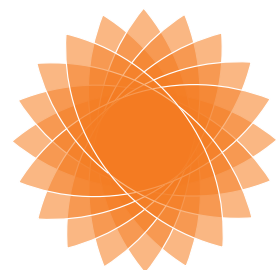


# Statement of Accounts

2016/17



**districtnk**  
North Kesteven District Council

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# NARRATIVE REPORT

## 1. INTRODUCTION

This Statement of Accounts summarises the financial performance of the Council for the year ended 31 March 2017.

This narrative report provides a concise and understandable explanation to the most significant aspects of the Council's financial performance, year-end financial position and cash flows. It aims to assist in the interpretation of the accounting statements. It will also provide a commentary of the major influences affecting the Council's income and expenditure and cash flows, and information on the financial needs and resources of the Council.

## 2. REVIEW OF THE YEAR

### Financial Environment

The financial year began with the setting of the budget on 25th February 2016, when a challenging balanced budget was set. The following sections describe the actual performance against this budget.

In common with the rest of local government, the Council has seen significant reductions in its core funding putting increasing pressure on Council Tax.

Therefore difficult decisions have been taken by the Council in order to establish a balanced financial plan for the next three financial years given the finite resources that will be available. The Council has proactively sought to find ways to protect services and has found the majority of savings from efficiencies and increased income rather than cuts to service delivery.

### General Fund

The Comprehensive Income and Expenditure Statement on page 14 sets out the cost of services that the Council provides detailed as per the Council's corporate priorities. Previously these headings have been specified by the Service Reporting Code of Practice (SeRCOP) therefore did not completely align to the way in which financial information is managed and reported in year. This change leads to a more transparent statement that can be followed through from the setting of budgets, to the final outturn position for the year. In addition a new Expenditure and Funding Analysis Statement has been introduced on page 13. This analysis demonstrates how the funding available to the Council for the year 2016/17 (i.e. Government grants, rents, Council Tax and Business Rates) has been used to provide services in comparison with those resources consumed or earned under generally accepted accounting practice (GAAP). The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Council's corporate priorities. Income and expenditure accounted for under GAAP is presented more fully in the Comprehensive Income and Expenditure Statement.

The General Fund covers all net spending by the Council on services other than those accounted for in the Housing Revenue Account. General Fund services are paid for from Government grants, contributions from Business Rates and Council Tax.

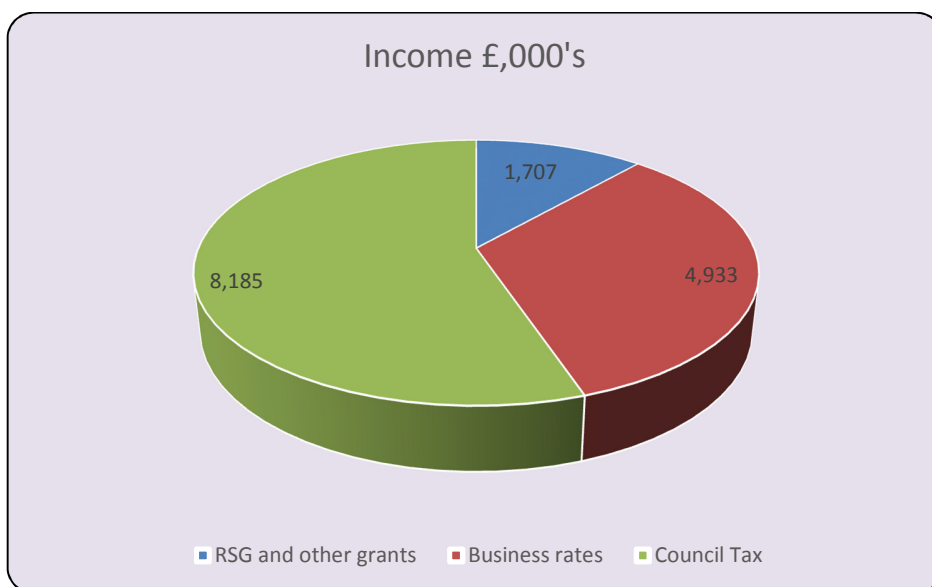
The table below provides a summary of the final outturn position for the General Fund against the approved budget for the year and an explanation of the major variations:-

	Budget £'000	Actual £'000	Variance £'000
<b>Corporate Priority - Service Expenditure</b>			
Our Council	4,062	4,442	380
Our Communities	6,194	6,621	427
Our Economy (1)	738	1,153	415
Our Homes	(2,281)	(2,533)	(252)
<b>Sub Total</b>	<b>8,713</b>	<b>9,683</b>	<b>970</b>
Drainage rates	377	376	(1)
Capital charges, interest and debt management (2)	(294)	(2,140)	(1,846)
Transfer to / (from) reserves and balances (3)	3,219	4,102	883
<b>Total Council Expenditure</b>	<b>12,015</b>	<b>12,021</b>	<b>6</b>
Payments to parish councils	2,647	2,647	-
Footway lighting	157	157	-

## NARRATIVE REPORT

<b>Total Spending Requirement</b>	<b>14,819</b>	<b>14,825</b>	<b>6</b>
<b>Funding:</b>			
Council Tax	(8,040)	(8,040)	-
Non Domestic Rates	(4,935)	(4,933)	2
Revenue Support Grant and other grants	(1,699)	(1,707)	(8)
Surplus / deficit on Collection Fund	(145)	(145)	-
<b>Total District Council Financing</b>	<b>14,819</b>	<b>14,825</b>	<b>(6)</b>
<b>(Surplus) / Deficit for year</b>	<b>-</b>	<b>-</b>	<b>-</b>

The funding for the year was £14,825,000 and came from the following sources;



- (1) *Our Economy* – The increased expenditure is mainly due to the accounting treatment of the capital expenditure on Blackwood Court, North Hykeham. This has been reversed under “Capital Charges” so there is no impact on the General Fund and, therefore, Council Taxpayers.
- (2) *Capital Charges, Interest & Debt Management* – mainly relates to the reversal of additional capital charges written off to the Council’s services, (such as the impairment of specific council assets undergoing improvement), that are required under proper accounting treatment but which are not permitted to be a cost to the Council Taxpayer.
- (3) The General Fund achieved a surplus of £359,547 during the year which was transferred to the following reserves;
  - Income Volatility Reserve £100,000
  - Our Economy Reserve £20,000
  - Our Council Reserve £43,923
  - Capital Reserve £12,000
  - Early Retirement Reserve £30,000
  - Invest to Save Reserve £108,624
  - Renewals Reserve £45,000

Other variances on reserve movements include the following;

- Capital Reserve £95,000
- IT Acquisitions Reserve £86,356

## NARRATIVE REPORT

• New Homes Bonus Reserve	£92,732
• Renewals Reserve	£110,234
• Earmarked Expenditure Reserve	£133,300
• Our Economy Reserve	£98,668
• Section 106	(£115,999)

### Housing Revenue Account

The Housing Revenue Account (HRA) has to be maintained as a separate account and contains all the expenditure and income relating to the Council's function of managing and maintaining Council owned dwellings as a social landlord.

For 2016/17, the approved net expenditure budget for the year showed a surplus of £31,400. The actual net expenditure for the year reflected a surplus of £193,200. The table below provides a summary of the final outturn position for the HRA against the net budget.

Housing Revenue Account	Approved Budget £'000	Actual Outturn £'000	Variance £'000
<b>Expenditure</b>			
Repairs and maintenance	3,387	2,892	(495)
Supervision and management	2,739	2,502	(237)
Rents, rates, taxes and other charges	174	300	126
Bad debts provision	70	96	26
Debt management expenses	24	28	4
Other expenditure	1,043	488	(555)
Debt management expenses	1,580	1,591	11
Impact of EUV-SH factor increase	-	(29,377)	(29,377)
Asset revaluation gain	-	(8,645)	(8,645)
<b>Total Expenditure</b>	<b>9,017</b>	<b>(30,125)</b>	<b>(39,142)</b>
<b>Income</b>			
Rental income	(15,338)	(15,223)	115
Other income	(44)	(75)	(31)
<b>Total Income</b>	<b>(15,382)</b>	<b>(15,298)</b>	<b>84</b>
<b>Net Cost of Services</b>	<b>(6,365)</b>	<b>(45,423)</b>	<b>(39,058)</b>
Capital charges and investment transactions	2,105	1,463	(642)
<b>Surplus / Deficit in Year on Services</b>	<b>(4,260)</b>	<b>(43,960)</b>	<b>(39,700)</b>
Adjustments between accounting and funding basis	-	37,018	37,018
Total appropriations and contribution to / (from) reserves	4,229	6,749	2,520
<b>Net Operating (Surplus) / Deficit for the Year</b>	<b>(31)</b>	<b>(193)</b>	<b>(162)</b>

The adjustment factor for the Existing Use Value for Social Housing (EUV-SH) valuation of Council dwellings was increased from 34% to 42% in 2016/17, this resulted in a £29.4million increase in HRA dwelling stock value as at 31<sup>st</sup> March 2017.

As at 31 March 2017, the Council held £750,000 as a working balance for the HRA to cover any unforeseen expenditure in the operating of the Council's housing stock and any unforeseen financial risks.



## NARRATIVE REPORT

### Capital Expenditure

The Council's capital expenditure on the provision of new or enhanced assets is largely met from revenue contributions, borrowing, government grants and contributions from third parties.

Capital expenditure in the year amounted to £12.717million compared to the approved capital programme budget of £17.930million, representing a net underspend of £5.213million. The main reasons for this variance are due to delays on the Council's new build programme, delays in property acquisitions from the market and savings on the replacement of stock components. The Council's capital expenditure and funding position for 2016/17 is summarised as follows:

Capital Programme	Approved Budget £'000	Actual Outturn £'000	Variance £'000
Housing capital programme	9,386	7,248	(2,138)
Non-housing capital programme	8,544	5,469	(3,075)
<b>Total Capital Expenditure</b>	<b>17,930</b>	<b>12,717</b>	<b>(5,213)</b>
<u>Financed by:</u>			
Capital grants and contributions	(678)	(689)	11
Council reserves	(6,252)	(5,080)	(1,172)
Contribution from Major Repairs Reserve	(3,561)	(3,039)	(522)
Capital receipts	(1,176)	(1,459)	283
Prudential borrowing	(6,263)	(2,450)	(3,813)
<b>Total Financing</b>	<b>(17,930)</b>	<b>(12,717)</b>	<b>(5,213)</b>

The Council's capital programme has supported broadband infrastructure rollout in the district, continued to invest in the Councils refuse vehicle fleet, delivered multiple major refurbishments at Whisby Natural World, purchased land to enable the Refuse Depot relocation and Industrial Workshop scheme to progress and Invested in Lafford Homes Ltd, the Council's wholly owned housing company.

The Council delivered 19 additional new council dwellings at Holland Court, North Hykeham; Princess Square, Billingham; Charlotte Street, Sleaford and Welchman Way, Heckington and a number of other new build developments are currently under construction. Three properties were also acquired from the open market. The Council has continued investment in the current housing stock to maintain them at the Council's "NK Fabric First Plus" standard. The major refurbishment and new build programme at Newfield Road, Sleaford is progressing and is scheduled for completion in November 2018.

### Earmarked Reserves

The Council began the year with £15.6million in Earmarked Reserves for specific purposes across the Council's General Fund, HRA and capital programme. The largest of these relates to the New Homes Bonus (£1.6million), HRA Major Repairs Reserve (£3.7million), Greater Lincolnshire Transport Strategy (£0.6million), Capital (£1.1million), Income Volatility (0.8million) and Regeneration (£0.6million) all of which the Council is planning to invest into infrastructure, growth and its asset base.

During 2016/17, the Council received a further New Homes Bonus amount of £3.0million which has initially been allocated to the reserve. It also contributed £6.7million to the HRA Major Repairs Reserve from the HRA to fund the capital expenditure on its housing stock and new build programme. Other contributions to reserves totalled £4.0million.

Use of reserves, mainly on the General Fund and Housing capital programmes, totalled £13.1million which gave a position at 31 March 2017 of £16.2million in Earmarked Reserves. More details on these reserves are contained in note 10 on page 42.

### Assets and Borrowing

The value of the Council's level of total long term debt outstanding as at 31 March 2017 decreased by £2million to £63million. This was due to the Council's annual repayment of the Equal Instalment of Principal (EIP) loan in 2016/17 (£2million).

## NARRATIVE REPORT

The Council's total long term assets amounted to £184.9million, an increase of £35.6million on 2015/16. This is mainly due to an increase in the Council Dwellings valuation at 31 March 2017.

### Pension Costs

The Council accounts for retirement benefits when it is committed to give them, even if the actual giving will be many years into the future. This means that;

- The financial statements reflect the liabilities arising from the Council's retirement obligations,
- The costs of providing retirement benefits to employees are recognised in the accounting period in which the benefits are earned by employees, and the related finance costs and any other changes in value of assets and liabilities are recognised in the accounting periods in which they arise,
- The financial statements disclose the cost of providing retirement benefits and related gains, losses, assets and liabilities.

The Balance Sheet presents a significant increase in the estimated Pension Fund Reserve net liability over the 2016/17 year of £9.3million, to £34.5million as at 31 March 2017. The estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discounts used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.

The statutory arrangements for funding the remaining liability of £34.5million means that this deficit will be made good by increased level of annual employer contributions payable to the Pension Fund over the remaining estimated average working life of our employees in the Pension Scheme.

### Performance indicators

The NK Plan identifies the Council's vision, purpose, values and priorities. The NK Plan covers a rolling three year period and is updated annually with the NK Plan 2017-20 approved in February 2017. Full details can be found at item 7a <https://nkdc.moderngov.co.uk/ieListDocuments.aspx?CId=297&MId=6624&Ver=4>

The Council's Performance Framework is designed to measure the key activities that the Council undertakes to ensure delivery of the NK Plan. The Performance Framework is multi-layered. The Council has 37 key performance indicators (KPIs) in 2017/18 with a cascade thereafter. Service Performance Indicators (SPIs) are set by each division's Head of Service, and reviewed and reported to CMT (Corporate Management Team) each quarter. Operational Performance Indicators (OPIs) are set at team level and are monitored by both service managers and their divisional management team (DMT).

The Performance Framework covering both measures and targets is reviewed annually and updated accordingly. The KP Performance Framework, including the rationale for additions, deletions and amendments is reviewed by the Council's Executive Board each year. The KP Performance Framework for 2017/18 may be found at <https://nkdc.moderngov.co.uk/ieListDocuments.aspx?CId=286&MId=6641&Ver=4>

KPIs are reported on either a quarterly or annual basis dependent on the measurement frequency. Scrutiny and challenge is provided by CMT, the Performance and Resources Overview and Scrutiny Panel, and the Executive Board. The most recent quarterly report may be found at item 9 <https://nkdc.moderngov.co.uk/ieListDocuments.aspx?CId=286&MId=6640&Ver=4>

The Council's Performance Framework is set up within the Council's Performance Management system, CAMMS. This allows ease of access to and transparency of performance. CAMMS includes a Community Dashboard which will be accessible via the Council's corporate website giving visibility to residents and businesses within NK, as well as anyone with an interest in our vibrant district, of the latest available performance for each of our key performance indicators. The Community Dashboard goes live in Quarter 1 2017/18.

Each key performance indicator has a clear methodology and ownership statement, providing transparency, sound data quality as well as resilience in the capture and reporting of information

## NARRATIVE REPORT

### Housing Company – Lafford Homes Ltd

During 2016-17 the Council established a new housing company named 'Lafford Homes Limited' to deliver market housing for rent within the district. This company is 100% owned by the Council. It is anticipated that Lafford Homes Ltd will have a positive impact on the district housing requirement shortfall. Also profits will be paid to the Council as sole shareholder to partially negate the impact of reduced central government grants receivable in the future.

As at 31st March 2017, Lafford Homes Ltd has invested £1.1million as part of a total scheme cost of £3million to build 33 flats for market rental. The scheme is due to complete in November 2017. Further investment in purchasing existing properties of £0.7million has also been approved and it is expected that 7 properties will be purchased during 2017/18.

### 3. FUTURE PLANS

#### Corporate Plan and Vision

The Council's Corporate Plan for 2017-20 (known as the NK Plan) sets the framework for Members, officers, communities, organisations and individuals to work together to deliver our vision of "100 Flourishing Communities". Each year the Council reviews its Corporate Plan. It has been designed with input from partners, stakeholders and residents, including a consultation with 1000 people in 100 days. The Plan sets out the Council's high level vision, provides clarity on the Council's priorities and set out a series of ambitions under each priority to establish the work programme for the authority.

The NK Plan responds to the main challenges facing the district, ensuring that the Council, either directly or in partnership with others, uses its resources and influence to deliver priorities and services needed by communities across North Kesteven. The NK Plan 2017-20 remains focused on the main challenges relating to the local economy, housing and communities. In particular, it provides an integrated approach to housing need, infrastructure delivery, job creation and economic development within the theme of sustainable growth, and financial planning and service delivery to the theme of transformation.

### KEY FOCUS AREAS

#### Our Council

In 2017/18 NKDC will make a difference by:

- Progressing the new Refuse Depot and business units in Metherringham
- Delivering key people, services and financial strategies, including Lafford Homes Ltd

Key achievements in 2016/17

- Maintained one of the lowest Council Tax rates
- Chosen to pilot the national obesity programme
- Progressed with the Council-owned housing company Lafford Homes Ltd to meet the needs of affordable housing in the District



## NARRATIVE REPORT

### Our Communities

In 2017/18 NKDC will make a difference by:

- Supporting delivery of at least five more neighbourhood plans
- Continuing to implement and develop key strategies for older people, welfare reform and child poverty.
- Procuring a new improved contract for Leisure and Culture to further boost our already strong performance.

Key achievements in 2016/17

- Delivered the ONE NK leisure centre refurbishment project, including the UK's first interactive selfie flume.
- Maintained for the third year running the Districts status as the safest place to live in the county
- Recognised as having England's highest levels of life satisfaction.

### Our Economy

In 2017/18 NKDC will make a difference by:

- Managing the opportunities and challenges for NK arising from the decision to leave the European Union
- Working with partners to drive forward regeneration projects in Sleaford and North Hykeham
- Work with agents, developers and land owners to bring further investment to the area

Key achievements in 2016/17

- Let all business units at Blackwood Court and Teal Park within 8 months
- Proactively engaged partners moving forward investment opportunities in Sleaford and North Hykeham
- Helped to develop tourism growth in the district, including a £200,000 grant to fulfil the International Bomber Command Memorial

## NARRATIVE REPORT

### Our Homes

In 2017/18 NKDC will make a difference by:

- Beginning construction of at least 60 new Council properties as part of a programme to build 500 over a decade
- Through Lafford Homes Ltd, acquire/start construction of at least 30 properties to be available for the local rental market.
- Bring at least a further 20 homes back into use.

