

CONTENTS

| | Page Numbers |
|---|------------------|
| Introduction - Councillor Linda Neal Leader of the Council | 2-3 |
| Explanatory Foreword | 4 – 18 |
| Statement of Responsibilities for the Statement of Accounts | 19 |
| Movement in Reserves Statement | 20 - 21 |
| Comprehensive Income & Expenditure Statement | 22 |
| Balance Sheet | 23 - 24 |
| Cash Flow Statement | 25 - 26 |
| Notes to the Core Financial Statements | 27 - 96 |
| <i>Supplementary Accounting Statements</i> | |
| Housing Revenue Account | 97 |
| This statement shows the net cost of the Council's Housing Landlord service and how this cost has been financed from government grants and income from tenants. | |
| Movement on the Housing Revenue Account Statement | 98 |
| Notes to the Housing Revenue Account | 99 - 108 |
| Collection Fund Account | 109 |
| This statement summarises the transactions that have occurred as a result of our role as a billing authority | |
| Notes to Collection Fund | 110 - 111 |
| Annual Governance Statement | 112 - 126 |
| Auditor's Report | xxx - xxx |
| Glossary of Terms | xxx - xxx |

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.-

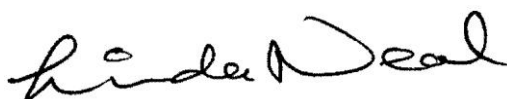
Support good housing for all

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 that reads "Linda Neal". The signature is fluid and cursive, with the first name "Linda" written in a larger, more prominent script than the surname "Neal".

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%.

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.

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 **xxx – xxx**) 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 | 2012/2013 Actual | Variance |
|-----------------------------------|-----------------------|---------------------|----------------|
| | £'000 | £'000 | £'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 (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 underspends.

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 93,000 tickets sold 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 continue 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. Specifically these 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 |
| Drainage Board Levies | (614) | but included in Other Operating Income & Expenditure section below Cost of Services in CIES |
| | | Included in Service Outturn in table on page 7 |
| Trading Accounts | 324 | but included in Financing & Investment Income & Expenditure section below Cost of Services in CIES |
| | | Included in Service Outturn in table on page 7 |
| Leisure Loan Interest | 15 | but included in Financing & Investment Income & Expenditure section below Cost of Services in CIES |
| | | |
| Cost of Services from CIES | <u>9,901</u> | |

Comparing actual revenue spending to budget in the Housing Revenue Account

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

This revenue account is known as the Housing Revenue Account and originally budgeted for a net operating surplus of £1.679m. 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, BIC, 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 craftworking 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 |
| Revenue Expenditure funded from Capital under Statute | 766 | Other Reserves | 497 |
| Intangible Assets | 90 | | |
| Local Authority Mortgage Scheme | <u>1,000</u> | | |
| Total | <u>10,370</u> | | <u>10,370</u> |

**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 | <u><u>36,162</u></u> |

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', written in a cursive style.

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 | | 10,035 | (9,323) | 712 |
| 4,620 | (2,056) | 2,564 | | 5,360 | (2,014) | 3,346 |
| 8,539 | (2,631) | 5,908 | | 8,816 | (3,328) | 5,488 |
| 3,365 | (1,103) | 2,262 | | 3,460 | (1,157) | 2,303 |
| 1,073 | (1,366) | (293) | | 1,152 | (1,310) | (158) |
| 25,574 | (23,268) | 2,306 | | 19,704 | (24,632) | (4,928) |
| 121,652 | | 121,652 | | 0 | | 0 |
| | | | | | | |
| 32,722 | (31,869) | 853 | | 34,323 | (32,766) | 1,557 |
| 2,318 | (748) | 1,570 | | 2,394 | (714) | 1,680 |
| 6 | 0 | 6 | | (99) | | (99) |
| 209,767 | (71,670) | 138,097 | | 85,145 | (75,244) | 9,901 |
| Cost Of Services | | | | | | |
| Other Operating Expenditure | | | | | | |
| | | | | | | (473) |
| | | (304) | | | | (473) |
| | | 1,959 | 10. | | | 2,013 |
| | | 475 | HRA6 | | | 565 |
| | | (90) | 11. | | | (12) |
| | | 2,040 | | | | 2,093 |
| Financing and Investment Income and Expenditure | | | | | | |
| | | 287 | 19. | | | 3,650 |
| | | 4,401 | 41. | | | 4,195 |
| | | (3,972) | 41. | | | (3,309) |
| | | (589) | 19. | | | (749) |
| | | 54 | 12. | | | 372 |
| | | (291) | 30 | | | (324) |
| | | (110) | | | | 3,835 |
| Taxation and Non-Specific Grant Income | | | | | | |
| | | 0 | 13. | | | (359) |
| | | (7,645) | | | | (7,774) |
| | | (6,378) | | | | (7,383) |
| | | (2,830) | 14. | | | (1,669) |
| | | (16,853) | | | | (17,185) |
| 123,174 (Surplus) or Deficit on Provision of Services | | | | | | (1,356) |
| | | (1,345) | | | | (3,388) |
| | | 6,694 | 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 | 42 | (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 | 42 | (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 | 2,827 |
| 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 | 6,293 |
| (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 | | 6,482 |
| | Investing Activities | | |
| (6,777) | Purchase of property, plant and equipment, investment property and intangible assets | | (3,702) |
| (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 | | 1,130 |

