

- 8.1 Not applicable

9. COMMENTS OF FINANCIAL SERVICES

- 9.1 There are no specific financial comments to make in respect of this report.

10. COMMENTS OF LEGAL AND DEMOCRATIC SERVICES

- 10.1 The terms of reference of the Governance and Audit Committee provide for the committee to review the process for dealing with complaints. The proposals provide a more streamlined approach to dealing with complaints and provide for a tenants panel which was introduced in the Localism Act 2011.

11. COMMENTS OF OTHER RELEVANT SERVICES

- 11.1

12. APPENDICES:

Appendix 1: Customer Feedback Process

Appendix 2: Initial Impact Assessment

**SOUTH KESTIVEN DISTRICT COUNCIL
CUSTOMER FEEDBACK PROCESS
Compliments, Comments & Complaints
June 2013**

Customer Feedback Procedure

Introduction

South Kesteven District Council are committed to delivering an excellent quality of service and want to hear what you think of us, whether you were really pleased with your experience, felt we could have done better or simply want to share your thoughts.

We want to learn from what our customers have to say and that is why it is so important to us. We need to know if you feel we got it wrong or could have done something better or if we didn't meet your expectations.

We hope this procedure for dealing with comments, compliments and complaints will make it easier for you to provide us with this valuable feedback.

We aim to:

- ✓ Enable our customers to give us their feedback by whatever means they find easiest
- ✓ Ensure all feedback is responded to fully and efficiently within reasonable timescales
- ✓ Learn important lessons from all our feedback and share that across all of our organization

Why do we want your feedback?

All the colleagues within South Kesteven District Council work in line with our Values and Behaviours and when it comes to customer feedback, there's no exception:

"We listen and respond to our customers"

- ✓ We know who our customers are both external and internal
- ✓ We listen to our customers and make decisions based on their needs
- ✓ We put ourselves in our customers shoes
- ✓ We do not pass the buck when something goes wrong
- ✓ We are honest when we get things wrong and learn from the feedback people give us

If you require assistance in completing the feedback form, please phone us or call into your nearest office where our staff will be happy to help you.

To ensure everyone has access to our information it is available in a range of different formats, including large print and computer disc on request.

What type of feedback can you give?

Tell us what you liked.....

This could be about a person, a service, a single event or a chain of circumstances that made your experience a positive one.

Definition of **compliment** - *noun*

Pronunciation: [/ˈkɒmplɪm\(ə\)nt/](#)

- ✓ a polite expression of praise or admiration
- ✓ an act or circumstance that implies praise or respect

Definition of **comment** - *noun*

- ✓ a verbal or written remark expressing an opinion or reaction

Tell us what you thought.....

About a standard of service, process or decision made by SKDC or our team. Maybe you have a suggestion about something we could do differently.

Tell us what you didn't like.....

Perhaps about a standard of service, a failure to meet your expectations, an action or a lack of action or because you found it difficult to access our services – anything which you feel is unacceptable

Definition of **complaint** - *noun*

- ✓ a statement that something is unsatisfactory or

Is there anything that we won't include in this process?

An initial request for service to be delivered is not a complaint.

We are also unable to include matters that have an alternative statutory appeals process. For example:

- appeals about parking fines/penalty charge certificates
- **appeals about homeless decision**
- **appeals about points allocation in your application for council housing**
- **appeals about planning applications/decisions**
- **planning consultation responses**
- **appeals about recharge fees for repairs**
- **appeals about fixed penalties**
- **matters subject to legal action**
- **political comments**
- **complaints from staff about personnel issues**

This list is not exhaustive.

What will we do when we receive your feedback?