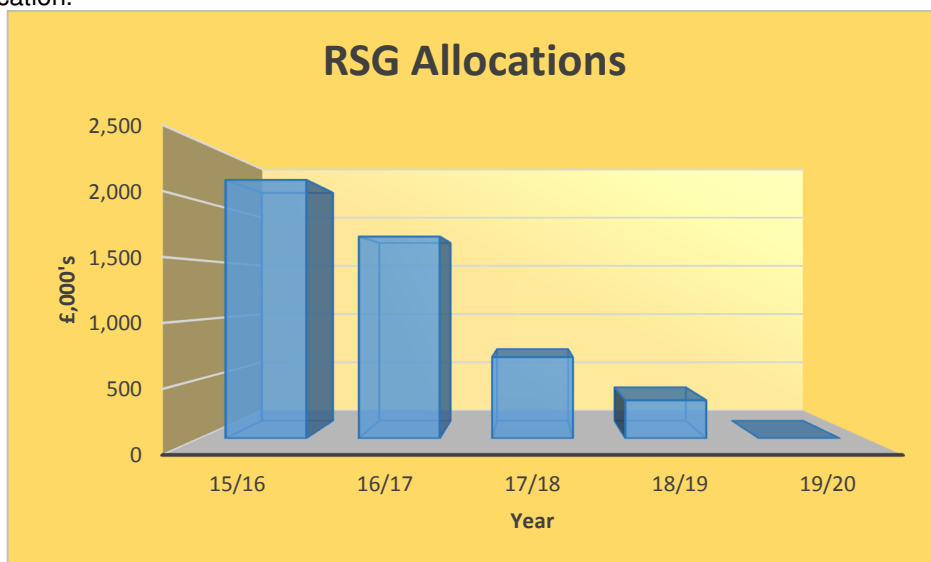
Key achievements in 2016/17

- 373 new homes have been constructed
- 14 empty properties have been brought back into use
- Delivered our 175<sup>th</sup> new Council house and the county's first super energy efficient social housing.

The Council has recognised that the conflicting pressures of significant growth within the district over the next 20 years alongside the significant revenue grant reductions from Central Government will have a considerable impact on the way the Council will need to operate in the future.

### Impact of Further Government Funding Reductions

The Council, along with all other public bodies, will continue to face an unprecedented and extremely challenging short to medium term financial environment as it responds to the Government's spending review and reductions in Revenue Support Grant (RSG) that it pays to the Council. The following chart demonstrates the cuts experienced by the Council to the RSG allocation.



Indications experienced during recent years of greater economic activity gives the confidence that its income levels are returning to pre-recession levels on a sustainable basis and with changes in the way Business Rates are now retained by the Council, growth in businesses being experienced help to fund the Council's General Fund. This still leaves the Council with some work to do in order to achieve a balanced budget over the medium term. However an increasingly active economy within the district means that under the Government's current funding regime for local government, the Council stands in a better position to achieve this.

North Kesteven District Council

Statement of Accounts for the year ended 31<sup>st</sup> March 2017

## NARRATIVE REPORT

This challenge is not new for the Council which has been required to demonstrate efficiency savings for many years and because of the responsible action the Council has taken in managing its budgets previously, it stands in a good position to ensure any new savings are achieved in a considered way in order to help protect the delivery of the frontline services it provides to the public.

### Housing Revenue Account Spending Plans

#### *Housing Revenue Account*

The HRA Self Financing system came into effect on the 1 April 2012 and marked a significant change in the way the Council budgets and plans for the future management, maintenance and development of its housing stock. HRA Self Financing has released the Council to a large extent from central government control through a one-off payment of £56.8million to buy out of the previous Housing Subsidy finance regime. Under Housing Subsidy, the amount of money the Council had to contribute was calculated by a Government formula on an annual basis leading to short-termism in decision making and planning service expenditure. Now the Council has a well-established and robust 30 year business plan and financial plan charting its long term aspirations in the provision of local government housing.

The 5 year transitional arrangement period expired on 31<sup>st</sup> March 2017. From 1<sup>st</sup> April 2017 many of the determinations will continue to be applied but now on a permanent basis. The MRA proxy which determined minimum contributions to the Major Repairs Reserve (MRR) is no longer in force. Depreciation continues to be calculated in accordance with proper accounting practices and this annual value now becomes the minimum contribution to the MRR.

The Chancellor of the Exchequer announced in the July 2015 Budget Statement that social rent levels with effect from 1<sup>st</sup> April 2016 be subject to an imposed 1% per annum reduction for four years, covering the financial years 2016/17 to 2019/20. The compound effect of this imposed income reduction meant that NKDC had to change the way it planned for component replacements and its new build unit delivery target. NKDC ensured through the budget setting process that it could still deliver a viable 30 year business plan, maintaining high quality stock and still deliver new build schemes from the increasingly limited resources. In the absence of central government guidance, it is anticipated that rent setting will revert back to 'formula rent' for the financial year 2020/21 (CPI plus 1%).

### Capital Spending Plans

#### *Housing Capital Programme*

With the introduction of HRA Self Financing, the Council is able to invest the money that previously would have been paid into the Housing Subsidy system (a net £4million) once it has repaid the loan principal and interest associated with the buyout of Housing Subsidy. This has meant that the Council is projecting to see significant surpluses in the HRA to put towards capital improvement works and the provision of new housing.

The Council's extremely successful New Build programme has continued during 2016/17 with a further £31.102million approved planned investment from 2017/18 to 2026/27 to increase the Council's housing stock. The Council's existing stock continued to be enhanced to 'Fabric First Plus' homes standard during 2016/17 with a further £32.372million approved planned investment from 2017/18 to 2026/27 in the Council's existing housing stock

#### *Non-housing Capital Programme*

Resources available for investment in non-housing capital assets and schemes have been increasingly scarce in recent years and the Council continues to work hard with stakeholders and partners in order to provide investment in non-housing assets.

The Council will deliver market housing for sale within the General Fund. It is anticipated that this scheme will have a positive impact on the district's housing requirement shortfall.

NKDC has created a new housing company named 'Lafford Homes Ltd', this will deliver market housing for rental within the District. This limited company is wholly owned by NKDC. It is anticipated that this will have a positive impact on the District housing requirement shortfall. All profits will be paid to the Council as sole shareholder to partially negate the impact of reduced central government grants receivable in the future.

## NARRATIVE REPORT

The Council will continue to support Disabled Facilities Grants totalling £0.587million in 2017/18. The non-housing capital programme 2017/18 to 2019/20 includes an investment of £0.750million in a Regeneration Fund, refuse depot relocation and industrial workshops budget of £3.734million, £1.073million for refuse vehicle fleet replacement, £6.866million budget to deliver housing developments and £6.970million identified for loans and financial assistance to Lafford Homes Ltd.

The following table summarises the Council's proposed capital expenditure plans for housing and non-housing schemes and how it plans to fund these:

<b>Capital Programme 2017/18 to 2019/20</b>	<b>Approved Budget 2017/18 £'000</b>	<b>Forecast Budget 2018/19 £'000</b>	<b>Forecast Budget 2019/20 £'000</b>
Housing capital programme	12,389	11,997	6,307
Non-housing capital programme	18,983	4,030	3,947
<b>Total Capital Expenditure</b>	<b>31,372</b>	<b>16,027</b>	<b>10,254</b>
Financed by:			
Capital grants and contributions	(487)	(352)	(352)
Council reserves	(1,272)	(657)	(576)
Major Repairs Reserve (HRA)	(8,062)	(3,744)	(1,552)
Capital receipts	(7,380)	(674)	(674)
Prudential borrowing	(14,171)	(10,600)	(7,100)
<b>Total Financing</b>	<b>(31,372)</b>	<b>(16,027)</b>	<b>(10,254)</b>

#### 4. MATERIAL EVENTS AFTER THE REPORTING DATE

There have been no material events affecting the Council that have occurred since 31st March 2017.

#### 5. THE ACCOUNTS

The following **Statement of Accounts** consist of:-

- **Statement of Responsibilities** – This details the responsibilities of the Council and the Chief Financial Officer in respect of the Statement of Accounts.
- **Movement in Reserves Statement** - This is a summary of the changes that have taken place in the bottom half of the Council's Balance Sheet over the financial year.
- **Comprehensive Income and Expenditure Statement** – This statement consolidates all the gains and losses experienced by the Council during the financial year. As the Council does not have any equity in its Balance Sheet, these gains and losses should reconcile to the overall movement in net worth.
- **Expenditure and Funding Analysis** – shows how much annual expenditure is used and funded from resources in comparison with those resources consumed or earned by the Council under generally accepted accounting practices.
- **Balance Sheet** – This statement summarises the financial position at 31 March each year. In its top half it contains the assets and liabilities that it holds or has accrued with other parties. As the Council does not have any equity, the bottom half is comprised of reserves that show the disposition of the Council's net worth, falling into either Usable or Unusable Reserves.
- **Cash Flow Statement** – This 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 Financial Statements**- The notes are fundamentally important in presenting a true and fair view of the financial statements. They:-
  - Present information about the basis of preparation of the financial statements and specific accounting policies used;
  - Disclose information required by the CIPFA Code of Practice on Local Authority Accounting in the UK (the Code) that is not presented elsewhere in the financial statements; and

## NARRATIVE REPORT

- Provide information that is not provided elsewhere in the financial statements, but is relevant to an understanding of any item.

The **supplementary statements** for the Council comprise of:-

- **Housing Revenue Account** – This statement provides a record of revenue expenditure and income relating to the Council's housing stock. Its primary purpose is to ensure that expenditure on managing tenancies and maintaining dwellings is balanced by rents charged to tenants. Consequently, the HRA is a statutory account, ring fenced from the rest of the General Fund, so rents cannot be subsidised from Council Tax (or vice versa).
- **Movement on the HRA Statement** - this statement takes the outturn on the HRA Income and Expenditure Statement and reconciles it to the surplus or deficit for the year on the HRA working balance, calculated in accordance with the requirements of the Local Government and Housing Act 1989.
- **Collection Fund** – The account reflects the statutory requirement for billing authorities to establish and maintain a separate fund for the collection and distribution of amounts due in respect of council tax and national non-domestic rates (NNDR).
- **Lafford Homes Ltd** – This is a summary of the transactions relating to the wholly owned subsidiary Lafford Homes Ltd.

**Annual Governance Statement (AGS)** available as a separate document– This is the formal statement that recognises, records and publishes the Council's governance arrangements. It identifies the systems that the authority has in place to ensure that business is conducted in accordance with the law and proper standards, and that public money is safeguarded. This statement is not part of the Statement of Accounts, but is required to be included alongside it, and as such is not directly covered by the Section 151 Officer's certification or the independent auditor's report.

### 6. FURTHER INFORMATION

Further information about the accounts is available from the Head of Finance and Resources, District Council Offices, Kesteven Street, Sleaford, Lincolnshire, NG34 7EF. In addition, members of the public have a statutory right to inspect the accounts before the audit is completed. The availability of the accounts for inspection is advertised on the NKDC website.



## CORE FINANCIAL STATEMENTS

### 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 the responsibility for the administration of those affairs. In this Council, that officer is the Head of Finance and Resources.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

### Approval of the Accounts

The Statement of Accounts for the year 1 April 2016 to 31 March 2017 has been prepared and I confirm that these accounts were approved by Audit Committee at the meeting held on 18th September 2017.



**Cllr Mrs S Waring**

Chairman of the Audit Committee  
18th September 2017

### Chief Finance Officer's Responsibilities

The Head of Finance and Resources 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 Council Accounting in the United Kingdom (the Code)

In preparing this Statement of Accounts, the Head of Finance and Resources has:

- Selected suitable accounting policies and then applied them consistently.
- Made judgements and estimates that were reasonable and prudent.
- Complied with the local Council Code.

The Head of Finance and Resources has also:

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

### Head of Finance and Resources Certification

I certify that the Statement of Accounts presents 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 2017.



**Russell Stone**

Head of Finance and Resources  
18th September 2017

# CORE FINANCIAL STATEMENTS

## EXPENDITURE AND FUNDING ANALYSIS

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

2015/16			Description	2016/17		
Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments Between Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments Between Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£'000	£'000	£'000		£'000	£'000	£'000
3,258	544	3,802	Our Council	3,683	759	4,442
5,484	3,973	9,457	Our Communities	5,648	972	6,620
358	114	472	Our Economy	282	871	1,153
(1,783)	44	(1,739)	Our Homes	(2,547)	14	(2,533)
(8,188)	2,514	(5,674)	HRA	(7,435)	(8,610)	(16,045)
			*Change in the SHD % for HRA dwellings	-	(29,377)	(29,377)
<b>(871)</b>	<b>7,189</b>	<b>6,318</b>	<b>Net Cost of Service</b>	<b>(369)</b>	<b>(35,371)</b>	<b>(35,740)</b>
(2,812)	(5,463)	(8,275)	Other income and expenditure	(3,973)	(5,748)	(9,721)
<b>(3,683)</b>	<b>1,726</b>	<b>(1,957)</b>	<b>Surplus or Deficit</b>	<b>(4,342)</b>	<b>(41,119)</b>	<b>(45,461)</b>
(2,302)			Opening General Fund and HRA balance at 31 March 2016	(1,760)		
(3,683)			(Surplus) or deficit on General Fund and HRA balance in year	(4,342)		
4225			Transfer to reserves	4149		
<b>(1,760)</b>			<b>Closing General Fund and HRA Balance at 31 March 2017**</b>	<b>(1,953)</b>		

\* In 2016/17 the Social Housing Discount Adjustment Factor was increased by CLG from 34% to 42% for East Midlands. This has resulted in a reversal of previous years losses charged to the HRA mainly due to a previous reduction in the Social Housing Discount Adjustment Factor in 2010/11

\*\* For a split of this balance between the General Fund and HRA - see the Movements in Reserves Statement

# CORE FINANCIAL STATEMENTS

## 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. Councils raise taxation (and rents) to cover expenditure in accordance with statutory requirement; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

2015/16			Description		2016/17		
Gross Expenditure	Gross Income	Net Expenditure			Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000			£'000	£'000	£'000
5,905	(2,103)	3,802	Our Council		5,854	(1,412)	4,442
32,203	(22,746)	9,457	Our Communities		28,564	(21,944)	6,620
1,452	(980)	472	Our Economy		2,268	(1,115)	1,153
2,389	(4,128)	(1,739)	Our Homes		2,321	(4,854)	(2,533)
11,074	(16,748)	(5,674)	HRA		153	(16,198)	(16,045)
-	-	-	*Change in the SHD % for HRA dwellings		(29,377)	-	(29,377)
53,023	(46,705)	6,318	<b>Cost of Services</b>		9,783	(45,523)	(35,740)
				<b>Notes</b>			
		(350)	(Gains) / loss on non current asset disposal				(546)
		2,503	Parish council precepts	<b>27</b>			2,647
		153	Street lighting special expense				157
		370	Internal drainage board precepts	<b>27</b>			376
		411	Contribution of housing capital receipts to government pool				409
		3,087	<b>Other Operating Expenditure</b>				3,043
		2,542	Interest payable and similar charges	<b>14.2</b>			2,262
		(344)	Interest and investment income	<b>14.2</b>			(270)
		1,071	Net interest on the defined benefit liability (asset)	<b>31.2</b>			874
		3,269	<b>Financing and Investment Income and Expenditure</b>				2,866
		(7,633)	Demand on the Collection Fund				(8,112)
		(4,180)	Redistributed business rates				(5,132)
		(2,185)	General government grants				(1,708)
		(633)	Capital grants and other contributions				(678)
		(14,631)	<b>Taxation and Non Specific Grant Income and Expenditure</b>				(15,630)
		(1,957)	<b>(Surplus) / Deficit on the Provision of Services</b>				(45,461)
		(5,024)	Surplus or deficit on revaluation of non current assets				9,675
		943	Surplus or deficit on impairment of non current assets				-
		(10,360)	Actuarial gains / losses on pension assets / liabilities	<b>31.2</b>			8,318
		(14,441)	<b>Other Comprehensive Income and Expenditure</b>				17,993
		(16,398)	<b>Total Comprehensive Income and Expenditure</b>				(27,468)

\* In 2016/17 the Social Housing Discount Adjustment Factor was increased by CLG from 34% to 42% for East Midlands. This has resulted in a reversal of previous years losses charged to the HRA mainly due to a previous reduction in the Social Housing Discount Adjustment Factor in 2010/11

## **CORE FINANCIAL STATEMENTS**

### **MOVEMENT IN RESERVES STATEMENT**

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

# CORE FINANCIAL STATEMENTS

<b>Movement in Reserves (MIRS) 2015/16</b>	General Fund Balance £'000	Earmarked GF Reserves £'000	Housing Revenue Account £'000	Major Repairs (MRR) £'000	Grants & Cont'ns Unapplied £'000	Capital Receipts Reserve £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
<b>Balance at 31 March 2015</b>	<b>(1,203)</b>	<b>(9,706)</b>	<b>(1,099)</b>	<b>(4,638)</b>	<b>(872)</b>	<b>(1,098)</b>	<b>(18,616)</b>	<b>(25,349)</b>	<b>(43,965)</b>
(Surplus) or deficit on Comprehensive Income & Expenditure Statement (CIES)	1,816	-	(3,773)	-	-	-	(1,957)	-	(1,957)
Other Comprehensive Income & Expenditure	-	-	-	-	-	-	-	(14,441)	(14,441)
<b>Total CIES</b>	<b>1,816</b>	<b>-</b>	<b>(3,773)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,957)</b>	<b>(14,441)</b>	<b>(16,398)</b>
<b>Adjustments Between Accounting Basis and Funding Basis Under Regulations</b>									
Amortisation on intangible non current assets	(25)	-	-	-	-	-	(25)	25	-
Derecognition of AUC	-	-	(57)	-	-	-	(57)	57	-
Charges for depreciation and impairment of non-current assets	(891)	-	(2,345)	(1,556)	-	-	(4,792)	4,792	-
Revaluation gains / losses on PPE	167	-	-	-	-	-	167	(167)	-
Major Repairs Reserve (MRR) used to finance capital expenditure	-	-	-	4,549	-	-	4,549	(4,549)	-
Voluntary HRA contribution to MRR	-	-	206	(206)	-	-	-	-	-
MRR repayment of principal to Capital Adjustment Account	-	-	-	3,936	-	-	3,936	(3,936)	-
MRR repayment of principal from HRA	-	-	3,936	(3,936)	-	-	-	-	-
Capital grant receipts in year	29	-	176	-	(205)	-	-	-	-
Capital grants used from balances	-	-	-	-	213	-	213	(213)	-
Capital grants receipts used in year	343	-	85	-	-	-	428	(428)	-
Amounts of non-current assets written off on disposal as part of the gain/loss to the CIES	-	-	(872)	-	-	-	(872)	872	-
Major Repairs Allowance (MRA) proxy depreciation adjustment	-	-	1,872	(1,872)	-	-	-	-	-
Revenue expenditure funded from capital under statute	(3,522)	-	-	-	-	-	(3,522)	3,522	-
Payments to the Government receipts pool	(411)	-	-	-	-	411	-	-	-
Transfer of cash proceeds as part of the gain / loss on disposal to the CIES	-	-	1,222	-	-	(1,228)	(6)	6	-
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	-	-	-	418	418	(418)	-
Reversal of items relating to retirement benefits debited or credited to the CIES	(2,545)	-	(699)	-	-	-	(3,244)	3,244	-
Employer's pensions contributions and direct payments to pensioners payable	1,357	-	357	-	-	-	1,714	(1,714)	-
Minimum Revenue Provision (MRP)	583	-	-	-	-	-	583	(583)	-
Capital expenditure charged to balances	-	6,183	-	-	-	-	6,183	(6,183)	-
Collection Fund adjustment	(695)	-	-	-	-	-	(695)	695	-
Other adjustments	2	-	1	2	-	-	5	(5)	-
<b>Sub Total</b>	<b>(5,608)</b>	<b>6,183</b>	<b>3,882</b>	<b>917</b>	<b>8</b>	<b>(399)</b>	<b>4,983</b>	<b>(4,983)</b>	<b>-</b>
<b>Net Increase / Decrease before Transfers to Earmarked Reserves</b>	<b>(3,792)</b>	<b>6,183</b>	<b>109</b>	<b>917</b>	<b>8</b>	<b>(399)</b>	<b>3,026</b>	<b>(19,424)</b>	<b>(16,398)</b>
Transfers to / from Reserves	3,792	(4,476)	433	-	250	-	(1)	1	-
<b>(Increase) / Decrease in Year</b>	<b>-</b>	<b>1,707</b>	<b>542</b>	<b>917</b>	<b>258</b>	<b>(399)</b>	<b>3,025</b>	<b>(19,423)</b>	<b>(16,398)</b>
<b>Balance at 31 March 2016</b>	<b>(1,203)</b>	<b>(7,999)</b>	<b>(557)</b>	<b>(3,721)</b>	<b>(614)</b>	<b>(1,497)</b>	<b>(15,591)</b>	<b>(44,772)</b>	<b>(60,363)</b>