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. Depreciation charges for HRA dwellings that are covered by the Major Repairs Allowance (MRA) are real charges and are included in the Comprehensive Income and Expenditure Statement. If the depreciation charged is higher than MRA, an amount equal to the difference is transferred to the HRA from the Major Repairs Reserve. If the depreciation charged is lower than MRA the transfer is from the HRA to the reserve. These transactions are reported in the Movement in Reserves Statement.

Disposals and Non-current Assets Held for Sale

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

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

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

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

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

Amounts for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts related to housing disposals (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 controls the application of the Major Repairs Allowance (MRA). The MRA is restricted to being applied to new capital investment in HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the MRA that has yet to be applied at the year-end.

Capital Receipts Reserve

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

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)

| | General Fund £'000 | Earmarked Revenue Reserves £'000 | HRA £'000 | Earmarked HRA Reserves £'000 | Capital Receipts Reserve £'000 | Major Repairs Reserve £'000 | Capital Grants Unapplied £'000 | Total Usable Reserves £'000 | Unusable Reserves £'000 |
|---|--------------------------|---|----------------|---------------------------------------|---|--------------------------------------|---|--------------------------------------|-------------------------------|
| Adjustments primarily involving the Capital Adjustment Account | | | | | | | | | |
| Depreciation of non-current assets | (2,663) | | | | | (2,722) | | (5,385) | 5,385 |
| 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 to council tax income | 31 | | | | | | | 31 | (31) |
| Adjustments primarily involving the Pension Fund | | | | | | | | | |
| Adjustment of IAS 19 retirement entries for actual contributions | (427) | | (221) | | | | | (648) | 648 |
| Adjustments primarily involving the Pension Fund | | | | | | | | | |
| 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)

| | General Fund £'000 | Earmarked Revenue Reserves £'000 | HRA £'000 | Earmarked HRA Reserves £'000 | Capital Receipts Reserve £'000 | Major Repairs Reserve £'000 | Capital Grants Unapplied £'000 | Total Usable Reserves £'000 | Unusable Reserves £'000 |
|---|--------------------------|---|------------------|---------------------------------------|---|--------------------------------------|---|--------------------------------------|-------------------------------|
| Adjustments primarily involving the Capital Adjustment Account | | | | | | | | | |
| Depreciation of non-current assets | (2,397) | | | | | (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)

| | 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 |
| <u>(16)</u> | | <u>(15)</u> |

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property, or repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of investment properties over the year:

| 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) |
| <u>2,590</u> | Balance at end of year | <u>2,203</u> |

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:

- i. Credit risk – the possibility that other parties might fail to pay amounts due to the Council;
- ii. Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments;
- iii. Re-financing risk – the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms.