We will:

- ✓ **acknowledge and respond to your feedback within the laid down time limits**
- ✓ **in our acknowledgement, tell you the name of the person or section that will deal with your feedback**
- ✓ **if the investigation results in complexities which mean we can't meet our own timescales we will keep you fully informed**
- ✓ **in our response tell you what we are able to do or what we are not able to do and why**
- ✓ **admit when things go wrong**

- ✓ learn from your feedback, and share that learning across the organisation
- ✓ if this process does not cover your complaint (eg if there is a statutory right of appeal etc) we will advise you the course of action you need to take

The process

We want to make it as easy as possible for you to feedback to us, you can do this by:

- ✓ filling in a feedback form online
www.southkesteven.gov.uk/feedback
- ✓ emailing Customer services
customerservices@southkesteven.gov.uk
- ✓ calling our customer service team on 01476 406080
- ✓ filling in a feedback form – available from our 4 customer service centres in Grantham, Bourne, Stamford or Market Deeping
- ✓ write us a letter and send it to:

**The Customer Services Team
 South Kesteven District Council
 Council Offices
 St Peters Hill
 Grantham
 Lincs
 NG31 6PZ**

Compliments

Customers don't always have the time to let us know if they have been particularly pleased with our service so when they do we want to make sure we learn from what we did right and do it more!

We will ensure that the positive feedback is shared with the service and if appropriate the individual involved and acknowledge your compliment with a response within 3 working days.

Comments

These are important because it could help us shape the ways services look or influence decisions we make in the future.

We can't guarantee that we can always make the suggested or requested changes but we will reply in full within 15 working days to explain why a decision or process exists in its current form, what we might do differently or why we won't be able to change things in the future

Complaints

Stage 1

We are sorry that you feel that a matter is so serious that it needs to be dealt with as a formal complaint.

We will acknowledge it within 3 working days and we will tell you who will be dealing with it – it will usually be the service manager for the department it relates to. They will provide you with a full response within 15 working days or explain why they are unable to and give you an achievable date for you to receive a response by.

Stage 2

If you are unhappy with the stage 1 response you have the right to request that it is looked at by a service head, who is not directly linked to the original department the complaint was about; this is to ensure the review is as objective as possible. This request should be received within 3 months of you receiving your stage 1 response. The service head will review the previous decisions and decide if they were fair and reasonable.

We will acknowledge your communication within 3 working days. The service head will investigate your complaint and will provide you with a full response within 15 working days or explain why they are unable to and give you an achievable date for you to receive a response by.

Stage 3

If you still feel our response is unacceptable you can request that it is reviewed by a director. To ensure an objective review the director will not have direct line management responsibility for either the service head or service manager who

has already been involved in your complaint. This request should be received within 3 months of you receiving your stage 2 response.

We will acknowledge your communication within 3 working days. The director will investigate your complaint and will provide you with a full response within 15 working days or explain why they are unable to and give you an achievable date for you to receive a response by.

Ombudsman

If you are still dissatisfied with the way we have dealt with your complaint, you have the right to ask the Local Government Ombudsman, an independent body, to investigate allegations of maladministration causing an injustice to anybody who has complained.

This means there has been a fault in the way the Council has or has not done something and it has created difficulties for you personally. The Ombudsman does not usually criticise the merits of a decision which has been properly taken simply because someone may disagree with it. They will however look at the way the decision was made.

The Ombudsman will not usually consider a complaint until the Council has had a chance to resolve the matter through its own procedure.

Their contact details are:

The Local Government Ombudsman
PO Box 4771
Coventry
CV4 0EH
Tel: 0300 061 0614
Fax 024 7682 0001
Web www.lgo.org.uk

Tenant complaints

The Localism Act 2011 introduced changes including that, from April 2013, tenants have a right to a 'democratic filter' to assist in their complaints about housing being resolved at a more local level. Housing complaints which are referred to the Ombudsman service will now go to the separate Ombudsman for Housing rather than, as previously, to the Local Government Ombudsman. This is intended to ensure that all tenants of councils and other social landlords are treated consistently.

If you are a council tenant and you are making a complaint about a housing issue, and you feel that we have not been able to resolve your issue at 'stage 3' of our complaints policy, then you are entitled to bring it before our tenant panel. This panel meets the requirements of the Localism Act for a 'democratic filter' and is made up of specially trained tenants that will hear your complaint to try and help get a resolution.