# CORE FINANCIAL STATEMENTS

<b>Movement in Reserves (MIRS) 2016/17</b>	General Fund Balance £'000	Earmarked GF Reserves £'000	Housing Revenue Account £'000	Major Repairs (MRR) £'000	Grants & Cont'ns Unapplied £'000	Capital Receipts Reserve £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
<b>Balance at 31 March 2016</b>	<b>(1,203)</b>	<b>(7,999)</b>	<b>(557)</b>	<b>(3,721)</b>	<b>(614)</b>	<b>(1,497)</b>	<b>(15,591)</b>	<b>(44,772)</b>	<b>(60,363)</b>
(Surplus) or deficit on Comprehensive Income & Expenditure Statement (CIES)	(1,502)	-	(43,959)	-	-	-	(45,461)	-	(45,461)
Other Comprehensive Income & Expenditure	-	-	-	-	-	-	-	17,993	17,993
<b>Total CIES</b>	<b>(1,502)</b>	<b>-</b>	<b>(43,959)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(45,461)</b>	<b>17,993</b>	<b>(27,468)</b>
<b>Adjustments Between Accounting Basis and Funding Basis Under Regulations</b>									
Amortisation on intangible non current assets	(25)	-	-	-	-	-	(25)	25	-
Abortive costs	-	-	(41)	-	-	-	(41)	41	-
Charges for depreciation and impairment of non-current assets	(730)	-	-	(1,591)	-	-	(2,321)	2,321	-
Derecognition - others	-	-	(1,393)	-	-	-	(1,393)	1,393	-
Impairment reversals to the CIES	-	-	943	-	-	-	943	(943)	-
Revaluation gains / losses to the CIES	(436)	-	38,336	-	-	-	37,900	(37,900)	-
Depreciation written out of CIES on revaluation	94	-	1,569	-	-	-	1,663	(1,663)	-
Impairment of non current assets	-	-	(1,392)	-	-	-	(1,392)	1,392	-
Major Repairs Reserve (MRR) used to finance capital expenditure	-	-	-	3,039	-	-	3,039	(3,039)	-
Voluntary HRA contribution to MRR	-	-	1,191	(1,191)	-	-	-	-	-
MRR repayment of principal to Capital Adjustment Account	-	-	-	2,086	-	-	2,086	(2,086)	-
MRR repayment of principal from HRA	-	-	2,086	(2,086)	-	-	-	-	-
Capital grant receipts in year	93	-	-	-	(93)	-	-	-	-
Capital grants used from balances	102	-	-	-	205	-	307	(307)	-
Capital grants receipts used in year	292	-	192	-	-	-	484	(484)	-
Amounts of non-current assets written off on disposal as part of the gain/loss to the CIES	(129)	-	(990)	-	-	-	(1,119)	1,119	-
Major Repairs Allowance (MRA) proxy depreciation adjustment	-	-	1,833	(1,833)	-	-	-	-	-
Revenue expenditure funded from capital under statute	(1,402)	-	-	-	-	-	(1,402)	1,402	-
Payments to the Government receipts pool	(409)	-	-	-	-	409	-	-	-
Transfer of cash proceeds as part of the gain / loss on disposal to the CIES	51	(6)	1,614	-	-	(1,659)	-	-	-
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	-	-	-	1,459	1,459	(1,459)	-
Reversal of items relating to retirement benefits debited or credited to the CIES	(2,167)	-	(623)	-	-	-	(2,790)	2,790	-
Employer's pensions contributions and direct payments to pensioners payable	1,429	-	394	-	-	-	1,823	(1,823)	-
Minimum Revenue Provision (MRP)	510	-	-	-	-	-	510	(510)	-
Capital expenditure charged to balances	-	4,978	-	-	-	-	4,978	(4,978)	-
Collection Fund adjustment	127	-	-	-	-	-	127	(127)	-
Other adjustments	-	-	-	-	-	(6)	(6)	6	-
<b>Sub Total</b>	<b>(2,600)</b>	<b>4,972</b>	<b>43,719</b>	<b>(1,576)</b>	<b>112</b>	<b>203</b>	<b>44,830</b>	<b>(44,830)</b>	<b>-</b>
<b>Net Increase / Decrease before Transfers to Earmarked Reserves</b>	<b>(4,102)</b>	<b>4,972</b>	<b>(240)</b>	<b>(1,576)</b>	<b>112</b>	<b>203</b>	<b>(631)</b>	<b>(26,837)</b>	<b>(27,468)</b>
Transfers to / from Reserves	4,102	(4,255)	47	-	106	-	-	-	-
<b>(Increase) / Decrease in Year</b>	<b>-</b>	<b>717</b>	<b>(193)</b>	<b>(1,576)</b>	<b>218</b>	<b>203</b>	<b>(631)</b>	<b>(26,837)</b>	<b>(27,468)</b>
<b>North Kesteven District Council Balance at 31 March 2017</b>	<b>(1,203)</b>	<b>(7,282)</b>	<b>(750)</b>	<b>(5,297)</b>	<b>(396)</b>	<b>(1,294)</b>	<b>(16,222)</b>	<b>(71,609)</b>	<b>(87,831)</b>

# CORE FINANCIAL STATEMENTS

## BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority 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 authority 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'.

2015/16 £'000	Description	Notes	2016/17 £'000
	<b>Non Current Assets</b>		
	<b>Property, Plant and Equipment</b>	Notes	
120,267	Council dwellings	11	152,166
20,068	Other land and buildings	11	20,283
2,019	Vehicles, plant and equipment	11	2,260
1,000	Infrastructure	11	975
467	Community assets	11	379
67	Heritage assets	12	614
2,982	Assets under construction	11	3,829
305	Surplus assets not held for sale	11	285
94	Intangible assets		69
<b>147,269</b>	<b>Total Non Current Assets</b>		<b>180,860</b>
2,000	Non property investments	14	4,000
28	Long term debtors	14	22
<b>149,297</b>	<b>Total Long Term Assets</b>		<b>184,882</b>
	<b>Current Assets</b>		
404	Assets held for sale	13	669
15,606	Short term investments	14	13,099
55	Inventories		37
5,105	Short term debtors	15	4,693
189	Cash and cash equivalents	16	1,348
<b>21,359</b>	<b>Total Current Assets</b>		<b>19,846</b>
<b>170,656</b>	<b>Total Assets</b>		<b>204,728</b>
	<b>Current Liabilities</b>		
(884)	Cash and cash equivalents	16	(748)
(7,814)	Short term borrowing	14	(5,812)
(8,161)	Short term creditors	17	(9,210)
-	Short term developers' contributions (s106)	26	(117)
(1,615)	Provisions	18	(1,739)
<b>(18,474)</b>	<b>Total Current Liabilities</b>		<b>(17,626)</b>
(65,034)	Long term borrowing	14	(62,949)
(1,198)	Developers' contributions (s106)	26	(1,597)
(359)	Deferred liabilities		(211)
(25,228)	Net pension liability	31.3	(34,514)
<b>(91,819)</b>	<b>Total Long Term Liabilities</b>		<b>(99,271)</b>
<b>(110,293)</b>	<b>Total Liabilities</b>		<b>(116,897)</b>
<b>60,363</b>	<b>Net Assets</b>		<b>87,831</b>
	<b>Financed by:</b>		
1,203	General Fund balance	MIRS* & 10	1,203
11,720	Earmarked reserves	10	12,578
557	Housing Revenue Account balance	MIRS & 10	750
1,496	Usable capital receipts	10	1,294
615	Capital grants, developer contributions and others unapplied	10	397
<b>15,591</b>	<b>Usable Reserves</b>	10	<b>16,222</b>
20,818	Revaluation reserve	19	10,614
(25,228)	Pensions reserve	19	(34,514)
50,225	Capital adjustment account	19	96,431
28	Deferred capital receipts		22
(1,071)	Collection Fund adjustment account		(944)
<b>44,772</b>	<b>Unusable Reserves</b>		<b>71,609</b>
<b>60,363</b>	<b>Total Reserves</b>		<b>87,831</b>

## CORE FINANCIAL STATEMENTS

### CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority 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 authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority'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 authority.

2015/16 £'000	Description	Notes	2016/17 £'000
1,957	Net surplus or (deficit) on the provision of services		45,462
8,720	Adjustment to surplus or deficit on the provision of services for non cash movements	20 (Note A)	(33,485)
(1,855)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	20 (Note A)	12,661
<b>8,822</b>	<b>Net Cash Flow from Operating Activities</b>		<b>24,638</b>
<b>(10,766)</b>	<b>Net Cash Flow from Investing Activities</b>	21 (Note C)	<b>(21,441)</b>
<b>(292)</b>	<b>Net Cash Flow from Financing Activities</b>	22 (Note D)	<b>(1,902)</b>
<b>(2,236)</b>	<b>Net Increase or Decrease in Cash and Cash Equivalents</b>		<b>1,295</b>
1,541	Cash and cash equivalents at the beginning of the reporting period		(695)
(695)	Cash and cash equivalents at the end of the reporting period	22 (Note E)	600

## NOTES TO CORE FINANCIAL STATEMENTS

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## **1.1 General Principles**

The Statement of Accounts summarises the Council's transactions for the 2016/17 financial year and its position at the year-end of 31 March 2017. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which require them to be prepared in accordance with proper accounting practices. These practices under section 21 of the 2003 Act primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code), supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

The accounting convention adopted in the Statement of Accounts is principally historic cost, modified by the revaluation of certain categories of non-current assets and financial instruments

## **1.2 Accruals of Income and Expenditure**

The revenue accounts of the Council are maintained on an accruals basis meaning that 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 assets 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 completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

## **1.3 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 investments that mature within three months 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.

#### **1.4 Prior Period Adjustments, Changes in Accounting Policies and 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.

#### **1.5 Charges to Revenue for Non-Current Assets**

Service revenue accounts, central support services and trading accounts are charged with the following amounts to reflect the cost of holding non-current assets during the year:

- depreciation attributable to the assets used by the service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which losses can be written off
- amortisation of intangible fixed assets used by 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. This is referred to as the Minimum Revenue Provision (MRP) and Voluntary Revenue Provision (VRP). The Council's policy on MRP is:

- For capital expenditure incurred before 1 April 2009, or which from 1 April 2009 is supported borrowing, the MRP is based on 4% of the opening capital financing requirement (with adjustments allowed for in DCLG Regulations).
- For all unsupported borrowing from 1 April 2009, the MRP is based on the estimated life of the asset which the borrowing has been used to fund.
- VRP will be charged if considered prudent for individual asset financing.

Depreciation, revaluation and impairment losses and amortisation are replaced by the MRP and VRP, by way of an adjusting transaction between the Capital Adjustment Account and the General Fund Balance in the Movement in Reserves Statement, for the differences between the two.

#### **1.6 Council Tax and Non-Domestic Rates**

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (ie the Collection Fund) for the collection

and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

## **Accounting for Council Tax and NDR**

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

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

### **1.7 Employee Benefits**

#### **Benefits Payable during Employment**

Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits as salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements or 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 salary rates applicable in the following accounting year, being the period in which employees take 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 holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

The Council has set a de-minimis level of £100,000 for accruing for such benefits.

#### **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 and are charged on an accruals basis to the appropriate service segment or, where applicable, to a corporate service segment at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring. 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. This scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

#### **The Local Government Pension Scheme**

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

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- The liabilities of the Lincolnshire County Council pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are measured using the projected unit method and discounted at the balance sheet date rate of return on high quality corporate bonds of equivalent term to the liabilities. A high quality corporate bond is defined as one that “has been rated at the level of AA or equivalent status”.
- The assets of the Lincolnshire County Council pension fund attributable to the Council are included in the Balance Sheet at their fair value:
  - Quoted securities – current bid price
  - Unquoted securities – professional estimate
  - Unitised securities – current bid price
  - Property – market value.

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

Service cost comprising:

- Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
- Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.
- Net interest on the net defined benefit liability (asset), i.e. net interest expense for the Council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (assets) during the period as a result of contribution and benefit payments.

Remeasurements comprising

- The return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) - charged to the Pension Reserve as Other Comprehensive Income and Expenditure
- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- Contributions paid to the Lincolnshire County Council pension fund – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pension 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.

## **1.8 Events after the Reporting Period**

Events after the Reporting Period are those events, both favourable and unfavourable, that occur between the end of 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 such events
- 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 category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

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

## **1.9 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. They are initially measured at fair value and carried at their amortised cost. Annual charges for interest payable are shown in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, and 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 most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable, with accrued interest due within one year shown under short term borrowings; and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

### **Financial Assets**

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 the contractual provisions of a financial instrument. They are initially measured at fair value and carried at their amortised cost. Annual credits to the Financing and Investment 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 for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest), with interest receivable within one year shown under short term investments and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

However, occasionally the Council may make loans to other parties (e.g. voluntary organisations) at less than market rates (soft loans). When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance as managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement. The Council has set a de-minimis level to soft loans or the discounting of interest rates of £100,000. Below this amount soft loans are shown at their carrying value.

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

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

## **Available-for-Sale Assets**

Available-for-sale assets are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (eg dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the authority.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis
- equity shares with no quoted market prices – multiple valuation techniques (which include market approach, income approach and cost approach).

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



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

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/ loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, 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. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

## **1.10 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.

Heritage assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the authority's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets. The authority's collections of heritage assets are accounted for as follows.

The Cube, The Sail and civic regalia are measured at insurance valuation

Following a review of fixed assets held Mrs Smith's Cottage and Cogglesford Mill have been transferred from community assets to Heritage and are held at depreciated replacement cost.

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, or insurance valuations. For most of the Council's heritage assets historic cost is 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.

## **1.11 Government Grants and Contributions**

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

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- 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 contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential 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.

Monies 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.

### **New Homes Bonus Grant**

New Homes Bonus Grant is a general grant allocated by central government directly to local authorities as additional revenue funding. New Homes Bonus is non-ring fenced and is credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

## **1.12 Interests in Companies and Other Entities**

The Council has material interests in companies and other entities that have the nature of subsidiaries, associates and joint ventures and require it to prepare group accounts. In the Council's own single-entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses.

## **1.13 Inventories and Long Term Contracts**

Stocks and stores held by the Council at the year-end are included in the accounts on the basis of cost price. No allowance is made for obsolescence and slow moving items. This approach does not materially affect the accounts for the year as the values held are extremely low.

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

## **1.14 Jointly Controlled Operations and Jointly Controlled Assets**

Jointly controlled operations are activities undertaken by the Council in conjunction with other ventures that involve the use of the assets and resources of the ventures rather than the establishment of a separate entity. If and when these exist the Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

## **1.15 Leases**

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to 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 lease's 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. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods 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 financing charge (debited to 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 asset's 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 (Voluntary Revenue Provision - VRP) 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 the VRP 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 service benefiting from use of the leased asset. Charges are made on a straight-line basis over the term of the lease, even if this does not match the pattern 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 is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain and 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 long-term lease debtor 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 Receipt Reserve in the Movement in Reserves Statement. Where the amount due in relation to the leased 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 receipt 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 Reserve 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.

#### **1.16 Overheads and Support Services**

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

#### **1.17 Property, Plant and Equipment**

Assets that have physical substance and are held for use in the production or supply of goods or 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 or 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 and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

## **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 whilst 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:

- Infrastructure – depreciated historic cost
- Community assets and assets under construction – historical cost
- Dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH)
- All other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.

For non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

The Council has set a de-minimis level of £10,000 for recognising assets. This means that any item/scheme costing more than £10,000 would be treated as capital if the above criteria are met.

Assets included in the Balance Sheet at current value are re-valued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. In the intervening years, the Council performs a “desktop” valuation. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. However, in exceptional circumstances, gains may be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to services.

When decreases in value are identified, they are accounted for as follows:

- 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 lines in the Comprehensive Income and Expenditure 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 reviewed at each year-end for evidence of reductions in value i.e. impairment. Where impairment is identified, and is deemed 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.

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

- Where there is a balance in the 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 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/heritage assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- Dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- Vehicles, plant, furniture and equipment – straight-line allocation over the useful life of each class of asset, as advised by a suitably qualified officer
- Infrastructure – straight line allocation over life of the asset

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.

In relation to Council Dwellings depreciation on the components has been calculated and is not materially different from depreciation on the buildings element of the asset as a whole. Components have not, therefore, been 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 historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

### **Componentisation**

Componentisation is a method, used for accounting and financial reporting purposes, to ensure assets are accurately included on the Balance Sheet and that the consumption of economic benefit of these assets is accurately reflected over their individual useful lives through depreciation charges.

The International Financial Reporting Standards (IFRS) code requires separate accounting for depreciation of significant components of assets that are:

- acquired on or after 1 April 2010
- enhanced on or after 1 April 2010
- revalued on or after 1 April 2010

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.

### **1.18 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 reclassified as an asset held for sale. The asset is re-valued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is subsequent decrease to fair value less costs to sell, the loss is posted to 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 and 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 the disposal (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 received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are transferred 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 under separate arrangements for capital financing. Amounts are transferred to the Capital Adjustment Account in the General Fund Balance in the Movement in Reserves Statement.

## **1.19 Provisions, Contingent Liabilities and Contingent Assets**

### **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 not 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 the reimbursement will be received if the Council settles the obligation.

### **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.

## **1.20 Reserves**

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring 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 for non-current assets, financial instruments, and retirement benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies and classed on the balance sheet as “Unusable Reserves”.