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

b. Overall Procedures for Managing Risk

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

- i. by formally adopting the requirements of the CIPFA Treasury Management Code of Practice;
- ii. by the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations;
- iii. by approving annually in advance prudential and treasury indicators for the following three years limiting:
 - the Council's overall borrowing;
 - Its maximum and minimum exposures to fixed and variable rates;
 - Its maximum and minimum for exposures within the maturity structure of its debt;
 - Its maximum annual exposures to investments maturing beyond a year.
- 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 £xxxk of the trade debtors balance is past its due date for payment. The past 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 | At 31 March 2011 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 | <u>(204)</u> |
| 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 2013 £'000 | At 31 March 2012 £'000 | At 31 March 2013 £'000 | At 31 March 2012 £'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 Measured at Amortised Cost | Financial Assets Loans & Receivables | Total |
|---|---|---|--------------|
| | £'000 | £'000 | £'000 |
| 2012/13 | | | |
| Interest expense | 3,650 | | 3,650 |
| Total Expense in Surplus or Deficit on the Provision of Services | 3,650 | 0 | 3,650 |
| Interest income | | (749) | (749) |
| Total Income in Surplus or Deficit on the Provision of Services | 0 | (749) | (749) |
| Net gain/(loss) for the year | 3,650 | (749) | 2,901 |
| 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 |
| <u>(33)</u> | Recognised as an expense in year | <u>(34)</u> |
| <u>9</u> | Balance outstanding at year end | <u>9</u> |
| | Postage | |
| 7 | Balance at start of year | 5 |
| 21 | Purchases | 70 |
| <u>(23)</u> | Recognised as an expense in year | <u>(70)</u> |
| <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 |
| <u>(160)</u> | Recognised as an expense in year | <u>(488)</u> |
| <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 |
| <u>(361)</u> | Recognised as an expense in year | <u>(326)</u> |
| <u>21</u> | Balance outstanding at year end | <u>59</u> |
| | Fuel Tank | |
| 0 | Balance at start of year | 20 |
| 619 | Purchases | 649 |
| <u>(599)</u> | Recognised as an expense in year | <u>(660)</u> |
| <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 | <u>6,174</u> |

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 |
| <u>1,767</u> | Other entities and individuals | <u>1,908</u> |
| <u>3,374</u> | | <u>4,477</u> |
| | Long Term Debtors | |
| | Local Authority Mortgage Scheme | 1,028 |
| 237 | Loans for Leisure Facilities | 196 |
| <u>52</u> | Other | <u>54</u> |
| <u>289</u> | | <u>1,278</u> |

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 £'000 | | 2012/13 £'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 | | 2012/13 |
|-----------------|--|-----------------|
| £'000 | | £'000 |
| (22,549) | Balance at 1 April | (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 31 March | (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 | | 2012/13 |
|----------|--|-----------|
| £'000 | | £'000 |
| 31 | Balance at 1 April | 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 31 March | 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 1 April | 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 |
| <u>201</u> | Balance at 31 March | <u>156</u> |

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 1 April | 72 |
| (15) | Repayments received in year | (14) |
| 0 | New receipts deferred | 0 |
| <u>72</u> | | <u>58</u> |

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 & Neighbourhoods £'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 | | 2012/13 |
|----------------|--|--------------|
| £'000 | | £'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.

| 2012/2013 | Corporate Area Analysis | Amounts not reported to management for decision making | Amounts not included in I&E | Total |
|---|-------------------------|--|-----------------------------|-----------------|
| | £'000 | £'000 | £'000 | £'000 |
| Income | | | | |
| Fees Charges & other service income | (9,540) | | | (9,540) |
| Interest & investment income | (19) | | | (19) |
| Government Grants & Contributions | (40,620) | | | (40,620) |
| Taxation & Non-Specific Grant Income | | (17,185) | | (17,185) |
| Support Recharge Income | (8,455) | | | (8,455) |
| Total Income | (58,634) | (17,185) | 0 | (75,819) |
| Expenditure | | | | |
| Employee Expenses | | | | 0 |
| Other Service Expenses | 13,309 | | | 13,309 |
| Support Service Recharges | 52,214 | | | 52,214 |
| Depreciation, amortisation & Impairment | 5,443 | | | 5,443 |
| Financing | 2,772 | 4,174 | | 6,946 |
| 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 | | 2012/13 |
|---------------------|---|---------------------|
| £'000 | | £'000 |
| | The letting of Industrial Units located within the District | |
| (518) | Income | (514) |
| 197 | Expenditure | 124 |
| <u>(321)</u> | (Surplus)/Deficit | <u>(390)</u> |
| | Markets held weekly at Bourne, Grantham and Stamford | |
| (281) | Income | (270) |
| 335 | Expenditure | 325 |
| <u>54</u> | (Surplus)/Deficit | <u>55</u> |
| <u>(267)</u> | (Surplus)/Deficit | <u>(335)</u> |