To do this, please put your request in writing to:

**Tenants Panel
Council Offices
St Peters Hill
Grantham
Lincs
NG31 6PZ**

After this, if you are still unhappy you can take your complaint to the housing ombudsman, not the Local Government Ombudsman as other complainants do.

Their contact details are:

**Housing Ombudsman Service
81 Aldwych
London
WC2B 4HN
Tel: 0300 111 3000
Fax: 020 7831 1942
Email: info@housing-ombudsman.org.uk**

How was your experience of our feedback process?

We want to make sure that we deliver against this process as we have committed to so every month we will carry out a survey of 10 random customers who have been through our customer feedback process in that month.

We hope that regardless of whether the outcome of your feedback was what you had wanted you will be able to take part in a survey on your experience of the process.

This allows us to ensure that we are performing consistently across the organisation when it comes to responding to feedback and that we are following our own document process in all cases

If you do not wish to take part in a survey relating to your customer feedback experience, please let us know directly when you have received your feedback response.

Unreasonable persistent complaints

On rare occasions we may have to make a difficult decision about a complainant who we feel is being unfair or persistent in the manner or frequency of their contact.

The decision to do this will not be taken easily and will be taken by the Head of People, Projects and Performance (after taking legal advice if appropriate)

The options that will be considered on such occasions are likely to be:

- ✓ identifying a single point of contact within the organization that customer may contact in relation to their complaint/s
- ✓ only accepting contact by a particular channel (only by letter for example)

In some cases we may decide that the only option is to:

1. Refer the complaint to the Ombudsman before we have completed all the stages of our complaints process – this is the result of an agreement between South Kesteven District Council and the complainant.
2. Advise the complainant that we cannot assist with the complaint any further and advise them that the next option available is to approach the Ombudsman – this may be necessary when South Kesteven District Council and the complainant cannot agree on a way forward. In these cases we will not contact the ombudsman but will advise the complainant in writing that we will not be responding to the complaint any further

In all cases of unreasonable or persistent complaints the Customer Service manager will write to the complainant to explain why we feel the complaint falls into this category and what action we are taking

Further contact details

If you wish to complain about your local Councillor, contact:

**The Legal & Democratic Services Team
South Kesteven District Council
Council Offices
St Peters Hill
Grantham
Lincs
NG31 6PZ**

www.southkesteven.gov.uk/memberscomplaints

Tel: 01476 40 60 80



South Kesteven District Council

Equality Analysis (Stage 1)

Customer Feedback Process

Service Area: CORPORATE	Lead officer: Lee Sirdifield	Date of Meeting 12/09/13
	Assessor: Kirsty Callacher	
	Neutral Assessor: Carol Drury	

1. Name and description of policy/service/function/strategy

Customer Feedback Process

South Kesteven District Council are committed to delivering an excellent quality of service and want to hear what our customers think of us, whether they were really pleased with their experience, felt we could have done better or simply want to share their thoughts.

We want to learn from what our customers have to say and that is why it is so important to us. We need to know if they feel we got it wrong or could have done something better or if we didn't meet their expectations.

The policy aims to:

- ✓ Enable our customers to give us their feedback by whatever means they find easiest
- ✓ Ensure all feedback is responded to fully and efficiently within reasonable timescales
- ✓ Learn important lessons from all our feedback and share that across all of our organisation

It is important that the council effectively manages feedback from its customers. A revised policy has been designed to enable us to gain a more detailed insight into our customers' expectations and respond more appropriately to them.

Is this a new or existing policy?

Existing

2. Complete the table below, considering whether the proposed policy/service/function/strategy could have any potential positive, or negative impacts on groups from any of the protected characteristics (or diversity strands) listed, using demographic data, user surveys, local consultations evaluation forms, comments and complaints etc.