### **1.21 Revenue Expenditure Funded from Capital under Statute**

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

### **1.22 VAT**

VAT payable is included as an expense only to the extent that it is not recoverable from HM Revenue and Customs. VAT receivable is excluded from income.

#### **Note 2 | Accounting Standards that have been issued but not yet adopted**

The Code of Practice on Local Council Accounting in the United Kingdom (the Code) requires the Council to identify any accounting standards that have been issued but have yet to be adopted and could have a material impact on the accounts. There are no such standards for 2016-17.

#### **Note 3 | Critical Judgments used in applying Accounting Policies**

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

- 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 a need to close facilities and reduce the level of service provision.
- Britain voted to leave the European Union in 2016/17 and as yet it is unclear of the impact this decision may have on this Council and Local Government as a whole.

Both of these issues are being kept under regular review as the Medium Term Financial Strategy is being developed for 2017/18 onwards.

#### **Note 4 | Assumptions made about the future and other major sources of Estimation 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<sup>st</sup> March 2017 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	<p>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 life assigned to assets.</p> <p>The Council has used estimation techniques under the code to derecognise replaced components within the Council House stock using the replacement cost as a proxy for the cost of the original component.</p>	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of assets falls.</p> <p>It is estimated that for every year that useful lives are reduced, the annual depreciation charge for General Fund Assets would increase by £105,000 and for HRA Assets would increase by £21,000</p>
Business Rates	<p>Since the introduction of the Business Rates Retention Scheme effective from 1st April 2013, Local Authorities are liable for successful appeals against business rates charged to businesses in 2016/17 and earlier financial years in their proportionate share. Therefore, a provision has been recognised for the best estimate of the amount that businesses have been overcharged up to 31st March 2017</p>	<p>The estimate has been calculated using the latest Valuation Office (VOA) ratings list of appeals and the analysis of successful appeals to date when providing the estimate of total provision up to and including 31st March 2017. The Council's share of the balance of business rate appeals provisions held at this date amounted to £1.7million this has increased by £0.1million from the previous year.</p>
Pensions Liability	<p>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. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.</p>	<p>The effects on the net pension liability of changes in individual assumptions can be measured. For instance a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £9.2million.</p>

Arrears	<p>When arriving at the closing balances for debtors these are shown at net of an estimated provision for bad debts.</p> <p>At 31<sup>st</sup> March 2017, the Council had a balance of debtors of £6.3m. A review of significant balances suggested that an impairment of doubtful debts of 25% (£1.6m) was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.</p>	<p>If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £1.6m to be set aside as an allowance.</p>
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#### **Note 5    Material Items of Income and Expenditure**

There are no material items of Income and Expenditure that have not been disclosed on the face of the Comprehensive Income and Expenditure Statement.

#### **Note 6    Events After the Balance Sheet Date**

The Statement of Accounts was authorised for issue by the Head of Finance and Resources on 27<sup>th</sup> June 2017. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2017, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information. The following information has not been reflected in the in the financial statements:

<b>Note 7</b>	<b>Note to the Expenditure and Funding Analysis</b>
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Adjustment between Funding and Accounting Basis 2015/16				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for capital purposes (Note 1)	Net change for the Pensions adjustments (Note 2)	Other differences (Note 3)	Total adjustments
	£000's	£000's	£000's	£000's
Our Council	313	231	-	544
Our Communities	3,857	116	-	3,973
Our Economy	98	16	-	114
Our Homes	2	42	-	44
HRA	2,402	112	-	2,514
<b>Net cost of services</b>	6,672	517	-	7,189
<b>Other income and expenditure from the Expenditure and Funding analysis</b>	(572)	1,013	(5,904)	(5,463)
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement surplus or deficit on the provision of services</b>	6,100	1,530	(5,904)	1,726

Adjustment between Funding and Accounting Basis 2016/17				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts	Adjustments for Capital Purposes (Note 1)	Net Change for the Pensions Adjustments (Note 2)	Other Differences (Note 3)	Total Adjustments
	£000's	£000's	£000's	£000's
Our Council	691	68	-	759
Our Communities	939	33	-	972
Our Economy	866	5	-	871
Our Homes	2	12	-	14
HRA	(8,644)	34	-	(8,610)
*Change in the SHD % for HRA dwellings	(29,377)	-	-	(29,377)
<b>Net cost of services</b>	(35,523)	152	-	(35,371)
<b>Other income and expenditure from the Expenditure and Funding Analysis</b>	(816)	815	(5,747)	(5,748)
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement surplus or deficit on the provision of services</b>	(36,339)	967	(5,747)	(41,119)

### Adjustments for Capital Purposes

- Adjustments for capital purposes – this column adds in depreciation and impairment and revaluation gains and losses in the service line, and for:
  - Other operating expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.

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

### Net Change for the Pensions Adjustments

- 2) Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income
  - **For Services** this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
  - **For Financing and Investment Income and Expenditure** – the net interest on the defined benefit liability is charged to the CIES

### Other Differences

- 3) Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:
  - For **Financing and Investment Income and Expenditure** the other differences column recognises adjustments to the general fund for the timing differences for premiums and discounts.
  - The charge under **Taxation and Non-specific Grant Income and Expenditure** represents the difference between what is chargeable under statutory regulations and council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses of Deficits on the Collection Fund.

<b>Note 8</b>	<b>Expenditure and Income Analysed by Nature</b>
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The Authority's expenditure and income is analysed as follows;

Expenditure / Income	2015/16	2016/17
<b>Expenditure</b>		
Employee benefits expenditure	6,646	6,582
other services expenditure	31,288	29,975
Support services recharges*	7,138	7,206
Depreciation, amortisation and impairment	7,951	(33,982)
Interest payments	3,613	3,136
Precepts and levies	3,026	3,180
Payments to Housing capital receipts pool	411	409
Gain on the disposal of assets	(350)	(546)
<b>Total Expenditure</b>	<b>59,723</b>	<b>15,960</b>
<b>Income</b>		
Fees, charges and other service income	(22,451)	(22,120)
Interest and investment income	(344)	(270)
Income from Council Tax, non domestic rates, district rate income	(7,633)	(8,112)
Government grants and contributions	(31,252)	(30,919)
<b>Total Income</b>	<b>(61,680)</b>	<b>(61,421)</b>
<b>Surplus or Deficit on the Provision of Services</b>	<b>(1,957)</b>	<b>(45,461)</b>

\*includes £3,953k of employee benefits related expenditure in 2016/17 and £3,879k for 2015/16

<b>Note 9</b>	<b>Adjustments between Accounting Basis and Funding Basis under Regulations</b>
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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 practice to arrive at the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure. Full details of the Adjustments between Accounting Basis and Funding Basis under Regulations are included on the Movement on Reserves statement at page 15.

The following sets out a description of the reserves that the adjustments are made against.

### General Fund Balance

The General Fund is the statutory fund into which all the receipts of the Council are required to be paid and out of which all liabilities of the Council 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. (This balance is not available to be applied to funding HRA services)



## **Earmarked Reserves**

The Council has established a number of reserves (see note 10) to provide financing for future expenditure plans. This is due to it being unclear as to when the funding would be required.

### **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 and 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 (where in deficit) that is required to be recovered from tenants in future years.

### **Major Repairs Reserve**

The Council is required to maintain the Major Repairs Reserve, which controls an element of the capital resources limited to being used on capital expenditure on HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the capital resources that have yet to be applied at 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 at the year-end.

### **Capital Grants Unapplied**

The Capital Grants Unapplied Account (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.

## Note 10 Movement in 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 2016/17.

	Balance at 31.03.15 £'000	Transfers Out 2015/16 £'000	Transfers In 2015/16 £'000	Balance at 31.03.16 £'000	Transfers Out 2016/17 £'000	Transfers In 2016/17 £'000	Balance at 31.03.17 £'000
<b>Earmarked Revenue (GF unless noted HRA)</b>							
Access to Services Reserve	2	-	-	2	-	-	2
Apprentice Reserve	24	1	-	23	4	-	19
Business Transformation Reserve	82	52	90	120	55	-	65
Community Right to Challenge Reserve	46	-	-	46	-	-	46
Corporate Training and Development Reserve	32	4	-	28	24	-	4
Development Framework Reserve	72	-	-	72	-	-	72
Early Retirement, Redundancy and Equal Pay Reserve	79	-	-	79	-	30	109
Earmarked Expenditure Reserve	139	139	149	149	149	133	133
Eastgate Car Park Equipment Reserve	43	-	2	45	-	2	47
Environmental Reserve	9	-	17	26	-	-	26
Exceptional Witness Reserve	2	-	-	2	-	-	2
Greater Lincoln Transport Strategy Reserve	565	9	-	556	10	-	546
Homelessness Reserve	45	2	-	43	2	-	41
Housing and Planning Delivery Grant Reserve	334	-	-	334	-	-	334
Housing Services (GF and HRA) Reserve	221	-	239	460	15	89	534
HRA Earmarked Expenditure Reserve	139	139	296	296	296	206	206
Income Volatility Reserve	592	-	200	792	-	270	1,062
Information Communication Technology (ICT) Reserve	389	62	120	447	58	100	489
Invest to Save Reserve	12	-	-	12	50	307	269
Local Election Reserve	86	129	52	9	5	43	47
Major Repairs Reserve (HRA)	4,636	8,485	7,571	3,722	5,125	6,700	5,297
Monitoring Officer Investigations Reserve	21	-	-	21	-	-	21
New Homes Bonus Reserve	4,048	4,812	2,364	1,600	3,511	3,033	1,122
NK Fund Reserve	6	-	-	6	-	-	6
Refuse Vehicle Repair Reserve	47	-	-	47	-	-	47

	Balance at 31.03.15 £'000	Transfers Out 2015/16 £'000	Transfers In 2015/16 £'000	Balance at 31.03.16 £'000	Transfers Out 2016/17 £'000	Transfers In 2016/17 £'000	Balance at 31.03.17 £'000
B/fwd from previous page	11,671	13,834	11,100	8,937	9,304	10,913	10,546
Our Council	-	-	195	195	25	52	222
Our Economy	629	158	147	618	194	20	444
Renewals Reserve	214	71	100	243	98	145	290
Uninsured Claims Reserve	54	7	145	192	5	-	187
Village Halls and Playing Fields Reserve	21	11	-	10	-	-	10
Wheeled Bin Replacement Reserve	40	-	-	40	-	-	40
Whisby Car Parking Reserve	99	30	54	123	123	59	59
<b><u>Earmarked Capital</u></b>							
Capital Reserve	929	261	455	1,123	614	207	716
Capital Refuse Replacement Reserve	686	967	520	239	492	317	64
<b>Total Earmarked Reserves</b>	<b>14,343</b>	<b>15,339</b>	<b>12,716</b>	<b>11,720</b>	<b>10,855</b>	<b>11,713</b>	<b>12,578</b>
Capital Grants and s106 Monies Unapplied	872	1,026	769	615	805	587	397
<b>Sub Total</b>	<b>15,215</b>	<b>16,365</b>	<b>13,485</b>	<b>12,335</b>	<b>11,660</b>	<b>12,300</b>	<b>12,975</b>
<b>General Fund Balance</b>	<b>1,203</b>	<b>-</b>	<b>-</b>	<b>1,203</b>	<b>-</b>	<b>-</b>	<b>1,203</b>
<b>HRA Balance</b>	<b>1,099</b>	<b>542</b>	<b>-</b>	<b>557</b>	<b>-</b>	<b>193</b>	<b>750</b>
<b>Capital Receipts Balance</b>	<b>1,098</b>	<b>862</b>	<b>1,260</b>	<b>1,496</b>	<b>1,001</b>	<b>799</b>	<b>1,294</b>
<b>Total Usable Reserves</b>	<b>18,615</b>	<b>17,769</b>	<b>14,745</b>	<b>15,591</b>	<b>12,661</b>	<b>13,292</b>	<b>16,222</b>

**Note 11**
**Property, Plant and Equipment**

	Operational assets							Non-operational assets				Assets
2015/16	Council Dwellings	Other Land and Buildings	Vehicles Plant and Equipment	Infrastructure Assets	Community Assets	Heritage Assets	Total	Assets Held for Sale	Surplus Assets	Assets Under Construction	Total	Grand Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>												
<b>GBV as at 1 April 2015</b>	<b>118,452</b>	<b>17,168</b>	<b>4,463</b>	<b>1,189</b>	<b>467</b>	<b>67</b>	<b>141,806</b>	<b>156</b>	<b>75</b>	<b>1,874</b>	<b>2,105</b>	<b>143,911</b>
Additions	2,345	76	979	-	-	-	3,400	-	-	4,910	4,910	8,310
Derecognition - Other	(2,345)	-	(968)	-	-	-	(3,313)	-	-	(57)	(57)	(3,370)
Derecognition - Disposals	(872)	-	-	-	-	-	(872)	-	-	-	-	(872)
Reclassifications	1,225	2,011	219	-	-	-	3,455	-	290	(3,745)	(3,455)	-
Revaluation increases/(decreases) recognised in the surplus/deficit of services	-	171	-	-	-	-	171	-	(60)	-	(60)	111
Revaluation increases/(decreases) recognised in the revaluation reserve	2,529	643	-	-	-	-	3,172	124	-	-	124	3,296
Assets reclassified(to)/from Held For Sale	(124)	-	-	-	-	-	(124)	124	-	-	124	-
Other movements in cost or valuation	-	(1)	-	-	-	-	(1)	-	-	-	-	(1)
<b>GBV At 31 March 2016</b>	<b>121,210</b>	<b>20,068</b>	<b>4,693</b>	<b>1,189</b>	<b>467</b>	<b>67</b>	<b>147,694</b>	<b>404</b>	<b>305</b>	<b>2,982</b>	<b>3,691</b>	<b>151,385</b>
<b>Depreciation</b>												
Accumulated depreciation	-	-	(3,032)	(137)	-	-	(3,169)	-	-	-	-	(3,169)
Charge for year	(1,538)	(247)	(610)	(52)	-	-	(2,447)	-	-	-	-	(2,447)
Depreciation written out to the Revaluation Reserve	1,538	192	-	-	-	-	1,730	-	-	-	-	1,730
Depreciation written out to the Surplus/Deficit on provision of services	-	55	-	-	-	-	55	-	-	-	-	55
Impairments (losses)/reversals recognised in the Revaluation Reserve	(943)	-	-	-	-	-	(943)	-	-	-	-	(943)
Derecognition - Other	-	-	968	-	-	-	968	-	-	-	-	968
<b>At 31 March 2016</b>	<b>(943)</b>	<b>-</b>	<b>(2,674)</b>	<b>(189)</b>	<b>-</b>	<b>-</b>	<b>(3,806)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,806)</b>
<b>Balance sheet at 31 March 2016</b>	<b>120,267</b>	<b>20,068</b>	<b>2,019</b>	<b>1,000</b>	<b>467</b>	<b>67</b>	<b>143,888</b>	<b>404</b>	<b>305</b>	<b>2,982</b>	<b>3,691</b>	<b>147,579</b>
<b>Balance sheet at 31 March 2015</b>	<b>118,452</b>	<b>17,168</b>	<b>1,431</b>	<b>1,052</b>	<b>467</b>	<b>67</b>	<b>138,637</b>	<b>156</b>	<b>75</b>	<b>1,874</b>	<b>2,105</b>	<b>140,742</b>
<b>Nature of Asset Holding</b>												
<b>Owned</b>	120,267	19,913	1,600	1,000	467	67	143,314	404	305	2,982	3,691	147,005
<b>Finance lease</b>	-	155	419	-	-	-	574	-	-	-	-	574
<b>Balance sheet at 31 March 2016</b>	<b>120,267</b>	<b>20,068</b>	<b>2,019</b>	<b>1,000</b>	<b>467</b>	<b>67</b>	<b>143,888</b>	<b>404</b>	<b>305</b>	<b>2,982</b>	<b>3,691</b>	<b>147,579</b>

	Operational assets							Non-operational assets				Assets
2016/17	Council Dwellings	Other Land and Buildings	Vehicles Plant and Equipment	Infrastructure Assets	Community Assets	Heritage Assets	Total	Assets Held for Sale	Surplus Assets	Assets Under Construction	Total	Grand Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>												
<b>Gross book value as at 1 April 2016</b>	<b>121,210</b>	<b>20,068</b>	<b>4,693</b>	<b>1,189</b>	<b>467</b>	<b>67</b>	<b>147,694</b>	<b>404</b>	<b>305</b>	<b>2,982</b>	<b>3,691</b>	<b>151,385</b>
Additions	1,710	41	622				2,373			6,942	6,942	9,315
Derecognition - Disposals	(990)	(131)					(1,121)			(41)	(41)	(1,162)
Derecognition - Others	(1,393)						(1,393)				-	(1,393)
Reclassifications	5,253	789	1	11	(126)	126	6,054			(6,054)	(6,054)	-
Revaluation increases / (decreases) recognised in the revaluation reserve	(11,122)	(69)			38	421	(10,732)	(124)			(124)	(10,856)
Revaluation increases / (decreases) recognised in the surplus/deficit of services	39,279	(416)					38,863		(20)		(20)	38,843
Assets reclassified (to) / from Held for Sale	(389)						(389)	389			389	-
Other movements in cost or valuation							-				-	-
<b>GBV At 31 March 2017</b>	<b>153,558</b>	<b>20,282</b>	<b>5,316</b>	<b>1,200</b>	<b>379</b>	<b>614</b>	<b>181,349</b>	<b>669</b>	<b>285</b>	<b>3,829</b>	<b>4,783</b>	<b>186,132</b>
<b>Depreciation and Impairment</b>												
Accumulated depreciation & Impairments	(943)	-	(2,674)	(189)	-	-	(3,806)	-	-	-	-	(3,806)
Charge for year	(1,569)	(333)	(382)	(36)			(2,320)	-	-	-	-	(2,320)
Depreciation written out to the Revaluation Reserve		237					237	-	-	-	-	237
Depreciation written out to the Surplus/Deficit on provision of services	1,569	94					1,663					1,663
Impairments (losses)/reversals recognised in the Revaluation Reserve	943						943	-	-	-	-	943
Impairments (losses)/reversals recognised in the Surplus/Deficit on provision of services	(1,392)						(1,392)					(1,392)
Derecognition - Other		2					2	-	-	-	-	2
<b>At 31 March 2017</b>	<b>(1,392)</b>	<b>-</b>	<b>(3,056)</b>	<b>(225)</b>	<b>-</b>	<b>-</b>	<b>(4,673)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4,673)</b>
<b>Balance sheet at 31 March 2017</b>	<b>152,166</b>	<b>20,282</b>	<b>2,260</b>	<b>975</b>	<b>379</b>	<b>614</b>	<b>176,676</b>	<b>669</b>	<b>285</b>	<b>3,829</b>	<b>4,783</b>	<b>181,459</b>
<b>Balance sheet at 31 March 2016</b>	<b>120,267</b>	<b>20,068</b>	<b>2,019</b>	<b>1,000</b>	<b>467</b>	<b>67</b>	<b>143,888</b>	<b>404</b>	<b>305</b>	<b>2,982</b>	<b>3,691</b>	<b>147,579</b>

<b>Nature of Asset Holding</b>												
<b>Owned</b>	152,166	20,124	1,962	975	379	614	176,220	669	285	3,829	4,783	181,003
<b>Finance lease</b>		158	298				456					456
<b>Balance sheet at 31 March 2017</b>	<b>152,166</b>	<b>20,282</b>	<b>2,260</b>	<b>975</b>	<b>379</b>	<b>614</b>	<b>176,676</b>	<b>669</b>	<b>285</b>	<b>3,829</b>	<b>4,783</b>	<b>181,459</b>

**Note - the Balance Sheet shows Assets Held for Sale as Current Assets**

## Depreciation

### Method

All non-current assets (except land, some community and heritage assets, surplus assets, assets held for sale and assets under construction) are depreciated on a straight line basis over the period of their useful economic lives. Depreciation is not charged in the year of acquisition but is charged in the year of disposal.