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 | Remuneration Band | 2012/2013 No. of officers |
|------------------------------|-------------------|------------------------------|
| 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. | 65 |
| 19 | Fees payable to the external auditors for the certification of grant claims and returns. | 17 |
| 0 | Fees payable to the external auditors in respect of any other services provided | 1 |
| <u>122</u> | | <u>83</u> |

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 |
| <u>1,787</u> | | <u>1,850</u> |

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 |
|------------|----------------------------|------------|
| <u>532</u> | Receipts in Advance | <u>785</u> |
| | S106 Contributions | |

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 |
| <u>1,959</u> | | <u>2,013</u> |

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 | | 2012/13 |
|----------------|--|----------------|
| £'000 | | £'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 |
| <u>2,038</u> | Other Land & Buildings | <u>2,189</u> |

None of these properties are sublet.

Operating Leases

The Council has acquired various buildings and its waste vehicle fleet 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. Only one of the buildings is sublet as at 31 March 2013.

| 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 |
| <u>88</u> | | <u>97</u> |
| | Future Minimum Sublease Receipts Due | |
| 14 | Not later than one year | - |
| 33 | Between one & five years | - |
| <u>47</u> | | <u>0</u> |
| 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 | (14) |
| <u>28</u> | | <u>30</u> |

b. Council as Lessor

Finance Leases

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

| Gross Investment in the Lease | | |
|--------------------------------------|---|--------------------------------|
| At 31st March 2012 £'000 | Finance Lease Debtor (net present value of minimum lease payments) | At 31st March 2013 £'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 March 2013 £'000 | At 31st March 2012 £'000 | At 31st March 2013 £'000 | At 31st March 2012 £'000 |
| Not later than one year | 1 | 1 | 0 | 0 |
| Between one & five years | 5 | 5 | (1) | (1) |
| Later than 5 years | 1811 | 1,810 | 17 | 16 |
| | 1,817 | 1,816 | 16 | 15 |

| | Gross Investment in the Lease | | Minimum Lease Payments | |
|--------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| | At 31st March 2012 £'000 | At 31st March 2011 £'000 | At 31st March 2012 £'000 | At 31st March 2011 £'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 |
| <u><u>2,930</u></u> | | <u><u>4,228</u></u> |

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 | 6,432 |
| 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) |
| 15,769 | | (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 | | 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

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

| | Assets held at value | | Assets held at cost | Total Assets |
|--------------------------|----------------------|-------------------------|---------------------|--------------|
| | Antiques | Miscellaneous Artifacts | Orrery | |
| | £'000 | £'000 | £'000 | £'000 |
| Cost or Valuation | | | | |
| 1st April 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 | (714) |
| 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 | 945 |
| 9,186 | | 6,293 |

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) | | | (22,734) |
| (261) | | | (292) |
| (1,259) | | | (1,298) |
| (369) | | | (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> | Self Financing Borrowing | <u>0</u> 19,408 |
| 123,662 | | Net Cost of HRA Services | |
| 296 | | (5,224) | |
| | | HRA share of Corporate and Democratic Core | |
| | | | <u>296</u> |
| 123,958 | | Net Cost of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement | |
| (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> | | <u>(Surplus)/Deficit for the year on HRA (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 Statement | | |
| | 123,694 | | (1,720) |
| | Adjustments between Accounting Basis and Funding Basis under statute | | |
| | <u>(125,003)</u> | 8 | <u>(4,532)</u> |
| | Net (increase) or decrease before transfers to or from reserves | | |
| | (1,307) | | (6,252) |
| | <u>67</u> | 8 | <u>5,424</u> |
| | Transfers to or (from) reserves | | |
| (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 | | | 44 | 4,812 |
| 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 | 1,103 | 662 | 184,092 |
| 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 | 582 | 662 | 176,886 |
| 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 Council receives resources annually to maintain the value of the housing stock. This is known as the Major Repairs Allowance (MRA) and is available to fund capital expenditure on HRA assets.