Equality Group	Does this policy/service/function/strategy have a positive or negative impact on any of the equality groups? Please state which for each group	Please describe why the impact is positive or negative. If you consider this policy etc is not relevant to a specific characteristic please explain why
Age	Neutral	Age would not be a determining factor in either the ability to feedback or in the response. Policies are available in large print and assistance can be provided where necessary.
Disability	Neutral	We can assist customers with disabilities in several different ways. We have: • hearing loops in all our offices, • coloured overlays for customers with colour blindness and dyslexia • forms available on our website • A Text Relay service available for people with hearing impairments • officers that can help with the completion of the form.
Race	Neutral	We recognise that some customers may have difficulty communicating their concerns if their first language is not English. However: • the form is available in a variety of languages • It is available on our website that can be viewed in different languages • We have Language Line available to help customers and then an officer can assist with filling in the form. • We can also organise for

		a translator to assist the customer.
Gender Reassignment	Neutral	Gender reassignment would not be a determining factor in either the ability to feedback or in the response.
Religion or Belief	Neutral	Religion or belief would not be a determining factor in either the ability to feedback or in the response.
Sex	Neutral	Sex would not be a determining factor in either the ability to feedback or in the response.
Sexual Orientation	Neutral	Sexual orientation would not be a determining factor in either the ability to feedback or in the response.
Pregnancy and Maternity	Neutral	Pregnancy and maternity would not be a determining factor in either the ability to feedback or in the response.
Marriage and Civil Partnership	Neutral	Marriage and civil partnership would not be a determining factor in either the ability to feedback or in the response.
Carers	Neutral	Carers would not be a determining factor in either the ability to feedback or in the response.
Other Groups (e.g. those from deprived (IMD*) communities; those from rural communities, those with an offending past) *(IMD = Indices of multiple deprivation)	Neutral	We recognise that people with learning difficulties or literacy issues may need assistance should they wish to raise a concern with us. Customers would be offered assistance in filling in the form at any of our contact centres. Trained officers are available during normal office hours to help wherever needed.

General comments	The response to any feedback is not governed by any individual protected characteristic. Supporting guidance is provided to customers and available in a variety of formats on request. Wherever a need is identified we give feedback in an appropriate format.
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3. What equality data/information did you use to inform the outcomes of the proposed policy/service/function/strategy? (Note any relevant consultation who took part and key findings)

The Council holds information about its customers in its Customer Relationship Management software. This enables us to identify the needs of individuals and households and tailor our services appropriately.

If there are any gaps in the consultation/monitoring data, how will this be addressed?

We believe the information we have is comprehensive, however, the introduction of a Citizens Panel, which closely resembles the demography of the district, will further assist. Also, we have the Community Focus Forum made up of representatives from hard to reach groups, who will be consulted on a regular basis.

4. Outcomes of analysis and recommendations (please note you will be required to provide evidence to support the recommendations made): Please check one of the options.

a)	No major change needed: equality analysis has not identified any potential for discrimination or for negative impact and all opportunities to promote equality have been taken	☒
<i>If you have checked option a) you will need to complete a Stage 3 analysis when your policy/service/function/strategy has been implemented</i>		
b)	Adjust the proposal to remove barriers identified by equality analysis or to better promote equality.	☐
<i>If you have checked option b) you will need to answer questions b.1 and b.2</i>		
c)	Adverse impact but continue	☐
<i>If you have checked option c) you will need to answer questions c.1</i>		
d)	Stop and remove the policy/function/service/strategy as equality analysis has shown actual or potential unlawful	☐

- b.1 In brief, what changes are you planning to make to your proposed policy/service/function/strategy to minimise or eliminate the negative equality impacts?

- b.2 Please provide details of whom you will consult on the proposed changes and if you do not plan to consult, please provide the rationale behind that decision.

If you have checked option b) you will need to complete a Stage 2 equality analysis

- c.1 Please provide an explanation in the box below that clearly sets out your justification for continuing with the proposed policy/function/service/ strategy.

If you have checked option c) you will need to complete a Stage 2 equality analysis. You should consider in stage 2 whether there are sufficient plans to reduce the negative impact and/or plans to monitor the actual impact.

Signed (Lead Officer):
(Name and title)

Lee Sirdifield
Customer Services Manager

Date completed:

13.9.13

Signed (Neutral Assessor):
(Name and title)

Carol Drury
Community Engagement and Policy Development Officer

Date signed off:

13/09/13