### Useful Lives

The useful economic life of a non-current asset is the period over which it is expected to deliver economic benefit to the organisation. The economic lives used for depreciating the various Council assets are:-

Asset Category	Life
Council house - traditional build	60 years
Council house - non traditional build	30 years
Other land and buildings	15-66 years
Infrastructure	25-40 years
Vehicles, plant, equipment and machinery	5-10 years
Council garages	25 years
Leased assets	lease term

## Capital Commitments

At 31 March 2017, the Council has entered into a number of contracts for the acquisition, construction or enhancement of Property, Plant and Equipment and future years are budgeted to cost £8,667,456. Similar commitments at 31 March 2016 were £1,275,100. The major commitments are:

- Housing Capital Programme £4,898,416
- General Fund Capital Programme £3,769,040

## Valuation Information

### Name and Qualifications of Valuers

A desktop valuation of both housing and general fund assets has been undertaken by Darren Fabris MRICS of Keir Ltd as at 31 March 2017.

### Basis or Bases of Valuation

The Council carries out a full valuation of its assets every five years with a desk top revaluation for each of the intervening four years. 2016/17 is a desk top revaluation year.

Non-current assets are valued on the basis recommended by CIPFA and in accordance with the *Statement of Asset Valuation Principles and Guidance Notes* issued by The Royal Institution of Chartered Surveyors (RICS).

Assets have been valued on the following bases:

- Council houses have been valued on an existing use value for social housing basis. For 2016/17 this equates to 42% of market value which was applicable from 1 April 2010 onwards.
- Land and other operational properties and assets are included in the balance sheet at the lower of net current replacement cost and net realisable value.
- Non-operational assets, including assets that are surplus to requirements, are included in the balance sheet at the lower of net current replacement cost and net realisable value.
- Infrastructure Assets and Community Assets are included in the balance sheet at historical cost, net of depreciation.
- Assets under construction are valued at cost until such time as they are brought into use. The asset will then be re-valued at that time according to the valuation method applicable to that category of asset. Assets under construction are not depreciated until they come into use.

#### **Valuations of Non-current Assets Carried at Current Value**

The following statement shows the progress of the Council's programme for the revaluation of non-current assets. The basis for valuation is set out in the statement of accounting policies.

Description	Council Dwellings £'000	Other Land and Buildings £'000	Assets Held for Sale £'000	Investment Properties £'000	Surplus Assets £'000	Others £'000	Total £'000
Valued at historic cost	-	-	-	-	-	1,042	1,042
Valued at current value	152,166	20,282	669	-	285	926	174,328
Total	152,166	20,282	669	-	285	1,968	175,370

#### **Component Accounting**

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.

Components have also been depreciated over different lives than the host (main) asset and recognised where they have a significant value when compared to the value of the host assets.

An exercise, in respect of the Housing Revenue Account, has been undertaken to establish the variance in amounts of depreciation, based on components i.e. bathrooms, kitchens, windows, heating boilers etc and that based on two components only i.e. land and buildings. The variance in the depreciation charge is less than 3% (less than £42,000). This amount is considered not to have a material effect on the Statement of Accounts and therefore Component Accounting has not been introduced in respect of the HRA. The requirements for Component Accounting in the HRA will be reviewed each year.

#### **Note 12 Heritage Assets**

Heritage asset values are recorded in note 11 property, plant and equipment. The Council categorises its heritage assets as detailed below:-

##### **Public Art**

The Council's collection of public art is reported in the balance sheet at insurance valuation. The public art collection is made up of The Cube and The Sail.

## Civic Regalia

The Council's collection of civic regalia is reported in the balance sheet at insurance valuation. The civic regalia is made up of various pendants and chains of office.

## Buildings

A review of the community assets has been completed in 2016/17 and both Mrs Smith's Cottage and Cogglesford Mill have been reclassified as heritage assets and therefore transferred in year. Both of these assets are deemed to have cultural and historical associations that make their preservation for future generations important.

Cost of Acquisition of Heritage Assets	Public Art	Civic Regalia	Historic Buildings	Total Assets
<b>Cost or Valuation</b>				
1 April 2015	42	25	-	67
Additions	-	-	-	-
Disposals	-	-	-	-
Revaluations	-	-	-	-
Impairment losses / (reversals) recognised in the Revaluation Reserve	-	-	-	-
Impairment losses / (reversals) recognised in surplus or deficit on the provision of services	-	-	-	-
Depreciation	-	-	-	-
31 March 2016	42	25	-	67
<b>Cost or Valuation</b>				
1 April 2016	42	25	-	67
Additions	-	-	-	-
Transfers	-	-	547	547
Disposals	-	-	-	-
Revaluations	-	-	-	-
Impairment losses / (reversals) recognised in the Revaluation Reserve	-	-	-	-
Impairment losses / (reversals) recognised in surplus or deficit on the provision of services	-	-	-	-
Depreciation	-	-	-	-
31 March 2017	42	25	547	614

## Note 13 Assets Held for Sale

Assets Held for Sale are shown on the face of Note 11 Property Plant and Equipment. These relate to 15 Council dwellings nearing completion of sale under the "Right to Buy" scheme.



## Note 14 Financial Instruments

The following categories of Financial Instruments are carried in the Balance Sheet:

	Long Term		Current	
	31/03/2016	31/03/2017	31/03/2016	31/03/2017
	£'000	£'000	£'000	£'000
<b>Investments</b>				
Loans and receivables	2,000	2,000	-	-
Unquoted equity investment at cost		2,000		
- short term investments	-	-	15,606	13,099
- cash and cash equivalents	-	-	189	1,348
<b>Total Investments</b>	2,000	4,000	15,795	14,447
<b>Debtors</b>				
Loans and receivables	28	22	2,584	3,441
<b>Total Debtors</b>	28	22	2,584	3,441
<b>Borrowings</b>				
Financial liabilities at amortised cost	65,034	62,949	7,814	5,812
Cash and cash equivalents - overdraft	-	-	884	748
<b>Total Borrowings</b>	65,034	62,949	8,698	6,560
<b>Creditors</b>				
Financial liabilities at amortised cost	-	-	5,599	5,671
Financial liabilities short term developers contributions	-	-	-	117
<b>Total Creditors</b>	-	-	5,599	5,788

### 14.1 Financial Instrument Balances

Under accounting requirements the carrying value of the financial instrument value shown in the Balance Sheet includes for the principal amount borrowed or lent. Accrued interest is shown separately in current assets / liabilities where the payments / receipts are due within one year. The effective rate of interest is effectively accrued interest receivable under the instrument, adjusted for the amortisation of any premiums or discounts reflected in the purchase price.

Fair value has been measured by direct reference to published price quotations in an active market and / or estimating using a valuation technique.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Comprehensive Income and Expenditure Statement. Any gains and losses that arise on the de-recognition of the asset are credited / debited to the Comprehensive Income and Expenditure Statement.

Additional disclosure information will be required should any of the following events occur:

- Any unusual movements
- Re-classification of instruments

- De-recognition of instruments
- Collateral
- Allowances for credit loss
- Defaults and breaches

## 14.2 Income, Expense, Gains and Losses

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

Description	Financial Liabilities	Financial Assets		
	Liabilities measured at amortised cost	Loans and receivables	Available-for-sale assets	Total
2016/17	£'000	£'000	£'000	£'000
Interest expense	(2,262)			(2,262)
<b>Interest payable and similar charges</b>	(2,262)	-	-	(2,262)
Interest income		270		270
<b>Interest and investment income</b>	-	270	-	270
<b>Net gain /(loss) for the year</b>	(2,262)	270	-	(1,992)
2015/16	£'000	£'000	£'000	£'000
Interest expense	(2,542)			(2,542)
<b>Interest payable and similar charges</b>	(2,542)	-	-	(2,542)
Interest income		344		344
<b>Interest and investment income</b>	-	344	-	344
<b>Net gain /(loss) for the year</b>	(2,542)	344	-	(2,198)

## 14.3 Fair Value of Assets and Liabilities that are not measured at Fair Value (but for which fair value disclosures are required)

The Council discloses the fair value of each class of financial asset and liability so that it can be compared with the carrying amount in the balance sheet.

Accounting standards require the type of information used in fair value calculations (as classified in the hierarchy below) to be disclosed.

- Level 1 - quoted prices in active markets for identical assets or liabilities, e.g. bond prices
- Level 2 - inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar instruments
- Level 3 - unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness

There has been no change in the valuation techniques used during the year and no transfers between input levels.

Financial liabilities and financial assets represented by loans and receivables, shareholdings and long term debtors and creditors are carried on the balance sheet at amortised cost.

Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

Financial assets;

- Estimated ranges of interest rates at 31st March 2017 of 0.10% to 2.5% for loans receivable , based on new lending rates for equivalent loan at that date
- No early repayment or impairment is recognised.
- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.
- 

Financial liabilities;

- Estimated ranges of interest rates at 31st March 2017 of 3.03% to 7.125% for loans from the PWLB
- No early repayment is recognised.
- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value.

The fair values calculated are as follows:

Description	31/03/2016		Fair Value level	31/03/2017	
	Carrying Amount	Fair Value		Carrying Amount	Fair Value
	£'000	£'000		£'000	£'000
PWLB debt	67,120	74,052	2	65,034	75,747
Other debt	6,612	6,386	2	4,478	4,249
Creditors	5,599	5,599		5,671	5,671
<b>Financial liabilities</b>	79,331	86,037		75,183	85,667
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. Short term creditors are carried at cost as this is a fair approximation of their value.					
Money market loans	17,606	17,769	2	15,099	15,190
Shareholdings	-	-	2	2,000	2,000
Cash	189	189	2	1,348	1,348
Debtors	2,584	2,584		3,441	3,441
<b>Loans and receivables</b>	20,379	20,542		21,888	21,979
The fair value is greater than the carrying amount because the Council's portfolio of investments 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. Short term debtors are carried at cost as this is a fair approximation of their value					

The fair value of financial liabilities has been determined by reference to the Public Works Loans Board redemption rules and prevailing redemption rates as at each balance sheet date and include accrued interest.

The fair value of Public Works Loan Board (PWLB) loans of £65,034,167 measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value measures the additional or reduced interest that the authority will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

However, the authority has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets. A supplementary measure of the additional interest that the authority will pay as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB. If a value is calculated on this basis, the carrying amount of £65,034,167 would be valued at £75,747,047. But, if the authority were to seek to avoid the projected loss by repaying the loans to the PWLB, the PWLB would raise a penalty charge for early redemption in addition to charging a premium for the additional interest that will not now be paid. The exit price for the PWLB loans including the penalty charge would be £85,178,011.

The fair value for loans and receivables uses the Net Present Value (NPV) approach, which provides an estimate of the value of payments in the future in today's terms. The discount rate used in the NPV calculation should be equal to the current in relation to the same instrument from a comparable lender. This will be the rate applicable in the market on the date of valuation, for an instrument with the same duration (i.e. the outstanding period from valuation date to maturity).

Equity shares, as available for sale assets are required to be valued at fair value if material. The Council has made an exception to this treatment in respect of its shareholding in Lafford Homes. The shares in this company are carried at cost of £2,000,000 and have not been valued as a fair value cannot be measured reliably. The company is only recently established and has no trading history. The Council has no current intention to dispose of the shareholding

## Note 15 Debtors

An analysis of debtors is shown below:-

2015/16 £'000	Description	2016/17 £'000
1,928	Central government bodies	743
961	Other local authorities	704
-	NHS bodies	-
3,721	All other	4,844
6,610		6,291
(1,505)	Less provision for bad debts	(1,598)
5,105	<b>Total</b>	4,693

<b>Note 16</b>	<b>Cash and Cash Equivalents</b>
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The balance of cash and cash equivalents is made up of the following elements:

31/03/2016 £'000		31/03/2017 £'000
-	Cash held by the Council	-
(1,384)	Bank current accounts	(748)
500	Call accounts	-
189	Money Market funds	1,348
(695)		600

**Note 17 Creditors**

An analysis of creditors is shown below:-

2015/16 £'000	Description	2016/17 £'000
923	Central government bodies	1,466
3,031	Other local authorities	4,059
-	NHS bodies	-
4,207	Other entities and individuals	3,685
8,161	<b>Total</b>	9,210

**Note 18 Provisions**

The Council is responsible for any refunds relating to back-dated Non Domestic Rates appeals. The total provision which the Council believes it is necessary to make with regard to outstanding business rate appeals is £1.7m. This represents the share of the appeals provision which relates to North Kesteven District Council only.

**Note 19 Unusable Reserves**Revaluation Reserve

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

- Revalued 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 realised

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

2015/16 £'000	REVALUATION RESERVE	2016/17 £'000
<b>16,737</b>	<b>Balance at 1st April</b>	<b>20,818</b>
5,281	Upward revaluation of assets	1,032
(1,200)	Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the provision of services*	(10,707)
4,081		(9,675)
-	Amount written off to the Capital Adjustment Account	(528)
-		(528)
<b>20,818</b>	<b>Balance at 31st March</b>	<b>10,615</b>

\*In previous years, due to there being no balance on the revaluation reserve, any revaluation losses relating to Council Dwellings have been charged to the HRA. In 2014/15 and 2015/16 the revaluation of Council Dwellings has resulted in a gain of £10,179k which was originally credited to the Revaluation Reserve but has now been transferred to the HRA to off-set the prior year's losses in accordance with the Code of Practice on Local Authority Accounting.

### 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 debit 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 funding will have been set aside by the time benefits come to be paid.

2015/16 £'000	PENSION RESERVE	2016/17 £'000
(34,057)	<b>Balance at 1st April</b>	(25,228)
10,359	Remeasurement of the net defined benefit liability/(assets)	(8,318)
(3,244)	Reversal of items relating to retirement benefits debited or credited to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement	(2,791)
1,714	Employers pension contributions and direct payments to pensioners payable in the year	1,823
(25,228)	<b>Balance at 31st March</b>	(34,514)

### Collection Fund Adjustment Account

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

2015/16 £'000	COLLECTION FUND ADJUSTMENT ACCOUNT	2016/17 £'000
(377)	<b>Balance at 1st April</b>	(1,071)
(1,641)	Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	1,759
947	Renewables	(1,632)
(1,071)	<b>Balance at 31st March</b>	(944)

### 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 amortisations 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 amounts set aside by the Council as finance for the costs of acquisition, construction and subsequent costs.

The account contains accumulated gains and losses on investment properties and gains recognised on donated assets, where applicable, that have yet to be consumed by the Council.

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

Note 9 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2015/16 £'000	CAPITAL ADJUSTMENT ACCOUNT	2016/17 £'000
43,016	Balance at 1st April	50,226
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement re:	
(4,848)	Charges for depreciation and impairment of non-current assets	(3,754)
167	Revaluation gain on property, plant and equipment	39,114
(25)	Amortisation of intangible assets	(25)
(3,522)	Revenue expenditure funded from capital under statute	(1,403)
(872)	Amounts of non-current assets written off on disposal or sale as part of the gain or loss on disposal to the Comprehensive Income and Expenditure Statement	(1,118)
33,916		83,040
-	Adjusting amounts written out of the Revaluation Reserve	528
33,916		83,568
	Net written out amount of the cost of non-current assets consumed in the year	
	Capital Financing applied in the year re:	
418	Use of the Capital Receipts Reserve to finance new capital expenditure	1,459
4,549	Use of the Major Repairs Reserve to finance new capital expenditure	3,039
3,936	HRA Voluntary Contribution	2,086
	Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	484
213	Application of grants to capital financing from the Capital Grants Unapplied Account including developers contributions	307
583	Statutory provisions for the financing of capital investment charged against the General Fund	510
6,183	Capital Expenditure charged against the General Fund and HRA balances	4,978
16,310		12,863
50,226	<b>Balance at 31st March</b>	<b>96,431</b>



<b>Note 20</b>	<b>Cash Flow Statement – Operating Activities and Interest</b>
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The cash flows for operating activities include the following items:

2015/16 £'000	Operating Activities Note A	2016/17 £'000
1,957	<b>Net surplus or deficit on the provision of services</b>	45,462
	<b>Capital activities</b>	
2,447	Depreciation	2,320
2,234	Impairment or downward valuations	(37,680)
25	Amortisation	25
(108)	Increase /decrease in interest creditors	(1)
(1,372)	Increase/decrease in creditors	158
479	Increase/decrease in interest debtors	506
1,808	Increase/decrease in debtors	(1,041)
-	Movement in impairment provision for bad debt	-
(7)	Increase/decrease in inventories	19
1,530	Pension liability	967
812	Contributions to/(from) provisions	124
872	Carrying amount of non current assets sold	1,118
-	Issuing of council mortgages relating to deferred capital receipts	-
-	Carrying amount of short and long term investments sold	-
8,720		(33,485)
	Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities	
(633)	Capital grants that are credited to surplus or deficit on the provision of services	(679)
-	Proceeds from the sale of short and long term investments	15,000
(1,222)	Proceeds from the sale of property plant and equipment , investment property and intangible assets	(1,660)
(1,855)		12,661
8,822	<b>Net cash flows from operating activities</b>	24,638
2015/16 £'000	Operating Activities Interest - Note B	2016/17 £'000
344	Ordinary interest received	270
1,084	Opening debtor	606
(605)	Closing debtor	(100)
823	<b>Interest Received</b>	776
(2,542)	Interest charged for the year	(2,262)
(336)	Opening creditor	(228)
228	Closing creditor	227
(2,650)	<b>Interest Paid</b>	(2,263)

<b>Note 21</b>	<b>Cash Flow Statement – Investing Activities</b>
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2015/16 £'000	Investing Activities Note C	2016/17 £'000
(8,310)	Property, plant and equipment purchased	(9,314)
-	Other capital payments	-
-	Add back new finance leases (non cash item)	-
(991)	Opening capital creditors	(1,291)
1,291	Closing capital creditors	1,304
<b>(8,010)</b>	<b>Purchase of property plant and equipment, investment property, and intangible assets</b>	<b>(9,301)</b>
(10,000)	Purchase of short term investments	(13,000)
-	Purchase of long term investments	(2,000)
<b>(10,000)</b>	<b>Purchase of short and long term investments</b>	<b>(15,000)</b>
(765)	Long term loans granted - capital grants repaid	(356)
1,227	Proceeds from the sale of property plant and equipment, investment property. and intangible assets	1,665
6,000	Proceeds from short term investments	-
-	Proceeds from long term investments	-
<b>6,000</b>	<b>Proceeds from short term and long term investments</b>	<b>-</b>
-	Other capital grant receipts - capital grants received	-
782	Capital grants received	1,551
<b>(10,766)</b>	<b>Net cash from investing activities</b>	<b>(21,441)</b>
	<b>Treasury Management Transactions During the Year:-</b>	
113,082	Out to investments	96,776
111,762	Back from investments	98,117

<b>Note 22</b>	<b>Cash Flow Statement – Financing Activities and Cash Balances</b>
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2015/16 £'000	Financing Activities Note D	2016/17 £'000
5,500	Cash receipts of short-term and long-term borrowing	10,740
(709)	Billing authorities - Council tax and NNDR adjustments	2,361
	Other receipts from financing activities	
	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	
(4,886)	Repayment of short-term and long-term borrowing	(14,826)
(197)	Payments for the reduction of a finance lease liability	(177)
(292)	<b>Net cash flows from financing activities</b>	<b>(1,902)</b>
2015/16 £'000	Make up of Cash and Cash Equivalents Note E	2016/17 £'000
189	Cash and bank balances	2,137
500	Cash investments-regarded as cash equivalents	1,348
(1,384)	Bank overdraft	(2,885)
(695)		<b>600</b>

<b>Note 23</b>	<b>Members' Allowances</b>
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The Council paid the following amounts to Members of the Council during the year.