Capital expenditure in year is charged to the Major Repairs Reserve and is then offset by a credit equal to the charge for depreciation in year. The MRA in year is calculated by the Government and is expected to be roughly equivalent to the depreciation charge in year. In the event that the depreciation charge is more or less than the MRA, a credit (where depreciation is less than MRA) or debit (where depreciation is more than MRA) is made to the Major Repairs Reserve to offset this.

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 - 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 | | |
| | | - Shortfall of depreciation on dwellings over | (246) | |
| 949 | <u>1,157</u> | Major 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 | 0 |
| 4,709 | Total | 4,768 |
| | Financed from: | |
| 0 | - Government Grants | |
| 4,709 | - Major Repairs Reserve | 4,836 |
| 0 | - Revenue Contributions | |
| 0 | - Capital Receipts Reserve | |
| 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 |
| <u>(1,082)</u> | - Expected return on assets in the scheme | <u>(940)</u> |
| <u>649</u> | | <u>815</u> |
| | Statement of Movement of the Housing Revenue Balance | |
| <u>(649)</u> | - Reversal of net charges made for retirement benefits in accordance with IAS19 | <u>(815)</u> |
| | 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 | (58) |
| 949 | - Excess of MRA over Depreciation | |
| (121,652) | - Self Financing Borrowing | |
| 78 | - Accrued Employee Benefits | 18 |
| (125,003) | | (4,532) |
| | Transfers to/from Earmarked Reserves: | |
| 57 | - Insurance Surplus | 62 |
| | - Transfers to/from reserves | 2,534 |
| | - Transfers to/ from Major Repairs Reserve | 2,828 |
| 10 | - Transfer to Unapplied Capital Receipts | 0 |
| 67 | | 5,424 |

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 wayleaves. 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 | 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 |
| <u>37,249</u> | | Business Ratepayers | <u>36,701</u> |
| <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 | <u>7,641</u> | - South Kesteven District Council | <u>7,742</u> 66,722 |
| | | Business Rates | |
| | 37,066 | - Payment to national pool | 36,521 |
| 37,248 | <u>182</u> | - 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 | 1 12 |
| <u>103,532</u> | | | <u>103,594</u> |
| (220) | | Movement on Fund Balance | 259 |
| 261 | | Balance at start of year | 41 |
| <u>41</u> | | Balance at end of year, before allocation | <u>300</u> |
| | | Allocations | |
| (31) | | - Lincolnshire County Council | (224) |
| (5) | | - Lincolnshire Police Authority | (40) |
| <u>5</u> | | Balance at end of year (applicable to this Council) | <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 |
| Ministry of Defence Properties | | | 47,048.8 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 overarching 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 is 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 check 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 | <ul style="list-style-type: none"> ○ Approve Constitution including Codes of Conduct; ○ Approve the budget and policy framework |
| Cabinet | <ul style="list-style-type: none"> ○ 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 | <ul style="list-style-type: none"> ○ Six scheduled meetings per annum to: <ul style="list-style-type: none"> ○ 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 |

| | |
|--|---|
| | <ul style="list-style-type: none"> ○ 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 | <ul style="list-style-type: none"> ○ 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) | <ul style="list-style-type: none"> ○ Overseeing financial strategy and operations and contributing to the effective corporate management and governance of the Council |
| Internal Audit | <ul style="list-style-type: none"> ○ Set overall internal audit strategy to meet the Council’s overall strategic direction ○ Undertake an annual programme of audits ○ 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) | <ul style="list-style-type: none"> ○ Monthly review of projects including: <ul style="list-style-type: none"> ○ 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: <ul style="list-style-type: none"> ○ the assurance statements ○ review of risk registers |
| Risk Management Group | <ul style="list-style-type: none"> ○ 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 | <ul style="list-style-type: none"> ○ 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

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.

BVACOP

The CIPFA Best Value Accounting Code of Practice 2010.

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. Funding from central government to support major improvements to the Council's housing stock.

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.