2015/16 £'000	Description	2016/17 £'000
292	Allowances	274
8	National Insurance and Pension Costs	4
17	Car and Travel Allowances	14
<b>317</b>		<b>292</b>

## Note 24 Officers' Remuneration

The remuneration paid to the Council's senior employees is as follows:

Post Title		Note	Salary, Fees & Allowances	Benefits in Kind (eg Lease Car, Private Medical Insurance)	Compensation for Loss of Office	Pension Contribution	Total
			£	£	£	£	£
Chief Executive	2016/17		111,062	119		19,247	130,428
	2015/16		110,352	216		20,070	130,638
Deputy Chief Executive	2016/17		90,569	-	-	14,695	105,264
	2015/16		89,671	-	-	14,486	104,157
Corporate Director	2016/17		83,794	119	-	13,559	97,472
	2015/16	1	98,551	252	-	15,832	114,635
Head of Finances and Resources	2016/17		70,738	119	-	11,443	82,300
	2015/16		68,514	216	-	11,053	79,783
Head of Corporate and Customer Services	2016/17		50,117	119	-	9,953	60,189
	2015/16	3	43,375	146	-	6,969	50,490
Head of Housing and Property	2016/17		66,962	-	-	10,824	77,786
	2015/16	2	56,786	-	-	9,130	65,916
Head of Development, Economic and Cultural Services	2016/17		68,546	119	-	11,084	79,749
	2015/16		67,068	216	-	10,779	78,063
Head of Environment and Public Protection	2016/17		65,047	3,974	-	10,642	79,663
	2015/16		64,404	4,584	-	10,537	79,525

### Notes

1. A new Corporate Director was appointed on 01/01/15 in readiness to take over from the outgoing Deputy Chief Executive who left on 31/05/15. Hence the 2 posts ran concurrently for 2 months in 15/16.
2. The Head of Housing and Property left post on 31/12/14 (become Corporate Director - See note 1) and the post was not filled until May 2015
3. The Head of Corporate and Customer Services left the Council in August 2015 and the post was not filled until January 2016

Remuneration band	2015/16 Number of employees	2016/17 Number of employees
£50,000 to £54,999	1	4
£55,000 to £59,999	1	-
£60,000 to £64,999	-	-
£65,000 to £69,999	3	3
£70,000 to £74,999	-	1
£75,000 to £79,999	-	-
£80,000 to £84,999	1	1
£85,000 to £89,999	1	-
£90,000 to £94,999	-	1
£95,000 to £99,999	-	-
£100,000 to £104,999	-	-
£105,000 to £109,999	-	-
£110,000 to £114,999	1	1
<b>Total</b>	<b>8</b>	<b>11</b>

The remuneration values in bandings are attributable to individual employees rather than posts therefore any employee moving from one post to another within the Council would have their earnings from each post added together to arrive at total remuneration. The above tables are complimentary to each other and individual employees may feature in both. There were no officers who received remuneration in excess of £150,000.

The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below.

Exit Package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17
£0 - £20,000	-	-	6	7	6	7	27,003	35,100
£20,001 - £40,000	-	-	3	-	3	-	79,395	-
£40,001 - £60,000	-	-	-	-	-	-	-	-
£60,001 - £80,000	-	-	-	-	-	-	-	-
£80,001 - £100,000	-	-	-	-	-	-	-	-
£100,001 - £150,000	-	-	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>9</b>	<b>7</b>	<b>9</b>	<b>7</b>	<b>106,398</b>	<b>35,100</b>

<b>Note 25</b>	<b>External Audit Costs</b>
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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.

Description	2015/16 £'000	2016/17 £'000
Fees payable to KPMG with regard to external audit services carried out by the appointed auditor for the year	39	39
Fees payable to KPMG in respect of statutory inspections	-	-
Fees payable to KPMG for the certification of grant claims and returns for the year	7	9
Fees payable in respect of other services provided by KPMG during the year	-	3
<b>Total</b>	<b>46</b>	<b>51</b>

In 2015/16 additional fees were paid to KPMG of £3k in relation to the audit of grant claims and £3k for assurance work completed on the capital receipts pooling return

<b>Note 26</b>	<b>Grant Income</b>
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The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2016/17:

Description		
	2015/16	2016/17
Credited to Net Cost of Services	£'000	£'000
Capacity Funding from Homes and Communities Agency	1	23
CCTV Contributions	3	8
Communications and Media	3	-
NK Community Champions	3	-
Community Rights to Challenge Grant	-	-
Council Tax Administration and Small Businesses Grant	123	227
Council Tax New Burdens grant	57	64
Council Tax Support	91	-
Counter Terrorism	-	9
County ASB Post	39	39
Cranwell Aviation Project Grant	-	-
DCLG LATR Grant	1	1
Design Factory	45	-
Discretionary Housing Grant	73	108
Empty Homes Grant	18	-
Empty Homes Project	13	21
Health Activity Control Grant	3	-
Health Trainers	26	18
High Value Social Housing Grant	5	-
Homelessness Floating Support Post	66	56
Housing Benefits Rent Administration	343	260
Housing General	-	-
LA Data sharing programme	10	12
Leisure Grants	284	296
Museum Development Funding	4	-
MOD Armed Forces Day	-	-
New Burdens Land Charges	95	7
New Homes Bonus	2,364	3,033
Owner Occupier Assistance Grant	-	8
Rent Allowance Subsidy	10,453	10,102
Rent Rebates Subsidy	8,393	8,029
Register of Electors - IER	42	21
Right to Move	3	-
Smoke Alarms	1	-
Wellbeing Grant - HRA	717	621
Whisby Natural World	5	2
<b>Total</b>	<b>23,283</b>	<b>22,965</b>

The Council has received a number of Section 106 grants that have yet to be recognised as income as they have conditions attached to them that will require the monies to be returned if not met. The balances at the year end are as follows:

Description	2015/16		2016/17	
	Current Liabilities	Long Term Liabilities	Current Liabilities	Long Term Liabilities
Held in Balance Sheet as Conditions not yet met	£'000	£'000	£'000	£'000
Play Equipment / Open Spaces	-	179	17	302
Affordable Housing	-	354	-	155
Education	-	363	-	656
Other	-	302	100	484
Total Grants with Conditions not yet met	-	1,198	117	1,597

## Note 27 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

Central Government has 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 that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from Government departments are set out in the subjective analysis in Note 26 on reporting for resources allocation decisions.

### Members and Officers

Members of the Council have direct control over the Council's financial and operating policies. The total of Members' allowances paid in 2016/17 is shown in Note 23. During 2016/17 the Council issued to all Members, Corporate Management Team and Senior Management Team a request to disclose any related party transactions which have been completed.

Members and officers have not disclosed any material transactions with related parties.

The Corporate Director and the Financial Services Manager are Directors of the newly established Lafford Homes Ltd house building company. Full details of the company can be found at Page 89

### Entities Controlled or Significantly Influenced by the Council

There are no entities that are controlled by or significantly influenced by the Council. However, the Council does support in the way of revenue grants a number of bodies including town and parish councils, pays levies to drainage boards and acts as the responsible body (provision of administration and accountancy support) for a number of bodies/ projects. Transactions with other such bodies are set out below:



2015/16 £'000	Description	2016/17 £'000
180	Upper Witham Drainage Board	184
104	Witham First Drainage Board	106
60	Black Sluice Drainage Board	60
26	Trent Valley Drainage Board	26
<b>370</b>	<b>Drainage Board Levies Paid</b>	<b>376</b>
2,503	Parish/Town Councils	2,647
76	Citizens Advice Bureau	81
214	Shared Legal Services	292
<b>3,163</b>	<b>Included within the Council's expenditure</b>	<b>3,396</b>
628	Joint Planning Committee	373
8	Lincolnshire Improvement & Efficiency Programme	-
<b>636</b>	<b>Bodies where the Council acts as the responsible body</b>	<b>373</b>
<b>3,799</b>	<b>Total</b>	<b>3,769</b>

<b>Note 28</b>	<b>Capital Expenditure and Capital Financing</b>
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The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases), 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.

2015/16 £'000	Description	2016/17 £'000
<b>81,107</b>	<b>Opening capital financing requirement</b>	<b>76,629</b>
	<b>Capital expenditure:</b>	
8,310	Property, Plant and Equipment	9,315
-	- Intangible Assets	-
-	- Investments	2,000
3,522	Revenue Expenditure Funded from Capital under Statute	1,402
<b>11,832</b>	<i>Asset Movement in Year</i>	<b>12,717</b>
	<b>Capital financing:</b>	
(418)	Capital Receipts	(1,459)
(641)	Government Grants and other contributions	(791)
(6,183)	Sums set aside from revenue	(4,978)
(4,549)	Contribution from MRR	(3,039)
(583)	Minimum Revenue Provision (MRP)	(510)
(3,936)	Principal Repayments	(2,086)
(16,310)	<i>Financing in Year</i>	(12,863)
<b>76,629</b>	<b>Closing capital financing requirement</b>	<b>76,483</b>
<b>(4,478)</b>	<b>Movements in year</b>	<b>(146)</b>
(542)	Increase / (decrease) in underlying need for unsupported borrowing	1,940
(3,936)	Repayment of Principal in year	(2,086)
<b>(4,478)</b>	<b>Increase/(decrease) in capital financing requirement</b>	<b>(146)</b>

**Note 29   Leases****COUNCIL AS LESSEE****29.1 Finance Leases**

The following assets are held under finance leases by the Council, accounted for as part of non-current Assets. The value is carried in the balance sheet at the following net amounts.

Description	2015/16	2016/7
	£'000	£'000
Other Land and Buildings	155	158
Vehicles, Plant and Equipment	419	298
<b>Value at 31 March</b>	<b>574</b>	<b>456</b>

The Council is committed to making minimum payments under these leases comprising settlement of the long term liability for the interest in the property acquired by the Council and the finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments (MLP) are made up of the following amounts:

Description	Other Land and Bldg		Vehicles, Plant & Equip		Total	Total
	31/03/16	31/03/17	31/03/16	31/03/17	31/03/16	31/03/17
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Finance lease liabilities (net present value of minimum lease payments):</b>						
Current (net present value of MLP)	36	27	162	149	198	176
Non-Current (NPV of MLP)	148	130	188	52	336	182
Finance Costs payable in future years	159	110	232	111	391	221
<b>Minimum Lease Payments (MLP)</b>	<b>343</b>	<b>267</b>	<b>582</b>	<b>312</b>	<b>925</b>	<b>579</b>

The minimum lease payments will be payable over the following periods:

Description	Minimum Lease Payments		Finance Lease Liabilities	
	31/03/16 £'000	31/03/17 £'000	31/03/16 £'000	31/03/17 £'000
Not later than one year	359	270	176	147
Later than one year but not later than five years	467	216	267	126
Later than five years	99	93	91	86
<b>Total</b>	<b>925</b>	<b>579</b>	<b>534</b>	<b>359</b>

## 29.2 Operating Leases

The Council has acquired a number of buildings under operating leases and is committed at 31 March 2017 to making payments of £169,778 (£169,778 in 2015/16) comprising the following elements:

Description	31/03/2016 £'000	31/03/2017 £'000
Not later than one year	170	170
Later than one year but not later than five years	612	589
Later than five years	453	306
<b>Total Commitments at 31st March</b>	<b>1,235</b>	<b>1,065</b>

## Note 30 Termination Benefits

The Council terminated the contracts of a number of employees in 2016/17, incurring liabilities of £35,100 (£106,398 in 2015/16) – see note 24 for the number of exit packages and total cost per band.

## Note 31 Defined Benefit Pension Schemes

### 31.1 Participation in Pension Schemes

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

The Council participates in the Local Government Pension Scheme for employees, administered by Lincolnshire County Council. This is a funded defined benefit final salary scheme, meaning that both the Council and the employee pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

### 31.2 Transactions Relating to Post-Employment Benefits

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund (and Housing Revenue Account) via the Movement in Reserves Statement. The 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;

**Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:**

	Local Government Pension Scheme £000	
	2015/16	2016/17
<i>Cost of services:</i>		
<i>Service cost comprising:</i>		
current service costs	2,232	1,946
past service costs	-	3
<i>Financing and investment income and expenditure</i>		
Net interest expense	1,100	889
<i>Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services</i>	3,332	2,838
<i>Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement</i>		
Remeasurement of the net defined benefit liability comprising:		
Return on plan assets (excluding the amount included in the net interest expense)	1,028	(6,150)
Actuarial gains and losses arising on changes in demographic assumptions	-	(1,424)
Actuarial gains and losses arising on changes in financial assumptions	(10,349)	15,904
Other (if applicable)	(1,039)	(12)
Total remeasurement recognised in other comprehensive income and expenditure	(10,360)	8,318
<i>Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement</i>	(7,028)	11,156
<b>Movement in Reserves Statement</b>		
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post employment benefits in accordance with the Code	1,530	1,050
<i>Actual amount charged against the General Fund Balance for pensions in the year:</i>		
Employers' contributions payable to scheme	1,714	1,823

### 31.3 Pension Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the authority's obligation in respect of its defined benefit plans is as follows:

	Local Government Pension Scheme £000	
	2015/16	2016/17
Present value of the defined benefit obligation	(75,524)	(92,722)
Fair value of plan assets	50,167	58,062
Element relating to accountable bodies	129	146
<b>Net liability arising from defined benefit obligation</b>	<b>(25,228)</b>	<b>(34,514)</b>

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

	Local Government Pension Scheme £000	
	2015/16	2016/17
Opening fair value of scheme assets	49,680	50,167
Interest income	1,589	1,754
Remeasurement gain/(loss):		
The return on plan assets, excluding the amount included in the net interest expense	(1,028)	6,150
Contributions from employer	1,700	1,796
Contributions from employees into the scheme	501	513
Benefits paid	(2,275)	(2,318)
Contribution re unfunded benefits	58	57
Unfunded benefits paid	(58)	(57)
<b>Closing fair value of scheme assets</b>	<b>50,167</b>	<b>58,062</b>

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

	Funded Liabilities: Local Government Pension Scheme £000	
	2015/16	2016/17
Opening balance at 1 April	83,823	75,524
Current service cost	2,232	1,946
Interest cost	2,689	2,643
Contributions from scheme participants	501	513
Remeasurement (gains) and losses:		
Actuarial gains/losses arising from changes in demographic assumptions	-	(1,424)
Actuarial gains/losses arising from changes in financial assumptions	(10,349)	15,904
Other (if applicable)	(1,039)	(12)
Past service cost	-	3
Benefits paid	(2,275)	(2,318)
Unfunded benefits paid	(58)	(57)
Closing balance at 31 March	75,524	92,722

**Local Government Pension Scheme assets comprised:**

	Fair Value of Scheme Assets £000's	
	2015/16	2016/17
Cash and cash equivalents	542	411
Equity instruments:		
By industry type		
Consumer	10,393	6,528
Manufacturing	1,114	853
Energy and utilities	2,718	1,505
Financial institutions	5,412	4,010
Information technology	1,861	2,235
Other	5,566	4,767
Sub-total equity	27,064	19,898
Bonds:		
By sector		
Corporate	4,893	5,397
Government	1,037	1,874
Other	702	-
Sub-total bonds	6,632	7,271
Property:		
By type		
UK property	5,339	5,283
Overseas property	544	177
Sub-total property	5,883	5,460
Private equity:		
Sub-total private equity	1,833	1,341
Other investment funds and unit trusts:		
Equities	2,830	15,952
Bonds	-	-
Infrastructure	-	873
Other	5,383	6,856
Sub-total other investment funds	8,213	23,681
Total assets	50,167	58,062



### 31.4 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.

Both the Local Government Pension Scheme and discretionary benefits liabilities have been estimated by Hymans Robertson, an independent firm of actuaries, estimates for Lincolnshire County Council Fund being based on the latest full valuation of the scheme as at 31 March 2017.

The significant assumptions used by the actuary have been:

Description	2015/16	2016/17
Mortality assumptions		
● Longevity at 65 for current pensioners:		
○ Men	22.2	22.1
○ Women	24.4	24.4
● Longevity at 65 for future pensioners:		
○ Men	24.5	24.1
○ Women	26.8	26.6
Rate of Inflation / Pension Increase Rate	2.2%	2.4%
Rate of increase in salaries	3.1%	2.8%
Rate of increase in pensions	2.2%	2.4%
Rate for discounting scheme liabilities	3.5%	2.6%

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

Changes in assumptions at 31 March 2017	Impact on the Defined Benefit Obligation in the Scheme	
	Approximate % Increase to employee Liability	Approximate Monetary Amount £000
0.5% decrease in Real Discount Rate	10%	9,245
0.5% increase in the Salary Increase Rate	2%	1,406
0.5% increase in the Pension Increase Rate	8%	7,705

### **Impact on the Authority's Cash Flows**

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over a 3 year period. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2019.

The Council anticipates paying £1.864m contributions to the scheme in 2017/18.

The weighted average duration of the defined benefit obligation for scheme members is 18.1 years.

<b>Note 32</b>	<b>Contingent Liabilities</b>
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### **Business Rate un-lodged appeals**

The Council has made a provision for business rates appeals based upon its best estimates of the actual liability as at the year-end in known appeals. It is not possible to quantify appeals that have not yet been lodged with the Valuation Office so there is a risk to the Council that national and local appeals may have a future impact on the accounts.

<b>Note 33</b>	<b>Contingent Assets</b>
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The Council is involved in a scheme to provide affordable housing to certain nominated purchasers. This was achieved by deferring payment for the land element of the property. The land value was calculated as a percentage of the original sale price. Upon subsequent sale to a non-nominated purchaser, the land percentage of the sale price will be repaid to the Council. This amount will be dealt with as a capital receipt. The timing of such receipts is uncertain therefore the Council has decided to deal with the outstanding equity as a contingent asset. The value of this equity as at 31<sup>st</sup> March 2017 is £369,196 (£399,134 as at 31<sup>st</sup> March 2016)

<b>Note 34</b>	<b>Nature and Extent of Risks Arising from Financial Instruments</b>
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<b>34.1 Nature and Extent of Risks Arising from Financial Instruments and how the Council Manages those Risks</b>
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The Council's activities expose it to a variety of financial risks:

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

### 34.1.1 Overall Procedures for Managing Risk

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by the Council in the annual treasury management strategy. The Council provides 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.

### 34.1.2 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 Treasury Management Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with Fitch & Moody's and Standard & Poor's Credit Ratings Services. The Annual Treasury Management Strategy also imposes a maximum amount 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 criterion is applied.

The full Investment Strategy for 2016/17 was approved by Full Council on 25 February 2016 and is available on the Council's website.

The following analysis summarises the Council's maximum exposure to credit risk. The table (composite defaults from Fitch & Moody's and Standard & Poor's) gives details of global corporate finance average cumulative default rates (including financial organisations) for the period since at least 1990 to 2016. Defaults shown are by long term rating category on investments out to one year, which were the most commonly held investments during the year.

	Amount at 31/03/2017	Historical experience of default	Historical experience adjusted for market conditions at 31/03/2017	Estimated maximum exposure to default and uncollectability	Estimated maximum exposure at 31/3/2017
	£'000	%	%	£'000	£'000
Deposits with banks and financial institutions	(a)	(b)	(c)	(a x c)	
AAA rated counterparties	1,348	0.04%	0.00%	-	-
A rated counterparties	5,000	0.06%	0.10%	5	-
BBB rated counterparties	0	0.17%	0.25%	-	-
BB rated counterparties	0	0.74%	0.25%	-	-
B rated counterparties	5,000	3.03%	0.25%	13	-
Other institutions	5,000	3.03%	0.25%	13	6
Other debtors	740	0.34%	0.34%	3	-
	17,088			34	6

The Council maintains strict credit criteria for investment counterparties. As a result of these high credit criteria, we have maintained historical default rates as a good indicator under these current conditions. No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

The Council does not generally allow credit for customers. Within the overall gross debtors balance – see note 15 - of £4,693,000, trade debtors amount to £740,000, analysis of which is shown below:

2015/16 £'000	Description	2016/17 £'000
603	Less than three months	212
9	Three to six months	363
12	Six months to one year	111
99	More than one year	54
723		740

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

### 34.1.3 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 it is needed.

The Council has ready access to borrowings from the Money Markets to cover any day to day cash flow need, and whilst the PWLB provides access to longer term funds, it also acts as a 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 liabilities is as follows:

31/03/2016 £'000	Description	31/03/2017 £'000
(15,975)	Less than one year	(15,139)
(2,086)	Between one and two years	(2,086)
(6,257)	Between two and five years	(6,257)
(56,691)	More than five years	(54,607)
(81,009)		(78,089)

All trade and other payables (£9,210,000) are due to be paid in less than one year.

#### **Note 34.1.4    Refinancing 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, with the maximum and minimum limits for fixed interest rates maturing in each period (approved by Council in the Treasury Management Strategy).

#### **34.1.5 Interest Rate Risk**

	<b>Approved minimum limits</b>	<b>Approved maximum limits</b>	<b>Actual 31/03/2016 £'000</b>	<b>Actual 31/03/2017 £'000</b>
Less than 1 year	0%	100%	15,975	15,139
Between 1 and 2 years	0%	100%	2,086	2,086
Between 2 and 5 years	0%	100%	6,257	6,257
Between 5 and 10 years	0%	100%	10,428	10,428
Between 10 and 20 years	0%	100%	24,856	24,856
Between 20 and 30 years	0%	100%	14,273	12,378
More than 30 years	0%	100%	7,134	6,945
Total			81,009	78,089

The Council is exposed to risk in terms of its exposure 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 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 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 Comprehensive Income and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Comprehensive Income and Expenditure Statement and affect the General Fund Balance, subject to influences from Government grants. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the Comprehensive Income and Expenditure Statement.

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.

According to this assessment strategy, at 31 March 2017, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

31/03/2016 £'000	Description	31/03/2017 £'000
-	Increase in interest payable on variable rate borrowings	-
53	Increase in interest receivable on variable rate investments	35
-	Increase in government grant receivable for financing costs	-
53	Impact on Income and Expenditure Account	35
5	Share of overall impact debited to the HRA	3
-	Decrease in fair value of fixed rate investment assets	-
-	Impact on the Comprehensive Income and Expenditure Statement	-
-	Decrease in fair value of fixed rate borrowings liabilities (no impact on C I & E Statement)	-

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed.

## SUPPLEMENTARY FINANCIAL STATEMENTS

### HRA INCOME AND EXPENDITURE ACCOUNT

The HRA Income and Expenditure Account 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 of which rents are raised, is shown in the Movement on the HRA Statement.

2015/16 £'000	Description	2016/17 £'000
	<b>Expenditure</b>	
(2,733)	Repairs and maintenance	(2,903)
(3,738)	Supervision and management	(3,663)
(340)	Rents, rates, taxes and other charges	(300)
-	Negative housing revenue account subsidy payable	-
(1,556)	Depreciation of non current assets	(1,591)
(2,402)	Revaluation of non-current assets	8,645
-	Change in the EUV-SH Discount % for HRA Dwellings	29,377
(30)	Debt management costs	(28)
(75)	Movement in the allowance for bad debts	(96)
(10,874)	<b>Total expenditure</b>	29,441
	<b>Income</b>	
15,262	Dwelling rents	14,995
200	Non-dwelling rents	200
1,024	Charges for services and facilities	909
273	Contributions towards expenditure	93
16,759	<b>Total income</b>	16,197
5,885	<b>Net cost of HRA services included in the Comprehensive Income and Expenditure Statement</b>	45,638
(212)	HRA services share of corporate and democratic core	(216)
5,673	<b>Net cost of HRA services</b>	45,422
	<b>HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:</b>	
350	Gain or (loss) on sale of HRA non-current assets	624
(2,315)	Interest payable and similar charges	(2,109)
34	Interest and investment income	25
(231)	Pensions interest cost and expected return on pension assets	(195)
262	Capital Grants and Contributions receivable	192
3,773	<b>Surplus / (deficit) for the year on HRA services</b>	43,959

## SUPPLEMENTARY FINANCIAL STATEMENTS

### Movement on the HRA Statement

2015/16 £'000	Description	2016/17 £'000
1,099	Balance on the HRA at the end of the previous year	557
3,773	Surplus or (deficit) for the year on the HRA Income & Expenditure	43,959
3,688	Adjustments between accounting base and funding base under regulations	(37,018)
7,461	Net increase or (decrease) before transfer to reserves	6,941
(8,003)	Transfer (to) or from reserves	(6,748)
(542)	Increase or (decrease) in year on the HRA	193
557	Balance on the HRA at the end of the current year	750
	<b>Adjustments between accounting basis and funding basis under regulations</b>	
-	- Amortisation of premiums and discounts and the charge for the year	-
	Transfers to/from the Capital Adjustment Account:-	
2,402	- revaluation of non current assets	(38,022)
1,556	- reversal of actual HRA depreciation	1,591
(262)	-capital grants	(192)
(350)	Gain or loss on sale of HRA fixed assets	(624)
342	HRA share of contributions to/from the Pension Reserve	229
3,688		(37,018)
	<b>Items not included in the HRA Income and Expenditure Account but included in the movement on HRA balance for the year</b>	
(7,570)	Transfer to / (from) Major Repairs Reserve	(6,700)
(239)	Transfer to / (from) Housing Services Reserve	(89)
(37)	Transfer to / (from) Affordable / Target Rents Difference Reserve	(49)
(157)	Transfer to / (from) HRA Earmarked Expenditure Reserve	90
(8,003)		(6,748)



## NOTES TO THE SUPPLEMENTARY FINANCIAL STATEMENTS

### NOTES TO THE HOUSING REVENUE ACCOUNT

#### Note H1 Housing Stock Numbers and Values

##### H1.1 Number and Types of Dwelling in the Housing Stock

2015/16 number	Type	2016/17 number
3,388	Houses and Bungalows	3,392
466	Flats	476
3,854	<b>Total</b>	3,868

##### H1.2 Asset Values

2015/16 £000	Type	2016/17 £000
	Operational assets	
120,267	♦ dwellings	152,166
1,150	♦ other land and buildings	1,370
404	♦ assets held for sale	669
16	♦ vehicle, plant and equipment	11
2,728	♦ assets under construction	3,310
124,565	<b>Total</b>	157,526

#### Note H2 Vacant Possession

The vacant possession value is the Council's estimate of the total sum that it would receive if all the dwellings were sold on the open market. The balance sheet value is calculated on the basis of rents receivable on existing tenancies. These are less than would be obtainable on the open market, and the balance sheet value is therefore lower than the vacant possession valuation. The difference between the two values therefore shows the economic cost of providing housing at less than market value. The vacant possession value of dwellings within the HRA at 1<sup>st</sup> of April in the financial year is as follows:

2015/16 £'000	Description	2016/17 £'000
358,474	Vacant possession value	368,578
358,474	<b>Total</b>	368,578

## SUPPLEMENTARY FINANCIAL STATEMENTS

### Note H3 Analysis of Movement on the Major Repairs Reserve

2015/16 £'000	Description	2016/17 £'000
4,636	Balance as at 1 April	3,721
7,570	Amount transferred to the Major Repairs Reserve during the financial year	6,701
(4,549)	The debits to the Major Repairs Reserve in respect of capital expenditure on land, houses and other property within the HRA	(3,039)
(3,936)	Debits in respect of any repayment made in the year, of the principal of any amount borrowed where the repayment was met out of the Major Repairs Reserve	(2,086)
-	Debits in respect of meeting of any liability in respect of credit arrangements, other than any liability, which in accordance with proper practices must be charged to a revenue account, where the meeting of that liability was met by payments out of the Major Repairs Reserve	-
3,721	<b>Balance as at 31 March</b>	5,297

### Note H4 Summaries of Total Capital Expenditure and Receipts

#### H4.1 Summary of Total Capital Expenditure

2015/16 £'000	Description	2016/17 £'000
<b>5,090</b>	Expenditure of HRA land, houses and other property	<b>7,248</b>
5,090	Total	7,248
	Financed By:	
-	● borrowing	(2,237)
(85)	● general capital receipts reserve	(995)
(195)	● government grants	(322)
(218)	● 1-4-1 capital receipts reserve	(458)
(6)	● external contribution	(46)
(4,549)	● major repairs reserve	(3,039)
-	● section 106 reserve	(102)
(37)	● affordable / target rents reserve	(49)
(5,090)	<b>Total</b>	<b>(7,248)</b>

## SUPPLEMENTARY FINANCIAL STATEMENTS

### H4.2 Summary of Total Capital Receipts

2015/16 £'000	Description	2016/17 £'000
1,260	Council house sales	1,658
5	Deferred purchase of council houses	6
1,265	<b>Total</b>	1,664

### H4.3 De-recognition of Replacement Components

Under the CIPFA Code, where capital expenditure has been incurred on the replacement of asset components, this has to be written out as a loss on the replacement. The Council incurred expenditure of £1,392,648 on the replacement of items such as kitchens, bathrooms, windows and doors on its housing stock and this has been shown under "Gain or (loss) on sale of HRA fixed assets" on the HRA Income and Expenditure Account.

### Note H5 Depreciation

2015/16 £'000	Description	2016/17 £'000
	Operational assets:	
1,538	Dwellings	1,569
13	Other land and buildings	17
5	Vehicles	5
1,556	<b>Total</b>	1,591

### Note H6 Share of Contributions to and from Pensions Reserve

Note 31 of the core financial statements gives a detailed insight of the accounting requirements for pension costs in accordance with IAS19.

The following transactions have been made in the HRA to reflect its share of the pension fund transactions in the year:

## SUPPLEMENTARY FINANCIAL STATEMENTS

2015/16 £'000	Description	2016/17 £'000
	<b>HRA Income and Expenditure Account</b>	
	<i>Net cost of services</i>	
468	● Current service cost	428
-	● Past service costs	-
-	● Settlements and curtailments	-
	<i>Net operating cost</i>	
564	● Interest cost	581
(333)	● Expected return on assets in the scheme	(385)
699	<b>Net charge to the HRA Income and Expenditure Account</b>	624
	<b>Statement of movement on the HRA balance</b>	
(699)	Net charges made for retirement benefits in accordance with IAS19	(624)
-	Actual amount charged against general fund balance for pensions in the year	-
357	Employer's contributions payable to scheme	394

### Note H7 Rent Arrears

2015/16 £'000	Description	2016/17 £'000
544	Arrears at 31 March	383

The rent arrears represent 5.07% of the rent collectable for the year (i.e. net of rebates, write offs and voids). The comparative figure for 2015/16 was 7.29%.

A bad debt provision of £243,720 has been made in the accounts for potentially uncollectable rent arrears. (£403,565 for 2015/16).

### Note H8 Any Sums Directed by the Secretary of State to be Debited or Credited

There have been no sums directed by the Secretary of State.

### Note H9 Any Exceptional or Prior Period Items

There have been no exceptional or prior period items occurring during the year.

### Note H10 Impairment Charges

In 2015/16 an impairment had been identified relating to 2 blocks of flats. In 2016/17 the impairment has been adjusted to reflect the completion of works. Additionally another impairment has been made in relation to a large housing development project. These impairment charges have been charged to the Revaluation Reserve and are identified within note 11. Charges for the impact of replacing components within the housing stock are identified in note H4.3.

## SUPPLEMENTARY FINANCIAL STATEMENTS

### COLLECTION FUND

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate fund for the collection of Council Tax and Business Rates. The statement shows the transactions of the billing Council in relation to the collection from taxpayers and distribution to local authorities and the Government of Council Tax and Non-Domestic Rates.

2015/16 £'000	Description	Note	2016/17 £'000
	<b>COUNCIL TAX;</b>		
	<b>Income</b>		
(52,796)	Income from council tax		(55,779)
(52,796)	<b>Total income</b>		(55,779)
	<b>Expenditure</b>		
	<b>Council Tax;</b>		
52,028	Precepts and demands from county, police and district	C3	56,200
69	Change in provision for bad and doubtful debts		80
52,097	<b>Total expenditure</b>		56,280
(699)	<b>Movement on fund balance</b>		501
(775)	<b>Balance at beginning of year</b>		(1,474)
(1,474)	<b>Balance at end of year</b>		(973)

2015/16	Share of Council Tax balance allocated to;	2016/17
(214)	NKDC	(142)
(1,067)	Lincolnshire County Council	(705)
(193)	Lincolnshire Police	(126)
(1,474)		(973)

# SUPPLEMENTARY FINANCIAL STATEMENTS

2015/16	Description	Note	2016/17
£'000			£'000
	<b>BUSINESS RATES;</b>		
	<b>Income</b>		
(4)	Transitional protection income		
(24,223)	Income from business ratepayers		(26,262)
	<b>Contributions to previous years surplus/(deficit);</b>		
-	Central Government		(2,242)
-	NKDC		(1,793)
-	Lincolnshire County Council		(448)
(24,227)	<b>Total Income</b>		(30,745)
	<b>Expenditure</b>		
	<b>Business Rates:</b>		
12,539	Retained central share		12,136
2,508	Payments to LCC		2,427
10,032	Payment to NKDC		9,708
19	Transitional protection payment		55
1,512	Renewable energy schemes - NKDC		1,378
132	Renewable energy schemes - LCC		133
123	Costs of collection		125
56	Change in provision for bad and doubtful debts		144
1,660	Change in provision for appeals		62
28,581	<b>Total expenditure</b>		26,168
4,354	<b>Movement on fund balance</b>		(4,577)
2,177	<b>Balance at beginning of year</b>		6,531
6,531	<b>Balance at end of year</b>		1,954

2015/16				2016/17	
Share of in year (Surplus)/ Deficit	Share of Provision for Appeals	Share of Business Rates Balance Allocated to;		Share of in year (Surplus) / Deficit	Share of Provision for Appeals
2,612	1,467	NKDC		782	1,492
653	367	Lincolnshire County Council		195	373
3,266	1,833	Central Government		977	1,864
6,531	3,667			1,954	3,729

## NOTES TO THE COLLECTION FUND

### Note C1 Non-Domestic Rates

In 2013/14 the local government finance regime was revised with the introduction of the retained business rates scheme. The scheme allows the Council to retain a proportion of the total NDR received – 50% is paid over to Central Government and the remaining 50% split 80% to the District Council and 20% to Lincolnshire County Council.

For 2016/17 the Council are part of a pooling arrangement for business rates income with Lincolnshire County Council, City of Lincoln Council, Boston Borough Council, East Lindsey District Council, South Kesteven District Council and West Lindsey District Council.

The total non-domestic rateable value for North Kesteven District Council at 31 March 2017 was £64,229,124 (2015/16 £63,476,874).

The national non-domestic multiplier for the year was 48.4p for small businesses and 49.7p for all other businesses.

### Note C2 Calculation of Council Tax

The Council's tax base, i.e. the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply) converted to an equivalent number of Band D dwellings, was calculated as follows:

Band	Estimated number of properties after discounts -	Ratio to band D	Band D equivalent dwellings
- A	46	5/9	26
A	11,220	6/9	7,480
B	10,817	7/9	8,413
C	11,481	8/9	10,206
D	5,944	9/9	5,944
E	2,963	11/9	3,621
F	1,396	13/9	2,017
G	380	15/9	633
H	33	18/9	66
	44,280		38,406
	Plus: Crown properties		756
	less: adjustment for collection rates		(288)
	less net effect of premiums and discounts		(3,424)
	<b>Council tax base</b>		<b>35,450</b>

<b>Note C3</b>	<b>Council Tax Precepts and Demands</b>
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Description	Actual Precept for 2016/17 £'000	Share of In Year Surplus/Deficit £'000	Total Precept 2016/17 £'000
Lincolnshire County Council	40,016	724	40,740
North Kesteven District Council	8,040	145	8,185
Lincolnshire Police Authority	7,143	132	7,275
<b>Total</b>	55,199	1,001	56,200



## GROUP ACCOUNTS

### Lafford Homes Ltd Accounts for the year ended 31 March 2017

#### Introduction

The CIPFA Code of Practice requires that where an Authority has material financial interests and a significant level of control over one or more entities, it should prepare group accounts. The aim of these statements is to give an overall picture of the Council's financial activities and the resources employed in carrying out those activities.

"A subsidiary is an entity including an unincorporated entity such as a partnership that is controlled by another entity (the Council), known as the parent."

Lafford Homes Ltd is classified as a subsidiary of North Kesteven District Council and has therefore been consolidated and the required group accounts produced.

The Council incorporated Lafford Homes Ltd during the financial year as a wholly owned subsidiary company for the provision of privately rented housing. Incorporation was achieved with Companies House on 4th August 2016. To this end, activity up to 31st March 2017 in financial terms has been very low.

Accounts for Lafford Homes Ltd have been produced externally by Streets Chartered Accountants

#### Accounting Policies

Lafford Homes Ltd, has prepared 2016/17 accounts using accounting policies consistent with those applied by the Council, and no adjustments have been required to align accounting policies. Both entities have a financial year end of 31 March.

#### Note L1 Group Movement in Reserves Statement

This statement shows the movement in the year on the reserves held by the Group, analysed into usable reserves (i.e. those that can be applied to fund expenditure) and other reserves. The 'Surplus or Deficit on the Comprehensive Income and Expenditure' line shows the true economic cost of providing the Group's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund and Housing Revenue Account for Council Tax setting and dwellings rent setting purposes. Full details of the Council's Usable reserves can be found on the Movement in Reserves Statement on page 17.

<b>Movement in Reserves (MIRS) 2016/17</b>	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000	Lafford Homes £'000	Total Group Reserves £'000
<b>Balance at 31 March 2016</b>	<b>(15,591)</b>	<b>(44,772)</b>	<b>(60,363)</b>	<b>-</b>	<b>(60,363)</b>
(Surplus) or deficit on Comprehensive Income & Expenditure Statement (CIES)	(45,461)	-	(45,461)	10	(45,451)
Other Comprehensive Income & Expenditure	-	17,993	17,993	-	17,993
Adjustments Between Accounting Basis and Funding Basis Under Regulations	44,830	(44,830)	-	-	-
<b>Net increase before transfers to earmarked reserves</b>	<b>(631)</b>	<b>(26,837)</b>	<b>(27,468)</b>	<b>10</b>	<b>(27,458)</b>
<b>Balance at 31 March 2017</b>	<b>(16,222)</b>	<b>(71,609)</b>	<b>(87,831)</b>	<b>10</b>	<b>(87,821)</b>

## Note L2 Group Comprehensive Income and Expenditure Statement

This statement sets out the income and expenditure relating to the Council and its subsidiary, as a whole, together with any appropriations to reserves.

Description		2016/17		
		Group Gross expenditure	Group Gross income	Group Net expenditure
		Group		
		£'000	£'000	£'000
Our Council		5,854	(1,409)	4,445
Our Communities		28,564	(21,944)	6,620
Our Economy		2,268	(1,115)	1,153
Our Homes		2,321	(4,854)	(2,533)
HRA		153	(16,198)	(16,045)
*Change in the SHD % for HRA dwellings		(29,377)	-	(29,377)
Lafford Homes Ltd		7	-	7
<b>Cost of services</b>		9,790	(45,520)	(35,730)
(Gains) / loss on non current asset disposal				(546)
Parish council precepts				2,647
Street lighting special expense				157
Internal drainage board precepts				376
Contribution of housing capital receipts to government pool				409
<b>Other operating expenditure</b>				3,043
Interest payable and similar charges				2,262
Interest and investment income				(270)
Net interest on the defined benefit liability(asset)				874
<b>Financing &amp; investment income &amp; expenditure</b>				2,866
Demand on the collection fund				(8,112)
Redistributed business rates				(5,132)
General Government Grants				(1,708)
Capital Grants & Other contributions				(678)
<b>Taxation &amp; non specific grant income and expenditure</b>				(15,630)
<b>(Surplus) / deficit on the provision of services</b>				(45,451)
Surplus or deficit on revaluation of non current assets				9,675
Surplus or deficit on impairment of non current assets				0
Actuarial gains / losses on pension assets / liabilities				8,318
<b>Other comprehensive income and expenditure</b>				17,993
<b>Total Comprehensive Income and Expenditure</b>				(27,458)

## Note L3 Group Balance Sheet

The Group Balance Sheet summarises the financial position of the Council and its subsidiary as a whole. It shows the value of group assets and liabilities at the end of the financial year.

Description	Notes	2016/17
		£'000
<b>Non Current Assets</b>		
<b>Property, Plant and Equipment</b>		
Council dwellings		152,166
Other land and buildings		20,283
Vehicles, plant and equipment		2,260
Infrastructure		975
Community assets		379
Heritage assets		614
Assets under construction	L6.1	4,750
Surplus assets not held for sale		285
Intangible assets		69
<b>Total Non Current Assets</b>		<b>181,781</b>
Non property investments		2,000
Long term debtors		22
<b>Total Long Term Assets</b>		<b>183,803</b>
<b>Current Assets</b>		
Assets held for sale		669
Short term investments		13,099
Inventories		242
Short term debtors		4,690
Cash and cash equivalents		2,228
<b>Total Current Assets</b>		<b>20,928</b>
<b>Total Assets</b>		<b>204,731</b>
<b>Current Liabilities</b>		
Cash and cash equivalents		(748)
Short term borrowing		(5,812)
Short term creditors		(9,223)
Short term developers' contributions (s106)		(117)
Provisions		(1,739)
<b>Total Current Liabilities</b>		<b>(17,639)</b>
Long term borrowing		(62,949)
Developers' contributions (s106)		(1,597)
Deferred liabilities		(211)
Net pension liability		(34,514)
<b>Total Long Term Liabilities</b>		<b>(99,271)</b>
<b>Total Liabilities</b>		<b>(116,910)</b>
<b>Net Assets</b>		<b>87,821</b>
<b>Financed by:</b>		
Usable Reserves		16,222
Unusable Reserves		71,609
Lafford Homes Reserve		(10)
<b>Total Reserves</b>		<b>87,821</b>

<b>Note L4</b>	<b>Group Cash Flow Statement</b>
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The Group Cash Flow Statement summarises the cash flows of the Council and its subsidiary during the year.

Description	Notes	2016/17 Group £'000
Net surplus or (deficit) on the provision of services		45,452
Adjustment to surplus or deficit on the provision of services for non cash movements	L5 Note A	(33,469)
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	L5 Note A	12,661
<b>Net cash flow from operating activities</b>		<b>24,644</b>
<b>Net cash flow from investing activities</b>	L5 Note C	<b>(20,567)</b>
<b>Net cash flow from financing activities</b>	L5 Note D	<b>(1,902)</b>
<b>Net increase or decrease in cash and cash equivalents</b>		<b>2,175</b>
<i>Cash and cash equivalents at the beginning of the reporting period</i>		<b>(695)</b>
<i>Cash and cash equivalents at the end of the reporting period</i>	L5 Note E	<b>1,480</b>

<b>Note L5</b>	<b>Group Cash Flow Statement Notes</b>
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Operating Activities	2016/17
Note A	£'000
<b>Net surplus or deficit on the provision of services</b>	<b>45,452</b>
<b>Capital activities</b>	
Depreciation	2,320
Impairment or downward valuations	(37,680)
Amortisation	25
Increase /decrease in interest creditors	(1)
Increase/decrease in creditors	174
Increase/decrease in interest debtors	506
Increase/decrease in debtors	(1,041)
Movement in impairment provision for bad debt	-
Increase/decrease in inventories	19
Pension liability	967
Contributions to/(from) provisions	124
Carrying amount of non current assets sold	1,118
	<b>(33,469)</b>
Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities	
Capital grants that are credited to surplus or deficit on the provision of services	(679)
Proceeds from the sale of short and long term investments	15,000
Proceeds from the sale of property plant and equipment , investment property and intangible assets	(1,660)
	<b>12,661</b>
<b>Net cash flows from operating activities</b>	<b>24,644</b>

<b>Operating Activities</b> <b>Interest - Note B</b>	<b>2016/17</b> <b>£'000</b>
Ordinary interest received	270
Opening debtor	606
Closing debtor	(100)
<b>Interest Received</b>	<b>776</b>
Interest charged for the year	(2,262)
Opening creditor	(228)
Closing creditor	227
<b>Interest Paid</b>	<b>(2,263)</b>

<b>Investing Activities</b> <b>Note C</b>	<b>2016/17</b> <b>£'000</b>
Property, plant and equipment purchased	(8,440)
Other capital payments	-
Add back new finance leases (non cash item)	-
Opening capital creditors	(1,291)
Closing capital creditors	1,304
<b>Purchase of property plant and equipment, investment property, and intangible assets</b>	<b>(8,427)</b>
Purchase of short term investments	(13,000)
Purchase of long term investments	(2,000)
<b>Purchase of short and long term investments</b>	<b>(15,000)</b>
Long term loans granted - capital grants repaid	(356)
Proceeds from the sale of property plant and equipment, investment property, and intangible assets	1,665
Proceeds from short term investments	-
Proceeds from long term investments	-
<b>Proceeds from short term and long term investments</b>	<b>-</b>
Other capital grant receipts - capital grants received	-
Capital grants received	1,551
<b>Net cash from investing activities</b>	<b>(20,567)</b>
<b>Treasury Management Transactions During the Year:-</b>	
Out to investments	96,776
Back from investments	98,117

<b>Financing Activities</b> <b>Note D</b>	<b>2016/17</b> <b>£'000</b>
Cash receipts of short-term and long-term borrowing	10,740
Billing authorities - Council tax and NNDR adjustments	2,361
Repayment of short-term and long-term borrowing	(14,826)
Payments for the reduction of a finance lease liability	(177)
<b>Net cash flows from financing activities</b>	<b>(1,902)</b>

<b>Make up of Cash and Cash Equivalents</b> <b>Note E</b>	<b>2016/17</b> <b>£'000</b>
Cash and bank balances	3,017
Cash investments-regarded as cash equivalents	1,348
Bank overdraft	(2,885)
	<b>1,480</b>

## **Note L6 Explanatory Notes to the Group Accounts**

### **L.6.1 Assets under Construction**

Lafford Homes Ltd have purchased land and is in the process of building 33 new flats within the District of North Kesteven.

## **Independent report to the members of North Kesteven District Council**

We have audited the financial statements of North Kesteven District Council for the year ended 31 March 2017 on pages 13 to 95. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

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

### **Respective responsibilities of the Head of Finance and Resources and auditor**

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

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Authority's and the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Head of Finance and Resources and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Narrative Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority and the Group as at 31 March 2017 and of the Authority's and the Group's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

### **Matters on which we are required to report by exception**

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

- the Annual Governance Statement which is issued separately and does not accompany the financial statements for North Kesteven District Council does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' (CIPFA/SOLACE 2016 Edition); or



- the information given in the Narrative Statement for the financial year for which the financial statements are prepared is not consistent with the financial statements; or
- any matters have been reported in the public interest under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of, the audit; or
- any recommendations have been made under Section 24 of the Local Audit and Accountability Act 2014; or
- any other special powers of the auditor have been exercised under the Local Audit and Accountability Act 2014.

## **Conclusion on North Kesteven District Council's arrangements for securing economy, efficiency and effectiveness in its use of resources**

### **Authority's responsibilities**

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

### **Auditor's responsibilities**

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

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### **Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources**

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by C&AG in November 2016, as to whether North Kesteven District Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The C&AG determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether North Kesteven District Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, North Kesteven District Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

## Conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2016, we are satisfied that, in all significant respects, North Kesteven District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

## Certificate

We certify that we have completed the audit of the financial statements of North Kesteven District Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.



John Cornett

For and on behalf of KPMG LLP, Statutory Auditor

*Chartered Accountants*  
St Nicholas House  
31 Park Row  
Nottingham  
NG1 6FQ

29 September 2017

## **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.

### **Accruals Concept**

Sums included in the final accounts of the Council to cover income or expenditure attributable to the accounting period for which payment has not been received or made in the financial year. The Council accrues for both revenue and capital expenditure.

### **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 non-current assets, which is charged to service revenue accounts to reflect the cost of such assets, used in the provision those services. This is the equivalent of depreciation for property, plant and equipment.

### **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 a non-monetary asset that cannot be seen, touched or physically measured and which is 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 that are highly unlikely to be collected.

### **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.

### **Capital Adjustment Account (CAA)**

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, usable 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. Definitions are set out in section 40 of the Local Government Act 1989. Any expenditure that does not fall within the definition must be charged to a revenue account.

### **Capital Receipts**

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

### **Chartered Institute of Public Finance and Accountancy (CIPFA)**

The professional accounting body concerned with local government and the public sector.

### **Collection Fund**

The collection fund is a statutory fund set up under the provisions of the Local Government Act 1988. It includes the transactions of the charging Council in relation to Non Domestic Rates (NDR) and Council Tax (CT) and illustrates the way in which the fund balance is distributed to preceptors and the General Fund.

### **Community Assets**

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

### **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

### **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 Credits**

This is the term 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 amount repayable in any financial year.

### **Depreciation**

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

### **Earmarked Reserves**

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

### **Exit Packages**

This is pay and benefits an employee receives when he or she leaves employment, either through voluntary or compulsory redundancy.

### **Finance Charges - leases**

These are the finance and service charges which form part of minimum lease payments.

### **Finance Leases**

A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.

### **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.

### **Heritage Assets**

A tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

### **Housing Benefits**

This is a national system for providing financial assistance to individuals towards certain housing costs. The cost of the service is subsidised by central government. Benefit paid to the Councils own tenants are known as rent rebate and that paid to private landlords as rent allowance.

### **Housing Revenue Account**

Local Authorities are required to maintain a separate account – the Housing Revenue Account – which sets out the expenditure and income arising from the provision of Council housing. Other services are charged to the General Fund.

### **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 or obsolescence.

### **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. software licences.

### **International Financial Reporting Standard (IFRS)**

Defined accounting standards that must be applied by all reporting entities to all financial statements in order to provide a true and fair view of the entity's financial position, and a standardised method of comparison with financial statements of other entities.

### **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 Lease Payments**

These are rental payments over the lease term including the amount of any bargain purchase option, premium and any guaranteed residual value and excluding any rental relating to costs to be met by the lessor and any contingent rentals.

### **Minimum Revenue Provision**

The minimum amount which must be charged to the Council's revenue accounts each year and set aside for debt repayment, as required by the Local Government and Housing Act 1989.

### **Net Book Value**

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

### **Non-Current Assets**

Tangible assets that yield benefit to the Council and the services it provides for a period of more than one year.

### **Non Domestic Rates (NDR) also known as Business Rates**

Tax charged on the rateable value of non-domestic properties (business properties). The rate of tax is set by the Government. The scheme allows the Council to retain a proportion of the total NDR received – 50% is paid over to Central Government and the remaining 50% split locally between the District Council and Lincolnshire County Council.

### **Non-Operational Assets**

Noncurrent assets held by the Council that are not directly used in the delivery of services, such as surplus properties awaiting disposal.

### **Pooling of Capital Receipts**

From 1 April 2004, under the new capital financing requirements, authorities will have to pool 75% of all housing Right to Buy capital receipts and 50% of all other housing capital receipts.

### **Operating Leases**

A lease where the lessor retains all the risks and rewards of ownership of a non-current asset. The asset remains the property of the lessor and the lease costs are revenue expenditure to the council.

### **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 council, the employees and investment income.

### **Precepts**

The amount of Council Tax income the County, Police Authority, 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 or losses that are due but where the amount due or the timing of the payment is not known with any certainty.

## 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 (usable)

Amounts set aside for general contingencies, to provide working balances or earmarked to specific future expenditure.

Access to Services Reserve	Created from amassed funds relating to non-charging of utility bills by Leisure Connection. It will be used for access to services development initiatives
Apprentice Reserve	To fund the apprentice programme.
Business Transformation Reserve	Costs associated with development/implementation of this initiative
Capital – Refuse Vehicle Replacement Reserve	Created to purchase outright our refuse fleet instead of contract hiring.
Capital Reserve	Maintained to finance current and future capital expenditure
Community Right to Challenge Reserve	Created to assist with the costs around the new Community Rights to Challenge that may follow on the Council.
Corporate Training and Development Reserve	Maintained to enable corporate training requirements to be met , whilst ensuring specific training costs are met from individual budgets
Early Retirement Redundancy and Equal Pay Reserve	Accommodates the delayed costs of retirement/redundancy outstanding from the previous year, together with a contingency amount for any further costs arising throughout the year
Earmarked Expenditure Reserve - General Fund	Created to accommodate expenditure that has been carried forward for special schemes
Earmarked Expenditure Reserve – HRA	Created to accommodate HRA expenditure that has been carried forward for special schemes
Eastgate Car Park Equipment Reserve	Created to contain the annual contributions received from Sleaford Town Council to fund the future purchase of new ticket machines
Environmental Reserve	Maintained to cover the extraordinary costs of Drainage Schemes and contaminated land issues as well as other Environmental Schemes
Exceptional Witness Reserve	Costs associated with promoting Housing Benefits fraud initiatives
General Fund	Resources available to meet future running costs of non-housing services
Greater Lincoln Transport Strategy Reserve	Created in view of possible financial payments required from the Council towards the Eastern Growth Corridor
Homelessness Reserve	Contains funding for a variety of homelessness initiatives that are in the process of being implemented by the Council
Housing and Planning Grant Reserve	Contains Government Grants received to be used for the future delivery on the Council's local planning issues
Housing Services Reserve	Maintained to fund a variety of future housing initiatives.
HRA - Housing Revenue Account	Resources available to meet future running costs of Council Houses



ICT Reserve	Maintained in order to protect the Council's current investment in I T
Income Volatility Reserve	To minimise the impact of the diverse income streams.
Invest to Save Reserve	Additional resources to promote and implement initiatives
Local Development Framework Reserve	Enables expenditure to be charged in the current financial year in accordance with approved spending schemes
Local Elections Reserve	Created to fund the District Council election.
Monitoring Officer Investigations Reserve	To fund the spend on the Monitoring Officer's investigations
New Homes Bonus Reserve	To accommodate increased infrastructure costs associated from additional new homes in district.
NK Fund Reserve	Helps with small projects in the district that help to maintain and improve existing facilities
Our Council Reserve	To support the delivery of key activities relating to the 'Our People' element of the Corporate plan (for instance, ExCITe and Our People programmes) in the form of support or specialist advice.
Our Economy Reserve	Contains the funding awarded under the Local Authority Business Growth Incentive Scheme and will be utilised on Regeneration Schemes
Refuse Vehicle Repair Reserve	As the Council now purchases rather than leases its vehicles it is likely repairs costs will increase over time.
Renewals Reserve	Held for the purpose of financing new vehicles, equipment and/or major repairs and maintenance works
Uninsured Claims Reserve	Maintained to accommodate any unforeseen costs of defending and payment of compensation claims brought against the council
Useable Capital Receipts Reserve	Proceeds of non-current asset sales available to meet future capital investment
Village Halls and Playing Fields Reserve	Maintained to help with practical schemes to improve the environment as well as providing for new equipment and start-up costs of new groups
Wheeled Bin Replacement Reserve	Contains the funding to meet potential replacement of wheeled bins that have now been used in the district for many years
Whisby Car Parking Reserve	Reserve set up to cover the costs relating to Whisby natural world schemes.

#### **Reserves (unusable)**

These reserves, such as the Pension Reserve and Capital Adjustment Account hold costs that the Authority has accrued but not yet financed and therefore cannot be spent on Council services.

#### **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 limit of the previous increases in value of the same assets.

#### **Revenue Expenditure**

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

#### **Revenue Support Grant (RSG)**

A general grant paid by central government to local authorities as a contribution towards the cost of their services. This amount is fixed at the beginning of each financial year.